REPUBLIC OF THE PHILIPPINES
Court of Tax Appeals
QUEZON CITY

En Banc

COMMISSIONER OF INTERNAL REVENUE, *Petitioner,*	**CTA *EB* NO. 3069** (CTA Case No. 10217)
	Present:
-versus-	**RINGPIS-LIBAN,** *P.J.,* **BACORRO-VILLENA, MODESTO-SAN PEDRO, REYES-FAJARDO, CUI-DAVID, FERRER-FLORES,** *and* **ANGELES,** *JJ.*
R.A. TAGALA & CO. VENTURES, INC. (now RATC VENTURES, INC.) *Respondent.*	Promulgated: JUL 09 2026 4:10pm

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DECISION

MODESTO-SAN PEDRO, J.:

The Case

Before the Court is a Petition for Review filed on February 13, 2025,[1] with the Court of Tax Appeals *En Banc* assailing the Decision promulgated July 19, 2024 (*Assailed Decision*), and Resolution, dated January 10, 2025 (*Assailed Resolution*), both rendered by this Court's Third Division (Court in Division), which granted herein respondent's Petition for Review, dated November 27, 2019,[2] before the Court in Division.

[1] EB Docket, pp. 9-27.
[2] Division Docket, Vol. I, pp. 6-21, with annexes.

The Parties[3]

Petitioner Commissioner of Internal Revenue (CIR) is the duly appointed Commissioner of the Bureau of Internal Revenue, with the authority, among others, to decide, approve and collect deficiency tax liabilities of taxpayers, and holds office at the 5th Floor, BIR National Office Building, BIR Road, Diliman, Quezon City, where he may be served summons and other processes.

Respondent R.A. Tagala & Co. Ventures, Inc., now RATC Ventures, Inc., is a duly organized corporation under Philippine laws with principal office address at RATCVI Molino Center Building, Lot 34, Block 4, Magdiwang Avenue Magdiwang Subdivision, Brgy. Molino II, Bacoor City, Cavite.

The Facts

The undisputed facts of the case are as follows:

> On April 8. 2016, Officer-in-Charge (OIC) – Regional Director Eduardo L. Pagulayan of Revenue Region No. 1 – Calasiao, Pangasinan, issued a Letter of Authority (LOA) No. LOA-001-2016-00000126, authorizing Revenue Officer (RO) Agnes Rosal and Group Supervisor (GS) Mary Faye Quinto of Revenue District Office (RDO) No. 1 – Laoag City, Ilocos Norte, to examine [respondent's] books of account and other accounting records for all internal revenue taxes for the period covering January 1, 2014 to December 31, 2014. Attached to the LOA is a Checklist of Requirements specifying the documents that must be submitted by petitioner to the BIR.
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> The BIR later sent its First and Second Requests for Presentation of Records, which were received by petitioner on May 23, 2016, and June 9, 2016, respectively.
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> Through the 2nd Indorsement dated October 24, 2016 of OIC Regional Director Marina C. De Guzman, Revenue Region No. 1, Calasiao, Pangasinan, the tax case docket of [respondent] was forwarded to the Regional Director, Revenue Region No. 9 – San Pablo City, for the continuance of audit for TY 2014.
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> On November 21, 2017, the Memorandum of Assignment (MOA) No. MOA-17-058 was issued by the Head, Investigation Office, Mr. Benjamin B. Virtucio, Jr., of the RDO No. 54B – Rosario, North Cavite, Revenue Region No. 9 – San Pablo City, addressed to RO Jimmy Belen, Jr. and GS Liza Lozada, stating that the case/docket of [respondent] for taxable year 2014 is referred to them, for the continuation of the audit/investigation.

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[3] *Id.*

Subsequently, Regional Director Maridur V. Rosario of Revenue Region No. 9A – CaBaMiRo, Sto. Tomas, Batangas, issued the Preliminary Assessment Notice (PAN) dated February 14, 2018, finding due from petitioner deficiency income tax, value-added tax (VAT), and improperly accumulated earnings tax (IAET), with surcharge, interests, and compromise penalties for TY 2014, in the aggregate amount of ₱18,462,483.05.

Thereafter, Regional Director Rosario issued the Formal Letter of Demand (FLD), with attached Details of Discrepancies, and the Assessment Notices, both dated March 27, 2018, upholding the deficiency tax assessment in the PAN, the details of which are as follows:

Type	Basic	Interest	Surcharge	Total
Income Tax	₱4,706,749.38	₱2,862,735.24	₱2,353,374.69	₱9,922,859.31
VAT	3,430,964.28	2,237,176.71	1,715,482.14	7,383,623.13
IAET	703,445.44	462,539.47	175,861.36	1,341,846.27
Compromise Penalties				37,000.00
			TOTAL	**₱18,685,328.71**

On April 30, 2018, [respondent] filed its Protest/Request for Reinvestigation against the said FLD.

LOA No. LOA-54B-2018-00000212 dated August 6, 2018 was issued by Regional Director Rosario, authorizing GS Jimmy Belen, Jr. and RO Ronna Marrie Macatangay and Victoria Banawa to examine [respondent's] books of accounts and accounting records for all internal revenue taxes for the period from January 1, 2014 to December 31, 2014. The said LOA also states that it is a replacement of LOA No. LOA-001-2016-00000126 dated April 8, 2016 for the continuation of the audit of petitioner's tax liabilities for the said period because of reassignment of the case due to transfer of [respondent] to RDO No. 54B – West Cavite.

On August 6, 2018, Revenue District Officer Emmanuel S. Ferrer, Jr. of RDO No. 54B – West Cavite, issued the letter of even date, informing petitioner that its tax case was referred to RO Ronna Marie Macatangay for reinvestigation, and requesting its President or authorized representataive to come to the BIR office.

Through its letter dated October 8, 2018, [respondent] offered, without admitting guilt on its part but just wanting to do away with all the hassles accompanying the examination process, the amount of ₱600,000.00 as settlement in lieu of assessment.

Revenue District Officer Ferrer, Jr. then issued the letter dated April 2, 2019, demanding payment of the reduced amount of the subject tax assessments.

Thereafter, the assailed Final Decision on Disputed Assessment (FDDA) dated October 18, 2019 was issued by Regional Director Gerry Dumayas of Revenue Region No. 9A – CaBaMiRo, Sto. Tomas, Batangas, reducing the total tax assessments to ₱8,573,074.02, for TY 2014, broken down as follows:

Type	Basic	Interest	Surcharge	Total
Income Tax	₱1,652,014.90	₱1,242,134.17		₱2,894,149.07
VAT	2,283,645.28	1,817,155.99		4,100,801.26
IAET	703,445.44	661,816.89	₱175,861.36	1,541,123.69
Compromise Penalties				37,000.00
			TOTAL	**₱8,573,074.02**

[Respondent] filed the present Petition for Review on November 27, 2019. The case was raffled to this Court's Third Division.

Subsequently, on December 23, 2019, [Petitioner] posted a Motion for Extension of Time to File Answer, which the Court granted in its Resolution dated January 9, 2020, giving [petitioner] another period of thirty (30) days from December 24, 2019, or until January 23, 2020, within which to file his Answer.

On January 23, 2020, [petitioner] filed an Urgent Motion for Extention of Time to File Answer, which the Court granted in the resolution dated January 30, 2020, granting respondent another period of thirty (30) days from January 30, 2020, or until February 22, 2020, within which to file his Answer.

Thereafter, [petitioner] filed on February 21, 2020 a Final Motion of Additional Time to File Answer. In the Resolution dated February 27, 2020, the Court granted the said Final Motion, granting another extension of fifteen (15) days from February 22, 2020 or until March 8, 2020, within which to file his Answer.

On March 6, 2020, [petitioner] posted his Answer to the Petition for Review.

On June 11, 2020, [respondent] filed its Reply to [petitioner's] Answer.

Thereafter, [petitioner] transmitted the BIR Records of the instant case on July 28, 2020.

The Pre-Trial Conference was initially scheduled for June 11, 2020, but was finally reset to, and held on, May 6, 2021. Prior thereto, the Pre-Trial Brief (for the [respondent] RATC Ventures, Inc.) was submitted on June 3, 2020, while [petitioner's] Pre-Trial Brief was then filed on May 27, 2021.

In the meantime, on June 25, 2021, the parties filed their Joint Submission (of the admitted/stipulated facts and issues to be resolved), which was admitted and approved by the Court in the Resolution dated June 28, 2021, deeming the Pre-Trial terminated. The Pre-Trial Order dated July 22, 2021 was then issued by the Court.

Trial then ensued, with the parties presenting and offering their respective documentary and testimonial evidence.

[Respondent] offered the testimony of its lone witness, Mr. Roland S. Conte, [respondent's] Tax Agent/Consultant.

The Formal Offer of Exhibits of [respondent] was filed on May 19, 2022. [Petitioner's] Comment (Re: [respondent's] Formal Offer of Exhibits) was filed on June 1. 2022.

In the Order dated June 30. 2022. the present case was transferred to this Court's Second Division.

In the Resolution dated July 7, 2022, the Court admitted [respondent's] offered exhibits, *except* for the following:

1. Exhibits "P-2", "P-3", "P-4", "P-6", "P-6-a", "P-9", "P-10", "P-11", "P-14", "P-15", "P-16", P-16-a to P-16-c", "P-17", "P-20", "P-21", "P-23", "P-23-a", and "P-25", for failure to submit the duly marked exhibits; and

2. Exhibits "P-5", "P-5-a", "P-12" and "P-13", for failure to present the originals for comparison.

[Respondent] then filed on July 25, 2022 its Motion for Reconsideration. [Petitioner] failed to file comment thereon. In the resolution dated September 29, 2022, the Court partially granted [respondent's] Motion for Reconsideration thereby admitting Exhibits "P-6", "P-6-a", "P-12", "P-14", "P-15", "P-16", P-16-a to P-16-c", and "P-25", but still denying admission to Exhibits "P-2", "P-3", "P-4", "P-5", "P-5-a", "P-9", "P-10", "P-11", "P-13, "P-17", "P-20", "P-21", "P-23", "P-23-a".

[Petitioner] offered the testimonies of Revenue Officers Mary Faye D. Quinto. Jimmy E. Belen, Jr., William Landicho, and Ronna Marrie Macatangay.

On April 4. 2023, [petitioner's] Formal Offer of Evidence was filed. [Respondent] filed its Comments on [petitioner's] Formal Offer of Evidence on April 19, 2023. In the Resolution dated May 18, 2023, the Court admitted all of [petitioner's] offered exhibits.

Subsequently, in the Resolution dated May 29, 2023, the present case was transferred to this Court's Third Division.

On June 22, 2023, [petitioner] filed a Manifestation, stating that he is adopting the arguments raised in his Answer as his Memorandum.

On July 4, 2023, the Memorandum for the [respondent] was posted.

The present case was deemed submitted for decision on July 21, 2023.

Upon resolving the case, the Court in Division granted the Petition for Review *via* the Assailed Decision on July 19, 2024,[4] thereby setting aside the FLD and the Assessment Notices for being void. The dispositive portion of said Decision reads:

[4] EB Docket, pp. 34-49.

> **WHEREFORE,** in light of the foregoing considerations, the present Petition for Review is **GRANTED.**
>
> Accordingly, the FLD and the Assessment Notices, both dated March 27, 2018, and the FDDA dated October 18, 2019 declaring petitioner liable for internal revenue tax deficiencies for TY 2014 are **CANCELLED** and **SET ASIDE**, for being **VOID**.
>
> Respondent or any person duly acting on his behalf is hereby **ENJOINED** from collecting or taking further action on the subject deficiency taxes against petitioner for TY 2014.
>
> **SO ORDERED.**

In the Assailed Decision, the Court in Division granted respondent's Petition for Review primarily in view of the lack of authority of the Revenue Officer (RO) who conducted the original investigation, thereby rendering the assessment notices, Formal Letter of Demand (FLD), and Final Decision on Disputed Assessment (FDDA) void and without any force and effect for being in violation of respondent's right to due process.

Petitioner sought to challenge the Assailed Decision through a Motion for Reconsideration which was filed on August 12, 2024.[5] He argued that the examination of respondent's books of accounts and other accounting records was conducted pursuant to a valid Letter of Authority (LOA), particularly because there is no statutory requirement that the ROs be named in the LOA itself.

After receiving a copy of the Motion for Reconsideration, respondent thereafter filed an Opposition to Motion for Reconsideration on September 9, 2024.[6] It was stated that there is nothing new in the arguments of petitioner which has not already been tackled by the Court. Hence, respondent prayed that the Motion for Reconsideration be denied outright, and that the Assailed Decision be affirmed and made permanent.

On January 10, 2025, the Court in Division issued the Assailed Resolution[7] denying petitioner's Motion for Reconsideration for lack of merit. In ruling unfavorably on the Motion for Reconsideration, the Court in Division reiterated that due process requires the issuance of a new LOA to confer authority on the new set of officers who will continue the investigation of a taxpayer's books of accounts and other accounting records.

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[5] Division Docket, Vol. II, p. 706-713.

[6] *Id.*pp. 718-727.

[7] EB Docket, pp. 51-56.

Thereafter, petitioner filed an Urgent Motion for Extension of Time *(To File Petition for Review)* on January 28, 2025[8] praying for an additional 15 days from January 29, 2025 to file its Petition for Review. As the same was granted by the Court, petitioner thus had until February 13, 2025 within which to file a Petition for Review.

On February 13, 2025, petitioner thus filed a Verified Petition for Review *(of the Decision dated July 18, 2024 and Resolution dated January 10, 2025)*[9], praying that the Court *En banc* reverse and set aside both the Assailed Decision and Assailed Resolution, and a new one be entered holding respondent liable to pay the amount of ₱8,573,074.02 representing deficiency taxes for taxable year 2014, inclusive of increments.

Respondent thereafter filed an Opposition to Petition for Review En Banc,[10] arguing, among others, that the Assailed Decision was decided based on the correct finding of facts to which the law, the rule and the prevailing jurisprudence were exactingly applied.

Hence, this Decision.

The Arguments

Petitioner raises the following arguments:[11]

(a) The Court in Division relied on the McDonald's case and the Manila Doctor's Hospital Case, which were erroneously resolved based on an outdated issuance, specifically *Revenue Memorandum Order (RMO) No. 43-90*, which predates *the 1997 National Internal Revenue Code (NIRC)* provisions;

(b) By not utilizing the relevant issuance specifically promulgated to address the stipulations of the *1997 NIRC*, the decision may have been grounded in a legal framework that is no longer applicable or valid; and

(c) The decision failed to acknowledge and incorporate the valid and pertinent issuances that govern the *1997 NIRC*. Despite the inapplicability of *RMO 43-90* in this context, the decision proceeded to apply regulations that do not conform to contemporary tax laws and established legal standards.

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[8] *Id.* pp. 1-4.
[9] *Supra* note 1.
[10] EB Docket, pp. 59-72.
[11] *Supra* note 1.

Respondent opposes the above with the following contentions:[12]

(a) The Third Division of the Court of Tax Appeals is correct in relying on the latest jurisprudence and the applicable rule in deciding this case;

(b) Relevant issuances, rules and prevailing interpretations of the provisions of the NIRC were sufficiently and validly applied; and

(c) The decision acknowledged and incorporated the regulations that conform with the contemporary tax laws and established legal standards.

The Ruling of the Court

The instant Petition for Review must be denied for lack of merit. The Assailed Decision rendered by this Court's Third Division must necessarily be affirmed for being consistent with the relevant laws, rules and prevailing jurisprudence.

The Court En Banc has jurisdiction over the instant case

Pursuant to *Rule 8, Section 4(b) of the Revised Rules of the Court of Tax Appeals, as amended (RRCTA)*, the procedure for appealing a ruling of the Court in Division before the Court *En Banc* follows what is laid down by Rule 43 of the Rules of Court:

> SEC. 4. *Where to appeal; mode of appeal* —
>
> . . . .
>
> (b) An appeal from a decision or resolution of the Court in Division on a motion for reconsideration or new trial shall be taken to the Court by petition for review provided in Rule 43 of the Rules of Court. The Court *en banc* shall act on the appeal. *(n)*
>
> . . . .

[12] *Supra* note 10.

Worthy of note here is *Rule 43, Section 4 of the Rules of Court*, which governs the period for filing applicable appeals:

> SEC. 4. Period of appeal. — *The appeal shall be taken within fifteen (15) days from notice of* the judgment, final order or resolution, or from the date of its last publication, if publication is required by law for its effectivity, or of *the denial of petitioner's motion for new trial or reconsideration* duly filed in accordance with the governing law of the court or agency a quo. Only one (1) motion for reconsideration shall be allowed. Upon proper motion and the payment of the full amount of docket fee before the expiration of the reglementary period, *the Court of Appeals [or Court of Tax Appeals En Banc] may grant an additional period of* ***fifteen (15) days only*** *within which to file the petition for review. No further extension shall be granted except for the most compelling reason and in no case to exceed fifteen (15) days.*
> (Emphasis and italics supplied.)

A perusal of the records reveals that the Assailed Resolution was rendered on January 10, 2025, the Notice of Resolution of which was received by petitioner on January 14, 2025.[13] Thus, petitioner had until January 29, 2025 to timely file a Petition for Review.

On January 28, 2025, however, petitioner filed an Urgent Motion for Extension of Time (To File Petitioner for Review)[14] due to the transfer of the previous handling lawyer to another division and the delay of the turnover of the case docket to a new handling lawyer. The Court thereafter granted petitioner's Urgent Motion for Extension of Time through a Resolution dated January 30, 2025.[15] Thus, petitioner was granted a non-extendible period of 15 days from January 29, 2025, or until February 13, 2025, within which to file its Petition for Review.

On February 13, 2025, petitioner filed the instant Petition for Review, seeking the appellate jurisdiction of the Court *En Banc* in challenging the Assailed Decision and Assailed Resolution on the final day of the 15-day period allowed by law.

Accordingly, the matter was properly lodged before the Court, establishing jurisdiction over the instant case.

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[13] EB Docket, p. 50.
[14] *Id., pp. 1-6.*
[15] *Id.*, p. 8.

The Court in Division correctly found that the subject tax assessments are void because the officers who conducted the investigation of respondent's books of accounts did not have the necessary authorization to perform the same.

As found by the Court in Division, LOA No. 001-2016-00000126 dated April 8, 2016 was issued by OIC-Regional Director Eduardo L. Pagulayan. Said LOA gave authority to RO Agnes Rosal and Group Supervisor (GS) Mary Faye Quinto to examine the books of accounts and other accounting records of respondent for all internal revenue taxes for taxable year 2014.

Thereafter, the case was later endorsed from Revenue Region 1, Calasiao, Pangasinan, to Revenue Region 9, San Pablo City, for the continuation of the investigation. In view of the transfer, Mr. Benjamin B. Virtuico, Jr., Head of the Investigation Office of RDO No. 54B – Rosario, North Cavite, issued MOA No. 17-058 dated November 21, 2017, referring the case to RO Jimmy Belen, Jr. and GS Liza Lozada, who continued the investigation of respondent's books of accounts for all internal revenue taxes for TY 2014.

In view thereof, the Court in Division found that the officers who conducted the examination and recommended the issuance of a PAN did not have the necessary authority to do so as only a MOA, and not a LOA, was issued in their favor. Thus, the Court ruled that the tax assessments issued against respondent are void and without any force and effect.

Additionally, the Court further ruled that the subsequent issuance of LOA No. 54B-2018-00000212, which authorized Mr. Jimmy Belen, Jr. as Group Supervisor for the continuation of the audit of respondent's tax liabilities for TY 2014 did not cure the defect.

As correctly found by the Court, at the time LOA No. 54B-2018-00000212 was issued, the investigation of respondent's books of accounts and other accounting records for TY 2014 had already ceased. In fact, at the time LOA No. 54B-2018-00000212 was issued, petitioner had already issued the PAN and FLD/FAN against respondent, and respondent had already filed its corresponding Protest/Request for Reinvestigation. It ruled:

> Hence, in view of the finding that the RO who conducted the examination of petitioner's books of accounts and other accounting records for taxable year 2014, and who also recommended the issuance of the said

> PAN for the same taxable year, does not have the necessary authority to do so, through an LOA, in the first place, the subject tax assessment issued against petitioner are inescapably void and without effect.
>
> The second LOA, *i.e.*, LOA No. LOA-54B-2018-00000212 dated August 6, 2018, which was issued by Regional Director Rosario, authorizing Mr. Jimmy Belen, Jr., for the continuation of the audit of petitioner's tax liabilities, as GS, did not cure the defect since the original investigation had already ceased. Notably, when the said second LOA was issued, the subject PAN, and FLD, as well as the corresponding Assessment Notices, have already been issued to petitioner, and the latter had already submitted its Protest/Request for Reinvestigation against the said FLD. Thus, if at all, the second LOA merely authorized the reinvestigation of petitioner, but not the original investigation.
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> Correspondingly, the legal effect of the absence of an LOA is the nullity of the examination and assessment for violation of petitioner's right to due process.

In reaching its conclusion, the Court in Division relied on the case of *Commissioner of Internal Revenue v. McDonald's Philippines Realty Corporation,*[16] which ultimately gave emphasis that: (a) a LOA is not a general grant of authority to any revenue officer. Rather, it is a special authority granted to a specific, named individual to examine a taxpayer's books; and (b) the practice of replacing revenue officers with new officers through mere internal memoranda constitutes an unauthorized departure from the requirements of the *NIRC*, which, pursuant to *Sections 6, 10(c) and 13* of said law, belong only to the CIR or his duly authorized representatives.

In affirming the decision of the Court sitting in Division, this Court *En Banc* restates that the doctrine enshrined in the *McDonald's* case stands as the prevailing jurisprudence on the necessity of a valid LOA for tax audits. None other than the Supreme Court has consistently invalidated tax assessments in instances where the BIR attempted to substitute revenue officers through mere internal referral memoranda or similar administrative directives, rather than complying with the mandatory issuance of a new or amended LOA in the name of the designated successor.

This requirement is not a mere technicality but a fundamental matter of settled law designed to protect taxpayers from arbitrary or unauthorized administrative scrutiny.

By ensuring that every revenue officer tasked with examining a taxpayer's books of accounts possesses specific, official authorization, the law safeguards the taxpayer's right to due process. Consequently, any departure from this established procedural requirement renders the resulting assessment

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[16] G.R. No. 242670, May 10, 2021.

procedurally infirm and devoid of any force and effect for being violative of the taxpayer's right to due process.

The Court reiterates that the integrity of the tax assessment process relies upon strict adherence to these procedural safeguards. Administrative convenience – whether manifested through the informal reassignment of personnel or the reliance on internal memoranda – cannot supersede the express legislative mandates of the NIRC. To permit the BIR to circumvent the necessity of a new or amended LOA would undermine the predictability of tax administration and diminish the constitutional protections afforded to the taxpayer.

Therefore, in the absence of a properly issued LOA for the officers who actually conducted the audit, the assessment must necessarily be set aside as it stems from an unauthorized exercise of the power of examination.

All told, this Court holds that petitioner has raised no novel or sufficiently compelling arguments worthy of consideration. Given that all issues have been ruled upon by the Court in Division, We see no cogent reason to cancel and set aside the Assailed Decision or the Assailed Resolution.

ACCORDINGLY, petitioner's Petition for Review, filed on February 13, 2025, is hereby **DENIED** for lack of merit. The Assailed Decision, dated July 19, 2024, and the Assailed Resolution, dated January 10, 2025, both rendered by the Court in Division in CTA Case No. 10217, are hereby **AFFIRMED**.

SO ORDERED.

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

WE CONCUR:

ON LEAVE

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

JEAN MARIE A. BACORRO-VILLENA
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

C E R T I F I C A T I O N

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.

MARIA ROWENA MODESTO-SAN PEDRO
Acting Presiding Justice