REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

RANG-AY RURAL BANK, INC.,
Petitioner,

- versus - C.T.A. CASE NO. 2254

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

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

D E C I S I O N

Petitioner, a rural bank organized under Republic Act No. 720, as amended, is seeking the refund of the sum of ₱15,172.00, representing the income tax which it paid on May 15 and August 12, 1969, covering its income from July 1 to December 31, 1968. There being no dispute as to the facts, the parties have agreed to submit the case for judgment on the pleadings.

The said amount of ₱15,172.00 was paid by petitioner pursuant to Revenue Memorandum Circular No. 41-68 of the Bureau of Internal Revenue wherein it was held that all corporations previously exempt from income tax became subject to such tax by virtue of Section 24(d) of the Revenue Code, as amended by Section 1 of Republic Act No. 5431, providing that all corporate taxpayers, other than those exempted under Sections 24(c)(1) and 27 of said Code, are subject to tax effective July 1, 1968, regardless of the provisions of existing special or general laws to the contrary.

It is alleged on behalf of petitioner that under Republic Act No. 720, as amended, it is exempt from all taxes, and that Section 24(d) of the Revenue Code, as amended by Section 1 of Republic Act No. 5431, which provides for the taxability of previously exempt corporations, did not repeal its exemption under its charter. Even assuming that its exemption had been repealed by Republic Act No. 5431, it is contended that its taxability should commence from January 1, 1969 and not from July 1, 1968, in view of Section 10 of said Act which provides:

> "SEC. 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 an error for it to have been required to pay income tax on its income for the period 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 Rural Bank of Talisay, (Cebu) Inc. vs. Comm. of Int. Rev., C. T. A. No. 2250, Sept. 24, 1974; Rural Bank of Sariaya, Inc. vs. Comm. of Int. Rev., C. T. A. No. 2068, Sept. 24, 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 provisions 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, respondent is hereby ordered to refund to petitioner the sum of ₱15,172.00. No costs.

SO ORDERED.

Quezon City, October 30, 1974.

ROMAN M. UMALI
Presiding Judge

WE CONCUR:

ESTANISLAO R. ALVAREZ
Associate Judge

RAMON L. AVANCEÑA
Associate Judge

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