REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

COMMISSIONER OF INTERNAL REVENUE,
Petitioner,

- *versus* -

CANLUBANG WATERWORKS CORPORATION,
Respondent.

CTA EB No. 2917
(CTA Case No. 10682)

Present:

DEL ROSARIO, *P.J.,*
RINGPIS-LIBAN,
MANAHAN,
BACORRO-VILLENA,
MODESTO-SAN PEDRO,
REYES-FAJARDO,
CUI-DAVID,
FERRER-FLORES, *and*
ANGELES, *JJ.*

Promulgated:
FEB 27 2025 1:05 PM

x - x

D E C I S I O N

MANAHAN, *J.*:

Before the Court of Tax Appeals (CTA) *En Banc* is a *Petition for Review* filed on May 29, 2024[1] by the Commissioner of Internal Revenue (CIR), which seeks to reverse and set aside the Decision[2] promulgated on January 10, 2024 and the Resolution[3] promulgated on April 12, 2024.

For easy reference, the dispositive portion of the January 10, 2024 Decision reads:

> "**WHEREFORE**, the instant Petition for Review, filed on 22 November 2021, is hereby **GRANTED**. Respondent's right to collect the alleged deficiency taxes subject of Assessment

---

[1] EB Docket, pp. 7-22.
[2] Penned by Associate Justice Maria Rowena Modesto-San Pedro, with Associate Justice Ma. Belen M. Ringpis-Liban and Associate Justice Corazon G. Ferrer-Flores concurring, EB Docket, pp. 31-46.
[3] EB Docket, pp. 48-49.

Notice No. 56/1999 and the Formal Letter of Demand, dated 15 October 2002, is hereby declared to have **PRESCRIBED**.

Accordingly, the assailed Warrant of Distraint and/or Levy, dated 15 October 2021, is hereby declared **NULL AND VOID**. Respondent is also hereby **ENJOINED AND PROHIBITED** from collecting any amount in relation to Assessment Notice No. 56/1999 and the Formal Letter of Demand, dated 15 October 2002.

SO ORDERED."[4]

On the other hand, the dispositive portion of the April 12, 2024 Resolution reads:

"**FOR THESE REASONS**, respondent's *Motion for Reconsideration (Re: Decision dated 10 January 2024)* is hereby **DENIED** for lack of merit. The Decision, dated January 10, 2024, is hereby **AFFIRMED**.

SO ORDERED."[5]

FACTS

The following are the facts as found by the Court in Division:

"On 15 August 2002, respondent issued a Preliminary Assessment Notice against petitioner.

Respondent then issued the Formal Letter of Demand (FLD) against petitioner on 15 October 2002 for the total amount of P271,100.61, which the latter received in or around the year 2002. Respondent followed this up with two (2) informal Collection Notices, dated 6 November 2003 and 14 January 2004.

Petitioner responded by requesting a compromise settlement of its alleged tax liabilities through a letter, dated 8 March 2005. Then, without waiting for respondent's reply to said request and treating it as approved, it paid a total of P56,879.80 representing down payment for the requested compromise settlement and submitted proof of such payments on 11 March 2005, a mere three (3) days after filing its request.

---

[4] See Note 2, p. 45.
[5] See Note 3, p. 49

Respondent subsequently issued a Final Notice Before Seizure on 8 March 2007, demanding that petitioner settle the full amount assessed in the FLD. Petitioner replied via a letter, dated 18 April 2007, claiming to have already settled the amount through the aforementioned payments.

Undeterred, respondent issued Warrant of Garnishment (WOG) No. 056-02-08-001 on 18 March 2008 for the collection of P10,000.00. Petitioner paid the amount sought, and Revenue District Officer ('RDO') Artemio D. Aquino then lifted the Warrant of Garnishment on 2 September 2008.

Later, respondent issued the undated Warrant of Distraint and/or Levy (WDL) No. 056-02-10-217. The WDL sought to collect P271,400.60 and was received by petitioner on 29 March 2010, who replied on 6 April 2010 claiming that it had already settled its deficiency taxes for Calendar Year (CY) 2009, as allegedly stated in the 2 September 2008 letter of RDO Aquino.

Almost a decade later, on 20 January 2020, respondent sent a letter to petitioner, inviting it to avail of the tax amnesty program as it still had a delinquent account relative to CY 1999. Petitioner replied on 31 January 2020, once again insisting that its liabilities had already been settled and that respondent had allegedly even recognized this in the 2 September 2008 letter of RDO Aquino.

Respondent answered this letter with a Notice of Denial on 13 September 2021, denying petitioner's application for compromise settlement and demanding the payment of P204,520.80 representing its alleged deficiency internal revenue taxes for CY 1999. Petitioner argued against this through a letter, dated 28 September 2021, claiming that it had already settled the subject tax liabilities in full and that respondent's right to collect the subject amount has long since prescribed.

Respondent, unconvinced, issued the Assailed WDL, which was personally served to petitioner on 21 October 2021. Aggrieved, petitioner filed its Petition for Review with Urgent Motions to Suspend Collection of Tax and Dispense with Bond before this Court on 22 November 2021.

Acting on the pleading, the Court ordered respondent to comment on the Urgent Motions on 7 December 2021 and issued Summons on 10 December 2021. Respondent complied with these by filing his Comment (on Petitioner's Urgent Motions to Suspend Collection of Tax and Dispense with Bond) via registered mail on 22 December 2021 and his Answer *(Ad Cautelam)* on 4 March 2022.

The Urgent Motions were then heard on 16 March 2022.

Petitioner, in support of its Urgent Motions, filed a Formal Offer of Evidence on 26 March 2022, while respondent filed his Comment/Opposition (on Petitioner's Formal Offer of Evidence for its Urgent Motions to Suspend Collection of Tax and Dispense with Bond) on 1 April 2022. The Court admitted all offered exhibits and submitted the Urgent Motions for resolution on 5 May 2022.

On 20 June 2022, the Court denied the Urgent Motions for lack of merit.

Earlier, petitioner had also filed a Motion for Summary Judgment on 8 June 2022, with respondent filing his Comment/Opposition Re: Petitioner's Motion for Summary Judgment dated 08 June 2022 on 29 June 2022. The Court denied the Motion for Summary Judgment for lack of merit on 20 September 2022.

In relation to the main case, petitioner filed its Pre-Trial Brief on 3 June 2022 while respondent filed his own Pre-Trial Brief on 6 June 2022. Pre-Trial ensued on 20 September 2022, and after the parties filed their Joint Stipulation of Facts and Issues on 20 October 2022, the Court issued a Pre-Trial Order on 24 November 2022.

Petitioner presented its sole witness on 29 November 2022. Accordingly, it filed its Formal Offer of Evidence on 9 December 2022, while respondent filed his Comment/Opposition (on Petitioner's Formal Offer of Evidence) on 16 December 2022. The Court admitted all offered exhibits in a Resolution, dated 8 February 2023.

Respondent presented his sole witness on 4 May 2023 and submitted his List of Exhibits on 19 May 2023. As reply, petitioner filed its Comment/Opposition (to Respondent's Formal Offer of Evidence Dated May 16, 2023) on 6 June 2023. The Court admitted all offered exhibits in a Resolution, dated 14 July 2023.

As ordered, petitioner filed its Memorandum on 22 August 2023 while respondent filed his Memorandum on 4 September 2023. Accordingly, the Court submitted the case for decision on 12 September 2023."[6]

On January 10, 2024, the CTA in Division rendered the assailed Decision. Consequently, on April 12, 2024, the CTA in Division issued the assailed Resolution.

---

[6] See Note 2, pp. 32-35.

On May 10, 2024,[7] petitioner filed his *Motion for Extension of Time to File Petition for Review.* On May 29, 2024, petitioner filed the present Petition for Review. On July 15, 2024, respondent filed its *Comment [on Petitioner Commissioner of Internal Revenue's Petition for Review dated May 28, 2024].*[8]

On July 31, 2024,[9] the Court *En Banc* issued a Minute Resolution submitting the case for decision.

ISSUES

Petitioner raised the following Assignment of Errors:

I. The CTA erred when it granted respondent's Petition for Review and when it declared that petitioner's right to collect had already prescribed; and

II. The CTA erred when it declared that the WDL dated October 15, 2021 is null and void. The CTA also erred when it enjoined and prohibited petitioner from collecting any amount in relation to Assessment Notice No. 56/1999 and the FLD dated October 15, 2022.[10]

Petitioner's Arguments

Petitioner argues that it had been issuing collection notices against respondent on several dates prior to the issuance of the October 15, 2021 WDL. However, respondent did not refute said notices. Instead, respondent applied for compromise settlement before the Bureau of Internal Revenue (BIR). Considering that the assessment was already final, executory, and enforceable, the CTA has no jurisdiction over the instant Petition.

Petitioner further argues that, as a rule, petitioner's collection remedies will only be barred by prescription if he fails to proceed with his collection efforts within five (5) years from his assessment.

---

[7] EB Docket, pp. 1-2.
[8] EB Docket, pp. 50-57.
[9] EB Docket, p. 61.
[10] See Note 1, Assignment of Errors, p. 10-11.

As per BIR records, petitioner sent the respective Collection Notices dated November 6, 2003 and January 14, 2004 to respondent. Respondent consequently filed its Applications for Compromise dated March 8, 2005 and March 11, 2005. On March 8, 2007, petitioner issued the Final Notice Before Seizure. Finally, on March 18, 2008, petitioner issued WOG No. 056-02-08-001, followed by WDL No. 056-02-10-217. Thus, petitioner contends that he has been serving collection notices to respondent since the year 2003. As such, petitioner's right to collect has not yet prescribed.

Respondent's Arguments

Respondent counters that the CTA has jurisdiction over "other matters" provided for under Section 7(a)(1) of Republic Act (RA) No. 1125, as amended by RA No. 9282. On this score, respondent echoes the ruling of the Court in Division that the proper reckoning point of the thirty (30)-day period to appeal is the respondent's receipt of the WDL on October 21, 2021, and not the receipt of the Collection Notices in 2003. As such, the Petition before the Court in Division was filed on time.

As to the issue of prescription of collection, respondent likewise subscribes to the conclusion reached by the Court in Division that the prescriptive period for collection is three (3) years under Section 203 of the 1997 National Internal Revenue Code (NIRC), and not 5 years under Section 222(d) of the same law. Moreover, the issuance of the subject collection letters does not suspend the 3-year prescriptive period. Rather, it is the service of a WDL which suspends the prescriptive period.

RULING OF THE COURT

The Court *En Banc* finds the Petition bereft of merit.

The CTA has jurisdiction over the present case

Section 7(a)(1) of RA No. 1125,[11] as amended by RA No. 9282,[12] conferred CTA the jurisdiction over "other matters" arising under the NIRC. Thus:

---

[11] AN ACT CREATING THE COURT OF TAX APPEALS.
[12] AN ACT EXPANDING THE JURISDICTION OF THE COURT OF TAX APPEALS (CTA), ELEVATING ITS RANK TO THE LEVEL OF A COLLEGIATE COURT WITH SPECIAL

"SEC. 7. *Jurisdiction.* – The CTA shall exercise:

(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 **other matters arising under the National Internal Revenue Code or other laws administered by the Bureau of Internal Revenue**;" *(Emphasis supplied)*

Based on the above-quoted provision, the appellate jurisdiction of the CTA is not limited to cases involving decisions of the Commissioner of Internal Revenue (CIR) 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 petitioner.[13]

In *Philippine Journalists, Inc. v. Commissioner of Internal Revenue* (*Philippine Journalists* case),[14] 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 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." *(Emphasis supplied)*

Based on the *Philippine Journalists* case, the validity of a WDL is an issue that falls under "*other matters arising from the NIRC.*" Here, respondent assails the validity, *i.e., prescription of collection*, of WDL No. 056-02-10-217 that it received on October 21, 2021. As such, the Court may take cognizance of the same.

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.

[13] *Commissioner of Internal Revenue v. Hambrecht & Quist Philippines, Inc.*, G.R. No. 169225, November 17, 2010.

[14] G.R. 162852, December 16, 2004.

Relatively, Section 11 of RA No. 1125, as amended by RA No. 9282, pertinently states:

> "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...**may file an appeal with the CTA within thirty (30) days 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."*(Emphasis supplied)*

Applying the above provision, petitioner had thirty (30) days from receipt of WDL No. 056-02-10-217 on October 21, 2021,[15] or until November 20, 2021, within which to file its appeal before the CTA. Considering that November 20, 2021 fell on a Saturday, while November 21, 2021 fell on a Sunday, the filing of the Petition for Review before the Court in Division on November 22, 2021 was timely made.

Thus, the Court *En Banc* agrees with the pronouncement of the Court in Division in the assailed Decision, as follows:

> "The Supreme Court has since upheld this stance in a long line of cases. A few recent such cases are ***Commissioner of Internal Revenue v. Manila Medical Services, Inc.***, ***Commissioner of Internal Revenue v. Court of Tax Appeals Second Division, et al.***, and ***La Flor Dela Isabela, Inc. v. Commissioner of Internal Revenue***. These undermine respondent [now, petitioner]'s contention that petitioner [now, respondent] should have filed a judicial appeal thirty (30) days after its receipt of the assessment notices: as the CTA's jurisdiction is not limited to assessments and refunds, petitioner validly appealed the Assailed WDL to this Court. And as the latter is the issuance from which its Petition arose, the reglementary period should be counted from its receipt of said WDL."[16]

Considering that the instant case involves a question relating to the propriety of petitioner's collection proceedings under the "other matters" jurisdiction of the CTA, the Court *En Banc* finds that the CTA has jurisdiction over the present case.

Petitioner's right to collect had already prescribed

---

[15] Exhibits "P-32" and "R-10", Docket, Vol. V, p. 2464. As to the existence of the WDL, refer to par. 8, Stipulation of Facts, JSFI, Docket, Vol. V, p. 2336.
[16] See Note 2, p. 38.

With respect to the prescription of petitioner's right to pursue collection proceedings, the Court in Division ruled that:

> "As a brief aside, the Court first notes that both petitioner and respondent agree that respondent has five (5) years within which to collect assessed taxes. Petitioner bases this claim on ***Sec. 222(c) of the NIRC*** whereas respondent cites ***Sec. 222(d)***.
>
> This is incorrect. As the Supreme Court recently ruled in ***Commissioner of Internal Revenue v. Court of Tax Appeals Second Division & QL Development, Inc. ('QL Development')*** the CIR normally has *three (3)* years to collect assessed taxes. This is based on ***Sec. 203 of the NIRC***:
>
>> 'Sec. 203. *Period of Limitation Upon Assessment and Collection.* — Except as provided in Section 222, internal revenue taxes shall be assessed within **three (3) years** after the last day prescribed by law for the filing of the return, and no proceeding in court without assessment for the collection of such taxes shall be begun after the expiration of such period: *Provided*, That in a case where a return is filed beyond the period prescribed by law, the three (3)-year period shall be counted from the day the return was filed. For purposes of this Section, a return filed before the last day prescribed by law for the filing thereof shall be considered as filed on such last day'
>
> The above provision admittedly lacks a specific period for collection, only mandating three (3) years for assessment. This is so despite the title of the provision clearly announcing that said section is supposed to govern the period allowed for assessments *and* collections.
>
> This perceived gap, however, has already been addressed by jurisprudence. Long before, ***QL Development***, the High Court has consistently applied the three (3)-year period under ***Sec. 203*** to the collection of taxes and not just to assessments. And as has long since been settled, the Supreme Court's interpretation of a law must be considered part of said law.
>
> xxx xxx xxx
>
> To repeat, respondent's right to collect the assessed taxes was limited to a certain period of time. Under ***Sec. 223***, this prescriptive period can only be interrupted by the following:
>
> xxx xxx xxx

> (d) When respondent has duly served a warrant of distraint or levy upon the taxpayer or its authorized representative; and
>
> xxx xxx xxx

The fourth exception, (d), is what is relevant to the present case. If the CIR has three (3) years to collect an assessed tax, said period is naturally interrupted once the CIR has properly initiated collection efforts.

Sec. 223, however, is specific as to what constitutes such an initiation: it specifically identifies a 'warrant of distraint or levy.' As such, it is the service of a WDL that interrupts the prescriptive period for collection. This is emphasized in ***QL Development***:

> 'In an attempt to convince this Court that its right to collect the deficiency taxes had not yet prescribed, the CIR avers that the FDDA received by QLDI effectively operated as a collection letter for the satisfaction of deficiency tax liabilities.
>
> The Court finds no merit in the CIR's assertion.
>
> **To reiterate, the CIR's collection efforts are initiated by distraint, levy, or court proceeding. The distraint and levy proceedings are validly begun or commenced by the issuance of a warrant of distraint and levy and service thereof on the taxpayer.** And a judicial action for the collection of a tax is initiated: (a) by the filing of a complaint with the court of competent jurisdiction; or (b) where the assessment is appealed to the CTA, by filing an answer to the taxpayer's petition for review wherein payment of the tax is prayed for. However, in this case no warrant of distraint and/or levy was served on QLDI, and no judicial proceedings were initiated by the CIR within the prescriptive period to collect.'

The above is clear. A collection effort must be initiated by court proceedings or, more relevant to the case bar, by distraint or levy. And distraint or levy are 'validly begun' through the issuance of a WDL. This position is once again based on a long line of rulings by the Supreme Court, including ***Bank of the Philippine Islands v. Commissioner of Internal Revenue***, ***Republic of the Philippines v. Salud V. Hizon ('Hizon')***, and ***Clara Diluangco Palanca, et al. v. Commissioner of Internal Revenue, et al. ('Palanca')***.

Considering the above, the Court cannot accept respondent's contention that his collection efforts began upon the issuance of his 6 November 2003 letter. Nothing in the letter implies the initiation of collection efforts via distraint or levy. It is at most a reiteration of respondent's demand for payment, asking that respondent either pay the amount assessed or apply for a compromise settlement.

Instead, the earliest issuance by respondent that can be considered to have validly initiated any collection effort was the Warrant of Garnishment No. 056-02-08-001, dated 18 March 2008:

> 'x x x I, ARTEMIO D. AQUINO, x x x Revenue District Officer, **do hereby seize, distraint and garnish so much of [the] bank account and such other property, tangible or intangible, of [petitioner]** now in your possession or under control as may be available and sufficient to cover the above-mentioned tax obligation of [petitioner].'

The above clearly and unequivocally effects an act of distraint and levy against petitioner by garnishing its bank account. By contrast, the 6 November 2003 letter merely reiterated the demand for payment, without any actual act of distraint or levy:

> 'The records of this office show that an assessment notice, due to deficiency Income [Tax], Percentage [Tax], & EWT has been sent to you for an early settlement of your tax liability which remains outstanding to date. Your total account balance is P271,400.60. Please note that the interest is being accumulated and is being adjusted/recomputed up to the actual date of payment. To avoid further interest and/or penalties, **we request that the aforementioned amount be paid immediately upon receipt of this letter to any BIR-authorized Agent Bank or Revenue Collection Office (RCO).**
>
> **You may avail of the Compromise Settlement of Internal Revenue Tax Liabilities** which, under Revenue Regulations (RR) No. 7-2001, provides a taxpayer with outstanding receivable accounts and disputed assessments with the Bureau, including those already filed in court, the opportunity to settle their tax liabilities and, accordingly reduce the percentage of the amount to be settled.'

To repeat, the above merely (a) demanded payment of the alleged deficiency taxes; and (b) informed petitioner of the opportunity to enter into a compromise settlement. It did *not*

> enforce any manner of distraint or levy. It does not even contain any use of the word "collection." It is thus not an act of collection, despite respondent's sly insistence on referring to it as a 'Collection Notice,' and to rule otherwise would be to confuse *assessing* the tax liabilities of a taxpayer and *collecting* said tax liabilities from the taxpayer, which are obviously separate and distinct.
>
> The aforementioned Warrant of Garnishment is thus the earliest valid collection effort initiated by respondent. The same was issued on 18 March 2008, one thousand nine hundred and eighty-one (1,981) days after respondent's 15 October 2002 issuance of the assailed FLD. This is well beyond the three (3)-year period under ***Sec. 203 of the NIRC*** and almost half a year beyond the inapplicable five (5)-year period under ***Sec. 222 of the NIRC***. It was thus too late to interrupt the prescriptive period, whether one correctly pegs the end of said period on 15 October 2005 or insists on the later deadline of 15 October 2007.
>
> Given all of the foregoing, the Court finds that respondent's right to collect the assailed assessment has prescribed."

The Court *En Banc* agrees with the conclusion of the Court in Division.

A review of petitioner's November 6, 2003 letter addressed to respondent readily reveals that the same is a mere demand for payment. Moreover, Section 223(d) of the 1997 NIRC, as amended, in relation to the *QL Development* case, categorically states that the service of a WDL upon a taxpayer or its authorized representative interrupts the 3-year period of the CIR to collect.

Here, considering that the earliest effort of petitioner to institute collection proceedings through the issuance of a WOG was only made on March 18, 2008, or more than 5 years after the issuance of the subject FLD, petitioner's right to collect has indeed prescribed.

In sum, the Court in Division was correct in assuming jurisdiction over the case under the "other matters" provision of Section 7(a)(1) of RA No. 1125, as amended by RA No. 9282, which includes questions on the propriety of the CIR's summary collection proceedings. Likewise, the Court in Division was correct in ruling that petitioner's right to collect had already prescribed, since the earliest collection effort through the issuance of the March 18, 2008 WOG was made beyond the 3-year prescriptive period to collect, as enunciated under Section 223(d) of the 1997 NIRC, as amended, in relation to the *QL Development* case. Therefore, the Court *En Banc* sees no cogent reason to deviate from the findings of the Court in Division.

ACCORDINGLY, the instant Petition for Review is **DENIED**, for lack of merit.

SO ORDERED.

CATHERINE T. MANAHAN
Associate Justice

WE CONCUR:

ROMAN G. DEL ROSARIO
Presiding Justice

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

Marian Ivy F. Reyes-Fajardo
MARIAN IVY F. REYES-FAJARDO
Associate Justice

LANEE S. CUI-DAVID
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice

HENRY S. ANGELES
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, 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.

ROMAN G. DEL ROSARIO
Presiding Justice