REPUBLIC OF THE PHILIPPINES
Court of Tax Appeals
QUEZON CITY

Special Second Division

SUBIC WATER & SEWERAGE CO. INC.,
Petitioner,

-versus-

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NO. 10465

Members:
RINGPIS-LIBAN, *PJ, Chairperson,*
MODESTO-SAN PEDRO, *and*
FERRER-FLORES, *JJ.*

Promulgated:

3:15 pm

x -- x

RESOLUTION

MODESTO-SAN PEDRO, J.:

For the Court's resolution is respondent's *Motion for Reconsideration (Re: Decision dated 26 November 2025)*, filed on December 17, 2025, with petitioner's *Comment/Opposition (to the Motion for Reconsideration dated 14 December 2025)*, filed on January 16, 2026.

Respondent assails this Court's Decision, dated November 26, 2025, where we declared the assessment void for respondent's violation of petitioner's due process rights. Specifically, We found that respondent, in the Formal Letter of Demand ("FLD"), failed to consider *in writing* the arguments petitioner raised in its protest to the Preliminary Assessment Notice ("PAN"), which, following *Commissioner of Internal Revenue v. Avon Products Manufacturing, Inc.*[1] ("*Avon*"), leads to a void assessment.

Respondent first argues that "it's not necessarily a fatal flaw if specific language or terminology isn't used to explicitly state that something was considered", that "further explanation or elaboration" to some legal basis that is already clear and well-established "may be considered unnecessary", and that petitioner's arguments against the assessment were "mere persuasive statements or reasoning that do not rely on sound accounting and legal principles". He then goes on to insist that he is not barred from retaining previous findings in the face of inadequate arguments. Finally, he insists that as petitioner was given ample opportunity to contest the assessment, respondent substantially complied with the relevant due process requirements.

[1] G.R. Nos. 201398-99 & 201418-19, October 3, 2018.

The Motion is bereft of merit.

First, respondent's argument in support of brevity is untenable. To quote the basis of his content:

> It must be noted that when a legal basis is clear and well-established, further explanation or elaboration may be considered unnecessary, especially if the purpose is to convey the information concisely and without any repetition. Restating it in greater detail may be seen as redundant and can detract from the overall focus.

This is unconvincing. *Who* may consider explanation or elaboration unnecessary? *Who* might see adding greater detail as redundant? Certainly not the Supreme Court, who, in *Avon*, explicitly required the Commissioner of Internal Revenue ("CIR") to address a taxpayer's points in writing. This is part of the requirement to inform a taxpayer of the factual and legal basis of an assessment.

Indeed, the purpose of such basis is *not* "to convey information concisely and without repetition", especially as respondent identifies no law or jurisprudence which states as much. The purpose of discussing an assessment's factual and legal basis is to *inform the taxpayer*. This cannot be done if specific details regarding said taxpayer's protest are excluded. If a taxpayer is not informed of *why* its protest was rejected, then it will not be fully informed of the assessment's basis.

An FLD, after all, is not some subtle work of literature that requires a deft hand in both composition and exegesis, where extraneous details might "detract from the overall focus". It is a *letter of demand*. It is supposed to communicate the assessment in full. It usually accompanied by a document called *Details* of Discrepancy, which breaks down, in *painstaking detail*, the minutiae of the assessment and its components. Isolating "the overall focus" of an assessment is not the priority here. It is being *thorough* and *complete*.

As for respondent's contention that he is allowed to retain previous findings when unconvinced by a taxpayer's protest, We already fully agreed with this in the Decision. As stated, respondent is obviously allowed, even required, to reject incorrect arguments. The point is that respondent must explain *why* he rejected such. Failing to do so, following *Avon*, renders an assessment void, as here.

Finally, respondent's talk of "substantially" complying with "basic" requirements must also be rejected. The same is essentially based on the fact that petitioner was able to later protest the assessment, despite respondent's failure to address earlier arguments. This, however, is refuted by jurisprudence such as *Commissioner of Internal Revenue v. Yumex*

Philippines Corporation[2] and *Prime Steel Mill, Incorporated v. Commissioner of Internal Revenue*,[3] where the Supreme Court explained that a taxpayer being able to later protest an assessment does not cure due processes violations committed by respondent. In any event, *Avon* does not distinguish between "basic" due process requirements and, say, "optional" requirements (an oxymoron). It lays down the duty to address a taxpayer's arguments in writing simply as a *requirement*. As such, non-compliance with it is non-compliance with due process rules as a whole.

Respondent's Motion, then, offers no compelling reason to revisit our ruling. The assailed Decision stands.

ACCORDINGLY, respondent's *Motion for Reconsideration (Re: Decision dated 26 November 2025)*, filed on December 17, 2025, is hereby **DENIED** for lack of merit. The Decision, dated November 26, 2025, is **AFFIRMED**.

SO ORDERED.

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

WE CONCUR:

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice

2 G.R. No. 222476, May 5, 2021.
3 G.R. No. 249153, September 12, 2022.