REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

CANTILAN LUMBER COMPANY,
Petitioner,

- versus - C.T.A. CASE NO. 2454

THE COMMISSIONER OF INTERNAL REVENUE,
Respondent.

x - - - - - - - - - - - - - - x

D E C I S I O N

This is an appeal from the decision of respondent dated October 22, 1972 denying petitioner's request to set aside the assessment in the amount of ₱21,026.26 as deficiency income tax for the year 1968.

Petitioner is a corporation duly organized and existing by virtue of the laws of the Philippines. It files its income tax returns on the fiscal year basis, its taxable year commencing November 1 and ending October 31 of the following year. For the fiscal year 1967-68 (November 1, 1967 to October 31, 1968), petitioner computed its income tax on the basis of the old rates of 22% and 30%, as prescribed in Section 24 of the Revenue Code, prior to its amendment by Republic Act 5431 which provides that the "provisions of this Act shall apply to income for taxable years beginning after June 30, 1968." However, respondent computed the income tax of petitioner based on the new rates with respect

(21)

to its income earned from July 1, 1968 to October 31, 1968. As a result, respondent assessed against petitioner a deficiency income tax of ₱21,026.26 inclusive of interest. This was protested but was denied by respondent in his decision dated October 2, 1972. Hence, this appeal.

The sole issue in this case is purely one of law, i.e., whether or not the increased rates of corporate income tax of 25%-35% tax prescribed in Republic Act No. 5431 should apply to petitioner's income received from July 1, 1968 to October 31, 1968.

As the taxable year of petitioner begins on November 1, the beginning of its taxable year after June 30, 1968, is November 1, 1968 and not July 1, 1968. Accordingly, it was error for respondent to apply the new corporate income tax rates on the income of petitioner beginning July 1, 1968. (See Manila Times Publishing Co., Inc. vs. Comm. of Int. Rev., C.T.A. Case No. 2263, December 17, 1973, cert. denied in G.R. No. L-38154, May 10, 1974; Philippine Match Co., Ltd. vs. The Comm. of Int. Rev., C.T.A. Case No. 2422, February 19, 1975, and cases cited therein.)

WHEREFORE, the decision appealed from is hereby reversed. No pronouncement as to costs.

SO ORDERED.

Quezon City, October 1, 1975

ROMAN M. UMALI
Presiding Judge

WE CONCUR:

ESTANISLAO R. ALVAREZ
Associate Judge

RAMON L. AVANCEÑA
Associate Judge