REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
Quezon City

EN BANC

COMMISSIONER OF INTERNAL REVENUE,
Petitioner,

- versus -

3M PHILIPPINES, INC.,
Respondent.

CTA EB NO. 2872
(CTA Case No. 9841)

Present:

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

Promulgated:
JUL 17 2026 1:50

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RESOLUTION

BACORRO-VILLENA, J.:

For the Court *En Banc*'s resolution is petitioner Commissioner of Internal Revenue's (**petitioner**'s/**CIR**'s) "Motion for Reconsideration (Re: Decision dated 20 August 2025)"[1] (**MR**) filed *via* email on 11 September 2025[2] and personally filed on 12 September 2025, with respondent 3M Philippines, Inc.'s (**respondent**'s) "Comment/Opposition (*To Petitioner's Motion for Reconsideration dated 11 September 2025*)"[3] (**Comment**) filed *via* registered mail on 11 March 2026 and emailed on 12 March 2026.

The MR assails the *En Banc* Decision of 20 August 2025 (**assailed Decision**) which denied petitioner's Petition for Review:

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1 *Rollo*, pp. 175-188.
2 See email transmittal dated 11 September 2025, id., p. 194.
3 Id., pp. 262-280.

...

> **WHEREFORE**, with the foregoing considered, the instant Petition for Review filed by petitioner Commissioner of Internal Revenue on 04 March 2024 is **DISMISSED** for being filed out of time. In any event, even if timely filed, the same is denied for lack of merit.
>
> **SO ORDERED.**

...

In the MR, petitioner alleges that the Court *En Banc* erroneously relied on Revenue Memorandum Order (**RMO**) No. 43-90 in holding that the reassignment of a Revenue Officer (**RO**) named in the Letter of Authority (**LOA**) requires the issuance of a new or amended LOA. Petitioner asserts that RMOs are merely internal work procedures that should not be treated as provisions of law on which substantial rights are anchored. Moreover, assuming *arguendo* that RMOs possess substantive effect, petitioner stresses that RMO No. 43-90 was issued prior to the enactment of the National Internal Revenue Code (**NIRC**) of 1997, thus, is no longer a binding procedural guideline. Petitioner adds that the provisions of RMO No. 43-90 have long been repealed by RMO No. 8-2006 and RMO No. 62-2010, which merely mandate a Memorandum of Authority (**MOA**) in case of reassignment.

Petitioner also argues that the subject assessment is not void as Group Supervisor (**GS**) Rosario A. Arriola, who was named in the LOA, was still part of the audit team that continued the audit and whose findings eventually became the basis of the assessment. Petitioner adds that respondent is estopped from raising the issue on the ROs' authority to conduct audit.

Petitioner further avers that the issuance of an LOA in this case is not a prerequisite in the audit of respondent's books of accounts and other accounting records since it was undertaken by the Large Taxpayer Services (**LTS**) which is under the Office of the CIR (**OCIR**). Petitioner claims that the ROs from the LTS operate as CIR's authorized representatives. Petitioner explains that since the audit investigation was conducted under the OCIR, the issuance of the LOA is not a statutory requirement for validity, but merely for administrative purposes of recording which taxpayers are subject of audit and for tracking ongoing assessments.

Lastly, petitioner submits that the assessment against respondent is valid, and has legal and factual basis. Consequently, respondent should not be entitled to the refund of ₱13,398,898.25, representing the alleged deficiency tax respondent paid under protest.

On the other hand, respondent counters that petitioner did not present new arguments or issues in his or her MR that are worthy of the Court's consideration. According to respondent, the issues raised have already been considered and resolved in the assailed Decision.

Respondent also contends that RMO No. 43-90 does not only involve internal Bureau of Internal Revenue (**BIR**) procedures, but it also directly affects the taxpayer's substantial right to due process. In addition, respondent argues that RMO No. 43-90 has not been repealed by the enactment of the NIRC of 1997, but was actually codified therein.

Respondent further avers that if petitioner's argument – that the issuance of an LOA in this case is not a prerequisite in the audit of respondent's books of accounts since it was undertaken by the LTS, an office under the CIR, is correct, then no LOA will ever be required as long as the person conducting the audit is employed with the BIR. It added that the law requires any person under the CIR himself or herself to be clothed with a written authority to examine any taxpayer.

Respondent also claims that it is not estopped from raising the issue on the RO's authority to conduct audit as nothing on record shows that it accepted the change of role of RO Arriola to GS or the authority of the new set of ROs who actually conducted the audit of its books of accounts. Moreover, it states that all of its communications to BIR (in relation to the subject assessment) were addressed to Arriola as RO or to Assistant Commissioner Teresita Angeles. Respondent also cited *Sun Life Grepa Financial, Inc. v. Commissioner of Internal Revenue*[4] where the Court in Division declared that the principle of estoppel can never justify non-compliance with the LOA requirement.

Lastly, respondent maintains that since the assessment against it for deficiency withholding taxes is not supported by tax law and

[4] CTA Case No. 10080, 09 May 2023.

regulations and/or have already prescribed, it is entitled to a refund of the amount it paid under protest in the amount of ₱13,398,898.25.

We resolve.

Before We delve into the arguments of the parties, We shall first determine whether the MR was filed within the prescribed reglementary period.

PETITIONER'S MOTION FOR RECONSIDERATION (MR) WAS TIMELY FILED.

Section 1, Rule 15 of the Revised Rules of Court of Tax Appeals[5] (**RRCTA**) provides that an aggrieved party may seek a reconsideration or new trial of any decision, resolution or order of the Court by filing an MR or new trial within fifteen (15) days from the date he or she received the notice of the decision, resolution, or order of the Court in question.

In the instant case, the Office of the Solicitor General (**OSG**) received the assailed Decision of 20 August 2025 on **28 August 2025**.[6] Counting 15 days therefrom, petitioner had until **12 September 2025** to file his or her MR. As the records bore, the MR filed *via* email on 11 September 2025 and personally filed on 12 September 2025 was timely filed.

After an examination of the pleadings, We are constrained to deny petitioner's MR for lack of merit.

THE COURT *EN BANC* CORRECTLY RELIED ON RMO NO. 43-90 IN HOLDING THAT THE REASSIGNMENT OF A REVENUE OFFICER (**RO**) NAMED IN THE LETTER OF AUTHORITY (**LOA**) REQUIRES THE ISSUANCE OF A NEW OR AMENDED LOA.

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5 A.M. No. 05-11-07-CTA.
6 See Notice of Decision, *rollo*, p. 126.

Petitioner argues that RMO No. 43-90 is merely an internal work procedure that should not be treated as provisions of law on which substantial rights are anchored. Moreover, petitioner asserts that RMO No. 43-90 was issued prior to the enactment of the NIRC of 1997, thus, it is no longer a binding procedural guideline.

In *Commissioner of Internal Revenue v. McDonald's Philippines Realty Corp.*[7] (**McDonald's**), the Supreme Court has already addressed this issue in this wise -

> ...
> The petitioner claims that RMO No. 43-90 dated September 20, 1990 is not the implementing rule for Section 13 of the NIRC. RMO No. 43-90 was promulgated on September 20, 1990, which is seven years prior to the law it supposedly implemented. Because of this, the petitioner implies that RMO No. 43-90 dated September 20, 1990 is not a valid legal basis in the position that a reassignment and transfer of cases requires the issuance of a new and separate LOA for the substitute revenue officer.
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> The petitioner is mistaken. Section 291 of the NIRC states:
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> **SECTION 291**. In General. - All laws, decrees, executive orders, rules and regulations or parts thereof which are contrary to or inconsistent with this Code are hereby repealed, amended or modified accordingly.
>
> **Section D(5) of RMO No. 43-90 dated September 20, 1990 is not contrary to or inconsistent with the NIRC. In fact, the NIRC codifies the LOA requirement in RMO No. 43-90. While RMO No. 43-90 was issued under the old tax code, nothing in Section D(5) RMO No. 43-90 is repugnant to Sections 6(A), 10 and 13 of the NIRC. Hence, pursuant to Section 291 of the NIRC, RMO No. 43-90 remains effective and applicable.**
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> **Even the Operations Group of the BIR now recognizes that the practice of reassigning or transferring revenue officers originally named in the LOA and substituting them with new revenue officers to continue the audit or investigation without a separate LOA, is no longer tenable.** Thus, in Operations Memorandum No. 2018-02-03 dated February 9, 2018, the Operations Group has decided that "the issuance of a MOA for reassignment of cases in the aforementioned instances [i.e., the original revenue

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[7] G.R. No. 242670, 10 May 2021; Emphasis supplied.

officer's transfer to another office, resignation, retirement, etc.] shall be discontinued."

...

Clearly, jurisprudence has already settled that the enactment of the NIRC of 1997 did not render RMO No. 43-90 ineffective. On the contrary, the NIRC of 1997 effectively codified the LOA requirement embodied in RMO No. 43-90. Consequently, RMO No. 8-2006 and RMO No. 62-2010, which petitioner claims merely mandate the issuance of a MOA in case of reassignment, cannot prevail over the LOA requirement explicitly recognized under the NIRC of 1997, as amended.

GS ARRIOLA'S AUTHORITY TO EXAMINE RESPONDENT'S BOOKS OF ACCOUNTS DOES NOT VEST THE OTHER ROs WITH THE REQUISITE AUTHORITY TO DO THE SAME.

Petitioner asserts that the assessment is valid since GS Arriola, who was named in the LOA authorizing the examination of respondent's books of accounts, was present from the beginning up to the end of the assessment.

Petitioner's contention deserves scant consideration.

As We have exhaustively discussed in the assailed Decision, an RO may only examine taxpayers, in the course of carrying out, in conformance to or agreement with, or according to, a validly issued LOA.[8] The authorization of one RO, particularly GS Arriola, under a valid LOA is of no consequence. The fact remains that ROs Abigail N. Cayabyab (**Cayabyab**), Cecilia S. Anaban (**Anaban**), Riza F. Budano (**Budano**), Tito R. Monforte (**Monforte**), and Carolyn V. Mendoza (**Mendoza**) participated in the examination of respondent's books of accounts without the requisite authority.

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[8] *Republic of the Philippines v. Robiegie Corporation*, G.R. No. 260261, 03 October 2022.

RESPONDENT IS NOT ESTOPPED FROM ASSAILING THE AUTHORITY OF THE REVENUE OFFICERS WHO CONDUCTED THE AUDIT OF ITS BOOKS OF ACCOUNTS.

Petitioner also claims that respondent is estopped from raising the issue on the RO's authority to conduct audit since it has properly coordinated with RO Arriola during the course of the audit, even heeding the instructions given by the said RO.

To reiterate, the Court *En Banc* declared the subject assessment void due to petitioner's failure to issue the necessary LOA in favor of ROs Cayabyab, Anaban, Budano, Monforte, and Mendoza, all of whom participated in the audit of respondent. GS Arriola's authority to examine respondent's books of accounts was not in question. Notably, in his or her MR, petitioner merely underscored respondent's acquiescence to GS Arriola's authority to audit its books, but failed to establish respondent's acquiescence to the authority of ROs Cayabyab, Anaban, Budano, Monforte, and Mendoza.

Even assuming *arguendo* that respondent acquiesced to ROs Cayabyab, Anaban, Budano, Monforte, and Mendoza's authority to audit its books of accounts, the doctrine of estoppel does not find applicability in this case.

The doctrine of estoppel is predicated on, and has its origin in, equity which, broadly defined, is justice according to natural law and right.[9] As such, the doctrine of estoppel cannot give validity to an act that is prohibited by law or one that is against public policy. It should be resorted to solely as a means of preventing injustice and should not be permitted to defeat the administration of the law, or to accomplish a wrong or secure an undue advantage, or to extend beyond them requirements of the transactions in which they originate.

[9] *Commissioner of Internal Revenue v. Kudos Metal Corporation*, G.R. No. 178087, 05 May 2010.

As held in the assailed Decision, Sections 6(A),[10] 10(C),[11] and 13[12] of the NIRC of 1997, as amended, in relation to Section D(4)[13] of RMO No. 43-90,[14] require the issuance of an LOA by the CIR or his or her duly authorized representatives to properly clothe the assigned ROs with the authority to conduct the audit or investigation of a taxpayer. Absent such grant of authority through an LOA, the RO cannot conduct the audit of taxpayer's books of accounts and other accounting records because such right is statutorily conferred only upon petitioner.

Relevant thereto, Section C(5)[15] of the same RMO, mandates the issuance of a new LOA in cases of reassignment or transfer of examination to another RO.

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10 **SEC. 6**. *Power of the Commissioner to Make Assessments and Prescribe Additional Requirements for Tax Administration and Enforcement*. —

(A) *Examination of Return and Determination of Tax Due*. — After a return has been filed as required under the provisions of this Code, the Commissioner or his duly authorized representative may authorize the examination of any taxpayer and the assessment of the correct amount of tax: *Provided*, however. That failure to file a return shall not prevent the Commissioner from authorizing the examination of any taxpayer.

11 **SEC. 10**. *Revenue Regional Director*. — Under rules and regulations, policies and standards formulated by the Commissioner, with the approval of the Secretary of Finance, the Revenue Regional Director shall, within the region and district offices under his jurisdiction, among others:
...

(c) Issue Letters of Authority for the examination of taxpayers within the region[.]

12 **SEC. 13**. *Authority of a Revenue Officer*. — Subject to the rules and regulations to be prescribed by the Secretary of Finance, upon recommendation of the Commissioner, a Revenue Officer assigned to perform assessment functions in any district may, pursuant to a Letter of Authority issued by the Revenue Regional Director, examine taxpayers within the jurisdiction of the district in order to collect the correct amount of tax, or to recommend the assessment of any deficiency tax due in the same manner that the said acts could have been performed by the Revenue Regional Director himself.

13 D. Preparation and issuance of L/As.
...

4. For the proper monitoring and coordination of the issuance of Letter of Authority, the only BIR officials authorized to issue and sign Letters of Authority are the Regional Directors, the Deputy Commissioners and the Commissioner. For the exigencies of the service, other officials may be authorized to issue and sign Letters of Authority but only upon prior authorization by the Commissioner himself.

14 Amendment of Revenue Memorandum Order No. 37-90 Prescribing Revised Policy Guidelines for Examination of Returns and Issuance of Letters of Authority to Audit dated 20 September 1990.

15 C. Other policies for issuance of L/As.
...

5. Any reassignment/transfer of cases to another RO(s), and revalidation of Letter of Authorities which have already expired, shall require the issuance of a new Letter of Authority, with the corresponding notation thereto, including the previous [LOA] number and date of issue of said Letter of Authorities.

Evidently, in this case, petitioner failed to comply with his or her own rules when it allowed ROs Cayabyab, Anaban, Budano, Monforte, and Mendoza to continue the audit *absent* the issuance of a separate or amended LOA duly authorizing them to do so. Thus, petitioner cannot hide behind the doctrine of estoppel to cover his or her failure to comply with RMO No. 43-90, which the BIR itself issued. Having caused the invalidity of the assessments, petitioner must bear the consequences.

AN LOA IS REQUIRED TO AUTHORIZE REVENUE OFFICERS UNDER THE LARGE TAXPAYERS SERVICE TO CONDUCT AN EXAMINATION OF A TAXPAYER.

Petitioner contends further that an LOA is no longer required in this case because the examination of respondent's books of accounts was conducted by ROs from the LTS, which operates under the OCIR. According to petitioner, these ROs act as authorized representatives of the CIR, thereby dispensing with the need for an LOA.

In support of his or her argument, petitioner claims that the issuance of an LOA in Section 13 of the NIRC of 1997, as amended, applies only to ROs of Revenue Regions as constraints of distance ensure that the CIR cannot exercise direct supervision over the Revenue Regions.

We find no need to belabor the purposes and significance of an LOA in the examination of a taxpayer's books of accounts as this has already been exhaustively discussed in the assailed Decision. The indispensability of an LOA applies not only to the examination of taxpayers registered with the BIR's various Revenue Regions, but also to those registered with the LTS.

Section 6(A)[16] of the NIRC of 1997, as amended, provides that petitioner or his or her duly authorized representative may authorize the examination of any taxpayer. A reading of Sections 10(c)[17] and 13[18] of the same Code reveals that the authorized representative

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16 Supra at note 10.
17 Supra at note 11.
18 Supra at note 12.

contemplated in Section 6(A) is the Revenue Regional Directors (**RRDs**). RMO 43-90, however, also provides that apart from the Commissioner and the RRDs, Deputy Commissioners are also authorized to issue and sign LOAs. In addition, other officials may be authorized to issue and sign LOAs for the exigencies of the services, but only upon prior authorization of the CIR himself or herself.

As petitioner observes, constraints of distance necessarily prevent the CIR from exercising direct supervision over the various Revenue Regions. Thus, the authority to issue LOAs authorizing ROs in these Revenue Regions to examine taxpayers has been delegated to the RRDs. In the same vein, the breadth and sheer magnitude of the CIR's duties renders direct supervision over ROs in the LTS equally impracticable. Thus, the power to issue LOAs authorizing such ROs to examine large taxpayers has likewise been delegated to the Assistant Commissioner and the Head Revenue Executive Assistants through RMO No. 29-2007.[19]

In sum, the CIR has delegated his or her power to authorize the examination of any taxpayer and the assessment of the correct amount of tax to Deputy Commissioners, RRDs, and for the LTS, to the Assistant Commissioner and Head Revenue Executive Assistants. Thus, the fact that the ROs who will conduct the examination of a taxpayer's books are from the LTS does not do away with the strict requirement under the NIRC of 1997, as amended, for a valid LOA.

Stated differently, a taxpayer's registration with the LTS does not strip him or her or it of the right to be examined only by ROs who are duly authorized by petitioner or his or her authorized representatives through a valid LOA. Therefore, petitioner's contention that a valid LOA is no longer required simply because the examination of respondent's books of accounts was conducted by ROs from the LTS deserves no merit.

RESPONDENT IS ENTITLED TO THE REFUND OF ₱13,398,898.25 REPRESENTING THE ALLEGED DEFICIENCY TAX IT PAID UNDER PROTEST.

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19 Prescribing the Audit Policies, Guidelines and Standards at the Large Taxpayer Service.

As We have determined in the assailed Decision, the lack of authority of the ROs is tantamount to the absence of an LOA itself which results to a void assessment. Being a void assessment, the same bears no fruit.[20] Thus, with the nullity of the assessments, petitioner cannot validly retain the amounts respondent remitted under protest pursuant to the assessment.

WHEREFORE, in view of the foregoing, petitioner Commissioner of Internal Revenue's "Motion for Reconsideration (Re: Decision dated 20 August 2025)" filed on 11 September 2025 is **DENIED** for lack of merit.

SO ORDERED.

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

WE CONCUR:

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

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

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20 *Commissioner of Internal Revenue v. South Entertainment Gallery, Inc.*, G.R. No. 223767, 24 April 2023; *Commissioner of Internal Revenue v. Pilipinas Shell Petroleum Corporation*, G.R. No. 197945 & 204119-20, 09 July 2018; *Commissioner of Internal Revenue v. Liquigaz Philippines Corporation*, G.R. No. 215534 & 215557, 18 April 2016; *Commissioner of Internal Revenue v. Metro Star Superama, Inc.*, G.R. No. 185371, 08 December 2010.

LANEE S. CUI-DAVID
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice

HENRY S. ANGELES
Associate Justice