REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
Quezon City

Special Second Division

CEBU CFI COMMUNITY COOPERATIVE, *Petitioner,*	**CTA CASE NO. 11250**
	Members:
- versus -	**RINGPIS-LIBAN,** ***P.J.*** **&** *Chairperson* **MODESTO-SAN PEDRO,** *and* **FERRER-FLORES,** ***JJ.***
COMMISSIONER OF INTERNAL REVENUE, *Respondent.*	Promulgated: MAY 15 2026

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DECISION

RINGPIS-LIBAN, *J.*:

The *Petition for Review* filed on August 9, 2023, prays that the Decision dated May 19, 2023 issued by respondent against petitioner as it revokes the 2014 *Certificate of Tax Exemption* (CTE), be annulled, and set aside.[1]

THE PARTIES

Petitioner Cebu CFI Community Cooperative is a cooperative duly registered with the Cooperative Development Authority (CDA), with Registration No. 9520-07000198 / Amendment No. 9520-07000198-4 issued on January 23, 2023.[2] Its office address is at Esperanza Fiel Garcia Bldg., Cebu Capitol Compound, Cebu City.[3]

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[1] Docket, p. 324, Summary of the Case, Pre-Trial Order dated June 4, 2024.
[2] *Id.*, p. 373, Exhibit "P-5".
[3] *Id.*, p. 376, Exhibit "P-6".

Respondent is the Commissioner of Internal Revenue, who is duly appointed and empowered by law to act on matters arising under the Tax Code or other laws administered by the Bureau of Internal Revenue (BIR).[4]

THE FACTS

On October 4, 2010, petitioner was issued CTE No. COOP-00001-10-RR-13-RDO-081,[5] which was valid for five (5) years, or until March 22, 2014, pursuant to the relevant provisions of Republic Act (RA) No. 9520 otherwise known as the "*Philippine Cooperative Code of 2008*".

Thereafter, upon its application for renewal, petitioner was issued a new Certificate of Tax Exemption (CTE) on July 2, 2014, No. COOP-300-14-RR-13-RDO-81 (2014 CTE),[6] which was valid until July 2, 2019.

Subsequently, on July 3, 2019, petitioner filed its *Application for Certificate of Tax Exemption for Cooperatives* (BIR Form No. 1945),[7] for renewal of its CTE.

Relative thereto, in the letter dated August 13, 2019,[8] issued by Mr. Eduardo L. Pagulayan, Jr., then Regional Director of BIR Revenue Region No. 13 – Cebu City, petitioner's 2014 CTE was revoked for its alleged failure to comply with the conditions stated under Item 4 of the *Terms and Conditions* set forth in the said CTE and for non-compliance of other terms and conditions enumerated therein. The said revocation in effect denied petitioner's pending application for renewal of its CTE, to wit:

> "In view of the foregoing, this Office is hereby revoking the tax exemption granted to [petitioner] CFI dated July 02, 2014 for its apparent failure to comply *(sic)* the conditions stated under Item 4 of the Terms and Conditions set forth in the CTE and for non-compliance of other terms and conditions as enumerated above. The revocation shall in effect deny [petitioner] CFI's pending application for *renewal* of its CTE which shall be acted upon only after its compliance with the condition of submission of the annual reports stated under Item 4 of the Terms and Conditions: Provided, further, that such complete documentary requirements for *application of tax exemption* are likewise, submitted before this office.

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[4] *Id.*, p. 303, Stipulation of Facts, *Joint Stipulation of Facts and Issues* (JSFI), par. 1.
[5] *Id.*, pp. 413 to 414, Exhibit "P-21".
[6] *Id.*, pp. 415 to 416, Exhibit "P-22", Exhibit "R-3"; *id.*, pp. 12 to 13, BIR Records, Exhibit "R-5".
[7] BIR Records (Exhibit "R-5"), p. 11.
[8] *Id.* at Note 1, pp. 353 to 354, Exhibit "P-1"; *id.* at Note 6, pp. 1 to 2, Exhibit "R-4".

> Accordingly, this shall serve as the authority of the RDO concerned, RDO 081 – Cebu City-North, to collect the taxes due on all transactions of [petitioner] CFI for those taxable years covered under the ***revoked*** Certificate of Tax Exemption and for those periods not covered with a duly issued Certificate of Tax Exemption."

Thereafter, on November 8, 2019, petitioner filed with respondent, its *Letter seeking reconsideration of the Order of the Regional Director Bureau of Internal Revenue Region No. 13* dated November 7, 2019.[9]

Pending resolution thereof, on February 11, 2021, petitioner again filed its *Application for Certificate of Tax Exemption for Cooperatives* (BIR Form No. 1945), for renewal of its CTE.[10]

Thereafter, in the letter dated May 20, 2021,[11] BIR Revenue Region No. 13 – Cebu City, through its Regional Director Glen A. Geraldino, reiterated that any application involving the renewal of petitioner's CTE cannot be given due course, considering that petitioner's previously-issued CTE was revoked and the motion for reconsideration on its revocation was still pending before the Office of the respondent. Petitioner was, however, informed that it may convert its request for renewal of CTE to an application for issuance of an original CTE, wherein the five (5) year period shall begin from the approval thereof, subject to submission and compliance of documentary requirements.

On May 27, 2021, petitioner filed the letter-application for issuance of new CTE for taxable year 2019 to 2024,[12] which was granted on October 14, 2021, when the BIR issued CTE No. COOP-74-21-RR-13-RDO-81,[13] valid until October 14, 2026.

On July 10, 2023, petitioner received the letter No. M-118.2023 dated May 19, 2023,[14] issued by then Commissioner of Internal Revenue Romeo D. Lumagui, Jr., affirming the revocation of petitioner's 2014 CTE, which partly reads as follows:

> "In summary, this Office finds the revocation made by Revenue Region No. 13-Cebu City proper. [Petitioner] CFI Coop failed to comply with the terms and conditions on which its tax exemption was granted. The BIR, through its Regional Office,

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[9] *Id.* at Note 1, pp. 355 to 363, Exhibits "P-2" and "R-2".
[10] *Id.*, p. 417, Exhibit "P-23".
[11] *Id.*, pp. 418 to 419, Exhibit "P-24".
[12] *Id.*, pp. 420 to 421, Exhibit "P-25".
[13] *Id.*, pp. 422 to 423, Exhibit "P-26".
[14] *Id.*, pp. 68 to 72 (date of receipt was noted at the back of p. 72), Exhibits "P-3" and "R-1".

> acted only within the bounds of its regulatory power of monitoring that cooperatives enjoying the privilege granted by law, such as [petitioner] CFI Coop, are qualified."

PROCEEDINGS BEFORE THIS COURT

As earlier stated, petitioner filed the present *Petition for Review (With Motion to Defer Submission of Judicial Affidavits and Supporting Evidence)* on August 9, 2023.[15]

Within the extended period granted by the Court,[16] on November 7, 2023, respondent filed his *Answer*,[17] interposing the following special and affirmative defenses, to wit: (1) the Court has no jurisdiction over the instant case as petitioner failed to exhaust administrative remedies prior to the filing of the *Petition for Review*; (2) the *Petition* must be dismissed for failure of petitioner to substantiate its administrative claim for tax exemption; (3) respondent's revocation of the 2014 CTE is valid and in accordance with the laws because there was a relevant and significant change in the facts or circumstances upon which the issuance of the certificate was based; (4) tax exemption by nature must be construed *strictissimi juris* against the grantee; and (5) when the government is the real party in interest, and is proceeding simply to assert its own rights and recover its own property, there can be no defense on the ground of laches or limitation.

On November 16, 2023, respondent transmitted the *BIR Records* of this case, consisting of one (1) folder consecutively numbered as pages 1 to 28.[18]

In the meantime, on November 9, 2023, the case was referred to mediation in the Philippine Mediation Center – Court of Tax Appeals (PMC-CTA), pursuant to Section II of the *Interim Guidelines for Implementing Mediation in the Court of Tax Appeals*.[19] However, the PMC-CTA issued the *No Agreement to Mediate* dated March 15, 2024, stating that the parties decided not to have their case mediated.[20]

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[15] *Id.*, pp. 6 to 52 and 73 to 76 (for the *Secretary's Certificate).*

[16] *Id.*, pp. 135 to 138 and 140, Respondent's *Motion for Extension of Time to File Answer* dated October 6, 2023, and Minute Resolution dated October 12, 2023, respectively.

[17] *Id.*, pp. 141 to 154.

[18] *Id.*, pp. 157 to 158.

[19] *Id.*, p. 156, Minute Resolution dated November 9, 2023.

[20] *Id.*, p. 301.

The Pre-Trial Conference was set and held on March 21, 2024.[21] Prior thereto, respondent's *Pre-Trial Brief* was filed on March 8, 2024,[22] while petitioner's *Pre-Trial Brief* was submitted on March 18, 2024.[23]

On April 22, 2024, the parties filed their *Joint Stipulation of Facts and Issues*,[24] which was admitted and approved by the Court in its Resolution dated May 14, 2024,[25] thereby deeming the termination of the Pre-Trial. The Pre-Trial Order dated June 4, 2024 was then issued.[26]

On June 10, 2024, petitioner filed its *Motion to Correct Pre-Trial Order*,[27] which was granted by the Court in its Resolution dated July 4, 2024,[28] and the Pre-Trial Order was accordingly amended.

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

Petitioner offered the testimony of Mr. John Raven Babayson, its Finance Manager.[29]

Thereafter, on June 19, 2024, petitioner filed its *Formal Offer of Documentary Evidence*,[30] to which respondent filed his *Comment (on Petitioner's Formal Offer of Evidence)* on July 2, 2024.[31] In the Resolution dated September 17, 2024,[32] the Court admitted all of petitioner's offered exhibits.

For his part, respondent presented the testimony of Revenue Atty. Scranton Orcullo.[33]

On October 1, 2024, respondent filed his *Formal Offer of Evidence*,[34] to which petitioner posted its *Comment/Opposition (To the Formal Offer of Evidence of*

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[21] *Id.*, pp. 162 to 163, Notice of Pre-Trial Conference dated February 7, 2024; pp. 294 to 300, Minutes of hearing held on, and Orders dated, March 21, 2024.
[22] *Id.*, pp. 164 to 167.
[23] *Id.*, 274 to 285.
[24] *Id.*, pp. 303 to 310.
[25] *Id.*, p. 314.
[26] *Id.*, pp. 324 to 328.
[27] *Id.*, pp. 333 to 338.
[28] *Id.*, p. 447.
[29] *Id.*, pp. 185 to 200, Exhibit "P-41"; pp. 329 to 331, Minutes of hearing held on, and Order dated, June 4, 2024.
[30] *Id.*, pp. 342 to 350.
[31] *Id.*, pp. 442 to 444.
[32] *Id.*, pp. 450 to 451.
[33] *Id.*, pp. 174 to 179, Exhibit "R-6"; pp. 452 to 454, Minutes of hearing held on, and Order dated, September 17, 2024.
[34] *Id.*, pp. 455 to 459.

Respondent) on October 17, 2024.[35] In the Resolution dated February 27, 2025,[36] the Court admitted all of respondent's offered exhibits.

Thereafter, respondent filed his *Memorandum* on April 2, 2025.[37] On the other hand, petitioner posted its *Memorandum* on April 28, 2025.[38]

This case was considered submitted for decision on May 15, 2025.[39]

THE ISSUES

The parties have agreed that the issues to be resolved by the Court are as follows:

> **"A. WHETHER OR NOT THE HONORABLE COURT OF TAX APPEALS HAS JURISDICTION OVER THE INSTANT CASE.**
>
> **B. WHETHER OR NOT PETITIONER IS EXEMPT FROM TAXES PURSUANT TO ARTICLE 60 OF R.A. NO. 9520.**
>
> **C. WHETHER OR NOT THE REVOCATION OF THE 2014 CTE IS NULL AND VOID FOR BEING MADE ARBITRARILY AND WITHOUT DUE PROCESS OF LAW."**[40]

THE ARGUMENTS OF THE PARTIES

Petitioner argues that the Court has jurisdiction over the instant case; that petitioner is exempt from the payment of taxes pursuant to Article 60 of RA No. 9520; that the revocation of the 2014 CTE is null and void for being made arbitrarily and without due process of law; and that the provisions of the Cooperative Code granting tax exemption must be construed liberally in favor of petitioner.

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[35] *Id.*, pp. 473 to 488.
[36] *Id.*, 495 to 496.
[37] *Id.*, pp. 498 to 512.
[38] *Id.*, pp. 516 to 575.
[39] *Id.*, Minute Resolution dated May 15, 2025.
[40] *Id.*, p. 304, JSFI, Statement of the Issues.

On the other hand, respondent contends that the Court has no jurisdiction over the instant case as petitioner failed to exhaust administrative remedies prior to the filing of the *Petition for Review*; that the *Petition* must be dismissed for failure of petitioner to substantiate its administrative claim for tax exemption; that respondent's revocation of the 2014 CTE is valid and in accordance with the laws because there was a relevant and significant change in the facts or circumstances upon which the issuance of the certificate was based; that tax exemption by nature must be construed *strictissimi juris* against the grantee; and that when the government is the real party in interest, and is proceeding simply to assert its own rights and recover its own property, there can be no defense on the ground of laches or limitation.

THE COURT'S RULING

The *Petition for Review* must be dismissed.

The Court shall first determine whether it has jurisdiction over the present case.

The subject of the present appeal is the respondent's letter No. M-118.2023 dated May 19, 2023.[41]

Petitioner posits that this Court has jurisdiction over the present *Petition*, as the subject matter of the appeal pertains to the Decision of the respondent affirming the letter dated August 13, 2019 issued by BIR Revenue Region No. 13-Cebu City, which denied petitioner's application for renewal its 2014 CTE, and also ordered the revocation of said CTE. According to petitioner, this constitutes an exercise of respondent's authority under the second paragraph of Section 4 of the Tax Code–to decide matters arising under the Tax Code or other laws administered by the BIR. Specifically, the assailed Decision allegedly involves respondent's power to decide matters in relation to RA No. 9520 and its implementing rules and regulations, hence, the assailed Decision is not a mere interpretation of tax laws.

On the other hand, respondent argues that the Court has no jurisdiction over the instant case as petitioner failed to exhaust administrative remedies prior to the filing of the *Petition for Review*. Respondent contends that petitioner should have sought the Department of Finance (DOF) within thirty (30) days to review the adverse ruling from the respondent, pursuant to Section 3 of DOF Department Order No. 007-02, which provides for the implementing rules of the first paragraph of Section 4 of the National Internal Revenue Code (NIRC) of 1997.

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[41] *Id.*, pp. 68 to 72, Exhibits "P-3" and "R-1".

The Court agrees with respondent.

Section 4 of the NIRC of 1997 confers upon respondent both: (a) the **power to interpret tax laws** in the exercise of his or her **quasi-legislative function**; and (b) the **power to decide tax cases** in the exercise of his or her **quasi-judicial function**. It also delineates the jurisdictional authority to review the validity of respondent's exercise of the said powers,[42] thus:

> "SEC. 4. ***Power of the Commissioner to Interpret Tax Laws and to Decide Tax Cases.*** – The **power to interpret** **the provisions of this Code and other tax laws** shall be under the exclusive and original jurisdiction of the Commissioner, **subject to review by the Secretary of Finance**.
>
> The **power to decide** **disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties imposed in relation thereto, or other matters arising under this Code** or other laws or portions thereof administered by the Bureau of Internal Revenue is vested in the Commissioner, **subject to the exclusive appellate jurisdiction of the Court of Tax Appeals**." (*Emphases and underscoring added*)

Thus, the power to interpret the provisions of the NIRC and other tax laws shall be under the exclusive and original jurisdiction of respondent, subject to review by the Secretary of Finance (SOF), while the power to decide disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties imposed in relation thereto, or other matters arising under the NIRC or other laws or portions thereof administered by the BIR is vested in respondent, subject to the exclusive appellate jurisdiction of this Court.

For purposes of implementing the first paragraph of Section 4 of the NIRC of 1997, the DOF issued Department Order No. 007-02 dated May 7, 2002, which provides for the procedures in seeking review of adverse rulings issued by respondent against a taxpayer, as follows:

> "SECTION 3. *Rulings Adverse to the Taxpayer.* — **A taxpayer who receives an adverse ruling from the Commissioner of Internal Revenue may, within thirty (30) days from the date of receipt of such ruling, seek its review by the Secretary of Finance**. The request for review shall be in writing and under oath, and must:

[42] *Commissioner of Internal Revenue vs. Court of Tax Appeals (Second Division) and Petron Corporation*, G.R. No. 207843, July 15, 2015.

a) be addressed to the Secretary of Finance and be filed with the Legal Office, Department of Finance, DOF Building, BSP Complex, Roxas Boulevard corner Pablo Ocampo St., City of Manila;

b) contain the heading 'Request for review of BIR Ruling No._______';

c) allege and show that the request was filed within the reglementary period;

d) indicate the Tax Identification Number of the taxpayer;

e) allege the material facts upon which the ruling was requested;

f) state that exactly the same facts were presented to the BIR;

g) define the issues sought to be resolved;

h) contain the facts and the law relied upon to dispute the ruling of the Commissioner;

i) be signed by or on behalf of the taxpayer filing the appeal; provided that, only lawyers engaged by the taxpayer and/or tax agents accredited by the BIR may sign on behalf of the taxpayer;

j) be accompanied by a copy of the Commissioner's challenged ruling; and

k) contain a stamp of the Office of the Commissioner of Internal Revenue, indicating that a copy of the request to review the ruling was received by the Commissioner; and

l) specifically state that the taxpayer does not have a pending assessment or case in a court of justice where the same issues are being considered.

Furthermore, the taxpayer must, at the time of filing the request for review, submit a duplicate copy of the records on file with the BIR pertaining to his request, which set of records must be authenticated and certified by the BIR.

The Secretary of Finance may dismiss with prejudice a request for review that fails to comply with these requirements." *(Emphasis and underscoring added)*

The question now is where does one seek immediate recourse from the adverse ruling of the SOF in its exercise of its power of review under Section 4 of the NIRC of 1997?

Section 7(a) of RA No. 1125,[43] as amended by RA No. 9282,[44] enumerates the exclusive appellate jurisdiction of this Court to review by appeal, as follows:

"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;

(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 other matters 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;

(3) Decisions, orders or resolutions of the Regional Trial Courts in local tax cases originally decided or resolved by them in the exercise of their original or appellate jurisdiction;

[43] AN ACT CREATING THE COURT OF TAX APPEALS.

[44] 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.

(4) Decisions of the Commissioner of Customs in cases involving liability for customs duties, fees or other money charges, seizure, detention or release of property affected, fines, forfeitures or other penalties in relation thereto, or other matters arising under the Customs Law or other laws administered by the Bureau of Customs;

(5) Decisions of the Central Board of Assessment Appeals in the exercise of its appellate jurisdiction over cases involving the assessment and taxation of real property originally decided by the provincial or city board of assessment appeals;

(6) Decisions of the Secretary of Finance on customs cases elevated to him automatically for review from decisions of the Commissioner of Customs which are adverse to the Government under Section 2315 of the Tariff and Customs Code;

(7) Decisions of the Secretary of Trade and Industry, in the case of nonagricultural product, commodity or article, and the Secretary of Agriculture in the case of agricultural product, commodity or article, involving dumping and countervailing duties under Sections 301 and 302, respectively, of the Tariff and Customs Code, and safeguard measures under Republic Act No. 8800, where either party may appeal the decision to impose or not to impose said duties."

A plain reading of the enumeration of cases falling within this Court's exclusive appellate jurisdiction would show that the same do not include decisions or rulings of the SOF issued pursuant to its power to review the respondent's power to interpret tax laws under the first paragraph of Section 4 of the NIRC of 1997.

However, in *The Philippine American Life and General Insurance Company vs. The Secretary of Finance and The Commissioner of Internal Revenue*,[45] the Supreme Court held that the ruling of the SOF under Section 4 of the NIRC of 1997 is appealable to this Court under Section 7(a)(1) of RA No. 1125, as amended, pursuant to its jurisdiction on "other matters" arising under the NIRC of 1997 or other laws administered by the BIR, thus:

[45] G.R. No. 210987, November 24, 2014.

"Admittedly, **there is no provision in law that expressly provides where exactly the ruling of the Secretary of Finance under the adverted NIRC provision is appealable to.** However, **We find that Sec. 7(a)(1) of RA 1125, as amended, addresses the seeming gap in the law as it vests the CTA, albeit impliedly, with jurisdiction over the CA petition as 'other matters' arising under the NIRC or other laws administered by the BIR.** As stated:

x x x x x x x x x

Even though the provision suggests that it only covers rulings of the Commissioner, We hold that it is, nonetheless, sufficient enough to include appeals from the Secretary's review under Sec. 4 of the NIRC.

It is axiomatic that laws should be given a reasonable interpretation which does not defeat the very purpose for which they were passed. Courts should not follow the letter of a statute when to do so would depart from the true intent of the legislature or would otherwise yield conclusions inconsistent with the purpose of the act. This Court has, in many cases involving the construction of statutes, cautioned against narrowly interpreting a statute as to defeat the purpose of the legislator, and rejected the literal interpretation of statutes if to do so would lead to unjust or absurd results.

Indeed, **to leave undetermined the mode of appeal from the Secretary of Finance would be an injustice to taxpayers prejudiced by his adverse rulings. To remedy this situation, We imply from the purpose of RA 1125 and its amendatory laws that the CTA is the proper forum with which to institute the appeal.** xxx." *(Emphases added)*

In sum, pursuant to DOF Department Order No. 007-02 issued by the SOF, which laid down the procedure and requirements for filing an appeal from the adverse ruling of respondent to the said office, a taxpayer is granted a period of thirty (30) days from receipt of the adverse ruling of respondent to file with the Office of the SOF a request for review in writing and under oath.[46] Thereafter, the ruling of the SOF is appealable to this Court under Section 7(a)(1) of RA No. 1125, as amended, pursuant to its jurisdiction on "other matters" arising under the NIRC of 1997 or other laws administered by the BIR.

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[46] *Confederation for Unity, Recognition and Advancement of Government Employees (COURAGE), et al. vs. Commissioner, Bureau of Internal Revenue, et al., et seq.*, G.R. Nos. 213446 and 213658, July 3, 2018.

Pertinently, the non-observance of the above administrative appeal constitutes a violation of the doctrine of exhaustion of administrative remedies.

Under the doctrine of exhaustion of administrative remedies, recourse through court action cannot prosper until after all such administrative remedies have first been exhausted. If remedy is available within the administrative machinery, this should be resorted to before resort can be made to courts. It is settled that non-observance of the doctrine of exhaustion of administrative remedies results in lack of cause of action, which is one of the grounds in the Rules of Court justifying the dismissal of the complaint. As case law illumines, the rule on exhaustion of administrative remedies emanates from the policy of allowing administrative agencies to tackle matters within the specialized areas of their respective competence, which, in turn, is based on comity and convenience.[47]

Hence, in the matter of tax issuances, such as BIR Rulings, the power of respondent to interpret the provisions of the NIRC of 1997 and other tax laws is subject to the administrative remedy of a direct review of the SOF. Failure to raise the matter to the SOF constitutes a violation of the exhaustion doctrine.[48]

Notably, the doctrine of exhaustion of administrative remedies, however, is not without exceptions. Jurisprudence teaches that the rule on exhaustion of administrative remedies admits of certain exceptions such as:

(1) when there is a violation of due process;
(2) when the issue involved is purely a legal question;
(3) when the administrative action is patently illegal amounting to lack or excess of jurisdiction;
(4) when there is estoppel on the part of the administrative agency concerned;
(5) when there is irreparable injury;
(6) when the respondent is a department secretary whose acts as an alter ego of the President bears the implied and assumed approval of the latter;
(7) when to require exhaustion of administrative remedies would be unreasonable;
(8) when it would amount to a nullification of a claim;
(9) when the subject matter is a private land in land case proceedings;
(10) when the rule does not provide a plain, speedy and adequate remedy; or

[47] *Commissioner of Internal Revenue vs. Court of Tax Appeals (First Division) and Pilipinas Shell Petroleum Corporation, et seq.*, G.R. Nos. 210501, 211294, and 212490, March 15, 2021.
[48] *Ibid.*

(11) when there are circumstances indicating the urgency of judicial intervention.[49]

However, in the present case, none of the above-stated exceptions to the rule on exhaustion of administrative remedies has been established or shown by petitioner. In other words, while there are exceptions to the principle of exhaustion of administrative remedies as enumerated earlier, it has not been sufficiently shown that the present case falls under any of these exceptions. Thus, petitioner should have first availed or exhausted the administrative process before seeking judicial intervention.

To be sure, the subject of the appeal is the ruling of respondent affirming the revocation of petitioner's 2014 CTE or the cancellation of its tax exemption privilege, for failure of petitioner to comply with the reportorial requirements under Section 8 of RMO No. 76-2010.[50] Thus, contrary to petitioner's stance, the said act of respondent is considered as an exercise of his power to interpret tax laws.

It bears emphasizing that BIR rulings "are the official position of the Bureau to queries raised by taxpayers and other stakeholders relative to clarification and interpretation of tax laws. In this regard, the primary purpose of a BIR Ruling is simply to determine whether a certain transaction, under the law, is taxable or not based on the circumstances provided by the taxpayer." What sets apart BIR Rulings from other issuances of the BIR is that it relates to a particular taxpayer's set of facts and circumstances and a consequent determination of taxability or tax exemption, when applicable.[51] Moreover, pursuant to RMO No. 9-2014,[52] the BIR also issues rulings to answer written questions of individuals and juridical entities regarding their status as taxpayers and the effects of their transactions for taxation purposes.

Although there was no tax query raised by petitioner, still, the revocation of its 2014 CTE and the denial of its pending application for renewal of its CTE call for the interpretation of whether petitioner, based on the facts and circumstances vis-à-vis the pertinent provisions of law, may still be considered a tax-exempt cooperative, entitled to the tax exemptions and privileges provided for under RA No. 9520. Otherwise stated, the subject ruling or decision in this case, which affirmed the revocation of petitioner's 2014 CTE, is effectively respondent's official position on the tax treatment of petitioner's transactions during the period covered by the revoked CTE.

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[49] *Oceanagold (Philippines), Inc. vs. Commissioner of Internal Revenue*, G.R. No. 234614, June 14, 2013.

[50] SUBJECT: Prescribes the Policies and Guidelines in the Issuance of Certificate of Tax Exemption of Cooperatives and Monitoring Thereof.

[51] *Commissioner of Internal Revenue vs. Court of Tax Appeals (First Division) and Pilipinas Shell Petroleum Corporation, et seq.*, supra.

[52] SUBJECT: Requests for Rulings with the Law and Legislative Division.

Thus, respondent's ruling or decision in this case, or letter No. M-118.2023 dated May 19, 2023, is effectively an adverse BIR Ruling issued against petitioner which is subject to review by the SOF, pursuant to the first paragraph of Section 4 of the NIRC of 1997.

Notably, during the cross-examination of petitioner's witness, Mr. John Raven Babayson, on June 4, 2024,[53] he admitted that the *Petition for Review* was directly filed before this Court without filing a request for review before the SOF, to wit:

> "ATTY. GARCIA:
> Q. xxx. After filing your letter of reconsideration and being denied by the Commissioner of Internal Revenue, did you appeal or file a letter of reconsideration with the Secretary of Finance or with the Commissioner?
>
> MR. BABAYSON:
> A. Based on the letter from the Commissioner of Internal Revenue our letter for reconsideration was denied so our lawyer advised us to file a Petition for Review to the Court of Tax Appeals."

The fact that there was no appeal or request for review of respondent's adverse ruling filed with the SOF highlights petitioner's failure to exhaust administrative remedies prescribed by law. Thus, the filing of the present *Petition for Review* with this Court was premature.

In *Asia International Auctioneers, Inc., et al. vs. Parayno, Jr.*, et al.,[54] the Court held that "the premature invocation of the court's intervention is fatal to one's cause of action. If a remedy within the administrative machinery can still be resorted to by giving the administrative officer every opportunity to decide on a matter that comes within his [or her] jurisdiction, then such remedy must first be exhausted before the court's power of judicial review can be sought. The party with an administrative remedy must not only initiate the prescribed administrative procedure to obtain relief but also pursue it to its appropriate conclusion before seeking judicial intervention in order to give the administrative agency an opportunity to decide the matter itself correctly and prevent unnecessary and premature resort to the court."

In sum, since what is appealable to this Court is the decision or ruling of the SOF in the exercise of its power of review under Section 4 of the NIRC of

[53] Transcript of Stenographic Notes dated June 4, 2024, pp. 7 to 8.
[54] G.R. No. 163445, December 18, 2007.

1997, which is clearly absent in this case, then, the filing of the present *Petition* before this Court is premature as there was nothing yet to review.

In view of the foregoing finding, it is no longer necessary to address the other arguments respectively raised by the parties.

WHEREFORE, premises considered, the *Petition for Review* is **DISMISSED** for this Court's lack of jurisdiction.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

WE CONCUR:

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

CORAZON G. FERRER-FLORES
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.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice