



**REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY**

SPECIAL FIRST DIVISION

CTA CASE NO. 10812

**RACAL CERAMICS BARGAIN
CENTER, INC.,**

Petitioner,

- versus -

NOTICE OF RESOLUTION

**COMMISSIONER OF CUSTOMS,
Respondent.**

To:

ASSISTANT SOLICITOR GENERAL GILBERT U. MEDRANO
ASSOCIATE SOLICITOR II LEANDRO MARI B. MANABAT
ASSOCIATE SOLICITOR II LANZ AIDAN L. OLIVES
ASSOCIATE SOLICITOR II NOE M. BAUTISTA
ASSISTANT SOLICITOR I JACINTO JERICHO D. DELA ROSA IV
Office of the Solicitor General
134 Amorsolo St., Legazpi Village, Makati City

COMMISSIONER OF CUSTOMS
Bureau of Customs
G/F, OCOM Bldg., Muelle de San Francisco
Port Area, Manila

RACAL-ZULUETA & ZULUETA-PLAMERAS LAW OFFICES
Blk 5, Lot 16, Ph. 1, Calliandra St. 1, Greenwoods Village
Brgy. Paliparan 1, Dasmariñas, Cavite

GREETINGS:

You are hereby notified by these presents that on **August 24, 2026**, a Resolution was rendered in the above-entitled case, copy of which is attached hereto.

Quezon City, Philippines, **August 26, 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

RACAL CERAMICS CTA CASE NO. 10812
BARGAIN CENTER, INC.,
Petitioner,

Members:

- versus -

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

COMMISSIONER OF
CUSTOMS,
Respondent.

Promulgated:

AUG 24 2026 10:40 AM

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RESOLUTION

BACORRO-VILLENA, J.:

For the Court's resolution are the following:

1. Petitioner Racal Ceramics Bargain Center, Inc.'s (**petitioner's**) "Motion for Reconsideration (of the Decision promulgated on March 23, 2026)" (**MR**) filed *via* LBC and emailed on 13 April 2026, seeking reconsideration of the Decision promulgated on 23 March 2026 (**assailed Decision**), with respondent Commissioner of Customs's (**respondent's/COC's**) "Comment/Opposition (Re: [MR])" (**Comment**), filed through the Office of the Solicitor General (OSG) *via* email on 23 April 2026 and personally on 28 April 2026; and
2. Petitioner's "Reply (to Respondent's [Comment])" (**Reply**) to respondent's Comment/Opposition, filed *via* LBC and emailed on 15 June 2026.

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The dispositive portion of the assailed Decision states:

...

WHEREFORE, the foregoing premises considered, the instant Petition for Review filed by petitioner Racal Ceramics Bargain Center, Inc. on 17 March 2022 is hereby **DENIED** for lack of merit. Accordingly, respondent Commissioner of Customs's Resolution dated 24 January 2022 is hereby **AFFIRMED**.

SO ORDERED.¹

...

In its MR, petitioner argues that: (1) contrary to the assailed Decision, prescription had already set in because Section 1003² of Republic Act (RA) No. 10863,³ otherwise known as the Customs Modernization and Tariff Act (CMTA), requires importers to keep records only for three (3) years from the date of final payment of duties and taxes or customs clearance, and this three-year period should likewise limit respondent's authority to conduct post-clearance audit and issue an assessment; (2) the Court's interpretation of Section 430⁴ of the CMTA — particularly the phrase "or upon completion of post-clearance audit" — allegedly gives respondent an indefinite and unlimited period to assess, thereby rendering the three-year prescriptive period under Sections 1000 and 1003 of the CMTA, Executive Order No. 46,⁵ series of 2017, and Customs Administrative Order (CAO) No. 01-2019⁶ superfluous; (3) applying the alleged three-year period, respondent's post-clearance audit and assessment covering petitioner's 2016 and 2017 importations were already barred by prescription, considering the evidence allegedly showing the dates of final payment of duties and taxes; (4) the Audit Notification Letter (ANL) was not properly served because petitioner is a corporation and, under the Rules of Court and prevailing jurisprudence on service upon juridical entities, service should have been made only upon its president, managing partner, general manager, corporate secretary, treasurer, in-house

¹ Emphasis in the original text.

² SEC. 1003. *Requirement to Keep Records*.

³ AN ACT MODERNIZING THE CUSTOMS AND TARIFF ADMINISTRATION.

⁴ ...

SEC. 430. *Period of Limitation*. — In the absence of fraud and when the goods have been finally assessed and released, the assessment shall be conclusive upon all parties three (3) years from the date of final payment of duties and taxes, or upon completion of the post clearance audit.

⁵ REVIVING THE POST CLEARANCE AUDIT FUNCTION OF THE BUREAU OF CUSTOMS AND INSTITUTIONALIZING THE FUNCTIONS OF THE FINANCIAL ANALYTICS AND INTELLIGENCE UNIT OF THE DEPARTMENT OF FINANCE.

⁶ Post Clearance Audit and Prior Disclosure Program.

RESOLUTION

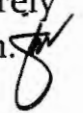
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counsel, or other authorized officer, and not upon the employee who allegedly received it; (5) the ANL was void because it was valid only for thirty (30) days from issuance, and if not properly served within that period, it should have been revalidated; (6) respondent allegedly failed to present competent proof of service of the ANL, since the photographs, ocular documentation and photocopy of the company ID of the alleged recipient were supposedly unverified, unauthenticated, and of no probative value; (7) the Demand Letter was not properly served by electronic mail because the General Customs Questionnaire (GCQ) did not constitute petitioner's consent to electronic service, and respondent allegedly failed to authenticate the questionnaire or prove who prepared, submitted, or signed it; (8) because the Demand Letter was allegedly not validly served, the period to file a motion for reconsideration before respondent did not commence, and petitioner's administrative motion should not have been deemed filed out of time; (9) assuming *arguendo* that the period to seek reconsideration had lapsed, the Court should have relaxed the rules in the interest of substantial justice rather than dispose of the case on technicality; (10) the Court should have taken judicial notice of the ASEAN-China Free Trade Area (ACFTA), as petitioner's importations allegedly originated from China and were covered by ACFTA, under which importations from ACFTA countries are allegedly afforded flexibility on valuation and elimination of tariffs; (11) the disputed assessment was arbitrary because respondent allegedly relied on only one (1) comparable importer with a higher valuation, and respondent's witness supposedly admitted that the rules do not specify the number of importers that should be used for comparative valuation; (12) several documentary exhibits allegedly established the arbitrariness and incorrectness of the assessment, including evidence that duties and taxes were assessed and paid based on the valuation fixed by respondent himself or herself in his or her memorandum, thereby allegedly estopping respondent from later claiming undervaluation; and (13) the Court allegedly failed to consider that petitioner had already been audited and assessed deficiency VAT by the Bureau of Internal Revenue (BIR) for calendar year (CY) 2016, such that the deficiency VAT component of the customs assessment allegedly amounts to double taxation.

Respondent opposes the motion and argues that petitioner merely repleads matters that the Court already considered and passed upon. 

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Petitioner countered with a Reply, insisting that its motion is not a mere rehash and that the assailed Decision allegedly failed to consider material issues on prescription, defective service of the ANL, improper electronic service of the Demand Letter, the ACFTA, respondent's valuation method, the supposed prior BIR assessment for deficiency VAT, and the alleged hearsay character of respondent's evidence.

We resolve.

THE REPLY MAY BE ADMITTED, BUT
IT DOES NOT ALTER THE RESULT.

At the outset, the Court deems it proper to address petitioner's Reply to respondent's Comment.

Under Section 2 of Rule 6 of the Rules of Civil Procedure (**RCP**), as amended, a reply is allowed only if the defending party attaches an actionable document to the answer. A reply is a pleading whose function is to deny or avoid new matters alleged in, or relating to, such actionable document.⁷

In the present case, respondent's Comment did not attach an actionable document. Strictly speaking, therefore, petitioner was not entitled, as a matter of right, to file a reply. In any event, a reply to a comment on a motion for reconsideration is not filed as a matter of course, and its filing rests on the Court's discretion.⁸

Nevertheless, in the exercise of its discretion and in the interest of substantial justice, the Court admits and notes petitioner's Reply. Its admission, however, does not mean that the Court is bound to reconsider the assailed Decision. A reply cannot be used to expand the scope of a motion for reconsideration, introduce belated theories, or relitigate matters already passed upon.⁹ The Court will consider the Reply only to the extent that it addresses respondent's claim that the MR is a mere rehash.

⁷ Rules of Civil Procedure, as amended, Rule 6, Section 10.

⁸ See *Air Philippines Corporation v. Enrico E. Zamora*, G.R. No. 148247, 07 August 2006.

⁹ *Alonzo Gipa v. Southern Luzon Institute*, G.R. No. 177425, 18 June 2014.

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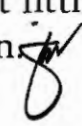
Accordingly, petitioner's Reply is **ADMITTED** and **NOTED**, without prejudice to the Court's finding that the arguments therein do not warrant reconsideration.

THE INSTANT MOTION FOR
RECONSIDERATION PRESENTS NO
SUBSTANTIAL GROUND FOR
RECONSIDERATION.

A motion for reconsideration is not a second appeal, nor is it a vehicle for simply rearguing matters already submitted for decision. Its purpose is to point out material errors of law or fact allegedly committed by the Court, or to present newly discovered evidence which, despite the exercise of reasonable diligence, could not have been produced earlier and would probably alter the judgment.¹⁰ It is filed "to convince the court that its ruling is erroneous and improper, contrary to the law or the evidence."¹¹

Petitioner's MR does not meet this standard.

A careful reading of the MR shows that petitioner substantially reprises the same arguments already raised in its Memorandum: (1) prescription; (2) the alleged defective service of the ANL; (3) the alleged invalidity of electronic service of the Demand Letter; (4) the supposed arbitrary valuation; (5) ACFTA preferential treatment; (6) alleged double taxation; and (7) the claimed lack of competent evidence. These matters were either expressly resolved in the assailed Decision or were no longer necessary to the Court's disposition, the Demand Letter having already attained finality. A motion that merely rehashes arguments already submitted and pronounced without merit does not warrant reconsideration.¹²

Nevertheless, to dispel petitioner's concerns, We find it fitting to further elucidate the factual and legal bases of Our conclusion. 

¹⁰ Rule 37, Section 1, Rules of Civil Procedure, as amended.

¹¹ *Spouses Eloisa Clarito Abayon and Rommil Regenio Abayon v. Bank of the Philippine Islands*, G.R. No. 249684, 29 March 2023.

¹² See *Ortigas & Company Limited Partnership v. Judge Tirso Velasco, et al.*, G.R. No. 109645, 04 March 1996.

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We proceed to address each ground forwarded by petitioner in *seriatim*.

I. PRESCRIPTION DID NOT SET IN.

Petitioner again insists that respondent's authority to conduct post-clearance audit and issue the corresponding deficiency assessment had prescribed. It argues that Section 1003 of the CMTA requires importers to keep records only for three (3) years from final payment of duties and taxes or customs clearance, and that Section 430 should not be read as giving respondent an unlimited period to assess upon the completion of a post-clearance audit.

The argument remains unpersuasive.

Section 1000¹³ of the CMTA authorizes the Bureau of Customs (BOC), within three (3) years from the date of final payment of duties and taxes or customs clearance, as the case may be, to conduct an audit examination, inspection, verification, and investigation of records pertaining to any goods declaration for the purpose of ascertaining the correctness of the goods declaration and determining the liability of the importer for duties, taxes, and other charges, including any fine or penalty. CAO No. 01-2019 implements this authority and provides for the issuance and service of an ANL as part of the conduct of post-clearance audit.

Thus, what the law requires to be done within the three-year period is the commencement or conduct of the post-clearance audit within the statutory period. Here, the ANL was issued on 27 March 2019 and served on 04 April 2019.¹⁴ It covered petitioner's import transactions for the period 27 March 2016 to 27 March 2019. Petitioner also acknowledged, through its subsequent correspondence,¹⁵ the existence

¹³

SEC. 1000. *Audit and Examination of Records.* — Within three (3) years from the date of final payment of duties and taxes or customs clearance, as the case may be, the Bureau may conduct an audit examination, inspection, verification, and investigation of records pertaining to any goods declaration, which shall include statements, declarations, documents, and electronically generated or machine readable data, for the purpose of ascertaining the correctness of the goods declaration and determining the liability of the importer for duties, taxes and other charges, including any fine or penalty, to ensure compliance with this Act.

¹⁴ Exhibit "R-5", Division Docket, Volume II, p. 1126.

¹⁵ Exhibit "R-7", id., p. 1131.

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of the audit and requested an extension to submit documents. On these facts, the post-clearance audit was seasonably initiated.

Petitioner's construction would collapse the statutory audit process into the issuance of the final demand alone. That reading unduly ignores the text of Section 1000 of the CMTA and the operational reality that a post-clearance audit entails several steps: issuance and service of the ANL, request for and examination of records, submission or non-submission of documents, evaluation of available data, preparation of findings, issuance of the Final Audit Report (FAR), and issuance of the Demand Letter upon approval. The governing law could not have intended that a timely commenced audit would be rendered nugatory solely because the audit, through the importer's own non-submission or delayed submission of records, could not be completed before the last day of the three-year period.

Nor does the Court's ruling give respondent an unlimited period to assess. The assailed Decision does not hold that the BOC may commence an audit at any time. It holds only that where the post-clearance audit is timely commenced within the statutory period, the completion of that audit and the resulting assessment are not void merely because the final demand was issued after the date petitioner believes to be the last day of the record-retention period. Any other conclusion would reward delay, frustrate the audit power conferred by the CMTA, and render the phrase "or upon completion of the post clearance audit" in Section 430 of the CMTA inutile.

At any rate, petitioner still failed to discharge its burden to prove prescription. Prescription is an affirmative defense. The party invoking it must establish the date from which the period began to run and the date when it expired.¹⁶ The assailed Decision correctly observed that petitioner relied mainly on Single Administrative Documents (SADs) and bills of lading, but failed to present competent and legible proof of the precise dates of final payment of duties and taxes, such as the relevant Statements of Settlement of Duties and Taxes (SSDTs) or official receipts. Without such proof, petitioner's prescription theory rests on assumption.

¹⁶

See *Commissioner of Internal Revenue v. Marily Development Corporation*, G.R. No. 263794, 02 April 2025.

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The Court, therefore, sustains its ruling that respondent's right to assess was not barred by prescription.

II. THE AUDIT NOTIFICATION
LETTER WAS VALIDLY SERVED.

Petitioner next reiterates that the ANL was not properly served because it was allegedly received by one Janin Tano, whom petitioner claims as a mere cashier and not an authorized corporate officer. It invokes Rule 14 of the RCP, as amended, and argues that the ANL could be served only upon the president, managing partner, general manager, corporate secretary, treasurer, in-house counsel, or other persons named in the rule. It further argues that respondent's evidence of service was unverified, unauthenticated, and lacking in probative value.

The argument again fails.

The service of an ANL in a customs post-clearance audit is not the same as service of summons in an ordinary civil action. Summons is the writ by which a court acquires jurisdiction over the person of a defendant.¹⁷ An ANL is an administrative notice issued pursuant to the CMTA and CAO No. 01-2019 to inform the importer that it has been selected for post-clearance audit and to identify the customs personnel authorized to conduct the audit.¹⁸ While due process requires that the importer be sufficiently notified, the technical rules on service of summons cannot be mechanically imported into administrative audit proceedings in a manner that defeats the specific procedure under customs regulations.

CAO No. 01-2019 requires that the ANL be served upon the importer through any of the prescribed modes, including personal service at the principal place of business.¹⁹ The records show that the ANL was personally served at petitioner's principal place of business, then located at Km. 39 Aguinaldo Highway, Biga 2, Silang, Cavite.²⁰ 

¹⁷ See *Steven R. Pavlow v. Cherry L. Mendenilla*, G.R. No. 181489, 19 April 2017.

¹⁸ CAO No. 01-2019, Par. 5.5.1.b.

¹⁹ Id.

²⁰ Petitioner transferred to "Purok Sal-Ing, Santa Agueda Pamplona Region VII Negros Oriental" on 17 October 2019; Exhibit "P-1", Division Docket, Volume II, p. 691.

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Petitioner does not seriously dispute that the service was made at its business premises. Its objection is directed principally at the recipient.

The Court already considered this matter and found that respondent presented affirmative *indicia* of service, reproducing the relevant portions of the assailed Decision:

...

Here, respondent duly effected personal service of the ANL upon petitioner at its principal place of business then located at "Km. 39 Aguinaldo Highway, Biga 2, Silang, Cavite". Petitioner does not dispute that the service was made at its principal place of business. Its objection is limited solely to the identity and authority of the recipient, Tano, whom it characterizes as a mere cashier allegedly unauthorized to receive such notice. Respondent, however, countered this assertion by presenting photographs showing the actual service of the ANL at petitioner's premises, as well as Tano's employment identification card (ID) reflecting her designation as "OIC."

We find respondent's position well-taken.

In *Mannasoft Technology Corporation v. Commissioner of Internal Revenue*, the Supreme Court, *albeit* during BIR audits, emphasized that the recipient of an assessment notice must possess a certain degree of authority or discretion, capable of grasping the gravity of the service of an assessment notice and the potential financial impact it would have to the taxpayer they purport to serve and represent. This holds especially true for juridical entity taxpayers, such as petitioner, who can only act through its officers and employees, and who would otherwise be prejudiced by such recipient's simple ignorance.

Here, respondent's evidence consists of photographs of the actual service at petitioner's premises and Tano's company ID indicating the designation "OIC". These are affirmative *indicia* that the ANL was received by a person clothed with apparent authority at the place of service. Petitioner's contrary proof, on the other hand, is a mere photocopy of an ID purportedly bearing the designation "cashier", with an indistinct photograph and no competent authentication. Standing alone, such self-serving and equivocal proof cannot prevail over respondent's affirmative evidence of service.

Where proper service is denied or impugned, the burden of evidence shifts to the server to demonstrate compliance with due-

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process requirements for service. Here, respondent discharged that burden through ocular documentation and company ID.

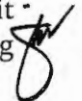
Critically, petitioner never produced Tano to repudiate her authority. Neither did petitioner's witnesses competently establish the absence of such authority at the time of service on 04 April 2019. Atty. Mendoza admitted that he joined petitioner only on 15 November 2021, while Jabrica was employed only on 05 August 2019. Their testimonies, therefore, do not spring from personal knowledge of Tano's employment obtaining at the time the ANL was received, and could not be accorded probative value under Section 22, Rule 130 of the Revised Rules on Evidence (**RRE**). Even if We were to give probative value to Jabrica's testimony, she mentioned that petitioner ultimately received the ANL, to wit:

During direct examination, Jabrica testified that:

...
9. Q - In the discharge of your functions as Accounting Manager, have you come across the discrepancy assessment issued by the Bureau of Customs against Racal Ceramics Bargain Center, Inc.?

A - **Yes, I have. I am among the officers of the corporation which was included and who attended the investigation and meetings** conducted by Atty. Robin Z. Mendoza, Chief, Legal Division of Racal Group of Companies on the matter of the discrepancy assessment issued by the Commissioner of Customs for the year 2016 to 2017.

10. Q - I am showing you the Commissioner of Customs' Resolution dated January 24, 2022 previously marked during the taking of testimony of Robin Z. Mendoza and pre-marked as Exhibit "P-3" during the Commissioner's Hearing of January 30, 2023, the Letter dated December 2, 2021 previously marked during the taking of testimony of Robin Z. Mendoza as Exhibit "D" and pre-marked as Exhibit "P-4" during the Commissioner's Hearing of January 30, 2023; the Details of Assessment dated March 27, 2019 for the period March 28, 2016 to March 27, 2019 previously marked during the taking of testimony of Robin Z. Mendoza as Exhibit "E" and pre-marked as Exhibit "P-5" during



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the Commissioner's Hearing of January 30, 2023, the Details of Discrepancy dated December 2, 2020 previously marked during the taking of testimony of Robin Z. Mendoza as Exhibit "F" and pre-marked as Exhibit "P-6" during the Commissioner's Hearing of January 30, 2023, **the Audit Notification Letter dated March 27, 2019** previously marked during the taking of testimony of Robin Z. Mendoza as Exhibit "I" and pre-marked as Exhibit "P-9" during the Commissioner's Hearing of January 30, 2023, the Disposition form dated December 2, 2020 previously marked during the taking of testimony of Robin Z. Mendoza as Exhibit "G" and pre-marked as Exhibit "P-7" during the Commissioner's Hearing of January 30, 2023, what is the [relation] of these documents to the discrepancy assessment you mentioned?

A - **They are the documents I came across and which was the subject of the investigations and meetings I attended.**

...

During re-cross examination:

...

AS OLIVES:

Madam Witness, I only have one question.

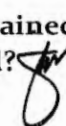
Q. So, considering that you are not aware about the authorized person to receive such documents, letters and notices, but is it also safe to say that once Ms. Janine Tano received the ANL the company was notified that she received the document? [Did] [s]he readily inform the company?

MS. JABRICA:

A. She received the ANL last April 4, 2019 and I was not yet employed during that time, so I don't know how she informed the head office about the said document.

AS OLIVES:

Alright. I see.

Q. **But in the end, the company has gained the knowledge that such ANL was received?** 

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MS. JABRICA:

A. Yes.

...

Even assuming *arguendo* that there was an initial ambiguity in Tano's authority, petitioner's own subsequent dealing with the Audit Team removes such doubt. The records disclose that petitioner, in its Letter dated 10 July 2019, addressed its communication to Reyes, the Audit Team's Team Leader. The First Notice requesting documents, signed by Reyes, was likewise received by Tano. This evinces its awareness of, and acquiescence in, the audit process initiated through the ANL. Corporate acts recognizing the authority of the addressee or of the person who received prior notices operate as ratification of such receipt.

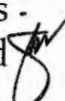
More importantly, petitioner's MR did not advert to any alleged non-receipt or defective service of the ANL. Petitioner remained silent on this supposed infirmity at the earliest opportunity when it could have squarely and seasonably raised the same. It now invokes such ground only before this Court.

Glaringly, notwithstanding the following in the FAR/Disposition Form, duly received by petitioner – "[o]n 4 April 2019, **the ANL was personally served to the Company and duly received by Janin Tano, OIC**", petitioner did not refute the same. Considering that petitioner and respondent were communicating in writing as to the conduct of post clearance audit and petitioner had an interest to object promptly to the existence and/or receipt of the ANL, petitioner's silence then may reasonably be construed as an admission that it received the ANL.

For his or her part, respondent demonstrated the diligence required in serving the ANL upon a corporate taxpayer. Absent clear and convincing evidence to the contrary, public officers are presumed to have regularly performed their duties. Petitioner's bare denial fails to overthrow this presumption.

Perforce, the totality of evidence establishes that service of the ANL upon petitioner was valid and effective.²¹

...

Tellingly, as noted in the assailed Decision, petitioner's subsequent conduct confirms that it became aware of the ANL and 

²¹ Citations omitted and emphasis in the original text.

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participated in the audit process. Petitioner's own witness admitted that petitioner ultimately gained knowledge that the ANL had been received. Petitioner sent a Letter dated 10 July 2019²² seeking extension to submit documents in relation to the audit. It also received and responded to subsequent notices. These acts belie petitioner's claim that it was deprived of due process by the alleged defect in the initial receipt of the ANL.

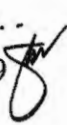
Petitioner's attack on the authentication of respondent's documentary evidence also fails to persuade. The Court admitted respondent's exhibits during trial. Admissibility and probative value are distinct matters,²³ but petitioner has not shown that the Court gravely erred in assigning weight to the documents in light of the totality of the evidence, including petitioner's subsequent acknowledgment of the audit process. Moreover, the Court did not rely on photographs alone. It considered the ANL, the records of the post-clearance audit, petitioner's subsequent correspondence, the testimonies of the parties' witnesses, and the absence of competent contrary proof.

Thus, the Court maintains its ruling that the ANL was validly served and that the audit was not void.

III. REVALIDATION OF THE AUDIT
NOTIFICATION LETTER WAS
UNNECESSARY.

Petitioner also reiterates that the ANL was valid only for 30 days from issuance and, absent revalidation, the audit and assessment were void.

This argument misreads CAO No. 01-2019.

The ANL dated 27 March 2019 was served on 04 April 2019, well within 30 calendar days from issuance. The revalidation requirement becomes material where the ANL is not served within its validity period and must be revalidated before expiry. Here, service was timely made. Revalidation was therefore unnecessary. Moreover, CAO No. 01-2019 

²² Exhibit "R-7", Division Docket, Volume II, p. 1131.

²³ See *People of the Philippines v. Ybo Lastimosa*, G.R. No. 265758, 03 February 2025.

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itself provides the consequence for failure to serve the ANL within the period without proper justification: administrative liability of the customs personnel concerned.²⁴ It does not declare that the entire audit and assessment are void in all cases. Administrative liability of personnel is not equivalent to nullity of the audit, particularly where the importer was actually notified and was able to participate in the proceedings.

IV. ELECTRONIC SERVICE OF THE
DEMAND LETTER WAS VALID.

Petitioner next insists that the Demand Letter was not properly served by email because petitioner allegedly did not consent to electronic service. From this premise, it argues that the period to move for reconsideration before respondent never commenced.

We remain unconvinced.

The Demand Letter was served in an administrative customs proceeding governed primarily by the CMTA and CAO No. 01-2019. Section 5.5.1(e)²⁵ of CAO No. 01-2019 expressly allows service of the Demand Letter through electronic notice sent to the registered official electronic mail address. This is a specific customs rule governing service of demand letters in post-clearance audit proceedings. It prevails over general procedural provisions invoked by petitioner for judicial proceedings.

Petitioner's official email address — racal_ceramics@yahoo.com — appeared in the GCQ²⁶ submitted in connection with the audit. Petitioner did not present the alleged signatory or responsible officer to deny the questionnaire, repudiate the email address, or establish that the email address was unauthorized. Nor did petitioner show that the email was fictitious, inactive, or not used by it. The Demand Letter was sent to the very email address appearing in the audit records.

²⁴ CAO No. 01-2019, Par. 5.5.1.b.

²⁵ SEC. 5. *Post Clearance Audit*. –

...
5.5. Conduct of Post Clearance Audit

...
e. Service of Demand Letter for Payment of Deficiency.

²⁶ Exhibit "R-3", Division Docket, Volume II, pp. 1098-1104.

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Petitioner's claim that the GCQ is "only a questionnaire" and not an express consent to electronic service is unavailing. CAO No. 01-2019 does not require a separate notarized consent to electronic service. It authorizes service through the registered official electronic mail address. An importer that supplies or confirms an official electronic mail address for audit communications cannot later defeat the proceedings by asserting that the address may not be used for the service expressly contemplated by the customs rule.

Even if the Court were to apply by analogy Rule 14 of the Rules of Civil Procedure, as amended, on service by electronic means, petitioner's designation of an official email address in the audit records constitutes sufficient basis to treat electronic service as authorized in the administrative context. The purpose of service is notice. Petitioner does not persuasively show lack of notice. Indeed, petitioner filed an administrative motion for reconsideration, *albeit* beyond the period reckoned from electronic service.

The Demand Letter was emailed on 04 January 2021.²⁷ Under CAO No. 01-2019, petitioner had fifteen (15) calendar days from receipt within which to seek reconsideration or reinvestigation. The MR filed before respondent only on 04 February 2021²⁸ was therefore out of time. The assessment had already attained finality.

This ground alone is sufficient to deny the Petition and the present MR.

V. EQUITY CANNOT REVIVE A
FINAL ASSESSMENT.

Petitioner invokes liberality and the relaxation of procedural rules, arguing that even assuming the period had lapsed, the Court should decide the case on the merits.

The appeal to equity is unavailing. 

²⁷ Exhibit "R-1", id., p. 1091.

²⁸ Exhibit "P-8", id., pp. 732-734.

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Rules on periods are absolutely indispensable to the prevention of needless delays, and to the orderly and speedy discharge of judicial business.²⁹ While courts may relax procedural rules in exceptional circumstances, liberality is not a talisman that automatically excuses non-compliance.³⁰ The party invoking liberality must show compelling reasons, absence of intent to delay, and a meritorious cause.³¹ More importantly, relaxation of procedural rules cannot be used to defeat statutory finality in tax and customs assessments absent a clear showing of denial of due process or patent illegality.

Taxes and customs duties are the lifeblood of the government.³² At the same time, taxpayers are entitled to due process.³³ In this case, the record shows that petitioner was duly notified, was given the opportunity to submit supporting documents, and in fact availed itself of administrative reconsideration. What petitioner seeks is not the vindication of a denied opportunity to be heard, but the reopening of a matter that became final because of its own belated recourse.

Equity aids the vigilant, not those who sleep on their rights by negligence, folly, or inattention.³⁴

VI. PETITIONER'S ASEAN-CHINA
FREE TRADE AREA (ACFTA)
ARGUMENT DOES NOT
OVERTURN THE ASSESSMENT.

Petitioner also argues that the Court should have taken judicial notice of the ACFTA and that ACFTA preferential treatment allegedly afforded flexibility in valuation or reduced tariffs to zero. It claims that respondent improperly compared petitioner's import values with the values of other importers despite ACFTA.

The argument is misplaced. 

²⁹ See *Bureau of Internal Revenue v. Tico Insurance Company, Inc., et al.*, G.R. No. 204226, 18 April 2022.

³⁰ See *Romulo J. Marohomsalic v. Reynaldo D. Cole*, G.R. No. 169918, 27 February 2008.

³¹ See *id.*

³² *Chevron Philippines v. Commissioner of the Bureau of Customs*, G.R. No. 178759, 11 August 2008.
³³ 1987 Constitution, Article III, Section 1.

³⁴ See *Catholic Bishop of Balanga, represented by Crispulo Torrico v. The Hon. Court of Appeals and Amando De Leon*, G.R. No. 112519, 14 November 1996.

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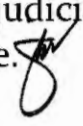
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First, petitioner's liability in this case did not arise merely from the non-application of preferential tariff rates. The assessment arose from a post-clearance audit in which petitioner allegedly failed to give full and free access to its importation and accounting records, thereby preventing verification of the correctness of its declarations and actual payments. The issue was not simply whether the goods came from China or whether ACFTA existed. The issue was whether petitioner sufficiently established that its declarations, values, payments, and claimed treatment were correct and verifiable under customs law.

Second, preferential tariff treatment under a free trade agreement does not exempt an importer from the CMTA's record-keeping requirements, customs valuation rules, audit powers or obligation to substantiate its declarations. Even goods subject to preferential tariff rates remain subject to verification as to origin, classification, value, import documents and compliance with customs laws and regulations. Preferential tariff treatment is not a shield against post-clearance audit.

Third, judicial notice cannot supply evidentiary gaps. Courts may take judicial notice of matters of public knowledge, official acts and laws or treaty commitments when proper.³⁵ However, judicial notice of the existence of ACFTA does not prove petitioner's entitlement to a particular tariff treatment for each import entry, nor does it prove the correctness of petitioner's declared values, the authenticity and completeness of its import documents, the actual payments to suppliers, or compliance with the conditions for preferential treatment.

Fourth, petitioner has not demonstrated how ACFTA legally prohibits respondent from resorting to the customs valuation methods under the CMTA **when the importer fails to provide sufficient records**. The CMTA provides sequential valuation methods,³⁶ including transaction value of identical goods, where the transaction value of the imported goods cannot be determined or verified. Petitioner's broad invocation of ACFTA does not displace the statutory valuation framework. Thus, even assuming that the Court takes judicial notice of ACFTA's existence, that fact does not alter the outcome. 

³⁵ Revised Rules on Evidence, as amended, Rule 129, Section 1.

³⁶ CMTA, Section 700.

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Assuming further, for the sake of argument, that petitioner's importations are entitled to ACFTA preferential treatment, petitioner cannot ask this Court to apply ACFTA at first instance based on documents it never submitted for verification during the post-clearance audit. It is undisputed that petitioner failed to produce complete importation records and did not give full and free access to its books of account and importation documents, thereby constraining respondent to use whatever available data the BOC had — including the valuation of comparable importations — to determine petitioner's liability. Having failed to cooperate during the audit, petitioner now asks this Court to receive and appreciate its importation documents for the first time on appeal, and to apply ACFTA preferential treatment without prior administrative determination by the BOC.

This cannot be countenanced.

Under the doctrine of primary administrative jurisdiction, courts will not resolve a controversy involving a question within the special competence of an administrative tribunal, where the issue demands the exercise of sound administrative discretion and the tribunal's special knowledge, experience and expertise in resolving technical and intricate factual matters.³⁷ The determination of whether particular import entries qualify for ACFTA preferential treatment — involving verification of certificates of origin, compliance with the operational certification procedures and the correct classification and valuation of goods under the applicable rules of origin — is a matter that falls squarely within the primary administrative jurisdiction and technical competence of the BOC. Courts will refrain from exercising jurisdiction until these matters have been passed upon by the administrative agency in the first instance.

Inseparable from this is the doctrine of exhaustion of administrative remedies, which requires that where an administrative remedy is available, relief must first be sought from the administrative body before a party may resort to the courts.³⁸ Petitioner's failure to present the relevant importation documents during the post-clearance audit deprived respondent of the opportunity to rule on petitioner's

³⁷ *Republic of the Philippines v. Carlito Lacap*, G.R. No. 158253, 02 March 2007.

³⁸ *Commissioner of Internal Revenue v. Court of Tax Appeals (First Division) and Pilipinas Shell Petroleum Corporation, et al.*, G.R. No. 210501, 15 March 2021.

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entitlement to ACFTA treatment in the first instance. Petitioner cannot bypass the administrative process by withholding its records from the BOC and then invoking ACFTA for the first time on appeal. The rule on exhaustion of administrative remedies exists to allow the administrative agency to correct itself, to develop a complete factual record, and to apply its specialized expertise before judicial review is sought.

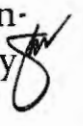
Here, petitioner had every opportunity to present its documents to the BOC during the post-clearance audit but chose not to fully cooperate. Its belated invocation of ACFTA before this Court, without prior administrative determination, is therefore a clear violation of the doctrines of primary jurisdiction and exhaustion of administrative remedies.

VII. THE CHALLENGE TO
RESPONDENT'S VALUATION
METHOD IS NOT PERSUASIVE.

Petitioner further argues that respondent's assessment was arbitrary because it relied on the higher value of another importer and because respondent's own witness supposedly admitted that the rules do not specify the number of comparable importers required.

We are not persuaded.

Respondent's witness, i.e., Atty. Maria Minerva B. Aldave's (Atty. Aldave's) testimony, taken as a whole, does not amount to an admission that the assessment is void. Atty. Aldave explained that respondent used available data involving goods with the same harmonized system (HS) Code, country of origin, supplier, or relevant import parameters within the same timeframe. The fact that the Court probed the method during hearing does not mean that respondent's valuation was legally baseless.

The Court agrees that customs valuation must be reasonable, evidence-based and consistent with the statutory sequence. But petitioner, as importer, had the primary ability and obligation to produce the records necessary to verify its declared transaction values. Its failure to provide complete records justified resort to other valuation methods. Petitioner cannot withhold or fail to produce the very 

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documents needed to verify its declarations and then assail respondent for using available comparative data.

Neither can petitioner rely on respondent's reference value memorandum as an estoppel against the government. A reference value or internal valuation benchmark does not conclusively bind the BOC in a later post-clearance audit where the issue is whether the importer's declarations and actual payments are supported by complete and verifiable records. Estoppel generally does not lie against the State in the exercise of taxing or customs powers,³⁹ especially where public revenues are involved and where the alleged reliance would prevent the government from enforcing the law.

VIII. THE ALLEGED PRIOR BUREAU
OF INTERNAL REVENUE (BIR)
ASSESSMENT DOES NOT
ESTABLISH DOUBLE TAXATION.

Petitioner again asserts that it had already been audited and assessed deficiency value-added tax (VAT) by the BIR for 2016, making the customs VAT assessment tantamount to double taxation.

The argument remains unsupported.

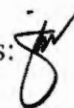
The assailed Decision held correctly that respondent has authority under the CMTA to determine liability for taxes on importation, including VAT on importation, in connection with post-clearance audit, to wit:

...

Petitioner asseverates that respondent has no authority to assess deficiency VAT on importations, arguing that such power exclusively lies with the BIR, with respondent acting merely as collecting agent.

Likewise, petitioner's contention fails.

Pertinent provisions of the CMTA are as follows:



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...
SECTION 102. *Definition of Terms.* — As used in this Act:

...
(f) *Assessment* refers to the process of determining the amount of duties and **taxes** and other charges **due on imported and exported goods**;

...
(oo) *Taxes* refer to **all taxes, fees and charges imposed under this Act and the National Internal Revenue Code (NIRC) of 1997, as amended, and collected by the [Bureau of Customs]**;

TITLE X
Post Clearance Audit

SECTION 1000. *Audit and Examination of Records.* — Within three (3) years from the date of final payment of duties and taxes or customs clearance, as the case may be, the Bureau may conduct an audit examination, inspection, verification, and investigation of records pertaining to any goods declaration, which shall include statements, declarations, documents, and electronically generated or machine readable data, for the purpose of ascertaining the correctness of the goods declaration and **determining the liability of the importer for duties, taxes and other charges, including any fine or penalty**, to ensure compliance with this Act.

These provisions speak in terms too clear to be misunderstood. Respondent is empowered to determine the importer's liability for taxes related to the importation, which necessarily includes VAT on importations. The authority to collect necessarily carries with it the authority to determine, assess and, when warranted, reassess the proper amount due. To construe otherwise would weaken the very audit and enforcement powers expressly conferred by law upon respondent.

The Supreme Court has spoken on this matter in *Commissioner of Customs, et al. v. Air Philippines Corporation (APC)*, to wit:

...
The foregoing, however, shall be without prejudice to the provisions of the CMTA, which **now allow the BOC to decide on protests of national internal revenue tax assessments** which were made: (a) prior to the clearance **of imported goods**; and (b) **pursuant to the conduct of a post clearance audit of records under Title X of the CMTA**. Nevertheless, it is clear that during the period after the effectivity of the NIRC in 1998, but before the effectivity of the CMTA in 2016, the venue for protests of assessments of **all** internal revenue taxes was exclusively with the BIR.

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...

Clearly from the foregoing, respondent has the authority to impose deficiency VAT on petitioner's importations for the subject audit period, i.e., 27 March 2016 to 27 March 2019.

Ineluctably, respondent possessed the authority to assess deficiency VAT on petitioner's importations during the period in question. The law grants this authority and the Court is not at liberty to diminish what the statute has plainly conferred.⁴⁰

...

Petitioner failed to present sufficient competent evidence establishing identity of subject matter, taxable event, tax, taxing authority, period and purpose.⁴¹ Its bare allegation that it had already been assessed by the BIR for deficiency VAT, coupled with a mere computation sheet⁴² unsupported by the corresponding proof of payment or settlement, does not defeat the BOC's authority to assess VAT on importation under the CMTA.

IX. PETITIONER'S HEARSAY
ARGUMENT DOES NOT JUSTIFY
RECONSIDERATION.

In its Reply, petitioner invokes jurisprudence on hearsay evidence and argues that the Court considered hearsay because respondent's witnesses allegedly had no personal knowledge of the conduct of the audit or the service of documents.

Again, We remain unpersuaded.

First, respondent's witnesses testified on matters within their functions and participation, including the preparation, review, recommendation, and transmittal of audit findings and demand documents based on official records in their custody or within their office. Official records and entries made in the performance of duty are recognized exceptions to the hearsay rule when properly presented.⁴³

⁴⁰ Citations omitted and emphasis in the original text.

⁴¹ See *La Suerte Cigar & Cigarette Factory v. Court of Appeals and Commissioner of Internal Revenue, et al.*, G.R. No. 125346, 11 November 2014.

⁴² Exhibit "P-11", Division Docket, Volume II, p. 737.

⁴³ Revised Rules on Evidence, as amended, Rule 130, Section 45.

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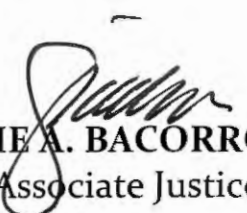
Second, the Court did not base the assailed Decision solely on testimonial recollection of respondent's witnesses. It considered the documentary record, petitioner's own admissions and subsequent acts, the ANL, notices, GCQ, FAR/Disposition Form, Demand Letter, correspondence and the testimonies of both parties. Petitioner's own witnesses supplied material facts adverse to its position, including petitioner's ultimate knowledge of the ANL and the lack of personal knowledge of certain witnesses regarding events in April 2019.

Third, petitioner's reliance on hearsay doctrine cannot overcome the decisive procedural fact that the Demand Letter was served by email on 04 January 2021 and petitioner's administrative motion was filed only on 04 February 2021. Nor does it overcome petitioner's failure to prove prescription or the alleged invalidity of the ANL by clear and convincing evidence.

In view of the foregoing disquisition, the Court discerns no compelling ground to disturb, much less reverse, the assailed Decision.

WHEREFORE, premises considered, petitioner Racal Ceramics Bargain Center, Inc.'s "Motion for Reconsideration (of the Decision promulgated on March 23, 2026)" filed *via* LBC and emailed on 13 April 2026, is hereby **DENIED** for lack of merit.

SO ORDERED.


JEAN MARIE A. BACORRO-VILLENA
Associate Justice

I CONCUR:


LANEE S. CUI-DAVID
Associate Justice