REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

THIRD DIVISION

GMA NETWORK FILMS, INC., Petitioner,	**CTA CASE NO. 9381**
	Members:
- versus -	**UY,** *Chairperson,* **RINGPIS-LIBAN,** *and* **MODESTO-SAN PEDRO,** *JJ.*
COMMISSIONER OF INTERNAL REVENUE, Respondent.	Promulgated: JAN 25 2021 3:20 p.m.

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RESOLUTION

RINGPIS-LIBAN, J.:

Submitted before this Court is respondent's **Motion for Reconsideration (Decision dated June 30, 2020)** filed on July 27, 2020, with petitioner's **Comment (Re: Respondent's Motion for Reconsideration)** filed on October 6, 2020.

On June 30, 2020, the Court promulgated a Decision cancelling respondent's deficiency tax assessments against petitioner for being issued beyond the prescriptive three-year period provided by law, the dispositive portion of which reads as follows:

> "**WHEREFORE**, in light of the foregoing considerations, the instant *Petition for Review* is **GRANTED**. Accordingly, the subject FANs and FLD, all dated June 15, 2015, for deficiency income tax, VAT, and EWT, for CY 2011 in the aggregate amount of ₱11,054,565.66, inclusive of interest, are **CANCELLED and SET ASIDE**.
>
> **SO ORDERED.**"

In his Motion, respondent primarily claims that this Court erred in ruling that the deficiency income tax, value-added tax (VAT), and expanded withholding tax (EWT) assessments have already prescribed due to the invalidity of the Waiver of the Defense of Prescription under the Statute of Limitations of the National Internal Revenue Code ("*Waiver*" hereafter for brevity) for failing to indicate the kind and amount of the taxes due.

In support of his claim, respondent cites the case of *Rizal Commercial Banking Corporation v. Commissioner of Internal Revenue*[1] (*"RCBC case"* hereafter), wherein the Supreme Court discussed the application of the doctrine of estoppel in cases of *waivers*. Based on the *RCBC case*, respondent asserts that a waiver is an agreement between the Bureau of Internal Revenue (BIR) and the taxpayer, as such, it is primarily governed by the provisions on contracts under the Civil Code. He continues that by voluntarily entering into an agreement to extend the period within which to assess, petitioner could no longer later on question the subject *waiver* especially after deriving benefit therefrom. Respondent further points out that that even assuming the *waiver* has defects or infirmities, it is not as if petitioner is not without fault, he asserts that petitioner should not be benefited by its own lapses.

Lastly, respondent avers that even assuming Revenue Memorandum Order (RMO) No. 20-90 and Revenue Delegation Authority Order (RDAO) No. 05-01 requires that the kind and exact amount of taxes should be indicated in the waiver, these issuances are merely internal and do not grant any vested rights to any taxpayer. Thus, the validity of the *waiver* should be upheld and bound both parties thereto.

On the other hand, in its comment, petitioner argues that respondent's reliance in *RCBC case* was misplaced since the factual circumstances of the said case is not *on all fours* with the present case. Petitioner explains that the doctrine of estoppel was applied in the said case based on RCBC's act of payment. It was through RCBC's partial payment of the revised assessments issued within the extended period that it was deemed to have impliedly admitted the validity of the questioned waivers. However, such is not the scenario in present case, there was no payment made similar to that in the *RCBC case*.

Furthermore, petitioner also claims that though a waiver is a bilateral agreement to extend the period of assessment and collection to a certain date, it is however a derogation of the taxpayer's right to security against prolonged and unscrupulous investigations by the BIR. Thus, when respondent failed to indicate the kind and taxes to be assessed and collected, the subject *waiver* has become invalid and the BIR cannot hide behind the doctrine of estoppel to cover their failure to comply with the provisions of RMO No. 20-90 and RDAO 05-01.

The instant Motion for Reconsideration is bereft of merit.

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[1] G.R. No. 170257, September 7, 2011.

At the onset, a perusal of respondent's arguments shows that the same are mere rehash of the same facts and issues which have already been extensively discussed in the Decision dated June 30, 2020.

As correctly pointed out by petitioner, the doctrinal pronouncement made by the Supreme Court in the RCBC case is not applicable in the present case for the simple reason that there was no partial payment made which is tantamount to an implied admission of the validity of the subject *waivers*, thus:

> "Estoppel is clearly applicable to the case at bench. RCBC, through its partial payment of the revised assessments issued within the extended period as provided for in the questioned waivers, impliedly admitted the validity of those waivers. **Had petitioner truly believed that the waivers were invalid and that the assessments were issued beyond the prescriptive period, then it should not have paid the reduced amount of taxes in the revised assessment. RCBC's subsequent action effectively belies its insistence that the waivers are invalid.** The records show that on December 6, 2000, upon receipt of the revised assessment, RCBC immediately made payment on the uncontested taxes. Thus, RCBC is estopped from questioning the validity of the waivers. To hold otherwise and allow a party to gainsay its own act or deny rights which it had previously recognized would run counter to the principle of equity which this institution holds dear." *(Emphasis supplied.)*

In the present case, the Court has not found any piece of evidence showing that petitioner admitted, either expressly or impliedly, the validity of the subject *waivers*. In the absence of such evidence and the *waiver* being a derogation of petitioner's right to security against prolonged tax investigation, the same must be strictly construed. To reiterate, "[i]ndeed, a *Waiver* is a bilateral agreement between a taxpayer and the BIR to extend the period of assessment and collection to a certain date. However, it is likewise a derogation of the taxpayer's right to security against prolonged and unscrupulous investigations and thus, **it must be carefully and strictly construed**. The *Waiver* must faithfully comply with the provisions of RMO No. 20-90 and Revenue Delegation Authority Order RDAO No. 05-01 in order to be valid and binding."[2] Correspondingly, the details in the said provisions are material as there can be no true and valid agreement between the taxpayer and respondent absent these information.

Based on the foregoing disquisitions, the Court finds no justifiable reason to change or modify the assailed Decision.

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[2] Decision, p. 10.

WHEREFORE, premises considered, respondent's Motion for Reconsideration (Decision dated June 30, 2020) is **DENIED** for lack of merit.

SO ORDERED.

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

We Concur:

ERLINDA P. UY
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice