TAX MANAGEMENT ASSOCIATION OF THE PHILIPPINES, INC.

TAX UPDATES FROM AUGUST 16, 2025, TO SEPTEMBER 15, 2025

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17. BSFIL Technologies, Inc. vs. Commissioner of Internal Revenue, CTA Case No. 10603	August 29, 2025	A warrant of distraint of levy is void for having been issued prematurely as the alleged assessment it seeks to collect has not yet become final and executory because of the pending appeal with the Respondent, and hence, the assessment is not a delinquent tax.	**14-15**

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		The nature of the administrative protest, i.e., request for reinvestigation or request for reconsideration, must be clearly distinguished for the purpose of identifying which request triggers the application or operation of the 60-day period to submit supporting documents.	
18. Hai Long Shipbuilding & Lighterage, Inc. as owner and operator of Cargo Ship, LCT "Yellow River" with Official Number 00-0026867 v. Office of the Commissioner (OCOM) of the BOC, District Collector of Port of Limay, Bureau of Customs (BOC) Bataan and Office of the Solicitor General (OSG), *CTA Case No. 10622, August 28, 2025*	August 28, 2025	The proceedings on the matter of forfeiture are *in rem* and are therefore directed against the *res* or a specific property. This means that the action centers on the vessel's involvement in the illegal act and finds no relevance whether the agent or the owner thereof has knowledge or participation, as the action is not against the owner's personal liability but against the vessel itself as utilized in the violation.	**15-16**
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22. AstraZeneca Pharmaceuticals (Philippines) v. Commissioner of Internal Revenue, CTA Case No. 10725	August 20, 2025	The amount of time between the filing of the administrative and judicial claims for refund of erroneously paid taxes is not significant because Sections 204 and 229 of the NIRC (*before EOPT*) require only that (1) an administrative claim was filed before the judicial claim; and (2) both claims are filed within two years from that payment of the tax sought to be refunded.	**19-20**
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24. Master Sports Corporation v. Commissioner of Internal Revenue, C.T.A. Case No. 10490	August 20, 2025	Statutes of limitation on tax collection may be tolled by extraordinary circumstances, such as public health emergencies. The Suyoc doctrine applies only when a taxpayer's actions unequivocally induce the government to delay collection. COVID-19-related issuances effectively suspended the prescriptive period for tax collection.	**21-22**
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3. RMO No. 38-2025	September 8, 2025	Consolidated Guidelines and Procedures for the Processing of Claims for Refund of Excise Tax Paid on Petroleum Products, amending Revenue Memorandum Order No. 15-2024 and other related issuances	**24-25**

DISCUSSION

A. COURT OF TAX APPEALS DECISIONS

1. The 180+30-day period to file a judicial appeal begins when the taxpayer submits its supporting documents in support of the protest to the FAN. Further administrative protest of the FDDA, by way of a Request for Reconsideration, does not provide a new 180-day period for the CIR's action and consequently does not provide a new 180+30-day period for the filing of a Petition for Review.

Petitioner Empire Automation Phils, Inc. (the "Petitioner") filed its administrative protest on January 25, 2019. It then submitted additional documents on March 12, 2019. CIR issued a Final Decision on Disputed Assessment ("FDDA") on November 25, 2021. Aggrieved, the Petitioner filed a Request for Reconsideration on December 20, 2021. With no action from the CIR, the Petitioner filed a Petition for Review on July 18, 2022, exactly 210 days after it filed the Request for Reconsideration.

The CTA held pursuant to Sec. 228, Tax Code, if the CIR does not act on a taxpayer's protest or administrative appeal, the taxpayer has a period of 180 days from submission of documents + 30 days after the expiration of the 180 days, or a period of 210 days, within which to file a Petition for Review before the CTA. Alternatively, it can await the CIR's decision even past the 180-day period.

In view of the foregoing, the 180+30-day period for filing a Petition in this case began when the Petitioner filed additional documents in support of its protest to the FAN on March 12, 2019. This gave the Petitioner until October 8, 2019. Neither the respondent's issuance of the FDDA on November 23, 2021, nor the Petitioner's filing of a Request for Reconsideration to said FDDA on December 20, 2021, produced a new 180+30-day period. In this case, the Petition for Review was filed on July 18, 2022. Considering that the Petitioner did not file a Petition after receipt of the FDDA and opted to further administratively protest the same, its only valid recourse was to await the Respondent CIR's decision on its Request for Reconsideration and, if still necessary, file the judicial appeal within 30 days from its receipt. Thus, the Petition for Review was dismissed for lack of jurisdiction.

(Empire Automation Phils, Inc. v. Commissioner of Internal Revenue, CTA Case No. 10924, September 15, 2025)

2. A notice of assessment in a local tax case is not only a requirement of due process but also serves as the initial notice to the taxpayer about the pending tax liability. Tax assessments issued in violation of the taxpayer's due process rights are void and of no force and effect.

Petitioner City of Taguig filed a Petition for Review praying for the reversal of the Decision and Order both rendered by the RTC of Taguig City (RTC). The RTC granted the Complaint for Cancellation of Local Business Tax Assessment filed by the Respondent Cosmos Bottling Corporation. The Court a quo ordered Petitioner to cancel the Billing Statement dated January 13, 2018, and issue a new Billing Statement reflecting the correct amount of regulatory fees only, deleting the imposition of local business tax (LBT), back taxes, interest, and surcharges. In so ruling, the RTC found that the Respondent's principal office in Taguig City is a mere administrative office performing only administrative functions over its branches and sales outlets

located all over the Philippines and outside the territorial jurisdiction of the City Government of Taguig, and that there are no sales and tolling income recorded in said office. Thus, the Petitioner has no authority to impose LBT upon the Respondent.

The CTA ruled that the Billing Statement violated the Respondent's right to due process, hence void. The requirements with respect to the content of a local tax, fee, or charge assessment are as follows: (1) nature of the local tax, fee, or charge; (2) the amount of deficiency local tax, fee, or charge, including surcharges, interests, and penalties; and (3) the period covered by the local tax, fee, or charge assessment. The lack of any one of these requirements would lead to a violation of the taxpayer's right to due process because said local assessment would fail to sufficiently apprise the taxpayer of the legal and factual bases thereof. Of the three requirements, Petitioners failed to comply with the first requirement. A perusal of the Billing Statement clearly revealed that it does not state the local tax ordinance from which it was based. The lack of factual and legal bases on the Billing Statement renders it simply a naked table of figures.

(The City of Taguig, Atty. J. Voltaire Enriquez in his capacity as the City Treasurer of Taguig and Atty. Fanella Joy Panga Cruz in her capacity as the (former) Head of Business Permits and Licensing Office (BPLO)-City of Taguig v. Cosmos Bottling Corporation, CTA Case No. AC-320, September 10, 2025)

3. **A tax assessment must not only contain a computation of tax liabilities but must also include a demand for the settlement of a tax liability that is definite and fixed, within a specific period. The absence of such demand renders the assessment invalid.**

On November 27, 2019, Petitioner Eperformax Contact Centers (Cebu) Corp. received the Formal Letter of Demand (FLD) indicating alleged liability for deficiency taxes for the calendar year ending December 31, 2016. The FLD provides as follows: "Please take note that the interest will have to be adjusted if paid beyond the date specified therein."

On June 3, 2021, the Petitioner received the FDDA issued by the BIR. The due date reflected in the FDDA is "October 31, 2020" although it was only received by the Petitioner on June 3, 2021.

The CTA ruled that a tax assessment must not only contain a computation of tax liabilities, but must also include a demand for the settlement of a tax liability that is definite and fixed, within a specific period. The absence of such demand renders the assessment invalid.

In this case, the FLD does not clearly indicate what the phrase "the date specified therein" actually refers to. In view of this vagueness, the indefiniteness in the amount being assessed became amplified. Moreover, the respective spaces for the due dates were conspicuously left blank in the Assessment Notices. Given that the Respondent CIR failed to state the respective due dates for the payment of the subject deficiency taxes, the Petitioner's obligation for such deficiency taxes may not be deemed to have legally accrued. Furthermore, considering that the FDDA failed to indicate a valid due date for the payment of the subject deficiency taxes, no demand thereof within a specific period was validly made. Thus, given the CIR's failure to state a definite due date for the payment of the taxes stated in the FLD, along with his failure to state the valid due dates for the payment of the subject deficiency taxes in the Assessment Notices attached to the FDDA, the subject tax assessments are a nullity. Thus, the Petitioner may not be adjudged to be liable for the subject deficiency taxes.

(Eperformax Contract Centers (Cebu) Corp.) Corp. v. Commissioner of Internal Revenue, CTA Case No. 10572, September 9, 2025)

4. **With regard to qualification for an export sale of goods as a zero-rated sale, should the amount actually remitted differ from the invoice amount, the valid zero-rated sales to be considered by the Court shall be the lower of the invoice amount or the remitted amount.**

Petitioner Plipinas Kyohritsu Inc. filed an administrative claim for VAT refund in the amount of Php13,164,872.60 for the covered period April 1, 2019 to June 30, 2019, based on zero-rated sales from: (1) export sales of service; (2) sales to a PEZA-registered entity; and (3) export sales of goods. Petitioner's administrative claim for refund was granted in the reduced amount of

Php6,679,022.84. Thus, Petitioner filed a judicial appeal contesting the partial grant of their original VAT refund in the amount of P13,164,872.60.

With regard to Petitioner's export sales of services, the CTA ruled that for failure to present proof of incorporation or registration in a foreign country, the Petitioner failed to prove the requisite that the recipient of services is a non-resident foreign corporation doing business outside the Philippines. Moreover, the CTA found substantial differences between the sales amount per invoice and the net amount remitted. Given the discrepancy, the CTA did not consider the full invoice amount as acceptable foreign currency actually remitted in accordance with the BSP rules and regulations. In determining Petitioner's valid zero-rated export sales of goods, the CTA held that the valid zero-rated sales to be considered shall be the lower amount between the invoice amount and the remitted amount. Specifically, should the amount actually remitted be lower than the invoice amount, the amount considered as valid zero-rated sales shall be only to the extent of the amount actually remitted. On the other hand, if the amount actually remitted exceeds the invoice amount, the valid zero-rated sales shall only be to the extent of the invoice amount.

(Pilipinas Kyohritsu Inc. v. Commissioner of Internal Revenue, CTA Case No. 10689, September 9, 2025)

5. **An assessment is a written notice and demand made by the BIR on the taxpayer for the settlement of a definitely ascertained tax liability.**

Petitioner Fort Bonifacio Development Corporation prayed for the cancellation and withdrawal of Respondent CIR's assessment for alleged deficiency VAT for the period January 1, 2014 to June 30, 2014. Petitioners argued that the deficiency tax assessments are null and void as they were issued in violation of its right to due process, since the FLD and FDDA are not final demands for payment, and Petitioner's tax liability remains indefinite.

The CTA ruled that an assessment "refers to the determination of amounts due from a person obligated to make payments." In the context in which it is used in the Tax Code, an assessment is a written notice and demand made by the BIR on the taxpayer for the settlement of a due tax liability that is definitely set and fixed.

The CTA found that the FDDA does not indicate a valid due date for the payment. In particular, the due date reflected in the Assessment notice is "March 31, 2021", although it was only issued on "01 JUN 2021" and received by the Petitioner on June 2, 2021. Clearly, the prescribed due date stated therein for the payment of the alleged deficiency tax had already lapsed when the FDDA and the corresponding Assessment Notice were received by Petitioner, making it impossible for Petitioner to comply. It is as if the due date therein "remained unaccomplished", thus, negating compliance with the requirement that the assessment must contain a demand for payment within a prescribed period.

Nevertheless, the CTA explained that the Respondent's decision on a disputed assessment differs from the assessment itself. Hence, the invalidity of one does not necessarily result in the invalidity of the other. Considering that the infirmity of the FDDA did not affect the validity of the FLD and that the latter did not suffer from the same defect as the FDDA, the assessment was found valid.

(Fort Bonifacio Development Corporation vs. Commissioner of Internal Revenue, CTA Case No. 10566, September 9, 2025)

6. **Substituted service can only be resorted to when the party is not present at the registered or known address, and the assessment notice shall be left thereat with the taxpayer's clerk or with a person having charge thereof.**

On March 6, 2020, Respondent CIR issued a Final Decision on Disputed Assessment (FDDA). In the judicial appeal, Petitioner G2K Corporation questioned the validity of the service of the FDDA allegedly on March 6, 2020, to unauthorized representatives, the Petitioner's front desk receptionist, and its administrative supervisor. Petitioner claimed that its only authorized representative is the Treasurer/Chief Financial Officer.

The CTA held that the modes of service of assessment notices and prescribed that the assessment notices shall primarily be served to the taxpayer personally at its registered or known address. Substituted service can be resorted to only when the party is not present at the registered or known address, and it shall be left thereat with the taxpayer's clerk or with a person having charge thereof. In this case, the Petitioner acknowledged the receipt of the PAN and FLD, as categorically asserted and admitted in its Petition and as testified by its witness Treasurer/CFO. It is notable that both assessment notices were signed and received by the Petitioner's front desk receptionist, Marisa Borsal, and Administrative Supervisor, Sheena dela Torre, respectively, as evidenced by the photographs taken by RO Ugay when she served the same at the Petitioner's front desk prominently displaying "G2K Corporation". The Court is thus curious as to why the Petitioner suddenly denied receipt of the FDDA, even if it was also signed and received by its own administrative officer, Jesamiah Sangcap, as evidenced by a photocopy of said officer's G2K Corporation Employee Identification Card obtained by RO Ugay when she served the same to the Petitioner. Thus, the CTA ruled that the Petitioner is now estopped from invoking the defense of improper service of the FDDA.

(G2K Corporation v. Commissioner of Internal Revenue, CTA Case No. 10690, September 9, 2025)

7. **The exemption from expanded withholding taxes under Section 2.57.5(A), Rev. Regs. 2-98, as amended, applies to income payments made to government instrumentalities, regardless of asset classification.**

This is a Petition for Review filed by Petitioner CIR assailing the Decision and Resolution rendered by the CTA Special Third Division (CTA Division), which granted Respondent BSP's judicial claim for refund of surcharge, interest, and penalty for the supposed late payment of the expanded withholding tax (EWT) for the sale of properties through public auction. Citing 2.57.5(A), Rev. Regs. No. 2-98, as amended, the CTA Division ruled that creditable withholding tax does not apply to income payments made to, *inter alia*, government instrumentalities.

The CTA En Banc found that the arguments raised in the Petition for Review were mere reiterations of those previously raised in Petitioner's Motion for Reconsideration. The CTA En Banc found no compelling reason to disturb the findings and conclusions of the CTA Division. As correctly held, the imposition of surcharge, interest, and compromise penalty for the alleged late payment of EWT was unwarranted, considering that Respondent BSP is a government instrumentality.

Petitioners' contention that Respondent BSP must prove its exemption from EWT, and that the properties sold were ordinary assets subject to tax, was likewise addressed by the CTA Division in the assailed Decision and Resolution. The CTA Division ruled that the Respondent's status as a government instrumentality was judicially admitted by the Petitioner. The CTA Division likewise clarified that the exemption under Section 2.57.5(A) applies to income payments made to government instrumentalities, regardless of asset classification. Even assuming, arguendo, that the income from the sale was subject to EWT, the obligation to withhold and remit the tax rests with the buyer/income payor/withholding agent, not with BSP as the seller/income payee/recipient.

(Commissioner of Internal Revenue v. Bangko Sentral ng Pilipinas, CTA EB Case No. 2944 (CTA Case No. 10278), September 8, 2025)

8. **The perfection of an appeal in the manner and within the period laid down by law is not only mandatory but also jurisdictional. The period for filing a Petition for Review with the CTA En Banc to appeal the ruling of the CTA Division should be counted from receipt by the DOJ of a copy of the adverse ruling. and not from the date of receipt by the Bureau of Internal Revenue.**

On April 29, 2024, and June 27, 2024, the CTA Division dismissed the criminal case against Respondent Juanita Ilagan for failure to prosecute. On July 8, 2024, the Resolution dated June 27, 2024, was received by the Department of Justice (DOJ). Petitioner filed a Petition for Review on August 15, 2024.

The CTA En Banc dismissed the Petition for Review on jurisdictional grounds for being filed out of time. The Revised Rules of the Court of Tax Appeals provides that an appeal to the Court En Banc in criminal cases shall be taken by filing a petition for review within 15 days from receipt of a copy of the decision or resolution appealed from. However, for good cause, the time for filing the petition may be extended for an additional period not exceeding 15 days.
In this case, the assailed Resolution dated June 27, 2024, was received by the DOJ on July 8, 2024. Thus, Petitioner had 15 days from July 8, 2024, or until July 23, 2024, within which to file its Petition for Review before the Court En Banc. However, as the records show, the Petitioner filed the Petition for Review only on August 15, 2024. Hence, beyond the 15-day reglementary period to appeal. The CTA En Banc ruled that the period for filing a Petition for Review with the CTA En Banc to appeal the ruling of the CTA Division should be counted from receipt by the DOJ of a copy of said adverse ruling. The date on which the Bureau of Internal Revenue receives such ruling is immaterial,

(People of the Philippines v. Juanita L. Ilagan, CTA EB Case No. CRIM-158 (CTA Crim. Case No. O-978), September 8, 2025)

9. In the absence of actual proof that there has been intentional falsity or fraud in the filing of tax returns, the ten (10)-year extraordinary prescriptive period for tax assessment under Section 222(a), Tax Code does not apply.

Petitioner CIR filed the Petition for Review before the CTA En Banc challenging the CTA Special Third Division's (CTA Division) decision which nullified the Preliminary Assessment Notice (PAN), Formal Letter of Demand/Final Assessment Notices (FLD/FAN), Final Decision on Disputed Assessment (FDDA) which pertain to deficiency Value-Added Tax (VAT), Expanded Withholding Tax (EWT) and Withholding Tax on Compensation (WTC) assessments issued against Respondent Pet Plans, Inc. for taxable year 2005.

Petitioner CIR maintained that his right to assess Respondent has not prescribed, relying on Section 222(a), Tax Code. He also asserted that the CTA Division erred in relying on a BIR ruling that was not issued at the instance of the Respondent. Lastly, Petitioner contended that withholding tax assessments are imprescriptible.

The CTA En Banc ruled that if the 30% threshold in determining prima facie evidence of a false or fraudulent return is satisfied, the burden of proof is shifted to the taxpayer. If the taxpayer fails to overcome this presumption, the prima facie evidence is sufficient to justify the application of the 10-year period for assessment and collection. However, if the taxpayer successfully overturns the presumption by demonstrating that the misstatement as ascertained by the CIR was inadvertent or attributable to a mistake, the CIR cannot rely on the presumption to prove the taxpayer's intent to evade taxes.

In the absence of actual proof that there has been intentional falsity or fraud in the filing of Respondent's VAT returns, as it is in this case, the ten (10)-year extraordinary prescriptive period for tax assessment under Section 222(a), Tax Code does not apply. Further, contrary to Petitioner CIR's position, jurisprudence is definitive that assessments for withholding taxes are likewise subject to prescriptive periods provided under the Tax Code.

(Commissioner of Internal Revenue v. Pet Plans, Inc., CTA EB Case No. 2857 (CTA Case No. 10002), September 2, 2025)

10. The 180-day period is confined to the period within which either the CIR or his duly authorized representative may act on the initial protest against the FAN. Thus, if the taxpayer opts to appeal to the CIR, the final decision of the latter's duly authorized representative, the law does not grant a separate 180-day period within which such an appeal shall be decided.

On December 5, 2017, Petitioner BENECO filed a Motion for Reconsideration by way of protest to the Final Letter of Demand. On March 15, 2018, Respondent CIR issued the FDDA, which the petitioner received on March 27, 2018. On April 25, 2018, the Petitioner filed an Appeal on the FDDA. Pending the Respondent CIR's action on its appeal, Petitioner filed a Petition for Review on October 30, 2018.

The CTA Division ruled that it lacked jurisdiction over the original Petition for Review for being belatedly filed on October 30, 2018, applying the reglementary periods, provided under Section 3.1.3 of RR No. 12-99, as amended. The CTA held that no new or separate 180-day period shall be granted to the CIR upon filing of an administrative appeal from the decision of the latter's duly authorized representative. Moreover, it should be noted that RR No. 18-2013 clearly defines how a taxpayer can file "protests" and consistently refers to them as a separate document or action distinct from "administrative appeal".

In this case, the CTA En Banc affirmed that the CTA Division has correctly found July 14, 2018 as the end of the 180-day period and August 13, 2018, or 30 days therefrom, as the deadline for filing of a judicial appeal. Hence, the original Petition for Review filed on October 30, 2018 was untimely filed, making the Court in Division devoid of jurisdiction to rule on the case merits.

(Benguet Electric Cooperative, Inc. (BENECO) v. Commissioner of Internal Revenue, CTA EB Case No. 2882 (CTA Case No. 9667), September 2, 2025)

11. Any reassignment of the examination of a taxpayer's books of accounts, pursuant to an LOA, from one RO to another necessitates the issuance of a new LOA. The CTA has the authority to rule on issues not raised by the parties to arrive at an orderly disposition of the case.

Petitioner CIR appealed the Decision and Resolution rendered by the CTA Special Third Division (CTA Division) setting aside the FDDA issued against Respondent Metro Rail Transit Corporation..

Petitioner CIR argued that the assessments were made pursuant to a valid Letter of Authority (LOA) despite the continuation of the audit by another revenue officer (RO) not named in the LOA, and that Respondent should not be allowed to attack for the first time on appeal the validity of the assessment on the ground of lack of authority.

The Court emphasized that any reassignment of the examination of a taxpayer's books of accounts, pursuant to an LOA, from one RO to another necessitates the issuance of a new LOA. Indeed, the LOA is the concrete manifestation of the grant of authority bestowed by the CIR or his authorized representatives to the ROs pursuant to Sections 6, 10(c) and 13, Tax Code. Jurisprudence holds that the practice of reassigning or transferring ROs, via a Memorandum of Agreement, referral memorandum, or such other equivalent internal documents of the BIR, without the issuance of a new LOA, is in effect a usurpation of the statutory power of the CIR or his duly authorized representatives.

The CIR also faulted the CTA Division on an issue raised for the first time on appeal. To this, the CTA En Banc held that the Revised Rules of the CTA and jurisprudence affirmed the authority of the CTA to rule on issues not raised by the parties to arrive at an orderly disposition of the case. Moreover, the failure of a taxpayer to raise the issue of an RO's lack of authority does not preclude the Court from considering the same as said issue goes into the intrinsic validity of the assessment itself. Since the validity of the tax assessments is anchored on the legality of the examination conducted by the BIR against the taxpayer, the CTA Division may address the propriety thereof, despite the parties' failure to raise the same in their pleadings and pre-trial.

(Commissioner of Internal Revenue vs. Metro Rail Transit Corporation, CTA EB Case No. 2862 (CTA Case No. 9651), September 2, 2025)

12. When the CIR issues a denial within the 90-day period to act on a VAT refund claim, the 30-day period to appeal to the CTA is reckoned from the taxpayer's receipt of the denial, not from the expiration of the 90-day period. The "deemed denial" doctrine still applies under the law, but only when the CIR fails to act within the 90 days.

On March 31, 2023, Petitioner MD Rio Vista Agri-Ventures, Inc. filed an administrative claim for refund of excess input VAT for CY 2021. On June 5, 2023, the Respondent CIR, through the ACIR, issued a denial, which Petitioner received on July 4, 2023. On August 3, 2023, Petitioner filed a Petition for Review before the CTA Second Division.

The CTA Second Division dismissed the petition, ruling that it was filed out of time by reckoning the 30-day appeal period from June 29, 2023 (the 90th day after filing the administrative claim). It held that the denial issued within the 90-day period was ineffectual and treated the case as a "deemed denial."

On appeal, the CTA En Banc reversed the Second Division's decision. When the CIR issues a denial within the 90-day period to act on a VAT refund claim, the 30-day period to appeal to the CTA is reckoned from the taxpayer's receipt of the denial, not from the expiration of the 90-day period. The "deemed denial" doctrine still applies under the law, but only when the CIR fails to act within the 90 days.

The CTA En Banc held that since the CIR actually issued the denial within the 90-day period, the reckoning point for the 30-day judicial appeal should be from July 4, 2023, the date of receipt of the denial. Thus, the Petition for Review was timely filed, having been filed on August 3, 2023 or within the 30-day reglementary period.

(MD Rio Vista Agri-Ventures, Inc. v. Commissioner of Internal Revenue, CTA Case No. 11247, September 2, 2025)

13. For the sale of goods and services to PEZA-registered entities to qualify for VAT zero-rating, it must be shown that the goods were consumed, or the services were rendered in the ECOZONE.

This is a Petition for Review challenging the Respondent's partial denial of Petitioner's administrative claim for refund or issuance of tax credit certificate (TCC) representing the excess and unutilized input VAT on purchases of goods and services attributable to zero-rated sales for the 2nd quarter of calendar year 2019.

The CTA found the petition bereft of merit. One of the requisites for Petitioner to be entitled to a tax refund or credit of excess input VAT attributable to zero-rated sales is that it must be engaged in sales which are zero-rated or effectively zero-rated. In order for sale of goods and services to PEZA-registered entities to qualify for VAT zero-rating under Sections 106(A)(2)(a)(5) and 108(B)(3), Tax Code, the following essential elements must be present: (a) the sale was made by a VAT-registered person; (b) the sale of goods must be to a PEZA-registered entity; (c) it must be shown that the goods were consumed, or the services were rendered in the ECOZONE. The first and second elements were met in this case. Anent the third essential element, Petitioner never specifically alleged nor substantiated that its sale of goods and services were actually consumed or rendered within the ECOZONE, a crucial predicate to render them zero-rated.

(Sankyu-Ats Consortium-B v. Commissioner of Internal Revenue, CTA Case No. 10676, September 2, 2025)

14. In a refund claim of excess and unutilized input VAT, the law does not require direct attributability of input taxes to the zero-rated sale.

In 2006, the Respondent requested an opinion from the BIR on the taxable consequences of the billed fees to National Power Corporation (NPC); particularly if the sale of electricity generated through hydropower is subject to zero percent (0%) VAT pursuant to Sec. 108(B)(7), Tax Code. In response, the BIR affirmed that billings for its sale of electricity to NPC are subject to 0% VAT. In view of this, the Respondent filed an administrative claim before the BIR for the VAT refund or Tax Credit Certificate (TCC) of its unutilized or excess creditable input taxes. However, CIR maintained that the law required that only "creditable input taxes" that are "directly attributable" may be refunded. Thus, the claim for refund of input tax on purchases was denied for failure to establish the direct attributability of such input tax vis-à-vis the respondent's zero-rated sales.

The CTA En Banc affirmed the CTA Special Second Division's Decision, in which the Court a quo held that the law does not require direct attributability of the input VAT from the purchase of goods to the finished product whose sale is zero-rated. Contrary to CIR's argument and pursuant to Section 112(A), Tax Code, the law permits the proportionate allocation of input taxes to the zero-rated sales, exempt sales, and taxable sales.

(Commissioner of Internal Revenue v. CBK Power Company Limited, CTA EB Case No. 2913 (CTA Case No. 10157), September 1, 2025)

15. The proof of receipt of the courier need not specifically indicate the type of document contained in the mail. What is material is the proof of delivery of the letter-petition by the taxpayer to the BIR.

Petitioner *Bangko Sentral ng Pilipinas* sought reconsideration of the Amended Decision promulgated by the CTA Special First Division (CTA Division) which dismissed the Petition for Review for lack of jurisdiction due to the non-filing of a prior administrative claim for refund.

Petitioner challenged the Amended Decision and insisted that a prior administrative claim for refund was prepared and properly filed with the BIR via a private courier (LBC) contrary to the finding of the Court. Petitioner also asserted that it mailed a follow-up letter to the former address of Revenue District Office No. 23B in good faith as it is the same address where it mailed the previous administrative claim for refund.

The CTA Division found merit in the arguments of the Petitioner. In its Motion for Reconsideration, Petitioner disputed the finding of the CTA Division that the LBC proof of receipt did not specifically indicate what type of document was contained in the mail matter. It pointed out that the LBC proof of receipt shows that the letter was delivered to RDO No. 23B as evidenced by the stamp "received by MARYANN G. SALAZAR, OIC Chief Administrative Section," a point that was never disputed by Respondent nor contradicted by convincing evidence *a contrari*.

(Bangko Sentral ng Pilipinas v. Commissioner of Internal Revenue, CTA Case No. 10106, September 1, 2025)

16. While offsetting arrangements are recognized by the BIR as an alternative to actual inward remittance of foreign currency proceeds in export sales, documents or correspondence regarding such offsetting arrangements and contracts with the foreign or affiliated company must be presented to prove that payments in foreign currency were accounted for in accordance with BSP rules and regulations

Petitioner Avaloq Philippines Operating Headquarters sought a refund in the amount of P2,233,944.02, allegedly representing Petitioner's unutilized and/ or excess input value-added tax (VAT) attributable to its zero-rated sales for the first (1st) quarter of calendar year (CY) 2020, covering the period from January 1, 2020 to March 31, 2020.

Petitioner is duly licensed by the Securities and Exchange Commission (SEC) as the regional operating headquarters (ROHQ) in the Philippines of Avaloq Group AG, a multi-national company organized and existing under the laws of Switzerland. Among other arguments, Petitioner asserted that it is engaged in zero-rated transactions as required under the Tax Code and its pertinent rules and regulations, and the sales were paid for in acceptable foreign currency exchange via an intercompany offsetting agreement, and the proceeds have been duly accounted for in accordance with the rules and regulations of the *Bangko Sentral ng Pilipinas* (BSP).

The CTA Division denied Petitioner's Petition for Review, given its finding that Petitioner failed to establish that it is engaged in zero-rated or effectively zero-rated sales, as it failed to prove that the services rendered to its non-resident foreign affiliates were paid for in acceptable foreign currency.

Of the requisites for the grant of a refund or issuance of a tax credit certificate of unutilized or excess input VAT attributable to zero-rated sales, the fourth and fifth require that the taxpayer is engaged in zero-rated or effectively zero-rated sales, and that, for zero-rated sales under Sections 106(A)(2)(1) and (2); 106 (B); and 108(B)(1) and (2), Tax Code, as amended, the proceeds from such sales were paid in acceptable foreign currency and duly accounted for in accordance with Bangko Sentral ng Pilipinas (BSP) rules and regulations.

While there are no noted exceptions regarding compliance with invoicing requirements in the Official Receipts (ORs) submitted, Petitioner nonetheless failed to sufficiently prove that the

corresponding payments were inwardly remitted through the Philippine banking system and duly accounted.

Notably, offsetting arrangements are recognized by the BIR as an alternative to the actual inward remittance of foreign currency proceeds in export sales, as acknowledged in Revenue Memorandum Circular (RMC) No. 42-2003. RMC No. 42-2003 provides that, in the case of offsetting arrangements, documents or correspondence regarding such offsetting arrangements and contracts with the foreign or affiliated company must be presented to prove that payments in foreign currency were accounted for in accordance with BSP rules and regulations.

Petitioners failed to adduce these documents or contracts, which would support a valid offsetting arrangement between Petitioner and its Head Office's affiliates. If there is indeed an offsetting arrangement between and among its Head Office's affiliates, it must be corroborated by a separate agreement between and among such affiliates.

(Avaloq Philippines Operating Headquarters v. Commissioner of Internal Revenue, CTA Case No. 10922, August 29, 2025)

17. A warrant of distraint of levy is void for having been issued prematurely, as the alleged assessment it seeks to collect has not yet become final and executory because of the pending appeal with the Respondent, and hence, the assessment is not a delinquent tax.

In the present case, Petitioner received the Final Decision on Disputed Assessment (FDDA) with attached Details of Discrepancies on August 25, 2020. Petitioner appealed the FDDA before the Office of the Commissioner on September 24, 2020. Pending action by the Commissioner on the appeal, however, Petitioner received the questioned Warrant of Distraint and/or Levy on August 2, 2021, demanding the payment of deficiency VAT as reflected in the FDDA, in the amount of Phpl6,529,053.04, inclusive of interest.

The CTA ruled that it cannot be said that Petitioner failed to pay the subject deficiency taxes *per se* since the taxpayer availed of the option of timely elevating its protest through a request for reconsideration before the respondent. Such an option was stated by the CIR himself in the FDDA, where Petitioner was required to pay the deficiency tax liabilities or, if it disagreed with the assessment, to appeal to the CIR within 30 days from receipt. Clearly, Petitioner opted for the latter; hence, with the timely filing of the appeal of the disputed assessment before the respondent, Petitioner prevented the assessment from becoming final, executory, and demandable. Consequently, the deficiency taxes are not yet delinquent and demandable so as to justify the summary collection remedies commenced by the Respondent.

(BSFIL Technologies, Inc. v. Commissioner of Internal Revenue, CTA Case No. 10603, August 29, 2025)

The nature of the administrative protest, i.e., request for reinvestigation or request for reconsideration, must be clearly distinguished for the purpose of identifying which request triggers the application or operation of the 60-day period to submit supporting documents.

Upon receipt of the Formal Letter of Demand and Final Assessment Notice (FLD/FAN), the petitioner filed its administrative protest, the introductory part of which referred to the same as a *request for reconsideration*. Subsequently, the petitioner filed a letter to the BIR to clarify that its protest against the FLD/FAN is a *request for reinvestigation*.

A tax assessment issued by the BIR may be protested administratively, within 30 days from receipt thereof, by filing either a request for reconsideration or a request for reinvestigation, in such form and manner as may be prescribed by implementing rules and regulations. The two types of protest cannot be used interchangeably.

In a *request for reconsideration*, the plea for re-evaluation of the assessment is on the basis of existing records without need of additional evidence, while in a *request for reinvestigation*, such plea for re-evaluation is on the basis of newly discovered or additional evidence that the taxpayer

intends to present in the reinvestigation. The distinction between a *request for reconsideration* and *request for reinvestigation* is significant for the purpose of identifying which request triggers the application or operation of the 60-day period, within which to submit all relevant supporting documents, as determined by the taxpayer. The said 60-day period applies only to *requests for reinvestigation*.

In this case, the Court held that it is clear that Petitioner's intention was to file a request for reconsideration. Had the intention been otherwise, Petitioner could have simply stated that its protest is a "request for reinvestigation." This is especially true since it is mandated under Section 3.1.5, Revenue Regulations (Rev. Regs.) No. 12-99, as amended and renumbered, that the protest must state the nature thereof, whether it be a request for reconsideration or a request for reinvestigation. Parenthetically, if Petitioner would insist that its protest is actually a "request for reinvestigation," but since there is no indication or statement therein that it is so, the protest would then be considered void. To be sure, a protest which fails to comply with the requirements of Rev. Regs No. 12-99, as amended, is void.

In any event, Petitioner's supposed clarification that its protest is a request for reinvestigation, as stated in its March 9, 2020, letter, is a mere afterthought or conjecture. For requests for reinvestigation, the concerned taxpayer must submit all relevant supporting documents within 60 days from the filing of the protest. In this case, there is no indication that Petitioner ever submitted the said supporting documents to the BIR, within the said 60-day period, thus belying Petitioner's claim that its protest is a request for reinvestigation.

(BSFIL Technologies, Inc. v. Commissioner of Internal Revenue, CTA Case No. 10603, August 29, 2025)

18. The proceedings on the matter of forfeiture are *in rem* and are therefore directed against the *res* or a specific property. This means that the action centers on the vessel's involvement in the illegal act and finds no relevance whether the agent or the owner thereof has knowledge or participation, as the action is not against the owner's personal liability but against the vessel itself as utilized in the violation.

The subject vessel, LCT Yellow River (the “Subject Vessel”), was seized on the basis of a Warrant of Seizure and Detention (WSD) and forfeited in favor of the government for violation of Section 1113(a)(b)(k) in relation to Section 117 of the Customs Modernization and Tariff Act (CMTA). It was alleged that the Subject Vessel was being used to transport illegally imported rice and cigarettes. Petitioner Hai Long Shipbuilding and Lighterage moved for the release of the Subject Vessel on the ground that the Subject Vessel is exempt from forfeiture because (1) it is a common carrier; (2) it has no knowledge or participation in the unlawful act of transporting illegally imported rice and cigarettes; it never knew that such rice was smuggled. It raised the defense that it entered into a Charter Party Agreement with Accufact Logistics and Trading Corporation.

The key provisions of the CMTA clearly provide that the mere carrying of smuggled goods on board any vehicle may cause the outright seizure of the latter and subject the same to forfeiture, save for some exceptions. The proceedings on the matter of forfeiture are *in rem* and are therefore directed against the *res* or a specific property. This means that the action centers on the involvement of the vessel in the illegal act, and finds no relevance whether or not the agent or the owner thereof has knowledge or participation, as the action is not after the personal liability of the owner, but against the vessel itself as utilized in the violation

Petitioner does not even dispute in its Amended Petition for Review that smuggled rice, and cigarettes were indeed loaded in the Subject Vessel. It merely claims that it is exempted from forfeiture but fell short of its burden to establish that it has nothing to do and has no knowledge with the facilitation of such an illegal activity. In addition, the fact that Petitioner as a common carrier, entered into a charter party agreement with Accufast, already disqualifies it from invoking the exemption provided under Section 1113(a), CMTA, as it requires that all conditions must be present, to wit: a. It is a common carrier; b. It has not been chartered for purposes of conveying and transporting persons or cargo; and c. the owner or agent at that time of seizure has no knowledge of and participation in the unlawful act.

(Hai Long Shipbuilding & Lighterage, Inc. as owner and operator of Cargo Ship, LCT "Yellow River" with Official Number 00-0026867 vs. Office of the Commissioner (OCOM) of the BOC, District Collector of Port of Limay, Bureau of Customs (BOC) Bataan and Office of the Solicitor General (OSG), CTA Case No. 10622, August 28, 2025)

19. The taxing powers of the local government units do not extend to the levy of taxes, fees, or charges of any kind on the National Government, its agencies and instrumentalities, and other local government units. Furthermore, real property owned by the Republic of the Philippines or any of its political subdivisions is exempt from Real Property Tax, except when the beneficial use thereof has been granted, for consideration or otherwise, to a taxable person.

Central to the resolution of the present controversy over the National Food Authority's (NFA) exemption from Real Property Tax (RPT) is its status as a government entity, particularly whether it is a government instrumentality or a GOCC.

The Court ruled in favor of the NFA. It held that the agency is a government instrumentality vested with corporate powers, not a GOCC, and is therefore exempt from local taxation. Citing the Supreme Court's ruling in NFA v. City Government of Tagum (G.R. No. 261472, May 21, 2024), the Court explained that NFA was created to perform essential governmental functions that are public in character and not undertaken for profit. While it enjoys corporate powers, NFA has no private shareholders, issues no stock, and declares no dividends; its capitalization and income are wholly controlled by the National Government. Thus, the NFA is a government instrumentality vested with special functions and corporate powers which administers special funds while enjoying operational autonomy. Being a government instrumentality, the NFA is exempted from RPT pursuant to the Sections 133 (o) and 234, Local Government Code (LGC) of 1991, which provides that the taxing powers of the LGUs does not extend to the levy of taxes, fees or charges of any kind on the National Government, its agencies and instrumentalities, and local government units. Furthermore, real property owned by the Republic of the Philippines or any of its political subdivisions are exempt from RPT, except when the beneficial use thereof has been granted, for consideration or otherwise, to a taxable person.

(National Food Authority, represented by its Regional Manager, Jonathan D. Yazon v. City Government of Cabanatuan City, CTA A.C. No. 275, August 28, 2025)

20. The Final Withholding Value-Added Tax (FWVAT) and Final Withholding Tax (FWT) paid on unrealized royalty income by reason of the termination of a license agreement may be considered erroneously paid tax subject of a claim for refund.

The Petitioner sought the refund or issuance of a tax credit certificate for Php152,522,734.12, representing Final Withholding Value-Added Tax (WVAT) and Final Withholding Tax (FWT) on the ground that the amounts paid were erroneously computed on its royalties from the sale of field corn seeds with Bt-11 traits.

In 2003, Petitioner and its parent company, SCPAG (then Syngenta Seeds AG), entered into a Corn Germplasm License Agreement (Corn Germplasm License Agreement) whereby SCPAG granted Petitioner a license to use or utilize its proprietary rights, proprietary information, and trademarks for a royalty equal to 12% of net sales from products commercialized under the agreement.

In 2008, Petitioner and SCPAG also entered into a Trait License Agreement (Bt-11 Corn) (Bt-11 Trait License Agreement), whereby SCPAG granted to Petitioner a license to produce and sell Bt-11 transgenic corn and use all related intellectual property for a royalty equal to 5% of the net sales for the licensed Bt-11 corn hybrid seed.

In January 2021, Petitioner and SCPAG amended their two agreements to increase the royalty rates: (1) from 12% to 20% of net sales from products commercialized under the Corn Germplasm License Agreement; and (2) from 5% to 20% of net sales of Bt-11 corn hybrid seeds. However, these amendments were made effective on January 1, 2020, and were reflected in Petitioner's Audited Financial Statements (AFS) for the calendar year (CY) 2020.

Subsequently, Petitioner realized that its 2020 revenues from Field Corn BT (GMO) amounting to Php2,824.495,076.27 were subjected to both 25% royalty rate under the Corn Germplasm License Agreement amounting to Php706,123,769.07 and 20% royalty rate under the Bt-11 Trait License Agreement amounting to Php564,899,015.25. To correct this, Petitioner reversed the royalty expense of Php564,899,015.25 and FWVAT of Php67,787,881.83 in its CY 2020 books and recognized the same amount as other income in CY 2021. It also amended its 2021 income tax return (ITR) and reported the reversal of the royalty expense and FWVAT as other income.

In January 2022, Petitioner and SCPAG terminated the Bt-11 Trait License Agreement. On December 29, 2022, SCPAG returned the excess royalties (net of 15% FWT and transfer fees) of Php480,163,525,96.28 On January 9, 2023, Petitioner filed with the BIR two (2) Applications for Tax Credits/Refund (BIR Form No. 1914) to recover the alleged erroneously paid FWVAT and FWT amounting to Php67,787,881.83 and Php84,734,852.29, respectively.

Petitioner claims it has complied with all requirements for a successful refund claim. First, there was a payment of tax which is the remittance of FWVAT and FWT to the BIR on January 11, 2021 and February 1, 2021, respectively. Second, the said FWVAT and FWT payments were erroneously made since they arose from the erroneous imposition of 20% royalties on GMO field corn seeds with Bt-11 traits. Third, the administrative claim for refund was filed on January 9, 2023 while the judicial claim for refund was filed on January 11, 2023, both of which were within the two (2)-year prescriptive period under the NlRC of 1997, as amended.

The CTA ruled that Petitioner is entitled to refund.

The CTA found that Petitioner's claim that its payment of WVAT and FWT corresponding to the 20% royalty rate under the Bt-11 Trait License Agreement was erroneously made is supported by case records.

Petitioner presented sufficient evidence, involving financial statements, tax returns, and reconciliations, which proved that its net sales were subjected to double counting of royalties and that it remitted to the BIR the corresponding WVAT and FWT thereon.

To confirm Petitioner’s reversal of royalty expenses, Petitioner presented its 2021 AFS which showed that Petitioner recognized Php632,686,897 as "Income from royalty refund" in CY 2021. Petitioner also amended its 2021 ITR and reported the reversal of the royalty expense and WVAT as other income. Lastly, Petitioner and SCPAG terminated the Bt-11 Trait License Agreement in January 2022 which resulted in the return of excess royalties (net of FWT) amounting to Php480,163,525.96 on December 29, 2022, as if SCPAG did not receive royalty income from Petitioner that would have been subjected to WVAT and FWT.

The CTA ultimately granted the Petition for Review and ordered the refund or issuance of tax credit certificate in the total amount of Php152,522,734.12.

(Syngenta Philippines, Inc. v. Commissioner of Internal Revenue, CTA Case No. 11067, August 27, 2025)

21. The filing of an application for compromise does not toll the running of the prescriptive period to collect taxes.

This case is a Petition for Review to appeal Respondent’s Notice of Denial of Petitioner’s Application for Compromise Settlement which requested Petitioner to pay Respondent Php34,396,794.42 representing Petitioner’s alleged tax liabilities for taxable years (TYs) 2006 and 2007.

For the Respondent’s assessment for TY 2006, the Bureau of Internal Revenue (BIR) issued the first Final Assessment Notice (FAN) on February 24, 2010. On March 24, 2010, Petitioner filed a Legal Formal Protest Notice claiming that he did not receive a copy of a Letter of Authority (LOA).

On October 14, 2010, the BIR issued an Amended Preliminary Assessment Notice (PAN). On December 24, 2010, Petitioner filed a Legal Preliminary Protest Notice against the Amended PAN.

On December 28, 2010, the BIR issued a second FAN, which Petitioner received on January 13, 2011. On January 20, 2011, Petitioner filed a Legal Formal Protest Notice against the second FAN, alleging that the said protest is a Motion for Reinvestigation.
For the Respondent's assessment for TY 2007, Respondent issued LOA No. 20080046758 on January 29, 2010. Petitioner received an undated Notice for Informal Conference (NIC), a PAN dated November 24, 2010, and a FAN dated March 10, 2011.

Petitioner received the FAN for the TY 2007 assessment on March 31, 2011. Petitioner did not file any protest thereto.

For both assessments, Petitioner wrote the BIR a letter seeking a compromise of 20% of the alleged basic deficiency taxes for TYs 2006 and 2007. On March 14, 2011, Respondent sent a Letter-Reply where he or she treated Petitioner's offer for compromise as an abandonment of his protest to the 2006 assessment.

On March 30, 2011, Petitioner executed Applications for Compromise Settlement and partially made payment on April 1, 2011.

After more than twelve (12) years, or on January 17, 2023, BIR issued the Notice of Denial on Petitioner's request for compromise settlement and demanded payment of the alleged deficiency taxes. Disagreeing with Respondent's action, petitioner filed the instant Petition for Review.

Petitioner argues that: (a) considering that BIR only attempted to collect the assessment for TYs 2006 and 2007 through the Notice of Denial issued on January 17, 2023, the same is already beyond the allowable period to collect (of three [3] and five [5] years); (b) an application for compromise does not toll nor suspend the running of the prescriptive period to collect since it is not one of the permissible instances enumerated in Section 223, Tax Code; and (c) he is entitled to the refund of the assessments for TYs 2006 and 2007 as he did not receive any LOA for both assessments as the lack of receipt thereof makes the assessments void.

On the other hand, Respondent argues that: (a) the Court of Tax Appeals (CTA) has no jurisdiction over the case; (b) assuming the Court has jurisdiction, Petitioner's partial payments of the subject assessments after filing the application for compromise estops him from questioning the validity of the subject assessments; (c) the application for compromise effectively tolled the running of the prescriptive period; and (d) Petitioner is not entitled to the refund as the subject assessments are duly supported with factual and legal bases and he also failed to observe the proper procedure for filing a refund claim pursuant to Sections 204 and 229, Tax Code.

The CTA held that it has jurisdiction over the case as the issue of prescription of the CIR's right to collect taxes is covered by the term "other matters" over which the CTA has appellate jurisdiction.

The CTA ruled that the FANs for both TYs 2006 and 2007 were final and executory.

For the assessment for TY 2006, the CTA noted that Petitioner's Legal Formal Protest Notice on the second FAN was actually a motion for reconsideration, as Petitioner did not submit any additional documents to support the arguments laid down in the protest. Petitioner did not object to Respondent's findings in the latter's letter addressing the Legal Formal Protest Notice. Based on the foregoing, the CTA held that it may be argued that the FAN for TY 2006 may have attained finality on either January 13, 2011 (the date of receipt of the FAN) or on April 13, 2011 (the date on record of receipt of the Respondent's letter).

For the assessment for TY 2007, the CTA held that the FAN became final and executory on March 31, 2011, or the date of receipt of the FAN.

The CTA discussed that in cases of a valid assessment issued within the three (3)-year period, the BIR has another three (3) years to collect the taxes. However, in cases of fraud under Section 222, Tax Code, the period of collection extends to five (5) years.

Applying the foregoing to the facts at bar, the CTA held that the Respondent should have collected until April 13, 2016 for the TY 2006 assessment, and until March 31, 2016 for the TY 2007 assessment.

The CTA ruled that the filing of the application for compromise did not toll the running of the prescriptive period to collect taxes. In any event, the CTA ruled that it is clear that in both assessments, Respondent failed to collect the alleged deficiency taxes within the prescribed period.

In ruling for the Petitioner, the CTA further noted that the Notice of Denial dated 17 January 2023 is not a means or method of collection sanctioned under Sections 205 and 207, Tax Code.

Lastly, the CTA ruled that Petitioner is not entitled to the refund prayed for, as the FANs for TYs 2006 and 2007 became final and executory, noting that based on his actions, Petitioner had already waived any opportunity to contest the assessments on the alleged absence of a valid LOA. Furthermore, Petitioner failed to observe the proper process of claiming refund, which is to file an administrative claim and judicial claim for refund within two (2) years from the payment of tax pursuant to Sections 204 and 229, Tax Code.

(Remie R. Talaver v. Hon. Romeo D. Lumagui, in his capacity as the Commissioner of Internal Revenue, CTA Case No. 11211, August 22, 2025)

22. The amount of time between the filing of the administrative and judicial claims for refund of erroneously paid taxes is not significant because Sections 204 and 229 of the NIRC (before EOPT) require only that (1) an administrative claim was filed before the judicial claim; and (2) both claims are filed within two years from that payment of the tax sought to be refunded.

Petitioner AstraZeneca Pharmaceuticals (Philippines), Inc. filed a Petition for Review asking the Court of Tax Appeals to order Respondent Commissioner of Internal Revenue (CIR) to refund or issue a tax credit certificate representing value-added tax erroneously paid by Petitioner on its importations of prescription drugs and medicines for diabetes, high cholesterol, and hypertension ("the *Subject Medicines*") during the period January to April and August of 2020. Petitioner claimed that the importations of *Subject Medicines* are exempt from VAT under the NIRC.

Petitioner filed its administrative claim on December 21, 2021, following up with a Supplemental Letter dated December 29, 2021. The CIR did not act upon the administrative claim. Petitioner filed the Petition for Review on February 2, 2022. The CIR argued that the CTA lacks jurisdiction to try the case since Petitioner failed to genuinely exhaust administrative remedies. According to the CIR, Petitioner filed its administrative claim on December 21, 2021, with a follow-up letter on December 29, 2021, but filed its Petition on February 2, 2022. This gave the CIR too little time to consider the administrative claim.

The CTA ruled in favor of Petitioner. In cases of *CBK Power Company Limited v. CIR* ("*CBK*") and *CIR v. Carrier Air Condition Philippines, Inc.* ("*Carrier*"), the Supreme Court has held that Sections 204 and 229 of the NIRC (*before EOPT*) require only that: (1) an administrative claim was filed before the judicial claim; and (2) both claims are filed within two years from that payment of the tax sought to be refunded. The amount of time between the filing of the administrative and judicial claims is not significant, as no such constraint is included in the aforementioned provisions. The applicable provisions likewise they do not provide a specific period of time for the CIR's action on the administrative claim, unlike, say, Section 112 (c) of the NIRC. A taxpayer can file its judicial claim only 10 days after its administrative claim, as in *Carrier*, or even only five days after its administrative claim, as in *CBK*, and the CTA would still have jurisdiction over the judicial claim.

The CTA explained that while the Supreme Court, in *Carrier*, acknowledged that the lack of a specific period for action can deprive the CIR of "the opportunity to act on [a] matter within their jurisdiction." Nonetheless, the CTA explained that the Supreme Court ultimately concluded that the problem calls for a legislative solution, not a judicial one.

(Astrazeneca Pharmaceuticals (Philippines), Inc. v. Commissioner of Internal Revenue, CTA Case No. 10725, August 20, 2025)

23. The absence of a new and valid LOA (or equivalent document) authorizing the replacement revenue officers to examine a taxpayer's books of accounts and other accounting records (as a result of the reassignment of the case to them subsequent to the issuance of the original LOA) results in a void assessment, and is not rectified by the participation of at least one (1) of the individuals named in the LOA. As a void assessment bears no fruit, the taxpayer is entitled to the return of the amounts it previously paid to the BIR under protest pursuant to a void assessment, irrespective of the refund claims.

On January 7, 2016, the BIR's Large Taxpayers Service issued a Letter of Authority (LOA), authorizing Group Supervisor (GS) Balbido and Revenue Officers (RO) Arriola and Samaniego to conduct a tax audit of all internal revenue taxes of respondent, 3M Philippines, Inc.'s for calendar year (CY) 2014. On February 20, 2017, then Chief of the Regular LT Audit Division (RLTAD-1) issued two letters informing the respondent, (1) that RO Cayabyab will continue the tax audit of the Respondent's books, pursuant to a MOA signed by her, in view of Arriola's assumption as GS; and (2) that ROs Anaban, Budano, Mendoza, and Monforte were authorized to assist RO Cayabyab, as the lead RO, under GS Arriola.

Due to the collective recommendations of ROs Cayabyab, Anaban, Budano, Mendoza, and Monforte by way of memoranda, as reviewed by GS Arriola, the BIR issued a PAN and FAN/FLD assessing the respondent for deficiency taxes for CY 2014. Despite the Respondent's timely submissions of a Reply and Request for Reinvestigation against the PAN and FAN/FLD, respectively, the petitioner issued the FDDA against the respondent in the reduced amount of Php83,356,710.88 for CY 2014.

On April 30, 2018, the Respondent paid a portion of the assessment under protest. Thereafter, on May 23, 2018, the Respondent submitted a letter to the BIR with an attached BIR Form 1914, requesting a refund of the said amount, as the assessment had already been prescribed and lacked factual and legal bases. However, the BIR received the same without action. Thus, on May 28, 2018, the Respondent filed a Petition for Review before the CTA. The CTA Division granted the Respondent's judicial appeal, in which it declared void the assessment against the Respondent for CY 2014 and accordingly ordered the refund of the amount it erroneously paid under protest pursuant to the void assessment.

On appeal, the CTA En Banc (CTA EB) was faced with two issues: Whether the CTA Division (1) erroneously cancelled the deficiency taxes assessed against the respondent for CY 2014; and (2) erroneously ordered the refund of the amount that the respondent paid under protest.

As to the **first issue**, the CTA EB held that, considering the absence of a new and valid LOA (or equivalent document) authorizing the replacement ROs to examine the respondent's books of accounts and other accounting records (as a result of the assignment of the case to them subsequent to the issuance of the original LOA), the deficiency tax assessment issued against the respondent is inescapably void.

Here, the MOA signed by the Division Chief of RLTAD-1 did not, and could not, confer authority on the new batch of ROs to continue the audit or investigation of the respondent's books of accounts for CY 2014. In the absence of the authority conferred by a valid and duly issued LOA,

the investigation and subsequent assessment of the respondent's supposed tax deficiencies could not be sanctioned.

Although GS Arriola was named in the LOA (as then RO Arriola) and was also a signatory (as a reviewer) in the memoranda (which recommended the issuance of the PAN, and later the FLD/FAN), the fact remains that the ROs that continued and conducted the actual audit lacked the necessary authority from a valid LOA. To be clear, this lapse is not rectified by the participation of at least one (1) of the individuals named in the LOA. Assuming that GS Arriola herself had participated in the examination to some degree, the involvement of the unauthorized ROs taints the investigation.

As to the **second issue**, the CTA EB held that a void assessment bears no fruit. As such, the respondent is entitled to the return of the amounts it previously paid to the BIR under protest pursuant to a void assessment, irrespective of the refund claims.

(Commissioner of Internal Revenue v. 3M Philippines, Inc., CTA EB Case No. 2872, August 20, 2025)

24. Statutes of limitation on tax collection may be tolled by extraordinary circumstances, such as public health emergencies. The Suyoc doctrine applies only when a taxpayer's actions unequivocally induce the government to delay collection. COVID-19-related issuances effectively suspended the prescriptive period for tax collection.

Master Sports Corporation (Petitioner) filed a Petition for Review on March 19, 2021, challenging the collection of deficiency taxes assessed by the Commissioner of Internal Revenue (CIR) for taxable year 2010. The CIR issued a Final Decision on Disputed Assessment (FDDA) on November 4, 2015, demanding payment of P38,523,211.09 for various taxes. Petitioner argued that the government's right to collect had prescribed under Section 203, National Internal Revenue Code of 1997, as amended (Tax Code). The Court initially ruled in favor of the Petitioner on March 11, 2025, enjoining the CIR from collecting the deficiency taxes.

The CIR filed a Motion for Reconsideration on April 2, 2025, arguing that the assessments had become final and executory due to the Petitioner's failure to timely appeal the FDDA and that the prescriptive period to collect was tolled by various acts of the Petitioner, including requests for reinvestigation and partial payments.

Issues:

1. Whether the government's right to collect the deficiency taxes had prescribed.
2. Whether the Petitioner is estopped from invoking the defense of prescription.
3. Whether COVID-19-related issuances tolled the prescriptive period for collection.

1. Prescription: The Court ruled that the five-year prescriptive period under Section 222(d), Tax Code applied, and the original expiration date was November 5, 2020. However, the prescriptive period was extended due to COVID-19-related issuances, including Enhanced Community Quarantine (ECQ) and Modified ECQ, which suspended administrative and judicial proceedings. The cumulative effect of these suspensions extended the prescriptive period to December 22, 2021.

2. Estoppel: The Court held that the Petitioner was not estopped from invoking prescription. The CIR's reliance on the Suyoc doctrine was misplaced, as the Petitioner's actions (e.g., letters requesting reconsideration) did not unequivocally induce the government to delay collection. Furthermore, the CIR did not rely in good faith on these actions, as the FDDA had already become final and executory before the Petitioner's letters were submitted.

3. COVID-19 Extensions: The Court found that the COVID-19-related issuances validly suspended the prescriptive period for collection. The CIR's action to collect the deficiency taxes on July 16, 2021, was within the extended prescriptive period.

The Court granted the CIR's Motion for Reconsideration, reversed its earlier decision, and ordered Master Sports Corporation to pay P61,847,143.45 in deficiency taxes, inclusive of surcharges and interest. Additionally, delinquency interest at 12% per annum was imposed from January 1, 2018, until full payment.

(Master Sport Corporation v. Commissioner of Internal Revenue, CTA Case No. 10490, August 20, 2025)

B. REVENUE MEMORANDUM CIRCULARS ("RMCs")

1. Reiterating the Criteria and Guidelines on the Deductibility of Ordinary and Necessary Expenses Under Section 34(A)(1)(a) of the National Internal Revenue Code of 1997, as Amended.

This Revenue Memorandum Circular reiterates the criteria and guidelines under which business expenses can be considered deductible for tax purposes. Under Section 65 and Revenue Regulations No. 2-40, the expense must be "ordinary" and "necessary" to be deductible from the taxpayer's gross income.

I. PERSONS ENTITLED (Pursuant to Sec. 34 of the Tax Code)

1. Individuals who are citizens or resident aliens under Sec. 24(A) of the Tax Code;
2. Non-resident aliens engaged in trade or business in the Philippines under Sec. 25(A) of the Tax Code;
3. Members of general professional partnerships under Sec. 26 of the Tax Code;
4. Domestic corporations under Sec. 27(A) of the Tax Code;
5. Proprietary educational institutions and hospitals under Sec. 27(B) of the Tax Code;
6. Government-owned and controlled corporations (GOCCs) under Sec. 27(C) of the Tax Code; and
7. Resident foreign corporations under Sec. 28(A)(1) of the Tax Code.

II. CRITERIA FOR DEDUCTIBILITY

Business expenses may be allowed as deductions from gross income under the circumstances provided below:

1. The expense must be ordinary and necessary
    a. **Ordinary Expense** – one that is normal, usual and customary in the type of business conducted by the taxpayer, and need not be habitual or recurring but should be common in the context of the business
    b. **Necessary Expense** – one that is appropriate and helpful for the development of the taxpayer's business; one that is directly connected and proximately resulting from carrying on the business and must contribute to the generation of income or profit or minimizing a loss
2. The expense must be paid or incurred within the taxable year
    a. **Taxable Year** (pursuant to Sec. 22[P] and 52[B]) – either the calendar year or the fiscal year, upon the basis of which the net income is computed
3. The expense must have been paid or incurred in carrying on or which are directly attributable to, the development, management, operation and/or conduct of the trade, business or exercise of a profession; and
    a. **Engaged in business** – occupied or employed in business
    b. **Carrying on business** – conducting, prosecuting, and continuing business by performing progressively all the acts normally incident thereto;
    c. **Doing business** – conveys the idea of business being done, not from time to time, but all the time
    d. **Directly attributable** – expenses must have a clear and direct connection to the

development, management, operation and/or conduct of the trade, business, or profession—that is, the expenses must be essential for maintaining and generating business income

Incurring expenses related to **active** or **passive** income:

- **Active income** – deductible, as it typically arises from direct involvement (active pursuit) in trade, business, or professional activities
- **Passive income** – non-deductible, as it comes from investments like dividends, interest and royalties, and already taxed at different rates at source.

4. The expense must be supported by invoices, records or other pertinent papers

Tax Treatment of Expenses Pertaining to Tax-Exempt Income	**Tax Treatment of Expenses Pertaining to Income Subject to Final Withholding Tax**	**Tax Treatment of Expenses Pertaining to Income Subject to Preferential Tax Rate**
Not deductible for regular income tax purposes	**Not** deductible for regular income tax purposes	**For businesses registered with Investment Promotion Agencies AND availing of the five percent (5%) special corporate income tax (SCIT)** - Indirect operating expenses (i.e. advertising, representation, entertainment, commissions, clinic and office supplies, freight and handling costs unrelated to production) which did not qualify as direct costs **are not deductible.**

([RMC No. 081-2025], September 3, 2025)

C. REVENUE MEMORANDUM ORDERS ("RMOs")

2. Further Amending Revenue Memorandum Order No. 6-2023, Prescribing the Updated and Consolidated Policies, Guidelines, and Procedures for BIR Audit Program

The following amendments were made to Revenue Memorandum Order (RMO) No. 6-2023 through RMO No. 36-2025:

1. **Investigation/Verification of Taxpayers (Item III):**

   - **Mandatory Audit Cases:**

     - Taxpayers with Mission Orders (MO) where preliminary findings indicate a sales understatement of 30% or more and unreliable accounting records.
     - Non-compliance cases identified through Spontaneous Exchange of Information (SEOI).
     - Policy cases or industry issues under the directive of the Commissioner (MCIR).

2. **Issuance of Tax Clearance Certificates (TCL):**

   - A Termination Letter (TL) must be prepared for cases with no findings or discrepancies and forwarded to the taxpayer.
   - For regional cases, the Assessment Division must provide the concerned Revenue District Office (RDO) with a copy of the TL and the approved memorandum report recommending business closure/cessation.
   - TCLs will only be issued after full settlement of any deficiency tax assessments.

3. **Case Custody Transfer:**

    - The Assessment Division or the Office of the Head Revenue Executive Assistant of the Large Taxpayers Service (LTS) must transfer case custody in the IRIS-CMS-A system to the appropriate division for closure of the case status.

(RMO No. 36-2025, August 18, 2025)

3. Consolidated Guidelines and Procedures for the Processing of Claims for Refund of Excise Tax Paid on Petroleum Products, amending Revenue Memorandum Order No. 15-2024 and other related issuances

Revenue Memorandum Order No. 38-2025 consolidates and updates the guidelines for processing claims for refund of excise tax paid on petroleum products, amending RMO No. 16-2024. It reflects changes under the TRAIN Law, the Ease of Paying Taxes Act, and the CREATE MORE Act, which revised Sections 135 and 135-A of the Tax Code.

General Policies:

1. The claims for excise tax refund pursuant to Sections 135 and 135-A of the Tax Code must conform with the following essential requisites:

    a. The refund shall pertain to claims under Section 135 of the Tax Code
    b. Filing of a claim for refund shall be done within two (2) years after the payment of the tax or penalty
    c. The claim must be supported with a copy of the duly filed written application together with the application for refund (BIR Form No. 1914) with the corresponding proof of payment remitted to the Bureau of Internal Revenue (BIR) and/or the Bureau of Customs (BOC).

2. The processing offices authorized to receive the Application for excise tax refunds are as follows:

    a. The RDO;
    b. The respective Large Taxpayer Audit Division (LTAD) or Large Taxpayer District Office (LTDO) under the LTS.

3. Timeline for Regional and LTS Claims: Refunds must be acted upon within 90 days from submission of complete documents.

    a. Processing and Verification - 60-62 days
    b. Review - 8 days
    c. Approval by RD/ACIR - 5 days
    d. Approval by RD/CIR of BOC endorsement - 2 days

4. Timeline for Process Payment of Approved Excise Tax Refund Claims

    a. Claims Filed and Processed at the Regional Offices - 15 days
    b. Claims Filed and Processed at the LTS - 15 days

5. Claims are processed quarterly and must be properly recorded in the claimant's books. They may also be offset against any outstanding final and executory tax liabilities.

6. The following offices shall be responsible in the processing, reviewing and approving the claims for refund filed by the taxpayer-claimant under their respective jurisdictions, regardless of the amount:

Processing Office	Reviewing Office	Approving Official
RDO	Assessment Division (AD)	Regional Director (RD)
LTAD/LTDO	HREA - LTS	ACIR - LTS

Procedure:

1. The procedure involves three levels: the processing office (RDO/LTAD) verifies documents and issues a Tax Verification Notice; the reviewing office (Assessment Division/HREA-LTS) evaluates the claim; and the approving official (Regional Director or ACIR-LTS) decides whether the memorandum report should be approved or disapproved.

2. Approved refunds are processed by Finance and Accounting offices, while import-related claims are endorsed to the Bureau of Customs. Results must be communicated in writing, with approved claims forwarded to the Commission on Audit and denied ones archived.

RMO No. 38-2025 takes effect prospectively for claims filed beginning April 1, 2025, while pending claims filed earlier remain governed by RMO No. 16-2024. It seeks to streamline and standardize the excise tax refund process, ensuring both compliance with the 90-day statutory period and proper taxpayer relief.

(RMO No. 38-2025, September 8, 2025)