REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

*SPECIAL THIRD DIVISION*

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| **STEPAN PHILIPPINES QUATERNARIES, INC.,** *Petitioner,* | **CTA CASE NO. 9862** |
| | Members: |
| -versus- | **RINGPIS-LIBAN, UY,** *Chairperson,* **MODESTO-SAN PEDRO,** *and* **FERRER-FLORES,** *JJ.* |
| **COMMISSIONER OF INTERNAL REVENUE,** *Respondent.* | Promulgated: FEB 28 2024 4:12 p.m. |

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# DECISION

**RINGPIS-LIBAN, *J.*:**

The *Petition for Review* prays that the Court render judgment ordering respondent to cancel the assessment against petitioner for deficiency income tax, expanded withholding tax (EWT), final withholding tax (FWT), value-added tax (VAT), and compromise penalty, for the taxable year (TY) 2014, in aggregate amount of ₱29,613,954.71, inclusive of surcharge and interest.[1]

## THE PARTIES

Petitioner Stepan Philippines Quaternaries, Inc. is a corporation duly organized and existing under Philippine laws, with principal office address at Cocochem Agro-Industrial Park San Antonio, San Pascual, Batangas.[2] It is engaged in the manufacture of primary active ingredients in fabric softeners, other quaternaries and tertiary amine derivatives, and similar or related products, and of alcohol sulfates and other surfactants, and in the wholesale, marketing, and distribution of such products in the Philippines and anywhere in the world.[3]

[1] Statement of the Case, *Pre-Trial Order* dated August 26, 2020, Docket – Vol. 1, p. 470.
[2] Exhibit "P-2", *Amended Articles of Incorporation*, Docket – Vol. 2, pp. 522 to 534.
[3] *Id.*, p. 525.

Respondent is the Commissioner of Internal Revenue who is the officer duly appointed and empowered by law to examine returns filed by any taxpayer and make assessments of national internal revenue taxes, with office address at the Bureau of Internal Revenue (BIR), National Office Building, Agham Road, Diliman, Quezon City.[4]

## ANTECEDENTS (ADMINISTRATIVE LEVEL)

Regional Director Gerardo R. Florendo issued eLA No. 201100063382 / LOA No. 058-2016-00000045 dated March 23, 2016,[5] authorizing Revenue Officer (RO) Shena Bicaldo (Bicaldo) and Group Supervisor (GS) Elenita (Pamplona) Pamplona of Revenue District Office (RDO) No. 058 – Batangas City, Batangas, to examine petitioner's books of accounts and other accounting records covering the period January 1, 2014 to December 31, 2014.

Subsequently, in the *Memorandum of Assignment* (MOA) No. MOA0582016LOA16316 dated August 24, 2016[6] issued by then Head, Investigating Office [later Revenue District Officer (RDO)], Mr. Joseph M. Catapia (Catapia), the case of petitioner for TY 2014 was referred to RO Arlene C. Gutierrez (*Sic*) and GS Ma. Josefina O. Sosa (Sosa) for the *"[c]ontinuation of the audit/investigation to replace the previously assigned Revenue Officer(s) who resigned/retired/transferred to another district office."* RDO Catapia then sent to petitioner the letter dated October 28, 2016,[7] informing the latter that its case was reassigned to RO Arlene G. Tenorio under GS Sosa, for continuation of audit due to the transfer of assignment of RO Bicaldo and GS Pamplona.

Thus, on April 12, 2017, RO Arlene G. Tenorio under GS Sosa wrote a *Memorandum* addressed to Revenue District Officer of RDO No. 58, presenting her audit findings, and recommending the issuance of a PAN against petitioner.[8] On the basis of the *Memorandum*, the *Preliminary Assessment Notice* (PAN) dated July 25, 2017[9] was issued against petitioner accordingly.

On August 31, 2017, petitioner received the PAN, which assessed petitioner of deficiency income tax, EWT, FWT, VAT, and compromise penalty, in the aggregate amount of ₱29,070,851.54.[10] The PAN was issued

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[4] Par. 1.01, *Joint Stipulation of Facts and Issues* (JSFI), Docket – Vol. 1, p. 458.
[5] Exhibit "R-2", BIR Records (Exhibit "R-12"), p. 1.
[6] Exhibit "R-12", BIR Records (Exhibit "R-12"), p. 347.
[7] Exhibit "R-4", BIR Records (Exhibit "R-12"), p. 349.
[8] Exhibit "R-7", BIR Records (Exhibit "R-12"), pp. 671 to 672.
[9] Exhibit "P-3" (Docket – Vol. 1, pp. 535 to 539), and Exhibit "R-8" [BIR Records (Exhibit "R-12"), pp. 679 to 683.
[10] Par. 1.02, JSFI, Docket – Vol. 1, p. 459; Exhibit "R-8", BIR Records (Exhibit "R-12"), pp. 679 to 683.

under *electronic Letter of Authority* (eLA) No. 201100063382 / *Letter of Authority* (LOA) No. 058-2016-00000045 dated March 23, 2016 as authority for the examination of the books of accounts and accounting records of petitioner for TY 2014.[11]

On October 30, 2017, petitioner received the *Formal Letter of Demand* and *Assessment Notice* Nos RR9A-58-eLA-2014-IT-044, RR9A-58-eLA-2014-WE-044, RR9A-58-eLA-2014-WF-044, RR9A-58-eLA-2014-VT-044, and RR9A-58-eLA-2014-MC-044 of even date (FLD/FANs), which assessed it for deficiency income tax, EWT, FWT, VAT, and compromise penalty, for taxable year 2014, in the aggregate amount of ₱29,613,954.71, inclusive of surcharges and interest as of October 31, 2017, broken down as follows:[12]

| | Basic Tax | Surcharge | Interest | Total |
|---|---|---|---|---|
| Income tax | ₱2,854,354.35 | | ₱1,452,983.67 | ₱4,307,338.02 |
| EWT | 721,067.02 | | 402,612.22 | 1,123,679.24 |
| FWT | 9,497,083.38 | ₱2,374,270.84 | 5,302,755.05 | 17,174,109.27 |
| VAT | 3,798,833.35 | 949,708.34 | 2,100,286.49 | 6,848,828.18 |
| Compromise penalty | 160,000.00 | | | 160,000.00 |
| | ₱17,031,338.10 | ₱3,323,979.18 | ₱9,258,637.43 | ₱29,613,954.71 |

The FLD was signed by the Regional Director of Revenue Region No. 9A - CaBaMiRo, Mr. Romulo L. Aguila, Jr., on behalf of respondent.[13]

On November 28, 2017, petitioner filed its protest (via *Request for Reinvestigation*) on said FLD/FANs.[14]

Thereafter, on January 18, 2018, petitioner received the letter from respondent, signed by the Assistant Revenue District Officer of Revenue District Office No. 58 dated January 11, 2018, erroneously referring to petitioner's protest as a request for reconsideration. In the same letter, petitioner was informed that it is required to submit relevant documents in support of its contention within thirty (30) days from the filing of the protest letter; otherwise, the assessment shall become final and executory.[15]

[11] Par. 1.02.1, JSFI, Docket – Vol. 1, p. 459. Refer also to Exhibit "P-3" (Docket – Vol. 1, pp. 535 to 539), and Exhibit "R-8" [BIR Records (Exhibit "R-12"), pp. 679 to 683.
[12] Pars. 1.03, 1.05 and 1.06, JSFI, Docket – Vol. 1, pp. 459 and 460, respectively. Refer also to Exhibits "P-4" to "P-5" (Docket – Vol. I, pp. 44 to 53), and Exhibit "R-10" [BIR Records (Exhibit "R-12"), pp. 684 to 688.
[13] Par. 1.03.1, JSFI, Docket – Vol. 1, p. 459.
[14] Exhibit "P-10", Docket – Vol. 2, pp. 540 to 562.
[15] Par. 1.04, JSFI, Docket – Vol. 1, p. 459.

## PROCEEDINGS BEFORE THIS COURT

Petitioner filed the present *Petition for Review* on June 26, 2018.[16]

On September 10, 2018, respondent filed his *Answer*,[17] interposing the following special and affirmative defenses, to wit: (1) petitioner is liable for: (i) deficiency income tax in the aggregate amount of ₱4,307,338.02, (ii) deficiency EWT in the aggregate amount of ₱1,123,679.24, (iii) deficiency FWT in the aggregate amount of ₱17,174,109.27, (iv) deficiency VAT in the aggregate amount of ₱6,848,828.18, and (v) compromise penalties, all for TY 2014; and (2) the assessment issued against petitioner is valid and lawful.

On October 17, 2018, respondent transmitted the entire *BIR Records* of this case, consisting of 790 pages, contained in one (1) folder.[18]

The Pre-Trial Conference was initially set on December 4, 2018.[19] Prior thereto, on November 29, 2018, petitioner's *Pre-Trial Brief* and *Respondent's Pre-Trial Brief* were separately filed.[20]

However, in the *Resolution* dated December 4, 2018,[21] upon respondent's motion,[22] the Pre-Trial Conference was reset to April 2, 2019.

In the *Resolution* dated March 25, 2019,[23] this case was referred by this Court to mediation in the Philippine Mediation Center - Court of Tax Appeals, pursuant to Section II of the *Interim Guidelines for Implementing Mediation in the Court of Tax Appeals* as approved by the Supreme Court on January 18, 2011. Consequently, the Pre-Trial Conference scheduled on April 2, 2019 was cancelled until further notice. However, the mediation was unsuccessful.[24] Thus, in the *Resolution* dated February 5, 2020,[25] the Pre-Trial Conference was set anew on March 19, 2020.

Meanwhile, petitioner filed a *Motion to Admit Amended Pre-trial Brief*,[26] with attached *Amended Pre-Trial Brief*, on March 28, 2019,[27] praying that the attached Amended Pre-Trial Brief be admitted.

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[16] Docket – Vol. 1, pp. 12 to 41.
[17] Docket – Vol. 1, pp. 163 to 175.
[18] *Compliance* dated October 17, 2018, Docket – Vol. 1, pp. 182 to 184.
[19] Notice of Pre-Trial Conference dated September 17, 2018, Docket – Vol. 1, pp. 177 to 178.
[20] Docket – Vol. 1, pp. 187 to 196, and 197 to 202, respectively.
[21] Docket – Vol. 1, p. 210.
[22] Respondent's *Urgent Motion To Reset Pre-Trial Conference*, Docket – Vol. 1, pp. 204 to 207.
[23] Docket – Vol. 1, pp. 212 to 213.
[24] *Mediator's Report* dated February 4, 2020, Docket – Vol. I, p. 297.
[25] Docket – Vol. 1, p. 305 (*cf. Resolution* dated February 12, 2020, Docket – Vol. 1, p. 307).
[26] Docket – Vol. 1, pp. 214 to 217.
[27] Docket – Vol. 1, pp. 218 to 228.

The Pre-Trial Conference was again reset to June 30, 2020.[28] However, per the *Resolution* dated July 1, 2020, upon petitioner's motion,[29] the said Conference was again moved to,[30] and held on, July 2, 2020.[31]

On July 20, 2020, the parties filed their *Joint Stipulation of Facts and Issues*,[32] which was admitted and approved by the Court in its Resolution dated July 27, 2020,[33] which terminated the Pre-Trial. The *Pre-Trial Order* dated August 26, 2020 was then issued.[34]

Trial then ensued, with both parties presenting and offering their respective documentary and testimonial evidence.

Petitioner offered the testimony of its sole witness, Ms. Elenita A. Adia,[35] petitioner's Accounting Team Leader.

Petitioner's *Formal Offer of Documentary Exhibits* was filed on March 3, 2021,[36] to which respondent failed to file his comment.[37] In the *Resolution* dated October 11, 2021,[38] the Court admitted petitioner's offered exhibits.

For his part, respondent presented the testimony of RO Arlene G. Tenorio.[39]

On October 10, 2022, respondent's *Formal Offer of Evidence* was filed,[40] to which petitioner submitted its *Comment to Respondent's Formal Offer of Evidence* on October 21, 2022.[41] In the Resolution dated November 24, 2022,[42] the Court admitted majority of respondent's evidence, *except* for the following:

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[28] Notice of Resetting dated March 13, 2020, Docket – Vol. 1, p. 437.
[29] Petitioner's *Motion To Set Pre-Hearing Via Video Conference*, Docket – Vol. 1, p. 437 to 441.
[30] Notice of Hearing via Video Conference dated June 29, 2020, Docket – Vol. 1, pp. 444 to 445; *Resolution* dated July 1, 2020, Docket – Vol. 1, p. 447.
[31] Minutes of the hearing held on, and Order dated, July 2, 2020, Docket – Vol. 1, pp. 448 to 450.
[32] Docket – Vol. 1, pp. 458 to 465.
[33] Docket – Vol. 1, pp. 467 to 468.
[34] Docket – Vol. 1, pp. 470 to 477.
[35] Exhibit "P-26", Docket – Vol. 1, pp. 308 to 328; Minutes of the hearing held on, and Order dated, February 16, 2021, Docket – Vol. 1, pp. 505 to 507.
[36] Docket – Vol. 2, pp. 510 to 517.
[37] Records Verification dated June 14, 2021 issued by the Judicial Records Division of this Court, Docket – Vol. 2, p. 619.
[38] Docket – Vol. 2, pp. 623 to 624.
[39] Exhibit "R-13", Docket – Vol. 1, pp. 236 to 246; Minutes of the hearing held on, and Order dated, September 29, 2022, Docket – Vol. 2, pp. 627 to 629.
[40] Docket – Vol. 2, pp. 630 to 635.
[41] Docket – Vol. 2, pp. 637 to 640.
[42] Docket – Vol. 2, pp. 645 to 646.

1. Exhibit "R-6", for failure to correspond with the document actually marked; and,

2. Exhibit "R-1", for not being found in the records.

Petitioner's *Memorandum* was posted on February 22, 2023;[43] while no memorandum was submitted by respondent.[44]

This case was submitted for decision on April 18, 2023.[45]

## THE STIPULATED ISSUE

The parties stipulated the following issue for this Court's resolution, *viz.*:

> "Whether or not petitioner is liable for deficiency income tax, expanded withholding tax (EWT), final withholding tax (FWT), value-added tax (VAT) and compromise penalties in the aggregate amount of ₱29,613,954.71, inclusive of surcharges and interest, for taxable year 2014."[46]

### *Petitioner's arguments:*

Petitioner argues that the assessment for deficiency taxes issued against petitioner is *void* since the audit was conducted in violation of the taxpayer's right to due process; that granting without admitting, that the assessment for deficiency taxes issued against petitioner is not void, the subject tax assessments have no factual and legal basis; and that based on existing law and regulations, compromise penalties cannot be imposed on a taxpayer without its consent.

### *Respondent's counter-arguments:*

Based on respondent's *Answer*, the latter insists that petitioner is liable for deficiency income tax, EWT, FWT, VAT, and compromise penalties, for the TY 2014, as the assessments issued against petitioner are valid and lawful.

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[43] Docket – Vol. 2, pp. 647 to 694.
[44] Records Verification dated April 3, 2023 issued by the Judicial Records Division of this Court, Docket – Vol. 2, p. 699.
[45] Minute *Resolution* dated April 18, 2023, Docket – Vol. 2, p. 700.
[46] Statement of the Issues, JSFI, Docket – Vol. 1, p. 460.

## THE COURT'S RULING

The present *Petition for Review* has merit.

***The Revenue Officer has no authority to conduct the audit and assessment against petitioner.***

One of the requisites of a valid assessment is that the RO conducting the same must be clothed with the proper authority.

There must be a grant of authority before any RO can conduct an examination or assessment. Equally important is that the RO so authorized must not go beyond the authority given. **In the absence of such authority, the assessment or examination is a nullity.**[47]

The importance of the lack of the RO's authority to conduct an audit cannot be overemphasized because it goes into the validity of the assessment. The lack of authority of the RO is tantamount to the absence of a LOA itself *which results to a void assessment.* Being a void assessment, the same bears no fruit.[48]

In *AFP General Insurance Corporation vs. Commissioner of Internal Revenue*,[49] the Supreme Court held as follows:

> "The power to assess necessarily includes the authority to examine any taxpayer for purposes of determining the correct amount of tax due from him. Verily, the law vests the BIR with general powers in relation to the 'assessment and collection of all internal revenue taxes.' However, **certainly, not all BIR personnel may *motu proprio* proceed to audit a taxpayer. Only 'the CIR or his duly authorized representative may *authorize the examination of any taxpayer'* and issue an assessment against him.**
>
> That a representative has in fact been authorized to audit a taxpayer is evidenced by the LOA, which 'empowers a designated [r]evenue [o]fficer to examine, verify, and scrutinize a taxpayer's books and records in relation to his internal revenue tax liabilities for a particular period.'
>
> **In cases where the BIR conducts an audit without a valid LOA, or in excess of the authority duly provided therefor, <u>the resulting</u>**

[47] *Commissioner of Internal Revenue vs. Sony Philippines, Inc.*, G.R. No. 178697, November 17, 2010.
[48] *Himlayang Pilipino Plans, Inc. vs. Commissioner of Internal Revenue*, G.R. No. 241848, May 14, 2021.
[49] G.R. No. 222133, November 4, 2020.

> **assessment shall be void and ineffectual.** xxx." *(Emphases and underscoring added)*

An LOA is the authority given to the appropriate RO assigned to perform assessment functions. It empowers or enables said RO to examine the books of account and other accounting records of a taxpayer for the purpose of collecting the correct amount of tax.[50] The LOA commences the audit process and informs the taxpayer that it is under audit for possible deficiency tax assessment.[51]

In *Commissioner of Internal Revenue vs. McDonald's Philippines Realty Corp.*,[52] the Supreme Court stated that a new or amended LOA is necessary in order for a substitute or replacement RO to continue the audit or investigation against a taxpayer, to wit:

> "**The practice of reassigning or transferring revenue officers originally named in the Letter of Authority *(LOA)* and substituting or replacing them with new revenue officers to continue the audit or investigation without a separate or amended LOA (i) violates the taxpayer's right to due process in tax audit or investigation; (ii) usurps the statutory power of the Commissioner of Internal Revenue *(CIR)* or his duly authorized representative to grant the power to examine the books of account of a taxpayer; and (iii) does not comply with existing Bureau of Internal Revenue *(BIR)* rules and regulations on the requirement of an LOA in the grant of authority by the CIR or his duly authorized representative to examine the taxpayer's books of accounts.**
>
> xxx xxx xxx
>
> *I. The Reassignment or Transfer of a Revenue Officer Requires the Issuance of a New or Amended LOA for the Substitute or Replacement Revenue Officer to Continue the Audit or Investigation*
>
> An LOA is the authority given to the appropriate revenue officer assigned to perform assessment functions. It empowers and enables said revenue officer to examine the books of accounts and other accounting records of a taxpayer for the purpose of collecting the correct amount of tax. **The issuance of an LOA is premised on the fact that the examination of a taxpayer who has already filed his tax returns is a power that statutorily belongs only to the CIR himself or his duly authorized representatives.**

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[50] *Commissioner of Internal Revenue vs. Manila Medical Services, Inc. (Manila Doctors Hospital)*, G.R. No. 255473, February 13, 2023, citing *Commissioner of Internal Revenue vs. Sony Philippines, Inc.*, 649 Phil. 519, 529-530 (2010); *Himlayang Pilipino Plans, Inc. vs. Commissioner of Internal Revenue*, G.R. No. 241848, May 14, 2021.

[51] *Commissioner of Internal Revenue vs. De La Salle University, Inc., et seq.*, G.R. Nos. 196596, 198841, and 198941, November 9, 2016.

[52] G.R. No. 242670, May 10, 2021.

xxx xxx xxx

Pursuant to the above provisions, only the CIR and his duly authorized representatives may issue the LOA. The authorized representatives include the Deputy Commissioners, the Revenue Regional Directors, and such other officials as may be authorized by the CIR.

Unless authorized by the CIR himself or by his duly authorized representative, an examination of the taxpayer cannot be undertaken. Unless undertaken by the CIR himself or his duly authorized representatives, other tax agents may not validly conduct any of these kinds of examinations without prior authority. There must be a grant of authority, in the form of a LOA, before any revenue officer can conduct an examination or assessment. The revenue officer so authorized must not go beyond the authority given. In the absence of such an authority, the assessment or examination is a nullity.

xxx xxx xxx

*B. The Use of Memorandum of Assignment, Referral Memorandum, or Such Equivalent Document, Directing the Continuation of Audit or Investigation by an Unauthorized Revenue Officer Usurps the Functions of the LOA*

xxx xxx xxx

In summary, **We rule that the practice of reassigning or transferring revenue officers originally named in the LOA and substituting them with new revenue officers to continue the audit or investigation without a separate or amended LOA (i) violates the taxpayer's right to due process in tax audit or investigation; (ii) 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 (iii) does not comply with existing BIR rules and regulations, particularly RMO No. 43-90 dated September 20, 1990.**" *(Emphases added)*

As borne out of the evidence in this case, Regional Director Gerardo R. Florendo issued eLA No. 201100063382 / LOA No. 058-2016-00000045 dated March 23, 2016,[53] authorizing RO Bicaldo and GS Pamplona of Revenue District Office No. 058 – Batangas City, Batangas, to examine petitioner's books of accounts and other accounting records covering the period January 1, 2014 to December 31, 2014.

Thereafter, MOA No. MOA0582016LOA16316 dated August 24, 2016[54] was issued by then Head, Investigating Office (later RDO), Catapia for the examination of petitioner's taxes for TY 2014. The MOA named RO Arlene C.

[53] Exhibit "R-2", BIR Records (Exhibit "R-12"), p. 1.
[54] BIR Records (Exhibit "R-12"), p. 347.

Gutierrez (*sic*) and GS Sosa for the *"[c]ontinuation of the audit/investigation to replace the previously assigned Revenue Officer(s) who resigned/retired/transferred to another district office."* RDO Catapia then sent the letter dated October 28, 2016,[55] informing petitioner that its case was reassigned to RO Arlene G. Tenorio under GS Sosa, for the continuation of audit due to the transfer of assignment of the original team, composed of RO Bicaldo and GS Pamplona.

On April 12, 2017, RO Arlene G. Tenorio wrote a *Memorandum* addressed to the Revenue District Officer of RDO No. 58, presenting her audit findings, and recommending the issuance of a PAN against petitioner.[56] On the basis of the *Memorandum*, the PAN dated July 25, 2017[57] was accordingly issued against petitioner. Thereafter, the BIR issued the FLD/FANs dated October 13, 2017 against petitioner[58] which the latter received on October 30, 2017.[59]

The Court notes that *no new or amended or replacement* LOA was issued in the name of RO Arlene G. Tenorio to continue the audit of petitioner for taxable year 2014.

The authority of RO Arlene G. Tenorio to continue the audit of the petitioner for TY 2014 was by virtue of the MOA No. MOA0582016LOA16316 dated August 24, 2016. Said MOA is not sufficient to grant her the authority to continue the examination of petitioner's books of accounts and other accounting records.

Moreover, RDO Catapia who issued the same MOA and letter dated October 28, 2016 was not the Regional Director when he issued the same.

In fine, the subject tax assessments issued against petitioner for TY 2014 are *void*, for lack of authority of RO Arlene G. Tenorio to examine or audit petitioner's books. Being void, the same bear no fruit.[60] Hence, the subject deficiency income tax, EWT, FWT, and VAT assessments cannot be legally enforced against petitioner.

***Petitioner is not liable to pay the subject compromise penalties.***

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[55] Exhibit "R-4", BIR Records (Exhibit "R-12"), p. 349.
[56] Exhibit "R-7", BIR Records (Exhibit "R-12"), pp. 671 to 672.
[57] Exhibit "P-3" (Docket – Vol. 1, pp. 535 to 539), and Exhibit "R-8" [BIR Records (Exhibit "R-12"), pp. 679 to 683.
[58] Exhibits "R-10" to "R-11-E, BIR Records (Exhibit "R-12"), pp. 684 to 693.
[59] Pars. 1.03, 1.05 and 1.06, JSFI, Docket – Vol. 1, pp. 459 and 460, respectively; Exhibits "P-4" to "P-5", Docket – Vol. I, pp. 44 to 53.
[60] *Himlayang Pilipino Plans, Inc. vs. Commissioner of Internal Revenue*, G.R. No. 241848, May 14, 2021.

Since the subject assessments are void, petitioner cannot likewise be held liable to the compromise penalty in the aggregate amount of ₱160,000.00. In any case, it must be stressed that a compromise is, by its nature, mutual in essence.[61] It implies agreement. One party cannot impose it upon the other.[62] Compromise penalties are only amounts suggested in settlement of criminal liability and may not be imposed or exacted on the taxpayer in the event of refusal to pay the suggested amount.[63] Considering that there is no indication that petitioner consented to the subject compromise penalty, the said amount cannot be sustained.

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

Accordingly, the assailed FLD/FANs dated October 13, 2017, requesting petitioner to pay deficiency income tax, EWT, FWT, and VAT, including increments, in the aggregate amount of ₱29,613,954.71, for TY 2014, are all **CANCELLED and SET ASIDE.**

**SO ORDERED.**

**MA. BELEN M. RINGPIS-LIBAN**
Associate Justice

WE CONCUR:

**MARIA ROWENA MODESTO-SAN PEDRO**
Associate Justice

**CORAZON G. FERRER-FLORES**
Associate Justice

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[61] Refer to *Vda. De San Agustin vs. Commissioner of Internal Revenue*, G.R. No. 138485, September 10, 2001.
[62] *Commissioner of Internal Revenue vs. Abad, et al.*, G.R. No. L-19627, June 27, 1968.
[63] Refer to Part III.4, Revenue Memorandum Order No. 7-2015.

## 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.

**MA. BELEN M. RINGPIS-LIBAN**
Associate Justice
Chairperson

## CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution and the Division Chairperson's Attestation, 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.

**ROMAN G. DEL ROSARIO**
Presiding Justice