REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

COMMISSIONER OF INTERNAL REVENUE,
Petitioner,

-versus-

JINZAI EXPERTS, INC.,
Respondent.

CTA *EB* NO. 2259
(CTA Case No. 9473)

Present:

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

Promulgated:
DEC 22 2022 3:10 pm

x- -x

RESOLUTION

MANAHAN, J.:

To be resolved before this Court is petitioner's **Motion for Reconsideration (Re: Decision dated 9 February 2022)**[1] filed on March 3, 2022, praying for the reversal and setting aside of this Court's *Decision* dated February 9, 2022 (Assailed Decision), the dispositive portion of which reads as follow:

> "**WHEREFORE**, premises considered, the instant Petition for Review is hereby **DENIED** for lack of merit. Accordingly, the *Decision* dated November 6, 2019 and *Resolution* dated February 18, 2020 are hereby **AFFIRMED**.
>
> Respondent, his representatives, agents, or any person acting on his behalf are hereby **ENJOINED** from taking any further action against petitioner arising from the FLD, FAN and FDDA.

---

[1] *Rollo*, CTA EB No. 2259, pp. 125-134.

motion unmeritorious. No novel arguments were raised and the same reasons were ventilated.

As to the necessity of an LOA prior to the conduct of tax examination as well as its binding effect on the resulting assessment, the Assailed Decision had already exhaustively discussed and explained such matter. The counter-arguments of petitioner were merely repetitive.

With regard, to the TVN[3] which petitioner treated as akin to a Letter Notice (LN)[4] wherein the basis of its deficiency tax come also from a third-party source, any resulting assessment notice therefrom may likewise be nullified for lack of a supporting LOA.

In *Medicard Philippines, Inc. v. Commissioner of Internal Revenue*[5], the Supreme Court categorically stated that an assessment to be valid must be the result of an authorized tax audit pursuant to an LOA. It should be noted that the basis of the assessment in the instant case allegedly came from a third-party source. It is imperative then for the concerned Revenue Officer (RO) to validate the same from the books of accounts of respondent if indeed the alleged income was earned but not declared nor included in its tax return. To do that, an LOA is required for petitioner to delve into the accounting records of the respondent. The absence of such authority, therefore, will invalidate any subsequent tax assessment of said RO.

As to petitioner's argument that this Court cannot rule on matters not assigned as errors or issues during trial, the following Supreme Court ruling is instructive:

> "On whether the CTA can resolve an issue which was not raised by the parties, we rule in the affirmative.
>
> Under Section 1, Rule 14 of A.M. No. 05-11-07-CTA, or the Revised Rules of the Court of Tax Appeals, the CTA is not

---

[3] Tax Verification Notice is a pre-audit document in the verification of estate tax cases and claim for refund issued by the concerned Revenue District Office (RDO) having jurisdiction on a particular taxpayer. (Revenue Memorandum Order (RMO) No. 48-2018 dated October 24, 2018, amending RMO No. 69-2010).

[4] Letter Notice is a document issued informing the taxpayer of the result of the Bureau of Internal Revenue's Integrated Tax System (ITS) consolidation and cross-referencing of third-party information, discrepancy reports on sales and purchases generated to uncover under declared income and over claimed purchases of goods and services. (RMO No. 30-2003 dated September 18, 2003)/ (*Medicard Phlippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 222743, April 05, 2017).

[5] G.R. No. 222743, April 05, 2017. *om*

SO ORDERED."

Petitioner argues that he observed both procedural and substantive due process in issuing the assessment subject of this case and that there is no need to issue a Letter of Authority (LOA) to respondent because the deficiency assessment did not emanate from the examination of petitioner's books of accounts and other accounting records but from third party sources through a tax verification notice (TVN). Hence, the assessment issued was valid and lawful.

Petitioner also argues that there is no law prohibiting petitioner or the Regional Director from delegating the power to issue a TVN to Revenue District Officer.

Petitioner insists that issues not previously raised cannot be pleaded for the first time on appeal and that the Court in Division cannot rule on an undisputed issue.

On the other hand, respondent, in its **Comment to Petitioner's Motion for Reconsideration dated 03 March 2022**, counters that petitioner's arguments were merely rehashed, which have been completely passed upon and considered already both by the Court in Division, and by this Court a quo in the Assailed Decision.

Respondent further avers that this Court clearly and correctly ruled that an LOA is necessary before a revenue officer can conduct a tax examination of a taxpayer.

Respondent insists that since there was no LOA issued, no power had been delegated to the Regional Director's subordinate, and that the lack of authority is the threshold issue in this case, hence, it may be raised for the first time on appeal, which throws the entire case open for review even if the matters were not previously assigned as errors for the just resolution of the case.

Having determined that the instant motion has been filed on time pursuant to Section 1, Rule 15 of the Revised Rules of the Court of Tax Appeals (RRCTA),[2] the Court finds the

[2] SECTION 1. *Who may and when to file motion.*- Any aggrieved party may seek a reconsideration or new trial of any decision, resolution, or order of the Court. He shall file a motion for reconsideration or new trial within fifteen days from the date he received notice of the decision, resolution or order of the Court in question.

bound by the issues specifically raised by the parties but may also rule upon related issues necessary to achieve an orderly disposition of the case. The text of the provision reads:

> SECTION 1. Rendition of judgment. - x x x
>
> In deciding the case, the Court may not limit itself to the issues stipulated by the parties but may also rule upon related issues necessary to achieve an orderly disposition of the case.

The above section is clearly worded. On the basis thereof, the CTA Division was, therefore, well within its authority to consider in its decision the question on the scope of authority of the revenue officers who were named in the LOA even though the parties had not raised the same in their pleadings or memoranda, The CTA En Banc was likewise correct in sustaining the CTA Division's view concerning such matter." [6]

There being no new issues or arguments raised in the instant motion, this Court finds no compelling reason to disturb or overturn the Assailed Decision.

WHEREFORE, premises considered, petitioner's *Motion for Reconsideration (Re: Decision dated 9 February 2022)* is hereby **DENIED** for lack of merit.

SO ORDERED.

CATHERINE T. MANAHAN
Associate Justice

WE CONCUR:

ROMAN G. DEL ROSARIO
Presiding Justice

ERLINDA P. UY
Associate Justice

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

---

[6] *Commissioner of Internal Revenue v. Lancaster Philippines, Inc.*, G.R. No. 183408, July 12, 2017.

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

MARIAN IVY F. REYES-FAJARDO
Associate Justice

ON LEAVE
LANEE S. CUI-DAVID
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice