REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

<u>SPECIAL THIRD DIVISION</u>

XYTRIX SYSTEMS CORPORATION, *Petitioner,*	**CTA CASE NO. 11021**
	Members:
- versus -	**REYES-FAJARDO,** *Chairperson, and* **ANGELES,** *<u>JJ</u>.*
COMMISSIONER OF INTERNAL REVENUE, *Respondent.*	Promulgated: FEB 13 2026 11:50 a.m.

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DECISION

ANGELES, <u>J.</u>:

Before this Court is the *Petition for Review*[1] filed by petitioner Xytrix Systems Corporation on November 04, 2022, seeking the nullification of the assessments and the Warrant of Distraint and/or Levy (WDL) dated October 07, 2022, covering its alleged deficiency Income Tax, value-added tax (VAT), Expanded Withholding Tax (EWT), and miscellaneous tax for the taxable year (TY) 2017, in the aggregate amount of ₱30,250,289.18.

THE PARTIES

Petitioner is a corporation duly organized and existing under Philippine laws, engaged in the business of computer programming and web design activities, with principal place of business at Ground Floor Fibertex Admin Bldg., Fibertex Compound, KM26, Brgy. Dolores Taytay, Rizal. It is represented by its President, Mr. Danilo F. Evangelista.[2]

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[1] Docket, pp. 7 to 17.
[2] *Id., Joint Stipulation of Facts and Issues* (JSFI), p. 88, par. 1.

Respondent is the Commissioner of Internal Revenue (CIR), who is charged with, among other powers and duties, the enforcement of revenue laws and collection of national internal revenue taxes, and the power to decide tax protests. He holds office at Bureau of Internal Revenue (BIR) National Office, BIR Road, Diliman, Quezon City, and is represented by Revenue Region 7B Legal Division, with office address at the 25th Floor, The Podium West Tower, ADB Avenue, Ortigas Center, Madaluyong City.[3]

THE FACTS

Respondent issued to petitioner a Letter of Authority (LOA) under electronic LOA No. 046-2019-00000076 dated May 16, 2019,[4] covering TY 2017. [5]

Thereafter, petitioner received a Notice of Informal Conference (NIC) dated November 02, 2020,[6] which preliminarily found the petitioner liable for income tax, VAT, EWT, and miscellaneous tax, including interests, in the aggregate amount of ₱48,133,071.67.[7]

Respondent issued a Preliminary Assessment Notice (PAN) dated December 16, 2020,[8] holding petitioner liable for income tax, VAT, EWT, and miscellaneous tax, in the total amount of ₱48,133,071.67, inclusive of interests.

Subsequently, the respondent issued to petitioner a Formal Letter of Demand (FLD) and Final Assessment Notices (FANs) dated January 06, 2021,[9] finding the latter liable for income tax, VAT, EWT, and miscellaneous tax, including interests, in the aggregate amount of ₱30,250,289.18.[10]

On October 07, 2022, petitioner received a WDL with No. RR7B-WDL-2022-08-09-269,[11] which was signed by Regional Director Edgar B. Tolentino.[12]

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3 *Id.* at par. 2.
4 Exhibits "P-3;" and "R-1."
5 Docket, JSFI, p. 89, par. 3.
6 Exhibits "P-4;" "R-2;" and "R-2-A" (actual marking is Exhibit "R-2-1").
7 Docket, JSFI, p. 89, par. 4.
8 Exhibits "R-3" and "R-3-A" (actual marking is Exhibit "R-3-1")
9 Exhibits "P-5;" and "R-4," "R-4-A," "R-4-B," "R-4-C," "R-4-D," "R-4-E," and "R-4-F" (actual marking is Exhibit "R-4-2").
10 Docket, JSFI, p. 89, par. 5.
11 *Id.* at par. 6.
12 Exhibits "P-2;"and "R-5."

PROCEEDINGS BEFORE THIS COURT

On November 04, 2022, petitioner instituted the instant *Petition for Review*,[13] praying that the Court declare the subject FLD and FANs void, and cancel and/or lift the WDL, including any garnishment issued pursuant thereto.[14]

On December 05, 2022, the Court issued summons,[15] directing respondent to file his Answer within thirty (30) days from receipt thereof. The Court subsequently notified petitioner on December 16, 2022, that summons had been issued and served on the respondent and the Office of the Solicitor General on December 07, and 09, 2022, respectively.[16]

On January 09, 2023, respondent, through an accredited courier service provider, filed a *Motion for Extension of Time to File Answer to the Petition for Review*.[17] The Court granted the motion in its Resolution dated January 12, 2023,[18] extending the deadline for filing the Answer to February 05, 2023. In the same Resolution, the Court likewise directed respondent to certify and elevate the complete BIR records within ten (10) days from the filing of his Answer.

Respondent filed his *Answer*[19] on February 23, 2023.

On March 07, 2023, the Court referred the case to mediation before the Philippine Mediation Center-Court of Tax Appeals (PMC-CTA).[20] Mediation proved unsuccessful, and the PMC-CTA so reported on April 24, 2023.[21] Consequently, the Court noted the "No Agreement to Mediate" in its Resolution dated April 27, 2023.[22]

Subsequently, pursuant to Administrative Circular No. 01-2023 (Reorganizing the Divisions of the Court) dated May 23, 2023, the Court issued a notice[23] on May 29, 2023, informing the parties of the transfer of the case to the Third Division.

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[13] Docket, pp. 7 to 17.
[14] *Id.* at 16.
[15] *Id.* at 40.
[16] *Id.* at 45.
[17] *Id.* at 41 to 43.
[18] *Id.* at 47.
[19] *Id.* at 49 to 52.
[20] *Id.* at 55.
[21] *Id.* at 56.
[22] *Id.* at 58.
[23] *Id.* at 59.

Petitioner filed its *Pre-Trial Brief*[24] with one (1) USB on July 19, 2023, which was noted by the Court in its Minute Resolution dated July 21, 2023.[25] Respondent likewise filed his *Pre-Trial Brief*[26] on September 29, 2023, which was noted on October 02, 2023.[27]

The pre-trial conference was thereafter conducted.[28]

On October 17, 2023, respondent filed a *Compliance*[29] with the Court's directive during the pre-trial conference, submitting the Judicial Affidavit of Revenue Officer Chaira S. Redita,[30] which was noted by the Court in its Minute Resolution dated October 24, 2023.[31]

Both parties filed their *Joint Stipulation of Facts and Issues*[32] on October 25, 2023, which the Court, through its Minute Resolution dated November 30, 2023,[33] duly admitted and approved.

The *Pre-Trial Order*[34] was issued on January 30, 2024.

Meanwhile, in a Minute Resolution dated February 20, 2024,[35] the Court, upon noting the Records Verification Report dated February 19, 2024,[36] reminded respondent to certify and elevate the entire BIR Records of the case within ten (10) days from notice.

Trial commenced, with the petitioner presenting its sole witness, Mr. Danilo Evangelista,[37] its President.

On February 26, 2024, respondent transmitted[38] the BIR Records, composed of one (1) folder containing five hundred nineteen (519) pages. The Court noted said transmittal in its Minute Resolution dated March 13, 2024.[39]

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24 *Id.* at 60 to 65.
25 *Id.* at 67.
26 *Id.* at 68 to 70.
27 *Id.* at 71.
28 *Id.*, Minutes of the Hearing held on October 03, 2023, p. 72; Order dated October 03, 2023, pp. 75 to 77.
29 *Id.* at 79 to 80.
30 *Id.* at 81 to 86.
31 *Id.* at 87.
32 *Id.* at 88 to 92.
33 *Id.* at 93.
34 *Id.* at 98 to 103.
35 *Id.* at 105.
36 *Id.* at 104.
37 *Id.* at 33 to 38; Exhibit "P-6;" Minutes of the Hearing held on February 21, 2024, p. 106; Order dated February 21, 2024, pp. 107 to 108.
38 *Id.* at 109.
39 *Id.* at 115.

Petitioner filed its *Formal Offer of Evidence*[40] on March 07, 2024, which was noted by the Court in its Minute Resolution dated March 22, 2024.[41] The Court, however, noted, by way of a Minute Resolution dated April 15, 2024,[42] the Records Verification Report dated March 22, 2024,[43] which stated that respondent failed to file any comment on petitioner's *Formal Offer of Evidence*. Thus, the same was submitted for resolution.

In its Resolution dated May 21, 2024,[44] the Court admitted all documentary exhibits proffered by the petitioner.

Respondent, in turn, presented and offered[45] the testimony of his only witness, Revenue Officer Chaira S. Redita,[46] who was duly authorized to examine petitioner's books of accounts and other accounting records for TY 2017. After petitioner filed its comment[47] on *Respondent's Formal Offer of Evidence*,[48] the Court, by Resolution dated September 04, 2024,[49] admitted respondent's documentary exhibits, noting discrepancies in the exhibit markings and descriptions of some documents, and directed both parties to file their respective memoranda within thirty (30) days from notice.

Petitioner filed its *Memorandum*[50] on October 14, 2024 *via* accredited courier service provider. The Court noted in its Minute Resolution dated January 03, 2025[51] the Records Verification Report dated December 04, 2024,[52] which disclosed that respondent failed to file his memorandum. Accordingly, in the same Minute Resolution, the case was deemed submitted for decision.

ISSUES BEFORE THE COURT

The issues submitted for the Court's resolution are as follows:

a. WHETHER OR NOT PETITIONER IS LIABLE FOR DEFICIENCY TAXES FOR INCOME TAX, VALUE-ADDED TAX, WITHHOLDING TAX AND MISCELLANEOUS TAX IN THE

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[40] *Id.* at 116 to 121.
[41] *Id.* at 122.
[42] *Id.* at 125.
[43] *Id.* at 124.
[44] *Id.* at 127 to 128.
[45] *Id.* at 132 to 136.
[46] *Id.* at pp. 81 to 86; Exhibit "R-6;" Minutes of the Hearing held on May 21, 2024, p. 129; Order dated May 21, 2024, pp. 130 to 131.
[47] *Id.* at 137 to 140.
[48] *Id.* at 132 to 136.
[49] *Id.* at 145 to 146.
[50] *Id.* at 148 to 167.
[51] *Id.* at 173.
[52] *Id.* at 172.

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TOTAL AMOUNT OF ₱30,250,289.18 FOR TAXABLE YEAR 2017.

b. WHETHER OR NOT THE WDL IS VOID BECAUSE IT WAS SIGNED BY THE REGIONAL DIRECTOR AND NOT BY A REVENUE DISTRICT OFFICER CONTRARY TO THE PROVISIONS OF REVENUE DELEGATION AUTHORITY [ORDER] (RDA[O]) NO. 1-2001.[53]

ARGUMENTS OF THE PARTIES

Petitioner's arguments

Petitioner seeks a declaration from this Court that the subject assessments and WDL are void. Petitioner contends, *first*, that it did not receive the PAN prior to the issuance of the FLD and FANs, thereby allegedly depriving it of due process and rendering the assessments null and void. By extension, petitioner asserts that any collection actions predicated on these assessments are likewise void. *Second*, petitioner claims that the WDL is invalid on the ground that it was not signed by the Revenue District Officer, who, under RDAO No. 1-2001, is the proper approving authority for the issuance of a WDL.

Respondent's counter-arguments

Respondent, for his part, maintains that the PAN was properly served. It was personally delivered to the petitioner on December 16, 2020, and duly received by the petitioner's bookkeeper, Ms. Febelyn O. Tolentino (Ms. Tolentino). In addition, the PAN was served *via* registered mail, as evidenced by Registry Receipt No. RC 422476075 ZZ. Respondent further emphasized that the FLD and FANs were likewise received by the same bookkeeper, Ms. Tolentino. Accordingly, there is no basis for petitioner's assertion that it did not receive the PAN.

Respondent likewise asserts that the WDL was validly signed by the Regional Director, acting as an authorized representative of the CIR, pursuant to Section 207 of the National Internal Revenue Code (NIRC) of 1997, as amended. He stresses that if a Revenue District Officer is empowered to sign the WDL, there is all the more reason for the Regional Director, who exercises control and supervision over the officers and employees within the region, including Revenue District Officers, to possess the authority to execute the same.

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53 *Id.*, JSFI, p. 89.

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RULING OF THE COURT

The *Petition for Review* is devoid of merit.

The Court has jurisdiction over the present Petition.

Section 7 (a)(1) and (2) of Republic Act (R.A.) No. 1125,[54] as amended by R.A. No. 9282,[55] confers upon the Court of Tax Appeals (CTA) exclusive appellate jurisdiction to review, by appeal, other matters arising under the NIRC of 1997, as amended, among others, to wit:

> SEC. 7. Jurisdiction. – The CTA shall exercise:
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> a. Exclusive appellate jurisdiction to review by appeal, as herein provided:
>
> 1. Decisions of the Commissioner of Internal Revenue in cases involving disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties in relation thereto, or **<u>other matters</u> arising under the National Internal Revenue Code** or other laws administered by the Bureau of Internal Revenue;
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> 2. Inaction by the Commissioner of Internal Revenue in cases involving disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties in relation thereto, or **<u>other matters</u> arising under the National Internal Revenue Code** or other laws administered by the Bureau of Internal Revenue, where the National Internal Revenue Code provides a specific period for action, in which case the inaction shall be deemed a denial; (Emphases and underscoring supplied)

The term "other matters" has been judicially construed to encompass the determination of the validity of a WDL. In *Philippine Journalists, Inc. v. Commissioner of Internal Revenue*,[56] the Supreme Court held that:

> The appellate jurisdiction of the CTA is not limited to cases which involve decisions of the Commissioner of Internal Revenue on

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54 An Act Creating the Court of Tax Appeals.
55 An Act Expanding the Jurisdiction of the Court of Tax Appeals (CTA), elevating its rank to the level of a Collegiate Court with Special Jurisdiction and enlarging its membership, Amending for the Purpose Certain Sections of Republic Act No. 1125, As Amended, otherwise known as the Law Creating the Court of Tax Appeals, and for other purposes.
56 G.R. No. 162852, December 16, 2004 [Per J. Ynares-Santiago, First Division].

> matters relating to assessments or refunds. **The second part of the provision covers other cases that arise out of the NIRC** or related laws administered by the Bureau of Internal Revenue. The wording of the provision is clear and simple. **It gives the CTA the jurisdiction to determine if the warrant of distraint and levy issued by the BIR is valid** and to rule if the Waiver of Statute of Limitations was validly effected.
>
> This is not the first case where the CTA validly ruled on issues that did not relate directly to a disputed assessment or a claim for refund. **In *Pantoja v. David*, we upheld the jurisdiction of the CTA to act on a petition to invalidate and annul the distraint orders of the Commissioner of Internal Revenue**. Also, in *Commissioner of Internal Revenue v. Court of Appeals*, the decision of the CTA declaring several waivers executed by the taxpayer as null and void, thus invalidating the assessments issued by the BIR, was upheld by this Court. (Emphasis supplied)

Anent the timeliness of the filing of the *Petition for Review*, it is undisputed that petitioner received a copy of the WDL on **October 07, 2022.**[57] Thereafter, petitioner filed the instant *Petition* before this Court on **November 04, 2022**, well within the thirty (30)-day reglementary period prescribed from receipt of the WDL. Petitioner thus rightly claims, and the Court agrees, that the *Petition* was timely filed.

Section 11 of R.A. No. 1125,[58] as amended by R.A. No. 9282,[59] explicitly provides:

> SEC. 11. *Who May Appeal; Mode of Appeal; Effect of Appeal.* — **Any party adversely affected by a decision, ruling or inaction of the Commissioner of Internal Revenue**, the Commissioner of Customs, the Secretary of Finance, the Secretary of Trade and Industry or the Secretary of Agriculture or the Central Board of Assessment Appeals or the Regional Trial Courts **may file an appeal with the CTA <u>within thirty (30) days</u> after the receipt of such decision or ruling** or after the expiration of the period fixed by law for action as referred to in Section 7(a)(2) herein. (Emphases and underscoring supplied)

This procedural mandate is echoed in Section 3(a), Rule 8 of the Revised Rules of the Court of Tax Appeals (RRCTA),[60] which likewise

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[57] Docket, Exhibits "P-2," and "R-5."
[58] *Supra* note 54.
[59] *Supra* note 55.
[60] Revised Rules of the Court of Tax Appeals, Section 3(a) provides:

> SEC. 3. *Who may appeal; period to file petition.* —
>
> (a) A party adversely affected by a decision, ruling or the inaction of the Commissioner of Internal Revenue on disputed assessments or claims for refund of internal revenue taxes, or by a decision or ruling of the Commissioner of Customs, the Secretary of Finance, the Secretary of Trade and Industry, the Secretary of Agriculture, or a Regional Trial Court in the exercise of its

provides that a party adversely affected by a ruling or decision of the CIR may appeal to this Court within thirty (30) days from receipt of a copy thereof.

In this case, in view of petitioner's timely appeal of the WDL, jurisdiction over the matter has been properly acquired.

Petitioner's failure to timely protest renders the assessments final and executory.

Before passing upon the validity of the WDL, We shall first resolve the antecedent issue that directly affects the legality of the collection action—whether the underlying assessments are valid, and have become final and executory.

The Court answers in the affirmative.

Records reveal, and petitioner admits,[61] receipt of the FLD and FANs.[62] Petitioner, however, makes no claim of having filed a timely and valid protest thereto. It follows, therefore, that **there exist no disputed assessments**, and the assessments have therefore attained finality, becoming executory and demandable.

It is settled that an assessment becomes a "disputed assessment" only upon the filing of a timely and valid protest. As the Supreme Court elucidated in *St. Stephen's Association v. Collector of Internal Revenue*,[63] a taxpayer must seasonably contest an assessment and formally seek its reconsideration or cancellation before the CIR is duty-bound to act. Only upon the denial of, or failure to act on, such protest may the taxpayer properly elevate the matter to the CTA, *viz.*:

> Where a taxpayer questions an assessment and asks the Collector to reconsider or cancel the same because he (the taxpayer) believes he is not liable therefor, the assessment becomes a "disputed assessment" that the Collector must decide, and the taxpayer can appeal to the Court of Tax Appeals only upon receipt of the decision

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original jurisdiction may appeal to the Court by petition for review filed within thirty days after receipt of a copy of such decision or ruling, or expiration of the period fixed by law for the Commissioner of Internal Revenue to act on the disputed assessments. In case of inaction of the Commissioner of Internal Revenue on claims for refund of internal revenue taxes erroneously or illegally collected, the taxpayer must file a petition for review within the two-year period prescribed by law from payment or collection of the taxes. *(n)*

61 Docket, JSFI, p. 89, par. 5.

62 Exhibits "P-5;" and "R-4," "R-4-A," "R-4-B," "R-4-C," "R-4-D," "R-4-E," and "R-4-F" (actual marking is Exhibit "R-4-2").

63 G.R. No. L-11238, August 21, 1958 [Per J. J.B.L. Reyes, *En Banc*].

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> of the Collector on the disputed assessment, in accordance with paragraph (1) of section 7, Republic Act No. 1125, conferring appellate jurisdiction upon the Court of Tax Appeals to review "*decisions* of the Collector of Internal Revenue in cases involving *disputed assessment* . . ." (Emphasis supplied).

Corollarily, Section 228 of the NIRC of 1997, as amended, governs the period for protesting an assessment. It mandates that failure to file a protest within thirty (30) days from receipt of the assessment renders it final, executory, and demandable, thereby foreclosing any further administrative or judicial remedy. It pertinently provides:

> "SECTION 228. *Protesting of Assessment*. — x x x
>
> "**Such assessment may be protested administratively by filing a request for reconsideration or reinvestigation within thirty (30) days from receipt of the assessment in such form and manner as may be prescribed by implementing rules and regulations.** Within sixty (60) days from filing of the protest, all relevant supporting documents shall have been submitted; **<u>otherwise, the assessment shall become final</u>**.
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> "If the protest is denied in whole or in part, or is not acted upon within one hundred eighty (180) days from submission of documents, the taxpayer adversely affected by the decision or inaction may appeal to the Court of Tax Appeals within thirty (30) days from receipt of the said decision, or from the lapse of the one hundred eighty (180)-day period; otherwise, the decision shall become final, executory and demandable. (Emphases and underscoring supplied)

To implement the foregoing statutory mandate, Revenue Regulations (RR) No. 12-99,[64] as amended by RR No. 18-13,[65] prescribes that a taxpayer may dispute an assessment by filing an administrative protest—either a request for *(1)* reconsideration or *(2)* reinvestigation—within thirty (30) days from receipt of the FLD/FAN. Failure to do so renders the assessment final, executory, and demandable. The protest must explicitly state *(1)* its nature, *(2)* the date of the assessment notice, and *(3)* the factual and legal bases relied upon; otherwise, it is void and without effect. In case of reinvestigation, the taxpayer must further submit all relevant supporting documents within sixty (60) days from the filing of the protest, failing which, the

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64 Implementing the Provisions of the National Internal Revenue Code of 1997 Governing the Rules on Assessment of National Internal Revenue Taxes, Civil Penalties and Interest and the Extra-Judicial Settlement of a Taxpayer's Criminal Violation of the Code Through Payment of a Suggested Compromise Penalty, Revenue Regulations No. 12-99, September 06, 1999.

65 Amending Certain Sections of Revenue Regulations No. 12-99, Revenue Regulations No. 18-13, November 28, 2013.

assessment likewise attains finality. Once final and executory, the assessment can no longer be reopened, reconsidered, or the subject of any further protest or reinvestigation. Thus:

> 3.1.4 *Disputed Assessment.* — **The taxpayer or its authorized representative or tax agent may protest administratively against the aforesaid FLD/FAN within thirty (30) days from date of receipt thereof.** The taxpayer protesting an assessment may file a written request for reconsideration or reinvestigation defined as follows:
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> (i) *Request for reconsideration* — refers to a plea of re-evaluation of an assessment on the basis of existing records without need of additional evidence. It may involve both a question of fact or of law or both.
>
> (ii) *Request for reinvestigation* — refers to a plea of re-evaluation of an assessment on the basis of newly discovered or additional evidence that a taxpayer intends to present in the reinvestigation. It may also involve a question of fact or of law or both.
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> The taxpayer shall state in his protest (i) the nature of protest whether reconsideration or reinvestigation, specifying newly discovered or additional evidence he intends to present if it is a request for reinvestigation, (ii) date of the assessment notice, and (iii) the applicable law, rules and regulations, or jurisprudence on which his protest is based, otherwise, his protest shall be considered *void and without force and effect.*
>
> If there are several issues involved in the FLD/FAN but the taxpayer only disputes or protests against the validity of some of the issues raised, the assessment attributable to the undisputed issue or issues shall become final, executory and demandable; and the taxpayer shall be required to pay the deficiency tax or taxes attributable thereto, in which case, a collection letter shall be issued to the taxpayer calling for payment of the said deficiency tax or taxes, inclusive of the applicable surcharge and/or interest.
>
> If there are several issues involved in the disputed assessment and the taxpayer fails to state the facts, the applicable law, rules and regulations, or jurisprudence in support of his protest against some of the several issues on which the assessment is based, the same shall be considered undisputed issue or issues, in which case, the assessment attributable thereto shall become final, executory and demandable; and the taxpayer shall be required to pay the deficiency tax or taxes attributable thereto and a collection letter shall be issued to the taxpayer calling for payment of the said deficiency tax, inclusive of the applicable surcharge and/or interest.
>
> For requests for reinvestigation, the taxpayer shall submit all relevant supporting documents in support of his protest within

> sixty (60) days from date of filing of his letter of protest, otherwise, the assessment shall become final. The term "*relevant supporting documents*" refer to those documents necessary to support the legal and factual bases in disputing a tax assessment as determined by the taxpayer. The sixty (60)-day period for the submission of all relevant supporting documents shall not apply to requests for reconsideration. Furthermore, the term "the assessment shall become final" shall mean the taxpayer is barred from disputing the correctness of the issued assessment by introduction of newly discovered or additional evidence, and the FDDA shall consequently be denied.
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> **If the taxpayer fails to file a valid protest against the FLD/FAN within thirty (30) days from date of receipt thereof, <u>the assessment shall become final, executory and demandable</u>.** No request for reconsideration or reinvestigation shall be granted on tax assessments that have already become final, executory and demandable. (Emphases and underscoring supplied)

In *Commissioner of Internal Revenue v. Bank of the Philippine Islands*,[66] the Supreme Court held that an assessment attains finality and becomes unappealable when the taxpayer fails to file a protest within thirty (30) days from receipt thereof. By allowing the statutory period to lapse, the taxpayer is deemed to have acquiesced to the validity of the assessments, and is precluded from questioning their correctness or raising any defense to reopen its tax liability. In other words, the presumption of regularity in issuing the assessments stands when a petitioner-taxpayer fails to protest the same, to wit:

> Under the former Section 270, **there were two instances when an assessment became final and unappealable**: (1) **<u>when it was not protested within 30 days from receipt</u>** and (2) when the adverse decision on the protest was not appealed to the CTA within 30 days from receipt of the final decision:
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> > Sec. 270. Protesting of assessment.
> >
> > xxx xxx xxx
> >
> > Such assessment may be protested administratively by filing a request for reconsideration or reinvestigation in such form and manner as may be prescribed by the implementing regulations within thirty (30) days from receipt of the assessment; otherwise, the assessment shall become final and unappealable.
> >
> > If the protest is denied in whole or in part, the individual, association or corporation adversely affected by the decision on the protest may appeal to the <u>[CTA]</u> within thirty (30) days from receipt of the

[66] G.R. No. 134062, April 17, 2007 [Per J. Corona, First Division].

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> said decision; otherwise, the decision shall become final, executory and demandable.

IMPLICATIONS OF A VALID ASSESSMENT

Considering that the October 28, 1988 notices were valid assessments, <u>BPI should have protested the same within 30 days from receipt thereof</u>. The December 10, 1988 reply it sent to the CIR did not qualify as a protest since the letter itself stated that "[a]s soon as this is explained and clarified in a proper letter of assessment, **we shall inform you of the taxpayer's decision on whether to pay or protest the assessment.**" Hence, by its own declaration, BPI did not regard this letter as a protest against the assessments. As a matter of fact, BPI never deemed this a protest since it did not even consider the October 28, 1988 notices as valid or proper assessments.

The inevitable conclusion is that BPI's failure to protest the assessments within the 30-day period provided in the former Section 270 meant that <u>they became final and unappealable</u>. Thus, the CTA correctly dismissed BPI's appeal for lack of jurisdiction. **BPI was, from then on, barred from disputing the correctness of the assessments or invoking any defense that would reopen the question of its liability on the merits.** Not only that. **There arose a presumption of correctness when BPI failed to protest the assessments**:

> Tax assessments by tax examiners are presumed correct and made in good faith. The taxpayer has the duty to prove otherwise. In the absence of proof of any irregularities in the performance of duties, an assessment duly made by a Bureau of Internal Revenue examiner and approved by his superior officers will not be disturbed. All presumptions are in favor of the correctness of tax assessments. (Emphases and underscoring supplied; citations omitted)

With the FLD and FANs having attained finality, it is of no moment whether petitioner received the PAN, which constitutes petitioner's sole contention in an effort to invalidate the assessment. In any event, such argument is entirely devoid of merit and bound to fail.

The petitioner is estopped from denying receipt of the PAN.

Petitioner asserts that it was not served with the PAN. Respondent, however, maintains that the PAN was duly served upon petitioner through a certain Ms. Tolentino, its bookkeeper.

We rule for the respondent.

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At the outset, in view of petitioner's claim that it did not receive the PAN, the burden of proof shifts to the respondent to establish, by competent evidence, that the PAN was duly served on, and in fact received by, the petitioner.[67]

Here, respondent presented the receiving copy of the PAN personally served by the BIR, as evidenced by: *(1)* the handwritten signature over the name "Febelyn O. Tolentino," dated "12/16/2020," on each and every page of the PAN,[68] and *(2)* the Affidavit of Service of the PAN executed by Revenue Officer Chaira S. Redita.[69]

Significantly, the records unmistakably show that the same Ms. Tolentino received the LOA, NIC, FLD, FANs, and WDL, all of which the petitioner neither denied receiving nor questioned her authority to accept in the instant *Petition*. Indeed, a side-by-side comparison of her signatures, and handwritten full names and dates of receipt on these documents, reveals a glaring similarity with those affixed on the PAN, as evidenced by respondent's Exhibits "R-3" and "R-3-A."[70] Moreover, in the parties' *Joint Stipulation of Facts and Issues*, it was expressly stipulated that the LOA, NIC, FLD, FANs, and WDL were duly issued by the respondent to petitioner.[71] Under these circumstances, the petitioner is clearly estopped from denying receipt of the PAN or from assailing Ms. Tolentino's authority to receive the same on its behalf.

In *Factory Automation and Instrumentation Corp. v. Commissioner of Internal Revenue*,[72] it was ruled that the petitioner-taxpayer is estopped from claiming non-receipt of the FAN and FLD. Having previously acknowledged and acted upon notices received by a certain Irene Masula, the petitioner-taxpayer cannot repudiate her authority. A mere denial of receipt, absent compelling evidence, is insufficient to defeat the presumption of regularity attendant to the service of these documents. The Supreme Court held:

> The issue on the receipt or non-receipt of the Final Demand Letter and Assessment Notice is a factual question that is not generally proper in a Rule 45 petition before this Court.
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> **Petitioner does not deny that Irene Masula received the FAN and FLD sent *via* registered mail.** Petitioner nonetheless argues that Irene Masula is not its authorized representative when it

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[67] *See Commissioner of Internal Revenue v. GJM Philippines Manufacturing, Inc.*, G.R. No. 202695, (29 February 2016 [Per J. Peralta, Third Division].
[68] Exhibits "R-3," and "R-3-A" (actual marking is Exhibit "R-3-1").
[69] Exhibit "R-3-B" (actual marking is Exhibit "R-3-2").
[70] Actual marking is Exhibit "R-3-1."
[71] Docket, JSFI, p. 89, pars. 3 to 6.
[72] G.R. No. 236789 (Notice), March 27, 2023 [First Division].

> comes to receiving notices on its behalf, and that the principle of estoppel should not be applied herein.
>
> Petitioner is mistaken. The principle of estoppel may be applied in this case.
>
> The doctrine of estoppel is based upon the grounds of public policy, fair dealing, good faith, and justice, and its purpose is to forbid one to speak against his or her own act, representations, or commitments to the injury of one to whom they were directed and who reasonably relied upon. It has been applied wherever and whenever special circumstances of a case so demand. This Court has applied the principle of estoppel on the part of the taxpayer in several tax cases.
>
> Here, **petitioner is estopped from claiming that it did not receive the FAN and FLD** sent through registered mail because of Irene Masula's alleged lack of authority to receive the same. As the CTA *En Banc* observed, **Irene Masula previously received the PAN addressed and sent to petitioner through registered mail.** Petitioner was thereafter able to file a protest to the PAN on June 8, 2011.
>
> **Petitioner did not contest the authority of Irene Masula to receive the PAN. It cannot now claim that the same person is unauthorized to receive the FAN, when it acted on the PAN that Irene Masula previously received.**
>
> x x x
>
> With the foregoing evidence presented by respondent, it became incumbent upon petitioner to show by indubitable evidence that it did not receive the FAN and FLD. Bare denial of receipt of the FAN will not suffice. (Emphases supplied; citations omitted)

Accordingly, petitioner's bare assertion of non-receipt of the PAN is clearly without merit, as the respondent CIR has adduced competent evidence establishing otherwise.

The finality of assessments renders taxes delinquent, and subject to collection.

In the recent case of *Commissioner of Internal Revenue v. Stradcom Corp.*,[73] the Supreme Court had the occasion to explain the scope of the CIR's authority to pursue collection remedies. It clarified that such remedies may only be exercised once the taxes sought to be collected have become delinquent, arising from a taxpayer's failure to pay the amount due within the prescribed period under a deficiency assessment issued by the BIR that has become final and executory. Delinquency is established, among other circumstances, where no

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[73] G.R. No. 255520, April 21, 2025 [Per J. Caguioa, Third Division].

valid protest, whether in the form of a request for reconsideration or reinvestigation, has been filed within thirty (30) days from receipt of the assessment. Thus:

> The 1997 NIRC requires "delinquency" before the CIR may collect through civil remedies. Section 205 of the 1997 NIRC explicitly states that collection remedies may be pursued only for delinquent taxes, thus:
>
> > Section 205. ***Remedies for the Collection of Delinquent Taxes.*** – The **civil remedies for the collection** of internal revenue taxes, fees, or charges, and any increment thereto **<u>resulting from delinquency</u>** shall be:
> >
> > (a) By distraint of goods, chattels, or effects, and other personal property of whatever character, including stocks and other securities, debts, credits, bank accounts, and interest in and rights to personal property, and by levy upon real property and interest in or rights to real property; and
> >
> > (b) By civil or criminal action.
> >
> > Either of these remedies or both simultaneously may be pursued in the discretion of the authorities charged with the collection of such taxes: *Provided, however*, that the remedies of distraint and levy shall not be availed of where the amount of tax involved is not more than One hundred pesos (P100). (Emphasis supplied)
>
> Based on the foregoing provision, the 1997 NIRC provides two types of remedies to enforce the collection of unpaid taxes: (a) summary administrative remedies, such as the distraint and/or levy of taxpayer's property; and/or (b) judicial remedies, such as the filing of a criminal or civil action against the erring taxpayer. However, before the CIR can avail of the summary administrative collection remedies, it must first be established that the taxes sought to be collected have become delinquent.
>
> Likewise, Section 207 of the 1997 NIRC outlines the summary remedies of distraint and levy, which, again, can only be executed once the taxes have become delinquent:
>
> > Section 207. *Summary Remedies.* –
> >
> > (A) *Distraint of Personal Property.* – Upon the failure of the **person owing any delinquent tax or delinquent revenue** to pay the same at the time required, the Commissioner or his duly authorized representative, if the amount involved is in excess of One million pesos (P1,000,000), or the Revenue District Officer, if the amount involved is One million pesos (P1,000,000) or less, shall seize and distraint any goods, chattels, or effects, and the personal

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> property, including stocks and other securities, debts, credits, bank accounts, and interests in and rights to personal property of such persons in sufficient quantity to satisfy the tax, or charge, together with any increment thereto **incident to delinquency**, and the expenses of the distraint and the cost of the subsequent sale.
>
> A report on the distraint shall, within ten (10) days from receipt of the warrant, be submitted by the distraining officer to the Revenue District Officer, and to the Revenue Regional Director: *Provided*, That the Commissioner or his duly authorized representative shall, subject to rules and regulations promulgated by the Secretary of Finance, upon recommendation of the Commissioner, have the power to lift such order of distraint: *Provided, further*, That a consolidated report by the Revenue Regional Director may be required by the Commissioner as often as necessary.
>
> (B) *Levy on Real Property.* — After the expiration of the time required to **pay the delinquent tax or delinquent revenue** as prescribed in this Section, real property may be levied upon, before, simultaneously or after the distraint of personal property belonging to the delinquent. To this end, any internal revenue officer designated by the Commissioner or his duly authorized representative shall prepare a duly authenticated certificate showing the name of the taxpayer and the amounts of the tax and penalty due from him. Said certificate shall operate with the force of a legal execution throughout the Philippines.
>
> xxx xxx xxx
>
> In case the warrant of levy on real property is not issued before or simultaneously with the warrant of distraint on personal property, and the personal property of the taxpayer is not sufficient to satisfy his **tax delinquency**, the Commissioner or his duly authorized representative shall, within thirty (30) days after execution of the distraint, proceed with the levy on the taxpayer's real property. (Emphasis supplied)

In *Light Rail Transit Authority v. BIR*, the Court held that the BIR's issuances, including a WDL, were void and without effect as they stemmed from a non-demandable assessment, given that the assessment was still pending appeal with the CIR. Similarly, in *Mannasoft Technology Corp. v. CIR*, the Court emphasized that the summary collection remedies under the 1997 NIRC, such as the issuance of a WDL, are premised first and foremost on the existence of "delinquent taxes."

As to the **concept of delinquent account**, the Court, citing Revenue Regulations (RR) No. 17-86, has held that **this refers to the amount of**

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tax due from a taxpayer who failed to pay the same within the time prescribed for its payment, that arises from (1) a self-assessed tax, whether or not a tax return was filed, or (2) **a deficiency assessment issued by the BIR which has become final and executory.**

x x x

Under RR No. 4-2019, **a delinquent account is defined as a tax due from an assessment that has become final and executory.** While this definition is framed within the context of Republic Act No. 11213, or the Tax Amnesty Act, it reflects long-standing and widely accepted principles of tax law, particularly the requirement that **delinquency must be based on a final and demandable liability.** RR No. 4-2019 provides that a tax becomes delinquent in the following instances:

> Section 2. *Definition of Terms.* — For purposes of these Regulations, the words used herein shall be defined as follows:
>
> A. **Delinquent Account — shall pertain to a tax due from a taxpayer arising from the audit of the Bureau of Internal Revenue (BIR) which had been issued Assessment Notices that have become final and executory due to the following instances:**
>
> 1. **Failure to pay the tax due on the prescribed due date provided in the Final Assessment Notice (FAN)/Formal Letter of Demand (FLD) and for which no valid Protest, whether a request for reconsideration or reinvestigation, has been filed within thirty (30) days from receipt thereof**;
>
> 2. Failure to file an appeal to the Court of Tax Appeals (CTA) or an administrative appeal before the Commissioner of Internal Revenue (CIR) within thirty (30) days from receipt of the decision denying the request for reinvestigation or reconsideration; or
>
> 3. Failure to file an appeal to the CTA within thirty (30) days from receipt of the Decision of the CIR denying the taxpayer's administrative appeal to the Final Decision on Disputed Assessment (FDDA). (Emphases and underscoring supplied; citations omitted)

In sum, petitioner's failure to timely protest the assessments renders them undisputed and final. Consequently, the taxes sought to be collected have become delinquent. The respondent is thus empowered to pursue collection in accordance with the procedures and within the periods prescribed by law and pertinent regulations.

The WDL is valid.

Petitioner challenges the validity of the WDL on the sole ground that it was signed by a Regional Director rather than a Revenue District Officer, as purportedly required under RDAO No. 1-2001.

This contention, too, is untenable.

For the record, the WDL bears the date October 07, 2022, and was, in fact, received by the petitioner on the same date.[74] At the time of its issuance, RDAO No. 18-2022[75] was already in effect, which pertinently provides:

> **II. SCOPE**
>
> This Order shall cover the delegation of authority to sign/approve and serve/execute the following:
>
> 1. Warrant of Distraint and/or Levy (WDL);
> 2. Warrant of Garnishment and lifting thereof;
> 3. Notice of Tax Liens, Notice of Encumbrance, and lifting thereof;
> 4. Notice of Levy on Real Property and lifting thereof; and
> 5. Notice of Constructive Distraint of Personal Property.
>
> **III. DELEGATED APPROVING/SIGNING AUTHORITY**
>
> The authority to sign and approve the documents enumerated in Subsection II hereof is hereby delegated to the following revenue officials for the proper enforcement of collection on assessment under the jurisdiction of their respective Offices:

Case Description	Signing/Approving Officer
(1) National Office (NO) Cases other than LT Cases	ACIR-Collection Service (CS) or in his absence the Head Revenue Executive Assistant (HREA)-CS

[74] Docket, JSFI, p. 89, par. 6.
[75] Delegation to Certain Revenue Officials of the Authority to Sign Warrants of Distraint, Levy/Garnishment, Notices of Tax Liens, Encumbrance, Levy and Seizures, as Well as the Lifting Thereof, Revenue Delegation Authority Order No. 18-2022, October 05, 2022.

(2) Large Taxpayers Service (LT) Cases	ACIR-Large Taxpayers Service or in his absence the HREA-LTS (Programs and Compliance Group)
(3) Large Taxpayers District Office (LTDO) Cases	Chief-Large Taxpayers District Office (LTDO) or in his absence the Assistant Chief-LTDO
(4) **Regional Office (RO) Cases**	**Regional Director** or in his absence the Assistant Regional Director[76]

From the foregoing, it is evident that, in matters arising from regional offices, the Regional Director possesses the authority to sign and approve a WDL, among others.

It bears emphasis that an RDAO constitutes a delegation of functions by the CIR to revenue officials, in accordance with law. Notably, RDAO No. 18-2022[77] took effect immediately, and, being merely internal in nature—that is, regulating only the personnel of the BIR—its effectiveness does not depend on publication.[78] Stated plainly, at the time the subject WDL was issued on October 07, 2022, Regional Director Edgar B. Tolentino was duly authorized to sign it. Consequently, there can be no doubt that the WDL in question is valid and enforceable.

Time and again, the Supreme Court has held that "taxes are the lifeblood of Government and their prompt and certain availability is an imperious need."[79] It is said that taxes are what we pay for civilized society. Without taxes, the government would be paralyzed for lack of the motive power to activate and operate it. Hence, despite the natural reluctance to surrender part of one's hard-earned income to the taxing authorities, every person who is able to must contribute his share in the running of the government.[80]

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[76] Emphases supplied.
[77] *Supra* note 75.
[78] *See Tañada v. Tuvera*, G.R. No. L-63915 (Resolution), December 29, 1986 [Per J. Cruz, *En Banc*]; *Commissioner of Internal Revenue v. Court of Appeals*, G.R. No. 119761, August 29, 1996 [Per J. Vitug, First Division].
[79] *Commissioner of Internal Revenue v. Pineda*, G.R. No. L-22734, September 15, 1967 [Per J.P. Bengzon, *En Banc*].
[80] *Commissioner of Internal Revenue v. Algue, Inc.*, G.R. No. L-28896, February 17, 1988 [Per J. Cruz, First Division].

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WHEREFORE, in light of the foregoing considerations, we **RESOLVE** to:

(1) **DENY** the *Petition for Review* filed by petitioner Xytrix Systems Corporation on November 04, 2022, for lack of merit;

(2) **UPHOLD** the Formal Letter of Demand and Final Assessment Notices dated January 06, 2021. Accordingly, petitioner is **ORDERED TO PAY** respondent the total amount of **THIRTY MILLION TWO HUNDRED FIFTY THOUSAND TWO HUNDRED EIGHTY-NINE PESOS AND EIGHTEEN CENTAVOS (₱30,250,289.18)**,[81] inclusive of deficiency interests imposed under Section 249(B) of the NIRC of 1997, as amended;

(3) **ORDER** petitioner to **PAY** respondent delinquency interests at the rate of twelve percent (12%) per annum on the total amount due of **THIRTY MILLION TWO HUNDRED FIFTY THOUSAND TWO HUNDRED EIGHTY-NINE PESOS AND EIGHTEEN CENTAVOS (₱30,250,289.18)** as of February 07, 2021,[82] or an amount equivalent to **NINE THOUSAND NINE HUNDRED FORTY-FIVE PESOS AND THIRTY CENTAVOS (₱9,945.30)** per day,[83] from February 08, 2021 until full payment thereof, pursuant to Section 249(C) of the NIRC of 1997, as amended; and

(4) **UPHOLD** the Warrant of Distraint and/or Levy dated October 07, 2022, assailed by the petitioner in this case.

SO ORDERED.

HENRY S. ANGELES
Associate Justice

[81] *See* Exhibits "P-5;" and "R-4," "R-4-A," "R-4-B," "R-4-C," "R-4-D," "R-4-E," and "R-4-F" (actual marking is Exhibit "R-4-2"); Docket, JSFI, p. 89, par. 5.
[82] *See* Exhibits "P-5;" and "R-4," "R-4-A," "R-4-B," "R-4-C," "R-4-D," "R-4-E," and "R-4-F" (actual marking is Exhibit "R-4-2").
[83] ₱30,250,289.18 x 12%/365 days.

I CONCUR:

MARIAN IVY F. REYES-FAJARDO
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MARIAN IVY F. REYES-FAJARDO
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Division Chairperson's Attestation, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice