REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

RURAL BANK OF SARIAYA, INC.,
Petitioner,

versus

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

C.T.A. CASE NO. 2068

9/24/74

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

DECISION

Petitioner has appealed from the decision of respondent Commissioner of Internal Revenue, dated July 18, 1969, holding petitioner liable for the payment of ₱3,310.92 as income tax for the period from July 1 to December 31, 1968, inclusive of interest, computed as follows:

Total net income for the year 1968	₱25,964.55
Income from 7/1 to 12/31/68 . .	₱12,982.28
Tax due, new rate (25%)	₱ 3,246.00
½% monthly interest, 4/16 to 8/16/69 (2%)	64.92
Total amount due and collectible	₱ 3,310.92

Petitioner is a corporation doing business as a rural bank in Sariaya, Quezon, pursuant to Republic Act No. 720, as amended. Under Section 14 of said Act, it is 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 Section 1 of Republic Act No. 5431, it is provided that "all corporate taxpayers not specifically exempt under Sections 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 its charter. It is also alleged that, assuming that its exemption has been repealed, it can not be held subject to income tax beginning July 1, 1968, in view of Section 10 of Republic Act No. 5431, which provides:

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

There is no question that petitioner, as a rural bank, is keeping its books of account on the calendar year basis, so that the beginning of its taxable year is January 1 ending on December 31 each year. Therefore, the beginning of its taxable year after June 30, 1968 is January 1, 1969, and it was error for it to be required to pay income tax on its income for the period

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from July 1 to December 31, 1968, because of its exemption under its charter. (Rural Bank of Camiling, Inc. v. Commissioner of Internal Revenue, C.T.A. No. 2041, March 1, 1974, cert. denied in G.R. No. L-38476, May 10, 1974; see also The Manila Times Publishing Co., Inc. v. Commissioner of Int. Rev., C.T.A. No. 2053, Dec. 17, 1973, cert. denied in G.R. No. L-38154, May 10, 1974.)

In view of our opinion on the effectivity clause of Republic Act No. 5431, it is needless to pass upon the question whether or not said Act repealed the exemption from taxation of petitioner under its charter (Republic Act No. 720, as amended). At any rate, the provision exempting rural banks from taxation under their charter has been re-enacted in Republic Act No. 5939, assuming that Republic Act No. 5431 repealed the prior exemption.

WHEREFORE, the decision appealed from is hereby reversed. Accordingly, respondent's assessment against petitioner is hereby cancelled and declared of no force and effect. Without pronouncement as to costs.

SO ORDERED.

Quezon City, September 24, 1974.

ROMAN M. UMALI
Presiding Judge

WE CONCUR:

ESTANISLAO R. ALVAREZ
Associate Judge

RAMON L. AVANCEÑA
Associate Judge