

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL THIRD DIVISION

JUSTICE MARIA LOURDES
P.A. SERENO,

Petitioner,

- versus -

COMMISSIONER OF
INTERNAL REVENUE,

Respondent.

CTA Case No. 10793

Members:

RINGPIS-LIBAN*, P.J.,

REYES-FAJARDO, *Chairperson*

and

ANGELES**, JJ.

Promulgated:

AUG 25 2026

2:30 p.m.

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RESOLUTION

REYES-FAJARDO, J.:

In the Decision dated December 26, 2025,¹ it was found that there was no evidence showing that petitioner intentionally filed a false or fraudulent Value-Added Tax (VAT) Return covering the 4th Quarter of Taxable Year (TY) 2005; thus, the Court held that the ordinary three-year prescriptive period for the assessment of internal revenue taxes under Section 203 of the 1997 National Internal Revenue Code (NIRC), as amended applies. By applying the three-year prescriptive period, the Court held that the Bureau of Internal Revenue (BIR) had already lost its right to assess petitioner for deficiency VAT for the 4th Quarter of TY 2005. The assessment was declared barred by prescription, leading to the disposal of CTA Case No. 10793, as follows:

*Designated as Special Member.

** Inhibited.

¹ Docket - Vol. IV, pp. 590 to 603.

...

WHEREFORE, the Petition for Review filed by Justice Maria Lourdes PA. Sereno is **GRANTED**.

Accordingly, the undated FDDA with attached Audit Result/Assessment Notice No. VT-TFS-05-22-001 dated May 14, 2021, and the FLD dated November 5, 2018 issued against petitioner for deficiency VAT assessment in the aggregate amount of ₱2,501,430.67, inclusive of surcharge and interest, for taxable year 2005, are **CANCELLED, REVERSED** and **SET ASIDE**.

SO ORDERED.

In its Motion for Reconsideration (Re: Decision dated 26 December 2025)² filed on February 2, 2026,³ respondent maintains that the Court erred in applying the ordinary three-year prescriptive period under Section 203 of the NIRC, as amended.

Respondent contends that the ten-year extraordinary prescriptive period to assess under Section 222 of the same Code should be applied because there was proof that petitioner willfully filed a false or fraudulent tax return. Specifically, petitioner committed substantial under declaration of sales. Further, respondent likewise points to the 50% surcharge imposed by the BIR for fraud cases as proof that the assessment involved fraud.

In her Opposition (To Respondent's Motion for Reconsideration dated 30 January 2026)⁴ posted on March 18, 2026, petitioner counters that the Court did not err in nullifying the BIR's deficiency VAT assessment covering the 4th Quarter of TY 2015 on the ground of prescription.

The Motion lacks merit.

Contrary to respondent's contention, the ten-year extraordinary period to assess under Section 222(a) of the NIRC, as amended, is inapplicable here.

² Docket - Vol. IV, pp. 3477 to 3473. Motion for brevity.

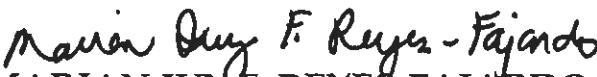
³ Electronically filed on February 3, 2026.

⁴ Docket - Vol. IV, pp. 665 to 685.

*McDonald's Philippines Realty Corporation v. Commissioner of Internal Revenue*⁵ held that among the conditions for application of Section 222(a) of the NIRC, as amended, are: (1) the BIR must explicitly inform the taxpayer in the formal assessment that it is using the ten-year extraordinary prescriptive period to assess under said provision; and (2) if the BIR invokes substantial undeclaration of taxable sales, the taxpayer must be informed of the computation from which such finding was based. As exhaustively discussed in page 11 of the assailed Decision,⁶ the BIR failed to adhere with these two conditions. Further, no proof was adduced to show that petitioner intentionally committed falsity or fraud in filing her 4th Quarter VAT Return.⁷ Therefore, the three-year prescriptive period under Section 203 of the NIRC, as amended, finds application in this case.

ACCORDINGLY, respondent's Motion for Reconsideration is **DENIED** for lack of merit. The Decision dated December 26, 2025 is **AFFIRMED**.

SO ORDERED.


MARIAN IVY F. REYES-FAJARDO
Associate Justice

WE CONCUR:


MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

Inhibited.
HENRY S. ANGELES
Associate Justice

⁵ G.R. No. 247737, August 8, 2023.
⁶ Docket - Vol. IV, p. 600.
⁷ *Id.* At pp. 601-602.