

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

COMMISSIONER OF
INTERNAL REVENUE,
Petitioner,

CTA EB NO. 2630
(CTA Case No. 9876)

Present:

- versus -

DEL ROSARIO, P.J.,
RINGPIS-LIBAN,
MANAHAN,
BACORRO-VILLENA,
MODESTO-SAN PEDRO,
REYES-FAJARDO,
CUI-DAVID,
FERRER-FLORES, *and*
ANGELES, JL.

INTEGREON MANAGED
SOLUTIONS (PHILIPPINES),
INC.,
Respondent.

Promulgated:

MAY 09 2024

[Signature] 1:47 p.m.

x ----- x

RESOLUTION

BACORRO-VILLENA, L:

For the Court *En Banc*'s resolution is petitioner Commissioner of Internal Revenue's (**petitioner's**/CIR's) "Motion for Reconsideration"¹ (**MR**) filed on 01 December 2023², with respondent Integreon Managed Solutions (Philippines), Inc.'s (**respondent's**) "Opposition/Comment (Re: Petitioner's Motion for Reconsideration dated December 1, 2023)"³ (**Comment**) filed on 15 January 2024.⁴

¹ Rollo, pp. 104-111.
² Received on 11 December 2023.
³ Rollo, pp. 115-123.
⁴ Received on 23 January 2024.

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The MR assails the Court *En Banc*'s Decision⁵ promulgated on 15 November 2023 (**assailed Decision**). The dispositive portion of which reads:

...

WHEREFORE, with the foregoing, petitioner Commissioner of Internal Revenue's Petition for Review filed on 03 June 2022 is **DENIED** for lack of merit. Accordingly, the assailed Decision dated 07 December 2021 and Resolution dated 13 May 2022, of the First Division in CTA Case No. 9876, entitled *Integreon Managed Solutions (Philippines), Inc. v. Commissioner of Internal Revenue*, are hereby **AFFIRMED**.

Accordingly, petitioner Commissioner of Internal Revenue or any person duly acting on his or her behalf is **ENJOINED** from pursuing any actions against respondent Integreon Managed Solutions (Philippines), Inc., relative to herein case.

SO ORDERED.

...

In the MR, petitioner asserts that respondent may no longer attacked the authority of the Bureau of Internal Revenue (**BIR**) officers who conducted the audit. According to petitioner, when Zaira M. Congzon (**Congzon**) (the Finance and Accounting Manager), and Ariel T. Lleva (**Lleva**) (the Tax Director of Navarro Amper & Co.) participated in the audit on respondent's behalf, they did not question the authority of Revenue Officer (**RO**) Talib A. Muti III (**Muti**) and Group Supervisor (**GS**) Cadidia G. Carim (**Carim**). Instead, they sought for additional time from the said BIR officers to submit supporting documents in relation to the subject assessments. Thus, by respondent's own acts, it already admitted the authority of RO Muti and GS Carim in consonance with the ruling in *Gina Villa Gomez v. People of the Philippines*.⁶

Petitioner also claims that respondent, through its admission by silence, acknowledged and accepted the authority of the conducting officers. Using the requirements of admission by silence in *Spouses Cipriano Pamplona and Bibiana Intac v. Spouses Lilia I. Cueto and Vedasto Cueto*⁷, he or she avers that the following requisites were present:

§

⁵ Rollo, pp. 75-93.

⁶ G.R. No. 216824, 10 November 2020.

⁷ G.R. No. 204735, 19 February 2018.

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1. Respondent, through Congzon and Lleba, observed the authority of RO Muti and GS Carim;
2. Respondent had sufficient opportunity to object or deny the authority of RO Muti and GS Carim to conduct the assessment for taxable year (TY) 2014;
3. Respondent understood the authority of RO Muti and GS Carim when it participated in the assessments;
4. Respondent had interest to object as it would naturally have done if RO Muti and GS Carim were not properly clothed with authority;
5. Respondent had knowledge that the authority of RO Muti and GS Carim were pursuant to a Memorandum of Assignment (MOA); and,
6. Respondent's admission through silence is material to the issue at hand.

With the above enumerations, petitioner maintains that respondent is estopped from attacking the authority of RO Muti and GS Carim.

In addition, petitioner points out that due process requirement was observed. He or she alleges that respondent did not contest that it was not duly informed of the facts and laws on which the assessments were based. Hence, the resulting assessments were valid, and respondent is liable for the deficiency taxes.

Respondent, on the other hand, counters that the arguments in the MR failed to demonstrate any reversible errors and merely reiterates those contentions that were already passed upon in the *En Banc's* assailed Decision. According to it, petitioner still failed to prove that RO Muti was authorized with a Letter of Authority (LOA) to conduct the audit of respondent's books. 

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Respondent also points out that petitioner did not present evidence to substantiate the claim for estoppel. There is nothing in the records that would prove that respondent had knowledge nor suspicion that RO Muti was not authorized to examine its books.

Further, respondent argues that the material issue in the instant case is the validity of the LOA which, in turn, affects the validity of the assessments. Citing the cases of *Himlayang Pilipino Plans, Inc. v. Commissioner of Internal Revenue*⁸ and *Commissioner of Internal Revenue v. Lancaster Philippines, Inc.*⁹, respondent claims that this Court is not precluded from considering the RO's lack of authority despite failure to raise the issue at the earliest opportunity.

Respondent then reiterates that the absence of a separate or an amended LOA authorizing RO Muti and GS Carim to conduct the audit on its books of accounts is violative of its right to due process. Hence, a resulting assessment from an audit that was conducted without a valid LOA is necessarily void, such as this case.

We resolve.

After considering the parties' arguments, We are constrained to deny petitioner's MR for lack of merit.

Futile as it may be, petitioner nevertheless implores the Court *En Banc* to deem that respondent is estopped from questioning the authority of RO Muti and GS Carim since it already admitted the said authority through its silence. Unfortunately, the doctrine of estoppel does not find applicability in this case.

The doctrine of estoppel is predicated on, and has its origin in, equity which, broadly defined, is justice according to natural law and right.¹⁰ As such, the doctrine of estoppel cannot give validity to an act that is prohibited by law or one that is against public policy. It should be resorted to solely as a means of preventing injustice and should not be permitted to defeat the administration of the law, or to accomplish a

⁸ G.R. No. 241848, 14 May 2021.

⁹ G.R. No. 183408, 12 July 2017.

¹⁰ *Commissioner of Internal Revenue v. Kudos Metal Corporation*, G.R. No. 178087, 05 May 2010.

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wrong or secure an undue advantage, or to extend beyond them requirements of the transactions in which they originate.

As held in the assailed Decision, Sections 6(A)¹¹, 10(C)¹² and 13¹³ of the National Internal Revenue Code (NIRC) of 1997, as amended, in relation to Section D(4)¹⁴ of Revenue Memorandum Order (RMO) No. 43-90¹⁵, require the issuance of an LOA by the CIR or his or her duly authorized representatives to properly clothe the assigned ROs with the authority to conduct the audit or investigation of a taxpayer. Absent such grant of authority through an LOA, the RO cannot conduct the audit of taxpayer's books of accounts and other accounting records because such right is statutorily conferred only upon petitioner.

Relevant thereto, Section C(5)¹⁶ of the same RMO, mandates the issuance of a new LOA in cases of reassignment or transfer of examination to another RO. §

¹¹ SEC. 6. *Power of the Commissioner to Make Assessments and Prescribe Additional Requirements for Tax Administration and Enforcement.* —

(A) *Examination of Return 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: *Provided*, however, That failure to file a return shall not prevent the Commissioner from authorizing the examination of any taxpayer.

¹² 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[.]

¹³ 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.

¹⁴ D. Preparation and issuance of L/As.

...

4. For the proper monitoring and coordination of the issuance of Letter of Authority, the only BIR officials authorized to issue and sign Letters of Authority are the Regional Directors, the Deputy Commissioners and the Commissioner. For the exigencies of the service, other officials may be authorized to issue and sign Letters of Authority but only upon prior authorization by the Commissioner himself.

¹⁵ Amendment of Revenue Memorandum Order No. 37-90 Prescribing Revised Policy Guidelines for Examination of Returns and Issuance of Letters of Authority to Audit dated 20 September 1990.

¹⁶ C. Other policies for issuance of L/As.

...

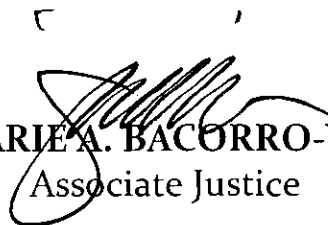
5. Any reassignment/transfer of cases to another RO(s), and revalidation of Letter of Authorities which have already expired, shall require the issuance of a new Letter of Authority, with the corresponding notation thereto, including the previous [LOA] number and date of issue of said Letter of Authorities.

Evidently, in this case, petitioner failed to comply with his or her own rules when it allowed RO Muti and GS Carim to continue the audit *absent* an issued separate or amended LOA duly authorizing them to do so. Thus, petitioner cannot hide behind the doctrine of estoppel to cover his or her failure to comply with RMO No. 43-90, which BIR itself issued. Having caused the invalidity of the assessments, petitioner must bear the consequences.

As previously determined, the lack of authority of the RO and the GS is tantamount to the absence of an LOA itself which results to a void assessment. Being a void assessment, the same bears no fruit.¹⁷ Thus, with the nullity of the assessments, We find it unnecessary to tackle petitioner’s argument on due process requirements as there is no valid assessment to speak of.

WHEREFORE, in view of the foregoing, petitioner’s “Motion for Reconsideration” filed on 01 December 2023 is **DENIED** for lack of merit.

SO ORDERED.


JEAN MARIE A. BACORRO-VILLENA
Associate Justice

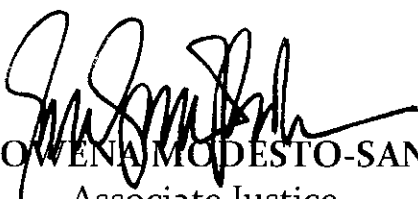
WE CONCUR:

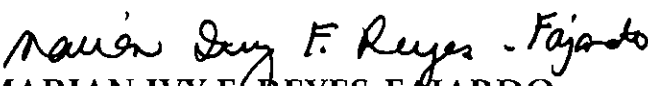

ROMAN G. DEL ROSARIO
Presiding Justice


MA. BELEN M. RINGPIS-LIBAN
Associate Justice

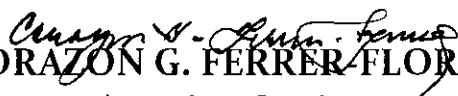
¹⁷ Supra at note 8.


CATHERINE T. MANAHAN
Associate Justice


MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice


MARIAN IVY F. REYES-FAJARDO
Associate Justice


LANEE S. CUI-DAVID
Associate Justice


CORAZON G. FERRER-FLORES
Associate Justice


HENRY S. ANGELES
Associate Justice