lit.

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

RED V COCONUT PRODUCTS, LTD.,
Petitioner,

- versus - C.T.A. CASE NO. 2289

THE COMMISSIONER OF INTERNAL
REVENUE,
Respondent.

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

3/31/75

D E C I S I O N

This is an appeal from the decision of respondent Commissioner of Internal Revenue dated March 31, 1971 holding petitioner liable for the sum of ₱100,086.11, as deficiency income tax for 1968.

Petitioner is a domestic corporation engaged in the manufacture of dessicated coconut for export and local consumption. Its books of accounts, for purposes of taxation, are kept on the calendar year basis. For the calendar year 1968 (January 1, 1968 to December 31, 1968), it filed its income tax return and paid income tax based on the old rates of 22% on the first ₱100,000 net income and 30% on the excess of ₱100,000 as provided in Section 24 of the National Internal Revenue Code, prior to its amendment by Republic Act No. 5431.

On February 28, 1971, based on the belief that Republic Act No. 5431, which increased the corporate income tax rates from 22% to 25% on the first ₱100,000 net income and from 30% to 35% on the excess, was applicable to the income of petitioner effective July 1, 1968, respondent assessed against petitioner a deficiency income tax in the amount of ₱100,086.11, inclusive of interest. On March 1, 1971, petitioner requested reconsideration of the assessment. On March 31, 1971, respondent denied the request for reconsideration.

The only issue to be resolved in this case is whether or not the new rates of the corporate income tax provided in Republic Act No. 5431, which amended Section 24 of the National Revenue Code, should apply to the income of petitioner beginning July 1, 1968, as contended by respondent, or from January 1, 1969, as contended by petitioner.

The issue has already been finally settled. In the case of Manila Times Publishing Co., Inc. vs. Commissioner of Internal Revenue, CTA Case No. 2263, December 17, 1971,[1] it was held that in the case of a corporation whose accounting period is the calendar year, the new rates of corporate income tax provided in Section 24 of the Tax Code, as amended by Republic Act No. 5431, are applicable to its income beginning January 1, 1969 in view of Section 10 of said Act

[1] Certiorari denied in G.R. No. L-38154, May 10, 1974.

which provides that the provisions of said Act "shall apply to income for taxable years beginning after June thirty, nineteen hundred sixty-eight." The beginning of the taxable year of a calendar year corporation, such as petitioner, is January 1, 1969, not July 1, 1968. Therefore, respondent erred in holding petitioner liable for the increased rates of income tax beginning July 1, 1968.

WHEREFORE, the decision appealed from is hereby reversed. Without pronouncement as to costs.

SO ORDERED.

Quezon City, Philippines, March 31, 1975.

ROMAN M. UMALI
Presiding Judge

WE CONCUR:

ESTANISLAO R. ALVAREZ
Associate Judge

RAMON L. AVANCEÑA
Associate Judge

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