REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

THIRD DIVISION

FIRST TELECOM PHILIPPINES, INC.,	**CTA Case No. 10486**
Petitioner,	Members:
	MANAHAN, *Chairperson,*
	REYES-FAJARDO, *and*
-versus-	**ANGELES**, *JJ.*
COMMISSIONER OF INTERNAL REVENUE,	Promulgated:
Respondent.	JAN 2 1 2025
	1:34 p.m.

x - x

RESOLUTION

MANAHAN, *J.*:

For resolution of the Court is respondent's *Motion for Reconsideration (of the Decision dated August 14, 2024)* filed on September 12, 2024, with petitioner's Comment (on Respondent's *Motion for Reconsideration dated September 12, 2024)* filed on October 7, 2024.

For easy reference, the dispositive portion of the assailed Decision[1] reads, as follows:

> "**ACCORDINGLY**, the instant Petition for Review (With urgent Motion to Suspend Collection of tax and Dispense with Payment of Bond) is **GRANTED**. Consequently, the Final Decision on Disputed Assessment received by petitioner on February 16, 2021 is **WITHDRAWN and** the Formal Letter of Demand and Audit Result/Assessment Notices received by petitioner on December 28, 2017 are **CANCELLED** and **SET ASIDE**. Respondent Commissioner of Internal Revenue or any person duly acting on his behalf is **ENJOINED** from proceeding with the collection of the taxes arising therefrom.

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[1] Docket, Vo. 3, pp. 1330-1342.

SO ORDERED."[2]

Respondent asserts the following in the present motion: (1) the Court erred in ruling on matters that were never substantiated in the administrative level; (2) the Court erred in ruling that the subject assessments are void due to lack of authority of the Revenue Officers (RO); and (3) the Court erred in enjoining the collection of taxes.

On the other hand, petitioner counters that: (1) petitioner is not estopped from raising the issue on the validity of the Letter of Authority (LOA); (2) the assessment is void for lack of authority of the ROs; and (3) the Court is correct in enjoining the collection of taxes.

Based on the foregoing, the issues to be resolved by the Court are: (1) Whether the Court's power of review is limited to the pieces of evidence submitted before the Bureau of Internal Revenue (BIR); (2) Whether the subject assessment is invalid due to the invalidity of the LOA; and (3) Whether respondent should be enjoined from collecting the subject taxes.

After careful consideration of the assertions of both parties, the Court finds the instant motion bereft of merit.

The Court of Tax Appeals (CTA) is a Court of record. As such, the Court's review is not limited to the pieces of evidence presented before the BIR

Respondent argues that in view of the issuance of a Final Decision on Disputed Assessment in this case, the nature of this Court's judicial function shifts from a trial court to a court exercising judicial review.

On the other hand, petitioner argues that the CTA is not limited by the evidence presented in the administrative claim before the BIR. Parties may present new and additional evidence to support its case.

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[2] *Id.*, p. 1341.

The Court agrees with petitioner.

Section 8 of Republic Act (RA) No. 1125, as amended, provides:

> "**Section 8**. *Court of record; seal; proceedings.* — The Court of Tax Appeals shall be a court of record and shall have a seal which shall be judicially noticed. It shall prescribe the form of its writs and other processes. It shall have the power to promulgate rules and regulations for the conduct of the business of the Court, and as may be needful for the uniformity of decisions within its jurisdiction as conferred by law, but such proceedings shall not be governed strictly by technical rules of evidence."

In *Commissioner of Internal Revenue v. Manila Mining Corp.*,[3] the Supreme Court explained the above-quoted provision, as follows:

> "Under Section 8 of RA 1125, the CTA is described as a court of record. As cases filed before it are litigated *de novo*, party litigants should prove every minute aspect of their cases. No evidentiary value can be given the purchase invoices or receipts submitted to the BIR as the rules on documentary evidence require that these documents must be formally offered before the CTA.
>
> This Court thus notes with approval the following findings of the CTA:
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> x x x
>
> > Section 8 of Republic Act 1125 (An Act Creating the Court of Tax Appeals) provides categorically that **the Court of Tax Appeals shall be a court of record and as such it is required to conduct a formal trial (*trial de novo*) where the parties must present their evidence accordingly** if they desire the Court to take such evidence into consideration."

Further, in *Commissioner of Internal Revenue v. Lancaster Philippines, Inc.*,[4] the Supreme Court affirmed the authority of the CTA to rule on issues not raised by the parties:

> "The above section is clearly worded. On the basis thereof, the CTA Division was, therefore, well within its

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[3] G.R. No. 153204, (31 August 2005), 505 Phil 650-672.
[4] G.R. No. 183408, July 12, 2017.

> authority to consider in its decision the question on the scope of authority of the revenue officers who were named in the LOA **even though the parties had not raised the same in their pleadings or memoranda.** The CTA *En Banc* was likewise correct in sustaining the CTA Division's view concerning such matter."*(Emphasis supplied)*

Applying Section 8 of RA No. 1125, as amended, in relation to the doctrine laid down by the Supreme Court in *Manila Mining* and *Lancaster*, the Court rules that its power of review is not limited to the pieces of evidence submitted by petitioner before the BIR. As a Court of record, the CTA is required to conduct a formal trial where parties must present their evidence accordingly, if they desire to take such evidence into consideration. Moreso, even novel issues raised only at the level of judicial review may be entertained by the Court if they are relevant and integral to the main case.

Hence, the Court may determine issues or pieces of evidence, *i.e.*, the authority of ROs to conduct audit investigation, even if they are not raised in the administrative level.

Considering the foregoing, the Court finds respondent's argument untenable.

The subject assessment is invalid due to the invalidity of the LOA

Respondent is correctly enjoined from collecting the subject taxes due to the invalidity of the assessment

On this score, respondent argues that RO Oradia and RO Zamora *merely assisted* RO Abellera and RO Galicia – the ROs authorized in the LOA to conduct the audit investigation. As such, the LOA should be considered valid.

The Court disagrees with respondent.

Based on the foregoing, the Court observes that respondent unwittingly admitted in the instant motion that RO

Oradia and RO Zamora were not properly armed with authority, through a valid LOA, to conduct or even assist in the subject audit investigation. Thus, the Court finds no reason to deviate from its earlier findings that:

> "Here, RO Ruby Ann B. Oradia and RO Aurelio Agustin T. Zamora were authorized to conduct the examination of FTPI's books and accounting records only through a letter issued by Chief of RLTAD-I Cesar D. Escalada on February 6, 2015. Considering that the said ROs' authority did not emanate from a new or amended LOA, the subject assessments are void.
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> Consequently, a void assessment bears no fruit. Considering the invalidity of the assessment, the Court need not belabor on the other issues raised by the parties."

Consequently, since the subject assessment is invalid, the Court likewise finds no reason to deviate from its earlier ruling to enjoin respondent from collecting the subject taxes.

To end, respondent failed to raise meritorious arguments to justify the reversal of the assailed decision. As such, the denial of the instant motion is in order.

For these reasons, respondent's *Motion for Reconsideration (of the Decision dated August 14, 2024)* is **DENIED**, for lack of merit.

SO ORDERED.

Catherine T. Manahan

CATHERINE T. MANAHAN
Associate Justice

WE CONCUR:

Marian Ivy F. Reyes-Fajardo

MARIAN IVY F. REYES-FAJARDO
Associate Justice

HENRY S. ANGELES
Associate Justice