REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL THIRD DIVISION

UNITED CHURCH OF CHRIST IN THE PHILIPPINES,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA Case No. 9134

Members:

FABON-VICTORINO, Acting Chairperson and
RINGPIS LIBAN, JJ.

Promulgated:

JAN 15 2019
11:20 a.m.

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DECISION

***Fabon-Victorino, J.*:**

This Petition for Review[1] filed on September 2, 2015 by petitioner United Church of Christ in the Philippines (UCCP) seeks to cancel and set aside the deficiency income tax (IT) assessment under Audit Results/Assessment Notice No. 014-088-IT-2010-109-14 and Letter of Demand dated October 15, 2014, issued against it by respondent Commissioner of Internal Revenue (CIR) for taxable year (TY) 2010.

Petitioner is an entity organized and existing under the laws of the Republic of the Philippines as a non-stock, non-profit, religious organization[2], with principal office at 877 EDSA, West Triangle, Quezon City.[3]

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[1] Docket, pp. 10-28.
[2] Exhibits P-18 and P-18-1 to P-18-6, docket, pp. 254-260.
[3] Par. 2, Parties, Petition for Review, docket, p. 11; Exhibits P-12 to P-17, docket, pp. 243-253.

Respondent, on the other hand, is the Commissioner of the Bureau of Internal Revenue (BIR), empowered to decide disputed assessments and to implement and enforce the provisions of the National Internal Revenue Code (NIRC) and other tax laws. He holds office at the BIR National Office Building, Agham Road, Diliman, Quezon City.

Petitioner owned and operated Bethany Hospital located at Real Street, Tacloban City. It was a 150-bed tertiary hospital which rendered medical, dental, and hospital services as its mission arm under its healing ministry.[4]

On April 14, 2011, Bethany Hospital filed its IT Return[5] for TY 2010 with BIR Revenue Region No. 14 and amended it on September 12, 2011[6].

On December 4, 2012, Bethany Hospital received Letter of Authority (LOA) No. LOA-088-2012-00000074[7] dated November 5, 2012, authorizing Revenue Officer (RO) Yoko Carolyn Watanebe, under Group Supervisor Elisa Rapatan of Revenue District Office No. 088 – Tacloban City, Eastern Samar, to examine its books of accounts and other accounting records for all internal revenue taxes for TY 2010.

On June 19, 2014, Bethany Hospital received a Notice of Informal Conference (NIC) with attached Summary Report[8], to discuss the result of the tax investigation conducted against it pursuant to LOA No. LOA-088-2012-00000074, which revealed a total deficiency IT of ₱28,895,861.35, inclusive of interests, penalties and surcharges. Exchange of communications followed.

On September 19, 2014, Bethany Hospital received a Preliminary Assessment Notice[9] (PAN) dated September 16,

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[4] Exhibits P-10, and P-11, docket, pp. 68-69.
[5] Exhibits P-4 and P-4-1, docket, pp. 32-33.
[6] Exhibits P-5 and P-5-1, docket, pp. 34-35.
[7] Exhibit R-1, BIR Records, p. 7.
[8] Exhibits P-6 and P-6-1, docket, pp. 36-37; Exhibit R-3, BIR Records, pp. 296-297.
[9] Exhibits P-7 and P-7-1, docket, pp. 38-39; Exhibit R-6, BIR Records, pp. 325-326.

2014, finding it liable for deficiency IT of ₱7,028,448.73, inclusive of increments for TY 2010.[10]

On November 7, 2014, Bethany Hospital received the Letter of Demand (FLD)[11] with attached Audit Results/Assessment Notice No. 014-088-IT-2010-109-14 (FAN)[12] dated October 15, 2014, requiring it to pay deficiency IT for TY 2010 in the amount of ₱7,118,236.53, inclusive of surcharges, interest, and compromise penalty for late payment.[13]

Petitioner filed a letter protest[14] against the FAN with supporting documents on December 8, 2014. A Supplemental Protest[15] ensued on February 5, 2015.

Due to respondent's inaction, petitioner elevated its case *via* the instant Petition for Review[16] lodged on September 2, 2015.

On November 2, 2015, respondent filed his Answer[17] which he amended[18] on November 9, 2015, with leave of Court per Resolution[19] dated January 19, 2016.

In his Amended Answer[20], respondent counters that Bethany Hospital was subject to the 10% preferential rate per Section 27(B) of the NIRC of 1997, as amended, as it was not a tax-exempt institution pursuant to Section 30(E) of the same Tax Code. Allegedly, ownership by petitioner, which is a religious organization, did not make Bethany Hospital exempt from tax under Section 30(E) of the NIRC of 1997, as amended. According to respondent, the tax-exempt status of an institution is determined by the purpose for which it was organized and operated, not by ownership. Further, a

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[10] Par. 3, JSFI, docket, p. 288.
[11] Exhibit P-1, docket, p. 29; and Exhibit R-7, BIR Records, p. 328.
[12] Exhibit P-2, docket, p. 30; and Exhibit R-8, BIR Records, p. 327.
[13] Par. 4, JSFI, docket, p. 288.
[14] Exhibits P-8-1 to P-8-6, docket, pp. 41-46.
[15] Exhibits P-9, P-9 to P-9-20, docket, pp. 47-67.
[16] Docket, pp. 10-28.
[17] Docket, pp. 87-98.
[18] Docket, pp. 108-113.
[19] Docket, pp. 133-134.
[20] Docket, pp. 115-126.

corporation or association enjoying tax-exempt status could still be subject to tax if its net income or asset belongs to or inures to the benefit of any member, organizer, or officer of any specific person.

Further, contrary to petitioner's assertion, the case of *Commissioner of Internal Revenue vs. St. Luke's Medical Center, Inc.*[21] is on all fours with the present case since St. Luke's Medical Center, Inc. and Bethany Hospital are both non-stock and non-profit corporation and both involved the issue of the applicability of tax-exempt status pursuant to Section 30(E) of the NIRC of 1997, as amended. Additionally, the Certificate of Registration of Bethany Hospital dated June 10, 2004 showed that it was subject to taxes such as income tax.

Respondent also posits that the FAN issued against petitioner was valid since the period to assess it was yet to prescribe when it was issued on October 15, 2014. The ten (10)-year period to assess should apply given that petitioner filed a fraudulent return with the intention to evade tax by indicating in its 2010 Income Tax Return that Bethany Hospital was a 'TENTATIVE EXEMPT ORGANIZATION' when it was actually subject to the 10% preferential tax rate. Even if the IT Return was not fraudulent, it was at the very least a false return since petitioner's declaration was a deviation from the truth.

Lastly, the discrepancies on purchases were based on third party information allowed under Sections 5 and 6 of the NIRC of 1997, as amended. The third party information contained in the Summary List of Sales (SLS) was based on the documents filed with the BIR by petitioner's suppliers which it could easily verify, particularly the name of the seller; Tax Identification Number; the gross sales; gross taxable sales; output tax of seller and whether the sale was exempt or zero-rated.

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[21] G.R. No. 195909, September 26, 2012.

After the pre-trial conference, the parties filed their Joint Stipulation of Facts and Issues[22] on the basis of which a Pre-Trial Order[23] was issued on November 28, 2016.

Trial ensued during which petitioner presented the Finance Officer of Bethany Hospital during the relevant period, Minerva M. Cua[24], as its lone witness.

Witness **Minerva M. Cua** testified[25] that as then Finance Officer of Bethany Hospital, she was in charge of its financial operations. She was the keeper and custodian of its financial transaction documents, including those related and pertaining to BIR concerns. She also performed treasury functions for the Hospital.

She declared that Bethany Hospital, which was located in Real St., Tacloban City, Leyte, is no longer in operation as it was severely destroyed during the onslaught of super typhoon Yolanda in 2013.

She is familiar with instant case assailing the tax assessment issued against the Hospital in the amount of ₱7,118,236.53 by virtue of her position. Petitioner filed the instant case because it owned and operated the Hospital, as its mission arm in the healing ministry, and it was not separately incorporated.

For petitioner, the assessment had already prescribed. The assessment was for TY 2010 but it received the FAN only on November 7, 2014, or more than three (3) years reckoned from April 15, 2010, the last day of filing the return, in violation of Section 203 of the Tax Code.

She believed that petitioner did not file a false or fraudulent return to merit the application of the ten-year prescriptive period to assess. The fact that petitioner amended its IT Return for TY 2010 by increasing the gross

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22 Docket, pp. 287-292.
23 Docket, pp. 321-326.
24 Minutes of the Hearing dated January 30, 2017, docket, p. 356.
25 Exhibit P-24, docket, pp. 192-201.

income from ₱20,708,278.00 to ₱95,203,562.00 showed its intention not to conceal any information from the BIR and only to state the true and correct information in the return.

The witness stated further that petitioner honestly believed that the Hospital which it owned and operated was a tax-exempt entity because it was not separately organized. Besides, petitioner had been filing tax returns as an exempt entity years before TY 2010 and its classification as a tax-exempt religious entity was never assailed by the BIR.

Further, the FAN provided only for a surcharge of 25% for late payment and not for 50% surcharge for false/fraudulent returns.

The witness further testified that petitioner believed that errors could have been committed by the BIR since there exists another Bethany Hospital.

Finally, the Hospital was created to extend medical and health services to the public, particularly to those in need irrespective of religious, ethnic, social or political affiliations. Any income derived from the services it rendered went to operational costs, which included salaries, maintenance, utilities and upgrade of medical equipment. More importantly, no part of the Hospital's income inured to the benefit of petitioner's trustees.

After formal offer of its evidence, petitioner rested[26] per Resolution[27] dated April 11, 2017.

For his defense, respondent presented it lone witness Revenue Officer (RO) **Yoko Carolyn C. Watanabe**. She testified[28] that she was the RO who conducted the audit of petitioner's internal revenue taxes for TY 2010 as authorized under LOA No. LOA-088-2012-00000074. She examined the books of accounts of petitioner as well as the documents it

[26] Docket, pp. 360-365.
[27] Docket, pp. 460-461.
[28] Exhibit R-10, docket, pp. 156-163.

submitted. Her initial finding revealed that petitioner was liable for deficiency IT in the amount of ₱28,895,861.35 by reason thereof, a Notice of Informal Conference with attached Summary Report was issued to petitioner on June 16, 2014, giving it fifteen (15) days from notice to assail the same.

After the informal conference, she still found petitioner liable for deficiency IT for further gross income amounting to ₱7,677,133.68. Thus, in the Memorandum dated August 20, 2014, she recommended the issuance of a PAN against petitioner.

On September 16, 2014, a PAN with attached Details of Discrepancies was then issued assessing petitioner of deficiency IT of ₱7,028,448.73, inclusive of surcharges and penalties. This was followed by FLD with attached Audit Results/Assessment Notice on October 15, 2014 finding petitioner liable for deficiency IT of ₱7,118,236.53, inclusive of interest and penalties.

On December 5, 2017, respondent was deemed to have rested his case with the admission of all his documentary exhibits.[29]

After the parties filed their respective Memoranda, the instant case was submitted for decision on January 18, 2018.[30]

THE ISSUE

The parties submitted the following issue for the Court's resolution:

> WHETHER OR NOT PETITIONER IS LIABLE FOR DEFICIENCY INCOME TAX INCLUDING SURCHARGE, INTEREST AND PENALTIES FOR THE TAXABLE YEAR 2010.

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[29] Docket, pp. 491-492.
[30] Docket, p. 519.

Petitioner's Arguments:

Petitioner contends that the FAN dated October 15, 2014 was null and void as it was issued beyond the three-year period to assess mandated under Section 203 of the NIRC of 1997, as amended. Allegedly, the last day to issue an assessment for TY 2010 was on April 15, 2014, however, it received the FAN only on November 7, 2014. Even if the three-year prescriptive period would be reckoned from September 12, 2011 or the date of filing of the Amended IT Return for TY 2010, the assessment was still null and void as the last day of the three-year prescriptive period to assess was September 12, 2014.

Further, the fact that respondent did not impose the fifty percent (50%) surcharge for fraudulent or false returns would mean that the tax return was neither false nor fraudulent to warrant the application of the ten-year prescriptive period to assess under Section 222 of the NIRC of 1997, as amended.

Petitioner cannot also accept the alleged discrepancy between purchases per Letter Notice (Third Party Information) and purchases per books in the amount of ₱12,394,942.80, in the absence of any means to verify the accuracy and reliability of the alleged third-party information.

Finally, petitioner argues that the ten percent (10%) preferential rate imposed upon the income of non-profit hospitals as enunciated in *Commissioner of Internal Revenue vs. St. Luke's Medical Center. Inc.*[31] is not applicable in the instant case as the factual milieu of the cited case differs from the present case.

Respondent's Arguments:

Respondent's Memorandum simply mimics his Amended Answer. He insists that Bethany Hospital is not a tax-exempt institution hence, subject to 10% preferential rate pursuant

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[31] See Note 21, *supra.*

to Section 30(E) of the NIRC of 1997, as amended. He explains that Bethany Hospital was owned and operated by a non-stock and non-profit religious entity, thus, the cited *St. Luke's* case is applicable.

Further, the FAN dated October 15, 2014 was issued before the period to assess prescribed, hence, valid, applying Section 222 of the NIRC, as amended. The ten-year prescriptive period, says respondent, should apply since petitioner filed a fraudulent return with the intention to evade tax as petitioner made it appear that Bethany Hospital was a tax-exempt institution when it was not, hence, subject to the 10% preferential tax rate. Thus, the subject IT Return was false if not fraudulent since there was a deviation from the truth.

Lastly, respondent claims that the discrepancies on purchases were based on reliable third-party sources obtained pursuant to Sections 5 and 6 of the NIRC of 1997, as amended.

THE COURT'S RULING

First, on the timeliness of the filing of the Petition for Review. Section 228 of the National Internal Revenue Code of 1997, as amended, specifically provides:

> SEC. 228. *Protesting of Assessment.* – When the Commissioner or his duly authorized representative finds that proper taxes should be assessed, he shall first notify the taxpayer of his findings: *Provided, however*, That a preassessment notice shall not be required in the following cases:
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> xxx xxx xxx
>
> The taxpayers shall be informed in writing of the law and the facts on which the assessment is made; otherwise, the assessment shall be void.

> Within a period to be prescribed by implementing rules and regulations, the taxpayer shall be required to respond to said notice. If the taxpayer fails to respond, the Commissioner or his duly authorized representative shall issue an assessment based on his findings.
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> Such assessment may be protested administratively by filing a request for reconsideration or reinvestigation within thirty (30) days from receipt of the assessment in such form and manner as may be prescribed by implementing rules and regulations. Within sixty (60) days from filing of the protest, all relevant supporting documents shall have been submitted; otherwise, the assessment shall become final.
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> If the protest is denied in whole or in part, or is not acted upon within one hundred eighty (180) days from submission of documents, the taxpayer adversely affected by the decision or inaction may appeal to the Court of Tax Appeals within thirty (30) days from receipt of the said decision, or from the lapse of the one hundred eighty (180)-day period; otherwise, the decision shall become final, executory and demandable."

Thus, a taxpayer has thirty (30) days from receipt of the FAN within which to file its administrative protest and sixty (60) days from such filing of the administrative protest, to submit all relevant supporting documents. Thereafter, a taxpayer has another 30 days from receipt of the BIR's decision, or from the lapse of one hundred eighty (180)-day period from submission of documents within which to file a Petition for Review with this Court.

The record shows that petitioner received the FAN[32] and the FLD[33], similarly dated October 15, 2014, on November 7, 2014. Counting thirty (30) days from the day of receipt, petitioner had until December 7, 2014 within which to file its administrative protest. Considering that December 7, 2014 fell on a Sunday, petitioner timely filed its Protest[34] the following day, December 8, 2014. Likewise, petitioner timely filed its Supplemental Protest[35] on February 5, 2015, or within the sixty (60)-day period from the filing of administrative protest within which to submit relevant supporting documents.

Since petitioner's Supplemental Protest was filed on February 5, 2015, the 180-day period for respondent to act upon petitioner's administrative protest lapsed on August 4, 2015. Petitioner then had until September 3, 2015 within which to file a Petition for Review with this Court.

In fine, the Court has jurisdiction to take cognizance of the present timely filed[36] on September 2, 2015.

Now, on the merits of the case.

Petitioner submits that the core of the present conflict is the propriety and legality of the assessment, which was allegedly issued beyond the three-year prescriptive period mandated in Section 203 of the NIRC of 1997, as amended.

Section 203 of the NIRC of 1997, as amended, provides the general rule on the right of respondent to assess internal revenue tax within the prescriptive period of three (3) years after the last day prescribed by law for the filing of the return, *viz.*:

> SEC. 203. *Period of Limitation Upon Assessment and Collection.* – Except as

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[32] Exhibit P-2, docket, p. 30; Exhibit R-8, BIR Records, p. 327.
[33] Exhibit P-1, docket, p. 29; Exhibit R-7, BIR Records, p. 328.
[34] Exhibits P-8-1 to P-8-6, docket, pp. 41-46.
[35] Exhibits P-9 to P-9-20, docket, pp. 47-67.
[36] Docket, pp. 10-28.

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> provided in Section 222, internal revenue taxes shall be assessed within three (3) years after the last day prescribed by law for the filing of the return, and no proceeding in court without assessment for the collection of such taxes shall be begun after the expiration of such period: *Provided*, That in a case where a return is filed beyond the period prescribed by law, the three (3)-year period shall be counted from the day the return was filed. For purposes of this Section, a return filed before the last day prescribed by law for the filing thereof shall be considered as filed on such last day.

An exception to the above general rule is found in Section 222(a) of the NIRC of 1997, as amended, which provides that in case of a false or fraudulent return with intent to evade tax or of failure to file a return, the tax may be assessed, or a proceeding in court for the collection of such tax may be filed without assessment, at any time within ten (10) years after the discovery of the falsity, fraud or omission, thus:

> SEC. 222. *Exceptions as to Period of Limitation of Assessment and Collection of Taxes.* –
>
> (a) In the case of a false or fraudulent return with intent to evade tax or of failure to file a return, the tax may be assessed, or a proceeding in court for the collection of such tax may be filed without assessment, at any time within ten (10) years after the discovery of the falsity, fraud or omission: *Provided*, That in a fraud assessment which has become final and executory, the fact of fraud shall be judicially taken cognizance of in the civil or criminal action for the collection thereof.

Ordinarily, respondent has a period of 3 years within which to assess internal revenue taxes counted from the last day prescribed by law to file the necessary return or the actual date of filing of such return, whichever comes later. Any assessment notice issued beyond the 3-year prescriptive period shall not be valid. Hence, the government must assess internal revenue taxes on time so as not to extend indefinitely the period of assessment and deprive the taxpayer of the assurance that it will no longer be subjected to further investigation for taxes after the expiration of reasonable period of time.[37]

Pursuant to Section 77 (B) of the NIRC of 1997, as amended, the Income Tax Return of a corporate taxpayer should be filed on or before April 15 of the following calendar year. The record shows that petitioner filed its Annual Income Tax Return[38] for TY 2010 on April 14, 2011. It subsequently filed an Amended Annual Income Tax Return on September 12, 2011.

Below are the dates pertinent to the filing of petitioner's Income Tax Return for TY 2010:

2010 Amended Income Tax Return			
Period	Date Filed	Last Day to File Return	Last Day to Assess
TY 2010	September 12, 2011[39]	April 15, 2011	September 12, 2014

Respondent issued the FAN and the FLD on October 15, 2014, which petitioner received on November 7, 2014. Plainly, the FAN and the FLD were issued beyond the three-year prescriptive period to assess for TY 2010. As such, respondent's right to assess petitioner for income tax for TY 2010 had already lapsed.

Respondent however insists that the ten-year assessment period under Section 222(a) of the NIRC of 1997, as amended, should apply since petitioner filed a fraudulent return and/or false return.

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[37] *Commissioner of Internal Revenue vs. FMF Development Corporation*, G.R. No. 167765, June 30, 2008.
[38] Exhibits P-4 and P-4-1, docket, pp. 32-33.
[39] Exhibits P-5 and P-5-1, docket, pp. 34-35.

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The Court is not persuaded.

To merit the application of the ten-year period to assess, respondent, as the taxing authority, must clearly state and prove the basis for the application of the longer period as well as the willful intention on the part of the taxpayer to mislead him,[40] which are certainly not obtaining in the instant case.

Note that fraud is not presumed – it must be proved by clear and convincing evidence.[41] Fraud is never imputed and the courts never sustain the findings of fraud upon circumstances which, at most, create only suspicion.[42]

In the case of *Commissioner of Internal Revenue vs. Fitness by Design, Inc.*[43], the Supreme Court held that "*to avail of the extraordinary period of assessment in Section 222 (a) of the National Internal Revenue Code, the Commissioner of Internal Revenue should show that the facts upon which the fraud is based is communicated to the taxpayer.*" The Final Arbiter as well clearly provided strict standards in alleging fraud in tax assessments, thus:

> Fraud is a question of fact that should be alleged and duly proven. xxx Fraud entails corresponding sanctions under the tax law. **Therefore, it is indispensable for the Commissioner of Internal Revenue to include the basis of the allegations of fraud in the assessment notice.** (*Emphasis supplied*)

Perusal of the record shows that there is nothing in the FAN or the FLD that even suggests or hints a finding of fraud and/or falsity in the return filed by petitioner for TY 2010. Petitioner was not even imposed the 50% surcharge for such infraction pursuant to Section 248(B) of the NIRC of 1997, as

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[40] *Commissioner of Internal Revenue vs. Robert Christopher M. Carmona, et al.*, CTA EB No. 1324 (CTA Case No. 8484), December 20, 2017.
[41] *Spouses Nilo Ramos and Eliadora Ramos vs. Raul Obispo and Far East Bank and Trust Company*, G.R. No. 193804, February 27, 2013.
[42] *Commissioner of Internal Revenue vs. Melchor Javier, et al.*, G.R. No. 78953, July 31, 1991.
[43] G.R. No. 215957, November 9, 2016.

amended. Instead only a penalty equivalent to 25% of the amount due was imposed as surcharge provided under Section 248(A) of the same Code.

Equally noteworthy is the fact that the investigating RO, Yoko Carolyn C. Watanabe did not advance any information regarding the application of the ten-year prescriptive period to assess. There was nothing in her testimony about petitioner's filing of a fraudulent or false return to justify the application of the 10-year period to assess. In other words, respondent failed to prove by clear and convincing evidence that petitioner committed fraud in filing its IT Return for TY 2010.

And contrary to respondent's claim, there was no deviation from the truth when Bethany Hospital was declared as an exempt entity in the return.

In *Commissioner of Internal Revenue vs. Philippine Daily Inquirer, Inc.*[44], the Supreme Court declared that mere entry of wrong information in tax returns due to mistake, carelessness, or ignorance, without intent to evade tax, does not constitute a false return, to wit:

> Thus, while the filing of a fraudulent return necessarily implies that the act of the taxpayer was intentional and done with intent to evade the taxes due, **the filing of a false return can be intentional or due to honest mistake**. In *CIR v. B.F. Goodrich Phils., Inc.*, the Court stated that **the entry of wrong information due to mistake, carelessness, or ignorance, without intent to evade tax, does not constitute a false return**. In this case, we do not find enough evidence to prove fraud or intentional falsity on the part of PDI. (*Emphasis supplied*)

[44] G.R. No. 213943, March 22, 2017.

Thus, it is not sufficient that the return filed by the taxpayer is false but there must also be sufficient evidence to prove that the taxpayer intended to evade tax.

In this case, respondent failed to prove that petitioner intended to evade tax. In fact, petitioner was able to established that it never had any intention to evade the payment of taxes through the testimony of its witness, Minerva M. Cua, who testified as follows:

> Answer : We did not file any false or fraudulent return, sir. And we never had any intention to evade the payment of taxes.
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> Question 43: What is your basis for saying that?
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> Answer : First, sir, the fact that we amended the return for 2010 by increasing the gross income from Php20,708,278.00 to Php95,203,562.00 shows that we were stating a truthful and corrective statement on the return. We did not have any intention to hide information that would lead to a false or fraudulent return.
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> As regards to the classification as a tax exempt transaction, we honestly relied on the fact that the hospital is not a separate entity but is owned and operated by UCCP which is a tax exempt religious organization. Besides, we

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> have been filing returns as an exempt entity years before 2010 and BIR has not called our attention on the matter if there was really an error in the classification.

Finally, no attending circumstances were cited to justify respondent's failure to issue the required assessment within the period prescribed by law. Thus, respondent's invocation of fraud or falsity in petitioner's 2010 IT Return was evidently an afterthought to account for his belated issuance of the FAN and consequent application of the ten-year prescriptive period to assess.

All said, for respondent's failure to demonstrate clearly that petitioner filed a fraudulent or false return warranting the application of the 10-year prescriptive period, the regular period of 3 years to assess, which already prescribed, must apply. Therefore, the FAN and the FLD were void as they were issued beyond the three-year prescriptive period to assess.

WHEREFORE, the Petition for Review filed by the United Church of Christ in the Philippines is hereby **GRANTED**. Accordingly, the Audit Results/Assessment Notice bearing Assessment No. 014-088-IT-2010-109-14 and the Letter of Demand dated October 15, 2014 are hereby **CANCELLED** and **WITHDRAWN**.

SO ORDERED.

ESPERANZA R. FABON-VICTORINO
Associate Justice

I concur:

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

ATTESTATION

I attest 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's Division.

ESPERANZA R. FABON-VICTORINO
Associate Justice
Acting Chairperson

CERTIFICATION

Pursuant to Section 13 of Article VIII of the Constitution, and the Acting Division Chairperson's Attestation, 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's Division.

ROMAN G. DEL ROSARIO
Presiding Justice