CTA Form No. 8 (For DCC)

22-000289-0047

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL FIRST DIVISION

CTA CASE NO. 10892

SONOMA SERVICES, INC.,
Petitioner,

- versus -

NOTICE OF RESOLUTION

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

To:

OFFICE OF THE SOLICITOR GENERAL
134 Amorsolo Street, Legazpi Village
Makati City

ATTY. ALBERT C. ARPON
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GREETINGS:

You are hereby notified by these presents that on **February 16, 2026,** a Resolution was rendered in the above-entitled case, copy of which is attached hereto.

Quezon City, Philippines, **February 18, 2026.**

Atty. Maria Johoanna F. Chan-Te
Executive Clerk of Court III

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL FIRST DIVISION

SONOMA SERVICES, INC.,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NO. 10892

Members:

BACORRO-VILLENA, *Acting Chairperson,* *and*
CUI-DAVID, ***JJ.***

Promulgated:
FEB 16 2026 ; 3:50 PM

x - x

RESOLUTION

BACORRO-VILLENA, J.:

For the Court's resolution is respondent Commissioner of Internal Revenue's (**respondent**'s/**CIR**'s) "Motion for Reconsideration"[1] (**MR**) filed on 15 July 2025 *via* private courier, with petitioner Sonoma Services, Inc.'s (**petitioner**'s) "Comment (re: Respondent's [MR])"[2] filed on 23 September 2025.

In the MR, respondent claims that the First Division erred in declaring that petitioner need not exhaust the administrative remedies before filing a judicial appeal. He or she alleges that allowing petitioner to do so deprives the former of the opportunity to verify and substantiate a taxpayer's claim for refund filed in the administrative level.

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[1] Division Docket, pp. 563-570.
[2] Id., pp. 578-598.

Respondent also avers that petitioner's Petition for Review was filed beyond the two (2)-year prescriptive period under Section 204[3] of the National Internal Revenue Code (**NIRC**) of 1997, as amended. Citing the case of *Commissioner of Internal Revenue v. Carrier Air Conditioning Philippines, Inc.*[4] (**Carrier Air**), respondent contends that the prescriptive period should be reckoned from the actual payment date, contrary to the filing of the Final Adjustment Return as this Court has ruled.

Lastly, respondent argues that petitioner failed to prove that it is entitled to the claim for refund for the following reasons: (1) there are noted discrepancies among the supporting documents, such as, the BIR Forms No. 2307 or the creditable withholding taxes (**CWTs**), Summary Alphalist of Withholding Taxes (**SAWT**) and the relevant official receipts (**ORs**); (2) there are no reconciling items to account for the difference in the income (*i.e.*, management fees) among the Audited Financial Statements (**AFS**), Annual Income Tax Return (**AITR**) and the CWTs; and (3) that there are no excess credits from the prior years from where the income tax due of 2019 may be credited. Hence, respondent prays for the reversal of grant of refund.

Opposing the MR, petitioner stresses that the arguments therein are mere reiterations of those contained in the prior Answer and Memorandum which were already addressed in the Decision of 26 June 2025 (**assailed Decision**). Being *pro-forma*, the MR should be denied outright.

Nonetheless, addressing the averments, petitioner responds that it has duly proven its entitlement to a refund. As the Court so ruled, its administrative and judicial claims for refund were timely filed, reckoned from the filing of the Final Adjustment Return.

Petitioner also adds that respondent's allegations on the supposed discrepancies are bare, unsupported by documents and, thus, not enough to overthrow its evidence and set aside the Court's findings.

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[3] **SEC. 204.** *Authority of the Commissioner to Compromise, Abate, and Refund or Credit Taxes.*
[4] G.R. No. 226592, 27 July 2021.

Petitioner then reiterates the following: (1) the excess CWTs in the amount of ₱5,857,000.00 are duly substantiated; (2) the difference in the income attributed to management fees were duly explained; (3) there is an excess tax credit from the prior years that are sufficient to cover the income tax liability for calendar year 2019.

We resolve.

At the outset, it is noted that respondent's arguments in the MR are, indeed, rehash of the arguments in the Answer and Memorandum. Nonetheless, We shall oblige to expound on the issues for emphasis.

First, as to reckoning of the two (2)-year prescriptive period, in the recent case of *Melco Resorts Leisure (PHP) Corporation v. Commissioner of Internal Revenue*,[5] the Supreme Court clarified that the 'payment of taxes' under Section 204(C)[6] in relation to Section 229[7] of the NIRC of 1997, as amended, to mean either: (1) the actual payment of tax or penalty sought to be refunded, regardless of the existence of any supervening cause after payment; as well as (2) **the date of the filing of the adjusted final tax return**. The relevant parts state –

> ...
>
> We emphasize that the two-year prescriptive period under Section 229 of the Tax Code is reckoned from the **actual payment of tax or penalty sought to be refunded**, regardless of the existence of any supervening cause after payment. Thus, the Court declared and emphasized in *Manila Peninsula Hotel, Inc.* that both administrative and judicial claims must be filed within the two-year period commencing on payment of the tax:
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> > Section 229, in turn, requires two conditions for filing judicial claims: (1) an administrative claim must be filed first; and (2) the judicial claim must be filed within two years after payment of the tax sought to be refunded. **Reading the two provisions together, both administrative and judicial claims must be filed within the two-year period counted from the payment of the tax.** Hence, when taxpayers amend their return and make an adjusted payment, the

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5 G.R. No. 271261, 02 April 2025.

6 **SEC. 204.** *Authority of the Commissioner to Compromise, Abate and Refund or Credit Taxes.* – The Commissioner may –

...

(C) Credit or refund taxes erroneously or illegally received or penalties imposed without authority[.]

7 **SEC. 229.** *Recovery of Tax Erroneously or Illegally Collected.*

prescriptive period for the adjusted amount is reckoned from the later date.

Manila Peninsula Hotel, Inc. also explained that when the return is amended and the taxpayer makes an adjusted payment, the prescriptive period for the adjusted amount is reckoned from the later date.

It is thus clear that the refund of erroneously, illegally, or excessively collected tax requires the filing of both the administrative and judicial claims within the two-year period counted from the payment of the tax or penalty sought to be refunded, regardless of the existence of any supervening cause after payment.

In addition to such interpretation, the Court has also ruled that the reckoning point of the two-year prescriptive period is the date of the filing of the adjusted final tax return.

In *Commissioner of Internal Revenue v. TMX Sales, Inc.*, the Court resolved the issue on when the two-year prescriptive period to file a suit for a refund of a tax erroneously or illegally paid commenced. In *TMX Sales, Inc.*, the Court ruled that the same commenced from the date of filing of the Final Adjustment Return (final payment), and not when the quarterly income tax was paid. The same Court then warned that the literal application of Section 229 to a case involving "quarterly income tax payments may lead to absurdity and inconvenience."

Harmonizing the old provisions of the Tax Code and analyzing hypothetical data in the Final Adjustment Return, the Court ruled in the wise:

> Based on the above hypothetical data appearing in the Final Adjustment Return, the taxpayer is entitled under Section 87 (now Section 69) of the Tax Code to A refund of [PHP]6,250.00. If Section 292 (now Section 230) is literally applied, what then is the reckoning date in computing the two-year prescriptive period? Will it be the 1st quarter when the taxpayer paid [PHP]12,500.00 or the 3rd quarter when the taxpayer also paid [PHP]12,500.00? **Obviously, the most reasonable and logical application of the law would be to compute the two-year prescriptive period at the time of filing the Final Adjustment Return or the Annual Income Tax Return, when it can be finally ascertained if the taxpayer has still to pay additional income tax or if he is entitled to a refund of overpaid income tax.**
>
> . . . .

> Since the audit, as required by Section 321 (now Section 232) of the Tax Code is to be conducted yearly, then it is the Final Adjustment Return, where the figures of the gross receipts and deductions have been audited and adjusted, that is truly reflective of the results of the operations of a business enterprise. Thus, it is only when the Adjustment Return covering the whole year is filed that the taxpayer would know whether a tax is still due or a refund can be claimed based on the adjusted and audited figures.
>
> Therefore, the filing of a quarterly income tax returns required in Section 85 (now Section 68) and implemented per BIR Form 1702-Q and payment of quarterly income tax should only be considered mere installments of the annual tax due. **These quarterly tax payments which are computed based on the cumulative figures of gross receipts and deductions in order to arrive at a net taxable income, should be treated as advances or portions of the annual income tax due, to be adjusted at the end of the calendar or fiscal year.** This is reinforced by Section 87 (now Section 69) which provides for the filing of adjustment returns and final payment of income tax. Consequently, the two-year prescriptive period provided in Section 292 (now Section 230) of the Tax Code should be computed from the time of filing the Adjustment Return or Annual Income Tax Return and final payment of income tax.

In the case of *Commissioner of Internal Revenue v. Univation Motor Philippines, Inc. (Formerly Nissan Motor Philippines, Inc.)*, this Court settled the proper interpretation of the phrase "payment of taxes" under Section 229 to mean the date of the filing of the adjusted final tax return. Thus, We ruled:

> Indeed, the two-year period in filing a claim for tax refund is crucial. While the law provides that the two-year period is counted from the date of payment of the tax, **jurisprudence, however, clarified that the two-year prescriptive period to claim a refund actually commences to run, at the earliest, on the date of the filing of the adjusted final tax return because this is where the figures of the gross receipts and deductions have been audited and adjusted, reflective of the results of the operations of a business enterprise.** Thus, it is only when the Adjustment Return covering the whole year is filed that the taxpayer would know whether a tax is still due or a refund can be claimed based on the adjusted and audited figures.

Thus, based on jurisprudence, the phrase "payment of taxes" under Section 204 (C) in relation to Section 229 of the Tax Code has been interpreted in two ways: (1) the actual payment of tax or penalty sought to be refunded, regardless of the

> **existence of any supervening cause after payment; as well as (2) the date of the filing of the adjusted final tax return. In both interpretations, the Court did not require actual remittance by the suppliers.**[8]
>
> ...

As to the failure to exhaust the administrative remedies, this has already been settled in *Carrier Air*[9] where the Supreme Court ruled that it does not matter how short the interval is between the administrative claim and judicial claim as long as both were filed within the two (2)-year prescriptive period.

As for the other issues such as the noted discrepancies in the income and the lack of prior year excess credits, these were exhaustively discussed in the assailed Decision considering that these are the mandatory requisites for claiming a tax credit or a refund of CWT as declared in the case of *Commissioner of Internal Revenue v. Philippine Bank of Communications*.[10] With only verbal assertions, We are not convinced to overturn or modify Our previous findings.

WHEREFORE, the Motion for Reconsideration filed by respondent Commissioner of Internal Revenue on 15 July 2025 is hereby **DENIED** for lack of merit.

SO ORDERED.

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

I CONCUR:

LANEE S. CUI-DAVID
Associate Justice

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8 Citations omitted, emphasis and italics in the original text.
9 Supra at note 4.
10 G.R. No. 211348, 23 February 2022.