REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL SECOND DIVISION

MISAMIS ORIENTAL RURAL ELECTRIC SERVICE COOPERATIVE, INC. (MORESCO-I), Petitioner,	**CTA CASE NO. 10987**
	Members:
- versus -	**RINGPIS-LIBAN,** *P.J. & Chairperson,* **MODESTO-SAN PEDRO,** *and* **FERRER-FLORES,** *JJ.*
COMMISSIONER OF INTERNAL REVENUE, Respondent.	Promulgated: ________________ 9:02 Am

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RESOLUTION

RINGPIS-LIBAN, ***P.J.:***

For resolution is respondent's *Motion for Reconsideration (Re: Decision dated 15 October 2025)* filed on November 13, 2025, with petitioner's *Comment* filed *via* accredited courier service on January 27, 2026, and received by the Court on January 29, 2026.

On October 15, 2025, the Court promulgated a *Decision* cancelling respondent's deficiency income tax assessment against petitioner for taxable year 2017, in view of petitioner's exemption from income tax pursuant to Presidential Decree (PD) No. 269,[1] as amended by Republic Act (RA) No. 10531,[2] the dispositive portion of which reads as follows:

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[1] "CREATING THE 'NATIONAL ELECTRIFICATION ADMINISTRATION' AS A CORPORATION, PRESCRIBING ITS POWERS AND ACTIVITIES, APPROPRIATING THE NECESSARY FUNDS THEREFOR AND DECLARING A NATIONAL POLICY OBJECTIVE FOR THE TOTAL ELECTRIFICATION OF THE PHILIPPINES ON AN AREA COVERAGE SERVICE BASIS, THE ORGANIZATION, PROMOTION AND DEVELOPMENT OF ELECTRIC COOPERATIVES TO ATTAIN THE SAID OBJECTIVE, PRESCRIBING TERMS AND CONDITIONS FOR THEIR OPERATIONS, THE REPEAL OF REPUBLIC ACT NO. 6038, AND FOR OTHER PURPOSES", issued on August 6, 1973.

[2] "AN ACT STRENGTHENING THE NATIONAL ELECTRIFICATION ADMINISTRATION, FURTHER AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 269, AS AMENDED, OTHERWISE KNOWN AS THE 'NATIONAL ELECTRIFICATION ADMINISTRATION DECREE'", issued on May 7, 2013.

"**ACCORDINGLY**, the *Petition for Review* is **GRANTED**.

The FAN/FLD dated June 9, 2022, assessing petitioner for deficiency income tax for taxable year 2017, is **NULL and VOID**. Furthermore, the FDDA dated August 25, 2022, assessing petitioner deficiency income tax, for taxable year 2017, in the total amount of **₱48,695,523.88**, inclusive of interest, is **CANCELLED** and **SET ASIDE**.

Respondent is hereby **ENJOINED and PROHIBITED** from collecting the amount sought by the void assessment.

SO ORDERED."

In his motion, respondent assails the above *Decision* and insists that petitioner is liable to pay deficiency income tax from its electric service operations considering that its tax exemption has ended in May 13, 1998. Respondent expounds that electric cooperatives, specifically those registered under PD No. 269 are granted a thirty (30)-year tax exemption starting from the date of their registration or conversion. Accordingly, since petitioner was incorporated in May 21, 1968, its tax exemption ended in May 13, 1998 which is 30 years thereafter. Respondent further argues that it is a basic principle in taxation that tax exemptions should be granted only by clear and equivocal provision of law based on language too plain to be mistaken –they cannot be extended by mere implication or interference. Nonetheless, respondent further asserts that PD No. 1955,[3] withdrew all exemptions from any preferential treatment in the payment of duties, taxes, fees, imports, and other charges granted to private business enterprises and/or persons engaged in any economic activity.

Respondent also avers that petitioner is liable for compromise penalties for its failure to file and/or pay the internal revenue tax at the time or times required by law or regulation pursuant to Section 255 of the National Internal Revenue Code (NIRC) of 1997, as amended, and Revenue Memorandum Order (RMO) No. 7-2015.[4]

On the other hand, in its *Comment*, petitioner points out that respondent's *Motion for Reconsideration* raises no new matter and merely reiterates the arguments already passed upon and issues already judiciously resolved. Petitioner continues that absent any showing of palpable error, reversible error, or newly discovered evidence, the present motion deserves outright denial. Petitioner reiterates that the Court correctly ruled that the *Formal Letter of Demand/Final Assessment Notice* (FLD/FAN) and the *Final Decision on Disputed Assessment* (FDDA) respectively issued against petitioner are void considering that petitioner, being a non-stock

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[3] "WITHDRAWING, SUBJECT TO CERTAIN CONDITIONS, THE DUTY AND TAX PRIVILEGES GRANTED TO PRIVATE BUSINESS ENTERPRISES AND/OR PERSONS ENGAGED IN ANY ECONOMIC ACTIVITY, AND FOR OTHER PURPOSES", issued on October 10, 1984.

[4] "SUBJECT: The Revised Consolidated Schedule of Compromise Penalties for Violations of the National Internal Revenue Code", dated January 22, 2015.

nonprofit electric cooperative duly registered with the National Electrification Administration (NEA), is permanently exempt from income tax pursuant to Sec. 39(a)(1) of PD No. 269, as amended.

After due consideration, the Court finds respondent's *Motion for Reconsideration* bereft of merit.

As correctly pointed out by petitioner, the grounds raised by respondent in the present motion are but mere rehash of the issues and arguments, which have already been thoroughly addressed and discussed in the assailed decision.

Again, Section 39(a)(1) of PD No. 269 states that electric cooperatives registered with the NEA are permanently exempted from, among others, paying income taxes, as follows:

> "**Section 39**. *Assistance to Cooperatives; Exemption from Taxes, Imposts, Duties, Fees; Assistance from the National Power Corporation.*
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> Pursuant to the national policy declared in Section 2, the Congress hereby finds and declares that the following assistance to cooperative is necessary and appropriate:
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> (a) *Provided that it operates in conformity with the purposes and provisions of this Decree*, ***cooperatives (1) shall be permanently exempt from paying income taxes***, and (2) for a period ending on December 31 of the thirtieth full calendar year after the date of a cooperative's organization or conversion hereunder, or until it shall become completely free of indebtedness incurred by borrowing, whichever event first occurs, shall be exempt from the payment (a) of all National Government, local government and municipal taxes and fees, including franchise, filing, recordation, license or permit fees or taxes and any fees, charges, or costs involved in any court or administrative proceeding in which it may be a party, and (b) of all duties or imposts on foreign goods acquired for its operations, the period of such exemption for a new cooperative formed by consolidation, as provided for in Section 29, to begin from as of the date of the beginning of such period for the constituent consolidating cooperative which was most recently organized or converted under this Decree: *Provided*, That the Board of Administrators shall, after consultation with the Bureau of Internal Revenue, promulgate rules and regulations for the proper implementation of the tax exemptions provided for in this Decree." *(Emphases added)*

Thereafter, several issuances were made withdrawing and restoring the tax exemptions of electric cooperatives.[5] However, when Republic Act No. 10531

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[5] Executive Order No. 93 dated December 17, 1986; Fiscal Incentives Review Board (FIRB) Resolution No. 24-87 dated July 1, 1987; Republic Act (RA) No. 6938 dated March 10, 1990; RA No. 9520 dated February 17, 2009.

was approved on May 7, 2013,[6] it sought, among others, to empower and strengthen the NEA to pursue the electrification program and bring electricity, through the electric cooperatives as its implementing arm, to the countryside even in missionary or economically unviable areas, and to also empower and enable electric cooperatives to cope with the changes brought about by the restructuring of the electric power industry. Relatively, Section 12 thereof amended Section 32 of PD No. 269,[7] wherein it gave electric cooperatives three (3) options as regards registration. *First*, it may choose to remain as a non-stock, non-profit cooperative. *Second*, it may convert into and register as a stock cooperative under the CDA. *Third*, it may convert into and registered as a stock corporation registered under the Securities and Exchange Commission. Each option carries with it different consequences.

Herein, petitioner clearly falls within the *first* option. Petitioner's *Certificate of Registration*[8] shows that it was registered with the NEA on February 12, 1971 and it remained a nonstock, non-profit entity governed by the provisions of PD No. 269, as amended by RA No. 10531. In doing so, RA No. 10531 did *not* repeal nor amend Section 39(a)(1) of PD No. 269, which provides for the permanent income tax exemption of electric cooperatives registered with the NEA.

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6 "AN ACT STRENGTHENING THE NATIONAL ELECTRIFICATION ADMINISTRATION, FURTHER AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 269, AS AMENDED, OTHERWISE KNOWN AS THE "NATIONAL ELECTRIFICATION ADMINISTRATION DECREE".

7 "**Section 12.** Section 32 of Presidential Decree No. 269, as amended, is hereby further amended to read as follows:

'SEC. 32. Registration of All Electric Cooperatives. – All electric cooperatives may choose to remain as a non-stock, non-profit cooperative or convert into and register as: (a) a stock cooperative under the CDA; or (b) a stock corporation under the SEC, in accordance with the guidelines to be included in the IRR of this Act.

Such choice shall carry with it the attendant requirements of compliance with the laws and regulatory guidelines governing the respective government agencies having jurisdiction over their registration.

Regardless of the choice made, the NEA shall have the authority over electric cooperatives, whether stock or non-stock, to require the submission of reportorial requirements as may be necessary relative to their operations as electric distribution utilities including, but not limited to:

xxx xxx xxx

Likewise, the supervisory and oversight functions of the NEA, as may be detailed in this Act and its IRR, shall be applicable to both stock and non-stock cooperatives.

Electric cooperatives which register with the CDA shall continue to enjoy the benefits under this Act.

Existing electric cooperatives may likewise opt to register as stock corporations with the SEC; *Provided*, however, That electric cooperatives registered with the SEC shall no longer enjoy the incentives provided for in this Act.

Despite the registration of the electric cooperatives under the CDA or the SEC, the NEA shall retain its supervisory and disciplinary power over them in the conduct of its operation as electric distribution utilities.'"

8 Exhibit "P-26", Docket- Vol. I, p. 299.

Regarding respondent's contention that petitioner's tax exemption ended in May 13, 1998, which is 30 years after its registration pursuant to Section 39(a) of PD No. 269, the Court finds respondent's argument misplaced. As quoted earlier, cooperatives are given two (2) kinds of assistance under Section 39(a) of PD No. 269, Section 39(a)(1) clearly reads that electric cooperatives registered under the NEA shall be exempt from payment of income tax; whereas Section 39(a)(2) provides a limit of thirty (30) years or until the cooperative becomes completely free from indebtedness incurred from borrowing, whichever comes first. However, the limit of thirty (30) years pertains to the taxes, fees and charges mentioned in number two, which should be taken to mean as taxes other than income tax.

Lastly, as to respondent's argument that petitioner is liable for compromise penalties for its failure to file timely and/or pay the internal revenue tax, the Court does not agree. Perforce, an entity that is not required to pay income tax obviously cannot accrue any deficiency income tax. As such, respondent's assessment on petitioner's exemption from income tax must be nullified for having no basis in law, which correspondingly includes compromise penalties.

In view of the foregoing disquisitions, there being no new matter or substantial issue raised by respondent in his Motion for Reconsideration, the Court finds no compelling reason to reverse or modify the Decision promulgated on October 15, 2025.

WHEREFORE, premises considered, respondent's Motion for Reconsideration (Re: Decision dated 15 October 2025) is **DENIED** for lack of merit.

SO ORDERED.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

WE CONCUR:

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice