

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL SECOND DIVISION

REGUS SERVICE
CENTRE, PHILIPPINES
B.V. - ROHQ,
Petitioner,

CTA CASE NO. 10124

Members:

BACORRO-VILLENA, Acting Chairperson, and
CUI-DAVID, Jr.

- versus -

COMMISSIONER OF
INTERNAL REVENUE,
Respondent.

Promulgated:
OCT 01 2026

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DECISION

BACORRO-VILLENA, J.:

Once again, before the Court is the case of *Regus Service Centre, Philippines B.V. - ROHQ v. Commissioner of Internal Revenue*, docketed as CTA Case No. 10124. Originally, the Second Division¹ had resolved this case in its Decision² of 09 February 2022 (**Division Decision**). Thereafter, it was elevated to the Court *En Banc* and docketed as CTA EB No. 2640. In a Decision dated 15 September 2023³ (**En Banc Decision**), the Court *En Banc* modified the Division Decision and remanded the case back to this Division for determination of whether petitioner Regus Service Centre, Philippines B.V. - ROHQ (**petitioner**) has complied with all the requisites to merit a grant of its claim for refund.

¹ Composed of Associate Justice Juanito C. Castañeda, Jr. (Ret.), with Associate Justice Jean Marie A. Bacorro-Villena, dissenting and Associate Justice Lanee S. Cui-David, concurring.

² Division Docket, Volume II, pp. 541-561.

³ Id., pp. 669-685.

As the records so bear, the case originated from a Petition for Review⁴ (**Division Petition**) filed by petitioner pursuant to Section 3(a),⁵ Rule 8 in relation to Section 3(a)(1),⁶ Rule 4 of the Revised Rules of the Court of Tax Appeals (**RRCTA**), seeking to appeal respondent Commissioner of Internal Revenue's (**respondent's/CIR's**) denial of its administrative claim for refund in the amount of **₱12,295,005.64**. The amount claimed represents unutilized input Value-Added Tax (**VAT**) on purchases of services attributable to zero-rated sales for calendar year (**CY**) 2017.

PARTIES TO THE CASE

Petitioner is a regional operating headquarters of Regus Service Centre, Philippines B.V., a corporation duly organized and existing under the laws of the Netherlands.⁷ It is registered with the Securities and Exchange Commission (**SEC**)⁸ and holds office at 3rd Floor, "W" High Street Building, 28th Street corner 11th Avenue, Bonifacio Global City, Fort Bonifacio, Taguig City.⁹

Respondent, on the other hand, is the duly appointed CIR, with principal office at the Bureau of Internal Revenue (**BIR**), National Office Building, Agham Road, Diliman, Quezon City.¹⁰ 

⁴ Filed on 19 July 2019, id., Volume I, pp. 10-83, with annexes.

⁵ **SEC. 3. Who may appeal; period to file petition.** —

(a) A party adversely affected by a decision, ruling or the inaction of the Commissioner of Internal Revenue on disputed assessments or claims for refund of internal revenue taxes, or by a decision or ruling of the Commissioner of Customs, the Secretary of Finance, the Secretary of Trade and Industry, the Secretary of Agriculture, or a Regional Trial Court in the exercise of its original jurisdiction may appeal to the Court by petition for review filed within thirty days after receipt of a copy of such decision or ruling, or expiration of the period fixed by law for the Commissioner of Internal Revenue to act on the disputed assessments. In case of inaction of the Commissioner of Internal Revenue on claims for refund of internal revenue taxes erroneously or illegally collected, the taxpayer must file a petition for review within the two-year period prescribed by law from payment or collection of the taxes.

⁶ **SEC. 3. Cases within the jurisdiction of the Court in Division.** — The Court in Division shall exercise:

(a) Exclusive original over or appellate jurisdiction to review by appeal the following:

(1) Decisions of the Commissioner of Internal Revenue in cases involving disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties in relation thereto, or other matters arising under the National Internal Revenue Code or other laws administered by the Bureau of Internal Revenue[.]

⁷ Par. 1, I. THE PARTIES, Petition for Review, supra at note 4.

⁸ Exhibit "P-1", id., p. 315.

⁹ Supra at note 7.

¹⁰ Par. 2, I. THE PARTIES, Petition for Review, supra at note 4.

FACTS OF THE CASE

For all quarters of CY 2017, petitioner filed its Quarterly VAT Returns¹¹ and declared a total sales amount of ₱892,371,561.96, all of which were zero-rated.

On 05 April 2019, petitioner filed a Letter Request for Refund¹² and Application for Tax Credits/Refunds (BIR Form No. 1914)¹³ (**administrative claim**) with the BIR's VAT Credit Audit Division (VCAD), seeking a refund of unutilized input VAT attributable to zero-rated sales for CY 2017 in the total amount of **₱12,295,005.64**.

Respondent, on the other hand, issued a Letter denying petitioner's claim for refund¹⁴ on the ground that petitioner allegedly: (1) still had outstanding tax obligations amounting to ₱2,693,128.72 as of 29 March 2019; and (2) entered into transactions with affiliates in the form of reimbursement of costs initially paid by it, and said expenses were reported as "management fees", "people recharge", and "property costs" which were unsupported by corresponding source documents.

PROCEEDINGS BEFORE THE COURT IN DIVISION

Dissatisfied with the BIR's decision, on 19 July 2019, petitioner filed the Division Petition¹⁵ to appeal respondent's denial of the administrative claim. The same was raffled to then Second Division and docketed as CTA Case No. 10124.

On 29 July 2019, the then Second Division issued Summons¹⁶ ordering respondent to file an Answer within thirty (30) days from service of the same. The CIR received the said Summons on 05 August 2019.¹⁷ After the Second Division granted extension of time,¹⁸ the CIR 

¹¹ Exhibits "P-4", "P-5", "P-6", and "P-7", Division Docket, Volume I, pp. 327-334.

¹² Exhibit "P-8", id., pp. 335-339.

¹³ Exhibit "P-9", id., p. 340.

¹⁴ Exhibit "P-14", id., pp. 345-346.

¹⁵ Supra at note 4.

¹⁶ Division Docket, Volume I, p. 84.

¹⁷ Id.

¹⁸ See Order dated 23 August 2019, id., p. 95.

filed an Answer¹⁹ on 25 September 2019. The CIR transmitted the BIR Records earlier on 19 September 2019.²⁰

In compliance with the then Second Division's directive,²¹ respondent filed his or her Pre-Trial Brief on 17 October 2019,²² while petitioner filed its Pre-Trial Brief on 21 October 2019.²³ During the scheduled Pre-Trial Conference on 24 October 2019,²⁴ parties were given twenty (20) days to file their Joint Stipulation of Facts and Issues (JSFI), which the parties did on 06 November 2019.²⁵

On 08 November 2019, petitioner filed a "Motion for Commissioning of Independent Certified Public Accountant [ICPA]".²⁶ The Second Division then issued the Pre-Trial Order dated 02 December 2019,²⁷ setting trial dates for the presentation of the parties' witnesses. During the hearing conducted on 04 December 2019, the Second Division granted the Motion for Commissioning of ICPA and ordered ICPA Krista V. Bambao (**Bambao**) to submit her ICPA Report within forty (40) days,²⁸ which she did on 14 January 2020.²⁹

On the same hearing date, petitioner presented its first witness Atty. Juan R. Bernardino, Jr. (**Bernardino**),³⁰ who testified by way of his Judicial Affidavit³¹ dated 18 October 2019 that all of petitioner's 2017 sales amounting to ₱892,371,561.96 were generated from services rendered to affiliates abroad and thus, subject to zero-rated VAT. As such, input VAT credits incurred from its purchases were unutilized and thus, subject to refund. To support said claim, petitioner presented official receipts (**ORs**) and sales invoices (**SIs**) to the ICPA. No cross-examination was conducted.³² 

¹⁹ Id., pp. 99-101.

²⁰ See Compliance, id., p. 97.

²¹ See Notice of Pre-Trial Conference dated 27 September 2019, id., pp. 103-104.

²² Id., pp. 105-107.

²³ Id., pp. 154-163.

²⁴ See Minutes of Hearing dated 24 October 2019, id., p. 165.

²⁵ Id., pp. 169-174.

²⁶ Id., pp. 175-178.

²⁷ Id., pp. 196-200.

²⁸ See Order dated 04 December 2019, id., p. 221.

²⁹ ICPA Report, USB.

³⁰ Supra at note 28.

³¹ Division Docket, Volume I, pp. 111-121, *sans* annexes.

³² TSN dated 04 December 2019, p. 6.

During the hearing conducted on 22 January 2020, petitioner presented its second and third witnesses, ICPA Bambao and Edelweiss Y. Chua (**Chua**).³³

ICPA Bambao testified by way of her Judicial Affidavit³⁴ dated 17 January 2020 that: (1) out of the ₱12,947,578.86 input VAT that petitioner incurred and paid based on petitioner's quarterly VAT returns, petitioner was only able to substantiate ₱8,301,027.54; and (2) based on the "Regus Service Centre, Philippines B.V. Services Agreement"³⁵ (**Service Agreement**), the sole recipient of petitioner's services for CY 2017 was Franchise International S.A.R.L., an entity incorporated under the laws of Luxembourg.

Meanwhile, witness Chua testified by way of her Judicial Affidavit³⁶ dated 17 January 2020 on the circumstances encountered during the processing of the requirements to support petitioner's application for refund with the VCAD, as well as the actual submission of the same. No cross-examination was conducted for both witnesses.³⁷

After completing the presentation of evidence, petitioner, on 16 March 2020, filed its "Formal Offer of Evidence [FOE] with Motion with Leave of Court to Set Commissioner's Hearing",³⁸ consisting of Exhibits "P-1" to "P-450", inclusive of sub-markings. Respondent failed to file his or her comment thereto.³⁹

Thereafter, on 01 September 2020, petitioner filed a "Motion (to take judicial notice of the due execution of apostilled copy of Regus Service Centre, Philippines B.V. Services Agreement)"⁴⁰ (**Motion to Take Judicial Notice**) considering that the Service Agreement has become part of the Third Division's records for the case entitled *Regus Service Centre, Philippines B.V. – ROHQ v. Commissioner of Internal Revenue*, docketed as CTA Case No. 9962. In the alternative, petitioner requested another Commissioner's Hearing to compare the marked copy with the original apostilled document. On 30 September 2020,

³³ See Order dated 22 January 2020, Division Docket, Volume I, p. 292.

³⁴ Id., pp. 261-290.

³⁵ Exhibit "P-41", id., pp. 459-468.

³⁶ Exhibit "P-18", id., pp. 226-235.

³⁷ Supra at note 33; see Order dated 09 March 2020, Division Docket, Volume I, p. 300.

³⁸ Division Docket, Volume I, pp. 301-314.

³⁹ See Records Verification dated 30 June 2020, id., p. 432.

⁴⁰ Id., pp. 437-440.

respondent filed a “Comment (To Petitioner’s [Motion to Take Judicial Notice])”.⁴¹

In its Resolution dated 07 December 2020,⁴² the Second Division granted the Motion to Take Judicial Notice insofar as its alternative prayer for scheduling a Commissioner’s Hearing is concerned. Furthermore, the Court ordered petitioner to submit the duly marked and compared Exhibit “P-41” described as “Regus Service Centre, Philippines B.V. Services Agreement entered between Head Office of petitioner and Franchise International S.A.R.L.”, which the latter did.⁴³

Consequently, in a Resolution dated 02 February 2021,⁴⁴ the Second Division admitted all of petitioner’s exhibits, except Exhibit “P-3-1”⁴⁵ for failure to correspond with the document offered, and Exhibit “P-8-1”⁴⁶ for not having been duly marked and for failure of petitioner’s witness to identify the same.

On 18 February 2021, petitioner filed a “Motion for Reconsideration with Motion to Set Commissioner’s Hearing (Re: Resolution on the [FOE] dated 2 February 2021)”⁴⁷ (**MR on the Resolution of FOE**). During the hearing conducted on 22 February 2021, petitioner manifested the filing of an MR on the Resolution of FOE, alleging that the document actually marked as Exhibit “P-3-1” was the “Authority to Print”, but the correct document should be the “Certificate of Registration” issued by the BIR. There being no objection from the respondent, the marking on Exhibit “P-3-1” was transferred to the correct document, and Exhibit “P-3-1” is hereby admitted in evidence.⁴⁸

During the same hearing, which was supposedly for the initial presentation of respondent’s evidence, the latter’s counsel manifested that the revenue officer had no report of investigation and therefore, respondent will no longer present any evidence.⁴⁹ In view of said 

⁴¹ Id., pp. 443-444.

⁴² Id., pp. 447-448.

⁴³ See Compliance (Re: Submission of Exhibit “P-41”), id., pp. 457-468.

⁴⁴ Id., pp. 474-475.

⁴⁵ Certificate of Registration issued by the BIR.

⁴⁶ Signature above the name Roselle Caraig.

⁴⁷ Division Docket, Volume I, pp. 478-482.

⁴⁸ See Minutes of Hearing dated 22 February 2021, id., p. 489.

⁴⁹ See Order dated 22 February 2021, id., pp. 490-491.

manifestation, the parties were directed to submit their respective memoranda.

In compliance with the Court's directive, respondent, on 23 March 2021, filed his or her Memorandum.⁵⁰ On the next day, petitioner filed the same.⁵¹ Thereafter, on 01 June 2021, the case was submitted for decision.⁵²

On 09 February 2022, the Division Decision⁵³ was promulgated, whereby the then Second Division denied petitioner's judicial claim for its failure to establish that it performed the zero-rated services within the Philippines, there being no indication in the Service Agreement to that effect, nor any other documentary evidence to prove the same. The dispositive portion of the Division Decision reads:

...

WHEREFORE, in the light of all the foregoing considerations, the instant *Petition for Review* is **DENIED** for lack of merit.

SO ORDERED.

...

In relation thereto, petitioner, on 28 February 2022, filed a "[MR]"⁵⁴ (**MR on Division Decision**), while respondent failed to file his comment thereto.⁵⁵ In a Resolution dated 23 May 2022,⁵⁶ the then Second Division reiterated its position with regard to the lack of proof that the zero-rated services were performed in the Philippines and accordingly, denied petitioner's MR on Division Decision, the dispositive portion thereof reads:

...

WHEREFORE, premises considered, petitioner's Motion for Reconsideration is **DENIED** for lack of merit.

SO ORDERED.

...

⁵⁰ Id., pp. 530-535.

⁵¹ Id., pp. 492-525.

⁵² See Resolution dated 01 June 2021, id., p. 538.

⁵³ Supra at note 2.

⁵⁴ Division Docket, Volume II, pp. 562-575.

⁵⁵ See Records Verification dated 31 March 2022, id., p. 579.

⁵⁶ Id., pp. 581-587.

PROCEEDINGS BEFORE THE COURT *EN BANC*

Undeterred, on 20 June 2022, petitioner filed a Petition for Review⁵⁷ before the Court *En Banc* (*En Banc* Petition), while respondent failed to file his or her comment thereto.⁵⁸

On 15 September 2023, the *En Banc* Decision⁵⁹ was promulgated. There, the Court *En Banc* partially granted the *En Banc* Petition. The dispositive portion thereof reads:

...

WHEREFORE, premises considered, the Petition for Review is **PARTIALLY GRANTED**.

The assailed Decision and Resolution dated February 9, 2022 and May 23, 2022, respectively, are **MODIFIED** as regards the Court in Division's conclusion that petitioner failed to prove that the services were performed in the Philippines, for reasons above-stated.

Accordingly, let this case be **REMANDED** to the Court in Division for the determination of petitioner's compliance with the other requisites to merit a grant of its claim for refund of alleged unutilized input VAT for CY 2017.

SO ORDERED.

...

The Court *En Banc* ruled that petitioner was able to prove that it performed the services within the Philippines through: (1) the Service Agreement, the admission of which was not contested by respondent; (2) the testimony of ICPA Bambao, which also remained unrebutted; (3) by its very nature as a regional operating headquarters (ROHQ), petitioner is tasked to provide qualifying services to foreign affiliates by performing services within the Philippines; and (4) petitioner is a resident foreign corporation taxable only on income from sources within the Philippines.

On 10 October 2023, respondent filed a "Motion for Partial Reconsideration (RE: Decision Promulgated September 15, 2023)"⁶⁰ 

⁵⁷ Id., pp. 588-600.

⁵⁸ See *En Banc* Resolution dated 14 September 2022, id., p. 665.

⁵⁹ Supra at note 3.

⁶⁰ Division Docket, Volume II, pp. 687-693.

(MPR on *En Banc* Decision), while petitioner filed a “Comment (Re: Decision Promulgated dated 19 October 2025”⁶¹ on 31 October 2023. In a Resolution dated 07 February 2024,⁶² the Court *En Banc* denied respondent’s MPR on *En Banc* Decision, the dispositive portion thereof reads:

...

WHEREFORE, premises considered, the *Motion for Partial Reconsideration (RE: Decision promulgated September 15, 2023)*, filed by respondent CIR is hereby **DENIED** for lack of merit.

Accordingly, the *En Banc* Decision dated September 15, 2023, remanding the case to the Court in Division for the determination of petitioner’s compliance with the other requisites to merit a grant of its claim for refund, is **AFFIRMED**.

SO ORDERED.

...

PROCEEDINGS BEFORE THE SUPREME COURT

On 04 April 2024, the Court of Tax Appeals (CTA) received a copy of the CIR’s Petition for Review on Certiorari⁶³ filed with the Supreme Court.

Thereafter, on 08 May 2025, the Supreme Court transmitted a copy of the Entry of Judgment⁶⁴ certifying that on 17 July 2024, the Third Division of the Supreme Court issued a resolution in the case of *Commissioner of Internal Revenue v. Regus Service Centre, Philippines B.V.* docketed as G.R. No. 272100, the dispositive portion thereof reads:

...

Acting on the petition for review on *certiorari* assailing the Decision and Resolution dated September 15, 2023 and February 7, 2024, respectively, of the Court of Tax Appeals in CTA EB No. 2640 (CTA Case No. 10124), the Court further resolves to **DENY** the petition for failure to show any reversible error in the challenged decision and resolution as to warrant the exercise by this Court of its discretionary appellate jurisdiction.

...

⁶¹ See Compliance (Re: Resolution of Court of Tax Appeals dated 19 October 2023), *rollo*, pp. 133-144.

⁶² Division Docket, Volume II, pp. 699-704.

⁶³ Id., pp. 708-721.

⁶⁴ Id., p. 736.

On 20 December 2024, said resolution became final and executory and was recorded in the Book of Entries of Judgments.⁶⁵ In line with this, herein Special Second Division, on 31 July 2025, issued a Resolution,⁶⁶ the dispositive portion of which reads:

...

WHEREFORE, both parties are hereby given a period of fifteen (15) days from receipt hereof, to file a written Manifestation alleging any supervening event that may have transpired in this case which the parties would want to present before this Court for its consideration. Upon the filing thereof, or lapse of the period given, the Court shall make a determination of petitioner's compliance with the other requisites to merit a grant of its claim for refund of alleged unutilized input VAT for CY 2017, pursuant to the Decision of CTA *En Banc* dated September 15, 2023.

SO ORDERED.

...

In compliance therewith, on 27 August 2025, petitioner filed a "Manifestation (*Re*: Resolution dated 31 July 2025)",⁶⁷ stating that there were no supervening events pending the resolution of the case which need to be brought to the attention of the Special Second Division. Meanwhile, respondent failed to file the same.⁶⁸ Accordingly, on 01 October 2025, the case was submitted anew for decision.⁶⁹

ISSUE

Pursuant to the Court *En Banc*'s order of remand of the case, the sole issue for this Court's resolution is —

WHETHER PETITIONER REGUS SERVICE CENTRE, PHILIPPINES B.V. - ROHQ COMPLIED WITH THE OTHER REQUISITES FOR ENTITLEMENT TO THE REFUND OF ₱12,295,005.64 REPRESENTING UNUTILIZED INPUT VALUE-ADDED TAX (VAT) ATTRIBUTABLE TO ITS ZERO-RATED SALES FOR CALENDAR YEAR 2017.



⁶⁵ Id.

⁶⁶ Id., pp. 739-741.

⁶⁷ Id., pp. 743-746.

⁶⁸ See Records Verification dated 19 September 2025, id., p. 748.

⁶⁹ Id., p. 749.

RULING OF THE COURT

Petitioner anchors its claim on Sections 110(B)⁷⁰ and 112(A) and (C) of the National Internal Revenue Code (NIRC) of 1997, as amended by Republic Act (RA) No. 10963 or Tax Reform for Acceleration and Inclusion (TRAIN), which are quoted hereunder:

...

SEC. 110. Tax Credits. —

...

(B) *Excess Output or Input Tax.* — If at the end of any taxable quarter the output tax exceeds the input tax, the excess shall be paid by the VAT-registered person. If the input tax exceeds the output tax, the excess shall be carried over to the succeeding quarter or quarters: *Provided, however,* That any input tax attributable to zero-rated sales by a VAT-registered person may at his option be refunded or credited against other internal revenue taxes, subject to the provisions of Section 112.

...

SEC. 112. Refunds or Tax Credits of Input Tax. —

(A) *Zero-Rated or Effectively Zero-Rated Sales.* — Any VAT-registered person, whose sales are zero-rated or effectively zero-rated may, within two (2) years after the close of the taxable quarter when the sales were made, apply for the issuance of a tax credit certificate or refund of creditable input tax due or paid attributable to such sales, except transitional input tax, to the extent that such input tax has not been applied against output tax: *Provided, however,* That in the case of zero-rated sales under Section 106(A)(2)(a)(1), (2) and (b) and Section 108(B)(1) and (2), the acceptable foreign currency exchange proceeds thereof had been duly accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP): *Provided, further,* That where the taxpayer is engaged in zero-rated or effectively zero-rated sale and also in taxable or exempt sale of goods or properties or services, and the amount of creditable input tax due or paid cannot be directly and entirely attributed to any one of the transactions, it shall be allocated proportionately on the basis of the volume of sales: *Provided, finally,* That for a person making sales that are zero-rated under Section 108(B)(6), the input taxes shall be allocated ratably between his zero-rated and non-zero-rated sales.

...

⁷⁰

As amended by Republic Act No. 9361, "AN ACT AMENDING SECTION 110(B) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES".

(C) *Period within which Refund of Input Taxes shall be Made.* — In proper cases, the Commissioner shall grant a refund for creditable input taxes within ninety (90) days from the date of submission of the official receipts or invoices and other documents in support of the application filed in accordance with Subsections (A) and (B) hereof: *Provided*, That should the Commissioner find that the grant of refund is not proper, the Commissioner must state in writing the legal and factual basis for the denial.

In case of full or partial denial of the claim for tax refund, the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the claim, appeal the decision with the Court of Tax Appeals: *Provided, however*, That failure on the part of any official, agent, or employee of the BIR to act on the application within the ninety (90)-day period shall be punishable under Section 269 of this Code.⁷¹

...

In *Commissioner of Internal Revenue v. Deutsche Knowledge Services Pte. Ltd.*⁷² (***Deutsche***), the Supreme Court laid down the requisites for the entitlement to tax refund or credit of excess input VAT attributable to zero-rated sales, to wit:

...

Under Section 4.112-1(a) of Revenue Regulations No. (RR) 16-05, otherwise known as the Consolidated VAT Regulations of 2005, in relation to Section 112 of the Tax Code, a claimant's entitlement to a tax refund or credit of excess input VAT attributable to zero-rated sales hinges upon the following requisites: **"(1) the taxpayer must be VAT-registered; (2) the taxpayer must be engaged in sales which are zero-rated or effectively zero-rated; (3) the claim must be filed within two years after the close of the taxable quarter when such sales were made; and (4) the creditable input tax due or paid must be attributable to such sales, except the transitional input tax, to the extent that such input tax has not been applied against the output tax."**

...

In the Division Decision, this Court already ruled that petitioner has met the first (1st) requisite, *i.e.*, it is a VAT-registered person. Meanwhile, as to the third (3rd) requisite, this Court has determined that petitioner only timely filed its administrative and judicial claims for the second, third, and fourth quarters of 2017 (Q2 - Q4 2017). The Court

⁷¹ Italics in the original text.

⁷² G.R. No. 234445, 15 July 2020; Citations omitted and emphasis supplied.

En Banc has affirmed these aspects of the Division Decision and thus, will not be disturbed.

What is left, therefore, for this Court to evaluate is whether petitioner complied with the second (2nd) and fourth (4th) requisites.

SECOND (2ND) REQUISITE:

PETITIONER MUST BE ENGAGED IN
SALES WHICH ARE ZERO-RATED OR
EFFECTIVELY ZERO-RATED

Petitioner's claim for VAT refund relates to zero-rated sales of services to its nonresident foreign client. In relation thereto, Section 108(B)(2) of the NIRC of 1997, as amended, provides that:

...

SEC. 108. Value-added Tax on Sale of Services and Use or Lease of Properties. —

...

(B) *Transactions Subject to Zero Percent (0%) Rate.* — The following services performed in the Philippines by VAT-registered persons shall be subject to zero percent (0%) rate:

...

(2) **Services other than those mentioned in the preceding paragraph rendered to a person engaged in business conducted outside the Philippines** or to a nonresident person not engaged in business who is outside the Philippines when the services are performed, the **consideration for which is paid for in acceptable foreign currency** and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP)[.]⁷³

...

Based on the foregoing, for a sale or supply of services to qualify as zero-rated, the following *essential elements* must be present:

1. The recipient of the services is a foreign corporation, and the said corporation is doing business outside the Philippines, or 

is a nonresident person not engaged in business who is outside the Philippines when the services are performed;⁷⁴

2. The services fall under any of the categories under Section 108(B)(2),⁷⁵ or simply, the services rendered should be other than “processing, manufacturing or repacking goods”;⁷⁶
3. The service must be performed in the Philippines by a VAT-registered person;⁷⁷ and
4. The consideration for the services was paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP.⁷⁸

On the first two (2) essential elements, this Court, in the Division Decision, already declared that petitioner satisfied the same, considering that: (1) petitioner’s sole client, Franchise International S.A.R.L, has been proven to be a nonresident foreign corporation (NRFC) doing business outside the Philippines; and (2) the services enumerated under the Service Agreement do not fall under processing, manufacturing, or repacking of goods. The Court *En Banc* likewise upheld these findings.

As to the 3rd essential element, this Court originally ruled that petitioner was unable to establish the same, but the Court *En Banc* decided in favor of petitioner, ruling that it sufficiently proved that the services were performed within the Philippines. Accordingly, the Court *En Banc*’s conclusion shall not be disturbed.

As to the 4th essential element, *i.e.*, that the consideration for the services was paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP, both this Court,

⁷⁴ *Sitel Philippines Corporation (Formerly Clientlogic Phils., Inc.) v. Commissioner of Internal Revenue*, G.R. No. 201326, 08 February 2017; *Accenture, Inc. v. Commissioner of Internal Revenue*, G.R. No. 190102, 11 July 2012; *Commissioner of Internal Revenue v. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*, G.R. No. 153205, 22 January 2007.

⁷⁵ See *Commissioner of Internal Revenue v. American Express International, Inc. (Philippine Branch)*, G.R. No. 152609, 29 June 2005.

⁷⁶ *Commissioner of Internal Revenue v. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*, *supra* at note 74.

⁷⁷ *Id.*; *Commissioner of Internal Revenue v. American Express International, Inc. (Philippine Branch)*, *supra* at note 75.

⁷⁸ *Id.*

in the Division Decision, and the Court *En Banc* did not make a determination on this aspect, and will thus be finally settled herein.

In *Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue*,⁷⁹ the Supreme Court explained how to sufficiently prove the 4th essential element for purposes of claiming VAT refund, to wit:

...
To the mind of the Court, these documentary evidence submitted by petitioner, *e.g.*, summary of export sales, sales invoices, official receipts, airway bills and export declarations, prove that it is engaged in the "sale and actual shipment of goods from the Philippines to a foreign country." In short, petitioner is considered engaged in export sales (a zero-rated transaction) if made by a VAT-registered entity. Moreover, **the certification of inward remittances attests to the fact of payment "in acceptable foreign currency or its equivalent in goods or services, and accounted for in accordance with the rules and regulations of the BSP."** Thus, petitioner's evidence, juxtaposed with the requirements of Sections 106 (A)(2)(a)(1) and 112(A) of the Tax Code, as enumerated earlier, sufficiently establish that it is entitled to a claim for refund or issuance of a tax credit certificate for creditable input taxes.
...

Consequently, petitioner presented the "Certification issued by Hongkong and Shanghai Banking Corporation (HSBC) Limited"⁸⁰ (**HSBC Certification**) on the amount of inward remittances that petitioner received from Franchise International S.A.R.L, as well as the Summary List of Sales for Q1 – Q4 2017.⁸¹ The ICPA summarized said information as follows:

Remittance Date	Amount remitted per HSBC Certification (in USD)	Amount billed based on Summary List of Sales (in PHP)
10 January 2017	2,485,082.27	123,182,914.88
07 February 2017	739,519.82	36,724,555.79
07 March 2017	1,423,895.76	71,525,090.80
05 April 2017	1,452,718.97	72,941,060.79
04 May 2017	1,435,347.57	71,890,814.88
07 June 2017	1,657,215.88	82,527,753.03
07 July 2017	1,563,495.50	78,878,330.12

⁷⁹ G.R. No. 166732, 27 April 2007; emphasis supplied and italics in the original text.
⁸⁰ Exhibit "P-42", BIR Records, pp. 46-48.
⁸¹ Exhibit "P-23", USB.

Remittance Date	Amount remitted per HSBC Certification (in USD)	Amount billed based on Summary List of Sales (in PHP)
04 August 2017	1,406,686.00	70,867,471.43
06 September 2017	1,478,707.47	75,696,567.80
05 October 2017	1,504,667.04	76,583,012.82
04 November 2017	1,002,686.78	51,722,664.59
06 December 2017	1,587,010.16	79,831,332.11
	17,737,033.22	892,371,569.04

On the basis of the above evidence presented, this Court is convinced that petitioner has adequately proven that the services it rendered to Franchise International S.A.R.L, which constituted its recorded sales for CY 2017, were paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP.

Notably, however, in addition to the four (4) essential elements to prove the presence of zero-rated sales, the law, BIR rules, and jurisprudence all require the taxpayer claiming a VAT refund to satisfy substantiation and invoicing requirements. In particular, Section 113 of the NIRC of 1997, as amended by RA 9337,⁸² provides the VAT invoicing requirements under the law, to wit:

...
SEC. 113. *Invoicing and Accounting Requirements for VAT-registered Persons.* —

(A) *Invoicing Requirements.* — A VAT-registered person shall issue:

- (1) A VAT invoice for every sale, barter or exchange of goods or properties; and
- (2) A VAT official receipt for every lease of goods or properties, and for every sale, barter or exchange of services.

(B) *Information Contained in the VAT Invoice or VAT Official Receipt.* — The following information shall be indicated in the VAT invoice or VAT official receipt:

- (i) A statement that the seller is a VAT-registered person, followed by his Taxpayer's Identification Number (TIN); 

⁸² AN ACT AMENDING SECTIONS 27, 28, 34, 106, 107, 108, 109, 110, 111, 112, 113, 114, 116, 117, 119, 121, 148, 151, 236, 237 AND 288 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES.

(2) The total amount which the purchaser pays or is obligated to pay to the seller with the indication that such amount includes the value-added tax: *Provided, That:*

(a) The amount of the tax shall be shown as a separate item in the invoice or receipt;

(b) If the sale is exempt from value-added tax, the term 'VAT-exempt sale' shall be written or printed prominently on the invoice or receipt;

(c) If the sale is subject to zero percent (0%) value-added tax, the term 'zero-rated sale' shall be written or printed prominently on the invoice or receipt;

(d) If the sale involves goods, properties or services some of which are subject to and some of which are VAT zero-rated or VAT-exempt, the invoice or receipt shall clearly indicate the breakdown of the sale price between its taxable, exempt and zero-rated components, and the calculation of the value-added tax on each portion of the sale shall be shown on the invoice or receipt: *Provided, That* the seller may issue separate invoices or receipts for the taxable, exempt, and zero-rated components of the sale.

(3) The date of transaction, quantity, unit cost and description of the goods or properties or **nature of the service**; and

(4) In the case of sales in the amount of One thousand pesos (₱1,000) or more where the sale or transfer is made to a VAT-registered person, the name, business style, if any, address and Taxpayer Identification Number (TIN) of the purchaser, customer or client.⁸³

...

Implementing the foregoing provision, Section 4.113-1 of Revenue Regulations (RR) No. 16-2005⁸⁴ provides as follows:

...

SEC. 4.113-1. *Invoicing Requirements.* —

(A) VAT-registered person shall issue: —

(1) A VAT invoice for every sale, barter or exchange of goods or properties; and 

⁸³ Emphasis supplied.

⁸⁴ Consolidated Value-Added Tax Regulations of 2005.

- (2) A VAT official receipt for every lease of goods or properties, and for every sale, barter or exchange of services.

Only VAT-registered persons are required to print their TIN followed by the word "VAT" in their invoice or official receipts. Said documents shall be considered as a 'VAT Invoice' or 'VAT official receipt'. All purchases covered by invoices/receipts other than VAT Invoice/VAT Official Receipt shall not give rise to any input tax.

VAT invoice/official receipt shall be prepared at least in duplicate, the original to be given to the buyer and the duplicate to be retained by the seller as part of his accounting records.

- (B) *Information contained in VAT invoice or VAT official receipt.* — The following information shall be indicated in VAT invoice or VAT official receipt:

- (1) A statement that the seller is a VAT-registered person, followed by his TIN;
- (2) The total amount which the purchaser pays or is obligated to pay to the seller with the indication that such amount includes the VAT; *Provided, That:*
 - (a) The amount of tax shall be shown as a separate item in the invoice or receipt;
 - (b) If the sale is exempt from VAT, the term 'VAT-exempt sale' shall be written or printed prominently on the invoice or receipt;
 - (c) If the sale is subject to zero percent (0%) VAT, the term 'zero-rated sale' shall be written or printed prominently on the invoice or receipt;
 - (d) If the sale involves goods, properties or services some of which are subject to and some of which are VAT zero-rated or VAT-exempt, the invoice or receipt shall clearly indicate the break-down of the sale price between its taxable, exempt and zero-rated components, and the calculation of the VAT on each portion of the sale shall be shown on the invoice or receipt. The seller has the option to issue separate invoices or receipts for the taxable, exempt, and zero-rated components of the sale.
- (3) In the case of sales in the amount of one thousand pesos (₱1,000.00) or more where the sale or transfer is made to a VAT-registered person, the name, business style, if any, address and TIN of the purchaser, customer or client, shall be indicated in



addition to the information required in (1) and (2) of this Section.

...

Moreover, the SIs and ORs must be duly registered with the BIR as prescribed under Section 237 in relation to Section 238 of the NIRC of 1997, as amended by RA 9337, to wit:

...

SEC. 237. *Issuance of Receipts or Sales or Commercial Invoices.* — All persons subject to an internal revenue tax shall, for each sale or transfer of merchandise or for services rendered valued at Twenty-five pesos (P25.00) or more, issue duly registered receipts or sales or commercial invoices, prepared at least in duplicate, **showing the** date of transaction, quantity, unit cost and description of merchandise or **nature of service.** ...

SEC. 238. *Printing of Receipts or Sales or Commercial Invoices.* — All persons who are engaged in business shall secure from the Bureau of Internal Revenue an authority to print receipts or sales or commercial invoices before a printer can print the same.

No authority to print receipts or sales or commercial invoices shall be granted unless the receipts or invoices to be printed are serially numbered and shall show, among other things, the name, business style, Taxpayer Identification Number (TIN) and business address of the person or entity to use the same, and such other information that may be required by rules and regulations to be promulgated by the Secretary of Finance, upon recommendation of the Commissioner.⁸⁵

...

Verily, in *J.R.A. Philippines, Inc. v. Commissioner of Internal Revenue*,⁸⁶ the Supreme Court emphasized the mandatory nature of the invoicing and substantiation requirements, as well as the effect of non-compliance therewith:

...

Case law dictates that in a claim for tax refund or tax credit, the applicant must prove not only entitlement to the claim but also compliance with all the documentary and evidentiary requirements therefor. Section 110(A)(1) of the NIRC provides that creditable input taxes must be evidenced by a VAT invoice or official receipt, which must, in turn, comply with Sections 237 and 238 of the same law, as

⁸⁵ Emphasis supplied and italics in the original text.

⁸⁶ G.R. No. 171307, 28 August 2013; Citations omitted, emphasis and italics in the original text.

well as Section 4.108.1 of RR 7-95. The foregoing provisions require, *inter alia*, that an invoice must reflect, as required by law: (a) the BIR Permit to Print; (b) the TIN-V of the purchaser; and (c) the word "zero-rated" imprinted thereon. In this relation, **failure to comply with the said invoicing requirements provides sufficient ground to deny a claim for tax refund or tax credit.**

In this case, records show that all of the export sales invoices presented by petitioner not only lack the word "zero-rated" but also failed to reflect its BIR Permit to Print as well as its TIN-V. Thus, it cannot be gainsaid that it failed to comply with the above-stated invoicing requirements, thereby rendering improper its claim for tax refund. Clearly, **compliance with all the VAT invoicing requirements is required to be able to file a claim for input taxes attributable to zero-rated sales.** As held in *Microsoft Philippines, Inc. v. CIR*:

The invoicing requirements for a VAT-registered taxpayer as provided in the NIRC and revenue regulations are clear. **A VAT-registered taxpayer is required to comply with all the VAT invoicing requirements to be able to file for a claim for input taxes on domestic purchase for goods or services attributable to zero-rated sales.** A "VAT invoice" is an invoice that meets the requirements of Section 4.108-1 of RR 7-95. Contrary to Microsoft's claim, RR-7-95 expressly states that "[A]ll purchases covered by invoice other than a VAT invoice shall not give rise to any input tax. Microsoft's invoice, lacking the word "zero-rated," is not a "VAT invoice," and thus cannot give rise to any input tax.

...

To reiterate, **compliance with invoicing requirements is mandatory due to the word "shall" and not "may". Hence, non-compliance with any thereof would disallow any claim for tax credit or VAT refund.**⁸⁷ Strict compliance with substantiation and invoicing requirements is necessary considering VAT's nature and VAT system's tax credit method, where tax payments are based on output and input taxes and where the seller's output tax becomes the buyer's input tax that is available as tax credit or refund in the same transaction. It ensures the proper collection of taxes at all stages of distribution,

⁸⁷

Eastern Telecommunications Philippines, Inc. v. Commissioner of Internal Revenue, G.R. No. 183531, 25 March 2015.

facilitates computation of tax credits, and provides accurate audit trail or evidence for BIR monitoring purposes.⁸⁸

In the case at bar, petitioner presented the following ORs to prove its zero-rated sales for CY 2017:

OR Exhibit Reference	Amount billed per OR
P-25	123,182,914.88
P-26	36,724,555.79
P-27	71,525,090.80
P-28	72,941,060.79
P-29	71,890,814.88
P-30	82,527,753.03
P-31	78,878,330.12
P-32	70,867,471.43
P-33	75,696,567.80
P-34	76,583,012.82
P-35	51,722,664.59
P-36	79,831,332.11
	892,371,569.04

A scrutiny of the above ORs would show that **petitioner did not indicate the nature of the services rendered** but merely provided certain reference numbers corresponding to the payments it received, in clear violation of the explicit requirement under Section 113 of the NIRC of 1997, as amended, that the nature of service be indicated on the VAT OR. In addition, petitioner did not submit as evidence the billing statements or invoices bearing the reference numbers indicated in the ORs, which would have shown the nature of service rendered by petitioner. Had these documents been presented, the same could have been cross-referenced with the ORs, which would then provide the necessary information to establish the nature and details of the claimed zero-rated sales.

Therefore, while petitioner was able to prove all the essential elements pertinent to the 2nd requisite for VAT refund, it nevertheless failed to comply with the invoicing and substantiation requirements to support the existence of VAT zero-rated sales. As such, **petitioner failed to satisfy the 2nd requisite for entitlement to VAT refund.** 

⁸⁸ Team Energy Corporation (Formerly: Mirant Pagbilao Corporation and Sothern Energy Quezon, Inc.) v. Commissioner of Internal Revenue, G.R. Nos. 197663 and 197770, 14 March 2018.

In view of the foregoing, it becomes futile to look into the petitioner's compliance with the 4th requisite for VAT refund, *i.e.*, that input VAT claimed was due or paid, except transitional input VAT, to the extent that it has not been applied to output VAT, because even assuming that petitioner complied therewith, **its failure to comply with the substantiation and invoicing requirements in support of its zero-rated sales is sufficient ground to deny its claim for VAT refund.**

In *Coca-Cola Bottlers Philippines, Inc. v. Commissioner of Internal Revenue*,⁸⁹ the Supreme Court explained that the burden of proof in refund cases is on the taxpayer-claimant, and that such cases are construed strictly against the taxpayer, to wit:

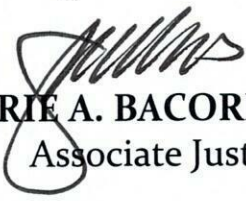
...

On a final note, the Court reiterates its consistent ruling that **actions for tax refund or credit, as in the instant case, are in the nature of a claim for exemption and the law is not only construed in *strictissimi juris* against the taxpayer, but also the pieces of evidence presented entitling a taxpayer to an exemption is *strictissimi* scrutinized and must be duly proven. The burden is on the taxpayer to show that he has strictly complied with the conditions for the grant of the tax refund or credit.** Since taxes are the lifeblood of the government, tax laws must be faithfully and strictly implemented as they are not intended to be liberally construed. Thus, in view of petitioner's failure to prove, to the satisfaction of the Court, its entitlement to the grant of tax refund or issuance of tax credit of input VAT in the amount of P123,459,647.70 it inadvertently failed to include in its VAT Return, the Court deems it necessary to deny the same.

...

WHEREFORE, premises considered, this Court hereby rules that petitioner has **NOT COMPLIED** with all the requisites to merit a grant of its claim for refund. Accordingly, petitioner's value-added tax refund claim in the amount of P12,295,005.64, representing unutilized input value-added tax on purchases of services attributable to zero-rated sales for calendar year 2017, is hereby **DENIED.** 

SO ORDERED.

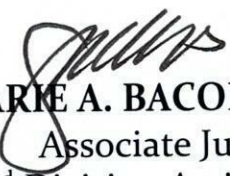

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

I CONCUR:


With Separate Concurring Opinion
LANEE S. CUI-DAVID
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


JEAN MARIE A. BACORRO-VILLENA
Associate Justice
Special 2nd Division Acting Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Special 2nd Division Acting 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's Division.



MA. BELEN M. RINGPIS-LIBAN

Presiding Justice

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

SPECIAL SECOND DIVISION

**REGUS SERVICE CENTRE, CTA Case No. 10124
PHILIPPINES B.V.,**

Petitioner,

Members:

-versus-

**BACORRO-VILLENA, Chairperson, and
CUI-DAVID, JJ.**

**COMMISSIONER OF
INTERNAL REVENUE,**
Respondent.

Promulgated:

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SEPARATE CONCURRING OPINION

CUI-DAVID, J.:

I concur in the denial of petitioner's *Petition for Review*. I agree with the conclusion of the ponencia that petitioner failed to establish that its sales qualify for VAT zero-rating, considering its failure to comply with the applicable invoicing requirements under Section 113 of the National Internal Revenue Code (**NIRC**) of 1997, as amended, as implemented by Section 4.113-1 of Revenue Regulations (**RR**) No. 16-2005, as amended.

I write separately, however, to express a different view **on whether the statutory requirement that the nature of the services rendered be indicated in the official receipts (ORs) necessarily requires that the nature of the services be stated in full on the face of the ORs themselves.**

The ponencia holds that "petitioner did not indicate the nature of the services rendered but merely provided certain reference numbers corresponding to the payments it received." It consequently concludes that this constitutes "a clear violation of the explicit requirement under Section 113 of the NIRC of 1997, as amended, that the nature of service be indicated on the VAT OR."



SEPARATE CONCURRING OPINION

CTA Case No. 10124

Regus Service Centre, Philippines B.V. v. Commissioner of Internal Revenue

Page 2 of 3

x-----x

On this point, I respectfully disagree.

Section 113(B)(3) of the NIRC of 1997, as amended, provides:

SEC. 113. Invoicing and Accounting Requirements for VAT-Registered Persons. -

(A) Invoicing Requirements. - ...

(B) Information Contained in the VAT Invoice. - The following information shall be indicated in the VAT invoice:

...

(3) The date of transaction, quantity, unit cost and description of the goods or properties or **nature of the service**; and

... (*Emphasis supplied*)

It is my humble position that **the indication of reference numbers on the face of the ORs may constitute sufficient compliance with the requirement of indicating the nature of the service in the ORs**, provided that the referenced documents are presented in evidence before the Court and clearly and accurately describe the nature of the services rendered.

The decisive consideration should be whether the OR, **read together with the document specifically identified by the reference number appearing thereon, enables the Court to ascertain the nature of the particular service for which payment was made.** Where the reference appearing on the OR establishes a definite and verifiable link to a contemporaneous supporting document that describes the service rendered, the statutory purpose of requiring the nature of the service to be indicated may still be served.

To categorically disregard an OR merely because the complete description of the service is not written on its face, **without considering the document expressly identified therein**, may unduly elevate form over substance. This is particularly so where the nature of the services cannot reasonably be described with sufficient particularity within the limited space available on the OR.

This position finds support in prior decisions of the Court.



SEPARATE CONCURRING OPINION

CTA Case No. 10124

Regus Service Centre, Philippines B.V. v. Commissioner of Internal Revenue

Page 3 of 3

X-----X

In *Asurion Hong Kong Limited - ROHQ v. Commissioner of Internal Revenue*,¹ the Court's Second Division disallowed the claim for refund not merely because reference numbers were indicated on the ORs, but because the documents to which those reference numbers pertained were not offered in evidence. The same ruling was made by the Court in *Nippon Express Philippines Corporation v. Commissioner of Internal Revenue*² and *PPD Pharmaceutical Development Philippines Corporation v. Commissioner of Internal Revenue*.³ **These cases support the view that a reference number appearing on an OR cannot, by itself, establish the nature of the service. The document to which it refers must likewise be presented in evidence to enable the Court to verify the particular transaction and ascertain the nature of the service rendered.**

Applying this principle here leads to the same result reached by the ponencia. As the ponencia correctly found, **petitioner failed to present in evidence the billing statements or invoices corresponding to the reference numbers appearing on the ORs.** The Court, therefore, has no evidentiary basis to ascertain the nature of the services covered by the ORs and, ultimately, whether such services qualify for VAT zero-rating.

Accordingly, while I respectfully disagree that the mere use of reference numbers in the ORs, in lieu of a complete description of the services, necessarily constitutes noncompliance with Section 113, petitioner nevertheless failed to establish compliance because the documents corresponding to those reference numbers were not presented in evidence.

I therefore concur in the denial of the Petition for Review.


LANEE S. CUI-DAVID
Associate Justice

¹ CTA Case No. 10413, April 24, 2025.

² CTA Case No. 10416, February 27, 2025.

³ CTA Case No. 10375, June 6, 2024.