

46 Phil. 807

[G.R. No. 20057. March 24, 1923]

**THOMAS G. INGALLS, PLAINTIFF AND APPELLEE, VS. WENCESLAO TRINIDAD,
DEFENDANT AND APPELLANT.**

D E C I S I O N

ROMUALDEZ, J.:

The question at issue in this appeal is purely one of law, and is whether the exemption of a married person is up to P8,000 or P6,000, in case of income received by the taxpayer during the year 1920.

In his income tax return for the year 1920, filed March 1, 1921, the plaintiff stated that the total of his net income of said year amounted to P8,333.33, and that his exemption as a married man with three children amounted to P9,200 in all, of which his personal exemption was P8,000; and therefore he believed himself to be exempt from the payment of income tax.

The defendant, however, did not allow him but P6,000 as personal exemption, and collected from him as a tax upon the remaining income the sum of P34, which the plaintiff paid under protest, and which he now seeks to recover in this action.

The defendant demurred to the complaint on the ground that under the law the plaintiff was exempted up to P6,000 only.

The demurrer was overruled by the lower court by an order dated February 13, 1922, and that ruling is the subject-matter of this appeal.

Under the original provisions of Act No. 2833 in force in 1920, the personal exemption was P8,000; but those provisions were in this respect amended by Act No. 2926 which took effect on January 1, 1921, reducing such exemption to

P6,000.

The plaintiff contends that the law applicable to his income received in 1920, is not Act No. 2926, which took effect on January 1, 1921, but the previous law, that is to say, Act No. 2833 which was in force in the year 1920.

However, these statutes dealing with the manner of collecting the income tax and with the deductions to be made in favor of the taxpayer have reference to the time when the return is filed and the tax assessed. If Act No. 2926 took, as it did take, effect on January 1, 1921, its provisions must be applied to income tax returns filed, and assessments made from that date. This is the reason why Act No. 2833, and Act No. 2926, in their respective first sections, refer to income received *during the preceding civil year*.

Wherefore, the order appealed from is reversed, and the demurrer filed by the defendant sustained, the plaintiff being allowed to amend his complaint within the period fixed by the Rules.

Without special pronouncement as to costs. So ordered.

Araullo, C.J.,

Street, Malcolm, Avanceña, Ostrand, and Johns, JJ., concur.