REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

THIRD DIVISION

RCBC LEASING & FINANCE CORPORATION, *Petitioner,*	**CTA Case No. 10786**
	Members:
-versus-	**MANAHAN,** *Chairperson,* **REYES-FAJARDO,** *and* **ANGELES,** *JJ.*
COMMISSIONER OF INTERNAL REVENUE, *Respondent.*	Promulgated:
	DEC 09 2025 10:16 a.m.

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DECISION

ANGELES, J.:

Before the Court is a *Petition for Review*[1] filed by RCBC Leasing & Finance Corporation (petitioner) against the Commissioner of Internal Revenue (respondent), praying that the Formal Letter of Demand and Final Assessment Notices (FLD/FAN) dated January 29, 2021,[2] which found petitioner liable for deficiency taxes covering Taxable Year (TY) 2017, be cancelled or nullified.

THE PARTIES

Petitioner, RCBC Finance & Leasing Corporation, is a non-bank financing institution with quasi-banking functions under the regulatory supervision of the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission, with principal office address at 2nd Floor Grepalife Building, 221 Sen. Gil Puyat Avenue, San Antonio, Makati City.[3]

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[1] Docket, pp. 6 to 46.
[2] Exhibit R-12, BIR Records, pp. 667 to 669.
[3] Par. 1, *Petition for Review*, Docket p. 6; par. 1, *Memorandum for Petitioner (Re: Petitioner's "Urgent Motion for Suspension of Collection of Taxes")*, Docket, p. 204.

Respondent is duly appointed to perform the duties of his office, including amongst others, the power to act upon and render final decisions on protests filed against internal revenue tax assessments, and other matters arising under National Internal or other laws administered by the Bureau of Internal Revenue, and holds office at the Bureau of Internal Revenue (BIR) National Office building located at Agham Road, Diliman, Quezon City. He may be served with pleadings, documents, and other processes through Litigation Division, Room 703, BIR Building, BIR Road, Diliman, Quezon City.[4]

ANTECEDENT FACTS

On October 29, 2019, Manuel V. Mapoy (ACIR-LTS Mapoy), the OIC-Assistant Commissioner of the Large Taxpayers Service, issued Letter of Authority (LOA) No. 125-2019-00000520, authorizing Revenue Officers (RO) Marl Leo Vilar, Kenneth Van Louie Lapuz, Ever San Pedro, and Group Supervisor (GS) Ma Daisy Dajao, to examine petitioner's books of accounts and other accounting records for all internal revenue taxes including documentary stamp tax (DST) and other miscellaneous charges, for the period of January 1, 2017 to December 31, 2017 (TY 2017).[5]

On November 13, 2019, petitioner transmitted various documents, schedules, and accounting records to respondent for TY 2017.[6]

On June 23, 2020, Rubi Ruth G. Magtagñob, OIC-Chief of Regular LT Audit Division 2, issued a Notice of Informal Conference (NIC).[7] A certain Ms. Lovely Tayao received the NIC on petitioner's behalf on July 1, 2020.[8]

Subsequently, on September 3, 2020, petitioner, through its vice president and treasury head, Mr. Rey Jose Q. Bumanglag, wrote a letter to ACIR-LTS Mapoy, informing the latter that it authorized DSG Law Offices, represented by Atty. Anthony T. Dy and their associates, to act as its authorized lawful representatives with respect to the LOA for TY 2017.[9]

Petitioner's president and CEO, Alfonso T. Tanseco, executed a Waiver on the Statute of Limitations under the National Internal

[4] Joint Stipulation of Facts, *Joint Stipulation of Facts and Issues*, Docket, p. 448.
[5] Exhibit P-2 for petitioner, Exhibit R-1 for respondent, BIR Records, p. 1.
[6] Exhibit P-3, Docket, p. 484.
[7] Exhibit R-5-2, BIR Records, pp. 562 to 570.
[8] *Id.*
[9] Exhibit R-8, BIR Records, p. 571.

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Revenue Code (NIRC) dated September 30, 2020 (First Waiver),[10] extending respondent's period to assess petitioner until December 31, 2020.

Thereafter, another Waiver on the Statute of Limitations dated November 25, 2020 (Second Waiver) was executed by petitioner's president and CEO, Anna Christina M. Vicente, extending respondent's assessment period until June 30, 2021.[11]

On December 15, 2020, ACIR-LTS Mapoy issued a Preliminary Assessment Notice[12] (PAN) with Details of Discrepancies[13] (DOD) assessing petitioner for alleged deficiency Income Tax (IT), Percentage Tax (PT), Withholding Tax on Compensation (WTC), Expanded Withholding Tax (EWT), Final Withholding Tax (FWT), Documentary Stamp Tax (DST), and Miscellaneous Charges (MC), including interest, in the aggregate amount of Php136,130,665.99. Petitioner, through Atty. Dy, received the PAN on the same date.[14]

On January 29, 2021, Arnel SD. Guballa, Deputy Commissioner of Internal Revenue (DCIR) – Operations Group, issued a Formal Letter of Demand[15] with Final Assessment Notices[16] (FLD/FAN), with attached DOD,[17] adjusting petitioner's alleged deficiency IT, PT, WTC, EWT, FWT, DST, and MC, to the aggregate amount of Php142,229,496.59, including interest. Petitioner, through Atty. Dy, likewise received the FLD/FAN on January 29, 2021.[18]

On March 1, 2021, petitioner filed its request for reinvestigation to the FLD/FAN.[19]

Afterward, on January 25, 2022, respondent issued a Final Decision on Disputed Assessment (FDDA),[20] adjusting petitioner's alleged deficiency IT, PT, WTC, EWT, FWT, DST, and MC, to Php148,430,294.17, including interest.[21] Petitioner received the FDDA on January 25, 2022.[22]

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[10] Exhibit R-9, BIR Records, p. 602.
[11] Exhibit R-10, BIR Records, p. 603.
[12] Exhibit R-7, BIR Records, pp. 599 to 601.
[13] Exhibit R-7-1, BIR Records, pp. 593 to 598.
[14] *Supra* note 12.
[15] Exhibit R-12, BIR Records, pp. 667 to 669.
[16] Exhibit R-12-2, BIR Records, pp. 655 to 661.
[17] Exhibit R-12-1, BIR Records, pp. 662 to 666.
[18] *Supra note* 15.
[19] Exhibit R-15, BIR Records, pp. 678 to 697.
[20] Exhibit P-1 for petitioner, Exhibit R-14 for respondent, BIR Records, pp. 759 to 772.
[21] *Id.*
[22] *Id.*

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PROCEEDINGS BEFORE THIS COURT

On February 24, 2022, petitioner filed its *Petition for Review*.[23]

Subsequently, on May 17, 2022, the Bureau of Internal Revenue (BIR) issued Warrant of Distraint and/or Levy (WDL) No. 125-2022-060, which sought to collect from the petitioner the amount of Php148,175,294.17.[24] The same was received by petitioner, through Ms. Lovely Tayao, on May 19, 2022.[25]

Petitioner then filed an *Urgent Motion for Suspension of Collection of Taxes*[26] which was granted in the Resolution dated January 10, 2023,[27] subject to the posting of a bond. Petitioner thereafter posted the required bond.[28]

On July 28, 2022, respondent filed his *Motion for Extension of Time to File Answer*.[29]

The Court granted the same in a Resolution dated August 4, 2022.[30]

Following this, on August 30, 2022, respondent filed his Answer.[31] Respondent likewise filed his *Compliance*[32] submitting the BIR records of the case.

On April 17, 2023, the Court issued a Notice of Pre-Trial Conference.[33] Respondent filed his *Pre-Trial Brief*[34] on July 17, 2023, while petitioner filed its *Pre-Trial Brief*[35] on July 19, 2023. The Pre-Trial Conference was held on July 26, 2023.

On May 31, 2023, the case was transferred to the Third Division.[36]

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[23] *Petition for Review*, Docket, pp. 6 to 46.
[24] Exhibit P-1-Urgent Motion for Suspension of Collection of Taxes, Docket p. 142; Exhibit R-15, BIR Records, p. 790.
[25] Exhibits R-14 and R-15, BIR Records, pp. 790 to 791.
[26] Docket, pp. 107 to 114.
[27] Docket, pp. 334 to 340.
[28] *Compliance (Re: "Resolution" dated 10 January 2023)*, Docket, pp. 352 to 409.
[29] Docket, pp. 199 to 202.
[30] Docket, pp. 218 to 219.
[31] Docket, pp. 220 to 244.
[32] Docket, pp. 273 to 275.
[33] Docket, pp. 413 to 415.
[34] Docket, pp. 430 to 434.
[35] Docket, pp. 436 to 440.
[36] Docket, p. 428.

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On August 18, 2023, both parties filed their *Joint Stipulations of Facts and Issues*.[37] The same was admitted and approved in the Minute Resolution dated September 14, 2023.[38]

Soon after, on October 11, 2023, the Court issued a Pre-Trial Order.[39] On the same date, petitioner presented Mr. Norberto A. Dawa, its vice president and operations head, who testified by way of *Judicial Affidavit* dated February 24, 2022.[40]

Later, on October 16, 2023, petitioner filed its *Formal Offer of Evidence* (FOE).[41] Respondent filed his *Comment*[42] stating that he interposes no objection to the admission of petitioner's evidence. Petitioner's FOE was then submitted for resolution.

The Court admitted all of petitioner's exhibits in a Resolution dated January 8, 2024.[43]

On January 17, 2024, respondent presented RO Marl Leo Vilar, who testified by way of *Judicial Affidavit* dated August 25, 2022.[44]

Respondent then filed his *Formal Offer of Evidence* on February 1, 2024,[45] to which petitioner filed its Comment and Opposition posing its objections to the admissibility of respondent's evidence.[46] Respondent's FOE was thereafter submitted for resolution.

In a Resolution dated May 31, 2024,[47] the Court admitted all of respondent's exhibits.

On July 22, 2024, petitioner filed its *Memorandum*.[48] Respondent, on the other hand, filed a *Manifestation* indicating that he is adopting the arguments he raised in his answer as his memorandum.[49]

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[37] Docket, pp. 448 to 452.
[38] Docket, p. 453.
[39] Docket, pp. 459 to 464.
[40] Exhibit P-4, Docket, pp. 133 to 140.
[41] Docket, pp. 479 to 483.
[42] Docket, pp. 485 to 488.
[43] Docket, pp. 493 to 494.
[44] Exhibit R-16, Docket, pp. 263 to 272.
[45] Docket, pp. 513 to 521.
[46] Docket, pp. 524 to 531.
[47] Docket, pp. 535 to 536.
[48] Docket, pp. 537 to 577.
[49] Docket, pp. 578 to 580.

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Thereafter, the Court issued a Minute Resolution dated September 16, 2024, submitting the case for decision.[50]

THE ISSUE

As agreed by the parties, the issue to be resolved by the Court is whether petitioner is liable to pay assessed deficiency income tax, percentage tax, withholding tax on compensation, expanded withholding tax, final withholding tax, documentary stamp tax, and miscellaneous charges for taxable year 2017, in the aggregate amount of Php148,430,294.17, as well as the corresponding fines, penalties and compromise penalty thereon.[51]

ARGUMENTS OF THE PARTIES

Petitioner's arguments

Petitioner contends that the FLD/FAN did not comply with the requirements of Section 228 of the National Internal Revenue Code of 1997, as amended (Tax Code), as the said notices allegedly failed to state the law and the facts on which the assessments were based.[52] According to petitioner, the FLD/FAN merely presented computations of the alleged deficiency taxes without explaining the factual and legal bases thereof.[53]

Petitioner likewise claims that the deficiency tax assessments are void for violation of its right to due process.[54] It argues that the individuals who received the NIC, the PAN, and the FLD/FAN were not authorized to accept such documents on its behalf, as petitioner did not issue any board resolution authorizing them to do so.[55] Petitioner further avers that the service of the PAN and the FLD/FAN was defective for failure to comply with the requirements under Section 3.1.4 of Revenue Regulations No. 12-99.[56]

Petitioner additionally maintains that respondent's right to assess for taxable year 2017 had already prescribed.[57] It asserts that the

[50] Docket, p. 583.
[51] *Supra* note 37.
[52] *Memorandum for Petitioner,* Docket, pp. 542 to 563.
[53] *Id.*
[54] *Supra* note 50, p. 563.
[55] *Id.*, pp. 563 to 566.
[56] *Id.*
[57] *Id.*, p. 567.

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Second Waiver, which purportedly extended respondent's period to assess until June 30, 2021, is void for failure to comply with the mandatory requirements prescribed in Revenue Memorandum Order (RMO) No. 29-1990 and Revenue Delegation Authority Order (RDAO) No. 5-2001.[58] Petitioner likewise alleges that respondent's right to assess certain items of the deficiency taxes had already prescribed even prior to the execution of the Second Waiver.[59]

Respondent's arguments

Respondent counterargues that his right to assess petitioner's books and accounting records has not prescribed, asserting that both the First Waiver and the Second Waiver validly extended the period to assess until June 30, 2021.[60] Respondent maintains that the signatories to the waivers were petitioner's President/CEO at the time of execution and were therefore authorized to sign without the need for a board resolution.[61] Respondent further submits that, since the waivers were executed on September 30, 2020 and November 25, 2020, the governing issuance is RMO No. 14-2016.[62]

Respondent likewise posits that the running of the statute of limitations was suspended by Revenue Memorandum Circular (RMC) No. 34-2020.[63] He also cites RMC No. 136-2020, which clarified that the period to assess was suspended for a total of one hundred thirty-seven (137) days from March 16, 2020 to May 31, 2020, and for an additional sixty (60) days thereafter.[64] Thus, according to respondent, prescription had not yet set in at the time petitioner executed the First and Second Waivers.[65]

Respondent further argues that RR No. 18-2013, and not RR No. 12-99, governs the service of the NIC, the PAN, and the FLD/FAN.[66] He additionally asserts that the individual who received the PAN and the FLD/FAN, Atty. Anthony A. Dy, was duly authorized pursuant to petitioner's letter dated September 3, 2020, signed by its vice president and treasury head.[67] Respondent adds that petitioner did not question Atty. Dy's authority when it filed its protest, and only raised the issue upon the filing of the Petition for Review.[68]

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[58] *Supra* note 50, pp. 568 to 570.
[59] *Id.*, pp. 571 to 576.
[60] *Answer*, Docket, pp. 221 to 222.
[61] *Id.*
[62] *Id.*, pp. 227 to 228.
[63] *Id.*
[64] *Id.*
[65] *Id.*, p. 229.
[66] *Id.*, pp. 230 to 231.
[67] *Id.*, pp. 231 to 232.
[68] *Id.*, pp. 232.

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Finally, respondent contends that the deficiency tax assessments sufficiently state the law and the facts on which they were based. He maintains that petitioner cannot fault the BIR for affirming the findings of the investigating revenue officers, considering that petitioner did not submit additional documents in support of its request for reinvestigation.[69]

<u>RULING OF THE COURT</u>

The *Petition for Review* must be denied.

The CTA has jurisdiction over the present appeal.

Section 7(a)(1) of Republic Act (RA) No. 1125, as amended, vests the Court of Tax Appeals exclusive appellate jurisdiction over decisions of the Commissioner of Internal Revenue (CIR), thus:

> 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;

Correlatively, Section 11 of RA No. 1125, as amended, provides that the taxpayer has thirty (30) days from receipt of the CIR's decision to file the appeal to the CTA:

> SEC. 11. *Who May Appeal; Mode of Appeal; Effect of Appeal.* – **Any party adversely affected by a decision, ruling or inaction of the Commissioner of Internal Revenue**, the Commissioner of Customs, the Secretary of Finance, the Secretary of Trade and Industry or the Secretary of Agriculture or the Central Board of Assessment Appeals or the Regional Trial Courts **may file an appeal with the CTA within thirty (30) days after the receipt of such decision or ruling** or after the expiration of the period fixed by law for action as referred to in Section 7(a)(2) herein.

[69] *Supra* note 60, pp. 235 to 236.

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> Appeal shall be made by filing a petition for review under a procedure analogous to that provided for under Rule 42 of the 1997 Rules of Civil Procedure with the CTA within thirty (30) days from the receipt of the decision or ruling or in the case of inaction as herein provided, from the expiration of the period fixed by law to act thereon. A Division of the CTA shall hear the appeal: Provided, however, That with respect to decisions or rulings of the Central Board of Assessment Appeals and the Regional Trial Court in the exercise of its appellate jurisdiction appeal shall be made by filing a petition for review under a procedure analogous to that provided for under Rule 43 of the 1997 Rules of Civil Procedure with the CTA, which shall hear the case *en banc*. (Emphasis supplied)

However, when a taxpayer files a petition for review before the Court of Tax Appeals without validly contesting the assessment with the Commissioner of Internal Revenue, the appeal is premature and the Court of Tax Appeals has no jurisdiction.[70]

Under Section 228 of the Tax Code, a taxpayer has thirty (30) days from receipt of the assessment to file a protest either by way of request for reconsideration or reinvestigation, failure to do so will make the assessment final, executory, and demandable. In case of a request for reinvestigation, the taxpayer must submit the necessary supporting documents, after which the BIR has one hundred eighty (180) days to act, pursuant to Section 3.1.4 of RR No. 12-99, as amended. Upon the lapse of the 180-day period, the taxpayer may either treat the inaction of the CIR as a deemed denial and appeal to the Court within thirty (30) days, or await the issuance of the Final Decision on Disputed Assessment and thereafter file an appeal within thirty (30) days from receipt thereof.

In this case, records show that petitioner received the FLD/FAN on January 29, 2021.[71] Petitioner therefore had thirty (30) days, or until March 1, 2021,[72] within which to file its protest. Since petitioner filed its request for reinvestigation on March 1, 2021, the assessment was timely and validly contested.[73]

Records likewise show that petitioner received the Final Decision on Disputed Assessment on January 25, 2022.[74] Petitioner thus had thirty (30) days, or until February 24, 2022, within which to appeal with the CTA. On February 24, 2022, petitioner filed its Petition for Review. Accordingly, the same was timely filed and the Court has jurisdiction over the case.

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[70] *Commissioner of Internal Revenue v. Court of Tax Appeals*, G.R. No. 239464, May 10, 2021.
[71] Exhibit R-12, BIR Records, pp. 667 to 669.
[72] February 28, 2021 fell on a Sunday. The next working day is March 1, 2021, Monday.
[73] Exhibit R-15, BIR Records, pp. 678 to 697.
[74] *Supra* note 19, p. 759.

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The NIC, the PAN, and the FLD/FAN were duly served to petitioner.

Petitioner argues that no NIC was served and that no board resolution was approved authorizing any person to receive assessment notices on its behalf for TY 2017. In particular, petitioner alleges that Ms. Lovely Tayao is not authorized to receive the NIC.

Petitioner's contention is untenable.

As shown in the Judicial Affidavit of Mr. Norberto Dawa[75] petitioner submitted in support of its *Urgent Motion for Suspension of Collection of Taxes*, petitioner's witness himself admitted that petitioner received the Warrant of Distraint and/or Levy (WDL) on May 19, 2022. The pertinent portion of the Judicial Affidavit states:

> Q9: After the filing of Petitioner RLFC's Petition for Review before the Honorable Court of Tax Appeals, what transpired next, if any?
>
> A9: On May 19, 2022, Petitioner RLFC received a "Warrant of Distraint and/or Levy" (WDL) dated May 17, 2022, bearing Warrant No. 125-2022-060, issued by Director Salina B. Marinduque of the Head Revenue Executive Assistants ("HREA") Large Taxpayers Service – Programs & Compliance.
>
> Q10: Why are you aware or knowledgeable about the said "Warrant of Distraint and/or Levy?"
>
> A10: Being the Vice President/Operation Head of Petitioner RLFC, my functions, duties and responsibilities include overseeing and managing the company's day-to-day business and financial operations, accounting and reporting, including the operations of the loans and accounting department. I am very much aware and am personally knowledgeable regarding the said "Warrant of Distraint and/or Levy" dated May 17, 2022 bearing Warrant No. 125-2022-060 **because the same passed through my office after it was received by Petitioner RLFC on May 18, 2022.** (Emphasis supplied)
>
> Q11: If a copy of the said "Warrant of Distraint and/or Levy" is shown to you, would you be able to identify the same?

[75] Exhibit P-4, Docket, pp. 133 to 140.

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A11: Yes, Madam Counsel.

Q12: Showing you a copy of the "Warrant of Distraint and/or Levy" dated May 17, 2022 bearing Warrant No. 125-2022-060 issued by Director Salina B. Marinduque of the Head Revenue Executive Assistants ("HREA") Large Taxpayers Service – Programs & Compliance, how is this related to the one which you earlier mentioned?

A12: This is the one that I just mentioned, Madam Counsel.

An examination of the dorsal portion of the WDL confirms that it was received by Ms. Lovely Tayao, petitioner's accounting staff.[76]

An admission, verbal or written, made by the party in the course of the proceedings in the same case, does not require proof. The admission may be contradicted only by showing that it was made through palpable mistake or that no such admission was made.[77]

In the present case, petitioner acknowledged receipt of the WDL without questioning Ms. Tayao's authority. Petitioner is therefore deemed to have admitted that Ms. Tayao was authorized to receive notices on its behalf. Accordingly, the service of the NIC upon Ms. Tayao was valid.

Petitioner further argues that Atty. Anthony A. Dy was not authorized to receive the PAN and the FLD/FAN.

Petitioner's argument does not persuade.

The doctrine of apparent authority provides that a corporation will be estopped from denying the agent's authority if it knowingly permits one of its officers or any other agent to act within the scope of an apparent authority, and it holds him out to the public as possessing the power to do those acts.[78] It is defined as:

> The power to affect the legal relations of another person by transactions with third persons arising from the other's manifestations to such third person such that the liability of the principal for the acts and contracts of his agent extends to those which are within the apparent scope of the authority conferred on him, although no actual authority to do such acts or to make such contracts has been conferred.[79]

[76] Exhibit R-15, BIR Records, p. 790.
[77] Section 4, Rule 129, Rules of Court.
[78] *Georg v. Holy Trinity College, Inc.*, G.R. No. 190408, July 20, 2016.
[79] *Citystate Savings Bank v. Tobias*, G.R. No. 227990, March 7, 2018.

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In *Advance Paper Corporation v. Tan*,[80] the Supreme Court reiterated that:

> Apparent authority is derived not merely from practice. Its existence may be ascertained through (1) the general manner in which the corporation holds out an officer or agent as having the power to act or, in other words the apparent authority to act in general, with which it clothes him; or (2) the acquiescence in his acts of a particular nature, with actual or constructive knowledge thereof, within or beyond the scope of his ordinary powers. It requires presentation of evidence of similar act(s) executed either in its favor or in favor of other parties. It is not the quantity of similar acts which establishes apparent authority, but the vesting of a corporate officer with the power to bind the corporation.

The records show that on September 3, 2020, petitioner, through its vice president and treasury head, Mr. Rey Jose Q. Bumanglag, issued an Authorization Letter addressed to ACIR-LTS Mapoy, stating the following:[81]

> Gentlemen:
>
> **This is to authorize DSG Law Offices represented by Atty. Anthony A. Dy and their associates to be our lawful representatives with respect to the Letter of Authority issued against our company for Taxable Year 2017.**
>
> In this regard, **the above-mentioned representatives can file, accept and receive any documents**, including official communications from your good office relating to the above-mentioned tax audit examination, as well as do all acts necessary and expedient, including but not limited to appearing in informal meetings and other conferences with your assigned revenue officers for and in our behalf. (Emphasis supplied)

Moreover, petitioner did not question Atty. Dy's authority to receive the PAN and the FLD/FAN when it filed its protest. It raised the matter only upon filing the Petition for Review. More importantly, petitioner acquiesced to Atty. Dy's filing of the protest to the FLD/FAN. Under the doctrine of apparent authority, petitioner is estopped from challenging Atty. Dy's authority to receive notices on its behalf.

Petitioner finally argues that the PAN and FLD/FAN were not properly served for failure to comply with the requirements under Section 3.1.4 of Revenue Regulations No. 12-99. Petitioner contends that, even assuming the PAN and FLD/FAN were served upon its

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[80] G.R. No. 176897, December 11, 2013.
[81] Exhibit R-8, BIR Records, p. 571.

authorized representative, the revenue officer nonetheless failed to indicate the required information, namely: the name of the recipient, his signature, his designation and authority to act for and in behalf of the taxpayer if received by a person other than the taxpayer himself, and the date of receipt.

Petitioner's argument is misplaced.

The PAN and the FLD/FAN were served from 2020 onwards. Thus, the governing rule on their service is RR No. 18-2013 which amended RR No. 12-99.

Section 3.1.6 of RR No. 12-99, as amended, provides that:

> **3.1.6** ***Modes of Service.*** — The notice (PAN/FLD/FAN/FDDA) to the taxpayer herein required may be served by the Commissioner or his duly authorized representative through the following modes:
>
> (i) The notice shall be served through personal service by delivering personally a copy thereof to the party at his registered or known address or wherever he may be found. A *known address* shall mean a place other than the registered address where business activities of the party are conducted or his place of residence.
>
> In case personal service is not practicable, the notice shall be served by substituted service or by mail.
>
> xxx xxx xxx
>
> Service to the tax agent/practitioner, who is appointed by the taxpayer under circumstances prescribed in the pertinent regulations on accreditation of tax agents, shall be deemed service to the taxpayer.

Notably, RR No. 18-2013 removed the requirement that the acknowledgment receipt state the name, signature, designation, and authority of the representative.

In this case, the PAN[82] and the FLD/FAN[83] were served to Atty. Anthony A. Dy on December 15, 2020 and on January 19, 2021, respectively. The face of the notices bears the name of the recipient, his signature, and the date of receipt. Consistent with RR No. 18-2013, such service is valid and effective.

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[82] Exhibit R-7, BIR Records, pp. 599 to 601.
[83] Exhibits R-12 and R-12-2, BIR Records, pp. 655 to 661; 667 to 669.

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Respondent's right to assess petitioner for TY2017 has not yet prescribed.

Petitioner argues that respondent's right to assess has prescribed. It likewise claims that the Second Waiver is invalid since the signatory was not validly authorized by a board resolution pursuant to RMO No. 20-90 and RDAO No. 05-01.

Petitioner's arguments are untenable.

Section 203 of the Tax Code provides that internal revenue taxes must be assessed within three (3) years after the last day prescribed by law for the filing of the return, or from the day the return was actually filed, whichever is later:

> **SEC. 203.** ***Period of Limitation Upon Assessment and Collection.*** - Except as 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. (Emphasis supplied)

However, Section 223 of the Tax Code enumerates instances when the running of the statute of limitations is suspended:

> **SEC. 223.** ***Suspension of Running of Statute of Limitations.*** - The running of the Statute of Limitations provided in Sections 203 and 222 on the making of assessment and the beginning of distraint or levy a proceeding in court for collection, in respect of any deficiency, shall be suspended for the period during which the Commissioner is prohibited from making the assessment or beginning distraint or levy or a proceeding in court and for sixty (60) days thereafter; when the taxpayer requests for a reinvestigation which is granted by the Commissioner; when the taxpayer cannot be located in the address given by him in the return filed upon which a tax is being assessed or collected: Provided, that, if the taxpayer informs the Commissioner of any change in address, the running of the Statute of Limitations will not be suspended; when the warrant of distraint or levy is duly served upon the taxpayer, his authorized representative, or a member of his household with sufficient discretion, and no property could be located; and when the taxpayer is out of the Philippines.

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Thus, the three (3)-year period to assess begins to run from (1) the last day prescribed for filing the return, or (2) the actual date of filing, whichever is later. The same may be suspended when any of the foregoing circumstances occurs.

In *Commissioner of Internal Revenue v. Transitions Philippines Optical Inc.*,[84] the Supreme Court clarified that the assessment referred to in Sections 222 and 223 of the Tax Code pertains to the FAN, to wit:

> Finally, petitioner's contention that the assessment required to be issued within the three (3) year or extended period provided in Sections 203 and 222 of the National Internal Revenue Code refers to the PAN is untenable.
>
> Considering the functions and effects of a PAN *vis à vis* a FAN, it is clear that **the assessment contemplated in Sections 203 and 222 of the National Internal Revenue Code refers to the service of the FAN upon the taxpayer.**
>
> A PAN merely informs the taxpayer of the initial findings of the Bureau of Internal Revenue. It contains the proposed assessment, and the facts, law, rules, and regulations or jurisprudence on which the proposed assessment is based. It does not contain a demand for payment but usually requires the taxpayer to reply within 15 days from receipt. Otherwise, the Commissioner of Internal Revenue will finalize an assessment and issue a FAN.
>
> The PAN is a part of due process. It gives both the taxpayer and the Commissioner of Internal Revenue the opportunity to settle the case at the earliest possible time without the need for the issuance of a FAN.
>
> On the other hand, a FAN contains not only a computation of tax liabilities but also a demand for payment within a prescribed period. As soon as it is served, an obligation arises on the part of the taxpayer concerned to pay the amount assessed and demanded. It also signals the time when penalties and interests begin to accrue against the taxpayer. Thus, the National Internal Revenue Code imposes a 25% penalty, in addition to the tax due, in case the taxpayer fails to pay the deficiency tax within the time prescribed for its payment in the notice of assessment. Likewise, an interest of 20% per annum, or such higher rate as may be prescribed by rules and regulations, is to be collected from the date prescribed for payment until the amount is fully paid. Failure to file an administrative protest within 30 days from receipt of the FAN will render the assessment final, executory, and demandable. (Emphasis supplied)

Accordingly, what must be served within the three (3)-year period is the FAN. In addition, since the prescriptive period of the BIR's right to assess is computed from the last day prescribed by law

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[84] G.R. No. 227544, November 22, 2017.

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for the filing of the return or the actual date of filing of the return, whichever is later, the taxpayer must prove that the return was actually filed and its date of filing.

In *AFP General Insurance Corporation v. Commissioner of Internal Revenue*,[85] where the taxpayer alleged that the BIR's right to assess it for DST has already prescribed but it failed to present proof of actual filing of their DST returns, the Supreme Court emphasized that prescription is a matter of defense, and the taxpayer bears the burden of proving the date from which prescription is counted:

> Prescription is a matter of defense. The taxpayer has the burden of proving that the prescriptive period has lapsed, including positively identifying when the prescriptive period began to run and exactly when it expired. **Consequently, AGIC cannot avail itself of the defense of prescription inasmuch as they failed to present proof of actual filing of their DST returns.** (Emphasis supplied)

Similarly, in *Commissioner of Internal Revenue v. Marily Development Corporation*,[86] where the taxpayer likewise argued that the BIR's right to assess it for income tax and VAT but failed to attach the corresponding returns, the Supreme Court reiterated that:

> MDC did not offer in evidence its Annual Income Tax Return and VAT returns for 2006. We can only surmise MDC's reasons for not offering in evidence these tax returns. **Thus, MDC cannot avail of the defense of prescription since it failed to present proof of actual filing of these returns**. Since there is no presumption that the taxpayer duly filed its returns, the only conclusion is that no such returns were filed. The BIR had 10 years to make the assessment. (Emphasis supplied)

These pronouncements establish that a taxpayer who invokes prescription must present competent proof of the actual filing of the relevant returns. Without such proof, the Court cannot determine when the prescriptive period commenced.

In the present case, petitioner alleges that the respondent's right to assess for TY2017 has prescribed. However, it bears emphasis that prescription is computed from the last day required by law for filing the return or the actual date of filing, whichever is later. Records show that petitioner failed to attach proof of the actual dates of filing of its returns for TY 2017.

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[85] G.R. No. 222133, November 4, 2020.
[86] G.R. No. 263794, April 2, 2025.

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Absent such proof, the Court cannot determine when the prescriptive period began to run, or whether it expired before the FAN was served. The Court is therefore constrained to rule that respondent's right to assess petitioner for TY 2017 had not yet prescribed at the time the FLD/FAN was served.

The assessments contained in the FLD/FAN and the FDDA have to be adjusted due to respondent's failure to comply with Section 228 of the Tax Code.

The FDDA dated January 25, 2022,[87] which adjusted the findings in the FLD/FAN, shows the following alleged tax deficiencies:

Tax Type	Basic	Interest	Compromise	Total
Income Tax	Php40,202,067.98	Php19,508,466.52		Php59,710,534.50
Percentage Tax	1,012,431.24	515,923.87		1,528,355.11
Withholding Tax on Compensation	347,707.50	179,016.97		526,724.47
Withholding Tax -Expanded	659,227.11	357,927.67		1,017,154.78
Final Withholding Tax	1,457,472.48	750,378.71		2,207,851.19
Documentary Stamp Tax	54,793,918.38	28,390,755.74		83,184,674.72
Miscellaneous Charges			Php255,000.00	255,000.00
Total	**Php98,472,824.69**	**Php49,702,469.48**	**Php255,000.00**	**Php148,430,294.17**

Tax assessments are presumed correct under the law and issued in the regular performance of the tax authorities' duty. As a consequence, it is incumbent upon the taxpayer to dispute such correctness and regularity.[88] In the absence of proof of any irregularities in the performance of duties, an assessment duly made by a Bureau of Internal Revenue examiner and approved by his superior officers will not be disturbed. All presumptions are in favor of the correctness of tax assessments.[89]

Section 228 of the Tax Code explicitly requires that the taxpayer shall be informed in writing of the law and the facts on which the assessment is made; otherwise, the assessment shall be void. In the same manner, Section 3.1.4 of RR No. 12-99, as amended, reiterates

[87] Exhibit P-1 for petitioner, Exhibit R-14 for respondent, BIR Records, pp. 759 to 772.
[88] *McDonald's Philippines Realty Corp. v. Commissioner of Internal Revenue*, G.R. No. 247737, August 8, 2023.
[89] *Sy Po v. Court of Tax Appeals*, G.R. No. 81466, August 18, 1988.

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that the FLD/FAN must state the factual and legal bases of the assessment, failing which the FLD/FAN shall be void.

In addition, Section 3.1.5 of RR No. 12-99, as amended, mandates that the FDDA must likewise state the facts, the applicable law, rules and regulations, or jurisprudence on which the decision is based, otherwise the decision shall be void.

In *Commissioner of Internal Revenue v. Fitness By Design, Inc.*,[90] the Supreme Court emphasized the mandatory nature of the requirement under Section 228 of the Tax Code:

> The word "shall" in Section 228 of the National Internal Revenue Code and Revenue Regulations No. 12-99 means the act of informing the taxpayer of both the legal and factual bases of the assessment is mandatory. The law requires that the bases be reflected in the formal letter of demand and assessment notice. This cannot be presumed. Otherwise, the express mandate of Section 228 and Revenue Regulations No. 12-99 would be nugatory. The requirement enables the taxpayer to make an effective protest or appeal of the assessment or decision.
>
> The rationale behind the requirement that taxpayers should be informed of the facts and the law on which the assessments are based conforms with the constitutional mandate that no person shall be deprived of his or her property without due process of law. Between the power of the State to tax and an individual's right to due process, the scale favors the right of the taxpayer to due process.
>
> The purpose of the written notice requirement is to aid the taxpayer in making a reasonable protest, if necessary. Merely notifying the taxpayer of his or her tax liabilities without details or particulars is not enough.

Similarly, in *Commissioner of Internal Revenue v. United Salvage and Towage (Phils.) Inc.*,[91] where the FAN merely contained a table of the alleged deficiency EWT due, the Supreme Court explained that:

> In the present case, a mere perusal of the FAN for the deficiency EWT for taxable year 1994 will show that other than a tabulation of the alleged deficiency taxes due, no further detail regarding the assessment was provided by petitioner. Only the resulting interest, surcharge and penalty were anchored with legal basis. Petitioner should have at least attached a detailed notice of discrepancy or stated an explanation why the amount of ₱48,461.76 is collectible against respondent and how the same was arrived at.

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[90] G.R. No. 215957, November 9, 2016.
[91] G.R. No. 197515, July 2, 2014.

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Accordingly, tax assessments may be accorded the presumption of correctness only if they are issued in the regular performance of the tax authorities' duties and part of such duty is strict compliance with Section 228 of the Tax Code at the time the assessments are issued. **Once the Court determines that an assessment satisfies the requirements of Section 228 of the Tax Code, the presumption of correctness attaches, and the burden shifts to the taxpayer to prove that the assessment is erroneous.**

Section 6(c), Rule 7 of the Rules of Court requires that a pleading state the documentary and object evidence supporting its allegations:

RULE 7 PARTS AND CONTENTS OF A PLEADING

SEC. 6. *Contents* – Every pleading stating a party's claims or defenses shall, in addition to those mandated by Section 2, Rule 7, state the following:

xxx xxx xxx

(c) Documentary and object evidence in support of the allegations contained in the pleading. (Emphasis supplied)

This requirement is consistent with Section 1, Rule 131 of the Rules of Court which provides that:

RULE 131 BURDEN OF PROOF, BURDEN OF EVIDENCE AND PRESUMPTIONS

SECTION. 1. *Burden of proof and burden of evidence* – **Burden of proof is the duty of a party to present evidence on the facts in issue necessary to establish his or her claim** or defense by the amount of evidence required by law. Burden of proof never shifts. xxx (Emphasis supplied)

In this case, petitioner disputes the assessments but failed to present any documentary evidence to support its claims. It is axiomatic that under the Rules on Evidence a party who alleges a fact has the burden of proving it.[92] A mere allegation is not evidence, and he who alleges has the burden of proving his allegation with the requisite quantum of evidence.[93]

In *Tan Guan v. Court of Tax Appeals*,[94] where the taxpayer was assessed for deficiency income tax due to alleged fictitious expenses

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[92] *Spouses Ramos v. Obispo*, G.R. No. 193804, February 27, 2013.
[93] *Id.*
[94] G.R. No. L-23676, April 27, 1967.

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but he failed to adduce evidence to disprove the BIR's findings, the Supreme Court explained that:

> The Commissioner of Internal Revenue, sustained by the Tax Court, found for a fact that the expenses in the amount of P206,870.00 are fictitious. Tan Guan presented no evidence to disprove such finding. **In appeals to the Court of Tax Appeals, the determination of the Commissioner of Internal Revenue is presumed correct and it behooves the taxpayer to rebut such presumption. Tan Guan failed to overcome his burden.** Hence, the finding that the expenses are fictitious must be sustained. And being fictitious, the expenses cannot be claimed as deduction from gross income. (Emphasis supplied)

Similarly, in *Commissioner of Internal Revenue v. Traders Royal Bank*,[95] where the taxpayer was assessed DST for Trust Indenture Agreements (TIA) but the taxpayer claimed that the TIA were exempt from DST despite not offering the TIA as evidence, the Supreme Court elucidated that:

> Surprisingly, not a single copy of a Trust Indenture Agreement and/or the Certificate of Participation (issued to the client as evidence of the trust) could be found in the records of the case.
>
> xxx xxx xxx
>
> The importance of the actual Trust Indenture Agreements cannot be gainsaid. The only way the Court can determine the actual relationship between TRB and its clients is through a scrutiny of the terms and conditions embodied in the said Agreements.
>
> **The burden fell upon TRB to produce the Trust Indenture Agreements, not only because the said Agreements were in its possession, but more importantly, because its protest against the DST assessments was entirely grounded on the allegation that said Agreements were trusts**. TRB was the petitioner before the CTA in C.T.A. Case No. 6392 and it was among its affirmative allegations that the said Trust Indenture Agreements were trusts, thus, **TRB had the obligation of proving this fact. It is a basic rule of evidence that each party must prove its affirmative allegation**. (Emphasis supplied)

Based on the foregoing, tax assessments are presumed correct and the taxpayer has the burden to prove that the assessments issued against it are erroneous. Thus, the taxpayer has to substantiate its allegations with supporting documents. Failure to do so will result in the Court upholding the validity of the tax assessments.

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[95] G.R. No. 167134, March 18, 2015.

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While petitioner's *Petition for Review*[96] and *Memorandum*[97] contain allegations disputing the assessments stated in the FDDA, the Court finds that petitioner failed to substantiate such allegations. An examination of petitioner's *Formal Offer of Evidence*[98] shows that it only offered four documents: the FDDA dated January 25, 2022, LOA No. 125-2019-00000520 dated October 29, 2019, the Transmittal Letter dated November 13, 2019, and the Judicial Affidavit of Mr. Norberto A. Dawa dated February 24, 2022. These were admitted in the Resolution dated January 8, 2024.[99]

However, before the presumption that the tax assessments are correct attaches, the Court must first determine compliance with Section 228 of the Tax Code. In the present case, the FLD/FAN dated January 29, 2021 contained a tabulation of the alleged deficiency IT, PT, WTC, EWT, FWT, DST and Miscellaneous Charges of petitioner for TY 2017. The FLD/FAN was likewise accompanied by a DOD. The discussion below presents the alleged tax deficiencies together with the Court's determination of their compliance with Sec. 228, and the merit of petitioner's arguments:

A. Income Tax

I. Disallowed Interest Expense

Respondent disallowed the interest expense claimed by petitioner for being in excess of the allowable amount under Section 34(B) of the National Internal Revenue Code. In doing so, respondent compared the interest expense reflected in petitioner's audited financial statements against that interest expense claimed as a deduction in its income tax return.

The Court finds that respondent complied with the due process requirements under Section 228 of the Tax Code. Conversely, petitioner failed to present competent evidence sufficient to overturn the factual and legal basis of the disallowance. Accordingly, the Court upholds respondent's disallowance of petitioner's claimed interest expense.

II. Disallowed Losses - Unsupported

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96 Docket, pp. 6 to 46.
97 *Id.*, pp. 537 to 577.
98 *Id.*, pp. 479 to 483.
99 *Id.*, pp. 493 to 494.

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Respondent disallowed the carried losses claimed by petitioner for being unsupported, pursuant to Section 34(D) of the Tax Code. Petitioner, however, asserts that the amounts in question were not mere losses but constituted bad debts validly written off in the exercise of sound business judgment. Although respondent referred to Section 34(D) on "losses," rather than Section 34(E) on "bad debts," the Court likewise finds that Section 228 of the Tax Code is complied with since petitioner was able to effectively file a protest refuting the assessments in the FLD/FAN.

Petitioner further avers that the write-off was undertaken upon the recommendation of its Executive Committee and Credit Committee, acting on the advice of external consultants who purportedly made follow-up telephone calls and issued demand letters to non-performing accounts.

These assertions, however, remain bare allegations insufficient to persuade the Court. Petitioner failed to present competent evidence showing that it exerted earnest efforts to collect the accounts allegedly written off. Thus, the Court is nonetheless constrained to sustain the disallowance.

III. Disallowed Donations and Charitable Contributions

Respondent disallowed the donations and charitable contributions claimed by petitioner for income tax purposes on the ground that these were unsupported pursuant to Section 34(H) of the Tax Code.

In refuting respondent's findings, petitioner argues that it did not actually claim "donations" as an expense, pointing out that the corresponding line item in its income tax return was left blank. Petitioner further contends that respondent only belatedly furnished the matching schedule, which purportedly shows that the disallowed amount was booked under petitioner's "Miscellaneous" account.

The Court is not persuaded. Petitioner failed to prove compliance with Section 34(H) of the Tax Code. Accordingly, the Court upholds respondent's disallowance of the claimed expense.

IV. Overclaimed Fringe Benefit Tax Expense

Respondent disallowed the alleged overclaimed fringe benefits tax (FBT) expense after finding a discrepancy between the amount

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reported as FBT expense in petitioner's income tax return and the actual FBT withheld and remitted. The Court finds that respondent sufficiently apprised petitioner of the factual and legal bases of the assessment.

Petitioner maintains that it had submitted documents to the BIR purportedly showing that no discrepancy existed and that the FBT paid and remitted corresponded to the amount claimed in its return.

The Court is not convinced. Petitioner failed to offer these alleged supporting documents in evidence before this Court. Thus, the Court upholds respondent's disallowance of the overclaimed FBT expense.

V. Disallowed Costs and Expenses Due to Non-withholding

Respondent likewise disallowed various costs and expenses claimed by petitioner as deductions for income tax purposes on the ground that petitioner allegedly failed to withhold the corresponding taxes, pursuant to Section 34(K) of the Tax Code.

This disallowance, however, must be deleted in view of the Court's ruling on the alleged deficiency withholding taxes on compensation and deficiency expanded withholding taxes. Since the underlying withholding tax assessments have been duly resolved, the corresponding disallowance of expenses under Section 34(K) can no longer be sustained. Accordingly, the related assessments likewise have to be removed from the FDDA.

B. Percentage Tax - Receipts not subjected to Gross Receipts Tax

Respondent assessed petitioner with deficiency percentage tax after finding that a portion of petitioner's sales or receipts had not been subjected to gross receipts tax (GRT). In the FLD, respondent presented a computation of the alleged "receipts not subjected to GRT," incorporating certain adjusting items which it purportedly derived from petitioner's trial balance.

Petitioner counters that, aside from this bare computation, respondent failed to provide any specific details in the FLD regarding the composition of the adjusting items. Petitioner asserts that these were disclosed only at the FDDA stage. Consequently, petitioner argues

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that it could not have intelligently contested the alleged undeclared receipts.

Significantly, petitioner underscores that respondent effectively admitted this omission. The FDDA expressly states: "The assigned revenue officer inadvertently failed to mention that the amounts were from the credit balance and adjustments in the trial balance. Considering that it is indicated in the FAN that the amounts were from your Trial Balances, you will be able to trace the amounts from said trial balance and adjustments that you have submitted to BIR for examination."

In light of the Court's discussion on the mandatory nature of Section 228 of the Tax Code, which requires that the taxpayer be adequately apprised of the factual and legal bases of an assessment in order to meaningfully prepare a protest, the Court finds that respondent failed to meet this requirement. Accordingly, the assessment for deficiency percentage tax must be deleted.

The details stated in the DOD attached to the FLD were insufficient to enable petitioner to intelligently protest the assessment. The Court does not agree with the FDDA's assertion that petitioner "will be able to trace" the amounts from its trial balance submitted to the BIR. In the Court's view, respondent was duty-bound to identify with specificity the items in petitioner's trial balance that it used in formulating the adjustments which led to the recomputed sales or receipts forming the basis of the deficiency percentage tax. Respondent failed to do so.

Accordingly, the corresponding assessment must be deleted from the FLD/FAN, for failure to comply with the due process requirements under Section 228 of the Tax Code. As a necessary consequence, the same likewise have to be removed from the FDDA.

C. Withholding Tax on Compensation

Respondent assessed petitioner for deficiency withholding tax on compensation arising from salaries and benefits allegedly not subjected to the proper withholding tax. Respondent compared petitioner's salaries and benefits per trial balance with those reflected in its Alphalist and found the former to be higher. The resulting discrepancy was then subjected to a composite rate to compute the deficiency withholding tax on compensation.

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Petitioner disputes respondent's findings, asserting that certain items identified in the DOD and treated as part of the discrepancy should have been excluded because they are subject to different withholding tax rates. Petitioner likewise challenges the use of a composite rate in computing the alleged deficiency.

The Court finds petitioner's arguments unavailing. First, respondent complied with the requirements of Section 228 of the Tax Code, having adequately apprised petitioner of the factual and legal bases of the assessment. Second, petitioner once again failed to present evidence to substantiate its claims. Accordingly, the Court upholds respondent's assessment for deficiency withholding tax on compensation.

D. Expanded Withholding Tax

As discussed above, respondent alleged that petitioner failed to withhold the corresponding expanded withholding tax on certain income payments.

The Court rules in favor of petitioner and finds that respondent failed to comply with Section 228 of the Tax Code. Respondent merely used the umbrella terms "Subject to 1% WE" and "Subject to 10% WE" to refer to various income payments purportedly derived from petitioner's trial balances, and then compared these to the income payments reflected in petitioner's Alphalist.

In the Court's view, this approach falls short of the mandatory requirements of Section 228. Respondent was bound to specify the factual bases of the assessment and yet he failed to adequately apprise the taxpayer of the nature and basis of the alleged deficiency. Thus, the assessment must be removed from the FLD/FAN and the FDDA.

E. Final Withholding Tax

Respondent subjected certain interest payments made by petitioner to deficiency final withholding tax (FWT), and these interest payments were duly reflected and explained in detail in the FLD/FAN.

Accordingly, the Court finds that respondent complied with the requirements of Section 228 of the Tax Code. As petitioner failed to offer supporting documents to refute the assessment, the Court upholds respondent's finding of deficiency FWT.

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F. Documentary Stamp Tax

Respondent assessed petitioner for deficiency documentary stamp taxes (DST), consisting of the following items: (1) loans and receivables; (2) bills payable; (3) rental of office space; (4) rental of computer and transportation equipment; and (5) mortgages, pledges, and deeds of trust. However, in the FDDA, respondent withdrew and cancelled its assessment on a portion of the bills payable, and on the rental of computer and transportation equipment.

The Court upholds the deficiency DST assessment on the foregoing items. Respondent was able to comply with the requirements of Section 228 of the Tax Code with respect to the other DST items. More importantly, petitioner was not able to overcome the presumption of correctness of respondent's assessments.

G. Miscellaneous Charges

Respondent imposed miscellaneous charges against petitioner consisting of the failure to pay the correct amount of income tax, percentage tax, withholding tax on compensation, expanded withholding tax, final withholding tax, documentary stamp tax, as well as the absence of an approved computerized accounting system, pursuant to RMO No. 7-2015.

Petitioner argues that the miscellaneous charges imposed by respondent are in the nature of compromise penalties. Petitioner claims that under the provisions of RMO No. 19-2007, compromise penalties are only amounts suggested in settlement of criminal liability, and many not be imposed on the taxpayer without his consent.

The Court agrees with petitioner that RMO No. 7-2015 explicitly provides that compromise penalties may be imposed only for criminal violations of the Tax Code. As the present case does not involve any criminal violation of the Tax Code, respondent has no authority to impose compromise penalties. Consequently, the miscellaneous charges are ordered deleted from the FLD/FAN and the FDDA.

In sum, the assessments for deficiency income tax due to disallowed costs and expenses due to non-withholding, percentage tax, expanded withholding tax, and documentary stamp tax due on the lease of personal property are deleted for failure to comply with Section 228 of the Tax Code. Furthermore, the miscellaneous charges must likewise be removed. Consequently, the corresponding assessments

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must be deleted from the FLD/FAN dated January 29, 2021, for failure to comply with the mandatory requirement to state the factual and legal bases of the assessments under Section 228 of the Tax Code. As a necessary consequence, the same likewise have to be removed from the FDDA dated January 25, 2022.

However, the Court sustains the remaining assessments in the FLD/FAN, which were likewise affirmed in the FDDA dated January 25, 2022, as the said FDDA clearly states the factual bases and applicable laws supporting the Commissioner's conclusions, in conformity with Section 3.1.5 of RR No. 12-99, as amended. In addition, the FDDA squarely addressed petitioner's arguments in its protest and sufficiently explained the adjustments made to the surviving assessments.

Accordingly, considering petitioner's failure to present evidence to support its allegations, the Court is constrained to uphold the assessments for deficiency income tax, withholding tax on compensation, final withholding tax, and documentary stamp tax amounting to **Php135,985,350.12**, inclusive of interest, adjusted as follows:

	BASIC	INTEREST	TOTAL
Income Tax	Php33,708,637.62	Php16,357,462.73	Php50,066,100.34
Withholding Tax on Compensation	347,707.50	179,016.97	526,724.47
Final Withholding Tax	1,457,472.78	750,378.71	2,207,851.19
Documentary Stamp Tax	54,793,918.38	28,390,755.74	83,184,674.12
Total	**Php90,307,735.97**	**Php45,667,614.15**	**Php135,985,350.12**

WHEREFORE, premises considered, the instant *Petition for Review* is **PARTIALLY GRANTED.**

The assessment issued by respondent against petitioner in the FLD/FAN dated January 29, 2021 and the FDDA dated January 25, 2022 are **AFFIRMED with MODIFICATIONS**.

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Accordingly, the deficiency tax assessments for deficiency Income Tax, Withholding Tax on Compensation, Final Withholding Tax, and Documentary Stamp Tax, amounting to **Php135,985,350.12**, inclusive of interest, are hereby **UPHELD**.

SO ORDERED.

HENRY S. ANGELES
Associate Justice

WE CONCUR:

CATHERINE T. MANAHAN
Associate Justice

(With due respect, please see dissent.)
MARIAN IVY F. REYES-FAJARDO
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.

CATHERINE T. MANAHAN
Associate Justice
Third Division Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the 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.

MA. BELEN RINGPIS-LIBAN
Acting Presiding Justice

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

THIRD DIVISION

RCBC LEASING & FINANCE CORPORATION, *Petitioner,*	**CTA Case No. 10786**
	Members:
- versus -	**MANAHAN,** *Chairperson,* **REYES-FAJARDO,** and **ANGELES,** *JJ.*
COMMISSIONER OF INTERNAL REVENUE, *Respondent.*	Promulgated: DEC 09 2025 10:16 a.m.

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DISSENT

REYES-FAJARDO, *J.*:

The majority upheld with modifications, respondent's deficiency internal revenue tax assessments covering Taxable Year (TY) 2017, to the extent of ₱135,985,350.12, inclusive of interest.

I humbly differ.

Section 6(A) of the 1997 National Internal Revenue Code (NIRC), as amended, commands that internal revenue taxes shall be paid upon notice and demand from respondent, or his duly authorized representative. *Commissioner of Internal Revenue v. Pacific Hub Corporation*[1] clarified that the notice and demand referred to in said provision is the Formal Letter of Demand and Final Assessment Notice (FLD/FAN) issued to, and serve upon the taxpayer:

> Jurisprudence instructs that the issuance of a warrant of distraint and/or levy must be premised first and foremost on the existence of delinquent taxes which, in turn, requires a final

1 G.R. No. 252944, November 27, 2024. Boldfacing mine.

> determination of the taxpayer's actual tax liability. **Indeed, this final assessment coupled with a formal demand to pay is what triggers an obligation on the part of the taxpayer concerned to pay the amount assessed and demanded, and also signals the reckoning point when penalties and interests begin to accrue.**

One of the preconditions for the validity and efficacy of the BIR's FLD/FAN against the taxpayer is that it must encapsulate a categorical demand for payment. Jurisprudence elucidated that the demand for payment must be categorical or obligatory, rather than permissive.[2]

Here, in page 3 of the FLD dated January 29, 2021, Deputy Commissioner - Operations Group Arnel SD Guballa (DCIR Guballa) said that "[i]n view thereof, [petitioner is] **requested** to pay [its] aforesaid deficiency tax liabilities through EFPS using BIR Payment Form (BIR Form 0605) within the time show in the enclosed assessment notice. Afterwards, submit copy thereof to Large Taxpayers Regular Audit Division 2 located at Room 216[,] National Office Building, BIR Road, Diliman, Quezon City for updating of [its] records and cancellation of the herein FLD if warranted."[3]

Relevantly, Black defines the verb "request" as "<u>[t]o ask</u> for something or <u>for permission</u> or <u>authority to do</u>, see, gear, etc., something; to solicit; and is synonymous with beg, entreat, and beseech."[4]

Indeed, DCIR Guballa is asking permission or authority from petitioner to pay its 2017 assessed deficiency internal revenue taxes per FLD, thereby negating the presence of a categorical demand for payment enjoined by jurisprudence. For this reason, DCIR Guballa's FLD is void, effectively warranting its cancellation and withdrawal.

ACCORDINGLY, I VOTE to **GRANT** the Petition for Review in CTA Case No. 10786.

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

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[2] See *Commissioner of Internal Revenue v. Telstar Manufacturing Corporation*, G.R. Nos. 249239 and 250286, February 10, 2025.

[3] Page 3, FLD dated January 29, 2021. Exhibit "R-12." BIR Records, p. 667. Words and character in brackets and boldfacing mine.

[4] Black's Law Dictionary Revised Fourth Edition, p. 1468. Underscoring mine.