

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

SECOND DIVISION

**SONY PHILIPPINES
INCORPORATED,**

Petitioner,

CTA CASE NO. 10585

Members:

**RINGPIS-LIBAN, *Chairperson,*
MODESTO-SAN PEDRO, *and*
FERRER-FLORES, *JL.***

- versus -

**COMMISSIONER OF INTERNAL
REVENUE,**

Respondent.

Promulgated:

May 14, 2025

4:21 PM

x-----

RESOLUTION

RINGPIS-LIBAN, *JL.*:

Before this Court is petitioner's Motion for Reconsideration (Re: Decision dated 24 April 2025), filed on May 14, 2025, with respondent's Opposition (Re: Motion for Reconsideration of the Decision dated 24 April 2025), filed on June 5, 2025.

On April 24, 2025, the Court promulgated a Decision denying petitioner's claim for refund of unutilized creditable withholding taxes (CWT) for the fiscal year (FY) ended March 31, 2019, in the amount of ₱60,157,273.00, for failure to prove that the income payments, from which the substantiated CWT were withheld, were declared as part of its gross income. The dispositive portion of the Decision reads:

“**WHEREFORE**, premises considered, the present *Petition for Review* is **DENIED** for lack of merit.

SO ORDERED.”

In its Motion, petitioner primarily argues that the income payments from which taxes were withheld were declared as part of its gross income in its Annual

RESOLUTION

CTA Case No. 10585

Page 2 of 6

Income Tax Return (AITR). It asserts that the documents it submitted—namely, the Summary Alphalist of Withholding Tax at Source (SAWT), Audited Financial Statements (AFS), and AITR for FY 2019—demonstrate that the income payments subject to withholding were included in its taxable gross income. Petitioner further explains that the total income payments it received, as reflected in the Certificates of Creditable Tax Withheld at Source (BIR Form No. 2307), amounting to ₱6,015,727,255.00, was already considered and reported as sales in its 2019 AITR in the amount of ₱6,069,302,659.00.

Petitioner points out that the Independent Certified Public Accountant (ICPA) Report clarified the difference between the total net sales per AITR and the total amount of income payments per SAWT (Exhibits “P-13” to “P-26”). According to the ICPA, the discrepancy arose because some of petitioner’s income payors were not among the entities required to withhold 1% on the regular purchase of goods. Petitioner adds that its total net sales per AITR were derived from its AFS gross sales of ₱6,380,917,098.00, less sales returns, allowances, and discounts of ₱311,614,439.00.

Petitioner also maintains that the duly submitted SAWT should be accorded evidentiary weight in support of its claim for refund. It stresses that the purpose of the SAWT requirement under Revenue Regulations (RR) No. 2-2006 is to ensure proper documentation and reporting of income payments subject to withholding tax. Since it was able to submit a duly accomplished SAWT, petitioner argues that this proves that the income payments it received formed part of its gross income declared in the AITR and that the related withholding taxes were properly remitted. To reinforce this argument, petitioner attached a transaction-level comparison of sales reported in the AITR and SAWT.

Petitioner further relies on the findings of court-commissioned ICPA Joseph Cedric V. Calica, who confirmed that the income payments were properly reported. The ICPA traced the total net sales of ₱6,069,302,659.00 by comparing the SAWT, Schedule of Creditable Income Tax, and the Certificates of Creditable Tax Withheld at Source (Exhibits “P-1166,” “P-1166-A,” and “P-1166-A-1” to “P-1166-A-1010”) against petitioner’s Sales / Revenues / Receipts / Fees as declared in its quarterly and annual ITRs and AFS (Exhibits “P-36” to “P-38,” “P-6,” and “P-43”).

Lastly, petitioner argues that in refund cases, the burden of proof is satisfied by a preponderance of evidence, which requires evidence that is more convincing and credible than that offered by the opposing party. It insists that the documents it presented, coupled with the ICPA’s findings, establish that the income payments subject to withholding were correctly declared as part of its gross income in its SAWT, AFS, and AITR for FY ending March 31, 2019. Thus, petitioner contends that it has substantially complied with the evidentiary requirements to justify a tax refund.



Respondent, on the other hand, maintains that petitioner failed to prove that the income payments from which taxes were withheld were declared as part of its gross income in its AITR. It further stresses that claims for refund partake of the nature of exemptions and must, therefore, be strictly construed against the claimant. Such claims, being in derogation of sovereign authority, may only be allowed when expressly granted in clear and unequivocal terms.

After due consideration, the Court finds petitioner's Motion for Reconsideration bereft of merit.

At the outset, it must be emphasized that the total amount of income payments per BIR Form No. 2307, ₱6,015,727,255.00,¹ is not the same figure declared as "Net Sales/Revenues/Receipts/Fees" in petitioner's AITR for FY 2019, which is ₱6,069,302,659.00.² Owing to this discrepancy, it was incumbent upon petitioner to substantiate the itemized transactions comprising the net sales reported in its AITR and to demonstrate that the income payments related to the claimed CWT formed part of such reported sales. In addition, the net sales reflected in petitioner's AFS for FY 2019 amounted to ₱5,798,564,614.00,³ which again does not match the amount declared in its AITR. While the gross sales per AFS, ₱6,380,917,097.00,⁴ correspond with the gross sales per AITR, ₱6,380,917,098.00,⁵ the Court notes a ₱1.00 difference.

As to the comparison or reconciliation attached to petitioner's Motion between the sales reported in its AITR and those in the SAWT on a per transaction level, a careful perusal thereof reveals inconsistencies. Although the total income payments therein amounted to ₱6,015,727,255.00, the total sales figure reflected was ₱6,381,158,625.92, which does not reconcile with the "Net Sales/Revenues/Receipts/Fees" declared in petitioner's AITR, i.e., ₱6,069,302,659.00, leaving a difference of ₱311,855,966.92. Moreover, the said comparison contains no exhibit references to allow the Court to cross-check the figures against the supporting evidence on record. The presence of invoice numbers in the comparison is also of no avail since no corresponding invoices were formally offered as petitioner's evidence during trial.⁶

Neither can the Court presume that because the total CWT of ₱60,157,273.00 was withheld on income payments of ₱6,015,727,255.00, and petitioner's AITR declared "Net Sales/Revenues/Receipts/Fees" of ₱6,069,302,659.00, the income payments subject to withholding were necessarily included in the AITR. Such an assumption cannot substitute for proof of compliance with the third requisite—that the income upon which taxes were withheld must be declared in the return of the recipient. Conjectures and

¹ Exhibit "P-1166", Docket – Vol. IV, p. 1750.

² Exhibit "P-6", Schedule 1, Docket – Vol. 5, p. 2232.

³ Exhibit "P-43", Docket – Vol. 5, p. 2415.

⁴ *Id.*

⁵ Exhibit "P-6", Schedule 1, Line 4, Docket – Vol. 5, p. 2232.

⁶ Refer to petitioner's Formal Offer of Evidence, Docket – Vol. 5, pp. 2168 to 2194.

surmises cannot take the place of evidence.⁷ The burden squarely rests on the claimant to establish the factual basis of a claim for tax credit or refund.⁸

As to petitioner's contention that the duly submitted SAWT alone sufficiently proves that the income payments it received formed part of its gross income declared in the AITR, and that the related withholding taxes were properly remitted.

The Court is not persuaded.

Verily, RR No. 2-2006⁹ defines the *Summary Alphalist of Withholding Agents/Payers of Income Payments subjected to Creditable Withholding Tax at Source (SAWT)* as a consolidated alphalist of withholding agents from whom income was earned or received and subjected to withholding tax, to be submitted by the payee-recipient of income as an attachment to its duly filed return for a given period. The Summary List contains information showing, among others, the total amounts of income/gross sales/gross receipts and claimed tax credits taken from all Certificates of Creditable Tax Withheld at Source (BIR Form No. 2307) issued by the payors of income payments.

From this definition, it is clear that the SAWT, by itself, does not prove that the income payments listed therein were declared by the payee, herein petitioner, in its AITR.

The Court notes that the ICPA attributed the difference of ₱53,575,404.00 between the total net sales in the 2019 AITR (₱6,069,302,659.00) and the total income payments per SAWT (₱6,015,727,255.00) to the circumstance that some of petitioner's income payors were not required to withhold 1% on their regular purchase of goods.¹⁰ The ICPA further concluded that the income payments received by petitioner from transactions subject to withholding tax were properly recorded and declared as part of its gross income in its AFS and AITR for FY 2019,¹¹ describing the procedures performed as follows:¹²

"3. Examination of Petitioner's Income Upon which the Taxes were Withheld

- a) We tied up the amount of income upon which the taxes were withheld and declared in the return of the taxpayer for the fiscal year ended March 31, 2019 with the Company's annual sales in

⁷ *Spouses William Guidangen and Mary Guidangen v. Devota B. Wooden*, G.R. No. 174445, February 15, 2012.

⁸ *Citibank, N.A. v. Court of Appeals, et al.*, G.R. No. 107434, October 10, 1997.

⁹ *Supra* Note 1.

¹⁰ Exhibit "P-1162", Docket – Vol. IV, p. 1746.

¹¹ Exhibit "P-1162", Docket – Vol. IV, p. 1748.

¹² Exhibit "P-1162", Docket – Vol. IV, p. 1742.

the audited financial statements and AITR (see Exhibits 'P-1166', 'P-6', and 'P-43').

- b) We ascertained that the income upon which the taxes were withheld were included as part of the gross income, properly recorded in the Company's books of accounts, in relation to the sales found in the AITR and audited financial statements (see Exhibits 'P-6' to 'P-43')."

While the ICPA confirmed that petitioner's income was recorded in its books, his report makes no mention of tracing the income to petitioner's general ledger or of identifying the actual itemized composition of the sales reported in the AITR and AFS. Instead, he merely stated in general terms that the amounts were "tied up" and "ascertained." Moreover, although the report cites Exhibits "P-1166," "P-6," and "P-43" (Schedule of Creditable Income Tax Withheld, Annual ITR, and AFS), petitioner did not present any general ledger accounts or other corroborative documents by which the Court could verify whether the income payments related to the claimed CWT were indeed declared in the AITR for FY 2019. In the absence of such verification, petitioner's claim cannot be sustained.

Accordingly, since petitioner failed to trace and establish with certainty that the income payments corresponding to the claimed CWT formed part of its declared income, the Court holds that petitioner did not satisfy the *third* requisite—that the income upon which the taxes were withheld must be declared as part of the gross income in its return.

Time and again, the Court has emphasized that actions for tax refund or credit partake of the nature of tax exemptions, which must not only be construed strictissimi juris against the taxpayer but also strictly proven. The burden is upon the taxpayer to show strict compliance with the conditions prescribed by law for the grant of a refund or tax credit. Taxes are the lifeblood of the government, and tax laws are to be faithfully and strictly enforced, not liberally construed.¹³

Thus, considering that petitioner failed to establish compliance with the third requisite to warrant a refund or the issuance of a tax credit certificate for unutilized excess CWT, its claim cannot prosper.

In view of the foregoing, and there being no new matter or substantial issue raised in petitioner's Motion for Reconsideration, the Court finds no cogent reason to reverse or modify the conclusions in the Decision promulgated on April 24, 2025.



¹³ *Coca-Cola Bottlers, Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 222428, February 19, 2018.

RESOLUTION

CTA Case No. 10585

Page 6 of 6

ACCORDINGLY, premises considered, petitioner's Motion for Reconsideration (Re: Decision dated 24 April 2025) is **DENIED** for lack of merit.

SO ORDERED.



MA. BELEN M. RINGPIS-LIBAN

Associate Justice

WE CONCUR:



MARIA ROWENA MODESTO SAN-PEDRO

Associate Justice

ON LEAVE

CORAZON G. FERRER-FLORES

Associate Justice