REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

THIRD DIVISION

HEWLETT-PACKARD PHILIPPINES CORPORATION,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA Case No. 10851

Members:
MANAHAN, *Chairperson,*
REYES-FAJARDO, and
ANGELES, *JJ.*

Promulgated:
NOV 12 2025
11:22 a.m.

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RESOLUTION

REYES-FAJARDO, *J.*:

For the Court's resolution is respondent's Motion for Reconsideration (of the Decision dated March 18, 2025) ("Motion"),[1] filed on April 10, 2025, with petitioner's Comment/Opposition [to Respondent's Motion for Reconsideration dated 4 April 2025],[2] filed on April 30, 2025.

In the assailed Decision promulgated on March 18, 2025,[3] the Court cancelled the deficiency Improperly Accumulated Earnings Tax (IAET) and Compromise Penalty for the fiscal year (FY) ending October 31, 2019, amounting to ₱116,194,066.65. The Court held that petitioner's earnings

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1 Docket – Volume IV, pp. 1248 to 1262. Under Section 3 (b), Rule 8 of the Revised Rules of the Court of Tax Appeals (A.M. No. 05-11-07-CTA), respondent had fifteen (15) days from receipt of the Resolution or until April 9, 2025, to file a Motion for Reconsideration with the Court. However, as April 9, 2025 was declared a regular holiday in commemoration of the Day of Valor, pursuant to Presidential Proclamation No. 727 dated October 30, 2024, the Motion for Reconsideration filed on April 10, 2025 was timely.

2 *Id.*, unpaginated.

3 *Id.* at pp. 1229 to 1247.

for the FY ending October 31, 2019, were properly retained for the working capital necessary for the conduct of its business, in accordance with Section 29 (E) of the 1997 National Internal Revenue Code (NIRC), as amended, and as clarified in Sections 2 and 3 of Revenue Regulations (RR) No. 2-2001 and Revenue Audit Memorandum Order (RAMO) No. 1-00. Notably, respondent's own witness, Revenue Officer Francis Elvin Ordonez, admitted in open court that petitioner lacked sufficient working capital for said FY. As such, petitioner should not be held liable for deficiency IAET under Section 29 of the NIRC, as amended.

In the Motion, respondent maintains that petitioner is liable for the deficiency IAET under Section 29 of the NIRC, as amended, asserting that petitioner's case does not fall within the exceptions outlined in Section 3 of RR No. 02-2001. He further argues that the Court erred in relying solely on the working capital ratio to determine the reasonableness of earnings accumulation.

In its Comment/Opposition, petitioner agrees with the Court's finding that its profit accumulation was justified under Section 29(E) of the NIRC, as amended, as well as the relevant regulations, RR No. 02-2001 and RAMO No. 1-00. These provisions permit corporations to retain earnings for the reasonable or anticipated needs of its business, *i.e.*, to meet its working capital requirements.

The Motion is denied.

The arguments raised by respondent were already passed upon by the Court. The Court affirms that petitioner should not be subjected to the imposition of IAET under Section 29 of the NIRC, as amended, given that its earnings for FY ending October 31, 2019 were properly retained to meet the working capital requirements of the business. Petitioner's Audited Financial Statements as of October 31, 2019 confirm that, had dividends been declared in the amount of ₱803,970,952.00, it would incurred a *negative* working capital for that fiscal year, clearly demonstrating the necessity of retention.

Accordingly, the Court finds no need to restate pertinent portions of the Decision or re-write the *ponencia* in accordance with the outline of the instant motion.[4] *Social Justice Society (SJS) Officers, et al. v. Lim*[5] ordained:

> The filing of a motion for reconsideration, authorized by Rule 52 of the Rules of Court, does not impose on the Court the obligation to deal individually and specifically with the grounds relied upon therefor, in much the same way that the Court does in its judgment or final order as regards the issues raised and submitted for decision. This would be a useless formality or ritual invariably involving merely a reiteration of the reasons already set forth in the judgment or final order for rejecting the arguments advanced by the movant; and it would be a needless act, too, with respect to issues raised for the first time, these being, as above stated, deemed waived because not asserted at the first opportunity. It suffices for the Court to deal generally and summarily with the motion for reconsideration, and merely state a legal ground for its denial (Sec. 14, Art. VIII, Constitution); *i.e.*, the motion contains merely a reiteration or rehash of arguments already submitted to and pronounced without merit by the Court in its judgment, or the basic issues have already been passed upon, or the motion discloses no substantial argument or cogent reason to warrant reconsideration or modification of the judgment or final order; or the arguments in the motion are too unsubstantial to require consideration, etc.

WHEREFORE, respondent's Motion for Reconsideration (of the Decision dated March 18, 2025), filed on April 10, 2025 is **DENIED** for lack of merit.

SO ORDERED.

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

We Concur:

Catherine T. Manahan
CATHERINE T. MANAHAN
Associate Justice

HENRY S. ANGELES
Associate Justice

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4 See *Social Justice Society (SJS) Officers, et al. v. Lim*, G.R. Nos. 187836 & 187916, March 10, 2015.
5 *Id.*