

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
Quezon City

Special Second Division

THE EUROPEAN HAIR
FACTORY, INC.,

Petitioner,

CTA CASE NO. 10534

Members:

- versus -

RINGPIS-LIBAN, P.J., *Chairperson*
MODESTO-SAN PEDRO, *and*
FERRER-FLORES, *Jl.*

COMMISSIONER OF INTERNAL
REVENUE,

Respondent.

Promulgated:

SEP 15 2026

H. STAM

x-----x

RESOLUTION

RINGPIS-LIBAN, P.J.:

Submitted before this Court is respondent's **Motion for Reconsideration (Re: Decision promulgated on 27 January 2026)** filed on February 11, 2026, without petitioner's comment as per Records Verification dated May 21, 2026.

On January 27, 2026, the Court promulgated a Decision, cancelling respondent's deficiency income tax, value-added tax (VAT), expanded withholding tax (EWT), documentary stamp tax (DST) assessments, and compromise penalties against petitioner for taxable year 2014, on the ground that the revenue officer who conducted the audit/investigation was not duly authorized by a Letter of Authority (LOA), the dispositive portion of the assailed Decision reads as follows

"ACCORDINGLY, in light of the foregoing considerations, the present *Petition for Review* is **GRANTED.**

For being void, the FAN dated January 5, 2018, assessing petitioner of deficiency income tax, VAT, EWT, DST, and

compromise penalties for taxable year 2014, is **CANCELLED** and **SET ASIDE**.

Furthermore, the FDDA dated February 26, 2021, assessing petitioner for deficiency income tax, VAT, EWT, DST, and compromise penalties in the total amount of **Php19,703,825.16** inclusive of interests and surcharges, for taxable year 2014, is **REVERSED, CANCELLED** and **SET ASIDE**.

SO ORDERED.”

In his Motion, respondent argues that the Court erred in ruling that the deficiency assessments are void due to lack of LOA, contending that his revenue officer (RO) was duly authorized to continue the audit/investigation of petitioner's books of accounts and other accounting records. Respondent expounds that Revenue Memorandum Order (RMO) No. 8-2006,¹ provides that in cases of resignation/retirement or transfer of both RO and Group Supervisor (GS) to another Revenue Region, the case shall be reassigned to another RO under the supervision of another GS within the same Revenue District Office through a *memorandum* to continue the audit examination. Respondent asserts that the said RMO remains a valid regulation, in full force and effect, as this was never revoked. As such, respondent maintains that the Memorandum of Assignment (MOA) issued to RO Grace N. Nario-Mangubat to continue the audit examination of petitioner is proper.

Respondent explains that a RMO is an issuance directed to Bureau of Internal Revenue (BIR) personnel containing directives or instructions outlining procedures, techniques, methods, processes, operations, activities, workflow and the like which are necessary to carry out programs or to achieve policy goals and objectives, and that the same cannot in any case grant any vested right to any taxpayer over any particular work procedure, which procedure is internal to the BIR. Thus, respondent insists that the MOA that was subsequently issued derived its authority from the originally issued LOA, and the MOA is merely for the continuation of audit which was already authorized and initiated under the said LOA.

Respondent further argues that an LOA is not an “authorization letter” of ROs, as it is issued to taxpayers and not to the RO. Accordingly, the LOA was issued to inform the taxpayer that the conduct of audit was authorized by the Commissioner of Internal Revenue (CIR). Once served, any duly authorized RO may now conduct audit not because of, but rather, “pursuant” to such LOA. Thus, respondent submits that the RO's authority to conduct audit may be included in the letter or in any other document issued by the

¹ SUBJECT: Prescribing Guidelines and Procedures in the Implementation of the Letter of Authority Monitoring System (LAMS).

Commissioner or his duly authorized representative (*i.e.*, memorandum, referral memorandum and/or MOA).

After due consideration, the Court finds respondent's Motion for Reconsideration bereft of merit.

With emphasis, the Court reiterates that an LOA is required in order for a revenue officer to continue the audit investigation of the books of accounts and other accounting records of a taxpayer, and eventually to assess the latter of should there be any deficiency taxes found. As extensively discussed by the Supreme Court in *Commissioner of Internal Revenue v. McDonald's Philippines Realty Corp.*,² the practice of substituting or replacing the ROs, who are originally authorized officers named in the LOA with new ROs to continue the tax audit or investigation, without a separate or amended LOA, violates the taxpayer's right to due process in tax audit or investigation. The said practice usurps the statutory power of the CIR or his duly authorized representative to grant the power to examine the books of account of a taxpayer, and does not comply with existing BIR rules and regulations on the requirement of an LOA.

Herein, the BIR, through Revenue District Officer (RDO) Venus T. Gaticales, issued the subject MOA No. 057-LA-00133-6/9/2017 dated June 9, 2017,³ to RO Nario-Mangubat to continue the audit investigation of petitioner's books of accounts due to the transfer of the previously assigned ROs, RO Samera Lalia and GS Emily Singson. However, as held in the assailed Decision, the MOA, referral memorandum, or any equivalent document is **not** proof of the existence of authority of the substitute or replacement revenue officer concerned. Notice of the fact of reassignment and transfer of cases is one thing; proof of the existence of authority to conduct an examination and assessment is another thing. Verily, an LOA is not a general authority to any revenue officer. It is a special authority granted to a particular revenue officer to conduct the audit examination of a particular taxpayer for a particular period. Correspondingly, without the authority of a new LOA, RO Nario-Mangubat's examination of petitioner's accounting records for the period from January 1, 2014 to December 31, 2014 is rendered null and void.

In the same vein, when RDO Gaticales issued the subject MOA, she, in effect, usurped the statutory power of respondent and his duly authorized representative, OIC-Regional Director Albino M. Galenza, by amending or modifying the original LOA issued by a BIR official who is higher in rank than her. It is equally bears emphasizing that the subsequent issuance of a new LOA, *i.e.*, eLA201200049826/LOA-057-2019-00000279 dated September 9, 2019, reflecting RO Nario-Mangubat's name does not cure the assessments' nullity, as the same was only issued after the issuance of the Preliminary Assessment Notice (PAN) dated December 11, 2017 and Formal Letter of

² G.R. No. 242670, May 10, 2021.

³ Exhibit "R-2", BIR Records (Exhibit "R-12"), p. 490.

Demand and Audit Results/Assessment Notices (FLD/FAN) dated January 5, 2018.⁴ Consequently, the result of the said audit/investigation in finding petitioner liable for deficiency income tax, VAT, WTC, EWT, DST, and compromise penalties, are void. Indeed, being a void assessment, the same bears no fruit.⁵ For the foregoing reasons, the subsequently issued Final Decision on Disputed Assessment (FDDA) dated February 26, 2021 is similarly void.

As to petitioner's insistence that the issuance of a MOA would be sufficient to clothe RO Nario-Mangubat with authority to continue the examination of petitioner's books of accounts and other account accounting records pursuant to RMO No. 8-2006, the Supreme Court had the opportunity to address the same in the cases of *Commissioner of Internal Revenue v. Manila Medical Services, Inc.*⁶ and *Republic of the Philippines v. Robigie Corporation*,⁷ wherein High Court affirmed the necessity of issuing a new LOA in cases of reassignment or transfer of ROs, to wit:

“Clearly, the ‘one LOA per taxable year’ rule is not as ironclad as the Republic portrays it to be. Part IV.D., Item 2 of RMO No. 8-2006 authorizes the issuance of duplicate LOAs, subject to the CIR's discretion to determine which of the two LOAs shall prevail. Obviously, when a tax investigation is reassigned to a different RO pursuant to the mandatory ‘rotation’ of assessment officers under Section 17 of the NIRC, or for any other legally justified reason, the CIR or his/her duly authorized representatives may issue a new LOA to the newly assigned RO, and such LOA can be made to prevail over the LOA issued to the previous investigating officer. Since the CIR's power to issue a LOA is delegable, the concomitant power to uphold the validity of a subsequently issued duplicate LOA is likewise delegable to the CIR's duly authorized representatives, as enumerated in RMO No. 43-90. **Stated differently, RMO No. 8-2006 does not prohibit the issuance of a new LOA within the same taxable period if such new LOA is necessitated by the reassignment, retirement, or other inability of the incumbent RO to continue an investigation.** The BIR official who will issue the new LOA also has the power to make it prevail over the old, previously issued LOA, subject of course to the control and regulation of the CIR as the statutorily designated tax investigator. It must be noted that Section 13 of the NIRC, in providing for the LOA as the mode of delegation of the CIR's investigatory powers to the ROs, likewise gave the CIR the power to regulate

⁴ Pars. 3f and 3g, Summary of Admitted Facts, Joint Stipulation of Facts and Issues (JSFI), Docket – Volo. IV, p. 1632.

⁵ *Himlayang Pilipino Plans, Inc. v. Commissioner of Internal Revenue*, G.R. 241848, May 14, 2021.

⁶ G.R. No. 255473, February 13, 2023.

⁷ G.R. No. 260261, October 3, 2022.

and define the parameters for the issuance of LOAs. The ‘one LOA per taxable year’ rule under RMO Nos. 8-2006 and 43-90 is an example of such a regulation; and such regulation is only valid insofar as it is consistent with the provisions of the NIRC.”
(Emphasis and underscoring added)

In view of the foregoing disquisitions, there being no new matter or substantial issue raised by respondent in his Motion for Reconsideration, the Court finds no compelling reason to reverse or modify the conclusions reached in the Decision promulgated on January 27, 2026.

WHEREFORE, premises considered, respondent’s Motion for Reconsideration (Re: Decision promulgated on 27 January 2026) is **DENIED** for lack of merit.

SO ORDERED.

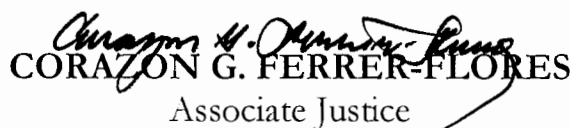


MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

We Concur:



MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice



CORAZON G. FERRER-FLORES
Associate Justice