PEPSI-COLA FAR EAST TRADE
DEVELOPMENT CO., INC.,
Petitioner,

- versus - C.T.A. CASE NO. 2220

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

9/30/75

DECISION

Petitioner, a corporation filing its income tax returns on the calendar year basis, was required by respondent to pay the sum of ₱581,751.66 as deficiency income tax and delinquency penalty for the year 1968. The basis of assessment was the application, 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.

In its appeal to this Court from the decision of respondent dated January 29, 1971, petitioner contends that under Section 10 of Republic Act No. 5431 which provides that the new corporate income tax rates "shall apply to income for taxable years beginning after June 30, 1968," the increased rates are applicable only to its income beginning from January 1, 1969 and not July 1, 1968, since its taxable year, which is the calendar year, begins on January 1st and ends on December 31st each year.

In previous cases involving the same issue, it was held that the increased rates prescribed in

Republic Act No. 5431 are applicable to income of calendar year corporations beginning January 1, 1969 and not July 1, 1968 as interpreted by respondent. Thus, the income of petitioner earned from July 1, 1968 to December 31, 1968 is still subject to the old rates prescribed in Section 24 of the Internal Revenue Code, before its amendment by Republic Act No. 5431. (The Manila Times Publishing Co., Inc. vs. Comm. of Int. Rev., C.T.A. No. 2263, December 17, 1973, certiorari denied in G.R. No. L-18154, May 10, 1974; Pepsico, Inc. vs. The Commissioner of Int. Rev., C.T.A. No. 2245, Feb. 19, 1975, and cases cited therein.)

WHEREFORE, the decision appealed from is hereby reversed. Without pronouncement as to costs.

SO ORDERED.

Quezon City, September 30, 1975.

R M Umali
ROMAN M. UMALI
Presiding Judge

WE CONCUR:

Estanislao R. Alvarez
ESTANISLAO R. ALVAREZ
Associate Judge

Ramon L. Avanceña
RAMON L. AVANCEÑA
Associate Judge

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