REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

FIRST DIVISION

INTEGREON MANAGED SOLUTIONS (PHILIPPINES), INC.,
Petitioner,

-*versus*-

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA Case No. 9876

Members:

DEL ROSARIO, *PJ, Chairperson,*
MANAHAN, *and*
REYES-FAJARDO, *JJ.*

Promulgated:

MAY 13 2022 9:48

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RESOLUTION

MANAHAN, *J.:*

On December 7, 2021, the Court promulgated its Decision, to wit:

> **WHEREFORE**, in light of the foregoing considerations, the present *Petition for Review* is **GRANTED**. Accordingly, the subject FAN dated August 9, 2017, and the FDDA dated June 1, 2018, assessing petitioner for deficiency income tax, VAT, WTC and EWT, for taxable year 2014, in the total amount of ₱44,224,123.68, inclusive of increments are **CANCELLED and SET ASIDE**.
>
> Respondent, his representatives, agents, or any person acting on his behalf are hereby **ENJOINED** from taking any further action against petitioner arising from the subject FAN dated August 9, 2017, and the FDDA dated June 1, 2018.
>
> **SO ORDERED.**[1]

The Court found that Revenue Officer (RO) Talib A. Muti III was not authorized under a valid Letter of Authority (LOA) to conduct the audit, but was merely reassigned under a Memorandum of Assignment (MOA) signed by a Revenue District Officer (RDO). Such MOA is not sufficient to clothe RO

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[1] Docket, Vol. II, pp. 1144-1145.

Muti with the authority to continue the examination of petitioner's books of accounts and other accounting records. Thus, the subject tax assessments are void.

On January 5, 2022, respondent Commissioner of Internal Revenue (CIR) posted his *Motion for Reconsideration*,[2] which was received by the Court on February 16, 2022. On March 28, 2022, petitioner filed its *Opposition/Comment (Re: Respondent's Motion for Reconsideration dated January 5, 2022)*.

In his *Motion*, respondent argues that RO Talib A. Muti III possessed proper authority to examine petitioner's book of accounts and other accounting records; that the MOAs were issued pursuant to LOA No. SN:eLA201100082893; that a MOA is equivalent to an LOA; that the issuance of a MOA is more favored than the issuance of another LOA for purposes of administrative feasibility; and that petitioner is liable for deficiency income tax, VAT, WTC, and EWT.

On the other hand, petitioner states that respondent does not advance any persuasive argument. Petitioner also argues that the assessment against it is void for lack of authority of the ROs who conducted the audit investigation, in violation of its right to due process; that the reassignment or transfer of the audit or investigation of a taxpayer's books of accounts and other accounting records requires the issuance of a new LOA; and, that the MOA did not validly clothe the revenue officer with authority to conduct the audit of petitioner's books.

The *Motion* is denied.

Records show that respondent's arguments are mere reiteration of the arguments raised in his Answer, which have been considered and discussed in the assailed Decision.

Following the ruling of the Supreme Court in *Commissioner of Internal Revenue vs. McDonald's Philippines Realty Corp.*,[3] it is clear that RO Talib A. Muti III was not authorized under a new and separate, or amended LOA to

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[2] Docket, Vol. II, pp. 1146-1163.
[3] G.R. No. 242670, May 10, 2021.

continue the audit or investigation of the petitioner's books of accounts for calendar year 2014. The electronic LOA dated July 16, 2015 was originally issued to RO Kristine R. Ami.[4] RO Ami, however, was transferred to another assignment. Pursuant to a MOA, RO Muti continued the audit of petitioner's books of accounts.[5] No new LOA was issued in the name of RO Muti to conduct such audit. Moreover, the electronic LOA dated July 16, 2015 was not amended or modified to include the name of RO Muti. Hence, the authority under which RO Muti continued the audit or investigation was not pursuant to the statutory power of respondent or his duly authorized representative to grant the authority to examine the taxpayer's books of accounts.

Furthermore, when RDO Atty. Shirley A. Calapatia issued the said MOA,[6] she, in effect, usurped the statutory power of respondent or his duly authorized representative, particularly, the Revenue Regional Director who earlier issued the electronic LOA dated July 16, 2015. In issuing the MOA, RDO Atty. Calapatia, in effect, exercised a power which was not vested in her as a Revenue District Officer, specifically, the power to amend or modify the LOA earlier issued by a BIR official who is higher in rank than her.

The authority of RO Muti is not sufficient to continue the examination of petitioner's books of accounts and other accounting records, there being no new or revised LOA issued in his favor. Such being the case, the subject tax assessments issued against petitioner for taxable year 2014 are void, for lack of authority of RO Muti to examine petitioner's books. A void assessment bears no valid fruit.[7]

WHEREFORE, respondent's *Motion for Reconsideration* is **DENIED** for lack of merit.

SO ORDERED.

CATHERINE T. MANAHAN
Associate Justice

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[4] Exhibit "P-4", Docket – Vol. II, p. 624.
[5] Exhibit "P-6", Docket – Vol. II, p. 626.
[6] Exhibit "P-6", Docket – Vol. II, p. 626.
[7] *Commissioner of Internal Revenue vs. Azucena T. Reyes, etseq.*, G.R. Nos. 159694 and 163581, January 27, 2006.

WE CONCUR:

ROMAN G. DEL ROSARIO
Presiding Justice

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

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