TABACALERA INSURANCE
CO., INC.,
Petitioner,

versus

C.T.A. CASE NO. 2081

COMMISSIONER OF
INTERNAL REVENUE,
Respondent.

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

D E C I S I O N

Petitioner, a corporation filing its income tax returns on the calendar year basis, was required by respondent to pay the sum of ₱26,930.10, as deficiency income tax and delinquency penalties for the year 1968. The basis of the 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 9, 1970 denying its protest against the assessment, petitioner contends that under Section 10 of Republic Act No. 5431 which provides that the provisions of said Act "shall apply to income for taxable years beginning after June 30, 1968," the increased rates are applicable only to its income beginning January 1, 1969 and not July 1, 1968, since its taxable year, which is the calendar year, begins on January 1st

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and ends on December 31st each year.

The issue to be resolved is already well settled. 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, from July 1, 1968 until December 31, 1968, the income of such corporations is still subject to the old rates prescribed under Section 24 of the Internal Revenue Code, before its amendment by Republic Act No. 5431. (The Manila Times Pub. Co., Inc. v. Comm. of Int. Rev., C.T.A. Case No. 2263, Dec. 17, 1973, cert. denied in G.R. No. L-38154, May 10, 1974; Zamboanga Wood Products, Inc. v. Comm. of Int. Rev., C.T.A. Case No. 2053, June 3, 1974; Colgate Palmolive Phil., Inc. v. Comm. of Int. Rev., C.T.A. Case No. 2293, June 10, 1974; Phil. Aviation Corp. v. Comm. of Int. Rev., C.T.A. Case No. 2195, August 5, 1974; First Insular Bank of Cebu v. The Comm. of Int. Rev., C.T.A. Case No. 2262, August 29, 1974.)

WHEREFORE, finding no valid ground to deviate from the aforesaid ruling of this Court in said cases, the decision appealed from is hereby reversed. No costs.

SO ORDERED.

Quezon City, November 20, 1974.

ROMAN M. UMALI
Presiding Judge

WE CONCUR:

ESTANISLAO R. ALVAREZ
Associate Judge

RAMON L. AVANCEÑA
Associate Judge