REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

**SECOND DIVISION**

**BARRIO FIESTA MANUFACTURING CORPORATION,**
*Petitioner,*

- versus -

**COMMISSIONER OF INTERNAL REVENUE,**
*Respondent.*

**CTA CASE NO. 10213**

Members:

**RINGPIS-LIBAN,** *Chairperson,*
**MODESTO-SAN PEDRO,** *and*
**FERRER-FLORES,** *JJ.*

Promulgated:

AUG 0 - 2025 11:32 am

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# RESOLUTION

**RINGPIS-LIBAN,** ***J.*:**

Submitted for resolution is respondent's **Motion for Reconsideration**, filed on April 10, 2025, and petitioner's **Comment** thereto, filed on May 13, 2025.

On March 17, 2025, the Court promulgated a Decision cancelling the deficiency tax assessment issued by respondent against petitioner for taxable year 2013, for violation of petitioner's right to due process. The dispositive portion of the said Decision reads:

> "**WHEREFORE**, the present *Petition for Review* is **GRANTED**. The assailed WDL dated October 1, 2019, and the FLDs and *Assessment Notices*, both dated July 31,2017, as well as the FDDA dated June 19, 2019, all issued by the BIR against petitioner, for taxable year 2013, are **CANCELLED** and **SET ASIDE**.
>
> **SO ORDERED.**"

In his Motion, respondent prays for the reconsideration of the foregoing Decision and seeks the dismissal of the Petition for Review on the ground of lack of jurisdiction. He further urges the Court to uphold the validity of the Final Decision on Disputed Assessment (FDDA) dated June 19, 2019.

Respondent contends that the validity of the Warrant of Distraint and/or Levy (WDL) was not raised by petitioner in its Petition for Review filed on November 13, 2019, nor was it included in the parties' Joint Stipulations of Facts and Issues (JSFI) filed on April 12, 2023. Thus, he argues that the Court erred in ruling that it had jurisdiction over the present case on the basis of "other matters arising under the National Internal Revenue Code" under Section 7(a)(1) of Republic Act (RA) No. 1125, as amended by RA No. 9282.

Respondent also asserts that the FDDA should be deemed valid, as the second Letter of Authority (LOA) dated September 17, 2018—issued following the reassignment of revenue officers (ROs)—was not declared void by the Court. He maintains that the reassignment was proper and the second LOA validly supported the conduct of audit that led to the issuance of the FDDA.

In its Comment, petitioner maintains that the subject of the appeal is the WDL dated October 1, 2019, which involves the interpretation and application of the National Internal Revenue Code (NIRC) of 1997, as amended, thereby falling within the Court's jurisdiction under Section 7(a)(1) of RA No. 1125, as amended. Petitioner likewise reiterates that the ROs who conducted the audit were not duly authorized by a valid LOA. Even if the FDDA were assumed to be valid, petitioner contends that it was not properly served, as respondent failed to first attempt personal service before resorting to service by registered mail.

After due consideration, the Court finds the **Motion for Reconsideration** to be devoid of merit.

In summary, respondent raises the following arguments:

**First**, that the Court erred in resolving issues not specifically raised by the parties, particularly those involving the validity of the WDL and the FDDA; and

**Second**, that the second LOA was validly issued for purposes of reinvestigation, and thus supports the validity of the FDDA.

## On the Court's Jurisdiction and Authority to Rule on Unraised but Related Issues

As to the first point, jurisprudence is clear that the Court is not bound by the issues expressly raised or stipulated by the parties, but may also rule on related matters essential to the orderly disposition of the case. In *Commissioner of Internal Revenue v. Lancaster Philippines, Inc.,*[1] the Supreme Court affirmed this principle:

> "Under Section 1, Rule 14 of A.M. No. 05-11-07-CTA, or the Revised Rules of the Court of Tax Appeals, the CTA is not bound by the issues specifically raised by the parties but may also rule upon related issues necessary to achieve an orderly disposition of the case."

This rule has been consistently applied, such as in *Commissioner of Internal Revenue v. Yumex Philippines Corporation,*[2] where the Court upheld the CTA's authority to resolve due process issues even if not specifically raised in the pleadings.

Likewise, in *Salvador Comilang v. Francisco Burcena, et al.,*[3] the Supreme Court reiterated that:

> "Once a court acquires jurisdiction over a case, it has wide discretion to look into matters which, although not raised as an issue, would give life and meaning to the law."

In addition, *Philippine Journalists, Inc. v. Commissioner of Internal Revenue,*[4] categorically held that:

> "The appellate jurisdiction of the CTA is not limited to cases which involve decisions of the Commissioner of Internal Revenue (CIR) on matters relating to assessments or refunds. <u>The second part of the provision covers other cases that arise out of the NIRC or related laws administered by the Bureau of Internal Revenue (BIR)</u>."

Based on the foregoing, it is clear that the Court has the discretion to consider and rule upon matters not specifically raised by the parties, when necessary to achieve a just and orderly disposition of the case—including those that arise under the National Internal Revenue Code (NIRC) or related laws administered by the Bureau of Internal Revenue (BIR). Respondent's argument that the issue of jurisdiction was not included in the parties' Joint Stipulations of Facts and Issues (JSFI) is immaterial. The non-inclusion thereof does not

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[1] G.R. No. 183408, July 12, 2017.
[2] G.R. No. 222476, May 5, 2021.
[3] G.R. No. 146853, February 13, 2006.
[4] G.R. No. 162852, December 16, 2004.

preclude the Court from addressing the same, as jurisdiction over the subject matter cannot be waived, enlarged, or diminished by agreement or stipulation. Accordingly, the Court reiterates its ruling that it has jurisdiction over the present case, the validity of the WDL being a matter arising under the NIRC or related laws.

## On the Invalidity of the Second LOA and the FDDA

As to respondent's argument regarding the second LOA, the Court finds it unavailing.

It is settled that a valid LOA is a jurisdictional requirement for the conduct of an audit. The Supreme Court, in *Republic of the Philippines v. Robiegie Corporation*,[5] held that an LOA clothes the revenue officer with the authority to examine the books of account and other records of a taxpayer. Any reassignment or transfer of such authority requires the issuance of a new LOA.

In this case, the original LOA was issued on November 14, 2014, authorizing Revenue Officer (RO) Felicitas Rivera and Group Supervisor (GS) Lea Bustonera to examine petitioner's books of accounts and other accounting records for all internal revenue taxes covering the period January 1 to December 31, 2013. However, pursuant to Memorandum of Assignment (MOA) No. MOA0242014LOA11311 dated May 4, 2016, the continuation of the audit and investigation of petitioner's tax liabilities was reassigned to RO Luzviminda S. Dilag and GS Brigida C. De Perio, who subsequently recommended the issuance of a Preliminary Assessment Notice (PAN) dated June 6, 2017 and the corresponding Assessment Notices dated July 31, 2017.

Evidently, the continuation of the audit and investigation of petitioner's books of accounts, as well as the subsequent issuance of the PAN and Assessment Notices, were tainted with procedural infirmity. This is because the revenue officers who conducted the audit and recommended the issuance of said notices were merely designated through a Memorandum of Assignment (MOA), without the benefit of a new LOA. No new LOA was issued in favor of the revenue officers who replaced those originally named.

In *Commissioner of Internal Revenue v. McDonald's Philippines Realty Corp.*,[6] the Supreme Court categorically held that the practice of reassigning or transferring revenue officers originally named in a LOA, and substituting or replacing them with new officers to continue the audit or investigation without the issuance of a separate or amended LOA: (i) violates the taxpayer's right to due process in tax audits and investigations; (ii) usurps the statutory authority of the Commissioner of Internal Revenue (CIR), or his duly authorized representative,

[5] G.R. No. 260261, October 3, 2022.
[6] G.R. No. 242670, May 10, 2021.

to grant the power to examine a taxpayer's books of accounts; and (iii) fails to comply with existing rules and regulations of the Bureau of Internal Revenue (BIR) regarding the issuance of an LOA as a prerequisite to such examination.

Accordingly, the Court reiterates its observation in the assailed Decision that the issuance of the second LOA dated September 17, 2018 is of no legal significance, as the original investigation had already been concluded. At that point, the PAN, Formal Letter of Demand (FLD), and the corresponding Assessment Notices had already been issued to petitioner, who, in turn, had submitted a Request for Reinvestigation in response thereto. Thus, the second LOA, at most, merely authorized the reinvestigation of petitioner's protest, but not the original audit or examination of its books of accounts. Consequently, the deficiency tax assessment is rendered void and without legal effect.

In view of the foregoing disquisitions, there being no new matter or substantial issue raised by the respondent in his Motion, the Court finds no compelling reason to reverse or modify the conclusions reached in the Decision promulgated on March 17, 2025.

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

**SO ORDERED.**

**MA. BELEN M. RINGPIS-LIBAN**
Associate Justice

*WE CONCUR:*

**MARIA ROWENA MODESTO-SAN PEDRO**
Associate Justice

**CORAZON G. FERRER-FLORES**
Associate Justice