

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL THIRD DIVISION

TOWER CLUB, INC.,

Petitioner,

CTA Case No. 10982

Members:

- versus -

REYES-FAJARDO, *Chairperson,*
ANGELES, *and*
CENTENO-DIJAMCO,¹II.

COMMISSIONER OF
INTERNAL REVENUE,
Respondent.

Promulgated:

SEP 25 2026

8:58 a.m.

x-----x

DECISION

REYES-FAJARDO, J.:

This Petition for Review, filed on September 19, 2022, seeks the cancellation of petitioner's alleged deficiency income tax, value-added tax (VAT), expanded withholding tax (EWT), and withholding tax on compensation (WTC) for calendar year (CY) 2016, totaling ₱18,168,880.92, inclusive of interest,² and the nullification of the Warrants of Garnishment (WG)³ issued in connection therewith.

FACTS

Petitioner Tower Club, Inc. is a domestic corporation duly organized by virtue of Philippine law,⁴ with address at 33rd & 34th Floors Philamlife Tower 8767 Paseo de Roxas, Makati City, Metro

¹ Designated as Special Member of the Special Third Division per Memorandum dated September 17, 2026.

² Statement of the Case, Pre-Trial Order dated November 29, 2023, Docket - Vol. III, pp. 1066 to 1067.

³ WG No. RR8A-WG-2022-8-401-07 dated August 8, 2022 and WG No. RR8A-WG-2022-8-401-09 dated August 8, 2022.

⁴ Exhibit "P-5" and "P-6," Docket - Vol. II, pp. 432 to 446.

Manila.⁵ It is registered with the Bureau of Internal Revenue (BIR) with Taxpayer Identification Number 207-434-425-000.⁶ Petitioner's corporate existence was shortened until January 31, 2022,⁷ by virtue of its amended articles of incorporation (AOI), approved by the Securities and Exchange Commission on October 13, 2020.⁸

Respondent is sued in his official capacity, having been duly appointed and empowered to perform the duties of his office.⁹

On September 7, 2017, petitioner received the Letter of Authority (LOA) No. AUDM35/014400/2017 (eLA201500084323) dated August 30, 2017, authorizing Revenue Officer (RO) Gerald Guevara (Guevara) and Group Supervisor (GS) Josalyn Tan (Tan) to examine petitioner's books of accounts and other accounting records for all internal revenue taxes for the period from January 1, 2016 to December 31, 2016.¹⁰

On November 7, 2019, petitioner received respondent's Preliminary Assessment Notice (PAN), with Details of Discrepancies, dated November 5, 2019, to which petitioner filed its Reply dated November 21, 2019, on November 22, 2019.¹¹

On January 21, 2020, petitioner received respondent's Formal Letter of Demand (FLD), with Details of Discrepancies, dated January 14, 2020, containing the following deficiency tax assessments, including surcharge and interest, to wit: ¹²

TAX TYPE	BASIC TAX	INTEREST	TOTAL
INCOME TAX	9,135,273.51	3,704,040.55	12,839,314.06
VAT	1,713,517.13	769,885.60	2,483,402.73
EWT	1,228,840.61	558,853.14	1,787,693.75
WTC	722,939.75	328,779.13	1,051,718.88
TOTAL	12,800,571.00	5,361,558.42	₱18,162,129.42

⁵ Par. 1, Summary of Admitted Facts, Joint Stipulation of Facts and Issues (JSFI), Docket - Vol. III, p. 1067.
⁶ Par. 4, Summary of Admitted Facts, JSFI, Docket - Vol. III, p. 1068.
⁷ Exhibit "P-8-1," Docket - Vol. II, p. 452.
⁸ Exhibit "P-7," Docket - Vol. II, pp. 447 to 449.
⁹ Par. 3, Summary of Admitted Facts, JSFI, Docket - Vol. III, p. 1067.
¹⁰ Par. 5, Summary of Admitted Facts, JSFI, Docket - Vol. III, p. 1068.
¹¹ Exhibits "P-13" and "P-13-1," Docket - Vol. II, pp. 473 to 478; Par. 9, Summary of Admitted Facts, JSFI, Docket - Vol. III, p. 1069.
¹² See par. 4, Admitted Facts, JSFI, Docket - Vol. I, p. 334.

On February 17, 2020, petitioner then filed its protest dated February 14, 2020.¹³

On April 20, 2021, Regional Director of Revenue Region No. 8A-Makati City, Maridur V. Rosario (RD Rosario) issued a Final Decision on Disputed Assessment (FDDA) dated April 20, 2021.¹⁴

On August 22, 2022,¹⁵ petitioner received a letter from the Bank of the Philippine Islands – Ayala Paseo Branch dated August 19, 2022,¹⁶ stating that, in compliance with the Notice of Garnishment dated August 19, 2022, served on the bank, they have delivered the amount of ₱9,781,503.35 to BIR.

On September 19, 2022, petitioner filed its Petition for Review (with Urgent Motion to Lift Garnishment and to Suspend the Collection of Taxes and Dispense with the Payment of Bond).¹⁷

On March 31, 2023,¹⁸ the Court issued a Resolution granting petitioner's Urgent Motion, ordered respondent to lift WOG Nos. RR8A-WG-2022-8-401-07 and RR8A-WG-2022-8-401-09, both dated August 8, 2022, and dispensed with the bond.

On January 17, 2023, respondent posted his Answer.¹⁹

On September 6, 2023, the Pre-Trial Conference was set and held.²⁰

On September 22, 2023, the parties submitted their Joint Stipulation of Facts and Issues,²¹ which was approved by the Court in a Resolution dated September 28, 2023.²² The Pre-Trial Order dated November 29, 2023 was then issued.²³

¹³ Exhibits "P-15" and "P-15-1," Docket – Vol. II, pp. 490 to 495; Par. 9, Summary of Admitted Facts, JSFI, Docket – Vol. III, p. 1069.

¹⁴ Exhibits "R-14," BIR Records (Exhibit "R-1"), pp. 725 to 727.

¹⁵ Exhibits "P-2-2," Docket – Vol. I, p. 99.

¹⁶ Exhibits "P-2," Docket – Vol. I, p. 99.

¹⁷ Docket – Vol. I, pp. 8 to 62.

¹⁸ Docket – Vol. III, pp. 927 to 938.

¹⁹ Docket – Vol. II, pp. 872 to 905.

²⁰ Notice of Resetting dated June 14, 2023, Docket – Vol. III, p. 967; and Minutes of the hearing held on September 6, 2023, Docket – Vol. III, p. 1029.

²¹ Docket – Vol. III, pp. 1033 to 1052.

²² Docket – Vol. III, p. 1053.

²³ Docket – Vol. III, pp. 1066 to 1081.

Trial ensued.

Petitioner presented Ms. Krizfer Jane Gella,²⁴ the custodian of its corporate tax records, as its witness.

On July 1, 2024, petitioner filed its Formal Offer of Evidence,²⁵ to which respondent filed his Comment on July 11, 2022.²⁶ By Resolution dated September 25, 2024,²⁷ the Court admitted all of petitioner's offered exhibits.

Respondent then presented: (1) RO Gerald A. Guevara;²⁸ and (1) RO Jemylee D.G. Balbin,²⁹ as his witnesses.

On February 7, 2025, respondent filed his Formal Offer of Evidence,³⁰ to which petitioner filed its Comment on February 24, 2025.³¹ By Resolution dated July 18, 2025,³² the Court admitted all of respondent's offered exhibits.

On August 27, 2025, petitioner filed its Memorandum,³³ while respondent posted a Manifestation, instead of submitting a memorandum on August 28, 2025.³⁴

On September 12, 2025, the present case was submitted for decision.³⁵

ISSUE

1. Is petitioner liable for the alleged deficiency income tax, value-added tax, expanded withholding tax and withholding tax on compensation for the taxable year 2016 in the total amount of Eighteen Million One Hundred Sixty

²⁴ Exhibit "P-64," Docket - Vol. III, pp. 1130 to 1161; Minutes of the hearing held on, and Order dated, June 6, 2023, Docket - Vol. III, pp. 1163 to 1165.

²⁵ Docket - Vol. III, pp. 1175 to 1191.

²⁶ Docket - Vol. III, pp. 1195 to 1197.

²⁷ Docket - Vol. III, pp. 1203 to 1204.

²⁸ Exhibit "R-18," Docket - Vol. III, pp. 977 to 991; Minutes of the hearing held on, and Order dated, January 23, 2025, Docket - Vol. III, pp. 1209 to 1211.

²⁹ Exhibit "R-19," Docket - Vol. III, pp. 1016 to 1022; Minutes of the hearing held on, and Order dated, January 23, 2025, Docket - Vol. III, pp. 1209 to 1211.

³⁰ Docket - Vol. III, pp. 1216 to 1224.

³¹ Docket - Vol. III, pp. 1230 to 1233.

³² Docket - Vol. III, pp. 1241 to 1242.

³³ Docket - Vol. III, pp. 1243 to 1295.

³⁴ Docket - Vol. III, pp. 1300 to 1302.

³⁵ Resolution dated September 12, 2025, Docket - Vol. III, p. 1307.



Eight Thousand Eight Hundred Eighty and 92/100 Pesos (₱18,168,880.92), inclusive of interests?

2. Has the assessment become final and executory?³⁶

ARGUMENTS

Petitioner avers that: (1) the Court acquired jurisdiction over the appeal; (2) the WGs issued by respondent are void; (3) the revenue officers who conducted the audit lack valid authority; (4) FDDA was not properly served; (5) respondent failed to consider petitioner's reply to PAN; and (6) respondent's right to assess has already prescribed.

Respondent counters that: (1) petitioner lacks legal capacity to sue; (2) the FDDA was validly served, and petitioner's failure to appeal within the statutory period rendered the assessments final, executory, and demandable; and (3) petitioner is liable for deficiency income tax, VAT, EWT, and WTC for CY 2016 totaling ₱18,168,880.92, inclusive of interest.

RULING

We grant the Petition.

Foremost. We are vested with jurisdiction over the instant case.

Section 7(a)(1) of Republic Act (RA) No. 1125,³⁷ as amended by RA No. 9282,³⁸ reads:

SEC. 7. Jurisdiction. - The CTA shall exercise:

(a) **Exclusive appellate jurisdiction to review by appeal,**
as herein provided:

³⁶ Stipulation of Issues, JSFI, Docket - Vol. III, p. 1069.

³⁷ AN ACT CREATING THE COURT OF TAX APPEALS.

³⁸ AN ACT EXPANDING THE JURISDICTION OF THE COURT OF TAX APPEALS (CTA), 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.

(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;**

...³⁹

Section 3(a)(1), Rule 4 of the Revised Rules of the Court of Tax Appeals⁴⁰ elucidated that the CTA in Division has jurisdiction over respondent, or his authorized representative's decision or action involving other matters arising from the NIRC, as amended, *inter alia*. One of the matters set forth in Section 2 of the same Code is the BIR's authority to collect all national internal revenue taxes, fees, and charges.⁴¹ This includes the issuance of the rules, regulations, and measures in pursuit thereof,⁴² including garnishment of bank accounts, mentioned in Section 208⁴³ of the same Code. In addition, Section 11 of RA No. 1125, as amended by RA No. 9282, commands that an appeal thereon must be taken by the aggrieved party within thirty (30) days from notice:

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.**

...⁴⁴

³⁹ Emphasis ours.

⁴⁰ A.M. No. 05-11-07-CTA.

⁴¹ **SEC. 2. Powers and Duties of the Bureau of Internal Revenue.** - The Bureau of Internal Revenue shall be under the supervision and control of the Department of Finance and its powers and duties shall comprehend the assessment and **collection of all national internal revenue taxes, fees, and charges**, and the enforcement of all forfeitures, penalties, and fines connected therewith, including the execution of judgments in all cases decided in its favor by the Court of Tax Appeals and the ordinary courts...

⁴² See *Commissioner of Internal Revenue v. Bank of the Philippines Islands*, G.R. No. 227049, September 16, 2020.

⁴³ **Section 208. Procedure for Dstraint and Garnishment.** - The officer serving the warrant of dstraint shall make or cause to be made an account of the goods, chattels, effects or other personal property dstrained, a copy of which, signed by [himself/herself], shall be left either with the owner or person from whose possession such goods, chattels, or effects or other personal property were taken, or at the dwelling or place of business of such person and with someone of suitable age and discretion, to which list shall be added a statement of the sum demanded and note of the time and place of sale.

...

Bank accounts shall be garnished by serving a warrant of garnishment upon the taxpayer and upon the president, manager, treasurer or other responsible officer of the bank. Upon receipt of the warrant of garnishment, the bank shall turn over to the Commissioner so much of the bank accounts as may be sufficient to satisfy the claim of the Government.

⁴⁴ Emphasis supplied.

Here, petitioner was notified of the existence of the WOG on August 22, 2022.⁴⁵ It therefore had thirty (30) days therefrom, or until September 21, 2022, within which to seek judicial redress. Timely enough, petitioner filed its Petition for Review on September 19, 2022,⁴⁶ which clothed Us with jurisdiction over CTA Case No. 10982.

Respondent argues that We have no jurisdiction over CTA Case No. 10982 as petitioner failed to appeal RD Rosario's FDDA within the thirty (30)-day reglementary period under Section 228 of the NIRC, as amended.

Respondent is incorrect.

Our jurisdiction under Section 7(a)(1) of RA No. 1125, as amended by RA No. 9282, extends beyond respondent's decisions on disputed assessments.⁴⁷ It includes respondent's action on other matters, such as the collection of internal revenue taxes through WOG.

Here, petitioner's recourse before Us was prompted by respondent's enforcement of WOGs.⁴⁸ Petitioner mainly seeks the nullification of the WOGs and challenges the legality of their enforcement.⁴⁹ Thus, the collection action is the matter primarily assailed, over which We have jurisdiction.

Further. Petitioner has legal capacity to file this Petition.

Respondent submits that petitioner lost its legal capacity to sue upon the expiration of its shortened corporate term on January 31, 2022.⁵⁰ Invoking Revenue Memorandum Circular (RMC) No. 41-2018, he maintains that an expired corporation or those corporations with corporate terms that have lapsed without being renewed or extended shall cease to exist as a juridical entity to do business.

Respondent is again incorrect.

⁴⁵ Exhibit "P-2-2," Docket – Vol. I, p. 99.

⁴⁶ Docket – Vol. I, pp. 8 to 62.

⁴⁷ *Commissioner of Internal Revenue v. Hambrecht & Quist Philippines, Inc.*, G.R. No. 169225, November 17, 2010.

⁴⁸ *Supra* at note 14.

⁴⁹ Statement of the Case, Pre-Trial Order dated November 29, 2023, Docket – Vol. III, pp. 1066 to 1067.

⁵⁰ *Supra* at note 7.



Section 139 of the Revised Corporation Code provides that a corporation whose charter expires pursuant to its articles of incorporation shall remain as a body corporate for three (3) years after the effective date of dissolution, to prosecute suits by or against it, to enable it to settle and close its affairs, *viz.*:

SECTION 139. Corporate Liquidation. — Except for banks, which shall be covered by the applicable provisions of Republic Act No. 7653, otherwise known as 'The New Central Bank Act,' as amended, and Republic Act No. 3591, otherwise known as the Philippine Deposit Insurance Corporation Charter, as amended, **every corporation whose charter expires pursuant to its articles of incorporation, is annulled by forfeiture, or whose corporate existence is terminated in any other manner, shall nevertheless remain as a body corporate for three (3) years after the effective date of dissolution, for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, dispose of and convey its property, and distribute its assets, but not for the purpose of continuing the business for which it was established.**⁵¹

Indeed, a corporation that has shortened its corporate term can still prosecute its case before the Court within three (3) years from the time of such expiration.

As petitioner's corporate term ended on January 31, 2022, it thus had three (3) years therefrom, or until January 31, 2025, within which to prosecute its case before the Court. Having filed its Petition for Review on September 19, 2022, petitioner had the requisite legal capacity at the time of filing.

To be sure, the submission of this case for decision on September 12, 2025, after the winding-up period had expired, does not warrant its dismissal. *Jaime T. Dee, et al. v. Union Bank of the Philippines (Dee)*,⁵² explained that mere expiration of the three (3)-year winding-up period does not result in the abatement of proceedings that were already pending before such expiration, *viz.*:

Indeed, when a corporation's term expires, it ceases to exist as a body corporate for the purpose of continuing the business for which it was organized. However, **the dissolution of a juridical entity does not automatically result in the extinction or diminution of its rights and liabilities.** Under the law, a dissolved corporation continues to exist for three years after its dissolution.

⁵¹ Emphasis supplied.
⁵² G.R. No. 251180, April 7, 2025.



This period allows it to prosecute and defend suits, settle and close its affairs, dispose of and convey its property, and distribute its remaining assets.

Additionally, **the mere revocation of a corporation's charter does not result in the abatement of proceedings already ongoing before such revocation.** The board of directors, by legal implication, assumes the role of trustees, even in the absence of a formal transfer of corporate assets to a receiver or assignee.

...

In *Alabang Development Corporation v. Alabang Hills Village Association*, the Court ruled that a trustee of a corporation may continue to prosecute a case commenced by the corporation within three years from its dissolution until rendition of the final judgment, even if such judgment is rendered beyond the three-year period. However, a defunct corporation cannot initiate a suit after the lapse of the said three-year period.

...

In *Gelano v. Court of Appeals*, the Court held that the counsel of a dissolved corporation is deemed a trustee for purposes of continuing such action or actions as may be pending at the time of the dissolution to counter petitioners' contention that the corporation lost its capacity to sue and be sued long before the trial court rendered judgment and hence execution of such judgment could not be complied with as the judgment creditor has ceased to exist.⁵³

Parsed from *Dee*, as the Petition for Review was validly filed within the three (3)-year winding-up period, its continuation beyond said period does not defeat petitioner's legal capacity to maintain the present suit.

Next. RD Rosario's FDDA was not validly served on petitioner; hence, the decision has not become final and executory.

Petitioner claims that it never received an FDDA in response to its Protest filed on February 17, 2020. Respondent says otherwise, asserting that RD Rosario's FDDA was validly served to petitioner through substituted service on April 29, 2021.

Respondent is, for the third time, incorrect.

Indeed, one of the methods of substituted service of BIR notices, including the FDDA, is through constructive service

⁵³ Emphasis supplied. Citations omitted.

thereof, found in subsection 3.1.6 of Revenue Regulations (RR) No. 18-2013,⁵⁴ which pertinently reads:

3.1.6 *Modes of Service.* — The notice (PAN/FLD/FAN/FDDA) to the taxpayer herein required may be served by the Commissioner or his duly authorized representative through the following modes: ...

In case personal service is not practicable, the notice shall be served by substituted service or by mail.

(ii) Substituted service can be resorted to when the party is not present at the registered or known address under the following circumstances:

...

Should the party be found at his registered or known address or any other place but refuse to receive the notice, the revenue officers concerned shall bring a barangay official and two (2) disinterested witnesses in the presence of the party so that they may personally observe and attest to such act of refusal. The notice shall then be given to said barangay official. Such facts shall be contained in the bottom portion of the notice, as well as the names, official position and signatures of the witnesses.

"Disinterested witnesses" refers to persons of legal age other than employees of the Bureau of Internal Revenue.

(iii) ...

The server shall accomplish the bottom portion of the notice. **He shall also make a written report under oath before a Notary Public or any person authorized to administer oath under Section 14 of the NIRC, as amended, setting forth the manner, place and date of service, the name of the person/barangay official/professional courier service company who received the same and such other relevant information.**⁵⁵

To validly effectuate substituted service of BIR notice (PAN/FLD/FAN/FDDA), by way of constructive service, the following conditions must concur: *first*, there is no person found at the taxpayer's registered or known address, *or*, if the taxpayer is found in the registered or known address, the latter refused to receive such BIR notice; *second*, presence of a barangay official *and* two disinterested witnesses, personally observing and attesting to said absence, or refusal to receive said BIR notice; *third*, such BIR notice must be given to said barangay official; and *fourth*, the fact

⁵⁴ Amending Certain Sections of Revenue Regulations No. 12-99.

⁵⁵ Emphasis supplied.

of taxpayer's absence, or refusal to receive BIR notice, must be contained in said BIR notice, along with the names, official position, and signatures of the disinterested witnesses.

Here, respondent failed to establish compliance with the *first, second, and third* conditions. He did not sufficiently prove that no person was found at petitioner's registered address or that RO Guevara brought barangay secretary Ms. Paz Ortega and the two (2) disinterested witnesses, Mr. Carl Michael Espera and Ms. Melanie Santos, to personally observe and attest to such absence.⁵⁶ Neither the barangay official nor the two (2) disinterested witnesses testified to confirm these circumstances.

While the alleged barangay secretary and two (2) disinterested witnesses appeared to have signed RD Rosario's FDDA sought to be served on April 29, 2021,⁵⁷ there does not appear to have been an accomplished Acknowledgment of Receipt in the record. Moreover, the written report under oath was not presented in evidence.

Clearly, RO Guevara failed to comply with the conditions for the validity of constructive service outlined in subsection 3.1.6. of RR No. 18-2013. Consequently, the assessment cannot be deemed final and executory on the basis of the improper service of the FDDA on April 29, 2021.

Being so, RD Rosario's FDDA is void for being violative of petitioner's right to due process. As *Commissioner of Internal Revenue v. South Entertainment Gallery, Inc.*⁵⁸ puts it "... [s]trict compliance with the requirements of substituted service [of BIR notices] is essential in ensuring the right of the taxpayer to due process."

Accordingly, the WOGs⁵⁹ enforcing the 2016 deficiency internal revenue taxes specified in RD Rosario's FDDA are likewise void.

Finally. Petitioner is not liable for 2016 deficiency income tax, VAT, EWT, and WTC.

⁵⁶ QA No. 54, Exhibit "R-18," Docket - Vol. III, p. 989.

⁵⁷ Exhibit "R-14-2" and "R-14-3," BIR Records, pp. 725 to 726.

⁵⁸ G.R. No. 223767, April 24, 2023.

⁵⁹ *Supra* at note 2.



Petitioner points out that the subject assessment is void as the RO who conducted the audit for said assessment lacks valid authority. Specifically, LOA No. AUDM35/014400/2017 (eLA201500084323) dated August 30, 2017,⁶⁰ authorized only RO Guevara and GS Tan to examine petitioner's books of accounts and other accounting records. However, the FLD states that the investigation was conducted by RO Guevara and GS Eugene Garcia (Garcia).⁶¹

Respondent takes shelter in Revenue Audit Memorandum Order (RAMO) No. 01-00, arguing that an RO conducts the examination and prepares the audit report, while a GS merely reviews the reports of the ROs under his supervision. Thus, the subsequent replacement of GS Tan named in the LOA is immaterial.

He maintains that RO Guevara remained duly authorized throughout the audit despite the replacement of GS Tan in the LOA. Therefore, the assessments against petitioner were issued pursuant to a valid LOA.

Respondent is incorrect.

Section 6(A) of the NIRC, as amended, confines the authority to examine any taxpayer for the correct determination of tax liabilities to respondent or his duly authorized representatives. By way of exception, respondent or its duly authorized representatives may authorize the examination of any taxpayer for the correct determination of internal revenue tax liabilities:

SEC. 6. Power of the Commissioner to Make Assessments and Prescribe Additional Requirements for Tax Administration and Enforcement.

(A) Examination of Returns and Determination of tax Due. After a return has been filed as required under the provisions of this Code, the Commissioner or his duly authorized representative may authorize the examination of any taxpayer and the assessment of the correct amount of tax: ...

...

Sections 10(c) and 13 of the NIRC, as amended, permit the Revenue Regional Directors to issue LOAs in favor of revenue

⁶⁰ Exhibit "P-10-3," Docket - Vol. II, p. 462.

⁶¹ Exhibit "P-14-2," Docket - Vol. II, pp. 479 to 489



officers performing assessment functions in their respective region and district offices for the examination of any taxpayer within such region:

SEC. 10. *Revenue Regional Director.* - Under rules and regulations, policies and standards formulated by the Commissioner, with the approval of the Secretary of Finance, the Revenue Regional director shall, within the region and district offices under his jurisdiction, among others:

...

(c) Issue Letters of authority for the examination of taxpayers within the region;

...

SEC. 13. *Authority of a Revenue Officer.* - Subject to the rules and regulations to be prescribed by the Secretary of Finance, upon recommendation of the Commissioner, a **Revenue Officer** assigned to perform assessment functions in any district may, **pursuant to a Letter of Authority** issued by the Revenue Regional Director, **examine taxpayers** within the jurisdiction of the district in order to collect the correct amount of tax, **or to recommend the assessment of any deficiency tax due** in the same manner that the said acts could have been performed by the Revenue Regional Director [himself/herself].⁶²

Indeed, the LOA is the concrete manifestation of the grant of authority bestowed by the CIR or his authorized representatives to the **revenue officers** pursuant to Sections 6, 10(c), and 13 of the NIRC, as amended.⁶³ It gives notice to the taxpayer that it is under investigation for possible deficiency tax assessment; at the same time, it authorizes or empowers a designated revenue officer to **examine, verify, and scrutinize** a taxpayer's books and records, in relation to internal revenue tax liabilities for a particular period.⁶⁴ *Conversely*, the absence of this requirement renders the assessment or examination a patent nullity.⁶⁵

This requirement extends to Group Supervisors, as revenue officers themselves, who participate in the examination, verification, and scrutiny of taxpayers' records.

⁶² Emphasis supplied.

⁶³ See *Commissioner of Internal Revenue v. McDonald's Philippines Realty Corporation*, G.R. No. 242670, May 10, 2021.

⁶⁴ *Commissioner of Internal Revenue v. Lancaster Philippines, Inc.*, G.R. No. 183408, July 12, 2017.

⁶⁵ See *Himlayang Pilipino Plans, Inc. v. Commissioner of Internal Revenue*, G.R. No. 241848, May 14, 2021.

Revenue Administrative Order (RAO) No. 02-90⁶⁶ identifies Group Supervisors as **Revenue Officers II, III, or IV** assigned to supervise and review the work and audit reports of subordinate revenue officers, thus:

In the Revenue District Offices, Sector Operations Service and other audit units, all Revenue Officers I who are appointed to positions below the aforementioned supervisory positions shall be regrouped in such a way that they should be assigned under one **Revenue Officer II or Revenue Officer III or Revenue Officer IV who will function as Group Supervisor or Section Chief.**

It does not matter whether a group supervisor or section chief in the audit unit will have only one Revenue Officer I under [him/her]. Under this set up, it is expected that the work of Revenue Officers I will be closely supervised and reviewed by their group supervisors or section chiefs.

All group supervisors and section chiefs shall henceforth be responsible for the work performance of their subordinates and it shall be their responsibility to closely supervise and review their work and audit reports.⁶⁷

A GS therefore remains a revenue officer. His supervisory designation to review assigns him/her additional responsibilities; it does not exempt him/her from the requirement of a valid authority to participate in a particular audit. The rule is clear: there must be a grant of authority in the form of an LOA before **any revenue officer** can conduct an examination.⁶⁸

Black defines the word "review" as "second view or examination."⁶⁹ Indeed, in the context of tax audit reports, the GS *verifies* supporting records *vis-à-vis* the RO's findings to determine whether the proposed tax assessments are warranted. Such *scrutiny* constitutes participation in an *examination*, even if the GS does not personally repeat each procedure performed by the examining RO.

The tax audit procedures prescribed by RAMO No. 01-00,⁷⁰ as cited by respondent, reinforce this conclusion. Chapter XVII thereof requires revenue officers to make a report presenting results of the

⁶⁶ SUBJECT: Assignment of All Revenue Officers Holding Supervisory Positions to Perform Actual Supervisory Functions, March 28, 1990.

⁶⁷ Emphasis supplied.

⁶⁸ *Commissioner of Internal Revenue v. Geniographics, Incorporated*, G.R. No. 264572, July 26, 2023.

⁶⁹ Black's Law Dictionary, Revised Fourth Edition, p. 1483. Underscoring ours.

⁷⁰ SUBJECT: Updated Handbook on Audit Procedures and Techniques Volume I (Revision – Year 2000), March 17, 2000.



investigation and set forth the conclusions and recommendations, and shall contain taxpayer's records and accounts supporting the report, *viz.*:

XVII. Report Making

...

The report to be prepared by the Revenue Officer in the conduct of his investigation **shall contain the following:**

...

F. Attachments to the Docket of the Case

Attachments consist of documents that are necessary to the proper understanding and substantiation of results of the investigation. The documents to be attached to the dockets are composed of but not limited to:

1. General Requirements

1.1 **All tax returns with all the required attachments for the year/period under audit;**

...

1.16 Authority to issue refund/TCC (for claims for refund/TCC).

2. Specific Requirements by Tax Type

The required documents to be attached to the docket containing a report of investigation/verification per type of tax are enumerated and prescribed in RMO No. 53-98.⁷¹

These provisions show that audit review concerns findings supported by an evidentiary record, rather than a bare recommendation. Thus, GS review of the RO's report necessarily entails examining, verifying, and scrutinizing a taxpayer's records to establish the factual and computational basis of the assessment.

Being so, whether their involvement in the audit is direct or supervisory, GS must be expressly named in a valid LOA, just like any other RO. Consequently, any audit activity or assessment a GS undertakes without an LOA is void. This finds support in

⁷¹ CHECKLIST OF DOCUMENTS TO BE SUBMITTED BY A TAXPAYER UPON AUDIT OF HIS TAX LIABILITIES AS WELL AS OF THE MANDATORY REPORTING REQUIREMENTS TO BE PREPARED BY A REVENUE OFFICER, ALL OF WHICH COMPRISE A COMPLETE TAX DOCKET.

Commissioner of Internal Revenue v. Opulent Landowners, Inc.,⁷² where the Supreme Court held:

Under prevailing jurisprudence, a LOA is statutorily required under the National Internal Revenue Code in order to clothe revenue officers with authority to examine taxpayers. It is axiomatic that **only the revenue officers actually named under the LOA are authorized to examine the taxpayer**. This is likewise evident under the express provision of Revenue Memorandum Order No. 43-90 ... **In the absence of a new LOA issued in favor of the revenue officers who recommended the issuance of the deficiency tax assessments against respondent, the resulting assessments are void.**⁷³

Indeed, LOA dated August 30, 2017, authorized RO Guevara and GS Tan to examine petitioner's books of account and other accounting record for CY 2016.⁷⁴ *Equally true* is that the PAN⁷⁵ dated November 5, 2019, acknowledged that indeed these were the very same persons who found the proposed deficiency taxes against petitioner. Thus, at this stage of the assessment process, the BIR's acts are valid.

The validity ends there.

In RD Rosario's FLD, it was stated that: "[p]lease be informed that, after the **investigation conducted by Revenue Officer Gerald Guevara and Group Supervisor Eugene Garcia** of Revenue District Office No. 50 - South Makati and review of all your internal revenue taxes pursuant to **Letter of Authority No. eLA201500084323** dated **August 30, 2017....**"⁷⁶ Further, per Details of Discrepancy⁷⁷ appended to the FLD, it was likewise acknowledged that "... **evaluation of aforesaid letter and documents** attached thereto disclosed that the same argument and evidence adduced during the Notice of Informal Conference were submitted...." Meanwhile, the only documents filed by petitioner *after the PAN and prior to the FLD* are petitioner's Reply⁷⁸ on the PAN, together with **supporting documentation**. Therefore, it is safe to conclude that it was RO Guevara **and** GS Garcia who investigated and evaluated petitioner's Reply on the PAN and supporting documentation.

⁷² G.R. Nos. 249883-84, January 27, 2020.

⁷³ Emphasis supplied.

⁷⁴ Exhibit "P-10-3," Docket - Vol. II, p. 462.

⁷⁵ *Supra* at note 10.

⁷⁶ Page 1, FLD. Exhibit "P-14," Rollo, p. 479.

⁷⁷ *Id.*, Rollo, p. 484.

⁷⁸ Exhibit "P-13," Rollo, pp. 473 - 478.

Section 3(m),⁷⁹ Rule 131 of the Rules of Court, as amended, acknowledges the disputable presumption that the official duty has been performed. RAO No. 2-90⁸⁰ considers the official duty of the GS to review the work of its RO. This means that RO Guevara did the initial audit and evaluation of the PAN and its supporting documentation. To ascertain whether RO Guevara's recommendation is meritorious, GS Garcia likewise looked into the PAN and its supporting documentation. Then, the BIR issued the FLD. Notably, the records are bereft of any showing that GS Garcia was authorized through an LOA to examine petitioner's books of accounts and records for CY 2016.

It means that GS Garcia performed an examination and audit of petitioner to weigh RO Guevara's recommendation *vis-à-vis* petitioner's reply on the PAN and supporting documentation, *sans* a valid LOA in GS Garcia's name. For this reason, the deficiency internal revenue tax assessments found by the BIR against petitioner covering CY 2016 must be invalidated.

The fact that RO Guevara remained the examining RO for the entire course of the investigation did not cure this defect. An LOA is not a general authority to any revenue officer. Rather, it is a special authority granted to a *particular* revenue officer.⁸¹ RO Guevara's authority was personal to him and could not extend to GS Garcia. *All* ROs conducting an audit or investigation of a taxpayer must be duly authorized with an LOA.⁸²

All told, GS Garcia's unauthorized participation in the examination and audit of the petitioner's books of accounts and records for CY 2016 rendered the resulting deficiency tax assessments void. As such, the WOGs, without a valid and demandable assessment to enforce it, are inescapably void. A void assessment bears no valid fruit.⁸³

⁷⁹ **Section 3. Disputable presumptions.** — The following **presumptions are satisfactory if uncontradicted**, but may be contradicted and overcome by other evidence:

...
(m) That official duty has been regularly performed; (Boldfacing ours)

⁸⁰ See page 14 of this Decision for pertinent text.

⁸¹ *Commissioner of Internal Revenue v. McDonald's Philippines Realty Corp.*, G.R. No. 242670, May 10, 2021.

Commissioner of Internal Revenue v. ABS-CBN Film Productions, Inc., CTA EB Case No. 2619 (CTA Case No. 9982), September 28, 2023; *Commissioner of Internal Revenue v. Jopauen Realty Corp.*, CTA EB Case No. 2206 (CTA Case No. 8943), February 21, 2022.

⁸³ *Prime Steel Mill, Inc. v. Commissioner of Internal Revenue*, G.R. No. 249153, September 12, 2022.

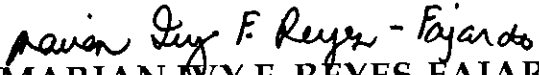


In view of this conclusion, the remaining issues raised by the parties concerning the validity and correctness of the assessments need not be resolved.

WHEREFORE, the Petition for Review dated September 19, 2022, filed by petitioner Tower Club, Inc., in CTA Case No. 10982, is **GRANTED**. Accordingly, We **RESOLVE** to:

- a. **CANCEL** and **SET ASIDE** the deficiency income tax, value-added tax, expanded withholding tax, and withholding tax on compensation assessments for calendar year 2016, in the aggregate amount of ₱18,168,880.92, inclusive of interest;
- b. **NULLIFY** and **LIFT** Warrant of Garnishment Nos. RR8A-WG-2022-8-401-07 and RR8A-WG-2022-8-401-09, both dated August 8, 2022, issued to enforce collection of the foregoing assessments; and
- c. **ENJOIN** the Commissioner of Internal Revenue, his agents, or other persons acting on his behalf, from proceeding with the collection of taxes in CTA Case No. 10982.

SO ORDERED.


MARIAN IVY F. REYES-FAJARDO
Associate Justice

WE CONCUR:


Kindly see my DO
HENRY S. ANGELES
Associate Justice


DEBBIE JEAN I. CENTENO-DIJAMCO
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's Division.


MARIAN IVY F. REYES-FAJARDO
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
Presiding Justice

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

SPECIAL THIRD DIVISION

TOWER CLUB, INC.,

Petitioner,

CTA Case No. 10982

Members:

- versus -

REYES-FAJARDO,

Chairperson,

ANGELES, and

CENTENO-DIJAMCO,¹ JJ.

**COMMISSIONER
INTERNAL REVENUE,**

OF

Promulgated:

Respondent.

SEP 25 2026

8:58 a.m.

X -----X

DISSENTING OPINION

ANGELES, J.:

With due respect, I am constrained to withhold my concurrence from the pronouncement of the *ponencia* insofar as it grants the *Petition for Review*, on the ground that “GS Garcia’s unauthorized participation in the examination and audit of the petitioner’s books of accounts and records for the CY 2016 rendered the resulting deficiency tax assessments void.”² According to the *ponencia*, “[t]he fact that RO Guevara remained the examining RO for the entire course of the investigation did not cure this defect.”³

I respectfully disagree.

In my considered view, Revenue Officer (RO) Gerald Guevara’s (RO Guevara) authority under the Letter of Authority (LOA) dated August 30, 2017⁴ sufficiently established the validity of the audit, upon which the subject assessments were based. As the records stand, the audit was conducted by the very RO named in the LOA. The alleged subsequent participation of Group Supervisor (GS) Eugene Garcia (GS Garcia) does not, by itself, render the examination unauthorized or invalidate the resulting assessments.

¹ Designated as Special Member of the Special Third Division per Memorandum dated September 17, 2026.

² Decision, p. 17.

³ *Ibid.*

⁴ Docket – Vol. II, p. 462, Exhibit “P-10-3.”

At the outset, it is undisputed that RO Guevara, acting pursuant to a valid LOA, conducted the subject audit. Indeed, the *ponencia* itself recognized the validity of the proceedings up to the Preliminary Assessment Notice (PAN).⁴ It nevertheless concluded that the validity of the proceedings ceased at the PAN stage, ostensibly because there was a change in the GS when the Formal Letter of Demand (FLD) was issued. In support thereof, the *ponencia* stated:

x x x To ascertain whether RO Guevara's recommendation is meritorious, GS Garcia likewise looked into the PAN and its supporting documentation. Then, the BIR issued the FLD. x x x⁵

With due respect, however, such participation is, at best, speculative. The *ponencia* did not identify any particular document establishing such participation.

In any event, Section 13 of the National Internal Revenue Code, as amended,⁶ requires an LOA before an RO may examine a taxpayer's books of accounts and other accounting records. The requirement pertains to the authority to conduct the examination. It does not follow that every BIR official who subsequently reviews, evaluates, or approves the findings of an examination already conducted by the RO named in the LOA must likewise be identified therein.

The distinction is material.

An **audit** consists of the examination of a taxpayer's books and records in sufficient depth to ascertain the correctness and validity of the entries therein, and the propriety of the application of tax laws, ultimately for the determination of the taxpayer's correct tax liability.⁷ Where the examination discloses a deficiency, the resulting **formal assessment** proceeds from that examination.⁸ Thus, the subsequent

⁴ Decision, p. 16.

⁵ Decision, p. 17.

⁶ RA No. 8424, AN ACT AMENDING THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, AND FOR OTHER PURPOSES (Tax Code, as amended), December 11, 1997, Title I, Section 13 provides:

Section 13. *Authority of a Revenue Officer.* - Subject to the rules and regulations to be prescribed by the Secretary of Finance, upon recommendation of the Commissioner, a Revenue Officer assigned to perform assessment functions in any district may, pursuant to a Letter of Authority issued by the Revenue Regional Director, examine taxpayers within the jurisdiction of the district in order to collect the correct amount of tax, or to recommend the assessment of any deficiency tax due in the same manner that the said acts could have been performed by the Revenue Regional Director himself.

⁷ Updated Handbook on Audit Procedures and Techniques Volume I (Revision —Year 2000), Revenue Audit Memorandum Order No. 1-00, March 17, 2000.

⁸ Tax Code, as amended, Section 228; *McDonald's Philippines Realty Corp. v. Commissioner of Internal Revenue*, G.R. No. 247737, August 08, 2023 [Per J. Inting, *En Banc*].

review or approval of the audit findings does not, by itself, constitute a separate audit requiring a separate LOA.

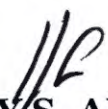
Here, the audit upon which the assessments were founded was conducted by RO Guevara, an officer duly vested with the authority required by law.

The subsequent participation of other BIR official in reviewing or approving the audit findings does not detract from the validity of the examination conducted by RO Guevara. The LOA requirement cannot reasonably be construed to mean that every official who performs a supervisory, evaluative, or approval function in the processing of an assessment must likewise be named therein. Such an interpretation would extend the statutory mandate beyond its purpose, which is to ensure that the taxpayer was informed that the RO knocking at its door has the proper authority to examine its books of accounts.⁹

The alleged participation of GS Garcia does not therefore negate RO Guevara's authority under the LOA or, by itself, constitute a violation of petitioner's right to due process sufficient to invalidate the resulting assessments.

The statutory safeguard embodied in the LOA requirement was thus satisfied. Petitioner's challenge to the validity of the resulting assessments on this ground must necessarily fail.

In light of the foregoing, I am of the considered view that the subject assessments should not have been declared as null and void on account of the alleged participation of GS Garcia at the FLD stage. The validity of the examination having been sufficiently established through RO Guevara's authority under the LOA, the *ponencia* should have proceeded to determine the correctness of the assessments, including whether petitioner is liable for any deficiency taxes for calendar year 2016, as well as the validity of the Warrants of Garnishment issued against it.


HENRY S. ANGELES
Associate Justice

⁹ *Commissioner of Internal Revenue v. McDonald's Philippines Realty Corp.*, G.R. No. 242670, May 10, 2021 [Per J. J.Y. Lopez, Third Division].