REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

THIRD DIVISION

BUKIDNON II ELECTRIC COOPERATIVE, INC. (BUSECO),
Petitioner,

-versus-

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA Case No. 10930

Members:

MANAHAN, *Chairperson,*
REYES-FAJARDO, and
ANGELES, *JJ.*

Promulgated:

DEC 05 2025
1:32 p.m.

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DECISION

REYES-FAJARDO, *J*.:

THE CASE

This is a case to nullify the *Final Decision on Disputed Assessment* (FDDA) dated June 23, 2022,[1] assessing petitioner for deficiency income tax and compromise penalty amounting to ₱8,153,399.23 and ₱125,000.00, respectively, for taxable year (TY) 2019.[2]

THE PARTIES

Petitioner Bukidnon II Electric Cooperative, Inc. (BUSECO) is a non-stock non-profit electric cooperative, with principal office address at Manolo Fortich, Bukidnon.[3] It operates its power

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1 Issued by Revenue Region No. 16, Cagayan de Oro City.
2 Statement of the Case, Pre-Trial Order dated July 21, 2023, Docket, p. 243.
3 Par. 1, The Parties, *Petition for Review*, vis-à-vis par. 1, Summary of Admitted Facts, *Joint Stipulation of Facts and Issues* (JSFI), Docket, pp. 6 and 229.

distribution franchise as a non-stock non-profit electric cooperative in the Province of Bukidnon and is under the Malaybalay City Revenue District Office.[4]

Respondent Commissioner of Internal Revenue (CIR) is a government agency empowered, among others, to decide disputed assessments, refunds of internal revenue taxes, fees and other charges, penalties in relation thereto, and other matters arising from the implementation of the National Internal Revenue Code (NIRC) of 1997, as amended, and other laws administered by the Bureau of Internal Revenue (BIR). Its address is at the BIR National Office Building, BIR Road, Diliman, Quezon City.[5]

PROCEEDINGS AT THE ADMINISTRATIVE LEVEL

On February 5, 2021, petitioner was issued the *Letter of Authority* (LOA) No. 201200017917 (eLA099-2021-00000081) dated January 27, 2021, by Regional Director (RD) Esmeralda M. Tabule of Revenue Region No. 16, Cagayan de Oro City, which authorized Revenue Officer (RO) Harly Macasling and Group Supervisor (GS) Rowella Dy, to examine petitioner's books of accounts and other accounting records for TY 2019.

Thereafter, on August 6, 2021, petitioner received the *Notice of Discrepancy* (NOD) dated August 4, 2021.[6] On August 19, 2021, petitioner filed a protest letter disputing the audit findings.[7]

On December 13, 2021, however, petitioner received the *Preliminary Assessment Notice* (PAN) dated November 22, 2021, sustaining the earlier issued NOD with some minor adjustments.[8]

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4 Par. 2, Jurisdictional Factual Allegations, *Petition for Review*, vis-à-vis par. 2, *Answer*, Docket, pp. 7 and 156, respectively; par. 1, Summary of Admitted Facts, JSFI, Docket, p. 229; and Exhibit "P-4", Docket, p. 28.

5 Par. 2, The Parties, *Petition for Review*, vis-à-vis par. 1, *Answer*, Docket, pp. 6 and 156, respectively; and par. 1, Summary of Admitted Facts, *Joint Stipulation of Facts and Issues* (JSFI), Docket, p. 229.

6 Par. 4, Summary of Admitted Facts, JSFI, Docket, p. 229; and Exhibit "P-5", Docket, pp. 29 to 38. Refer also to par. 3, Jurisdictional Factual Allegations, *Petition for Review*, vis-à-vis par. 2, *Answer*, Docket, pp. 7 and 156, respectively.

7 Par. 5, Summary of Admitted Facts, JSFI, Docket, p. 230.

8 Par. 5, Jurisdictional Factual Allegations, *Petition for Review*, vis-à-vis par. 2, *Answer*, Docket, pp. 7 and 156, respectively; par. 6, Summary of Admitted Facts, JSFI, Docket, p. 230; and Exhibit "P-7", Docket, pp. 48 to 57.

On January 21, 2022, petitioner received the *Formal Letter of Demand* (FLD) and *Audit Results/Assessment Notices*, with Assessment Number RR16-099-256-2021 dated December 31, 2021, and attached Computation Sheet and Basis of Assessment, showing the following assessments:[9]

Tax Type	Amount
Income tax	₱83,838,030.45
Value-added tax	₱32,117,503.15
Expanded withholding tax	₱18,646,226.89
Compromise penalties	₱ 3,175,000.00

On February 4, 2022, petitioner then filed the *Protest Letter with Request for Reinvestigation* dated January 27, 2022.[10]

On March 8, 2022, petitioner received the *Letter of Denial* dated February 18, 2022, signed by RD Emir U. Abutazil (RD Abutazil), Revenue Region No. 16, Cagayan de Oro City.[11]

Thereafter, on March 27, 2022, petitioner filed a *Motion for Reconsideration* on RD Abutazil's denial of the request for reinvestigation. [12] Then on April 1, 2022, petitioner filed yet another *Motion for Reconsideration*.[13]

On April 7, 2022, petitioner received the letter dated April 5, 2022 from respondent stating that the *Motions for Reconsideration* dated March 27, 2022 and April 1, 2022, were granted.[14] Corollary, petitioner received another LOA No. eLA2012000183359/LOA-099-2022-00000154 dated May 11, 2022.[15]

9 Par. 7, Jurisdictional Factual Allegations, *Petition for Review*, vis-à-vis par. 2, *Answer*, Docket, pp. 7 to 8, and 156, respectively; par. 7, Summary of Admitted Facts, JSFI, Docket, p. 230; and Exhibit "P-9, Docket, pp. 68 to 81.

10 Exhibit "P-10", Docket - Vol. 1, pp. 82 to 92.

11 Par. 9, Jurisdictional Factual Allegations, *Petition for Review*, vis-à-vis par. 2, *Answer*, Docket, pp. 8, and 156, respectively; par. 8, Summary of Admitted Facts, JSFI, Docket, p. 230; and Exhibit "P-11", Docket, pp. 93 to 94.

12 Par. 9, Summary of Admitted Facts, JSFI, Docket, p. 230; and Exhibit "P-12", Docket, pp. 95 to 99.

13 Par. 11, Jurisdictional Factual Allegations, *Petition for Review*, vis-à-vis par. 2, *Answer*, Docket, pp. 8, and 156, respectively; and Exhibit "P-13", Docket - Vol. 1, pp. 100 to 104.

14 Par. 10, Summary of Admitted Facts, JSFI, Docket, p. 230; and Exhibit "P-14", Docket, p. 105. Refer also to par. 12, Jurisdictional Factual Allegations, *Petition for Review*, vis-à-vis par. 2, *Answer*, Docket, pp. 8 and 156, respectively

15 Par. 11, Summary of Admitted Facts, JSFI, Docket, p. 230; Exhibit "P-15", Docket, p. 106.

On June 23, 2022, petitioner received a copy of the FDDA with *Final Assessment Notices* (FAN) from respondent,[16] assessing petitioner with the following items, including surcharges, interests, and compromise penalties:

Tax Type	Amount
Income tax	₱8,153,399.23
Value-added tax	1,284,555.85
Expanded withholding tax	615,533.09
Compromise penalties	750,000.00
TOTAL	**₱10,803,488.17**

On June 24, 2022, petitioner signed the Agreement Form dated May 20, 2022[17] and paid the assessed deficiency value-added tax, expanded withholding tax, withholding tax on compensation, and other penalties totaling ₱2,600,088.94, inclusive of legal increments.[18]

Despite payment of the aforementioned tax assessments, petitioner still contests the income tax assessment[19] relying on its alleged permanent exemption for the payment of income tax pursuant to Section 39(a) of Presidential Decree (PD) No. 269.[20]

PROCEEDINGS BEFORE THIS COURT

On July 21, 2022, petitioner filed the present *Petition for Review*, praying for the cancellation of the FDDA, the deficiency income tax assessment, and compromise penalty for TY 2019.[21]

On October 17, 2022, respondent posted his *Answer*,[22] interposing special and affirmative defenses.

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16 Par. 12, Summary of Admitted Facts, JSFI, Docket, p. 230; Exhibit "P-18", Docket, pp. 114 to 126.

17 Docket, p. 110.

18 Exhibits "P-19" and sub-markings, Docket, pp. 127 to 134.

19 Docket, p. 9.

20 CREATING THE "NATIONAL ELECTRIFICATION ADMINISTRATION" AS A CORPORATION, PRESCRIBING ITS POWERS AND ACTIVITIES, APPROPRIATING THE NECESSARY FUNDS THEREFOR AND DECLARING A NATIONAL POLICY OBJECTIVE FOR THE TOTAL ELECTRIFICATION OF THE PHILIPPINES ON AN AREA COVERAGE SERVICE BASIS, THE ORGANIZATION, PROMOTION AND DEVELOPMENT OF ELECTRIC COOPERATIVES TO ATTAIN THE SAID OBJECTIVE, PRESCRIBING TERMS AND CONDITIONS FOR THEIR OPERATIONS, THE REPEAL OF REPUBLIC ACT NO. 6038, AND FOR OTHER PURPOSES, August 6, 1973.

21 Docket, pp. 6 to 18.

22 Docket, pp. 156 to 166.

On November 10, 2022,[23] this case was referred to mediation in the Philippine Mediation Center - Court of Tax Appeals (PMC-CTA). However, on January 10, 2023, the PMC-CTA later issued a *Back to Court* Report,[24] stating that mediation was refused by petitioner.

In the meantime, on April 3, 2023, respondent transmitted the *BIR Records* of the present case, consisting of 1,084 pages in one (1) folder.[25]

On April 13, 2023, the pre-trial conference was held wherein respondent manifested that he will no longer present any witness.[26]

On May 22, 2023, the parties filed their *Joint Stipulation of Facts and Issues*,[27] which was admitted by the Court in its Resolution dated May 26, 2023.[28] On July 21, 2023, the Pre-Trial Order was issued.[29]

Trial ensued.

Petitioner presented its documentary evidence and offered the testimony of Ms. Hazel C. Del Puerto,[30] its Finance Services Department Manager.

On March 5, 2024, petitioner filed its *Manifestation*,[31] submitting its *Formal Offer of Evidence*.[32] On March 21, 2024, respondent filed, *via* accredited courier, his *Comment (to Petitioner's Formal Offer of Evidence)*.[33] In the Resolution dated September 13, 2024,[34] the Court admitted petitioner's exhibits, *except* for Exhibits "P-2" and "P-8", for

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23 Docket, pp. 175 to 176.
24 Docket, pp. 177.
25 *Compliance* dated April 3, 2023, Docket, pp. 200 to 202.
26 Notice of Resetting dated February 27, 2023, Docket, p. 182; Notice of Pre-Trial Conference dated February 27, 2023, Docket, pp. 186 to 188; Minutes of the hearing held on, and Order dated, April 13, 2023, Docket, pp. 212 to 214, and 217 to 219, respectively.
27 Through the parties' *Joint Motion to Admit JSFI*, Docket, pp. 227 to 234.
28 Docket, p. 237.
29 Docket, pp. 243 to 249.
30 Exhibit "P-20", Docket, pp. 136 to 142; Minutes of the hearing held on, and Order dated, February 21, 2024, Docket, pp. 284 and 289 to 290, respectively.
31 Docket, p. 292.
32 Docket, pp. 293 to 296.
33 Docket, pp. 306 to 308.
34 Docket, pp. 336 to 337.

failure to present the originals for comparison, and Exhibit "P-6", for failure of the exhibit formally offered to correspond with the document actually marked and identified.

On March 27, 2024, petitioner filed, *via* accredited courier, the *Memorandum for the Petitioner*.[35] On the other hand, on November 21, 2024, respondent filed a *Manifestation*[36] stating that he is adopting the arguments he raised in his *Answer* as his *Memorandum*.

On December 5, 2024, this case was submitted for decision.[37]

THE ISSUE

The parties stipulated below issue for this Court's resolution, *viz.*:[38]

> Whether petitioner is liable to pay the assessed deficiency income tax plus surcharge, interest and compromise penalties.

Petitioner's argument:

Petitioner argues that being a non-stock, non-profit electric cooperative duly registered with the National Electric Administration (NEA), it is permanently exempted from payment of income tax for the taxable year 2019, pursuant to Section 39(a) of PD No. 269.

Respondent's counter-arguments:

Respondent, in his *Answer*, contends that: 1) tax exemptions should be granted only by clear and unequivocal provision of law on the basis of language too plain to be mistaken; and 2) for its failure to justify its claim for tax exemption pursuant to a clear and express grant of a law, petitioner is liable for deficiency income tax plus interest and penalties for TY 2019.

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[35] Docket, pp. 311 to 320.
[36] Docket, pp. 339 to 341.
[37] Minute Resolution dated December 5, 2024, Docket, p. 344.
[38] Issues To Be Tried Or Resolved, JSFI, Docket, p. 230.

THE COURT'S RULING

The present *Petition for Review* is partly granted.

The Court has jurisdiction over the case.

Section 7, in relation to Section 11 of Republic Act (RA) No. 1125, as amended by RA No. 9282,[39] pertinently provides:

> Sec. 7. Jurisdiction. — The CTA shall exercise:
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> 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;
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> . . .
>
> 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**, . . . **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.[40]

Indeed, a party aggrieved by the decision of respondent or his duly authorized representative on a disputed assessment may seek recourse before the CTA, within thirty (30) days from receipt thereof. This matches with the period to appeal endowed to the taxpayer, in impugning respondent or his duly authorized representative's decision on disputed assessment, under Section 228 of the NIRC of 1997, as amended:

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39 An Act Expanding the Jurisdiction of the Court of Tax Appeals, Elevating Its Rank to the Level of a Collegiate Court with Special Jurisdiction and Enlarging its Membership, Amending for the Purpose Certain Sections of Republic Act No. 1125, as amended, otherwise known as the Law Creating the Court of Tax Appeals, and for Other Purposes, March 30, 2004.

40 Emphasis supplied.

> Section 228. Protesting of Assessment. —
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> . . .
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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 the one hundred eighty (180)-day period; otherwise, the decision shall become final, executory and demandable.[41]

Here, petitioner received respondent's *FDDA* with attached *FAN* on June 23, 2022.[42] Counting thirty (30) days from said date, petitioner had until July 25, 2022,[43] to appeal before the Court. Timely enough, on July 21, 2022, petitioner filed the *Petition for Review*, thus vesting the Court jurisdiction over the case.

Electric cooperatives registered with NEA are permanently exempt from paying income tax. However, petitioner failed to prove such registration.

By way of background, on August 6, 1973, PD No. 269, otherwise known as the "National Electrification Administration Decree," was signed into law thereby creating the NEA, which is vested with the power to regulate electric cooperatives, among others.

Under Section 39(a) of PD No. 269, electric cooperatives registered with the NEA are permanently exempted from paying income taxes, to wit:

> Section 39. Assistance to Cooperatives; Exemption from Taxes, Imposts, Duties, Fees; Assistance from the National Power Corporation. Pursuant to the national policy declared in Section 2, the Congress hereby finds and declares that the following assistance to cooperative is necessary and appropriate:

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41 Emphasis supplied.

42 Par. 8, Stipulated Facts, JSFI, Docket - Vol. 1, p. 668; Exhibits "P-10" and "R-11", BIR Records - Folder 1 of 3 (Exhibit "R-21"), pp. 324 to 333; Pars. 1 and 13, *Petition for Review*, Docket - Vol. 1, pp. 7 and 10.

43 July 23, 2022 falls on a Saturday.

> (a) Provided that it operates in conformity with the purposes and provisions of this Decree, **cooperative (1) shall be permanently exempt from paying income taxes**, and (2) for a period ending on December 31; of the thirtieth full calendar year after the date of a cooperative's organization or conversion hereunder, or until it shall become completely free of indebtedness incurred by borrowing, whichever event first occurs, shall be exempt from the payment (A) of all National Government, local government and municipal taxes and fees, including franchise, filing, recordation, license or permit fees or taxes and any fees, charges, or costs involved in any court or administrative proceeding in which it may be a party, and (B) of all duties or imposts on foreign goods acquired for its operations, the period of such exemption for a new cooperative formed by consolidation, as provided for in Section 29, to begin from as of the date of the beginning of such period for the constituent consolidating cooperative which was most recently organized or converted under this Decree: Provided, That the Board of Administrators shall, after consultation with the Bureau of Internal Revenue, promulgate rules and regulations for the proper implementation of the tax exemptions provided for in this Decree.[44]

On October 10, 1984, however, PD No. 1955[45] was signed into law and withdrew all exemptions from or any preferential treatment in the payment granted to private business enterprises (including those granted to electric cooperatives under PD No. 269). Then on December 17, 1986,[46] Executive Order (EO) No. 93 was signed[47] and further affirmed the withdrawal of such fiscal incentives but authorized the Fiscal Incentives Review Board (FIRB) to restore tax and duty exemptions to affected industries.

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44 Emphasis supplied.

45 WITHDRAWING, SUBJECT TO CERTAIN CONDITIONS, THE DUTY AND TAX PRIVILEGES GRANTED TO PRIVATE BUSINESS ENTERPRISES AND/OR PERSONS ENGAGED IN ANY ECONOMIC ACTIVITY, AND FOR OTHER PURPOSES.

46 EO No. 93 provides in part: SECTION 1. The provisions of any general or special law to the contrary notwithstanding, all tax and duty incentives granted to government and private entities are hereby withdrawn, . . ."

47 WITHDRAWING ALL TAX AND DUTY INCENTIVES, SUBJECT TO CERTAIN EXCEPTIONS, EXPANDING THE POWERS OF THE FISCAL INCENTIVES REVIEW BOARD AND FOR OTHER PURPOSES.

Thus, on June 14, 1987, the FIRB issued Resolution No. 24-87 restoring the tax and duty exemptions of electric cooperatives granted by PD No. 269, except that on income tax, effective July 1, 1987, to wit:

> BE IT RESOLVED, as it is hereby resolved, That **the tax and duty exemption privileges of electric cooperatives granted under the terms and conditions of Presidential Decree No. 269**. . ., as amended, **are restored effective July 1, 1987**: Provided, however, **That income from their electric service operations and other sources including the interest income from bank deposits and yield or any other monetary benefit from bank deposits and yield or any other similar arrangements shall remain taxable**: Provided, further, That the electric cooperatives shall furnish the FIRB on an annual basis or as often as the FIRB may require them to do so, statistical and financial statements of their operations and other information as may be required, for purposes of effective and efficient tax and duty exemption availment.[48]

On March 10, 1990, RA No. 6938, otherwise known as the "Cooperative Code of the Philippines" was enacted, allowing electric cooperatives to register under the Cooperative Development Authority upon compliance with certain registration requirements and enjoy preferential tax treatments afforded to cooperatives. Subsequently, on February 17, 2009, the Cooperative Code was amended by RA No. 9520, otherwise known as the "Philippine Cooperative Code of 2008."

Article 127 of the Cooperative Code, as amended by RA No. 9520, categorically stated that it did not amend nor repeal any provision of PD No. 269, to wit:

> Article 127. Repeals. - Except as expressly provided by this Code, Presidential Decree No. 175 and **all other laws, or parts thereof, inconsistent with any provisions of this Code shall be deemed repealed**: Provided, however, That **nothing in this Code shall be interpreted to mean the amendment or repeal of any provision of Presidential Decree No. 269:** Provided, further, That the electric cooperatives which qualify as such under this Code shall fall under the coverage thereof.[49]

Thus, any other laws inconsistent with the Cooperative Code, as amended by RA No. 9520, are considered repealed except PD No.

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48 Emphasis supplied.
49 Emphasis supplied.

269. In other words, the above provision repealed all previous laws inconsistent with the Cooperative Code, while leaving P.D. No. 269 untouched.[50] Apparently, EO No. 93, being inconsistent with the Cooperative Code, was therefore repealed. It follows that the tax exemptions provided under PD No. 269 remains or reinstituted.

Relatedly, on May 7, 2013, RA No. 10531,[51] otherwise known as the "National Electrification Administration Reform Act of 2013" was enacted. Section 4 thereof amended Section 3 of PD No. 269, and provided a definition for "electric cooperative" as follows:

> SEC. 3. Definitions. — As used in this Decree, the following words or terms shall have the following meanings, unless a different meaning clearly appears from the context:
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> . . .
>
> (u) **'Electric cooperative'** shall refer to an electric distribution utility organized and **registered pursuant to Presidential Decree No. 269, as amended,** Republic Act No. 9520, and other related laws.

In fine, electric cooperatives registered with NEA remained permanently exempt from paying income tax by virtue of Section 39(a) of PD No. 269. In fact, petitioner anchors its claim of permanent income tax exemption on this provision.

Settled is the rule, however, that tax exemption is strictly construed against the taxpayer claiming the exemption who must discharge such burden convincingly.[52] Thus, before petitioner can invoke said provision, it is incumbent upon it to first establish that it is in fact a non-stock, non-profit electric cooperative registered with the NEA.

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50 *Commissioner of Internal Revenue v. Misamis Oriental II Rural Electric Service Cooperative, Inc.*, C.T.A. EB Case No. 2796 (C.T.A. Case No. 10145), February 28, 2025.

51 AN ACT STRENGTHENING THE NATIONAL ELECTRIFICATION ADMINISTRATION, FURTHER AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 269, AS AMENDED, OTHERWISE KNOWN AS THE "NATIONAL ELECTRIFICATION ADMINISTRATION DECREE".

52 *Light Rail Transit Authority v. City of Pasay*, G.R. No. 211299, June 28, 2022; *Philippine National Bank v. Commissioner of Internal Revenue*, G.R. Nos. 242647 & 243814 & 242842-43, March 15, 2022; *The Commissioner of Internal Revenue v. Acesite (Philippines) Hotel Corp.*, G.R. No. 147295, February 16, 2007.

Here, petitioner failed to prove that it is non-stock, non-profit electric cooperative duly registered with the NEA. Notably, the supposed evidence (marked as Exhibit "P-2") purporting to prove such registration with the NEA was not admitted, pursuant to this Court's Resolution dated September 13, 2024.[53] Relative thereto, settled is the rule that the Court shall consider no evidence which has not been formally offered. The purpose for which the evidence is offered must be specified.[54]

Moreover, in his *Answer*,[55] respondent specifically denied petitioner's allegations contained in paragraph 1, (*i.e.* It was issued a Certificate of Registration by the NEA pursuant to PD No. 269),[56] among others, for lack of sufficient knowledge or information to form a belief of the truth thereof.[57]

As such, petitioner cannot validly invoke the permanent income tax exemption granted under Section 39(a) of PD No. 269. Correspondingly, the subject deficiency income tax assessment, including surcharge and interest relative thereto, in the aggregate amount of ₱8,153,399.23, is maintained.

Petitioner is not liable for the compromise penalty imposed.

In the FDDA dated June 23, 2022,[58] the BIR imposed compromise penalties in the aggregate amount of ₱750,000.00, for certain alleged violations committed by petitioner. However, the Court finds that such imposition cannot be sustained.

Under Revenue Memorandum Order No. 7-2015,[59] compromise penalties are only amounts suggested in settlement of criminal liability, and may not therefore be imposed or exacted on the taxpayer in the event that a taxpayer refuses to pay the same. It is

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53 Docket, pp. 336 to 337.
54 Section 34, Rule 132 of A.M. No. 19-08-15-SC (2019 Amendments to the 1989 Revised Rules of Evidence).
55 Docket, pp. 156 to 166.
56 Docket, p. 6
57 Docket, p. 157.
58 Par. 12, Summary of Admitted Facts, JSFI, Docket, p. 230; Exhibit "P-18", Docket, pp. 114 to 126.
59 SUBJECT: The Revised Consolidated Schedule of Compromise Penalties for Violations of the National Internal Revenue Code.

well-settled that this Court has no jurisdiction to compel a taxpayer to pay the compromise penalty because by its very nature, it implies a mutual agreement between the parties in respect to the thing or subject matter that is so compromised, and the choice of paying or not paying it distinctly belongs to the taxpayer.[60] The imposition of the same without the conformity of the taxpayer is illegal and unauthorized.[61] Thus, the said imposition must be cancelled.

WHEREFORE, in light of the foregoing considerations, the present *Petition for Review* is **PARTIALLY GRANTED.**

Accordingly, the BIR's assessment for deficiency income tax, including surcharge and interest, in the aggregate amount of **₱8,153,399.23**, for the TY 2019, is **UPHELD.**

However, the subject compromise penalties being imposed by the BIR totaling **₱125,000.00** are **CANCELLED** and **SET ASIDE**.

Pursuant to Section 13 of RA No. 9282, the Court authorizes respondent to seize and distraint any goods, chattels, or effects, and the personal property, including stocks and other securities, debts, credits, bank accounts, and interests in and rights to personal property, and/or to levy the real property, of petitioner, in sufficient quantity to satisfy the taxes herein ordered to be paid, and the increments thereto incident to delinquency.

SO ORDERED.

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

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60 *The Philippines International Fair, Inc. v. The Collector of Internal Revenue, et al.*, G.R. Nos. L-12928 and L-12932, March 31, 1962.

61 *Commissioner of Internal Revenue v. Lianga Bay Logging Co., Inc., et al.*, G.R. No. L-35266, January 21, 1991.

WE CONCUR:

CATHERINE T. MANAHAN
Associate Justice

HENRY S. ANGELES
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.

CATHERINE T. MANAHAN
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, 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.

MA. BELEN M. RINGPIS-LIBAN
Acting Presiding Justice