REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL THIRD DIVISION

MIDTOWN PRINTING CO., INC., *Petitioner,*	**CTA Case No. 10570**
	Members:
-versus-	**REYES-FAJARDO**, *Acting Chairperson and* **ANGELES**, *JJ.*
COMMISSIONER OF INTERNAL REVENUE, *Respondent.*	Promulgated:
	JAN 16 2026 11:10 a.m.

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DECISION

ANGELES, *J.*:

Before the Court is a *Petition for Review with Motion for the Issuance of Status Quo Ante Order*[1] posted by Midtown Printing Co., Inc. (petitioner) against the Commissioner of Internal Revenue (CIR) (respondent), praying that the Final Decision on Disputed Assessment (FDDA) dated March 29, 2017,[2] and the Final Decision dated April 14, 2021,[3] which found petitioner liable for deficiency income tax (IT) and value-added tax (VAT) covering Taxable Year (TY) 2013, be reversed and set aside.

PARTIES

Petitioner is a domestic corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at MPCI Building, Bonifacio Street, Davao City, Philippines. It is primarily engaged in the business of printing and publishing yearbooks, school publications and textbooks for different schools and universities, and designated student groups.[4] It may be served processes of this Court at its counsel's address at Alikan Law

[1] Docket – Vol. 1, pp. 14 to 61.
[2] Exhibit "P-9"; Exhibit "R-8," BIR Records, p. 591.
[3] Exhibit "P-2," Docket – Vol. 1, pp. 65 to 71; Exhibit "R-10," BIR Records, pp. 693 to 699.
[4] Admitted Facts, *Joint Stipulation of Facts and Issues*, Docket – Vol. 3, p. 1137.

Firm, 2nd Floor Angeles Bldg., 7A Camia St., Juna Subdivision, Matina, Davao City, Philippines.[5]

Respondent is the duly appointed CIR who is tasked to assess and collect all national internal revenue taxes, fees and charges, and enforce all forfeitures, penalties, and fines connected therewith. He holds office at the Bureau of Internal Revenue (BIR) National Office Building, BIR Road, Diliman, Quezon City where he may be served with summonses, legal processes, orders and resolutions of this Court.[6]

ANTECEDENT FACTS

On November 14, 2013, then CIR Kim S. Jacinto-Henares issued a ruling addressed to petitioner, stating that its printing of yearbooks is subject to VAT.[7] The ruling was received by petitioner on May 16, 2014.[8]

On October 20, 2014, respondent, through OIC Revenue Regional Director (RRD) Glen A. Geraldino of Revenue Region No. 19 – Davao City, issued Letter of Authority (LOA) 113-2014-0000000399 with Serial No. eLA201100057941,[9] authorizing Revenue Officer (RO) Opalynne Rose Calacar and Group Supervisor (GS) Melendrina Malate to examine petitioner's books of accounts and other accounting records for all internal revenue taxes for TY 2013. The LOA was accompanied by a Checklist of Requirements.[10]

Petitioner received LOA No. 113-2014-0000000399 and the accompanying Checklist of Requirements on October 22, 2014.[11]

On November 6, 2014, respondent issued the *First Request for Presentation of Books of Accounts and Other Accounting Records*,[12] requesting petitioner to present the accounting records listed in the Checklist of Requirements.

On November 28, 2014, Revenue District Officer (RDO) Danilo C. Mendoza issued the *Second and Final Request for Presentation of Records*,[13] reiterating the request for petitioner to present its books of

[5] *Memorandum (for the Petitioner)*, Docket – Vol. 3, p. 1255 to 1256.
[6] Admitted Facts, *Joint Stipulation of Facts and Issues*, Docket – Vol. 3, p. 1137.
[7] Exhibit "P-11," Docket – Vol. 1, pp. 125 to 127.
[8] *Memorandum*, Docket – Vol. 3, p. 1273.
[9] Exhibit "P- 3"; Exhibit "R-1," BIR Records, p. 37.
[10] Exhibit "R-2," BIR Records, p. 32.
[11] *Supra* note 8.
[12] Exhibit "R-3," BIR Records, p. 38.
[13] Exhibit "R-4," BIR Records, p. 39.

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accounts and other accounting records and advising that a *subpoena duces tecum* would be issued should petitioner continue to fail to present its records. The same was received by petitioner on December 1, 2014.[14]

Thereafter, on February 24, 2016, petitioner received the Preliminary Assessment Notice (PAN) dated February 18, 2016,[15] together with Details of Discrepancies (DOD),[16] finding petitioner liable for alleged deficiency IT and VAT in the aggregate amount of Php10,921,362.66, inclusive of interest and penalty.[17]

On March 4, 2016, petitioner filed its *Reply to PAN*.[18]

Subsequently, on May 20, 2016, petitioner received the Formal Letter of Demand (FLD) dated April 19, 2016,[19] together with DOD[20] and the corresponding Final Assessment Notices (FAN),[21] which upheld the alleged deficiency IT and VAT in the aggregate amount of Php10,921,362.66, inclusive of interest and penalty.[22]

On May 30, 2016, petitioner filed its protest to the FLD/FAN.[23]

On April 11, 2017, petitioner received the FDDA dated March 29, 2017,[24] issued by RRD Nuzar N. Balatero, reiterating petitioner's alleged liability for deficiency IT and VAT in the aggregate amount of Php10,921,362.66, inclusive of interest and penalty.

On May 10, 2017, petitioner filed a Request for Reconsideration of the FDDA dated March 29, 2017.[25]

Then, on May 11, 2021, petitioner received respondent's Decision dated April 14, 2021,[26] denying its Request for Reconsideration and affirming the assessments for alleged deficiency IT and VAT in the aggregate amount of Php10,921,362.66, inclusive of interest and penalty.

[14] *Supra* note 12.
[15] Exhibit "R-6," BIR Records, pp. 547 to 548.
[16] Exhibit "R-6-1," BIR Records, p. 546.
[17] Exhibit "R-6-2," BIR Records, p. 549.
[18] Exhibit "P-26," BIR Records, pp. 556 to 561.
[19] Exhibit "P-6"; Exhibit "R-7," BIR Records, pp. 553 to 554.
[20] Exhibit "P-7"; Exhibit "R-7-1," BIR Records, p. 550.
[21] Exhibits "P-4 to P-5"; Exhibit "R-7-2," BIR Records, pp. 551 to 552.
[22] Exhibit "R-7-3," BIR Records, p. 555.
[23] Exhibit "P-8," BIR Records, pp. 585 to 589.
[24] *Supra* note 2.
[25] Exhibit "P-10"; Exhibit "R-9," BIR Records, pp. 608 to 636.
[26] *Supra* note 3.

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PROCEEDINGS BEFORE THIS COURT

On June 10, 2021, petitioner posted its *Petition for Review with Motion for the Issuance of Status Quo Ante Order*.[27]

On July 23, 2021, summons was issued to respondent.[28]

Subsequently, on October 25, 2021, respondent filed via accredited courier service provider his *Opposition (Motion for the Issuance of a Status Quo Ante Order)*.[29] On October 27, 2021, respondent filed his *Answer*.[30]

On November 17, 2021, the Court denied petitioner's *Motion for the Issuance of Status Quo Ante Order* in open court due to the failure of petitioner's counsel to appear at the scheduled hearing, resulting in the absence of the presentation of evidence.[31]

On November 23, 2021, petitioner posted its *Manifestation with Motion for Leave of Court to Admit Supplemental Judicial Affidavit and Attached Exhibits*.[32]

On January 3, 2022, petitioner filed an *Urgent Motion for Reconsideration on the denial of the Motion for Issuance of Status Quo Ante Order*.[33]

Thereafter, on February 8, 2022, the Philippine Mediation Center Unit–Court of Tax Appeals (PMCU-CTA) filed a Report, stating that the parties signed the Agreement to Mediate and that mediation proceedings were scheduled on February 15, 2022.[34] The Court noted the same in a Minute Resolution dated February 14, 2022.[35]

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[27] *Supra* note 1.
[28] Docket – Vol. 1, p. 275.
[29] Docket – Vol. 1, pp. 312 to 323.
[30] Docket – Vol. 1, pp. 294 to 310.
[31] Order dated November 17, 2021, Docket – Vol. 1, pp. 464 to 465.
[32] Docket – Vol. 1, pp. 570 to 575.
[33] Docket – Vol. 2, pp. 667 to 672.
[34] Docket – Vol. 2, p. 676.
[35] Docket – Vol. 2, p. 683.

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On February 11, 2022, respondent filed his Pre-Trial Brief.[36] The Court noted the same in the Minute Resolution dated February 16, 2022.[37]

On February 15, 2022, respondent filed his *Motion to Defer Submission of Judicial Affidavit/s and Transmittal of BIR Records*.[38] Then, on February 16, 2022, Atty. Lara Nicole T. Gonzales filed her Entry of Appearance for respondent.[39]

In the Resolution dated February 18, 2022,[40] the Court noted petitioner's *Manifestation with Motion for Leave of Court to Admit Supplemental Judicial Affidavit and Attached Exhibits* and *Urgent Motion for Reconsideration on the denial of the Motion for Issuance of Status Quo Ante Order*, and directed respondent to file his comment or opposition thereto. However, respondent failed to file his comment.[41]

In the Resolution dated February 28, 2022,[42] the Court granted respondent's *Motion to Defer Submission of Judicial Affidavit/s and Transmittal of BIR Records* and noted Atty. Gonzales' formal entry of appearance.

On March 14, 2022, the mediator, Retired Justice Amelia R. Cotangco-Manalastas, filed a *Request for Extension*[43] seeking an extension of thirty (30) days for the parties to reach an amicable settlement. The Court granted the request in the Resolution dated April 12, 2022.[44]

On March 16, 2022, respondent filed his *Submission (Special Power of Attorney)*,[45] which the Court noted in the Minute Resolution dated March 25, 2022.[46]

On April 7, 2022, petitioner posted its *Manifestation with Urgent Motion to Suspend Court Proceedings Awaiting the Approval*

[36] Docket – Vol. 2, pp. 677 to 681.
[37] Docket – Vol. 2, p. 689.
[38] Docket – Vol. 2, pp. 684 to 687.
[39] Docket – Vol. 2, pp. 690 to 691.
[40] Docket – Vol. 2, p. 694.
[41] Docket – Vol. 2, p. 699.
[42] Docket – Vol. 2, pp. 696 to 697.
[43] Docket – Vol. 2, p. 698.
[44] Docket – Vol. 2, pp. 719 to 721.
[45] Docket – Vol. 2, pp. 700 to 702.
[46] Docket – Vol. 2, p. 705.

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of the Compromise Agreement.[47] The Court granted the motion and suspended the proceedings in the Resolution dated June 3, 2022.[48]

In the Resolution dated August 18, 2022,[49] the Court set the case for pre-trial conference on October 20, 2022 in view of the parties' failure to submit a duly approved compromise settlement.

On September 14, 2022, the PMCU-CTA filed the *Mediator's Report* stating that mediation was unsuccessful.[50] The Court noted the same in the Resolution dated September 28, 2022.[51]

In the Resolution dated September 15, 2022,[52] the Court (1) granted petitioner's *Manifestation with Motion for Leave of Court to Admit Supplemental Judicial Affidavit and Attached Exhibits*, (2) admitted the Supplemental Judicial Affidavit of Mr. Gabriel B. Atega and the attached exhibits, (3) set a hearing for the presentation of petitioner's exhibits in support of its *Motion for Issuance of Status Quo Ante Order*, and (4) deferred pre-trial conference.[53]

On October 13, 2022, the Court directed petitioner's counsel to submit a written explanation for her failure to disclose the pendency of an earlier case before the Court's Third Division and to show cause why she should not be cited for indirect contempt and why the case should not be dismissed for violation of the rule against forum shopping.[54]

On October 24, 2022, petitioner posted its *Memorandum*,[55] in compliance with the Court's directive on October 13, 2022, together with its *Formal Offer of Exhibits (In Support of the Motion for the Issuance of Status Quo Ante Order)*.[56] The Court noted the same in the Minute Resolution dated November 24, 2022.[57]

On December 2, 2022, respondent filed his *Comment (Re: Formal Offer of Exhibits for the Petitioner in Support of the Motion for the Issuance of Status Quo Ante Order)*.[58]

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[47] Docket – Vol. 2, pp. 709 to 713.
[48] Docket – Vol. 2, pp. 733 to 734.
[49] Docket – Vol. 2, pp. 737 to 738.
[50] Docket – Vol. 2, p. 743.
[51] Docket – Vol. 2, p. 756.
[52] Docket – Vol. 2, pp. 753 to 754.
[53] *Id.*
[54] Order dated October 13, 2022, Docket – Vol. 2, pp. 760 to 760-B.
[55] Docket – Vol. 2, pp. 830 to 840.
[56] Docket – Vol. 2, pp. 781 to 790.
[57] Docket – Vol. 2, p. 844.
[58] Docket – Vol. 2, pp. 845 to 847.

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In the Resolution dated February 7, 2023,[59] the Court granted petitioner's *Urgent Motion for Reconsideration on the denial of Motion for Issuance of Status Quo Ante Order* and issued a *Status Quo Ante Order*, subject to petitioner's filing of a cash bond or surety bond. The Court likewise set the pre-trial conference on April 20, 2023.[60]

On March 1, 2023, petitioner filed via accredited courier service provider its *Urgent Motion for Extension of Time to File the Requisite Bond*,[61] which the Court granted in the Resolution dated March 29, 2023.[62]

On March 16, 2023, petitioner filed via accredited courier service provider its *Urgent Motion to Suspend Court Proceedings Awaiting the Approval of the Renewed Compromise Offer*,[63] which was denied by the Court in the Resolution dated April 25, 2023.[64]

On April 15, 2023, petitioner filed via accredited courier service provider its *Pre-Trial Brief*.[65]

On April 17, 2023, respondent filed his *Amended Pre-Trial Brief*,[66] his *Compliance*,[67] and the *Offer of Testimony of Revenue Attorney Maricel C. Casison-Dungca (with attached Judicial Affidavit of Revenue Attorney Maricel C. Casison-Dungca)*.[68]

On April 18, 2023, respondent filed the *Offer of Testimony of Revenue Officer Opalynne Rose A. Calacar (with attached Judicial Affidavit of Revenue Officer Opalynne Rose A. Calacar)*.[69]

Thereafter, on May 22, 2023, petitioner filed its *Urgent Motion for Extension of Time to File the Joint Stipulation of Facts*,[70] which the Court granted in the Resolution dated May 26, 2023.[71]

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[59] Docket – Vol. 2, pp. 850 to 866.
[60] *Supra* note 58.
[61] Docket – Vol. 2, pp. 898 to 902.
[62] Docket – Vol. 3, p. 1018.
[63] Docket – Vol. 2, pp. 954 to 959.
[64] Docket – Vol. 3, pp. 1107 to 1108.
[65] Docket – Vol. 3, pp. 1076 to 1092.
[66] Docket – Vol. 3, pp. 1039 to 1044.
[67] Docket – Vol. 3, pp. 1057 to 1059.
[68] Docket – Vol. 3, pp. 1046 to 1050.
[69] Docket – Vol. 3, pp. 1061 to 1064.
[70] Docket – Vol. 3, pp. 1130 to 1134.
[71] Docket – Vol. 3, p. 1124.

On May 29, 2023, the case was transferred to the Court's Third Division.[72]

On June 8, 2023, both parties filed their *Joint Stipulation of Facts and Issues*,[73] which the Court admitted and approved in the Minute Resolution dated June 22, 2023.[74] The Court thereafter issued the *Pre-Trial Order*[75] on July 18, 2023.

Petitioner presented the testimony of Gabriel B. Atega, its President.[76]

On August 8, 2023, petitioner filed its *Formal Offer of Exhibits* (FOE),[77] to which respondent filed his *Comment*.[78] Petitioner's FOE was then submitted for resolution.

In the Resolution dated October 19, 2023,[79] the Court admitted petitioner's exhibits, except Exhibits "P-3," "P-4 to P-6," "P-7," "P-8," "P-9," "P-10," "P-11-A," "P-12-A," "P-13-A," and "P-26."

On November 21, 2023, petitioner filed via accredited courier service provider its *Partial Motion for Reconsideration (On the Resolution dated October 19, 2023)*.[80] However, respondent failed to file his comment thereto.[81]

The Court granted petitioner's *Partial Motion for Reconsideration (On the Resolution dated October 19, 2023)*, and admitted Exhibits "P-3," "P-4 to P-6," "P-7," "P-8," "P-9," and "P-10" in the Resolution dated April 25, 2024.[82]

On July 10, 2024, respondent presented RO Atty. Opalynne Rose A. Calacar and RO Atty. Maricel C. Casison-Dungca.[83]

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[72] Docket – Vol. 3, p. 1126.
[73] Docket – Vol. 3, pp. 1137 to 1148.
[74] Docket – Vol. 3, p. 1149.
[75] Docket – Vol. 3, pp. 1151 to 1158.
[76] Exhibits "P-21," and "P-22," Docket – Vol. 1, pp. 164 to 181 and 576 to 582, respectively; Minutes of the hearing held on, and Order dated, July 19, 2023, Docket – Vol. 3, pp. 1159 and 1160 to 1161, respectively.
[77] Docket – Vol. 3, pp. 1168 to 1183.
[78] Docket – Vol. 3, pp. 1192 to 1194.
[79] Docket – Vol. 3, pp. 1200 to 1201.
[80] Docket – Vol. 3, pp. 1203 to 1208.
[81] Docket – Vol. 3, p. 1216.
[82] Docket – Vol. 3, pp. 1219 to 1221.
[83] Exhibits "R-12," and "R-13," Docket – Vol. 3, pp. 1066 to 1073 and 1051 to 1056, respectively; Minutes of the hearing held on, and Order dated, July 10, 2024, Docket – Vol. 3, pp. 1222 and 1223 to 1223-A, respectively.

On July 19, 2024, respondent filed his *Formal Offer of Evidence*.[84] Petitioner filed its *Comment/Opposition*[85] raising its objections to the admissibility of respondent's evidence.

The Court admitted all of respondent's exhibits in the Resolution dated November 14, 2024.[86]

On January 2, 2025, petitioner filed via accredited courier service provider its *Memorandum*.[87] Respondent filed his *Memorandum*[88] on January 10, 2025.

Subsequently, on January 17, 2025, the Court issued a Minute Resolution submitting the case for decision.[89]

THE ISSUES

Petitioner raises the following issues for the Court's resolution:

I. Whether BIR Ruling No. 421-2013, dated November 14, 2013, and only received by petitioner on May 16, 2014, should apply to transactions of petitioner for the taxable year 2013;[90]

II. Whether the application of BIR Ruling No. 421-2013 to petitioner alone constitutes a violation of its right to equal protection;[91] and

III. Whether the denial of the VAT exemption to petitioner would be tantamount to the denial of the said exemption to the students and would run counter to the declared policy of the State to promote education.[92]

On the other hand, respondent submits the following issue for the Court's resolution:

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[84] Docket – Vol. 3, pp. 1224 to 1230.
[85] Docket – Vol. 3, pp. 1235 to 1240.
[86] Docket – Vol. 3, pp. 1248 to 1249.
[87] Docket – Vol. 3, pp. 1252 to 1286.
[88] Docket – Vol. 3, pp. 1360 to 1369.
[89] Docket – Vol. 3, p. 1373.
[90] Pre-Trial Order, Docket – Vol. 3, p. 1153.
[91] Docket – Vol. 3, p. 1273.
[92] *Id.*

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I. Whether petitioner is liable for deficiency IT and VAT in the amount of Php10,921,362.66, plus additional interest.[93]

ARGUMENTS OF THE PARTIES

Petitioner's arguments

Petitioner maintains that the printing of yearbooks is a VAT-exempt transaction. It argues that a plain reading of Section 109(y) of the Tax Code in relation to Revenue Regulation (RR) No. 12-2005, as amended, shows that the legislature intended to accord the term "books" its plain, ordinary, and common meaning. Petitioner asserts that since the Tax Code does not qualify or limit what constitutes as "books," yearbooks necessarily fall within the general term "books" and should therefore be covered by the VAT exemption.[94]

Petitioner further argues that BIR Ruling No. 421-2013, although dated November 14, 2013, was received by petitioner only on May 16, 2014, and thus should not be applied retroactively to its transactions for TY2013. Petitioner avers that prior to the issuance of BIR Ruling No. 421-2013, it relied in good faith on BIR Ruling No. 548-88 and VAT Ruling No. 044-02, both of which held that the printing and publication of yearbooks is exempt from VAT. Petitioner likewise claims that because it received BIR Ruling No. 421-2013 only after the close of TY2013, it was deprived of the opportunity to shift the burden of VAT to its customers.[95]

Petitioner also contends that the application of BIR Ruling No. 421-2013 solely to it violates its right to equal protection of the laws. It argues that while the ruling was applied against petitioner, other printers and publishers of yearbooks allegedly continue to enjoy the VAT exemption granted by law. Thus, petitioner asserts that singling it out for the application of the ruling constitutes a violation of its right to equal protection.[96]

Petitioner avers that the denial of VAT exemption to it effectively results in the denial of the exemption to students and runs counter to the State's declared policy to promote education. Petitioner posits that under Section 109(y) of the Tax Code, taxpayers engaged in the sale,

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[93] Pre-Trial Order, Docket – Vol. 3, p. 1153.
[94] *Petition for Review with Motion for the Issuance of Status Quo Ante Order*, Docket – Vol. 1, pp. 34 to 35.
[95] *Memorandum (for the Petitioner)*, Docket – Vol. 3, pp. 1273 to 1277.
[96] *Id.*, pp. 1281 to 1282.

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importation, printing, and publication of books are exempt from VAT, and that such exemption extends to subscribers and purchasers. According to petitioner, since it prints yearbooks for students and educational institutions, the denial of VAT exemption to petitioner necessarily burdens students. Petitioner further argues that because VAT is an indirect tax, shifting the tax burden to students runs counter to the policy of the State to promote education.[97]

Respondent's arguments

Respondent avers that taxation is the rule and exemption is the exception. Hence, he alleges that the burden of proof rests upon the taxpayer to clearly establish entitlement to a tax exemption. Respondent contends that petitioner failed to discharge this burden, as there is no law that expressly grants tax exemption to the printing of yearbooks.[98]

Respondent further asserts that petitioner is liable for deficiency IT and VAT. He maintains that although Section 109(y) of the Tax Code provides for VAT exemption of the sale, importation, printing and publication of books, the yearbooks printed by petitioner do not qualify for such exemption. According to respondent, since petitioner's yearbooks are produced solely for its clients, do not appear at regular intervals, and do not have fixed subscription or selling prices; thus, yearbooks allegedly do not fall within the concept of "books" contemplated by the VAT exemption.[99]

Respondent also disputes petitioner's claim that BIR Ruling No. 421-2013 imposes taxes on petitioner's transactions. He avers that the petitioner's printing of yearbooks is taxable with or without BIR Ruling No. 421-2013. Consequently, respondent maintains that petitioner is liable for deficiency IT and VAT.[100]

RULING OF THE COURT

The *Petition for Review* is granted.

The CTA has jurisdiction over the present appeal.

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[97] *Memorandum (for the Petitioner)*, Docket – Vol. 3, pp. 1282 to 1284.
[98] *Memorandum*, Docket – Vol. 3, pp. 1362 to 1365.
[99] *Memorandum*, Docket – Vol. 3, pp. 1365 to 1366.
[100] *Id.*, pp. 1366.

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Section 7(a)(1) of Republic Act (RA) No. 1125, as amended, confers upon the Court of Tax Appeals (CTA) exclusive appellate jurisdiction over decisions of the 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; (Emphasis supplied)

In addition, Section 11 of RA No. 1125, as amended, provides that a taxpayer adversely affected by a decision, ruling, or inaction of the CIR may file an appeal with the CTA within thirty (30) days from receipt of such decision or ruling, or after the expiration of the period prescribed by law for the CIR to act:

> 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**.
>
> 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 CTA without validly contesting the assessment with the CIR, the appeal is premature and the Court of Tax Appeals has no jurisdiction.[101]

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[101] *Commissioner of Internal Revenue v. Court of Tax Appeals*, G.R. No. 239464, May 10, 2021.

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Section 228 of the Tax Code prescribes the procedure for protesting an assessment. The taxpayer is given the opportunity to file its protest to the assessment issued by filing either a request for reconsideration or reinvestigation within thirty (30) days from receipt thereof:

> 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:
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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.
>
> **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 one hundred eighty (180)-day period; otherwise, the decision shall become final, executory and demandable.** (Emphasis supplied)

Similarly, Section 3.1.4 of RR No. 12-99, as amended, expressly provides that when a taxpayer's protest is denied by the CIR's duly authorized representative, the taxpayer is given the option to either appeal to the CTA or to elevate the matter to the CIR by way of a request for reconsideration within thirty (30) days from receipt of the decision, thus:

> Section 3. Due Process Requirement in the Issuance of a Deficiency Tax Assessment. —

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> 3.1.4 **Disputed Assessment**. — The taxpayer or its authorized representative or tax agent may protest administratively against the aforesaid FLD/FAN within thirty (30) days from date of receipt thereof. The taxpayer protesting an assessment may file a written request for reconsideration or reinvestigation defined as follows:
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> xxx xxx xxx
>
> **If the protest is denied, in whole or in part, by the Commissioner's duly authorized representative, the taxpayer may either**: (i) **appeal to the Court of Tax Appeals (CTA) within thirty (30) days from date of receipt of the said decision**; or (ii) **elevate his protest through request for reconsideration to the Commissioner within thirty (30) days from date of receipt of the said decision.** No request for reinvestigation shall be allowed in administrative appeal and only issues raised in the decision of the Commissioner's duly authorized representative shall be entertained by the Commissioner. (Emphasis supplied)

In the present case, petitioner received the FLD with the DOD, and FAN on May 20, 2016.[102] Pursuant to Section 228 of the Tax Code, petitioner had thirty (30) days, or until June 20, 2016, within which to file its protest. Records show that petitioner filed its protest on May 30, 2016.[103] Thus, the protest was timely filed.

On April 11, 2017, petitioner received the FDDA dated March 29, 2017.[104] Accordingly, petitioner had thirty (30) days from receipt thereof, or until May 11, 2017, within which to either appeal to the CTA or to file a request for reconsideration with respondent. Petitioner opted to file its Request for Reconsideration with respondent on May 10, 2017.[105] Hence, the request for reconsideration was timely filed.

Thereafter, on May 11, 2021, petitioner received respondent's Decision dated April 14, 2021,[106] denying its Request for Reconsideration. Accordingly, pursuant to Section 11 of RA No. 1125, as amended, petitioner had thirty (30) days from receipt thereof, or until June 10, 2021, within which to appeal to the CTA. On June 10, 2021, petitioner posted its *Petition for Review with Motion for the Issuance of Status Quo Ante Order*.[107] Consequently, the Petition was filed on time.

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[102] Exhibit "R-7-3," BIR Records, p. 555.
[103] Exhibit "P-8," BIR Records, pp. 585 to 589.
[104] *Supra* note 2.
[105] Exhibit "P-10,"; Exhibit "R-9," BIR Records, pp. 608 to 636.
[106] *Supra* note 3.
[107] *Supra* note 1.

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The printing of yearbooks is a VAT-exempt transaction.

Petitioner argues that yearbooks should be embraced in the general term of "books," since Section 109(y) of the Tax Code does not qualify what constitutes as a book. Thus, petitioner contends that the printing of yearbooks is a VAT-exempt transaction.[108]

Petitioner's argument is meritorious.

Section 109(y) of the Tax Code provides:

> Section 109. Exempt Transactions. - The following shall be exempt from the value-added tax:
>
> xxx xxx xxx
>
> (y) **Sale, importation, printing or publication of books** and any newspaper, magazine review or bulletin which appears at regular intervals with fixed prices for subscription and sale and which is not devoted principally to the publication of paid advertisements; xxx (Emphasis supplied)

Similarly, Section 4.109-1(B)(r) of RR No. 12-2005 states:

> SEC. 4.109-1. VAT-Exempt Transactions. –
>
> xxx xxx xxx
>
> **(B) Exempt transactions. –**
>
> (r) **Sale, importation, printing or publication of books** and any newspaper, magazine review or bulletin which appears at regular intervals with fixed prices for subscription and sale and which is not devoted principally to the publication of paid advertisements; xxx (Emphasis supplied)

It is clear from the foregoing provisions that neither the Tax Code nor RR No. 12-2005 defines what constitutes as a "book." Neither do they qualify the term. What is unequivocal is that the sale, importation, printing, or publication of books is exempt from VAT.

When the law is clear, there is nothing for the courts to do but to apply it.[109] The duty of the Court is to apply the law the way it is

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[108] *Petition for Review with Motion for the Issuance of Status Quo Ante Order*, Docket – Vol. 1, pp. 34 to 35.
[109] *Tawang Multi-purpose Cooperative v. La Trinidad Water District*, G.R. No. 166471, March 22, 2011.

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worded.[110] Basic is the rule of statutory construction that when the law is clear and unambiguous, the court is left with no alternative but to apply the same according to its clear language.[111]

A statute is deemed ambiguous if it is admissible of two or more possible meanings, in which case, the Court is called upon to exercise one of its judicial functions, which is to interpret the law according to its true intent.[112] Otherwise, from the words of a statute there should be no departure.[113]

In *Federation of Jeepney Operators and Drivers Association of the Philippines v. Government of Manila City*,[114] the Supreme Court emphasized that:

> **The elementary rule in statutory construction is that when the words and phrases of the statute are clear and unequivocal, their meaning must be determined from the language employed and the statute must be taken to mean exactly what it says.** *Verba legis non est recedendum*, or, from the words of a statute there should be no departure. The rule is derived from the maxim *index animo sermo est* — meaning, speech is the index of intention — which rests on the valid presumption that the words employed by the legislature in a statute correctly express its intent by the use of such words as are found in the statute. (Emphasis supplied)

Since Section 109(y) of the Tax Code neither defines nor qualifies what constitutes as a book, it is evident that the legislature intended the term "book" to be understood and construed in its ordinary and common meaning. When words are not defined in a statute, they are to be given their common and ordinary meaning in the absence of a contrary legislative intent.[115]

A book is defined as a literary composition which is printed; a printed composition bound in a volume.[116] Based on this ordinary meaning, the Court holds that yearbooks fall within the term "books." A yearbook is a literary composition as it embodies written expressions, ideas, narratives, photographs, and sentiments that reflect the experiences and collective identity of graduating students. It is likewise a printed material, compiled and bound into a single

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[110] *Supra* note 107.
[111] *H. Villarica Pawnshop, Inc. v. Social Security Commission*, G.R. No. 228087, January 24, 2018.
[112] *Coca-Cola Bottlers Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 222428, February 19, 2018.
[113] *Camp John Hay Development Corp. v. Central Board of Assessment Appeals*, G.R. No. 169234, October 02, 2013.
[114] G.R. No. 209479, July 11, 2023.
[115] *Silverio v. Republic*, G.R. No. 174689, October 19, 2007.
[116] Black's Law Dictionary citing *Scoville v. Toland*, 21 Fed. Cas. 864.

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volume. The fact that a yearbook is produced for a specific school or graduating class does not strip it of its character as a book, as the law makes no distinction based on intended audience, frequency of publication, or method of distribution.

In the absence of any statutory qualification or limitation, the Court cannot impose restrictions that the legislature itself did not impose. To do so would amount to judicial legislation, which is beyond the authority of the Court. Consequently, applying the law as written and giving the term "book" its ordinary meaning, the Court holds that yearbooks are books within the contemplation of Section 109(y) of the Tax Code.

Respondent argues that petitioner's transactions are not VAT-exempt since petitioner's yearbooks are sold only to its clients, do not appear at regular intervals, and do not have fixed prices for subscription and sale.[117]

Respondent's contention is untenable.

A careful reading of both Section 109(y) of the Tax Code and Section 4.109-1(B)(r) of RR No. 12-2005 shows that the phrase "which appears at regular intervals with fixed prices for subscription and sale and which is not devoted principally to the publication of paid advertisements" qualifies only the phrase "any newspaper, magazine, review or bulletin," and does not refer to books.

This interpretation is reinforced by BIR Revenue Memorandum Circular (RMC) No. 75-2012, which clarified the VAT exemption under Section 109(y) of the Tax Code, thus:

> xxx xxx xxx
>
> In relation thereto, the following clarifications are made to be exempted from VAT:
>
> > 1. A newspaper, magazine, review or bulletin must be: (1) printed or published at regular intervals; (2) available for subscription and sale at fixed prices; and (3) are not principally devoted to the publication of paid advertisements.
> >
> > 2. The terms "book", "newspaper", "magazine," "review" and "bulletin" as used in the provision refer to printed materials in hard copies. They do not include those in digital or electronic format or computerized versions, including but not limited to:

[117] *Memorandum*, Docket – Vol. 3, pp. 1365 to 1366.

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> e-books, e-journals, electronic copies, online library sources, CDs and software.

Therefore, it is clear that for the printing of books to be VAT-exempt, it does not need to be published at regular intervals and available for subscription and sale at fixed prices nor does it not need to be principally devoted to the publication of paid advertisements. Accordingly, contrary to respondent's contention, petitioner's printing of yearbooks is VAT-exempt despite it not appearing at regular intervals and not having fixed prices for subscription and sale.

Tax exemptions should be granted only by clear and unequivocal provision of law on the basis of language too plain to be misunderstood.[118] In the present case, Section 109(y) of the Tax Code clearly and unmistakably exempts the printing or publication of books from VAT without any qualifications. Moreover, the parties have already admitted that petitioner is primarily engaged in the business of printing and publishing yearbooks, school publications and textbooks for different schools and universities, and designated student groups.[119]

Accordingly, petitioner's yearbook printing transactions for TY 2013 is VAT-exempt.

Petitioner is not liable for deficiency IT and VAT for TY 2013.

Notably, the FLD/FAN was issued on the basis of BIR Ruling No. 421-2013. In particular the findings contained in the DOD state:[120]

> xxx xxx xxx
>
> Results of investigation on all of your internal revenue liabilities for taxable year 2013 per electronic Letter of Authority No. eLA201100057941 dated October 20, 2014 disclosed the following findings that resulted to a total assessment of P10,921,326.66 including increments, to wit:
>
> Value Added Tax: P9,434,253.26
>
> - **To assess value added tax deficiencies on sale of yearbooks classified as VAT-exempt per returns filed, pursuant to BIR ruling no. 421-2013 dated**

[118] *Bureau of Internal Revenue v. Manila Home Textile, Inc.*, G.R. No. 203057, June 6, 2016.
[119] Admitted Facts, *Joint Stipulation of Facts and Issues*, Docket – Vol. 3, p. 1137.
[120] Exhibit "P-7,"; Exhibit "R-7-1," BIR Records, p. 550.

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> **November 14, 2013**, in the amount of P9,434,253.26 inclusive of increments.
>
> Income Tax – P1,487,109.40
>
> - To assess Income tax deficiencies in the amount of P1,487,109.40 inclusive of increments, **due to disallowance of the input tax component of expenses related to VAT-exempt transactions reclassified as VAT** in the amount of P3,371,243.04, and recognition of the input tax component of withholding taxes on government transactions in the amount of P185,918.39. (Emphasis supplied)

However, as already discussed above, the printing of yearbooks is a VAT-exempt transaction. Consequently, petitioner is not liable for the alleged deficiency VAT assessment. It necessarily follows that the deficiency IT assessment arising from the disallowance of input taxes related to the reclassification of petitioner's VAT-exempt transactions must likewise be cancelled.

In any case, BIR Ruling No. 421-2013 cannot be applied retroactively.

BIR Ruling No. 421-2013 dated November 14, 2013, and only received by petitioner on May 16, 2014, cannot be applied retroactively to petitioner's transactions in TY2013.

Section 246 of the Tax Code states that:

> Section 246. Non-Retroactivity of Rulings. - **Any revocation, modification or reversal of any of the rules and regulations promulgated in accordance with the preceding Sections or any of the rulings or circulars promulgated by the Commissioner shall not be given retroactive application if the revocation, modification or reversal will be prejudicial to the taxpayers**, except in the following cases:
>
> (a) Where the taxpayer deliberately misstates or omits material facts from his return or any document required of him by the Bureau of Internal Revenue;
>
> (b) Where the facts subsequently gathered hy the Bureau of Internal Revenue are materially different from the facts on which the ruling is based; or
>
> (c) Where the taxpayer acted in bad faith. (Emphasis supplied)

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In *Commissioner of Internal Revenue v. Benguet Corporation*,[121] the Supreme Court explained that:

> There is no question, therefore, as to the prohibition against the retroactive application of the revocation, modification or reversal, as the case may be, of previously established Bureau of Internal Revenue (BIR) Rulings when the taxpayer's interest would be prejudiced thereby. But even if prejudicial to a taxpayer, retroactive application is still allowed where: (a) a taxpayer deliberately misstates or omits material facts from his return or any document required by the BIR; (b) where subsequent facts gathered by the BIR are materially different from which the ruling is based; and (c) where the taxpayer acted in bad faith.

In *Commissioner of Internal Revenue v. Court of Appeals and Alhambra Industries Inc.*,[122] the CIR initially issued BIR Ruling No. 473-88, in favor of Insular-Yebana Tobacco Corporation (Insular-Yebana), excluding VAT from the determination of the gross selling price for purposes of computing *ad valorem* tax. There, Alhambra relied on the said ruling in the computation of its *ad valorem* tax. Subsequently, the CIR issued BIR Ruling No. 017-91 dated February 11, 1991, also in favor of Insular-Yebana which reversed the earlier ruling and included VAT in the computation of the tax base for *ad valorem* tax. Thereafter, Alhambra was assessed for deficiency *ad valorem* tax covering periods prior to the issuance of the new ruling. The Supreme Court clarified that:

> However, well-entrenched is the rule that **rulings and circulars, rules and regulations promulgated by the Commissioner of Internal Revenue would have no retroactive application if to so apply them would be prejudicial to the taxpayers.**
>
> xxx xxx xxx
>
> Without doubt, private respondent would be prejudiced by the retroactive application of the revocation as it would be assessed deficiency excise tax.
>
> Bad faith imports a dishonest purpose or some moral obliquity and conscious doing of wrong. It partakes of the nature of fraud; a breach of a known duty through some motive of interest or ill will. We find no convincing evidence that private respondent's implementation of the computation mandated by BIR Ruling 473-88 was ill-motivated or attended with a dishonest purpose. **To the contrary, as a sign of good faith, private respondent immediately reverted to the computation mandated by BIR Ruling 017-91 upon knowledge of its issuance on 11 February 1991.** (Emphasis supplied)

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[121] G.R. No. 145559, July 14, 2006.
[122] G.R. No. 117982, February 6, 1997.

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Based on the foregoing, the general rule is that BIR rulings cannot be given retroactive application if the retroactive application will cause prejudice to the taxpayers. However, the exceptions are the following: (1) where the taxpayer deliberately misstates or omits material facts from his return or any document required of him by the BIR; (2) where the facts subsequently gathered by the BIR are materially different from the facts on which the ruling is based; and (3) where the taxpayer acted in bad faith.

In this case, it is undisputed that petitioner received and was informed of BIR Ruling No. 421-2013 only on May 16, 2014. Clearly, the retroactive application of the said ruling to petitioner's yearbook printing transactions for TY 2013 would be prejudicial, as it would result in the imposition of deficiency VAT and IT liabilities for transactions already consummated prior to petitioner's receipt and knowledge of the ruling.

More importantly, a perusal of the records shows that respondent neither alleged nor proved that petitioner deliberately misstated or omitted material facts in its returns or in any document required to be submitted to the BIR; that the facts subsequently gathered by the BIR were materially different from those on which the ruling was based; or that petitioner acted in bad faith. In the absence of any of these statutory exceptions under Section 246 of the Tax Code, the general rule applies and BIR Ruling No. 421-2013 cannot be given retroactive application to petitioner's transactions for TY 2013.

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

Accordingly, the FLD/FAN dated April 19, 2016, assessing petitioner of deficiency income tax and VAT for taxable year 2013, is **CANCELLED** and **SET ASIDE**. Furthermore, the FDDA dated March 29, 2017, assessing petitioner for deficiency income tax and VAT in the total amount of Php10,921,362.66, inclusive of interest, for taxable year 2013, is **REVERSED** and **SET ASIDE**

SO ORDERED.

HENRY S. ANGELES
Associate Justice

I CONCUR:

Marian Ivy F. Reyes-Fajardo
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.

Marian Ivy F. Reyes-Fajardo
MARIAN IVY F. REYES-FAJARDO
Associate Justice
Special Third Division Acting 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
Presiding Justice