

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

PEPSICO, INC.,
Petitioner,

versus

C.T.A. CASE NO. 2245

THE COMMISSIONER OF
INTERNAL REVENUE,
Respondent.

2/19/75

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 ₱119,558.97, as deficiency income tax and delinquency penalties for the year 1968. The deficiency assessment is the result of 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.

Section 10 of Republic Act No. 5431 provides that the increased rates of corporate income tax prescribed in said Act "shall apply to income for taxable years beginning after June 30, 1968." As petitioner is filing its income tax returns on the calendar year basis, the beginning of its taxable year after June 30, 1968 is January 1, 1969 and not July 1, 1968, and the new rates should apply to petitioner's income only from the former date. However, respondent contends that the new rates of corporate income

tax under Republic Act No. 5431 shall be applied to income earned beginning July 1, 1968, regardless of whether a corporation pays its income tax on the calendar or fiscal year basis.

The issue raised is not one of first impression. In several cases, to wit: *The Manila Times Publishing Co., Inc. v. Comm. of Int. Rev.*, C.T.A. No. 2263, December 17, 1973; certiorari denied in G.R. No. L-38154, May 10, 1974; *Zamboanga Wood Products, Inc. v. Comm. of Int. Rev.*, C.T.A. No. 2053, June 3, 1974; *Colgate Palmolive Philippines, Inc. v. Comm. of Int. Rev.*, C.T.A. No. 2293, June 10, 1974; *Phil. Aviation Corporation v. Comm. of Int. Rev.*, C.T.A. No. 2195, August 5, 1974; *First Insular Bank of Cebu v. The Comm. of Int. Rev.*, C.T.A. No. 2262, August 29, 1974; *Tabacalera Ins. Co., Inc. v. Comm. of Int. Rev.*, C.T.A. No. 2081, November 20, 1974, 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. 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.

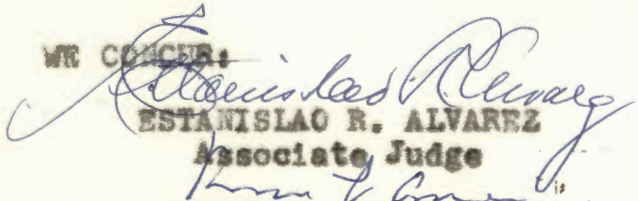
WHEREFORE, the decision appealed from is hereby reversed. No costs.

SO ORDERED.

Quezon City, February 19, 1975.


ROMAN M. UMALI
Presiding Judge

WE CONCUR:


ESTANISLAO R. ALVAREZ
Associate Judge


RAMON L. AVANCENA
Associate Judge