

Republic of the Philippines  
**COURT OF TAX APPEALS**  
Quezon City

**SECOND DIVISION**

**CHEVRON HOLDINGS, INC.,**

**CTA Case No. 8621**

Petitioner,

**Members:**

-versus-

CASTAÑEDA, JR., Chairperson

CASANOVA, and

COTANGCO-MANALASTAS, J.J.

**COMMISSIONER OF INTERNAL  
REVENUE,**

**Promulgated:**

Respondent.

APR 05 2016

4:30 p.m.

X-----X

**DECISION**

**CASANOVA, J.:**

This is a Petition for Review<sup>1</sup> filed by petitioner Chevron Holdings, Inc., praying for the refund or issuance of a tax credit certificate (TCC) in the amount of Seventy Million Six Hundred Thirty One Thousand One Hundred Ninety Two and 67/100 (₱70,631,192.67), representing its alleged excess and unutilized input value-added taxes (input VAT) on purchases of goods and services attributable to zero-rated sales for calendar year (CY) 2011.

Petitioner is a Philippine branch of a multinational company duly organized and existing under and by virtue of the laws of the State of Delaware, United States of America.<sup>2</sup> It is licensed by the Securities and Exchange Commission (SEC) to transact business in the Philippines as a regional operating headquarters (ROHQ) under SEC Registration No. A199802486<sup>3</sup> dated June 3, 1998, with office

<sup>1</sup> Docket (Vol. I), pp. 6-18.

<sup>2</sup> Par. 1, The Parties, Petition for Review, Docket (Vol. I), p. 6.

<sup>3</sup> Exhibit "P-1".

address at 35<sup>th</sup> Floor, Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, 1200 Makati City.<sup>4</sup>

Respondent, on the other hand, is the duly appointed Commissioner of Internal Revenue, vested under the appropriate laws with the authority to carry out the functions, duties and responsibilities of said office, including among others, the duty to act upon and approve claims for refund or tax credit pursuant to the provisions of the National Internal Revenue Code of 1997 (Tax Code) and other tax laws, rules and regulations. She may be served with summons, pleadings and other legal processes at her office at the 5<sup>th</sup> Floor, BIR National Office Building, BIR Road, Diliman, Quezon City.<sup>5</sup>

As a regional operating headquarters, petitioner is engaged in general administration and planning; business planning and coordination; sourcing/procurement of raw materials and components; corporate finance advisory services; marketing control and sales promotion; training and personnel management; logistic services; research and development services and product development; technical support and maintenance; data processing and communication; and business development.<sup>6</sup>

Petitioner is registered with the BIR as a VAT taxpayer and was issued a Certificate of Registration with Tax identification Number (TIN) 201-056-391-000.<sup>7</sup>

On the following dates, petitioner filed with the BIR its Original Quarterly VAT Returns<sup>8</sup> for the four quarters of 2011, respectively:

| <b>Taxable Quarter</b> | <b>Date of Filing of Original Return</b> |
|------------------------|------------------------------------------|
| 1 <sup>st</sup>        | April 20, 2011                           |
| 2 <sup>nd</sup>        | July 18, 2011                            |
| 3 <sup>rd</sup>        | October 20, 2011                         |
| 4 <sup>th</sup>        | May 22, 2012                             |

<sup>4</sup> Par. 1, Admitted Facts, Joint Stipulation of Facts and Issues (JSFI), Docket (Vol. I), p. 119.

<sup>5</sup> Par. 2, Admitted Facts, JSFI, Docket (Vol. I), p. 119.

<sup>6</sup> Par. 3, Admitted Facts, JSFI, Docket (Vol. I), p. 220.

<sup>7</sup> Exhibit "P-3".

<sup>8</sup> Exhibits "P-4.1", "P-4.2", "P-4.3" and "P-4.4".

On October 23, 2012, petitioner filed its administrative claim for refund and/or the issuance of TCC<sup>9</sup> of unutilized input VAT for the four quarters of CY 2011.

In view of respondent's inaction, petitioner filed the present Petition for Review<sup>10</sup> on March 22, 2013.

Respondent filed her Answer<sup>11</sup> on June 13, 2013, interposing the following Special and Affirmative Defenses:

"4. She reiterates and re-pleads the preceding paragraphs of this Answer as part of her Special and Affirmative Defenses.

5. To support its claim, it is imperative for petitioner to prove the following, viz:

- a. *The registration requirements of a value-added taxpayer in compliance with section 6 (a) and (b) of Revenue Regulations No. 6-97 in relation to Section 4.107-1 (a) of Revenue Regulations No. 7-95, and Section 236 of the Tax Code, as amended;*
- b. *The invoicing and accounting requirements for VAT-registered persons, as well as the filing and payment of VAT in compliance with the provisions of Section 113 and 114 of the Tax Code, as amended;*
- c. *Proof of compliance with the prescribed checklist of requirements to be submitted involving claims for VAT refund pursuant to Revenue Memorandum Order No. 53-98, **otherwise there would be no sufficient compliance with the filing of an administrative claim for refund which is a condition sine qua non prior to the filing of a judicial claim in accordance with Section 112 of the Tax Code, as amended. This requires the***

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<sup>9</sup> Exhibit "P-6".

<sup>10</sup> Supra note 1.

<sup>11</sup> Docket (Vol. I), pp. 50-64.

***submission of complete documents in support of the application filed with the Bureau of Internal Revenue before the 120-day audit period shall apply, and before the taxpayer could avail of the judicial remedies as provided for in the law.*** Hence, petitioner's failure to submit proof of compliance with the above-stated requirements warrants immediate dismissal of petitioner's petition for review;

d. *That the input taxes of Php 70,631,192.67 allegedly paid by petitioner from its purchases of goods and services for 2011 was attributable to its zero-rated sales and such have not been applied against any output tax and were not carried over to the succeeding taxable quarter or quarters;*

e. ***That petitioner's administrative and judicial claims for tax credit or refund of the unutilized input tax (VAT) were filed within the periods provided in Sections 112 (A) and (D) of the Tax Code, as amended;***

f. *That petitioner's purchases of goods and services was made in the course of its trade or business, properly supported by VAT invoices and/or official receipts and other documents, such as subsidiary purchase Journal showing that it actually paid VAT in accordance with Sections 110 (A) (2) and 113 of the Tax code, as amended, and pursuant to Section 4.104-5 (a) and (b) of Revenue Regulations No. 7-95 (Re: Substantiation of Claims for Input Tax Credits);*

g. *The requirements as enumerated under Section 4.104-5 Revenue Regulations No. 7-95. (Re: Substantiation of Claims for Input Tax Credits).*

6. Petitioner must prove that the aggregate amount of P70,631,192.67 allegedly representing excess and *a*

unutilized input VAT for calendar year 2011, is properly documented.

7. As petitioner states in its petition before this Honorable Court, the subject of its claim for refund is the unutilized input VAT on its purchases of goods and services attributable to zero-rated sales of services covering the period 2011.

8. It is noteworthy to state that the instant petition involves a claim for refund in the amount Seventy Million Six Hundred Thirty One Thousand One Hundred Ninety Two and 67/100 Pesos (P70,631,192.67) allegedly paid and incurred for calendar year 2011, however such claim for refund should not be given due course for lack of jurisdiction since petitioner failed to exhaust all administrative remedies before elevating this case to the Honorable Court.

9. Unmistakably, Section 1 (j) of Rule 16 of the 1999 Rules of Civil Procedure provides that:

**'MOTION TO DISMISS'**

*Section 1. Grounds. – Within the time for but before filing the answer to the complaint or pleading asserting a claim, a motion to dismiss may be made on any of the following grounds:*

*xxx*

*(j) That a condition precedent for filing the claim has not been complied with.'*

10. Corollary thereto, Section 112 (D) [now Section 112 (c) of the Tax Code of 1997] provides as follows, *to wit:*

**'SEC. 112. Refunds or Tax Credits of Input Tax. -**

*x x x*

***(D) Period Within Which Refund or Tax Credit of Input Taxes Shall be Made. - In proper cases, the Commissioner shall grant a***

*refund or issue the tax credit certificate for creditable input taxes **within one hundred twenty (120) days from the date of submission of complete documents in support of the application filed in accordance with Subsections (A) and (B) hereof.***

*In case of full or partial denial of the claim for tax refund or tax credit, or the failure on the part of the Commissioner to act on the application within the period prescribed above, **the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the claim or after the expiration of the one hundred twenty day-period, appeal the decision or the unacted claim with the Court of Tax Appeals.*** (Emphasis supplied)

11. Pursuant to the aforequoted provision of law, the Commissioner of Internal Revenue ('CIR', *for brevity*) has 120 days from the **submission of the complete or supporting documents** to decide the claim for refund. It logically follows that a taxpayer **must first submit the complete supporting documents before the 120-day period should commence.** The CIR cannot decide the claim for refund without the complete supporting documents.

12. The implementing rule for these complete documents required by law is RMO No. 53-98. Annex B-1 of said RMO lists all the required documents as follows:

### **VALUE-ADDED TAX**

*(For audit involving Claim for Refund/ TCC)*

#### *A) Requirements from Taxpayer*

##### *I. Requirements mention in Annex B*

##### *II. Additional General Requirements*

- 1) *3 copies of 'Application for VAT Credit / Refund'*
- 2) *Summary List of Local Purchases specifying the following:*

*X X X*

- 3) *Photocopies of VAT purchase invoices for purchase of goods and official receipts for purchase of services. (The invoices/ 'official receipts must be arranged according to the summary list)*

- 4) *Summary of importations made during the period with the following details:*

*XXX            XXX            XXX*

- 5) *Photocopies of invoices, import entry documents, official receipts or confirmation receipts evidencing payment of VAT. (Segregate documents paid by cash from those paid by tax debit memo)*

- 6) *VAT Returns filed for the quarter showing that the amount applied for refund/TCC has been reflected as a deduction from the total available input tax, as well as VAT Return for the succeeding quarter.*

- 7) *Certification of taxpayer showing the amount of Zero-rated Sales, Taxable Sales and Exempt Sales*

- 8) *A statement showing the amount and description of the sale of goods and services, name of persons or entities (except in case of exports) to whom the goods or services were sold and date of the transaction, where the applicant's zero-rated transactions are regulated by certain government agency.*

- 9) *Articles of Incorporation – for first time filers*

- 10) *Sales Contract/Agreement* 

*11) BOI Certificate of Registration*

*12) BIR Certificate of Registration*

*13) Certification from BOI, DOF, BOC, EPZA, etc., that subject taxpayer has not filed similar claim for refund covering the same period.*

*14) Sworn statement that ending inventory as of the close of the period covered by the Claim has been used directly or indirectly in the products subsequently exported as supported by export documents, if the applicant is 100% exporter.*

*15) Documents of liquidation evidencing the actual utilization of the raw materials in the manufacture of goods at least 70% of which has been actually exported, if the applicant is an indirect exporter.*

*16) Copy of the ITR and Certified Financial Statements, if applicable.*

*17) Beginning and ending inventory of raw materials, work-in-process, finished goods, supplies and materials.*

*Additional Specific Requirements*

*1) For Zero-Rated Sales of Services (contractors, mining, etc)*

*a. Authenticated copy/ies of the contract/s showing the person/s for whom the services were rendered, amount of consideration, description of the services and documents evidencing actual payments.*

*b. Photocopies of official receipts and billings together with a summary of the date of billing, name of principal, official receipt number, date of receipt, amount in foreign currency and the corresponding value thereof, date of remittance, name of bank,*

*bank credit memo number and amount remitted in pesos.*

*c. Bank credit memoranda and certificate from the BSP with information similar to 1-c (export sales)*

13. As stated above, the first documentary requirement is that provided in Annex B of the same RMO. Annex B provides for more requirements as follows:

### **VALUE-ADDED TAX**

#### *A) Requirements from Taxpayers*

*1) Proof of claimed tax credits*

*2) Proof of Tax Compliance Certificates applied*

*3) Xerox copy of used Tax Credit Certificate (TCC) with annotation of issued TDM at the back, if applicable*

*4) Proof of payment of deficiency tax, if any*

*a) current year /period*

*b) previous year /period*

*5) Certification of the appropriate government agency as to taxpayer's entitlement to tax incentives. if applicable.*

*6) Xerox copies of the Official Receipts evidencing VAT payment on imported purchases, if applicable*

*7) Proof of exemption under special law, if applicable*

*8) Certification of the appropriate regulatory agency as to the exempt or zero-rated sales of the taxpayer under its regulatory supervision, if applicable*

*9) Certificate of Registration issued by the appropriate regulatory agency, together with the conditions attached to such registration, if applicable*

*10) Proof of 'Approval for Effective Zero Rating of Sales,' if applicable*

*11) Sample invoice/s for 'Export/Exempt Sales,' if applicable*

*12) Proof that the acceptable foreign currency exchange proceeds on export sales/ foreign currency denominated sales had been duly accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP), if applicable.*

14. Indubitably, the law requires the submission of complete documents in support of the application filed with the Bureau of Internal Revenue before the 120-day audit period shall apply, and before the taxpayer could avail of judicial remedies as provided for in the law.

15. Upon examination of the BIR records, it is evident that petitioner failed to prove that it has submitted the complete documents to substantiate its administrative claim for refund and to reckon the commencement of the 120-day period for the CIR. This is a requirement established by law and jurisprudence. *Ergo*, respondent humbly submits that failure on the part of petitioner to submit the required complete supporting documents would render the instant petition with this Honorable Court to have been prematurely filed.

16. This is not a claim for refund of erroneously or illegally collected taxes where petitioner may choose the evidence it wishes to submit to prove its case. This is merely a claim for excess input taxes where the prescribed documentation is needed by the BIR

17. Petitioner's alleged claim for refund is subject to administrative routinary investigation/examination by the Bureau of Internal Revenue. A claim for refund is not *ipso facto* granted because respondent CIR still has to

investigate and ascertain the validity of the claim.

18. Respondent respectfully avers that before judicial inquiry into the issue of whether taxpayers, in general, are entitled to a refund/tax credit under substantive law may be considered, they have an initial burden to discharge. They must prove that they complied with all the administrative requirements continuing up to judicial review. In other words, before **trial de novo** proceeds and disposes of the issue of refund entitlement under **substantive** law, it must first be proved that there was **procedural** compliance in pursuing the administrative claim leading to the appellate proceedings. As stated by the Honorable Supreme Court:

*'Petitioner's contention that non-compliance with Revenue Regulations 3-88 could not have adversely affected its case in the CTA indicates a failure on its part to appreciate the nature of the proceedings in that court. **First, a judicial claim for refund or tax credit in the CTA is by no means an original action but rather an appeal by way of petition for review of a previous, unsuccessful administrative claim. Therefore, as in every appeal or petition for review, a petitioner has to convince the appellate court that the quasi-judicial agency a quo did not have any reason to deny its claims. In this case, it was necessary for petitioner to show the CTA not only it was entitled under substantive law to the grant of its claims but also that it satisfied all the documentary and evidentiary requirements for an administrative claim for refund or tax credit.** Second, cases filed in the CTA are litigated de novo. Thus, a respondent should prove every minute aspect of its case by presenting, formally offering and submitting its evidence to the CTA. **Since it is crucial for a petitioner in a judicial claim for refund or tax credit to show that its administrative claim should have been***

**granted in the first place, part of the evidence to be submitted to the CTA must necessarily include whatever is required for the successful prosecution of an administrative claim.** (Emphasis and underscoring supplied)

19. The doctrine of exhaustion of administrative remedies ensures an orderly procedure which favors a preliminary sifting process, particularly with respect to matters peculiarly within the competence of the administrative agency. After this sifting process comes the availability of judicial review of administrative decisions. Judicial review of administrative decisions entails the Court to examine the method in which the decision was arrived at, and finding no error, lets the administrative decision stand. This is precisely because, as previously stated, these are matters peculiarly within the competence of the administrative agency.

20. Well-settled is the rule that exhaustion of available administrative remedies is a condition *sine qua non* before taking a judicial action. The Honorable Supreme Court, in a long line of cases, has consistently held that if a remedy within the administrative machinery can still be resorted to by giving the administrative officer every opportunity to decide on a matter that comes within his jurisdiction, then such remedy must be exhausted first before the court's power of judicial review can be sought.

21. Moreso, the Honorable Supreme Court had the occasion to rule that where a remedy is available within the administrative machinery, this should be resorted to before resort can be made to courts, not only to give the administrative agency the opportunity to decide the matter by itself correctly, but also to prevent unnecessary and premature resort to courts. Thus, the party with an administrative remedy must not merely initiate the prescribed administrative procedure to obtain relief but also pursue it to its appropriate conclusion before seeking judicial intervention in order to give the administrative agency an opportunity to decide the matter itself correctly and prevent unnecessary and premature resort to the court.

22. The doctrine of exhaustion of administrative remedies has practical and legal reasons. Resort to administrative remedies entails lesser expenses and provides for speedier disposition of controversies. Thus, for reasons of comity and convenience, courts will shy away from a dispute until the system of administrative redress has been completed and complied with so as to give the administrative agency every opportunity to correct its error and to dispose of the case. The underlying principle of the rule rests on the presumption that the administrative agency, if afforded a complete chance to pass upon the matter, will decide the same correctly.

23. Respondent respectfully submits that the 120-day period provided for by law within which the CIR has to act on petitioner's claim for refund has not yet commenced considering petitioner's failure to comply with the duly mandated legal requirements in such claims for refund/tax credit (*i.e submission of complete supporting documents*). While it is true that petitioner filed an administrative claim for refund, the same is considered merely *pro forma* as it failed to submit a complete documentary evidence to prove its entitlement thereto. Petitioner here failed to substantiate its administrative claim for refund.

24. Had petitioner submitted all relevant documents to substantiate its claim for refund or tax credit, respondent would have the opportunity to determine the veracity of its claim and might refund or issue a tax credit certificate for the claimed amount. Such failure of petitioner to submit relevant documents deprived respondent of the opportunity and time to study petitioner's claim for refund and to fully exercise its function. It must be remembered, that in the case of *Jariol vs. Commission on Elections*, the Supreme Court reasoned that a party must not merely initiate the prescribed administrative procedure to obtain relief, the party concerned must pursue this relief until the appropriate conclusion takes place before seeking judicial intervention in order to give the administrative agency an opportunity to decide the matter by itself correctly and prevent unnecessary and premature resort to the court. *a*

25. It is well settled rule in tax laws, that the taxpayer who feels aggrieved by the actions taken by tax authorities may not seek redress in the courts of justice without first exhausting available administrative remedies, except for certain well-recognized exceptions. It is the policy of the law and good practice to discourage court litigations and encourage resort to administrative action whenever the latter is feasible, adequate and speedy. Besides, the respect and consideration due to each branch of the government demand that the judicial department abstain, whenever possible from interfering in the acts of the other departments except when the latter transcend their respective shares of action and suitable remedies cannot be obtained by them.

26. Equally noteworthy is the fact that the Highest Tribunal in the case of *Atlas Consolidated Mining and Development Corporation vs. Commissioner of Internal Revenue*, held that:

*'Petitioner's contention that non-compliance with Revenue Regulations 3-88 could not have adversely affected its case in the CTA indicates a failure on its part to appreciate the nature of the proceeding in that court. First a judicial claim for refund or tax credit in the CTA is by no means an original action but rather an appeal by way of petition for review of a previous, unsuccessful administrative claim. Therefore, as in every appeal or petition for review, a petitioner has to convince the appellate court that quasi-judicial agency a quo did not have reason to deny its claim. In this case, it is necessary for petitioner to show the CTA not only that it was entitled under substantive law to grant of its claim but also that it satisfied all the documentary evidence and evidentiary requirements for administrative claim for refund or tax credits. xxx' (Emphasis and Underscoring Supplied)*

27. Thus, as clearly stated by the above jurisprudence, the necessity for petitioner to submit all

relevant documents to substantiate its administrative claim for refund is imperative. The filing of the petition for review to this Honorable Court must be due to the denial of its claim or inaction which is tantamount to a denial of the said action. Absent these circumstances, the judicial claim merely becomes an attempt by the taxpayer to circumvent the role and duties of the Commissioner in evaluating taxpayer's claim for refund.

28. Failure of petitioner to exhaust all administrative remedies is fatal to its claim considering that such non-exhaustion is not merely for purposes of formality but is jurisdictional in nature.

29. Prescinding from and anent the foregoing considerations, petitioner's failure to exhaust all available administrative remedies which led to the premature filing of the instant petition divests the Honorable Court jurisdiction over the instant petition.

30. Exemptions from taxation are highly disfavored in law and he who claims exemption must be able to justify his claim by the clearest grant of organic or statutory law. An exemption from the common burden cannot be permitted to exist upon vague implications.

31. In an action for refund, the burden of proof is on the taxpayer to establish its right to refund, and failure to sustain the burden is fatal to the claim for refund. Hence, a taxpayer is charged with the heavy burden of proving that he has complied with and satisfied all the statutory and administrative requirements to be entitled to the tax refund. Failure to comply therewith warrants a dismissal of the taxpayer's claim for refund. Respondent humbly submits that petitioner failed to establish its right to refund.

32. It can never be emphasized enough that in this jurisdiction tax refunds/ credits are in the nature of tax exemptions, hence, laws relating to them call for a strict application against the claimant. As held by the Honorable Supreme Court:

*'Tax refunds are in the nature of tax exemptions, and are to be construed strictissimi juris against the entity claiming the*

*same. Thus, the burden of proof rests upon the taxpayer to establish by sufficient and competent evidence, its entitlement to a claim for refund.'*

33. Taxes collected are presumed to be in accordance with laws and regulations.

34. Claims for refund are construed strictly against the claimant for the same partake of the nature of exemption from taxation and as such, they are looked upon with disfavor. Basic is the rule that tax refunds are regarded as tax exemptions that are in derogation of the sovereign authority and are to be construed in *strictissimi juris* against the person or entity claiming the exemption. The law does not look with favor on tax exemptions and that he who would seek to be thus privileged must justify it by words too plain to be mistaken and too categorical to be misinterpreted.

35. Based on the foregoing, petitioner's claim for refund has no basis in fact and in law. Thus, the instant petition should be dismissed for lack of jurisdiction and/or for lack of merit."

Petitioner's Pre-Trial Brief<sup>12</sup> was filed on July 17, 2013, while respondent's Pre-Trial Brief<sup>13</sup> was filed on September 6, 2013. Thereafter, the parties submitted their Joint Stipulation of Facts and Issues<sup>14</sup> on August 30, 2013. Petitioner, however, filed its Amended Pre-Trial Brief<sup>15</sup> on September 20, 2013. Thus, a Pre-Trial Order<sup>16</sup> was issued on October 2, 2013, thereby terminating the Pre-Trial.

During the trial, petitioner presented its witnesses, Mr. Robert D. Secular, Jr.<sup>17</sup>, petitioner's Finance Coordinator; Mr. Chito R. Padie<sup>18</sup>, Optimization Manager of petitioner; Mr. Ruben R. Rubio<sup>19</sup>, Court-commissioned Independent Certified Public Accountant; and Ms. Jennifer A. Valdez<sup>20</sup>, Fixed Assets Team Leader of petitioner. 

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<sup>12</sup> Docket (Vol. I), pp. 71-80.

<sup>13</sup> Docket (Vol. I), pp. 124-128.

<sup>14</sup> Docket (Vol. I) pp. 119-122.

<sup>15</sup> Docket (Vol. IV) pp. 1871-1881.

<sup>16</sup> Docket (Vol. IV), pp. 1885-1888.

<sup>17</sup> Docket (Vol. I) pp. 132-141.

<sup>18</sup> Docket (Vol. IV), pp. 1894-1900.

<sup>19</sup> Docket (Vol. I), pp. 171-226.

<sup>20</sup> Docket (Vol. I), pp. 247-251.

On February 4, 2014, petitioner filed its Formal Offer of Evidence<sup>21</sup>, while counsel for respondent manifested in the hearing held on March 24, 2014<sup>22</sup>, that respondent has no witness in this case. Thus, the parties were ordered to file their respective memorandum within thirty (30) days from notice; afterwhich the case shall be deemed submitted for decision.

Petitioner filed its Memorandum<sup>23</sup> on April 23, 2014 while respondent filed a Manifestation<sup>24</sup> dated May 23, 2014, stating that she is adopting the arguments raised in her Answer. Hence, this Court, in a Resolution<sup>25</sup> dated May 27, 2014, submitted the instant petition for decision.

On November 6, 2014, petitioner filed an Urgent Omnibus Motion (1) For Leave of Court to Present Additional Evidence and (2) Defer Resolution of the Case<sup>26</sup>, which was granted by the Court in a Resolution<sup>27</sup> dated February 24, 2015. However, petitioner filed a Manifestation and Motion<sup>28</sup> on April 1, 2015, stating that it will not present any additional evidence. Thus, the case was submitted for decision on April 6, 2015<sup>29</sup>.

As stipulated by the parties, the sole issue to be resolved in this case is whether or not petitioner is entitled to the claim for refund or issuance of TCC for excess or unutilized input VAT for the four (4) quarters of Calendar Year (CY) 2011 in the amount of ₱70,631,192.67.<sup>30</sup>

For the four quarters of taxable year 2011, petitioner duly filed with the Bureau of Internal Revenue (BIR) its Quarterly VAT Returns<sup>31</sup> declaring the following:

|                           | 1st Quarter     | 2nd Quarter     |
|---------------------------|-----------------|-----------------|
|                           | (Exhibit P-4.1) | (Exhibit P-4.2) |
| Vatable Sales/Receipts    | ₱ 33,221,546.96 | ₱ 32,362,352.24 |
| Zero-Rated Sales/Receipts | 645,984,584.15  | 662,353,661.91  |

<sup>21</sup> Docket (Vol. IV), pp. 1966-2019.  
<sup>22</sup> Minutes of the Hearing, Docket (Vol. V), p. 2058.  
<sup>23</sup> Docket (Vol. V), pp. 2059-2102.  
<sup>24</sup> Docket (Vol. V), pp. 2108-2110.  
<sup>25</sup> Docket (Vol. V), p. 2111.  
<sup>26</sup> Docket (Vol. V), pp. 2113-2119.  
<sup>27</sup> Docket (Vol. V), pp. 2147-2149.  
<sup>28</sup> Docket (Vol. V), pp. 2150-2152.  
<sup>29</sup> Minutes of the Hearing, Docket (Vol. V), p. 2154.  
<sup>30</sup> Stipulated Issues, JSFI, Docket (Vol. I), p. 120.  
<sup>31</sup> Exhibits "P-4.1" to "P-4.4".

|                                                                                                |                         |                         |
|------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Total Sales/Receipts                                                                           | ₱ 679,206,131.11        | ₱ 694,716,014.15        |
| Output Tax Due                                                                                 | ₱ 3,986,585.64          | ₱ 3,883,482.27          |
| Less: Allowable Input Tax                                                                      |                         |                         |
| Input Tax Carried Over from Previous Period                                                    | ₱ 157,160,605.18        | ₱ 168,295,169.15        |
| Input Tax Deferred on Capital Goods Exceeding ₱1Million from Previous Quarter                  | 36,621,041.07           | 34,040,548.13           |
| Current Transactions                                                                           |                         |                         |
| Purchase of Capital Goods not exceeding ₱1Million                                              | 104,348.45              | -                       |
| Purchase of Capital Goods exceeding ₱1Million                                                  | 1,873,710.34            | 2,036,605.79            |
| Domestic Purchases of Goods other than Capital Goods                                           | 356,278.83              | 524,082.55              |
| Importation of Goods Other than Capital Goods                                                  | 54,715.00               | 100,781.00              |
| Domestic Purchase of Services                                                                  | 8,930,139.03            | 9,702,448.35            |
| Services Rendered by Non-residents                                                             | 1,221,465.02            | 4,733,187.72            |
| Total Available Input Tax                                                                      | ₱ 206,322,302.92        | ₱ 219,432,822.69        |
| Less: Deductions from Input Tax                                                                |                         |                         |
| Input Tax on Purchases of Capital Goods exceeding ₱1Million deferred for the succeeding period | ₱ 34,040,548.13         | ₱ 31,825,211.39         |
| VAT Refund/TCC claimed                                                                         | -                       | -                       |
| Total                                                                                          | ₱ 34,040,548.13         | ₱ 31,825,211.39         |
| Total Allowable Input Tax                                                                      | ₱ 172,281,754.79        | ₱ 187,607,611.30        |
| <b>Net VAT Overpayment</b>                                                                     | <b>₱ 168,295,169.15</b> | <b>₱ 183,724,129.03</b> |

|                                                                               | 3rd Quarter<br>(Exhibit P-4.3) | 4th Quarter<br>(Exhibit P-4.4) | Total              |
|-------------------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------|
| Vatable Sales/Receipts                                                        | ₱ 22,002,922.66                | ₱ 36,305,194.38                | ₱ 123,892,016.24   |
| Zero-Rated Sales/Receipts                                                     | 612,162,244.83                 | 552,084,574.11                 | 2,472,585,065.00   |
| Total Sales/Receipts                                                          | ₱ 634,165,167.49               | ₱ 588,389,768.49               | ₱ 2,596,477,081.24 |
| Output Tax Due                                                                | ₱ 2,640,350.72                 | ₱ 4,356,623.33                 | ₱ 14,867,041.96    |
| Less: Allowable Input Tax                                                     |                                |                                |                    |
| Input Tax Carried Over from Previous Period                                   | ₱ 183,724,129.04               | ₱ 196,739,960.22               | ₱ 157,160,605.18   |
| Input Tax Deferred on Capital Goods Exceeding ₱1Million from Previous Quarter | 31,825,211.39                  | 34,129,991.80                  | 36,621,041.07      |
| Current Transactions                                                          |                                |                                |                    |
| Purchase of Capital Goods not exceeding ₱1Million                             | -                              | -                              | 104,348.45         |
| Purchase of Capital Goods exceeding ₱1Million                                 | 6,542,955.10                   | 12,772,590.89                  | 23,225,862.12      |
| Domestic Purchases of Goods (Other than Capital Goods)                        | 709,870.37                     | 733,739.46                     | 2,323,971.21       |
| Importation of Goods Other than Capital Goods                                 | 69,015.00                      | 35,569.00                      | 260,080.00         |
| Domestic Purchase of Services                                                 | 7,596,073.11                   | 16,127,544.51                  | 42,356,205.00      |
| Services Rendered by Non-                                                     | 3,043,048.74                   | 3,100,254.57                   | 12,097,956.05      |

|                                                                                                |                         |                         |                         |
|------------------------------------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|
| residents                                                                                      |                         |                         |                         |
| Total Available Input Tax                                                                      | P 233,510,302.75        | P 263,639,650.45        | P 274,150,069.08        |
| Less: Deductions from Input Tax                                                                |                         |                         |                         |
| Input Tax on Purchases of Capital Goods exceeding P1Million deferred for the succeeding period | P 34,129,991.81         | P 42,681,486.32         | P 42,681,486.32         |
| VAT Refund/TCC claimed                                                                         | -                       | 62,066,592.88           | 62,066,592.88           |
| Total                                                                                          | P 34,129,991.81         | P 104,748,079.20        | P 104,748,079.20        |
| Total Allowable Input Tax                                                                      | P 199,380,310.94        | P 158,891,571.25        | P 169,401,989.88        |
| <b>Net VAT Overpayment</b>                                                                     | <b>P 196,739,960.22</b> | <b>P 154,534,947.92</b> | <b>P 154,534,947.92</b> |

As indicated in the returns, petitioner's total allowable input VAT arising from its amortization of input VAT on purchases of capital goods exceeding P1 million, domestic purchases of capital goods not exceeding P1 million, domestic purchases of goods other than capital goods, importation of goods other than capital goods, domestic purchases of services and services rendered by non-residents for the four quarters of taxable year 2011 amounted to P74,307,977.58, broken down as follows:

|                                                                                                      | 1st Quarter            | 2nd Quarter            |
|------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Input Tax Deferred on Capital Goods exceeding P1Million from Previous Quarter                        | P 36,621,041.07        | P 34,040,548.13        |
| Add: Input Tax on Capital Goods exceeding P1Million Purchased this Quarter                           | 1,873,710.34           | 2,036,605.79           |
| Total Unamortized Input Tax on Capital Goods exceeding P1Million                                     | P 38,494,751.41        | P 36,077,153.92        |
| Less: Input Tax on Purchases of Capital Goods exceeding P1Million deferred for the succeeding period | 34,040,548.13          | 31,825,211.39          |
| Amortization of Input Tax on Capital Goods exceeding P1Million                                       | P 4,454,203.28         | P 4,251,942.53         |
| Add: Input Tax on -                                                                                  |                        |                        |
| Purchase of Capital Goods not exceeding P1Million                                                    | 104,348.45             | -                      |
| Domestic Purchases of Goods Other than Capital Goods                                                 | 356,278.83             | 524,082.55             |
| Importation of Goods other than Capital Goods                                                        | 54,715.00              | 100,781.00             |
| Domestic Purchase of Services                                                                        | 8,930,139.03           | 9,702,448.35           |
| Services Rendered by Non-Residents                                                                   | 1,221,465.02           | 4,733,187.72           |
| <b>Total Allowable Input Tax</b>                                                                     | <b>P 15,121,149.61</b> | <b>P 19,312,442.15</b> |

|                                                                               | 3rd Quarter     | 4th Quarter     | Total           |
|-------------------------------------------------------------------------------|-----------------|-----------------|-----------------|
| Input Tax Deferred on Capital Goods exceeding P1Million from Previous Quarter | P 31,825,211.39 | P 34,129,991.80 | P 36,621,041.07 |
| Add: Input Tax on Capital Goods exceeding P1Million Purchased this Quarter    | 6,542,955.10    | 12,772,590.89   | 23,225,862.12   |
| Total Unamortized Input Tax on Capital Goods exceeding P1Million              | P 38,368,166.49 | P 46,902,582.69 | P 59,846,903.19 |
| Less: Input Tax on Purchases of Capital Goods exceeding P1Million             | 34,129,991.81   | 42,681,486.32   | 42,681,486.32   |

|                                                                |                        |                        |                        |
|----------------------------------------------------------------|------------------------|------------------------|------------------------|
| deferred for the succeeding period                             |                        |                        |                        |
| Amortization of Input Tax on Capital Goods exceeding ₱1Million | ₱ 4,238,174.68         | ₱ 4,221,096.37         | ₱ 17,165,416.87        |
| Add: Input Tax on -                                            |                        |                        |                        |
| Purchase of Capital Goods not exceeding ₱1Million              | -                      | -                      | 104,348.45             |
| Domestic Purchases of Goods Other than Capital Goods           | 709,870.37             | 733,739.46             | 2,323,971.21           |
| Importation of Goods other than Capital Goods                  | 69,015.00              | 35,569.00              | 260,080.00             |
| Domestic Purchase of Services                                  | 7,596,073.11           | 16,127,544.51          | 42,356,205.00          |
| Services Rendered by Non-Residents                             | 3,043,048.74           | 3,100,254.57           | 12,097,956.05          |
| <b>Total Allowable Input Tax</b>                               | <b>₱ 15,656,181.90</b> | <b>₱ 24,218,203.91</b> | <b>₱ 74,307,977.58</b> |

Out of the ₱74,307,977.58 input VAT, petitioner is claiming refund of the amount of ₱70,631,192.67 allegedly representing input VAT attributable to its zero-rated sales for CY 2011, computed as follows<sup>32</sup>:

|                                                   | 1st Quarter           | 2nd Quarter           | 3rd Quarter           | 4th Quarter           | Total                 |
|---------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Vatable Sales                                     | ₱ 33,221,546.96       | ₱ 32,362,352.24       | ₱ 22,002,922.66       | ₱ 36,305,194.38       | ₱ 123,892,016.24      |
| Zero-Rated Sales                                  | 645,984,584.15        | 662,353,661.91        | 612,162,244.83        | 552,084,574.11        | 2,472,585,065.00      |
| Total Sales                                       | ₱ 679,206,131.11      | ₱ 694,716,014.15      | ₱ 634,165,167.49      | ₱ 588,389,768.49      | ₱ 2,596,477,081.24    |
| % of Zero-Rated Sales /Total Sales                | 95%                   | 95%                   | 97%                   | 94%                   |                       |
| Input Tax                                         | ₱ 15,121,149.60       | ₱ 19,312,442.16       | ₱ 15,656,181.90       | ₱ 24,218,203.92       | ₱ 74,307,977.58       |
| <b>Input Tax Attributable to Zero-Rated Sales</b> | <b>₱14,381,539.11</b> | <b>₱18,412,799.65</b> | <b>₱15,112,976.79</b> | <b>₱22,723,877.12</b> | <b>₱70,631,192.67</b> |

Section 112(A) of the NIRC of 1997, as amended, provides the basis for the refund/tax credit of excess input VAT attributable to zero-rated or effectively zero-rated sales, to wit:

**"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

<sup>32</sup> Exhibit "P-6".

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."

Pursuant to the above-mentioned provision and as enumerated by the Supreme Court in the case of *San Roque Power Corporation vs. Commissioner of Internal Revenue*<sup>33</sup>, in order to be entitled to a refund or issuance of a tax credit certificate of input VAT paid, petitioner must prove the following:

1. That there must be zero-rated or effectively zero-rated sales;
2. That input taxes were incurred or paid;
3. That such input taxes were attributable to zero-rated or effectively zero-rated sales;
4. That the input taxes were not applied against any output VAT liability; and
5. That the claim for refund was filed within the two-year prescriptive period.

The Court shall first determine the fifth requisite which is the timeliness of the filing of the administrative claim for refund. Following the above-mentioned provision, the administrative claim for refund/tax credit certificate must be filed within two (2) years after the close of the taxable quarter when the zero-rated or effectively zero-rated sales were made.✍

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<sup>33</sup> G.R. No. 180345, November 25, 2009.

Based on the records of the case, petitioner filed its administrative claim for refund together with the supporting documents<sup>34</sup> on October 23, 2012. Applying the foregoing rules, it is clear that petitioner’s administrative claim for refund was filed within the 2-year period prescribed by law, as detailed below:

| <b>CY 2011</b> | <b>Close of the Taxable Quarter</b> | <b>Last Day to File Administrative Claim</b> | <b>Date of Filing of Administrative Claim and Submission of Documents</b> |
|----------------|-------------------------------------|----------------------------------------------|---------------------------------------------------------------------------|
| 1st Quarter    | March 31, 2011                      | March 31, 2013                               | October 23, 2012 <sup>35</sup>                                            |
| 2nd Quarter    | June 30, 2011                       | June 30, 2013                                |                                                                           |
| 3rd Quarter    | September 30, 2011                  | September 30, 2013                           |                                                                           |
| 4th Quarter    | December 31, 2011                   | December 31, 2013                            |                                                                           |

As to the timeliness of petitioner’s judicial appeal, Section 112(C) of the NIRC of 1997, as amended, provides as follows:

**“SEC. 112. Refunds or Tax Credits of Input Tax.-**

xxx                      xxx                      xxx

**(C) Period within which Refund or Tax Credit of Input Taxes shall be Made.** - In proper cases, the Commissioner shall grant a refund or issue the tax credit certificate for creditable input taxes within one hundred twenty (120) days from the date of submission of complete documents in support of the application filed in accordance with Subsection (A).

In case of full or partial denial of the claim for tax refund or tax credit, or the failure on the part of the Commissioner to act on the application within the period prescribed above, the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the claim or after the expiration of the one hundred twenty day-period, appeal the decision or the unacted claim with the Court of Tax Appeals.”*a*

<sup>34</sup> Exhibit “P-6”.  
<sup>35</sup> Exhibit “P-6”.

The afore-quoted provision provides that respondent has one hundred twenty (120) days from the date of submission of the complete documents within which to grant or deny petitioner's claim for refund. In case of respondent's inaction of the claim, petitioner is given a period of thirty (30) days from the expiration of the one hundred (120) days to appeal the claim before this Court. Thus, from the expiration of the 120 day period, petitioner may file its judicial claim before this Court.

Respondent contends that pursuant to Section 112 (C) of the NIRC of 1997, as amended, she has 120 days from the submission of the complete supporting documents to decide the claim for refund. Accordingly, it logically follows that a taxpayer must first submit the complete supporting documents, as required under RMO No. 53-98, before the 120-day period should commence to run.

For respondent, the instant Petition for Review was prematurely filed on account of petitioner's failure to prove that it has submitted the complete documents to substantiate its administrative claim for refund.<sup>36</sup>

The Court disagrees with the respondent.

Petitioner, upon the filing of its administrative claim on October 23, 2012, simultaneously submitted the documents in support thereof as evidenced by petitioner's letter-claim<sup>37</sup> for refund or issuance of tax credit certificate filed with the BIR on the said date.

Since the records do not show that a written notice was sent by the BIR informing petitioner that the documents it submitted were incomplete nor requiring petitioner to submit additional documents, the 120-day period commenced and continued to run from October 23, 2012, the date when petitioner completely submitted the required documents. This is in accordance with Revenue Memorandum Circular (RMC) No. 29-09 which states that:

*"III. Period within which Refund or Tax Credit or Input Taxes shall be Made. *

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<sup>36</sup> Pars. 11 and 15, Answer, Docket (Vol. I), pp. 53 and 57.

<sup>37</sup> Exhibit "P-6".

Section 112(C) of the Tax Code of 1997, as amended by Republic Act No. 9337, provides among others, that in proper cases, **the Commissioner shall grant a refund or issue the tax credit certificate (TCC) for creditable input taxes within one hundred twenty (120) days from the date of submission of complete documents.** For the purpose of defining "proper cases" in the said provision, the taxpayer/claimant must have complied with the following conditions/requirements upon audit/verification of his/its claim:

a. **Submission of complete documents** necessary to determine and/or ascertain the correctness of the return and the amount to be refunded/credited;

XXX

XXX

XXX

**In cases where taxpayer failed to comply with the above conditions/requirements**, i.e., failure to present the accounting books and records for audit/verification, additional documents to explain discrepancies/findings are not submitted, taxpayer refuses or incurs delay in the submission of the Agreement Form, **the running of the 120-day period shall stop from the date of notification to the taxpayer.** Likewise, the running of the 120-day period shall be suspended in case a question of law arises during the conduct of audit/verification and/or review of the claim for tax refund/credit, and the issue is referred to the Legal Division or the Legal Service, as the case may be, for resolution and issuance of legal opinion, which should be rendered within thirty (30) working days from receipt of the request. (*Emphasis supplied*)

Moreover, it is a well-settled rule that in claims for VAT refund, the non-submission of complete supporting documents in the administrative level is NOT fatal to petitioner's judicial claim. This Court is not barred from receiving, evaluating and appreciating evidence submitted before it. Once the claim for refund has been elevated to the Court, the admissibility, materiality, relevancy, probative value and weight of evidence presented therein become subject to the Rules of Court. The question of whether or not the evidence submitted by a party is sufficient to warrant the granting of

a claim for refund lies within the sound discretion and judgment of the Court.<sup>38</sup>

In the present case, the respondent failed to act on petitioner’s administrative claim within the period required by law which lapsed on February 20, 2013. Pursuant to Section 112 (C) of the NIRC, as amended, petitioner has thirty (30) days or until March 22, 2013 to file its judicial claim for refund. Thus, applying the said Section, petitioner’s judicial claim for the four quarters of CY 2011 was timely filed within the “120-30” day period, as shown below:

| CY 2011     | Date of Filing of Administrative Claim and Submission of Documents | End of 120 days for the BIR Commissioner to decide on the claim | End of 30 days from the expiration of the 120 days | Date of Filing of Petition for Review |
|-------------|--------------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------------|---------------------------------------|
| 1st Quarter | October 23, 2012                                                   | February 20, 2013                                               | March 22, 2013                                     | March 22, 2013                        |
| 2nd Quarter |                                                                    |                                                                 |                                                    |                                       |
| 3rd Quarter |                                                                    |                                                                 |                                                    |                                       |
| 4th Quarter |                                                                    |                                                                 |                                                    |                                       |

The Court shall now determine whether petitioner has satisfied the remaining requirements to be entitled to a refund.

Petitioner claims that the services it renders to its affiliates located and doing business outside the Philippines are subject to zero percent (0%) VAT pursuant to Section 108(B)(2) of the NIRC of 1997, as amended, to wit:

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

*X X X                      X X X                      X X X*

*(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: *e*

<sup>38</sup> *Commissioner of Internal Revenue vs. CE Luzon Geothermal Power Company, Inc.*, CTA EB Case No. 474, September 1, 2009; *Commissioner of Internal Revenue vs. Toledo Power Company*, CTA EB Case No. 589 (CTA Case No. 7471), September 15, 2010; *Commissioner of Internal Revenue vs. San Roque Power Corporation*, CTA EB No. 657 (CTA Case Nos. 7424 and 7492), April 4, 2012.

(1) Processing, manufacturing or repacking goods for other persons doing business outside the Philippines which goods are subsequently exported, where the services are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP);

(2) Services other than those mentioned in the preceding paragraph rendered to a person engaged in business conducted outside the Philippines or to a non-resident 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);"

Based therefrom, the following requirements must be met/complied with and, as laid down by the Supreme Court in the case of *Commissioner of Internal Revenue vs. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*,<sup>39</sup> in order for the supply of services to be considered as VAT zero-rated:

1. the services must be other than processing, manufacturing or repacking of goods;
2. the recipient of such services is doing business outside the Philippines; and
3. payment for such services must be in acceptable foreign currency accounted for in accordance with the BSP rules and regulations.

It is undisputed that petitioner is duly registered with the BIR as a VAT taxpayer and was issued a Certificate of Registration with Tax Identification Number (TIN) 201-056-391-000<sup>40</sup>. Petitioner is licensed by the Securities and Exchange Commission (SEC) to transact business in the Philippines as a Regional Operating Headquarters (ROHQ)<sup>41</sup> to engage in general administration and planning; business planning and coordination; sourcing/procurement of raw materials and components; corporate finance advisory services; marketing control and sales promotion; training and

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<sup>39</sup> G.R. No.153205, January 22, 2007.

<sup>40</sup> Par. 3, Admitted Facts, JSFI, Docket (Vol. I), p. 120.

<sup>41</sup> Par. 1, Admitted Facts, JSFI, Docket (Vol. I), p. 119.

personnel management; logistics services; research and development services and product development; technical support and maintenance; data processing and communication; and business development.<sup>42</sup> Such services are not of the same category as "processing, manufacturing or repacking of goods", thereby complying with the first requirement.

In relation to the second requirement, Sections 113(A)(2), (B)(1), (2)(c) and (3) of the NIRC of 1997, as amended, as implemented by Sections 4.113-1(A)(2), B(1) and (2)(c) of Revenue Regulations (RR) No. 16-05, provides that a VAT taxpayer shall, for every lease of goods or properties and for every sale, barter or exchange of services, issue a VAT official receipt which must contain the following information:

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

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

xxx                      xxx                      xxx

(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:

(1) A statement that the seller is a VAT-registered person, followed by his Taxpayer's Identification Number (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 value-added tax: Provided, that:

xxx                      xxx                      xxx

(c) If the sale is subject to zero percent (0%) value-added tax, the term 'zero-rated sale' shall be   e  

<sup>42</sup> Par. 4, Admitted Facts, JSFI, Docket (Vol. I), p. 120.

written or printed prominently on the invoice or receipt;

xxx                      xxx                      xxx

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

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

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

xxx                      xxx                      xxx

(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:***

xxx                      xxx                      xxx

(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; (*underlining supplied*)

For services rendered for the four taxable quarters of CY 2011, petitioner received US dollar payments which were accounted for in accordance with the BSP rules and regulations as evidenced by the bank certification of inward remittances<sup>43</sup> issued by JP Morgan Chase Bank N.A – Manila Branch and duly supported by VAT zero-rated official receipts<sup>44</sup> issued by petitioner to its client-affiliates.

This Court, however, noted that out of petitioner's declared zero-rated receipts for CY 2011 in the amount of ₱2,472,585,065.00, the amount of ₱21,354,210.92 (US\$480,896.83)<sup>45</sup> pertaining to Chevron International Pte. Ltd. does not have a corresponding VAT zero-rated OR in the records. In addition, petitioner's reported zero-rated receipts from Chevron Corporation in the amount of ₱8,677,924.55 (US\$203,584.11), although supported by VAT zero-rated OR No. 3308<sup>46</sup>, does not have corresponding foreign currency inward remittances.

This Court in the case of *Deutsche Knowledge Services, Pte Ltd. vs. Commissioner of Internal Revenue*<sup>47</sup>, explained the documentary requirements needed to establish that the recipients of services are indeed doing business outside the Philippines, to wit:

**"To be considered as non-resident foreign corporation doing business outside the Philippines, each entity must be supported, at the very least, by both SEC certificate of non-registration of corporation/partnership and certificate/articles of foreign incorporation/association/registration. xxx"** (Emphasis supplied)

To prove that all of its client-affiliates are non-resident foreign corporations doing business outside the Philippines, petitioner presented Certifications of Non-Registration of Corporation/Partnership issued by the Republic of the Philippines Securities and Exchange Commission (SEC)<sup>48</sup>, Certificate/Memorandum/Articles of 

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<sup>43</sup> Exhibit P-15.

<sup>44</sup> Exhibit P-14, inclusive of sub-markings.

<sup>45</sup> Exhibit P-22.1.

<sup>46</sup> Exhibit P-14.7.13.

<sup>47</sup> CTA Case No. 7808, December 16, 2014.

<sup>48</sup> Exhibits P-7.1 to P-7.32 and P-7.33 to P-7.69.

Association/Incorporation<sup>49</sup>, Tax Residence Certificate<sup>50</sup>, Inline Report of the Corporate Profile<sup>51</sup>, printed screenshots of Company Profile<sup>52</sup>, Service Agreements<sup>53</sup> and printed screenshots of Chevron Corporation's records with the U.S. SEC website<sup>54</sup>.

Each of the said documents, standing alone, is not sufficient to show that petitioner's client is a non-resident foreign corporation doing business outside the Philippines. While the SEC Certificates of Non-Registration show that the named entities therein are not registered companies in the Philippines, the same do not prove that such entities are non-resident foreign corporations doing business outside the Philippines. Likewise, the service agreements only show the names and addresses of petitioner's customers to whom it renders services but the same do not establish that such customers are non-resident foreign corporations doing business outside the Philippines. Moreover, the Certificate/Memorandum/Articles of Association/Incorporation, Tax Residence Certificate, Inline Report of the Corporate Profile, printed screenshots of Company Profile and printed screenshots of the United States SEC website for company filings of Chevron Corporation only prove that the named entities therein were incorporated/organized abroad but do not establish that such entities are not doing business in the Philippines.

Thus, only the following clients of petitioner, with transactions with the latter during 2011, shall be considered as non-resident foreign corporations doing business outside the Philippines:

- 1 Cabinda Gulf Oil Company Limited
- 2 Chevron Africa-Pakistan Services (Pty) Ltd.  
Chevron Al Khalij, A Branch of Chevron Asia Pacific
- 3 Holdings Limited
- 4 Chevron Bangladesh Blocks Thirteen & Fourteen, Ltd.
- 5 Chevron Brasil Lubrificantes Ltda.  
Chevron Business and Real Estate Services (A Chevron
- 6 USA Inc. Division)
- 7 Chevron Business Support Center, S.A.
- 8 Chevron (Cambodia) Limited
- 9 Chevron (China) Investment Co. Ltd.
- 10 Chevron Corporation 

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<sup>49</sup> Exhibits P-8.1 to P-8.23, P-33.1 to P-33.5 and P-47.1 to P-47.5.

<sup>50</sup> Exhibits P-9.1 to P-9.21.

<sup>51</sup> Exhibits P-10.1 to P-10.7.

<sup>52</sup> Exhibits P-11.1 to P-11.51.

<sup>53</sup> Exhibits P-12.1 to P-12.40.

<sup>54</sup> Exhibits P-13.

- 11 Chevron Egypt S.A.E.
- 12 Chevron Energy Technology Co. (A Chevron USA Inc.
- 13 Division)
- 14 Chevron Environmental Management Company
- 15 Chevron Global Energy, Inc.
- 16 Chevron Hong Kong Limited
- 17 Chevron India Holdings, Pte Ltd.
- 18 Chevron International Exploration and Production
- 19 Technology Services, A Division of Chevron Global
- 20 Technology Services Company
- 21 Chevron International Limited
- 22 Chevron International Pte. Ltd.
- 23 Chevron Japan Ltd.
- 24 Chevron Kuo Pte. Ltd.
- 25 Chevron Limited
- 26 Chevron Lubricants India Private Limited
- 27 Chevron Lubricants Lanka PLC
- 28 Chevron Malaysia Limited
- 29 Chevron New Zealand
- 30 Chevron Nigeria Limited
- 31 Chevron North America Exploration and Production Co.
- 32 (A Chevron USA Inc. Division)
- 33 Chevron North Sea Limited
- 34 Chevron Oronite Company LLC
- 35 Chevron Oronite Pte. Ltd.
- 36 Chevron Petroleum India Private Limited
- 37 Chevron Shipping Company LLC
- 38 Chevron Singapore Pte. Ltd.
- 39 Chevron South Africa (Pty) Limited
- 40 Chevron (Thailand) Limited
- 41 Chevron (Tianjin) Lubricants Co., Ltd.
- 42 Chevron Trading Pte. Ltd.
- 43 Project Resources Company (A Chevron USA Inc.
- 44 Division)
- 45 PT Chevron Oil Products Indonesia
- 46 PT Chevron Pacific Indonesia
- 47 Star Holdings Company Limited
- 48 Talcot Pty. Ltd.

Accordingly, petitioner's foreign currency receipts derived from services rendered to the aforementioned entities for the CY 2011 in the amount of ₱578,576,738.40, duly covered by VAT zero-rated official receipts, qualify for VAT zero-rating under Section 108(B)(2) of the NIRC of 1997, as amended. Below is the breakdown of the amount of ₱578,576,738.40: 

| OR No.                 | Date      | Client                                                                                                                         | Amount Per Collection Summary <sup>55</sup> |                | Exhibit   |
|------------------------|-----------|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|----------------|-----------|
|                        |           |                                                                                                                                | In US\$                                     | In PhP         |           |
| First Quarter of 2011  |           |                                                                                                                                |                                             |                |           |
| JANUARY                |           |                                                                                                                                |                                             |                |           |
| 3176                   | 17-Jan-11 | Chevron Nigeria Limited                                                                                                        | 2,383.25                                    | 104,005.03     | P-14.1.5  |
| 3187                   | 25-Jan-11 | Chevron (Cambodia) Limited                                                                                                     | 1,199.42                                    | 53,260.21      | P-14.1.15 |
| 3186                   | 25-Jan-11 | Chevron Hong Kong Limited                                                                                                      | 136,681.89                                  | 6,069,355.68   | P-14.1.14 |
| 3181                   | 25-Jan-11 | Chevron Malaysia Limited                                                                                                       | 327,732.86                                  | 14,552,968.92  | P-14.1.9  |
| 3183                   | 25-Jan-11 | Chevron New Zealand                                                                                                            | 307,832.04                                  | 13,669,273.53  | P-14.1.11 |
| 3185                   | 25-Jan-11 | Chevron North Sea Limited                                                                                                      | 168,275.85                                  | 7,472,284.64   | P-14.1.13 |
| 3184                   | 25-Jan-11 | Chevron Singapore Pte. Ltd.                                                                                                    | 224,992.25                                  | 9,990,774.87   | P-14.1.12 |
| 3189                   | 26-Jan-11 | Chevron Africa-Pakistan Services (Pty) Ltd.                                                                                    | 120,737.06                                  | 5,366,091.56   | P-14.1.17 |
| 3190                   | 26-Jan-11 | Chevron Business Support Center, S.A.                                                                                          | 15,364.11                                   | 682,849.33     | P-14.1.18 |
| 3191                   | 26-Jan-11 | Chevron Oronite Pte. Ltd.                                                                                                      | 3,562.98                                    | 158,354.67     | P-14.1.19 |
| 3193                   | 27-Jan-11 | Chevron International Limited                                                                                                  | 5,903.60                                    | 262,615.66     | P-14.1.21 |
| 3192                   | 28-Jan-11 | Chevron Lubricants Lanka PLC                                                                                                   | 2,850.66                                    | 126,135.40     | P-14.1.20 |
| 3194                   | 31-Jan-11 | Chevron Business Support Center, S.A.                                                                                          | 4,911.81                                    | 217,048.61     | P-14.1.22 |
| FEBRUARY               |           |                                                                                                                                |                                             |                |           |
| 3195                   | 15-Feb-11 | Chevron Japan Ltd.                                                                                                             | 1,199.42                                    | 52,514.01      | P-14.2.1  |
| 3197                   | 17-Feb-11 | Chevron Nigeria Limited                                                                                                        | 4,029.93                                    | 175,749.24     | P-14.2.3  |
| 3198                   | 24-Feb-11 | Chevron (Thailand) Limited                                                                                                     | 197,544.90                                  | 8,603,871.95   | P-14.2.4  |
| 3200                   | 25-Feb-11 | Chevron Corporation                                                                                                            | 221,124.24                                  | 9,614,097.39   | P-14.2.6  |
| 3204                   | 25-Feb-11 | Chevron International Pte. Ltd.                                                                                                | 105,063.45                                  | 4,567,976.09   | P-14.2.10 |
| 3201                   | 25-Feb-11 | Chevron New Zealand                                                                                                            | 164,188.23                                  | 7,138,618.70   | P-14.2.7  |
| 3207                   | 28-Feb-11 | Chevron Lubricants Lanka PLC                                                                                                   | 6,351.36                                    | 278,202.37     | P-14.2.13 |
| 3206                   | 28-Feb-11 | Chevron North Sea Limited                                                                                                      | 107,806.84                                  | 4,722,156.81   | P-14.2.12 |
| MARCH                  |           |                                                                                                                                |                                             |                |           |
| 3208                   | 14-Mar-11 | Chevron Nigeria Limited                                                                                                        | 2,587.11                                    | 112,483.04     | P-14.3.3  |
| 3209                   | 15-Mar-11 | Chevron Japan Ltd.                                                                                                             | 1,424.08                                    | 61,997.39      | P-14.3.4  |
| 3211                   | 18-Mar-11 | Chevron Africa-Pakistan Services (Pty) Ltd.                                                                                    | 120,737.16                                  | 5,276,973.78   | P-14.3.6  |
| 3212                   | 18-Mar-11 | Chevron South Africa (Pty) Limited                                                                                             | 87,680.82                                   | 3,832,203.67   | P-14.3.7  |
| 3216                   | 25-Mar-11 | Chevron Corporation                                                                                                            | 213,535.11                                  | 9,280,100.39   | P-14.3.11 |
| 3222                   | 25-Mar-11 | Chevron Egypt S.A.E.                                                                                                           | 1,522.19                                    | 66,153.41      | P-14.3.17 |
| 3217                   | 25-Mar-11 | Chevron Hong Kong Limited                                                                                                      | 173,936.71                                  | 7,559,179.05   | P-14.3.12 |
| 3221                   | 25-Mar-11 | Chevron International Exploration and Production Technology Services, A Division of Chevron Global Technology Services Company | 101,801.15                                  | 4,424,213.39   | P-14.3.16 |
| 3218                   | 25-Mar-11 | Chevron International Pte. Ltd.                                                                                                | 163,019.52                                  | 7,084,724.90   | P-14.3.13 |
| 3215                   | 25-Mar-11 | Chevron New Zealand                                                                                                            | 232,661.72                                  | 10,111,330.73  | P-14.3.10 |
| 3224                   | 28-Mar-11 | Chevron (Tianjin) Lubricants Co., Ltd.                                                                                         | 23,001.06                                   | 998,309.90     | P-14.3.19 |
| 3225                   | 28-Mar-11 | Chevron Limited                                                                                                                | 9,424.24                                    | 409,038.19     | P-14.3.20 |
| 3226                   | 28-Mar-11 | Chevron Limited                                                                                                                | 3,245.49                                    | 140,863.28     | P-14.3.21 |
| 3223                   | 28-Mar-11 | Chevron Malaysia Limited                                                                                                       | 122,872.93                                  | 5,333,026.48   | P-14.3.18 |
| 3227                   | 30-Mar-11 | Chevron (Tianjin) Lubricants Co., Ltd.                                                                                         | 14,847.69                                   | 645,271.19     | P-14.3.22 |
| 3228                   | 30-Mar-11 | Chevron Lubricants Lanka PLC                                                                                                   | 3,015.57                                    | 131,054.76     | P-14.3.23 |
| sub-total              |           |                                                                                                                                | 3,405,048.70                                | 149,345,128.22 |           |
| Second Quarter of 2011 |           |                                                                                                                                |                                             |                |           |

<sup>55</sup> Exhibit P-22.1 to P-22.12.

| <b>APRIL</b> |           |                                                                                                                                |            |               |           |
|--------------|-----------|--------------------------------------------------------------------------------------------------------------------------------|------------|---------------|-----------|
| 3234         | 07-Apr-11 | Chevron Lubricants India Private Limited                                                                                       | 2,259.65   | 97,947.55     | P-14.4.6  |
| 3232         | 14-Apr-11 | Chevron (China) Investment Co. Ltd.                                                                                            | 3,386.65   | 146,165.30    | P-14.4.4  |
| 3231         | 15-Apr-11 | Chevron Japan Ltd.                                                                                                             | 957.49     | 41,622.09     | P-14.4.3  |
| 3235         | 20-Apr-11 | Chevron Limited                                                                                                                | 32.32      | 1,397.92      | P-14.4.7  |
| 3236         | 25-Apr-11 | Cabinda Gulf Oil Company Limited                                                                                               | 61,069.66  | 2,635,721.19  | P-14.4.8  |
| 3238         | 25-Apr-11 | Chevron (Cambodia) Limited                                                                                                     | 13,294.00  | 573,759.17    | P-14.4.10 |
| 3246         | 26-Apr-11 | Chevron (Thailand) Limited                                                                                                     | 226,541.75 | 9,777,373.76  | P-14.4.18 |
| 3253         | 26-Apr-11 | Chevron Al Khaliij, A Branch of Chevron Asia Pacific Holdings Limited                                                          | 35,196.65  | 1,519,061.29  | P-14.4.25 |
| 3251         | 26-Apr-11 | Chevron Business and Real Estate Services (A Chevron USA Inc. Division)                                                        | 46,151.41  | 1,991,860.60  | P-14.4.23 |
| 3245         | 26-Apr-11 | Chevron Corporation                                                                                                            | 232,551.10 | 10,036,732.84 | P-14.4.17 |
| 3257         | 26-Apr-11 | Chevron Energy Technology Co. (A Chevron USA Inc. Division)                                                                    | 6,499.72   | 280,523.09    | P-14.4.29 |
| 3260         | 26-Apr-11 | Chevron Global Energy, Inc.                                                                                                    | 5,502.80   | 237,496.76    | P-14.4.32 |
| 3247         | 26-Apr-11 | Chevron Hong Kong Limited                                                                                                      | 149,352.96 | 6,445,962.88  | P-14.4.19 |
| 3252         | 26-Apr-11 | Chevron International Exploration and Production Technology Services, A Division of Chevron Global Technology Services Company | 42,289.97  | 1,825,203.71  | P-14.4.24 |
| 3258         | 26-Apr-11 | Chevron International Exploration and Production Technology Services, A Division of Chevron Global Technology Services Company | 6,443.86   | 278,112.21    | P-14.4.30 |
| 3256         | 26-Apr-11 | Chevron Kuo Pte. Ltd.                                                                                                          | 7,072.72   | 305,253.34    | P-14.4.28 |
| 3243         | 26-Apr-11 | Chevron New Zealand                                                                                                            | 308,821.12 | 13,328,490.29 | P-14.4.15 |
| 3255         | 26-Apr-11 | Chevron North America Exploration and Production Co. (A Chevron USA Inc. Division)                                             | 27,386.88  | 1,181,997.41  | P-14.4.27 |
| 3263         | 26-Apr-11 | Chevron Shipping Company LLC                                                                                                   | 1,834.40   | 79,171.34     | P-14.4.36 |
| 3250         | 26-Apr-11 | Chevron Trading Pte. Ltd.                                                                                                      | 83,671.41  | 3,611,195.94  | P-14.4.22 |
| 3262         | 26-Apr-11 | Project Resources Company (A Chevron USA Inc. Division)                                                                        | 2,645.78   | 114,189.90    | P-14.4.34 |
| 3265         | 26-Apr-11 | PT Chevron Oil Products Indonesia                                                                                              | 410.64     | 17,722.92     | P-14.4.37 |
| 3261         | 26-Apr-11 | Chevron India Holdings Pte. Ltd.                                                                                               | 4,615.21   | 199,189.04    | P-14.4.33 |
| 3270         | 27-Apr-11 | Chevron Limited                                                                                                                | 35,196.65  | 1,520,373.65  | P-14.4.42 |
| 3268         | 27-Apr-11 | Chevron Malaysia Limited                                                                                                       | 84,695.77  | 3,658,564.58  | P-14.4.40 |
| 3266         | 27-Apr-11 | Chevron North Sea Limited                                                                                                      | 194,840.39 | 8,416,431.53  | P-14.4.38 |
| 3269         | 27-Apr-11 | Chevron Oronite Company LLC                                                                                                    | 72,591.43  | 3,135,698.92  | P-14.4.41 |
| 3275         | 27-Apr-11 | Chevron Thailand Exploration and Production                                                                                    | 8,120.86   | 350,793.09    | P-14.4.47 |
| 3271         | 27-Apr-11 | Star Holdings Company Limited                                                                                                  | 31,615.99  | 1,365,701.51  | P-14.4.43 |
| 3276         | 28-Apr-11 | Chevron International Limited                                                                                                  | 19,580.47  | 847,272.61    | P-14.4.48 |
| <b>MAY</b>   |           |                                                                                                                                |            |               |           |
| 3277         | 05-May-11 | PT Chevron Pacific Indonesia                                                                                                   | 1,622.74   | 69,585.76     | P-14.5.7  |
| 3279         | 17-May-11 | Chevron Lubricants Lanka PLC                                                                                                   | 8,886.93   | 382,892.29    | P-14.5.9  |
| 3282         | 25-May-11 | Chevron Corporation                                                                                                            | 283,625.11 | 12,315,462.87 | P-14.5.12 |
| 3285         | 25-May-11 | Chevron Limited                                                                                                                | 11,732.22  | 509,432.05    | P-14.5.15 |
| 3283         | 25-May-11 | Chevron New Zealand                                                                                                            | 235,509.27 | 10,226,194.96 | P-14.5.13 |
| <b>JUNE</b>  |           |                                                                                                                                |            |               |           |
| 3287         | 23-Jun-11 | Chevron (Thailand) Limited                                                                                                     | 182,660.59 | 7,934,864.90  | P-14.6.5  |
| 3290         | 24-Jun-11 | Chevron Corporation                                                                                                            | 238,138.98 | 10,331,409.11 | P-14.6.8  |
| 3291         | 24-Jun-11 | Chevron Hong Kong Limited                                                                                                      | 179,297.34 | 7,778,626.46  | P-14.6.9  |
| 3296         | 24-Jun-11 | Chevron International Limited                                                                                                  | 12,544.40  | 544,225.60    | P-14.6.14 |
| 3297         | 24-Jun-11 | Chevron Limited                                                                                                                | 11,732.22  | 508,990.02    | P-14.6.15 |

|                               |           |                                                                                                                                |                     |                       |            |
|-------------------------------|-----------|--------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------|------------|
| 3298                          | 24-Jun-11 | Chevron Limited                                                                                                                | 6,744.01            | 292,581.78            | P-14.6.16  |
| 3295                          | 24-Jun-11 | Chevron Malaysia Limited                                                                                                       | 112,925.39          | 4,899,149.24          | P-14.6.13  |
| 3289                          | 24-Jun-11 | Chevron New Zealand                                                                                                            | 247,081.27          | 10,719,360.95         | P-14.6.7   |
| 3292                          | 24-Jun-11 | Chevron North Sea Limited                                                                                                      | 168,865.00          | 7,326,030.37          | P-14.6.10  |
| 3293                          | 24-Jun-11 | Chevron Singapore Pte. Ltd.                                                                                                    | 138,280.19          | 5,999,140.56          | P-14.6.11  |
| <i>sub-total</i>              |           |                                                                                                                                | <b>3,554,274.79</b> | <b>153,858,933.35</b> |            |
| <b>Third Quarter of 2011</b>  |           |                                                                                                                                |                     |                       |            |
| <b>JULY</b>                   |           |                                                                                                                                |                     |                       |            |
| 3301                          | 01-Jul-11 | Chevron Lubricants Lanka PLC                                                                                                   | 13,293.17           | 577,211.03            | P-14.7.6   |
| 3302                          | 11-Jul-11 | Chevron Business Support Center, S.A.                                                                                          | 2,016.00            | 86,412.34             | P-14.7.7   |
| 3305                          | 21-Jul-11 | Chevron Limited                                                                                                                | 1,403.18            | 60,093.36             | P-14.7.10  |
| 3309                          | 25-Jul-11 | Chevron New Zealand                                                                                                            | 177,946.36          | 7,585,096.33          | P-14.7.14  |
| 3313                          | 29-Jul-11 | Chevron Lubricants Lanka PLC                                                                                                   | 6,291.41            | 264,789.98            | P-14.7.17  |
| <b>AUGUST</b>                 |           |                                                                                                                                |                     |                       |            |
| 3315                          | 03-Aug-11 | Chevron Business Support Center, S.A.                                                                                          | 0.40                | 16.77                 | P-14.8.3   |
| 3317                          | 22-Aug-11 | Chevron International Limited                                                                                                  | 11,364.18           | 482,349.75            | P-14.8.5   |
| 3328                          | 25-Aug-11 | Chevron (Cambodia) Limited                                                                                                     | 225.22              | 9,510.98              | P-14.8.16  |
| 3320                          | 25-Aug-11 | Chevron (Thailand) Limited                                                                                                     | 237,633.69          | 10,035,206.50         | P-14.8.8   |
| 3321                          | 25-Aug-11 | Chevron Corporation                                                                                                            | 225,639.17          | 9,528,681.17          | P-14.8.9   |
| 3323                          | 25-Aug-11 | Chevron Hong Kong Limited                                                                                                      | 219,848.87          | 9,284,158.36          | P-14.8.11  |
| 3326                          | 25-Aug-11 | Chevron Malaysia Limited                                                                                                       | 160,868.49          | 6,793,432.85          | P-14.8.14  |
| 3319                          | 25-Aug-11 | Chevron New Zealand                                                                                                            | 265,982.45          | 11,232,366.98         | P-14.8.7   |
| 3325                          | 25-Aug-11 | Chevron North Sea Limited                                                                                                      | 163,651.61          | 6,910,963.26          | P-14.8.13  |
| 3322                          | 25-Aug-11 | Chevron Singapore Pte. Ltd.                                                                                                    | 221,865.50          | 9,369,320.10          | P-14.8.10  |
| 3329                          | 31-Aug-11 | Chevron South Africa (Pty) Limited                                                                                             | 115,584.72          | 4,914,316.33          | P-14.8.17  |
| <b>SEPTEMBER</b>              |           |                                                                                                                                |                     |                       |            |
| 3330                          | 01-Sep-11 | Chevron Lubricants Lanka PLC                                                                                                   | 6,291.41            | 269,324.06            | P-14.9.1   |
| 3336                          | 26-Sep-11 | Chevron Corporation                                                                                                            | 231,580.30          | 10,134,805.25         | P-14.9.7   |
| 3335                          | 26-Sep-11 | Chevron International Pte. Ltd.                                                                                                | 810,085.51          | 35,452,319.91         | P-14.9.6   |
| 3338                          | 26-Sep-11 | Chevron Oronite Company LLC                                                                                                    | 108,981.31          | 4,769,422.76          | P-14.9.9   |
| 3340                          | 27-Sep-11 | Chevron International Exploration and Production Technology Services, A Division of Chevron Global Technology Services Company | 16,825.31           | 732,171.89            | P-14.9.11  |
| <i>sub-total</i>              |           |                                                                                                                                | <b>2,997,378.26</b> | <b>128,491,969.96</b> |            |
| <b>Fourth Quarter of 2011</b> |           |                                                                                                                                |                     |                       |            |
| <b>OCTOBER</b>                |           |                                                                                                                                |                     |                       |            |
| 3342                          | 19-Oct-11 | Chevron Petroleum India Private Limited                                                                                        | 916.41              | 39,500.43             | P-14.10.4  |
| 3343                          | 21-Oct-11 | Chevron International Limited                                                                                                  | 8,204.44            | 353,792.15            | P-14.10.5  |
| 3364                          | 25-Oct-11 | Chevron Bangladesh Blocks Thirteen & Fourteen, Ltd.                                                                            | 2,413.89            | 104,815.02            | P-14.10.26 |
| 3349                          | 25-Oct-11 | Chevron Corporation                                                                                                            | 226,678.93          | 9,842,767.26          | P-14.10.11 |
| 3367                          | 25-Oct-11 | Chevron Environmental Management Company                                                                                       | 99.78               | 4,332.61              | P-14.10.29 |
| 3352                          | 25-Oct-11 | Chevron Hong Kong Limited                                                                                                      | 143,676.34          | 6,238,660.01          | P-14.10.14 |
| 3362                          | 25-Oct-11 | Chevron International Exploration and Production Technology Services, A Division of Chevron Global Technology Services Company | 5,475.02            | 237,734.26            | P-14.10.24 |
| 3357                          | 25-Oct-11 | Chevron International Pte. Ltd.                                                                                                | 45,229.84           | 1,963,953.10          | P-14.10.19 |
| 3356                          | 25-Oct-11 | Chevron Malaysia Limited                                                                                                       | 72,098.19           | 3,130,620.50          | P-14.10.18 |
| 3348                          | 25-Oct-11 | Chevron New Zealand                                                                                                            | 426,098.51          | 18,501,889.27         | P-14.10.10 |
| 3360                          | 25-Oct-11 | Chevron North America Exploration and Production Co. (A Chevron USA Inc.                                                       | 33,535.77           | 1,456,177.59          | P-14.10.22 |

|                  |           | Division)                                                             |                      |                       |            |
|------------------|-----------|-----------------------------------------------------------------------|----------------------|-----------------------|------------|
| 3351             | 25-Oct-11 | Chevron North Sea Limited                                             | 168,865.00           | 7,332,392.53          | P-14.10.13 |
| 3363             | 25-Oct-11 | Chevron Oronite Company LLC                                           | 4,166.61             | 180,920.97            | P-14.10.25 |
| 3353             | 25-Oct-11 | Chevron Singapore Pte. Ltd.                                           | 108,465.31           | 4,709,739.90          | P-14.10.15 |
| 3368             | 25-Oct-11 | Chevron Thailand Exploration and Production                           | 61.14                | 2,654.80              | P-14.10.30 |
| 3355             | 25-Oct-11 | Chevron Trading Pte. Ltd.                                             | 91,356.38            | 3,966,842.38          | P-14.10.17 |
| 3365             | 25-Oct-11 | PT Chevron Oil Products Indonesia                                     | 230.29               | 9,999.57              | P-14.10.27 |
| 3370             | 26-Oct-11 | Chevron (Thailand) Limited                                            | 227,499.33           | 9,839,936.42          | P-14.10.32 |
| 3372             | 26-Oct-11 | Chevron Al Khaliij, A Branch of Chevron Asia Pacific Holdings Limited | 70,393.31            | 3,044,693.34          | P-14.10.34 |
| 3375             | 27-Oct-11 | Chevron Africa-Pakistan Services (Pty) Ltd.                           | 191,952.32           | 8,277,374.73          | P-14.10.37 |
| 3376             | 27-Oct-11 | Chevron South Africa (Pty) Limited                                    | 29,152.52            | 1,257,116.00          | P-14.10.38 |
| 3377             | 27-Oct-11 | Talcor Pty. Ltd.                                                      | 4,847.57             | 209,037.08            | P-14.10.39 |
| <b>NOVEMBER</b>  |           |                                                                       |                      |                       |            |
| 3379             | 02-Nov-11 | Chevron Brasil Lubricantes Ltda.                                      | 1,276.13             | 54,372.82             | P-14.11.3  |
| 3380             | 02-Nov-11 | Chevron Lubricants Lanka PLC                                          | 12,250.02            | 521,943.76            | P-14.11.4  |
| 3385             | 22-Nov-11 | Chevron Hong Kong Limited                                             | 156,503.95           | 6,789,759.22          | P-14.11.7  |
| 3388             | 22-Nov-11 | Chevron International Pte. Ltd.                                       | 109,788.89           | 4,763,075.49          | P-14.11.10 |
| 3387             | 22-Nov-11 | Chevron Malaysia Limited                                              | 125,067.02           | 5,425,901.08          | P-14.11.9  |
| 3384             | 22-Nov-11 | Chevron New Zealand                                                   | 294,928.20           | 12,795,149.67         | P-14.11.6  |
| 3386             | 22-Nov-11 | Chevron Singapore Pte. Ltd.                                           | 149,360.83           | 6,479,862.47          | P-14.11.8  |
| 3390             | 23-Nov-11 | Chevron (Thailand) Limited                                            | 159,023.82           | 6,881,169.19          | P-14.11.12 |
| 3392             | 28-Nov-11 | Chevron Oronite Pte. Ltd.                                             | 2,102.89             | 91,749.13             | P-14.11.14 |
| 3393             | 29-Nov-11 | Chevron Lubricants Lanka PLC                                          | 9,153.95             | 402,194.64            | P-14.11.15 |
| <b>DECEMBER</b>  |           |                                                                       |                      |                       |            |
| 3396             | 02-Dec-11 | Chevron Corporation                                                   | 175,842.76           | 7,668,676.84          | P-14.12.5  |
| 3400             | 21-Dec-11 | Chevron (Thailand) Limited                                            | 109,710.32           | 4,826,674.88          | P-14.12.13 |
| 3398             | 21-Dec-11 | Chevron Corporation                                                   | 206,069.44           | 9,065,967.44          | P-14.12.11 |
| 3403             | 27-Dec-11 | Chevron Lubricants Lanka PLC                                          | 6,291.41             | 273,420.69            | P-14.12.16 |
| 3404             | 27-Dec-11 | Chevron Oronite Pte. Ltd.                                             | 3,125.67             | 135,839.63            | P-14.12.17 |
| <i>sub-total</i> |           |                                                                       | <b>3,381,912.20</b>  | <b>146,880,706.87</b> |            |
| <b>TOTAL</b>     |           |                                                                       | <b>13,338,613.95</b> | <b>578,576,738.40</b> |            |

In sum, out of petitioner’s declared zero-rated receipts for CY 2011 in the amount of ₱2,472,585,065.00, only the amount of ₱578,576,738.40 represents its valid zero-rated receipts.

The Court shall now determine the amount of input VAT attributable to the zero-rated receipts of ₱578,576,738.40.

As stated earlier, petitioner reflected a total amount of ₱74,307,977.58 allowable input VAT in its Quarterly VAT Returns for CY 2011, to wit:

| Particulars                                                     | Input VAT       |
|-----------------------------------------------------------------|-----------------|
| Amortization of Input Tax on Capital Goods exceeding ₱1 Million | ₱ 17,165,416.87 |
| Purchase of Capital Goods not exceeding ₱1M                     | 104,348.45      |

|                                                       |                        |
|-------------------------------------------------------|------------------------|
| Domestic Purchase of Goods (other than Capital Goods) | 2,323,971.21           |
| Importation of Goods other than Capital Goods         | 260,080.00             |
| Domestic Purchase of Services                         | 42,356,205.00          |
| Service Rendered by Non-Residents                     | 12,097,956.05          |
| <b>Total Available Input Tax</b>                      | <b>₱ 74,307,977.58</b> |

In support of the above input VAT, petitioner presented invoices, official receipts, Import Entry and Internal Revenue Declaration (IEIRD), BIR Form No. 1600 and other documents which were all examined by the Court-commissioned Independent Certified Public Accountant (ICPA) firm, SGV & Co., through its partner, Mr. Ruben R. Rubio.

However, upon careful examination of the ICPA Reports dated September 2, 2013<sup>56</sup> and September 17, 2013<sup>57</sup> together with petitioner's supporting documents, the Court finds that the input VAT in the amount of ₱14,073,181.47, detailed below, should be disallowed for not being properly substantiated by VAT invoices or receipts as prescribed under Sections 110(A) and 113(A) and (B) of the NIRC of 1997, as amended, in relation to Sections 4.110-1, 4.110-8 and 4.113-1 of RR No. 16-05, as amended:

| FINDINGS                                                                                                        | 1st<br>Quarter | 2nd<br>Quarter | 3rd<br>Quarter | 4th<br>Quarter | Total        |
|-----------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|--------------|
| <b>A. INPUT TAXES ON LOCAL PURCHASES OF SERVICES</b>                                                            |                |                |                |                |              |
| Supported by VAT ORs issued in the name other than Chevron Holdings, Inc.<br>(Exhibit P-18, Annex D-3)          | 24,440.93      | -              | -              | -              | 24,440.93    |
| Supported by VAT ORs dated outside CY 2011 (Exhibit P-18, Annex D-5)                                            | 568,572.13     | 72.00          | -              | 83,212.10      | 651,856.23   |
| Supported by ORs with incorrect TIN of petitioner (Exhibit P-18, Annex D-9)                                     | 467.72         | -              | -              | -              | 467.72       |
| Supported by ORs with different business style from that of petitioner (Exhibit P-18, Annex D-12)               | 4,320.00       | -              | -              | -              | 4,320.00     |
| Supported by ORs with pre-printed "TIN" only (Exhibit P-18, Annex D-13)                                         | -              | -              | 39,341.95      | 17,673.82      | 57,015.77    |
| Supported by ORs where the amount in figures does not tally with the amount in words (Exhibit P-18, Annex D-14) | -              | -              | 92,995.90      | -              | 92,995.90    |
| Supported by ORs where VAT is not shown separately (Exhibit P-18, Annex D-16)                                   | -              | -              | 235,550.63     | 272,715.41     | 508,266.04   |
| Supported by Non-VAT ORs (Exhibit P-18, Annex D-2)                                                              | 470.92         | 963.96         | 1,930.32       | 997,115.31     | 1,000,480.51 |
| Supported by OR without BIR Permit No. (Exhibit P-18, Annex D-4)                                                | 6,607.24       | 2,095.20       | -              | -              | 8,702.44     |
| Supported by OR without TIN of petitioner<br>(Exhibit P-18, Annex D-10)                                         | 16,108.71      | 8,597.14       | -              | 2,466.25       | 27,172.10    |
| (Exhibit P-51, Annex D-4)                                                                                       | -              | -              | -              | 194,082.62     | 194,082.62   |

<sup>56</sup> Exhibit P-18.

<sup>57</sup> Exhibit P-51.

|                                                                                                                   |                     |                   |                   |                     |                     |
|-------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
| Supported by OR without business style of petitioner<br>(Exhibit P-18, Annex D-11)                                | 95,312.81           | 100,084.18        | 373,913.60        | 623,115.94          | 1,192,426.53        |
| (Exhibit P-51, Annex D-5)                                                                                         | 419,218.62          | -                 | 7,772.27          | 46,826.10           | 473,816.99          |
| Not supported by VAT ORs<br>(Exhibit P-18, Annex D-17)                                                            | -                   | -                 | -                 | 465.54              | 465.54              |
| Supported by Provisional Receipts<br>(Exhibit P-18, Annex D-18)                                                   | 19,004.12           | -                 | -                 | -                   | 19,004.12           |
| Without supporting documents<br>(Exhibit P-51, Annex D-6)                                                         | 20,475.90           | -                 | -                 | 4,988.82            | 25,464.72           |
| <b>Subtotal</b>                                                                                                   | <b>1,174,999.10</b> | <b>111,812.48</b> | <b>751,504.67</b> | <b>2,242,661.91</b> | <b>4,280,978.16</b> |
| <b>B. INPUT TAXES ON PURCHASES OF GOODS OTHER THAN CAPITAL GOODS</b>                                              |                     |                   |                   |                     |                     |
| Supported by VAT invoices issued in the name other than Chevron Holdings, Inc. (Exhibit P-18, Annex E-2)          | -                   | 1,144.90          | -                 | -                   | 1,144.90            |
| Supported by VAT invoices dated outside CY 2011 (Exhibit P-18, Annex E-6)                                         | 45,805.68           | -                 | -                 | -                   | 45,805.68           |
| Supported by photocopied VAT invoices<br>(Exhibit P-18, Annex E-8)                                                | -                   | 2,752.58          | -                 | -                   | 2,752.58            |
| Supported by invoices where VAT is not shown separately (Exhibit P-18, Annex E-12)                                | -                   | -                 | 4,110.00          | -                   | 4,110.00            |
| Supported by invoices with different business style from that of petitioner<br>(Exhibit P-18, Annex E-14)         | 26,051.77           | -                 | -                 | -                   | 26,051.77           |
| Supported by VAT invoices without BIR Permit (Exhibit P-18, Annex E-3)                                            | 1,398.21            | 6,885.86          | -                 | -                   | 8,284.07            |
| Supported by invoices without business style of petitioner<br>(Exhibit P-18, Annex E-9)                           | 87,639.64           | 21,068.28         | 115,212.35        | 128,230.58          | 352,150.85          |
| (Exhibit P-51, Annex B-4)                                                                                         | 1,221.43            | -                 | 1,956.43          | 5,994.18            | 9,172.04            |
| Supported by VAT invoices without the TIN of petitioner (Exhibit P-18, Annex E-13)                                | -                   | -                 | 2,541.10          | 651.86              | 3,192.96            |
| Not supported by VAT invoices<br>(Exhibit P-18, Annex E-15)                                                       | -                   | 403.29            | -                 | -                   | 403.29              |
| <b>Subtotal</b>                                                                                                   | <b>162,116.73</b>   | <b>32,254.91</b>  | <b>123,819.88</b> | <b>134,876.62</b>   | <b>453,068.14</b>   |
| <b>C. INPUT TAXES ON LOCAL PURCHASES OF CAPITAL GOODS EXCEEDING 1 MILLION</b>                                     |                     |                   |                   |                     |                     |
| Purchases of services supported by photocopied VAT ORs (Exhibit P-18, Annex C-5)                                  | -                   | 70,858.93         | -                 | -                   | 70,858.93           |
| Purchases of services supported by ORs where VAT is not shown separately<br>(Exhibit P-18, Annex C-8)             | 197,459.25          | -                 | 1,179,918.31      | 3,579,167.21        | 4,956,544.77        |
| (Exhibit P-51, Annex C-5)                                                                                         | -                   | -                 | -                 | 1,832,436.62        | 1,832,436.62        |
| Purchases of goods supported by VAT invoices dated outside CY 2011 (Exhibit P-18, Annex C-13)                     | 1,616,331.54        | -                 | -                 | -                   | 1,616,331.54        |
| Purchases of services supported by VAT ORs without the TIN of petitioner<br>(Exhibit P-18, Annex C-9)             | 14,307.86           | -                 | -                 | -                   | 14,307.86           |
| Purchases of services supported by VAT ORs without the business style of petitioner<br>(Exhibit P-18, Annex C-10) | -                   | -                 | 78,301.08         | -                   | 78,301.08           |
| (Exhibit P-51, Annex C-6)                                                                                         | -                   | -                 | -                 | 356,775.07          | 356,775.07          |
| Purchases of goods supported by VAT invoices without the business style of petitioner (Exhibit P-18, Annex C-14)  | -                   | -                 | 103,765.68        | 13,392.86           | 117,158.54          |
| Purchases of services without supporting VAT ORs (Exhibit P-51, Annex C-7)                                        | -                   | -                 | -                 | 181,167.31          | 181,167.31          |

|                                                                                                                                         |                     |                   |                     |                     |                      |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------------|---------------------|---------------------|----------------------|
| <b>Subtotal</b>                                                                                                                         | <b>1,828,098.65</b> | <b>70,858.93</b>  | <b>1,361,985.07</b> | <b>5,962,939.07</b> | <b>9,223,881.72</b>  |
| <b>D. INPUT TAXES ON LOCAL PURCHASES OF CAPITAL GOODS NOT EXCEEDING 1 MILLION</b>                                                       |                     |                   |                     |                     |                      |
| Input VAT which was claimed twice<br>(Exhibit P-18, Annex C-16)                                                                         | <b>104,348.45</b>   | -                 | -                   | -                   | <b>104,348.45</b>    |
| <b>Subtotal</b>                                                                                                                         | <b>104,348.45</b>   | -                 | -                   | -                   | <b>104,348.45</b>    |
| <b>E. INPUT TAXES ON IMPORTATIONS OF GOODS OTHER THAN CAPITAL GOODS</b>                                                                 |                     |                   |                     |                     |                      |
| Excess of the input VAT claim per<br>Summary List of Importations over the<br>input VAT per IEIRD (see breakdown<br>under Note 1 below) | 1,568.00            | 898.00            | 6,644.00            | 1,795.00            | 10,905.00            |
| <b>Subtotal</b>                                                                                                                         | <b>1,568.00</b>     | <b>898.00</b>     | <b>6,644.00</b>     | <b>1,795.00</b>     | <b>10,905.00</b>     |
| <b>Total</b>                                                                                                                            | <b>3,271,130.93</b> | <b>215,824.32</b> | <b>2,243,953.62</b> | <b>8,342,272.60</b> | <b>14,073,181.47</b> |

**Note 1: Breakdown of input VAT disallowance on importations of goods other than capital goods under letter E above**

| <b>Name of Supplier (per Summary List of Importations)</b> | <b>Exhibit No.</b> | <b>Input VAT (PHP) (per IEIRD)</b> | <b>Input VAT (PHP) (per Summary List of Importations)</b> | <b>Difference</b>  |
|------------------------------------------------------------|--------------------|------------------------------------|-----------------------------------------------------------|--------------------|
| <b>1st Quarter</b>                                         |                    |                                    |                                                           |                    |
| OC TANNER                                                  | P-26.1             | 6,567.00                           | 7,832.00                                                  | (1,265.00)         |
| OC TANNER                                                  | P-26.3             | 6,764.00                           | 7,067.00                                                  | (303.00)           |
| <b>Subtotal</b>                                            |                    | <b>13,331.00</b>                   | <b>14,899.00</b>                                          | <b>(1,568.00)</b>  |
| <b>2nd Quarter</b>                                         |                    |                                    |                                                           |                    |
| OC TANNER                                                  | P-26.4             | 21,691.00                          | 22,310.00                                                 | (619.00)           |
| OC TANNER                                                  | P-26.6             | 24,365.00                          | 24,644.00                                                 | (279.00)           |
| <b>Subtotal</b>                                            |                    | <b>46,056.00</b>                   | <b>46,954.00</b>                                          | <b>(898.00)</b>    |
| <b>3rd Quarter</b>                                         |                    |                                    |                                                           |                    |
| OC TANNER                                                  | P-26.7             | 18,972.00                          | 24,467.00                                                 | (5,495.00)         |
| LANGHAM LOGISTICS INC                                      | P-26.9             | 23,679.00                          | 24,828.00                                                 | (1,149.00)         |
| <b>Subtotal</b>                                            |                    | <b>42,651.00</b>                   | <b>49,295.00</b>                                          | <b>(6,644.00)</b>  |
| <b>4th Quarter</b>                                         |                    |                                    |                                                           |                    |
| OC TANNER                                                  | P-26.11            | 12,936.00                          | 14,731.00                                                 | (1,795.00)         |
| <b>Subtotal</b>                                            |                    | <b>12,936.00</b>                   | <b>14,731.00</b>                                          | <b>(1,795.00)</b>  |
| <b>Total</b>                                               |                    | <b>114,974.00</b>                  | <b>125,879.00</b>                                         | <b>(10,905.00)</b> |

Further, petitioner did not submit VAT invoices/receipts in support of the input taxes on purchases of capital goods exceeding ₱1 million deferred from previous quarters in the amount of ₱36,621,041.07, hence, the amortized amount being claimed for the CY 2011 shall be disallowed. Considering the earlier disallowance of ₱9,223,881.72, petitioner's input VAT on capital goods exceeding ₱1 million from current transactions in the amount of ₱23,225,862.12 shall be reduced to ₱14,001,980.40, computed as follows: 2

|                                                                                       | 1st<br>Quarter     | 2nd<br>Quarter       | 3rd<br>Quarter       | 4th<br>Quarter       | Total                 |
|---------------------------------------------------------------------------------------|--------------------|----------------------|----------------------|----------------------|-----------------------|
| Input VAT on Purchases of Capital Goods exceeding ₱1Million from Current Transactions | ₱ 1,873,710.34     | ₱ 2,036,605.79       | ₱ 6,542,955.10       | ₱ 12,772,590.89      | ₱ 23,225,862.12       |
| Less: Disallowances                                                                   | 1,828,098.65       | 70,858.93            | 1,361,985.07         | 5,962,939.07         | 9,223,881.72          |
| Valid Input VAT                                                                       | <b>₱ 45,611.69</b> | <b>₱1,965,746.86</b> | <b>₱5,180,970.03</b> | <b>₱6,809,651.82</b> | <b>₱14,001,980.40</b> |

While the above input taxes were found to be duly substantiated, the same are not entirely creditable for the subject period of claim.

Pursuant to Section 110(A)(2) of the NIRC of 1997, as amended, input VAT claim on capital goods purchases attributable to zero-rated sales may be claimed either in full during the month of acquisition, or spread over a period of time, depending on the aggregate acquisition cost of the capital goods in the calendar month. If the aggregate acquisition cost exceeds ₱1Million, the claim for input tax should be spread over 60 months or the estimated useful life of the capital goods, whichever is shorter. On the other hand, if aggregate acquisition cost does not exceed ₱1 million, the total input taxes shall be allowed as credit/refund in the month of acquisition.

Applying the provisions of Section 110(A)(2) to the present case, out of the ₱14,001,980.40 valid input VAT on capital goods purchases exceeding ₱1Million, only the amount of ₱995,518.30 is creditable for the four quarters of CY 2011, computed as follows:

| Payee                                             | Exhibit    | Input Tax<br>(In PhP) | Monthly<br>Amortization <sup>58</sup><br>(In PhP) | Allowable<br>Input VAT<br>for the Four<br>Quarters of<br>Taxable<br>Year 2011<br>(In PhP) |
|---------------------------------------------------|------------|-----------------------|---------------------------------------------------|-------------------------------------------------------------------------------------------|
| <b>First Quarter</b>                              |            |                       |                                                   |                                                                                           |
| Facilities Managers, Inc.                         | P-16.1.216 | 1,552.34              | 25.87                                             | 310.47                                                                                    |
| Mge Ups Systems Philippines, Inc.                 | P-16.1.217 | 22,119.43             | 368.66                                            | 4,423.89                                                                                  |
| Adtech Construction And Industrial Services Corp. | P-16.3.350 | 21,939.92             | 365.67                                            | 3,656.65                                                                                  |
| <b>Subtotal</b>                                   |            | <b>45,611.69</b>      |                                                   | <b>8,391.01</b>                                                                           |

<sup>58</sup> Based on a useful life of 60 months

|                                                |            |                     |           |                   |
|------------------------------------------------|------------|---------------------|-----------|-------------------|
| <b>Second Quarter</b>                          |            |                     |           |                   |
| CB Richard Ellis Philippines, Inc.             | P-16.4.279 | 30,992.15           | 516.54    | 4,648.82          |
| CB Richard Ellis Philippines, Inc.             | P-16.4.280 | 4,800.00            | 80.00     | 720.00            |
| Facilities Managers, Inc.                      | P-16.4.281 | 2,547.38            | 42.46     | 382.11            |
| Facilities Managers, Inc.                      | P-16.4.282 | 2,332.39            | 38.87     | 349.86            |
| Facilities Managers, Inc.                      | P-16.4.283 | 2,622.00            | 43.70     | 393.30            |
| Facilities Managers, Inc.                      | P-16.4.284 | 1,681.28            | 28.02     | 252.19            |
| Facilities Managers, Inc.                      | P-16.4.285 | 1,552.34            | 25.87     | 232.85            |
| Facilities Managers, Inc.                      | P-16.4.286 | 1,681.28            | 28.02     | 252.19            |
| Facilities Managers, Inc.                      | P-16.4.287 | 1,681.28            | 28.02     | 252.19            |
| Facilities Managers, Inc.                      | P-16.4.288 | 1,552.35            | 25.87     | 232.85            |
| Facilities Managers, Inc.                      | P-16.4.289 | 2,124.48            | 35.41     | 318.67            |
| MFT International Corporation                  | P-16.4.290 | 56,796.73           | 946.61    | 8,519.51          |
| Network Solutions and Interfaces Corp.         | P-16.4.291 | 61,128.84           | 1,018.81  | 9,169.33          |
| RCW Construction and Dev't Corporation         | P-16.4.292 | 106,296.29          | 1,771.60  | 15,944.44         |
| RCW Construction and Dev't Corporation         | P-16.4.293 | 91,361.48           | 1,522.69  | 13,704.22         |
| RCW Construction and Dev't Corporation         | P-16.4.294 | 355,747.07          | 5,929.12  | 53,362.06         |
| RCW Construction and Dev't Corporation         | P-16.4.295 | 95,821.64           | 1,597.03  | 14,373.25         |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.4.296 | 1,263.60            | 21.06     | 189.54            |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.4.297 | 4,224.96            | 70.42     | 633.74            |
| G4S Security Systems, Inc.                     | P-16.5.247 | 57,841.45           | 964.02    | 7,712.19          |
| RCW Construction and Dev't Corporation         | P-16.5.248 | 118,405.89          | 1,973.43  | 15,787.45         |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.5.249 | 4,082.40            | 68.04     | 544.32            |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.5.250 | 3,510.00            | 58.50     | 468.00            |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.5.251 | 1,458.00            | 24.30     | 194.40            |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.5.252 | 2,948.40            | 49.14     | 393.12            |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.5.253 | 972.00              | 16.20     | 129.60            |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.5.254 | 1,458.00            | 24.30     | 194.40            |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.5.255 | 4,276.80            | 71.28     | 570.24            |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.5.256 | 1,555.20            | 25.92     | 207.36            |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.5.257 | 4,082.40            | 68.04     | 544.32            |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.5.258 | 972.00              | 16.20     | 129.60            |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.5.259 | 3,985.20            | 66.42     | 531.36            |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.5.260 | 3,013.20            | 50.22     | 401.76            |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.5.261 | 4,179.60            | 69.66     | 557.28            |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.5.262 | 1,749.60            | 29.16     | 233.28            |
| Scitech Outdoor Advertising Inc.               | P-16.5.263 | 11,262.44           | 187.71    | 1,501.66          |
| Yogie Marino Dela Fuente                       | P-16.5.265 | 39,120.00           | 652.00    | 5,216.00          |
| Vanguard Interiors (Philippines)               | P-16.5.264 | 731,911.20          | 12,198.52 | 97,588.16         |
| Adtech Construction and Industrial Svcs. Corp. | P-16.6.281 | 24,316.37           | 405.27    | 2,836.91          |
| Integrated Computer Systems, Inc.              | P-16.6.282 | 66,711.54           | 1,111.86  | 7,783.01          |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.6.283 | 7,300.80            | 121.68    | 851.76            |
| Santa Fe Moving and Reloc. Svcs. Phils., Inc.  | P-16.6.284 | 9,095.40            | 151.59    | 1,061.13          |
| Scitech Outdoor Advertising Inc.               | P-16.6.285 | 35,331.43           | 588.86    | 4,122.00          |
| <b>Subtotal</b>                                |            | <b>1,965,746.86</b> |           | <b>273,490.43</b> |

|                                          |             |                     |           |                   |
|------------------------------------------|-------------|---------------------|-----------|-------------------|
| <b>Third Quarter</b>                     |             |                     |           |                   |
| Dominic Construction, Inc.               | P-16.7.228  | 1,470,000.00        | 24,500.00 | 147,000.00        |
| G4S Security Systems, Inc.               | P-16.7.229  | 8,744.52            | 145.74    | 874.45            |
| G4S Security Systems, Inc.               | P-16.7.230  | 21,279.47           | 354.66    | 2,127.95          |
| Integrated Computer Systems, Inc.        | P-16.7.231  | 508,821.43          | 8,480.36  | 50,882.14         |
| Integrated Computer Systems, Inc.        | P-16.7.232  | 508,821.43          | 8,480.36  | 50,882.14         |
| Personal Computer Specialists, Inc.      | P-16.7.233  | 140,592.00          | 2,343.20  | 14,059.20         |
| Buendia Hardware and Construction Supply | P-16.8.201  | 1,366.07            | 22.77     | 113.84            |
| Equicom Inc.                             | P-16.8.206  | 603,281.00          | 10,054.68 | 50,273.42         |
| Equicom Inc.                             | P-16.8.207  | 596,447.80          | 9,940.80  | 49,703.98         |
| Integrated Computer Systems, Inc.        | P-16.8.208  | 508,821.00          | 8,480.35  | 42,401.75         |
| Equicom Inc.                             | P-16.9.249  | 799,430.17          | 13,323.84 | 53,295.34         |
| Facilities Managers, Inc.                | P-16.9.250  | 1,842.44            | 30.71     | 122.83            |
| Facilities Managers, Inc.                | P-16.9.251  | 2,802.35            | 46.71     | 186.82            |
| Facilities Managers, Inc.                | P-16.9.252  | 2,815.89            | 46.93     | 187.73            |
| Facilities Managers, Inc.                | P-16.9.253  | 1,681.28            | 28.02     | 112.09            |
| Facilities Managers, Inc.                | P-16.9.254  | 2,422.64            | 40.38     | 161.51            |
| Facilities Managers, Inc.                | P-16.9.255  | 1,800.54            | 30.01     | 120.04            |
| <b>Subtotal</b>                          |             | <b>5,180,970.03</b> |           | <b>462,505.23</b> |
| <b>Fourth Quarter</b>                    |             |                     |           |                   |
| Alecto General Technology Corporation    | P-16.10.157 | 83,771.32           | 1,396.19  | 4,188.57          |
| Alecto General Technology Corporation    | P-16.10.158 | 36,926.78           | 615.45    | 1,846.34          |
| Alecto General Technology Corporation    | P-16.10.159 | 8,772.49            | 146.21    | 438.62            |
| Equicom Inc.                             | P-16.10.161 | 759,921.96          | 12,665.37 | 37,996.10         |
| Trends and Technologies, Inc.            | P-16.10.162 | 1,867,488.84        | 31,124.81 | 93,374.44         |
| Phil-Data Business Systems, Inc.         | P-16.10.163 | 73,335.42           | 1,222.26  | 3,666.77          |
| Datacraft Philippines, Inc.              | P-16.11.230 | 972,000.00          | 16,200.00 | 32,400.00         |
| Datacraft Philippines, Inc.              | P-16.11.231 | 512,400.00          | 8,540.00  | 17,080.00         |
| E. E. Black, Ltd.                        | P-16.11.233 | 583,255.16          | 9,720.92  | 19,441.84         |
| Equicom Inc.                             | P-16.11.234 | 255,367.52          | 4,256.13  | 8,512.25          |
| Hewlett-Packard Philippines Corp         | P-16.11.235 | 1,133.45            | 18.89     | 37.78             |
| Integrated Computer Systems, Inc.        | P-16.11.236 | 39,702.86           | 661.71    | 1,323.43          |
| JLGT Marketing                           | P-16.11.237 | 146,075.40          | 2,434.59  | 4,869.18          |
| Master Automated Systems, Inc.           | P-16.11.238 | 81,643.82           | 1,360.73  | 2,721.46          |
| Network Solutions and Interfaces Corp.   | P-16.11.239 | 6,233.61            | 103.89    | 207.79            |
| Cornersteel Systems Corp.                | P-16.12.321 | 605,980.77          | 10,099.68 | 10,099.68         |
| JLGT Marketing                           | P-16.12.322 | 29,215.08           | 486.92    | 486.92            |
| MGE Ups Systems Philippines, Inc.        | P-16.12.323 | 21,051.44           | 350.86    | 350.86            |
| Network Solutions and Interfaces Corp.   | P-16.12.324 | 18,473.69           | 307.89    | 307.89            |
| Ronald Magbitang                         | P-16.12.331 | 326,163.26          | 5,436.05  | 5,436.05          |
| Ronald Magbitang                         | P-16.12.332 | 88,391.79           | 1,473.20  | 1,473.20          |
| Master Automated Systems, Inc.           | P-16.12.336 | 190,502.25          | 3,175.04  | 3,175.04          |
| Alecto General Technology                | P-16.12.337 | 101,844.91          | 1,697.42  | 1,697.42          |
| <b>Subtotal</b>                          |             | <b>6,809,651.82</b> |           | <b>251,131.63</b> |
|                                          |             |                     |           |                   |

|              |                      |                   |
|--------------|----------------------|-------------------|
| <b>TOTAL</b> | <b>14,001,980.40</b> | <b>995,518.30</b> |
|--------------|----------------------|-------------------|

In sum, petitioner's total substantiated input taxes for the CY 2011 amounted to ₱53,288,789.26, as computed below:

|                                                                       | (In Philippine Pesos) |                      |                      |                      |                      |
|-----------------------------------------------------------------------|-----------------------|----------------------|----------------------|----------------------|----------------------|
|                                                                       | 1st Quarter           | 2nd Quarter          | 3rd Quarter          | 4th Quarter          | Total                |
| <b>Input VAT Claim</b>                                                | <b>15,121,149.61</b>  | <b>19,312,442.15</b> | <b>15,656,181.90</b> | <b>24,218,203.91</b> | <b>74,307,977.57</b> |
| Less: Disallowances                                                   |                       |                      |                      |                      |                      |
| Input VAT on local purchases of services                              | 1,174,999.10          | 111,812.48           | 751,504.67           | 2,242,661.91         | 4,280,978.16         |
| Input VAT on purchases of goods other than capital goods              | 162,116.73            | 32,254.91            | 123,819.88           | 134,876.62           | 453,068.14           |
| Input VAT on local purchases of capital goods not exceeding ₱1Million | 104,348.45            | -                    | -                    | -                    | 104,348.45           |
| Input VAT on importations of goods other than capital goods           | 1,568.00              | 898.00               | 6,644.00             | 1,795.00             | 10,905.00            |
| Input VAT on local purchases of capital goods exceeding ₱1Million     | 4,454,203.28          | 4,251,942.53         | 4,238,174.68         | 4,221,096.37         | 17,165,416.86        |
| Less: Allowable Input VAT for the period of claim                     | (8,391.01)            | (273,490.43)         | (462,505.23)         | (251,131.63)         | (995,518.30)         |
| <b>Total Disallowances</b>                                            | <b>5,888,844.55</b>   | <b>4,123,417.49</b>  | <b>4,657,638.00</b>  | <b>6,349,298.27</b>  | <b>21,019,198.31</b> |
| <b>Substantiated Input VAT</b>                                        | <b>9,232,305.06</b>   | <b>15,189,024.66</b> | <b>10,998,543.90</b> | <b>17,868,905.64</b> | <b>53,288,779.26</b> |

Since petitioner did not submit VAT invoices/receipts proving the existence of its reported input VAT carry-over from previous year in the amount of ₱157,160,605.18<sup>59</sup>, its output VAT liability for taxable year 2011 in the total amount of ₱14,867,041.96 shall be offset against the substantiated input VAT of ₱53,288,779.26. Hence, only the remaining input VAT of ₱38,421,737.30 can be attributed to the entire zero-rated receipts declared by petitioner in the amount of ₱2,472,585,065.00 and only the input VAT of ₱9,188,216.85 is attributable to the valid zero-rated receipts of ₱578,576,738.40, as computed below:

|                         | In Philippine Pesos |                      |                     |                      |                      |
|-------------------------|---------------------|----------------------|---------------------|----------------------|----------------------|
|                         | 1st Quarter         | 2nd Quarter          | 3rd Quarter         | 4th Quarter          | Total                |
| Substantiated Input VAT | 9,232,305.06        | 15,189,024.66        | 10,998,543.90       | 17,868,905.64        | 53,288,779.26        |
| Less: Output Tax        | 3,986,585.64        | 3,883,482.27         | 2,640,350.72        | 4,356,623.33         | 14,867,041.96        |
| <b>Excess Input VAT</b> | <b>5,245,719.42</b> | <b>11,305,542.39</b> | <b>8,358,193.18</b> | <b>13,512,282.31</b> | <b>38,421,737.30</b> |

<sup>59</sup> Exhibit P-4.1, Line 20A.

|                                                                   |                     |                     |                     |                     |                     |
|-------------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                                                   |                     |                     |                     |                     |                     |
| Valid Zero-Rated Receipts                                         | 149,345,128.22      | 153,858,933.35      | 128,491,969.96      | 146,880,706.87      | 578,576,738.40      |
| Divided by Total Declared Zero-Rated Receipts                     | 645,984,584.15      | 662,353,661.91      | 612,162,244.83      | 552,084,574.11      | 2,472,585,065.00    |
| Multiplied by Excess Input VAT                                    | 5,245,719.42        | 11,305,542.39       | 8,358,193.18        | 13,512,282.31       | 38,421,737.30       |
| <b>Excess Input VAT Attributable to Valid Zero-Rated Receipts</b> | <b>1,212,757.48</b> | <b>2,626,178.12</b> | <b>1,754,372.66</b> | <b>3,594,908.59</b> | <b>9,188,216.85</b> |

Although the claimed input VAT was carried-over by petitioner in its succeeding Quarterly VAT Returns<sup>60</sup>, the same remained unutilized until it was deducted as "VAT Refund/TCC Claimed"<sup>61</sup> in its Quarterly VAT Return for the fourth quarter of taxable year 2012. Thus, the excess input VAT of ₱141,688,758.55<sup>62</sup> as of the end of the fourth quarter of taxable year 2012 which was to be carried-over to the succeeding first quarter of taxable 2013<sup>63</sup> no longer included the subject claim.

**WHEREFORE**, premises considered, the instant Petition for Review is **PARTIALLY GRANTED** and respondent is ordered to **REFUND OR ISSUE A TAX CREDIT CERTIFICATE** in favor of petitioner in the reduced amount of **₱9,188,216.85**, representing its unutilized excess input VAT for the four quarters of taxable year 2011 which is attributable to its valid zero-rated receipts for the same period.

**SO ORDERED.**

  
**CAESAR A. CASANOVA**  
Associate Justice

<sup>60</sup> Exhibits P-5.1 to P-5.4.

<sup>61</sup> Exhibit P-5.4, Line 23D.

<sup>62</sup> Exhibit P-5.4, Line 29, Total Amount Payable (Overpayment).

<sup>63</sup> Exhibit P-5.5.

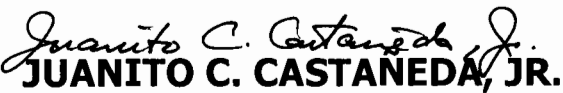
WE CONCUR:

  
**JUANITO C. CASTANEDA, JR.**  
Associate Justice

(On Leave)  
**AMELIA R. COTANGCO-MANALASTAS**  
Associate Justice

**A T T E S T A T I O N**

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.

  
**JUANITO C. CASTANEDA, JR.**  
Associate Justice  
Chairperson, Second Division

**C E R T I F I C A T I O N**

Pursuant to Article VIII, Section 13 of the Constitution, and the Division Chairperson’s Attestation, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court.

  
**ROMAN G. DEL ROSARIO**  
Presiding Justice