REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

FIRST DIVISION

COLGATE PALMOLIVE, INC.,
Petitioner,

-versus-

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

C.T.A. CASE NO. 7078

Members:

Acosta, *Chairperson,*
Bautista, and
Casanova, *JJ.*

Promulgated:

SEP 18 2007 1:10 PM

x - x

DECISION

ACOSTA, P.J.:

Before Us is a Petition for Review seeking the cancellation and withdrawal of the partial deficiency Value-Added Tax (VAT) assessment pertaining to the disallowed input taxes in the amount of P2,471,822.73 being claimed by petitioner on its purchases from suppliers which, according to respondent, are either non-VAT registered or unregistered VAT suppliers.

Petitioner is a domestic corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office located at 1049 J.P. Rizal Avenue, Makati City.[1]

---

[1] Paragraph 1, Joint Stipulation of Facts and Issues, *Rollo*, page 149.

643

Respondent Commissioner of Internal Revenue is the official charged with the duty to assess and collect internal revenue taxes, and the power to cancel disputed assessments, with office address at the Bureau of Internal Revenue (BIR) National Office Building, Diliman, Quezon City.[2]

On December 23, 2003, petitioner received from respondent an undated Formal Letter of Demand with attached "Details of Discrepancies" and three (3) Assessment Notices with the following Assessment Numbers: 99-000018, 99-000087, and 99-000099, all dated December 22, 2003. The Formal Letter of Demand assessed petitioner for alleged deficiency income tax, fringe benefits tax, and VAT for the taxable year 1999 in the total amount of P73,253,776.11, inclusive of surcharge and interest. Petitioner protested the said assessment on January 21, 2004, through its tax counsel SGV & Co., with several supporting documentary evidence.[3]

On October 15, 2004, petitioner filed the instant Petition with this Court due to respondent's inaction and in order to toll the running of the prescriptive period prescribed under Section 228 of the 1997 Tax Code, as amended.

Subsequent to the filing of the Petition, respondent issued a "Final Decision on Disputed Assessment" on November 5, 2004, reducing the original assessment from P73,253,776.11 to P6,044,814.17.

The "Final Decision on Disputed Assessment" showed that the reduced deficiency VAT assessment is due, among others, to the disallowed input VAT in the amount of P2,471,822.73.[4]

On November 10, 2004 and November 19, 2004, petitioner paid the deficiency tax assessments as follows:

[2] Paragraph 2, Joint Stipulation of Facts and Issues, *Rollo*, page 149.
[3] Paragraphs. 3, 5, and 6, Joint Stipulation of Facts and Issues, *Rollo*, page 150.
[4] Exhibit "A", *Rollo*, page 187.

Deficiency Income Tax	P 560,014.84
Deficiency Value Added Tax	*1,880,371.19*[5]
Deficiency Expanded Withholding Tax	315,680.65
Penalties-Expanded Withholding Tax	211,471.98

The payments fully covered petitioner's liability except for the deficiency VAT, which was only partially paid[6], leaving a balance of P3,076,313.85 **inclusive of interests**[7], computed as follows:

Deficiency VAT *(Exhibit "A")*		P4,956,685.04
Payments made by petitioner:		
	P1,773,787.18[8]	
	106,584.01[9]	*-1,880,371.19*
		P3,076,313.85

As a result of the above developments, on April 18, 2005, petitioner filed a "Motion for Leave of Court to Serve Supplemental Petition upon Respondent" with attached "Supplemental Petition for Review" praying that its payments be credited as full satisfaction of the assessment for deficiency income and expanded withholding; as partial satisfaction of the assessment for deficiency VAT; and to cancel and withdraw the unpaid portion of the deficiency VAT assessment pertaining to the disallowed input taxes of P2,471,822.73.

For his part, respondent filed his Answer on December 17, 2004, interposing the following Special and Affirmative Defenses:

> "3. On 5 November 2004 a Final Decision on Disputed Assessment (FDDA) was issued by respondent in response to the protest letter of petitioner dated 21 January 2004. The FDDA reduced the original assessment from P73,253,776.11 to P6,044,814.17 broken as follows:

Deficiency Income Tax	P 560,976.50
Deficiency Value Added Tax	4,956,685.04
Deficiency Expanded Withholding Tax	315,680.65
Penalties-Expanded Withholding Tax	211,471.98

Sm

[5] BIR Records page 4152, P1,773,787 + P106,584.01(payments made) = P1,880,371.19
[6] Paragraphs 16 and 17, Joint Stipulation of Facts and Issues, *Rollo*, page 153.
[7] Paragraph 18, Joint Stipulation of Facts and Issues, *Rollo*, page 154.
[8] BIR Records page 4152
[9] BIR Records page 4152

4. On 10 November 2004 and 19 November 2004, petitioner duly paid the deficiencies as follows:

Deficiency Income Tax	P	560,014.84
Deficiency Value Added Tax		1,773,787.18
Deficiency Expanded Withholding Tax		315,680.65
Penalties-Expanded Withholding Tax		211,471.98

The payments covered petitioner's liability as per the FDDA except for the deficiency Value-Added Tax (VAT), which was only partially paid, leaving a balance of P3,076,313.85;

5. The specific issue with regards to VAT which was not covered by petitioner's payment is in connection with the input tax claimed from suppliers/sellers with invalid Taxpayer Identification Numbers (TINs) or who are either non-VAT registered or unregistered VAT suppliers. Thus, aside from the aforementioned, all other issues raised by the petitioner, have been rendered moot and academic;

6. While it is true that petitioner's purchases were supported by what appear to be VAT official receipts/invoices, there is no provision of law that grants an automatic and absolute right that deems submitted VAT official receipts/invoices as irrefutably correct. Such appears to be the stand of petitioner in alleging that the findings of respondent after verification of these documents, that its suppliers/sellers have invalid Taxpayer Identification Numbers (TINs) or are either non-VAT registered or unregistered suppliers, cannot override the actual documents shown and presented by petitioner. Such an argument is misplaced;

7. Under existing VAT regulations, claims for input tax credit should be supported by an invoice or receipt showing the information as required under the Tax Code. The rationale of this requirement is to furnish respondent the necessary details to process the claim, by verifying the data against official records. If the information is correct, then the claim is allowed. However, there are instances when the data does not match official records, as in the case of errors in data handling, or in the extreme, in cases of fraudulent invoices/receipts;

8. In cases where the TIN of suppliers/sellers are not found in the BIR's database, claimants are not precluded from pursuing their claim. Other evidence may be submitted to substantiate the documents submitted. Revenue Memorandum Circular No. 42-2003 provides conditions for the allowance of the claim for input taxes even if the TIN of a supplier/seller is not found in the BIR's records, namely:

> a. The claimant submits a certified true copy of the BIR registration certificate of the supplier certified as such by a duly designated responsible officer of the organization;

b. The purchases are evidenced by valid VAT invoices/receipts (printed and issued in accordance with Sections 237, 238 and 113 of the Tax Code of 1997); and

c. The concerned Revenue District Officer issues a certification on the authenticity of the BIR registration of the supplier;

9. In fact, petitioner voluntarily did exercise such option where it submitted BIR Registration Certificates to substantiate the fact of VAT registration of some of its suppliers. This resulted in the allowance by respondent of P3,580,129.76 in input taxes and partially extinguishing petitioner's liability under this specific issue. This action pursued by petitioner also runs contrary to its stand that the invoices/receipts they have submitted cannot be overridden by subsequent verification by respondent;

10. As it stands, petitioner has not introduced any evidence to substantiate the fact of VAT registration of the rest of its suppliers and overthrow the validity of these findings;

11. Finally, it is well-settled rule in taxation that assessments are prima facie presumed correct and made in good faith. The taxpayer has the duty of proving otherwise, and in the absence of proof of any irregularities in the performance of official duties, an assessment will not be disturbed."

During trial, petitioner submitted the testimonies of Mr. Roger Mina, its former Tax Specialist and Ms. Racquel C. Vidal, petitioner's Financial Accounting Manager. Petitioner, likewise, submitted the following documentary evidence: "Final Decision on Disputed Assessment" (*Exhibit "A"*), invoices and official receipts (*Exhibits "B" to "FFFFF-6"*) and a "Summary List of Suppliers whose Input VAT was disallowed by the BIR" (*Exhibit "GGGGG"*).

On the other hand, on December 5, 2006, respondent informed this Court of his decision not to submit any evidence on the ground that the factual basis of the assessment had been stipulated by both parties and the remaining issue left unresolved is the validity of the disallowance of the input VAT in the amount of P2,471,822.73.[10] After trial and considering

[10] Transcript of Stenographic Notes of the hearing conducted on December 5, 2006.

the Memoranda filed by the parties, this case was submitted for decision as of the promulgation of the Resolution dated April 4, 2007.

In their Joint Stipulation of Facts and Issues, the parties jointly submitted the lone issue[11] of whether or not respondent correctly disallowed petitioner's input taxes amounting to P2,471,822.73 paid to sellers who allegedly have invalid TINs and whose VAT registration allegedly do not appear in respondent's taxpayers' database, although such input taxes were nonetheless evidenced by VAT official receipts and invoice.

The petition is partly meritorious.

The dispute stems from the denial by respondent of the amount of P2,471,822.73, representing petitioner's input VAT. The denial is due to the result of the review made by respondent in the BIR's Taxpayer's Database that revealed that the said amount was covered by sales invoices issued by suppliers who were either unregistered or registered as non-VAT taxpayers. Considering so, respondent argued that petitioner still failed to submit any certification from said suppliers that they were really registered, as required by Revenue Memorandum Circular (RMC) 42-03. The pertinent portion of the circular reads:

> "SUBJECT: Clarifying Certain Issues Raised Relative to the Processing of Claims for Value-Added Tax (VAT) Credit/Refund, Including Those filed with the Tax and Revenue Group, One-Stop Shop Inter-Agency Tax Credit and Duty Drawback Center, Department of Finance (OSS) by Direct Exporters
>
> TO: All Internal revenue Officers and Others Concerned
>
> xxx xxx xxx
>
> Q-14: If the Taxpayer Identification Numbers (TIN) of claimant's suppliers are not found in the BIR's database, should the invoices/receipts issued by such suppliers to the claimant be disallowed?
>
> A-14: If the claimants' suppliers are not found in the BIR's database, **the input taxes on the purchases from said suppliers may be allowed** on the following conditions:

Ein

---

[11] Joint Stipulation of Facts and Issues, *Rollo*, page 154.

648

a. The claimant submits a certified true copy of the BIR registration certificate of the supplier certified as such by a duly designated responsible officer of the organization;

b. The purchases are evidenced by valid VAT invoices/receipts (printed and issued in accordance with Sections 237, 238 and 113 of the Tax Code of 1997); and

c. The concerned Revenue District Officer issues an authenticity of the BIR registration of the supplier." (*Emphasis supplied*)

To recall, the requirements for allowing input VAT to be credited from output VAT is in Section 110 of the 1997 Tax Code, as amended, which provides that:

"(A) *Creditable Input Tax.* –

(1) Any input tax evidenced by a **VAT invoice or official receipt issued in accordance with Section 113 hereof on the following transactions** shall be creditable against the output tax:

(a) Purchases or importation of goods:

(i) For sale; or
(ii) For conversion into or intended to form part of a finished product for sale including packaging materials; or
(iii) For use as supplies in the course of business; or
(iv) For use as materials supplied in the sale of service; or
(v) For use in trade or business for which deduction for depreciation or amortization is allowed under this Code, except automobiles, aircraft and yachts.

(b) Purchase of services on which a value-added tax has been actually paid.

(2) The input tax on domestic purchase of goods or properties shall be creditable:

(a) To the purchaser upon consummation of sale and on importation of goods or properties; and

(b) To the importer upon payment of the value-added tax prior to the release of the goods from the custody of the Bureau of Customs.

However, in the case of purchase of services, lease or use of properties, the input tax shall be creditable to the purchaser, lessee or licensee upon payment of the compensation, rental, royalty or fee. xxx" (*Emphasis supplied*)

Em

649

A perusal of the above legal provision indicates that input tax evidenced by valid official receipt/invoice shall be creditable against the output tax.

However to be considered valid official receipts/invoices, it is necessary to comply with the substantiation requirements laid down under Sections 113 and 237 of the 1997 Tax Code, as amended, and Section 1.408-1 of Revenue Regulations 7-95, which are partly reproduced herein, as follows:

> "**Section 113. Invoicing and Accounting Requirements for VAT-Registered Persons.** –
>
> (A) Invoicing Requirements. – A VAT-registered person shall, for every sale, issue an invoice or receipt. In addition to the information required under Section 237, the following information shall be indicated in the invoice or receipt:
>
> (1) A statement that the seller is a VAT-registered person, followed by his taxpayer's identification number (TIN); and
> (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.
>
> xxx xxx xxx.
>
> **Section 237. Issuance of Receipts or Sales or Commercial Invoices.** – All persons subject to an internal revenue tax shall, for each sale or transfer of merchandise or for services rendered valued at Twenty-five pesos (P25.00) or more, issue duly registered receipts or sales or commercial invoices, prepared at least in duplicate, showing the date of transaction, quantity, unit cost and description of merchandise or nature of service: Provided, however, That in the case of sales, receipts or transfers in the amount of One hundred pesos (P100.00) or more, or regardless of amount, where the sale or transfer is made by a person liable to value-added tax; or where the receipt is issued to cover payment made as rentals, commissions, compensations or fees, receipts or invoices shall be issued which shall show the name, business style, if any, and address of the purchaser, customer or client: Provided, further, That where the purchaser is a VAT-registered person, in addition to the information herein required, the invoice or receipt shall further show the Taxpayer identification Number (TIN) of the purchaser.
>
> xxx xxx xxx.

Ele

REVENUE REGULATIONS NO. 7-95

xxx xxx xxx.

SEC. 4.108-1. Invoicing Requirements – All VAT-registered persons shall for every sale or lease of goods or properties or services, issue duly registered receipts or sales or commercial invoices which must show:

1. the name, TIN and address of seller;
2. date of transaction;
3. quantity, unit cost and description of merchandise or nature of service;
4. the name, TIN, business style, if any, and address of the VAT registered purchaser, customer or client;
5. the word 'zero-rated' imprinted on the invoice covering zero-rated sales; and
6. the invoice value or consideration.

xxx xxx xxx.

Only VAT-registered persons are required to print their TIN followed by the word 'VAT' in their invoices or receipts and this shall be considered as a 'VAT Invoice'. All purchases covered by invoices other than 'VAT Invoice' shall not give rise to any input tax. xxx" *(Emphasis Supplied)*

The foregoing provisions are clear and unambiguous; as long as the input tax of a taxpayer is supported by official receipts and/or invoices containing all the required information, then the taxpayer is entitled to credit the input tax from its output tax.

Well-entrenched is the principle that where the law speaks in clear and categorical language, there is no room for interpretation. There is only room for application.[12]

The above laws are devoid of any requirement for verification into the Taxpayer's Database or the submission of certificate of registration of a taxpayer's supplier, before it can credit its input tax from its output tax. Such additional requirements are only found in the disputed RMC 42-03.

[12] Cebu Portland Cement Co. vs. Municipality of Naga, G.R. No. 24116, August 22, 1968.

The RMC 42-03 relied upon by respondent cannot be used as basis in denying petitioners claim. It constitutes an invalid legislation on the part of respondent, when rather than merely clarifying the issues relative to the processing of claims for VAT credit/refund, it imposed requirements not written under the laws.

Circulars or rulings issued by the BIR for its internal administration are meant to interpret laws. They should not override or be inconsistent with the law they are supposed to interpret. The Supreme Court explained the nature of circular in the case of *Philippine Bank of Communications vs. Commissioner of Internal Revenue, Court of Tax Appeals and Court of Appeals*[13], to wit:

> "It bears repeating that Revenue memorandum-circulars are considered administrative rulings (in the sense of more specific and less general interpretations of tax laws) which are issued from time to time by the Commissioner of Internal Revenue. ***It is widely accepted that the interpretation placed upon a statute by the executive officers, whose duty is to enforce it, is entitled to great respect by the courts. Nevertheless, such interpretation is not conclusive and will be ignored if judicially found to be erroneous. Thus, courts will not countenance administrative issuances that override, instead of remaining consistent and in harmony with, the law they seek to apply and implement.***" (*Emphasis supplied*)

Likewise, the Court is mindful of the "well-entrenched rule that rulings and circulars, rules and regulations promulgated by the Commissioner of Internal Revenue, *would have no retroactive application if to so apply them would be prejudicial to the taxpayers*."[14]

The questioned RMC was issued in 2003, while the subject taxable year is 1999. Naturally, petitioner will not be expected to comply with a circular that was still non-existent in 1999.

Applying RMC 42-03 retroactively is clearly prejudicial to petitioner for it prohibits petitioner from crediting its input tax from the output tax merely for failing to comply with a

[13] G.R. No. 112024. January 28, 1999.
[14] G.R. No. 145559, July 14, 2006.

Eu

(652)

circular when in fact it had already complied with the laws it is expected to follow in the first place.

Further, as testified by petitioner's witnesses, petitioner was not allowed to verify respondent's database and only BIR officials are allowed access thereto. This further placed petitioner in a disadvantageous and prejudicial position.[15] Internal Revenue Commissioner cannot, by administrative fiat, amend the law by making compliance therewith more burdensome.[16] By demanding additional requirements not found in the basic laws, RMC 42-03 made compliance thereto more burdensome.

Noteworthy too is that, even if the circular was only issued in 2003, upon being informed by respondent of its existence, petitioner tried to comply by looking for its suppliers. However, the suppliers involved in the disallowed input taxes were already closed or out of business. Such act is a manifestation of petitioner's good faith to comply with a requirement, despite not being written in law. Instead of being commended, petitioner is rather penalized.

As correctly argued by petitioner, the disallowed amount are already evidenced by invoices and/or official receipts, which is the only evidentiary requirement under the 1997 Tax Code, as amended, for a taxpayer to credit its input tax from its output tax.

Thus, when petitioner supported its input VAT claim with valid invoices/receipts, it already complied with the requirement under the law for availment of input VAT credits.

Guided by the above principles, jurisprudence and laws, this Court agrees with petitioner that having submitted the invoices and official receipts to substantiate its input tax, respondent's assessment should be cancelled.

---

[15] Transcript of Stenographic Notes of the hearing conducted on September 15, 2005, page 34 and the hearing on November 15, 2005 page 20.

[16] Atlas Consolidated Mining and Development Corporation vs. Commissioner of Internal Revenue, G.R. No. 133467, Nov 17, 1999.

However, petitioner is seeking the cancellation and withdrawal of respondent's deficiency VAT assessment only in the amount of P1,566,322.93 which is the balance of the disallowed input tax of P2,471,822.73 after reflecting the payments allegedly made by petitioner in the amount of P905,499.80.

A review of the records of this case would show that indeed petitioner made the payments, as evidenced by the payment forms which petitioner filed through the Electronic Filing and Payments System and the related acknowledgment receipts.[17] Hence, the balance of the VAT assessment would be the reduced amount of P1,566,322.92, computed as follows:

	Basic VAT Due	Payments Made	Balance
Disallowed Input VAT	P2,471,822.73	P905,499.80	P1,566,322.93
Others	54,273.39	54,273.39	0
Total	P2,526,096.12[18]	P959,773.19	**P1,566,322.92**

In determining the amount of input VAT credits, this Court finds that petitioner has satisfactorily substantiated by valid invoices and/or receipts only the amount of P341,265.82, detailed as follows:

Exhibits	Supplier	Input VAT	TOTAL
B	CLIQUE INDUSTRIAL & TRADING CORP.	P10,000.00	
C	CLIQUE INDUSTRIAL & TRADING CORP.	10,000.00	
D	CLIQUE INDUSTRIAL & TRADING CORP.	10,000.00	
E	CLIQUE INDUSTRIAL & TRADING CORP.	7,350.00	
F	CLIQUE INDUSTRIAL & TRADING CORP.	10,000.00	
G	CLIQUE INDUSTRIAL & TRADING CORP.	10,000.00	
H	CLIQUE INDUSTRIAL & TRADING CORP.	10,000.00	
I	CLIQUE INDUSTRIAL & TRADING CORP.	9,900.00	
J	CLIQUE INDUSTRIAL & TRADING CORP.	10,000.00	**P 87,250.00**
K	CY-QUEST INDUSTRIAL SALES	P6,000.00	
K-I	CY-QUEST INDUSTRIAL SALES	1,100.00	
K-2	CY-QUEST INDUSTRIAL SALES	6,656.00	
K-3	CY-QUEST INDUSTRIAL SALES	1,034.00	
K-4	CY-QUEST INDUSTRIAL SALES	489.09	
K-5	CY-QUEST INDUSTRIAL SALES	1,800.00	
L-4	CY-QUEST INDUSTRIAL SALES	2,294.40	
M	CY-QUEST INDUSTRIAL SALES	2,170.00	

[17] BIR Records, pages 4138 and 4137 , 4133 and 4132
[18] Exhibit "A", last page

Ea

(654)

N	CY-QUEST INDUSTRIAL SALES	801.59
N-1	CY-QUEST INDUSTRIAL SALES	475.20
N-2	CY-QUEST INDUSTRIAL SALES	475.20
N-3	CY-QUEST INDUSTRIAL SALES	950.40
N-4	CY-QUEST INDUSTRIAL SALES	1,011.60
O	CY-QUEST INDUSTRIAL SALES	940.00
O-1	CY-QUEST INDUSTRIAL SALES	9,250.00
O-2	CY-QUEST INDUSTRIAL SALES	465.98
O-3	CY-QUEST INDUSTRIAL SALES	2,294.40
O-4	CY-QUEST INDUSTRIAL SALES	1,850.00
O-5	CY-QUEST INDUSTRIAL SALES	7,400.00
O-6	CY-QUEST INDUSTRIAL SALES	300.00
O-7	CY-QUEST INDUSTRIAL SALES	300.00
O-8	CY-QUEST INDUSTRIAL SALES	508.00
0-9	CY-QUEST INDUSTRIAL SALES	1,416.00
O-10	CY-QUEST INDUSTRIAL SALES	3,700.00
P	CY-QUEST INDUSTRIAL SALES	1,850.00
P-1	CY-QUEST INDUSTRIAL SALES	12,950.00
Q	CY-QUEST INDUSTRIAL SALES	3,700.00
R	CY-QUEST INDUSTRIAL SALES	1,800.00
S	CY-QUEST INDUSTRIAL SALES	16,287.95
T	CY-QUEST INDUSTRIAL SALES	1,260.00
U	CY-QUEST INDUSTRIAL SALES	4,762.20
U-1	CY-QUEST INDUSTRIAL SALES	650.00
U-2	CY-QUEST INDUSTRIAL SALES	3,700.00
V	CY-QUEST INDUSTRIAL SALES	650.00
V-1	CY-QUEST INDUSTRIAL SALES	811.60
W	CY-QUEST INDUSTRIAL SALES	750.00
W-1	CY-QUEST INDUSTRIAL SALES	2,250.00
W-2	CY-QUEST INDUSTRIAL SALES	1,260.00
W-3	CY-QUEST INDUSTRIAL SALES	18,500.00
X	CY-QUEST INDUSTRIAL SALES	330.00
X-1	CY-QUEST INDUSTRIAL SALES	750.00
Y	CY-QUEST INDUSTRIAL SALES	2,334.90
Z	CY-QUEST INDUSTRIAL SALES	2,333.30
Z-1	CY-QUEST INDUSTRIAL SALES	330.00
Z-2	CY-QUEST INDUSTRIAL SALES	420.00
BB	CY-QUEST INDUSTRIAL SALES	1,309.10
BB-1	CY-QUEST INDUSTRIAL SALES	256.00
BB-2	CY-QUEST INDUSTRIAL SALES	5,632.00
BB-3	CY-QUEST INDUSTRIAL SALES	1,090.92
BB-4	CY-QUEST INDUSTRIAL SALES	1,389.09
CC	CY-QUEST INDUSTRIAL SALES	3,801.45
CC-1	CY-QUEST INDUSTRIAL SALES	3,816.00
DD	CY-QUEST INDUSTRIAL SALES	200.00
DD-1	CY-QUEST INDUSTRIAL SALES	1,584.45
DD-2	CY-QUEST INDUSTRIAL SALES	1,263.95
DD-3	CY-QUEST INDUSTRIAL SALES	493.80
EE	CY-QUEST INDUSTRIAL SALES	3,801.45
FF	CY-QUEST INDUSTRIAL SALES	1,274.00
FF-1	CY-QUEST INDUSTRIAL SALES	1,150.00
FF-2	CY-QUEST INDUSTRIAL SALES	6,600.00
GG	CY-QUEST INDUSTRIAL SALES	2,708.00

GG-1	CY-QUEST INDUSTRIAL SALES	4,216.00	
HH	CY-QUEST INDUSTRIAL SALES	3,073.00	
II	CY-QUEST INDUSTRIAL SALES	6,149.26	
JJ	CY-QUEST INDUSTRIAL SALES	1,818.20	
KK	CY-QUEST INDUSTRIAL SALES	330.00	
KK-1	CY-QUEST INDUSTRIAL SALES	1,104.00	
KK-2	CY-QUEST INDUSTRIAL SALES	581.20	
KK-3	CY-QUEST INDUSTRIAL SALES	223.00	
KK-4	CY-QUEST INDUSTRIAL SALES	948.21	
LL	CY-QUEST INDUSTRIAL SALES	1,024.00	
LL-1	CY-QUEST INDUSTRIAL SALES	2,291.04	
LL-2	CY-QUEST INDUSTRIAL SALES	1,374.59	
MM	CY-QUEST INDUSTRIAL SALES	330.00	
MM-1	CY-QUEST INDUSTRIAL SALES	18,500.00	
MM-2	CY-QUEST INDUSTRIAL SALES	963.19	
MM-3	CY-QUEST INDUSTRIAL SALES	1,063.20	
MM-4	CY-QUEST INDUSTRIAL SALES	660.60	**P212,381.51**
OO	GLASSCHEM INDUSTRIAL SALES	P554.55	
PP	GLASSCHEM INDUSTRIAL SALES	277.27	**P831.82**
VV-1	L'FISHER HOTEL	P376.15	
WW-1	L'FISHER HOTEL	150.38	
XX-I	L'FISHER HOTEL	462.46	**P988.99**
FFF	L.G. MANABAT ENTERPRISES	P1,813.50	**P1,813.50**
BBBB	STRATMARCK (PHILS.) INC.	P19,000.00	
BBBB-1	STRATMARCK (PHILS.) INC.	19,000.00	**P38,000.00**
	TOTAL		**P341,265.82**

However, the following exhibits are not taken into account in computing the allowable input VAT credits:

1. Official receipts/invoices with pre-printed TIN-V instead of TIN-VAT in violation of the requirement laid down under Section 1.408-1 of Revenue Regulations 7-95:

EXHIBIT	YEAR PRINTED	NAME OF SUPPLIER	INPUT VAT	TOTAL
QQ	1996	JJELCH ENTERPRISE	P1,797.27	
RR	1996	JJELCH ENTERPRISE	3,232.73	
SS	1996	JJELCH ENTERPRISE	2,290.91	
TT	1996	JJELCH ENTERPRISE	840.00	
UU	1996	JJELCH ENTERPRISE	1,298.18	**P9,459.09**
YY	1994	IRES PHILS., INC.	P57,481.45	

ZZ	1994	IRES PHILS., INC.	436.36	
AAA	1994	IRES PHILS., INC.	15,266.62	
BBB	1994	IRES PHILS., INC.	33,444.73	
CCC	1994	IRES PHILS., INC.	18,334.90	
DDD	1994	IRES PHILS., INC.	272.72	
EEE	1994	IRES PHILS., INC.	40,327.00	**P165,563.78**
LLL-2	1994	MTY IND'L.	P16,272.72	
MMM-1	1994	MTY IND'L.	6,735.00	**P23,007.72**
NNN & NNN-1	1998	RTQ TRUCKING	P8,800.00	
OOO & OOO-1	1998	RTQ TRUCKING	8,800.00	
PPP & PPP-1	1998	RTQ TRUCKING	4,400.00	
QQQ & QQQ-1	1998	RTQ TRUCKING	11,000.00	
RRR & RRR-1	1998	RTQ TRUCKING	6,600.00	
SSS & SSS-1	1998	RTQ TRUCKING	15,400.00	
TTT & TTT-1	1998	RTQ TRUCKING	13,200.00	
UUU & UUU-1	1998	RTQ TRUCKING	11,000.00	
VVV & VVV-1	1998	RTQ TRUCKING	11,000.00	
WWW & WWW-1	1998	RTQ TRUCKING	8,800.00	
XXX & XXX-1	1998	RTQ TRUCKING	13,200.00	**P112,200.00**
YYY to YYY-2	1992	STRATMARK (PHILS.) INC.	P38,000.00	
ZZZ to ZZZ-2	1992	STRATMARK (PHILS.) INC.	38,000.00	
AAAA to AAAA-2	1992	STRATMARK (PHILS.) INC.	57,000.00	**P133,000.00**
CCCC	1994	VICNER COMMERCIAL	P302.00	
DDDD	1994	VICNER COMMERCIAL	379.00	
DDDD-1	1994	VICNER COMMERCIAL	1,942.90	
EEEE	1994	VICNER COMMERCIAL	990.00	**P3,613.90**
FFFF	1993	F.S. BAL INCORPORATED	P5,625.00	
FFFF-1	1993	F.S. BAL INCORPORATED	13,640.00	
FFFF-2	1993	F.S. BAL INCORPORATED	374.00	
FFFF-3	1993	F.S. BAL INCORPORATED	3,185.70	
GGGG	1993	F.S. BAL INCORPORATED	10,098.00	
HHHH	1993	F.S. BAL INCORPORATED	330.00	
IIII	1993	F.S. BAL INCORPORATED	1,987.50	
IIII-1	1993	F.S. BAL INCORPORATED	275.00	
IIII-2	1993	F.S. BAL INCORPORATED	276.00	
JJJJ	1993	F.S. BAL INCORPORATED	1,650.00	
JJJJ-1	1993	F.S. BAL INCORPORATED	1,681.81	
JJJJ-2	1993	F.S. BAL INCORPORATED	1,650.00	
KKKK	1993	F.S. BAL INCORPORATED	1,903.50	
KKKK-1	1993	F.S. BAL INCORPORATED	1,650.00	

Ela

(a57)

LLLL	1993	F.S. BAL INCORPORATED	35,420.00
LLLL-1	1993	F.S. BAL INCORPORATED	20,368.00
MMMM	1993	F.S. BAL INCORPORATED	12,272.73
NNNN	1993	F.S. BAL INCORPORATED	13,172.50
NNNN-1	1993	F.S. BAL INCORPORATED	21,191.50
OOOO	1993	F.S. BAL INCORPORATED	8,173.00
OOOO-1	1993	F.S. BAL INCORPORATED	1,570.00
OOOO-2	1993	F.S. BAL INCORPORATED	5,338.00
OOOO-3	1993	F.S. BAL INCORPORATED	13,738.50
PPPP	1993	F.S. BAL INCORPORATED	1,227.27
PPPP-1	1993	F.S. BAL INCORPORATED	3,553.50
PPPP-2	1993	F.S. BAL INCORPORATED	3,553.50
PPPP-3	1993	F.S. BAL INCORPORATED	3,158.50
PPPP-4	1993	F.S. BAL INCORPORATED	4,090.91
PPPP-5	1993	F.S. BAL INCORPORATED	6,600.00
QQQQ	1993	F.S. BAL INCORPORATED	4,090.91
QQQQ-1	1993	F.S. BAL INCORPORATED	1,394.00
QQQQ-2	1993	F.S. BAL INCORPORATED	3,066.80
QQQQ-3	1993	F.S. BAL INCORPORATED	4,090.91
QQQQ-4	1993	F.S. BAL INCORPORATED	17,200.00
QQQQ-5	1993	F.S. BAL INCORPORATED	13,452.40
QQQQ-6	1993	F.S. BAL INCORPORATED	12,824.80
QQQQ-7	1993	F.S. BAL INCORPORATED	3,440.00
RRRR	1993	F.S. BAL INCORPORATED	8,224.60
RRRR-1	1993	F.S. BAL INCORPORATED	2,369.80
RRRR-2	1993	F.S. BAL INCORPORATED	12,272.73
RRRR-3	1993	F.S. BAL INCORPORATED	860.00
RRRR-4	1993	F.S. BAL INCORPORATED	6,295.00
RRRR-5	1993	F.S. BAL INCORPORATED	920.00
RRRR-6	1993	F.S. BAL INCORPORATED	950.00
RRRR-7	1993	F.S. BAL INCORPORATED	8,813.00
RRRR-8	1993	F.S. BAL INCORPORATED	12,995.00
SSSS	1993	F.S. BAL INCORPORATED	6,295.00
SSSS-1	1993	F.S. BAL INCORPORATED	17,263.00
SSSS-2	1993	F.S. BAL INCORPORATED	16,919.84
TTTT	1993	F.S. BAL INCORPORATED	1,259.00
TTTT-1	1993	F.S. BAL INCORPORATED	4,406.50
TTTT-2	1993	F.S. BAL INCORPORATED	629.50
TTTT-3	1993	F.S. BAL INCORPORATED	3,984.00
TTTT-4	1993	F.S. BAL INCORPORATED	19,335.00
TTTT-5	1993	F.S. BAL INCORPORATED	7,554.00
UUUU	1993	F.S. BAL INCORPORATED	9,938.95
UUUU-1	1993	F.S. BAL INCORPORATED	5,036.00
UUUU-2	1993	F.S. BAL INCORPORATED	1,636.00
UUUU-3	1993	F.S. BAL INCORPORATED	2,954.50

UUUU-4	1993	F.S. BAL INCORPORATED	2,954.50
UUUU-5	1993	F.S. BAL INCORPORATED	1,181.80
UUUU-6	1993	F.S. BAL INCORPORATED	3,777.00
UUUU-7	1993	F.S. BAL INCORPORATED	1,272.73
UUUU-8	1993	F.S. BAL INCORPORATED	1,890.88
UUUU-9	1993	F.S. BAL INCORPORATED	1,128.21
UUUU-10	1993	F.S. BAL INCORPORATED	4,154.36
UUUU-11	1993	F.S. BAL INCORPORATED	3,163.61
UUUU-12	1993	F.S. BAL INCORPORATED	1,636.36
UUUU-13	1993	F.S. BAL INCORPORATED	3,147.50
UUUU-14	1993	F.S. BAL INCORPORATED	1,963.62
UUUU-15	1993	F.S. BAL INCORPORATED	1,272.73
UUUU-16	1993	F.S. BAL INCORPORATED	1,309.08
UUUU-17	1993	F.S. BAL INCORPORATED	472.72
UUUU-18	1993	F.S. BAL INCORPORATED	1,272.73
UUUU-19	1993	F.S. BAL INCORPORATED	1,272.73
UUUU-20	1993	F.S. BAL INCORPORATED	1,259.00
UUUU-21	1993	F.S. BAL INCORPORATED	629.50
UUUU-22	1993	F.S. BAL INCORPORATED	2,836.34
UUUU-23	1993	F.S. BAL INCORPORATED	1,259.00
VVVV	1993	F.S. BAL INCORPORATED	1,854.53
VVVV-1	1993	F.S. BAL INCORPORATED	4,145.42
VVVV-2	1993	F.S. BAL INCORPORATED	1,090.90
VVVV-3	1993	F.S. BAL INCORPORATED	1,090.90
VVVV-4	1993	F.S. BAL INCORPORATED	1,090.90
VVVV-5	1993	F.S. BAL INCORPORATED	15,500.00
WWWW	1993	F.S. BAL INCORPORATED	504.56
WWWW-1	1993	F.S. BAL INCORPORATED	4,793.32
WWWW-2	1993	F.S. BAL INCORPORATED	1,009.12
WWWW-3	1993	F.S. BAL INCORPORATED	1,261.40
XXXX	1993	F.S. BAL INCORPORATED	1,190.00
XXXX-1	1993	F.S. BAL INCORPORATED	1,544.00
YYYY	1993	F.S. BAL INCORPORATED	6,295.00
YYYY-1	1993	F.S. BAL INCORPORATED	4,406.50
ZZZZ	1993	F.S. BAL INCORPORATED	15,725.00
ZZZZ-1	1993	F.S. BAL INCORPORATED	10,371.00
ZZZZ-2	1993	F.S. BAL INCORPORATED	10,521.00
ZZZZ-3	1993	F.S. BAL INCORPORATED	6,719.00
ZZZZ-4	1993	F.S. BAL INCORPORATED	7,338.00
AAAAA	1993	F.S. BAL INCORPORATED	2,518.00
AAAAA-1	1993	F.S. BAL INCORPORATED	629.50
AAAAA-2	1993	F.S. BAL INCORPORATED	3,777.00
AAAAA-3	1993	F.S. BAL INCORPORATED	1,259.00
BBBBB	1993	F.S. BAL INCORPORATED	6,761.00
BBBBB-1	1993	F.S. BAL INCORPORATED	4,406.50

Elm

(179)

BBBBB-2	1993	F.S. BAL INCORPORATED	6,927.00	
BBBBB-3	1993	F.S. BAL INCORPORATED	12,758.00	
CCCCC	1993	F.S. BAL INCORPORATED	2,980.00	
CCCCC-1	1993	F.S. BAL INCORPORATED	2,000.00	
CCCCC-2	1993	F.S. BAL INCORPORATED	1,259.00	
DDDDD	1993	F.S. BAL INCORPORATED	5,722.50	
DDDDD-1	1993	F.S. BAL INCORPORATED	3,822.50	
EEEEE	1993	F.S. BAL INCORPORATED	250.00	
EEEEE-1	1993	F.S. BAL INCORPORATED	5,610.00	
EEEEE-2	1993	F.S. BAL INCORPORATED	3,417.18	
EEEEE-3	1993	F.S. BAL INCORPORATED	15,487.50	
EEEEE-4	1993	F.S. BAL INCORPORATED	4,900.00	
FFFFF	1993	F.S. BAL INCORPORATED	4,335.30	
FFFFF-1	1993	F.S. BAL INCORPORATED	1,250.00	
FFFFF-2	1993	F.S. BAL INCORPORATED	1,791.60	
FFFFF-3	1993	F.S. BAL INCORPORATED	9,292.50	
FFFFF-4	1993	F.S. BAL INCORPORATED	6,315.60	
FFFFF-5	1993	F.S. BAL INCORPORATED	3,717.00	**P653,717.29**
TOTAL				**P1,100,561.78**

2. Exhibits "GGG" to "KKK" representing invoices and receipts issued by Le Jumont Pharmaceuticals, Inc., for it is not one of the suppliers mentioned in petitioner's "Summary List"[19] whose input VAT was disallowed by respondent.

Based on the foregoing, this Court affirms the deficiency VAT assessment in the amount of P1,225,057.11, **exclusive of interests**, which is the difference between petitioner's claim of P1,566,322.93 and the substantiated input tax in the amount of P341,265.82.

WHEREFORE, the instant Petition for Review is **PARTIALLY GRANTED.** Respondent is hereby ordered to cancel and withdraw the assessment in the amount of **P341,265.82**.

On the other hand, Petitioner is hereby ordered to pay respondent deficiency VAT for taxable year 1999 in the amount of **P2,403,796.99**, computed as follows:

[19] Exhibit "GGGGG-1".

Basic Tax Due	P 1,225,057.11
Add: 20% interest	1,178,739.88
Total Amount Due	**P 2,403,796.99**

In addition, petitioner is hereby ordered to pay respondent the 20% delinquency interest on the amount of P2,403,796.99, computed from November 9, 2004 until full payment thereof, pursuant to Section 249(C) of the 1997 Tax Code, as amended.

SO ORDERED.

ERNESTO D. ACOSTA
Presiding Justice

We concur:

LOVELL R. BAUTISTA
Associate Justice

CAESAR A. CASANOVA
Associate Justice

CERTIFICATION

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

ERNESTO D. ACOSTA
Presiding Justice