PEPSI-COLA BOTTLING COMPANY
OF THE PHILIPPINES, INC.,
Petitioner,

- versus - C.T.A. CASE NO. 2219

11/18/74

THE COMMISSIONER OF INTERNAL
REVENUE,
Respondent.
x - - - - - - - - - - - - - - x

DECISION

This is an appeal from the decision of respondent dated January 29, 1971, holding petitioner liable for the total amount of ₱238,059.22 as deficiency income tax and interest for the year 1968.

Petitioner, a corporation filing its income tax return on the basis of the calendar year, was required by respondent to pay the amount of ₱171,905.84 as deficiency income tax for the year 1968, inclusive of interest and compromise penalty. The basis of said deficiency was the application by respondent, effective July 1, 1968, of the new corporate income tax rates of 25% and 35% prescribed in Republic Act No. 5431, which increased the old rates provided in Section 24 of the Revenue Code.

On October 6, 1969, petitioner, in a letter sent through counsel, requested respondent to reconsider the assessment on the ground that the increased rates provided in Republic Act No. 5431 are applicable to its income only from January 1, 1969 and not from July 1, 1968, in view of Section 10 of said Act which provides:

> "The provisions of this Act shall apply to income for taxable years beginning after June 30, 1968."

In other words, petitioner claimed that the beginning of its taxable year after June 30, 1968 is January 1, 1969 since its accounting period is the calendar year which starts from January 1st and ends on December 31st each year.

In a letter dated January 29, 1971, which was received by the petitioner on February 17, 1971, respondent further increased the original deficiency assessment to ₱238,059.22, inclusive of interest.

On March 1, 1971, petitioner appealed to this Court and after the filing of respondent's answer, both parties submitted the case for decision based on the pleadings and BIR records.

The issue is whether the increased rates of corporate income tax prescribed in Republic Act No. 5431 are applicable to the income of a calendar year corporation, like petitioner herein, beginning July 1, 1968, as contended by respondent, or January 1, 1969, as claimed by petitioner.

The issue before us is not new. In previous cases involving the same issue, this Court held that the increased rates prescribed in Republic Act No. 5431 are not applicable to income of calendar year corporations beginning July 1, 1968 but from January 1, 1969 since this is the start of their taxable year after June 30, 1968. Consequently, the income of such corporations from July 1, 1968 to December 31, 1968 is still subject to the old rates prescribed in Section 24 of the Revenue Code before its amendment by Republic Act No. 5431. (The Manila Times Pub. Co., Inc. vs. Comm. of Int. Rev., C. T. A. Case No. 2263, Dec. 17, 1973, cert. denied in G. R. No. L-38154, May 10, 1974; Zamboanga Wood Products, Inc. vs. Comm. of Int. Rev., C. T. A. Case No. 2053, June 3, 1974; Colgate Palmolive Phil., Inc. vs. Comm. of Int. Rev., C. T. A. Case No. 2293, June 10, 1974; Phil. Aviation Corp. vs. Comm. of Int. Rev., C. T. A. Case No. 2195, Aug. 5, 1974; First Insular Bank of Cebu vs. The Commissioner of Internal Revenue, C. T. A. Case No. 2262, August 29, 1974.)

DECISION -
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Finding no valid ground to deviate from our opinion in the aforesaid cases, the decision appealed from is reversed.

SO ORDERED.

Quezon City, November 18, 1974.

ROMAN M. UMALI
Presiding Judge

WE CONCUR:

ESTANISLAO R. ALVAREZ
Associate Judge

RAMON L. AVANCEÑA
Associate Judge

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