

*Commissioner of Internal Revenue v. General
Foods: How Ordinary is Ordinary*

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SUBJECT(S): TAXATION LAW

*KEYWORD(S): ALLOWABLE DEDUCTIONS, ORDINARY AND CAPITAL
EXPENDITURE*

This is a Comment on the case of *CIR v. General Foods*, which involves the issue of deductibility of advertising expenses from taxable income. The Comment opines that determining the deductibility of advertising expenses has proven to be tricky because by its nature, the effect of advertising is not usually limited to the year in which it is done, but has a useful life somewhat indefinite in the future. Thus, a difficulty arises in determining whether advertising is a capital or ordinary expenditure. The Comment first lays down the facts of the case. It then provides a brief history of ordinary and capital expenses based on Philippine jurisprudence and American cases. In laying down whether an expense is ordinary, the Court said that first, the amount must be reasonable and second it must not be a capital outlay to create goodwill. This adopted the American view on the matter. The Comment notes that the facts considered and the legal bases relied upon in deciding the case were rather limited. The Court should have broadened the scope of its considerations.