

**ISABELA SUGAR CO., INC., PLAINTIFF AND APPELLANT, VS.
ALFREDO L. YATCO, AS COLLECTOR OF INTERNAL REVENUE,
DEFENDANT AND APPELLEE.**

G.R. No. 45369. April 25, 1939

Ponente: AVANCEÑA, C. J.

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AVANCEÑA, C. J.:

The complaint is for the recovery from the defendant Collector of Internal Revenue of the amount paid by the plaintiff as percentage tax of 1 per cent on its gross receipts under section 1462 of the Revised Administrative Code.

The plaintiff is engaged in the business of milling its sugar cane and that of the planters associated with it. It then sells the sugar manufactured in its mill through the Sugar Central Agency of the Philippine National Bank which, after receiving the amount of the sugar sold, deducts therefrom the amount of interest corresponding to the advances made to the plaintiff on the basis of the approximate value of the sugar sold.

Section 1462 of the Revised Administrative Code imposes a percentage tax of 1 per cent on gross receipts in this kind of industry. The question for us to answer is whether the plaintiff should pay this tax of 1 per cent on the amount of interest deducted by the Sugar Central Agency of the Philippine National Bank. The affirmative answer is not doubtful. The amount of sugar of the plaintiff sold by the Central Sugar Agency of the Philippine National Bank is the gross receipt of the business of the mill. The interest which the Central Sugar Agency of the Philippine National Bank deducts from this amount, after receiving the same on behalf of the plaintiff, is a part of this gross receipt before the deduction is made. The deduction thereafter made by way of interest on the advances given to the plaintiff does not preclude the consideration of its amount as a part of the gross receipt of the business. These advances are made for the operation of the mill. If the plaintiff has paid interest on these advances, this interest is but a part of the cost of production which should not be excluded from the receipt of the business for purposes of the tax imposed by section 1462 of the Administrative Code. By gross receipt is meant the whole amount of the receipt of the business before the cost of production is deducted therefrom.

The appealed judgment is affirmed, with the costs to the appellant. So ordered.

Villa-Real, Imperial, Diaz, Laurel, Concepcion, and Moran, JJ., concur.

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