

PHILIPPINE RACING CLUB, INC., PETITIONER, VS. COLLECTOR OF INTERNAL REVENUE, RESPONDENT.

G.R. No. L-12781. August 31, 1960

Ponente: GUTIERREZ DAVID, J.

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GUTIERREZ DAVID, J.:

This case involves a claim for the recovery of the aggregate amount of P19,699.00 representing income tax for 1950 and 1951, which is alleged to have been illegally assessed and collected by the respondent Collector of Internal Revenue.

The claimant, herein petitioner Philippine Racing Club, Inc., is the owner of a horse race track. It paid the amounts of P12,902.00 and P6,797.00 as income tax on the sums of P80,635.00 and P93,307.00, which were allegedly derived by it from holding horse races for the Philippine Charity Sweepstakes Office during the years 1950 and 1951, respectively. Alleging overpayment of its income tax, said petitioner filed a claim for refund with the respondent Collector of Internal Revenue and, when the refund was denied, it filed an action in the Court of First Instance of Manila to recover the total sum of P19,699.00 against the Collector claiming that the same has been wrongfully collected. The case was pending trial when Republic Act No. 1125 creating the Court of Tax Appeals was approved on June 16, 1954. Pursuant to section 22 of said Act, the case was transmitted to the Court of Tax Appeals.

Upon a stipulation of facts and after hearing was had pursuant to the parties' reservation of their right to present additional evidence, the Court of Tax Appeals rendered a decision, the dispositive part of which reads:

"For the Foregoing Considerations, we are of the opinion that plaintiff is subject to the income tax on the amounts received by it from the Philippine Charity Sweepstakes Office either as rentals for the use of its race track during Saturday races held under Republic Act No. 79 or as its shares in the net proceeds derived from the holding of charity sweepstakes races under Act No. 4130, as amended. The complaint is accordingly dismissed, with costs against plaintiff."

From this decision, the Philippine Racing Club, Inc., brought the case on appeal to this Court.

The only question to be determined is whether or not the petitioner Philippine Racing Club, Inc., is exempt from paying the income tax on the amounts it received from the Philippine Charity Sweepstakes Office during the years 1950 and 1951.

The income tax returns filed by said petitioner, as agreed upon in the stipulation of facts, show that it "received from the Philippine Charity Sweepstakes Office the sums of P80,635.95 and P93,307.50 as its share from the net proceeds from the holding of horse races in 1950 and 1951." By this stipulation, the parties simply admitted the existence of such entries in the returns and, contrary to petitioner's contention, could not have precluded the respondent from presenting evidence as to the nature and source of the income received. The sources of said amounts as stated in the decision complained of are itemized in Exhibit "1" as follows:

1950

(1)

Track rentals—

Jan. 28, 1950

P3,950.00

Feb. 19, 1960

3,950.00

Mar. 11, 1950

3,875.00

Mar. 25, 1950

3,875.00

Apr. 16, 1950

3,875.00

(2)

Shares in net proceeds of sweepstakes races—

Feb, 28, 1950

P14,887.87

June 30, 1950

14,179.19

Oct. 31, 1950

16,471.75

Dec. 25, 1950

15,572.14

Total

P80,635.95

1951

(1)

Track rentals—

Jan. 27, 1951

P3,875.00

Feb. 17, 1961

3,875.00

Mar. 10, 1951

3,875.00

Mar. 31, 1951

3,875.00

Apr. 28, 1951

3,875.00

May 12, 1951

3,875.00

(2)

Shares in pet proceeds of sweepstakes races—

Feb. 25, 1961

P16,231.19

Apr. 24, 1951

14,803.39

Sept. 16, 1951

12,326.68

Oct. 18, 1951

22,821.50

Total

P93,307.50

The record further shows that the amounts received by petitioner from the Philippine Charity Sweepstakes Office as track rentals were for the use of the former's race track during Saturday races held by the latter pursuant to the authority granted to it by Republic Act No. 79. The amounts received by petitioner as its shares in the net proceeds of sweepstakes races, on the other hand, were paid to it in connection with charity horse races held in its race track also by tike Philippine Charity Sweepstakes Office by authority of Act No. 4130, as amended.

In claiming exemption from the payment of income tax, petitioner invokes the exemption clause provided in Section 3 of Republic Act No. 79, entitled "An Act to Authorize the holding by the Philippine Charily Sweepstakes Office of horse races, with betting, on Saturday, afternoons, for charitable, relief and civic purposes." The exemption therein provided, however, has already been held by this Court in the case of Collector of Internal Revenue vs. Manila Jockey Club, Inc. (98 Phil., 670) to be limited to the city or municipal license fee of P600.00 imposed by sec. 26 of Republic Act No. 309 upon any person, race track, racing club or other entities holding or conducting a horse race for each day of racing, and to the fixed tax⁶ of P500.00 imposed by sec. 193 of the National Internal Revenue Code (now sec. 182 (A) (3) of the same Code) upon any owner of race tracks for each day on which races are run on said tracks. It does not extend to the income tax on the rentals received for the

use of the race tracks.

Conformably to the decision in the above cited case, petitioner cannot be held entitled to exemption from the income tax on the rentals that it received for the use of its race tracks by the Philippine Charity Sweepstakes Office during Saturday races held pursuant to Republic Act No. 79.

Neither may exemption be claimed with respect to the amounts received by petitioner as its shares of the net proceeds from the holding of charity sweepstakes races by the Philippine Charity Sweepstakes Office under Act No. 4130, as amended. The exemption from taxation under that Act, as provided in section 6 thereof, is limited to the holding of horse races and the sale of tickets by the Philippine Charity Sweepstakes Office. Nowhere in the Act is it provided that the racing club where such races are held shall be exempt from the payment of any kind of tax.

In view of the foregoing, the decision of the Court of Tax Appeals sought to be reviewed is affirmed, with costs against the petitioner.

Paras, C. J., Bengzon, Labrador, Concepcion, Reyes, J. B. L., Barrera, and Dizon, JJ., concur.

Padilla, J., took no part.

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