REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

RURAL BANK OF PAGBILAO, INC.,
Petitioner,

- versus - C.T.A. CASE NO. 2047

COMMISSIONER OF INTERNAL
REVENUE,
Respondent.

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

12/3/74

D E C I S I O N

After the enactment of Republic Act No. 5431 on June 27, 1968, increasing the rates of corporate income tax prescribed in Section 24 of the Tax Code (from 22% to 25% on the first ₱100,000.00 net income, and from 25% to 35% on the excess thereof) and providing that:

> "The provisions of existing special or general laws to the contrary notwithstanding, all corporate taxpayers not specifically exempt under Sections twenty-four (c)(1) and twenty seven of this Code shall pay the rates provided in this Section. xx xx xx."

the Bureau of Internal Revenue, on November 15, 1968, promulgated Revenue Memorandum Circular No. 41-68, directing, among others, that all corporations which under special laws were exempted from income tax were now subject to such tax based on their income beginning July 1, 1968.

Pursuant to said Circular, petitioner herein, a rural bank organized as a corporation under

Republic Act No. 720, as amended, and which was enjoying exemption from "all taxes" of "whatever nature and description" under Section 14 of said Act, was required by respondent Commissioner of Internal Revenue to pay the amount of ₱7,092.28, as income tax from July 1 to December 31, 1968, inclusive of 1/2% monthly interest.

On the theory, among others, that its exemption was not repealed by Republic Act No. 5431, petitioner filed a protest against the assessment, and after the same was denied by respondent, appealed to this Court.

Respondent filed his answer to petitioner's appeal but on the scheduled hearing on August 9, 1974, he agreed with petitioner's manifestation that the case be submitted on the basis of the pleadings and the case of Rural Bank of Camiling, Inc. vs. Commissioner of Internal Revenue, C.T.A. Case No. 2041,* March 1, 1974, involving a similar issue.

For convenience and expediency, we will merely restate what we said in the Camiling case:

> Petitioner is a corporation doing business as a rural bank in Camiling, Tarlac, pursuant to Repub-

---

*Certiorari denied in G. R. No. L-38476, May 10, 1974.

lic Act No. 720, as amended. Under Section 14, of said Act, it was exempt from all taxes, charges, and fees of whatever nature and description. However, under paragraph (d) of Section 24 of the National Internal Revenue Code, as amended by Republic Act No. 5431, it is provided that "all corporate taxpayers not specifically exempt under Section 24(c)(1) and 27 of this Code shall pay the rates provided in this Section," the provisions of existing special or general laws to the contrary notwithstanding. Pursuant to this amendment, respondent has required petitioner to pay the amount mentioned above, but the latter has resisted the assessment on the ground that Section 24(d) of the Revenue Code, as amended by Republic Act No. 5431, did not have the effect of repealing its exemption under Republic Act No. 720, as amended. It is also alleged that, assuming that its exemption has been repealed, it can not be held subject to income tax beginning July 1, 1968, in view of Section 10 of Republic Act No. 5431, which provides:

> "Sec. 10. The provisions of this Act shall apply to income for taxable years beginning after June 30, 1968."

It appears that petitioner is keeping its books of account on the calendar year basis. Its "taxable year" for purposes of the Income Tax Law is the period from January 1 to December 31 each year. Therefore, the beginning of its taxable year after June 30, 1968, is January 1, 1969, and not July 1, 1968. The decision of respondent holding that the provisions of Republic Act No. 5431 are applicable to petitioner effective July 1, 1968, is obviously erroneous. xx xx xx.

xx xx xx xx

> In view of our opinion on the effectivity clause of Republic Act No. 5431, we find it unnecessary to pass upon the issue of whether or not said Act repealed the exemption from taxation of petitioner under Republic Act No. 720, as amended. At any rate, the exemption from taxation of rural banks has apparently been restored by Republic Act No. 5939, assuming that Republic Act No. 5431 repealed the prior exemption. (Underlining supplied.)

The same ruling has been followed in similar cases. (See Rural Bank of Sariaya, Inc. vs. Comm. of Int. Rev., C.T.A. No. 2068, Sept. 24, 1974; Rural Bank of Talisay, (Cebu) Inc. vs. Comm. of Int. Rev., C. T. A. No. 2250, Sept. 24, 1974; Rang-ay Rural Bank, Inc. vs. Comm. of Int. Rev., C. T. A. No. 2254, Oct. 30, 1974; Rural Bank of Ormoc City vs. Comm. of Int. Rev., C. T. A. No. 2241, Sept. 24, 1974; Rural Bank of Los Baños, Inc. vs. Comm. of Int. Rev., C. T. A. No. 2231, Nov. 12, 1974; Rural Bank of Sta. Cruz (Laguna) vs. Comm. of Int. Rev., C. T. A. No. 2246, Nov. 11, 1974; Rural Bank of Iloilo City, Inc. vs. Comm. of Int. Rev., C. T. A. No. 2232, Nov. 11, 1974.)

IN VIEW OF THE FOREGOING, respondent's decision requiring petitioner to pay the sum of

₱7,052.28, as income tax and interest for the year 1968, is hereby reversed. No. costs.

SO ORDERED.

Quezon City, December 3, 1974.

ROMAN M. UMALI
Presiding Judge

WE CONCUR:

ESTANISLAO R. ALVAREZ
Associate Judge

RAMON L. AVANCEÑA
Associate Judge

/dmm