REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL FIRST DIVISION

PETRON CORPORATION,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA Case Nos. 9993 & 10015

Members:

DEL ROSARIO, *PJ, Chairperson,*
MANAHAN, and
REYES-FAJARDO, *JJ.*

Promulgated:
DEC 0 5 2023 ; 10:30 AM

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DECISION

REYES-FAJARDO, J.:

Before the Court are consolidated Petitions for Review filed by Petron Corporation against respondent Commissioner of Internal Revenue (CIR), seeking the refund of an aggregate amount of ₱465,648,057.91, representing excise taxes paid between January 1, 2017 to December 31, 2017 relative to locally-produced and imported Jet A-1 fuel, which were sold and delivered subsequently to various international carriers and tax-exempt entities, *viz.*:

Docket	Subject Jet A-1 Fuel	Amount
CTA Case No. 9993	Locally-produced	₱10,504,805.46
CTA Case No. 10015	Imported	455,143,252.45
Total		**₱465,648,057.91**

FACTS

Petitioner Petron Corporation is a domestic corporation duly organized and existing under Philippine law, "to purchase or otherwise acquire, store, hold, transport, use, experiment with, market distribute exchange, sell, and otherwise dispose of, import, export, handle, trade and generally deal in, refine, treat, reduce, distill, manufacture and smelt any and all kinds of petroleum products, oil, gas,"[1] with principal office address at SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City.[2] It is represented by its counsel, Du-Baladad & Associates, with office address at the 20th Floor, Chatham House, Rufino corner Valero Sts., Salcedo Village, Makati City where it may be served with notices, pleadings and other processes of this Court.[3]

Respondent is the head of the Bureau of Internal Revenue (BIR), empowered to perform the duties of the office, including acting upon and approving claims for refund or tax credit. Its office address is at the 5th Floor, BIR National Office Building, BIR Road, Diliman, Quezon City.[4]

Claims filed before the BIR

The present controversy stems from Petron Corporation's two (2) letter-applications[5] filed on June 22, 2018 before the Bureau of Internal Revenue (BIR), requesting the refund or issuance of tax credit certificates of the aggregate amount of ₱465,648,057.91 (administrative claims), representing excise taxes paid between January 1, 2017 to December 31, 2017 relative to Jet A-1 fuel, which were sold and delivered subsequently to various international carriers and tax-exempt entities, *viz.*:

Exhibits	Subject Jet A-1 Fuel	Amount
"P-8-L," "P-9-L"	Locally-produced	₱10,504,805.46
"P-19," "P-20"	Imported	455,143,252.45
Total		**₱465,648,057.91**

Petron Corporation claimed to be entitled to a refund or credit of excise taxes paid, pursuant to Section 135 of the National Internal Revenue Code of 1997, as amended (Tax Code). It alleged[6] as follows:

1 Petitioner's Amended Articles of Incorporation, Exhibit "P-2-L," Docket - Vol. IV, p. 2009.
2 Par. 1, Admitted Facts, Joint Stipulation of Facts and Issue (JSFI), Docket (CTA Case No. 10015) - Vol. 3, p. 1141.
3 Par. 2, Admitted Facts, JSFI, Docket (CTA Case No. 9993) - Vol. III, p. 976; Par. 2, Admitted Facts, JSFI, Docket (CTA Case No. 10015) - Vol. III, p. 1141.
4 Par. 2, Admitted Facts, JSFI, Docket (CTA Case No. 9993) - Vol. III, p. 976; Par. 2, Admitted Facts, JSFI, Docket (CTA Case No. 10015) - Vol. III, p. 1141.
5 Applications for Tax Credits/Refunds (BIR Form No. 1914).
6 Exhibits "P-8-L," Docket - Vol. IV, pp. 2049-2050; Docket - Vol V., pp. 3000-3001.

First, it is a producer and importer of Jet A-1 and unleaded gasoline fuel. It operates the Petron Bataan Refinery (PBR) where it manufactures and processes crude oil into a full range of petroleum products, including Jet A-1 and unleaded gasoline fuel (*i.e.,* locally-produced). On the other hand, it imports Jet A-1 fuel in the event that the projected local production is insufficient to supply the projected demand for Jet A-1 fuel (*i.e.,* imported).

Second, after manufacture or importation, as the case may be, Petron Corporation stores the fuel in PBR until these are withdrawn/removed for delivery to Petron Corporation's local depots, where, in turn, it will be kept until the same is sold/delivered to various customers, including international carriers.

Third, between January 1, 2017 and December 31, 2017, Petron Corporation paid excise taxes relative to locally-produced (*i.e.,* upon removal from local depots) and imported fuel (*i.e.,* upon importation) Jet A-1 fuel, pursuant to Sections 130(A)(2) and 131(A), in relation to Section 148(f) and (g), of the Tax Code.

Fourth, said petroleum products removed from local depots, and upon which excise taxes had been paid were sold subsequently to (a) various international carriers of Philippine or foreign registry, for use and consumption outside the Philippines, (b) various international carriers of foreign registry, whose countries of registry exempt Philippine carries from similar taxes, and (c) tax-exempt entities or agencies covered by tax treaties, conventions, and other international agreements for their use or consumption, *viz.*:

Subject	Volume in liters	Excise Taxes Paid
Locally-produced fuel		
Jet A-1	838,200	₱3,646,170.00
Unleaded premium gasoline	1,868,838	6,858,635.46
		₱10,504,805.46
Imported fuel	124,017,235	455,143,252.45
Total	**126,724,273**	**₱465,648,057.91**

The CIR's inaction on the above-discussed administrative claims prompted Petron Corporation to file the present petitions (judicial claims) on December 21, 2018[7] and January 23, 2019,[8] which were docketed as CTA Case Nos. 9993 and 10015, respectively.

Proceedings before the Court

The CIR filed separate Answers in CTA Case Nos. 9993 and 10015 on February 26, 2019[9] and March 4, 2019,[10] respectively.

Pre-trial was terminated upon the Court's approval[11] of the parties' Joint Stipulation of Facts and Issues in each case.[12] Thereafter, the Court issued separate Pre-Trial Orders for the cases.[13]

In the meantime, the CIR submitted the relevant BIR Records on March 6, 2019.[14]

Upon Petron Corporation's motion,[15] the Court resolved to consolidate the instant petitions.[16]

During trial, the following persons testified for Petron Corporation: (1) Leojun Antonio A. Gonzales,[17] former Area Sales Manager – Industrial North Luzon, Petron Corporation; (2) Ryan Kris B. Rebong,[18] Stock and Depot Finance Supervisor, Petron Corporation;

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7 Docket (CTA Case No. 9993) – Vol. I, pp. 10 to 36.
8 Docket (CTA Case No. 10015) – Vol. 1, pp. 12 to 41.
9 Docket (CTA Case No. 9993) – Vol. I, pp. 101 to 109.
10 Docket (CTA Case No. 10015) – Vol. 1, pp. 82 to 89.
11 Resolution dated July 26, 2019, Docket (CTA Case No. 9993) – Vol. III, p. 987; Resolution dated September 11, 2019, Docket (CTA Case No. 10015) – Vol. 3, p. 1151.
12 Docket (CTA Case No. 9993) – Vol. III, pp. 976 to 984.; Docket (CTA Case No. 10015) – Vol. 3, pp. 1141 to 1149.
13 Docket (CTA Case No. 10015) – Vol. 3, pp. 1215 to 1223; Docket (CTA Case No. 10015) – Vol. 3, pp. 1215 to 1223.
14 Respondent's *Compliance* dated March 6, 2019, Docket (CTA Case No. 10015) – Vol. 1, pp. 93 to 95.
15 Docket (CTA Case No. 9993) – Vol. III, pp. 1174 to 1182; Docket (CTA Case No. 10015) – Vol. 3, pp. 1253 to 1261.
16 Minutes of the hearing held on, and Order dated, December 3, 2019, Docket (CTA Case No. 9993) – Vol. III, pp. 1184 to 1186; Resolution dated February 11, 2020, Docket (CTA Case No. 10015) – Vol. 3, pp. 1283 to 1284.
17 Exhibit "P-193", Docket (CTA Case No. 9993) – Vol. I, pp. 210 to 221; Minutes of the hearing held on, and Order dated, December 3, 2019, Docket (CTA Case No. 9993) – Vol. III, pp. 1184 to 1186.
18 Exhibit "P-194-L", Docket (CTA Case No. 9993) – Vol. I, pp. 263 to 277; Exhibit "P-194-I", Docket (CTA Case No. 10015) – Vol. 1, pp. 442 to 454; Minutes of the hearing held on, and Order dated, March 10, 2020, Docket (CTA Case Nos. 9993 & 10015) – Vol. III, pp. 1250 to 1252.

(3) Ma. Clarissa C. Arguelles,[19] Tax Manager, Petron Corporation; (4) Conrado M. Briones,[20] the Court-commissioned Independent Certified Public Accountant (ICPA);[21] (5) Percival S. Paredes,[22] former Account and Sales Coordinator - National Accounts (International and Domestic Aviation), Petron Corporation; (6) Michael F. Manzano,[23] Commercial Services Manager, Petron Corporation; and (7) Allan James T. Tenorio,[24] former Terminal Manager for the Joint Oil Companies Aviation Fuel Storage Plant (JOCASP)/NAIA, Petron Corporation.

The ICPA Report was submitted on December 4, 2020.[25]

Petron Corporation filed its Formal Offer of Evidence on May 21, 2021.[26] After the CIR's submission of its Comment (on Petitioner's Formal Offer of Evidence with Manifestation) on June 9, 2021,[27] the Court issued a Resolution dated June 1, 2022[28] admitting Petron Corporation's exhibits, but excluded those which were not identified by its witnesses, the originals thereof were not presented for comparison, and/or which could not be found in the case records.

For its part, the CIR manifested that it will no longer present any witness.[29]

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19 Exhibit "P-190", Docket (CTA Case No. 9993) - Vol. II, pp. 345 to 376; Exhibit "P-191", Docket (CTA Case No. 9993) - Vol. III, pp. 1059 to 1066; Minutes of the hearing held on, and Order dated, October 15, 2019, Docket (CTA Case No. 9993) - Vol. III, pp. 1079 to 1084; Exhibit "P-120", Docket (CTA Case No. 10015) - Vol. 2, pp. 551 to 572; Minutes of the hearing held on, and Order dated, November 7, 2019, Docket (CTA Case No. 10015) - Vol. 3, pp. 1244 to 1246.

20 Exhibit "P-195-L", Docket (CTA Case Nos. 9993 & 10015) - Vol. III, pp. 1282 to 1288; Exhibit "P-196", Docket (CTA Case Nos. 9993 & 10015) - Vol. IV, pp. 1729 to 1814; Minutes of the hearing held on, and Order dated, November 4, 2020, Docket (CTA Case Nos. 9993 & 10015) - Vol. III, pp. 1300 to 1303, and 1306 to 1308, respectively; Minutes of the hearing held on, and Order dated, January 27, 2021, Docket (CTA Case Nos. 9993 & 10015) - Vol. IV, pp. 1824 to 1833.

21 *Oath of Commission* dated November 4, 2020, Docket (CTA Case Nos. 9993 & 10015) - Vol. III, p. 1305.

22 Exhibit "P-192", Docket (CTA Case No. 9993) - Vol. III, pp. 1136 to 1147; Minutes of the hearing held on, and Order dated, November 19, 2019, Docket (CTA Case No. 9993) - Vol. III, pp. 1162 to 1164.

23 Exhibit "P-198", Docket (CTA Case Nos. 9993 & 10015) - Vol. III, pp. 1354 to 1370; Minutes of the hearing held on, and Order dated, January 27, 2021, Docket (CTA Case Nos. 9993 & 10015) - Vol. IV, pp. 1824 to 1833.

24 Exhibit "P-199", Docket (CTA Case No. 10015) - Vol. 1, pp. 486 to 495; Minutes of the hearing held on, and Order dated, January 27, 2021, Docket (CTA Case Nos. 9993 & 10015) - Vol. IV, pp. 1828 to 1833.

25 Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) - Vol. III, pp. 1610 to 1698.

26 Docket (CTA Case Nos. 9993 & 10015) - Vol. IV, pp. 1911 to 2003.

27 Docket (CTA Case Nos. 9993 & 10015) - Vol. V, pp. 3065 to 3067.

28 Docket (CTA Case Nos. 9993 & 10015) - Vol. V, pp. 3088 to 3099. Also see Resolution dated October 19, 2022, Docket (CTA Case Nos. 9993 & 10015) - Vol. V, pp. 3156 to 3168.

29 Comment (on Petitioner's Formal Offer of Evidence with Manifestation), Docket (CTA Case Nos. 9993 & 10015) - Vol. V, pp. 3065 to 3067.

Thereafter, the parties filed their respective Memoranda.[30]

The consolidated cases were submitted for decision on December 5, 2022.[31]

Petron Corporation's Arguments

Petitioner argues that its administrative and judicial claims for refund or tax credit were timely filed; that the imported and locally-produced tax-paid Jet A-1 and unleaded gasoline fuel sold and delivered to various international carriers and tax-exempt entities are exempt from excise tax, and any excise tax paid on their removal were erroneously paid; and that petitioner is entitled to a refund or issuance of tax credit certificate in the amount of ₱465,648,057.91, representing erroneous excise taxes paid on petroleum products exempt under Section 135 of the Tax Code.

The CIR's Arguments

The CIR counters that Petron Corporation is liable to pay excise taxes on its manufactured and imported Jet A-1 fuel and unleaded gasoline; that the excise taxes paid for the period from January 1, 2017 to December 31, 2017, in the amount of ₱10,504,805.46 and ₱455,143,252.45, were not erroneously/illegally paid; and that claims for refund of excise taxes paid are authorized only by Section 130(D) of the Tax Code and not by Section 135(C) thereof.

ISSUES

The Court is tasked to ascertain Petron Corporation's entitlement to a refund or credit of alleged erroneously/illegally paid excise taxes on locally-produced and imported fuel it sold subsequently to international carriers and tax-exempt entities. Resolution of this main issue turns upon the following questions: *First*, is Petron Corporation the proper party to request for a refund of excise taxes paid on its petroleum products sold to international carriers?

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30 For respondent, Docket (CTA Case Nos. 9993 & 10015) – Vol. V, pp. 3100 to 3110; For petitioner, Docket (CTA Case Nos. 9993 & 10015) – Vol. V, pp. 3169 to 3230.

31 Minute Resolution dated December 5, 2022, Docket (CTA Case Nos. 9993 & 10015) – Vol. V, p. 3232.

Second, did Petron Corporation file its administrative and judicial claims within the time allowed by the law? *Third*, is the payment of excise taxes paid on manufactured or imported petroleum products but sold subsequently to international carriers or tax-exempt entities erroneous/illegal and, thus, subject to refund? *Fourth*, if the subject excise tax payments on petroleum products had been erroneous/illegal, did Petron Corporation establish its entitlement to a refund thereof?

OUR RULING

The consolidated Petitions for Review are partially granted.

For reasons set out below, We rule that Petron Corporation is the proper party to seek the refund subject of the instant cases, that its administrative and judicial claims had been timely filed, and that the subject excise tax payments had been erroneous/illegal. However, it proved/substantiated its entitlement to a refund or credit only to the extent of ₱459,958,622.12.

Petron Corporation, as the manufacturer/importer, is the proper party to request for a refund of excise taxes paid on its petroleum products sold to international carriers.

We recognize Petron Corporation's standing in lodging the instant claims for refund.

Section 135 of the Tax Code provides:

> SECTION 135. Petroleum Products Sold to International Carriers and Exempt Entities or Agencies. — Petroleum products sold to the following are exempt from excise tax:
>
> (a) International carriers of Philippine or foreign registry on their use or consumption outside the Philippines: Provided, That the petroleum products sold to these international carriers shall be stored in a bonded storage tank and may be disposed of only in accordance with the rules and regulations to be prescribed by the Secretary of Finance, upon recommendation of the Commissioner;

> (b) Exempt entities or agencies covered by tax treaties, conventions and other international agreements for their use or consumption: Provided, however, That the country of said foreign international carrier or exempt entities or agencies exempts from similar taxes petroleum products sold to Philippine carriers, entities or agencies; and
>
> (c) Entities which are by law exempt from direct and indirect taxes.

In the recent case of *Pilipinas Shell Petroleum Corporation vs. Commissioner of Internal Revenue*,[32] the Supreme Court discussed the nature of excise taxes. An excise tax pertains to a levy imposed on specific manufactured or imported goods intended for domestic consumption, rather than being a charge on the exercise of a privilege. As an indirect tax, its legal responsibility falls upon one entity, yet the economic tax burden can be transferred to another. In the context of Petron Corporation's manufacture of petroleum products sold to various entities, the tax liability or the fiscal responsibility for the payment of excise tax remains with Petron Corporation, notwithstanding its capacity to transfer the economic weight or the tax burden, to its consumers. Pertaining to Section 135 of the Tax Code, in instances where petroleum products are vended to tax-exempt entities, it is imperative that the benefit of such exemption aligns with the party actually bearing the tax liability. Consequently, the exemption should appropriately correspond to Petron Corporation, the entity shouldering the fiscal responsibility to settle the tax.

In particular, the Supreme Court explained:

> Based on (a) the nature of excise taxes as a property tax and an indirect tax, and (b) the principle that a buyer, when shouldering the tax burden, does not become the statutory taxpayer, it is thus clear that the purchaser of local products (such as international carriers) cannot be deemed to have been conferred a tax exemption when it has not been imposed a tax liability. In the ordinary course of things, international carriers do not manufacture or import petroleum products and hence, are not statutory taxpayers to which the exemption under Section 135 could pertain. If anything, international carriers merely bear the tax burden when the costs therefor are passed on to them by the actual manufacturers or importers. However, as earlier discussed, the "passing on" of the tax burden is largely a contractual affair between the parties and should not determine the tax incidence imposed by law unless the contrary

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32 G.R. No. 211303, June 15, 2021.

is provided. As such, the tax exemption under Section 135 must correspondingly benefit the one who actually bears the liability to pay the same (i.e., the importers/manufacturers of petroleum products sold to international carriers, among others), and not the one who simply bears the economic burden thereof (i.e., the purchasers of the products, such as international carriers).

Petron Corporation's claims for refund were filed on time.

The basic rule allows the taxpayer seeking a refund or credit of erroneously/illegally collected two (2) years to file a claim therefor, to be counted "**from the date of payment of the tax** or penalty regardless of any supervening cause that may arise after payment to."[33] Applied to the present case, the two (2)-year prescriptive period shall be reckoned from the time Petron Corporation paid the subject excise taxes on its petroleum products. Verily, the statutory deadline for the payment of the excise taxes shall turn upon the manner by which the fuel was brought into existence:[34] whether it was manufactured or imported.

For **locally-produced** fuel, under Section 130(A)(2) of the Tax Code,[35] the payment of excise tax shall be due **before removal thereof from the place of production** (*i.e.*, refinery). In the present case, the earliest removal of petitioner's locally-produced Jet-A1 and unleaded gasoline fuel from its PBR, as per Withdrawal Certificate (WC),[36] was made on **January 1, 2017**, and for which the corresponding excise tax was paid on even date.[37] This allowed Petron Corporation until **January 1, 2019** to file both its administrative and judicial claims for

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33 Section 229, Tax Code.

34 Section 148 of the Tax Code provides, "[t]here shall be collected on refined and manufactured mineral oils and motor fuels, the following excise taxes **which shall attach to the goods hereunder enumerated as soon as they are in existence as such...**" (Emphasis supplied)

35 SECTION 130. Filing of Return and Payment of Excise Tax on Domestic Products. — (A) Persons Liable to File a Return, Filing of Return on Removal and Payment of Tax. — (1) x x x (2) Time for Filing of Return and Payment of the Tax. — Unless otherwise specifically allowed, the return shall be filed and the excise tax paid by the manufacturer or producer before removal of domestic products from place of production: Provided, **That the excise tax on locally manufactured petroleum products and indigenous petroleum levied under Sections 148 and 151(A)(4), respectively, of this Title shall be paid** within ten (10) days from the date of removal of such products for the period from January 1, 1998 to June 30, 1998; within five (5) days from the date of removal of such products for the period from July 1, 1998 to December 31, 1998; and, **before removal from the place of production of such products from January 1, 1999 and thereafter** x x x

36 Exhibits "P-206" to "P-206-2", "P-208", "P-312" to "P-312-1", ICPA USB.

37 Exhibit "P-207", ICPA USB; as per Exhibit "P-8-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. V, p. 2049.

refund relative to excise taxes paid on its locally produced fuel. Thus, its **June 22, 2018**[38] and **December 21, 2018**[39] filings of its claims for refund before the BIR and the Court, respectively, were on time.

On the other hand, for **imported** fuel, under Section 131 of the Tax Code,[40] the payment of excise tax shall be due **before release of the importations from the customs house**. Here, the earliest payment of the excise tax on imported fuel was made on **January 23, 2017**, as per Customs Payment Receipts (CPRs).[41] Counting therefrom, Petron Corporation had until **January 23, 2019** to file its administrative and judicial claims. Likewise, its administrative and judicial claims filed on June 22, 2018[42] and January 23, 2019[43] were timely.

Excise taxes paid on petroleum products sold to international carriers and tax-exempt entities are subject to refund.

At first instance, petroleum manufacturers/importers are liable to pay excise taxes when they take out the fuel from their refineries or from the customs house, as the case may be. However, this liability is qualified by Section 135 of the Tax Code, such that the tax-paid petroleum products become exempt from excise taxes when established that these are sold subsequently to any one of the following: (1) international carriers of Philippine or foreign registry on their use or consumption outside the Philippines (*international carriers*); (2) exempt entities or agencies covered by tax treaties, conventions and other international agreements for their use or consumption (*tax-exempt entities by treaty*); or (3) entities which are by law exempt from direct and indirect taxes (*tax-exempt entities by law*).[44]

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38 Exhibit "P-9-L", Docket (CTA Case Nos. 9993 & 10015) - Vol. IV, p. 2055; and Exhibit "P-8-L", Docket (CTA Case Nos. 9993 & 10015) - Vol. IV, pp. 2048 to 2054.

39 *Petition for Review*, Docket (CTA Case No. 9993) - Vol. IV, pp. 10 to 30.

40 SEC. 131. Payment of Excise Taxes on Imported Articles. — (A) Persons Liable. — Excise taxes on imported articles shall be paid by the owner or importer to the Customs Officers, conformably with the regulations of the Department of Finance and **before the release of such articles from the customs house**, or by the person who is found in possession of articles which are exempt from excise taxes other than those legally entitled to exemption.

41 Exhibits "P-202", "P-202-12 (1/2)" to "P-202-12 (1/2)", ICPA USB.

42 Exhibit "P-20", Docket (CTA Case Nos. 9993 & 10015) - Vol. V, p. 3005; Exhibit "P-19", Docket (CTA Case Nos. 9993 & 10015) - Vol. V, pp. 2999 to 3004.

43 *Petition for Review*, Docket (CTA Case No. 10015) - Vol. 1, pp. 12 to 33.

44 See *Pilipinas Shell Petroleum Corp. v. Commissioner of Internal Revenue*, G.R. No. 211303, June 15, 2021.

When it is shown that the tax-paid petroleum products have become tax-exempt within the context of Section 135 of the Tax Code, the excise taxes which were previously paid thereon shall then be regarded as "erroneously or illegally collected," and, thus, subject to refund pursuant to Section 229 of the Tax Code. [45]

In these lights, a claim of refund or credit based on Sections 229 and 135 of the Tax Code shall be granted only upon proof of the following: *First*, the **excise taxes sought to be refunded were paid** upon removal/release of the petroleum products from the refinery or customs house, as the case may be (First Requisite). *Second*, the petroleum products have become **tax-exempt**, *e.g.*, these have been sold subsequently to any of the above-enumerated groups (Second Requisite).

In the present case, Petron Corporation alleges to have **paid** excise taxes in the aggregate amount of ₱465,648,057.91 relative to *locally-manufactured* and *imported* Jet A-1 and unleaded premium gasoline fuel in the aggregate volume of 126,724,273 liters, which, in turn, it **sold** subsequently to international carriers and tax-exempt entities, summarized[46] as follows:

Docket	Particulars	Customer	Volume (in Liters)	Excise Tax Paid[47]
CTA Case No. 9993	*Locally-produced* Jet A-1 fuel	Various international air carriers for use and consumption outside the Philippines, and tax-exempt entities	1,868,838	₱6,858,635.46
	Unleaded gasoline	Tax-exempt entities	838,200	3,646,170.00
	Subtotal			₱10,504,805.46
CTA Case No. 10015	*Imported* Jet A-1 fuel	Various international air carriers for use and consumption outside the Philippines, and tax-exempt entities	124,017,235	455,143,252.45
	Total		**126,724,273**	**₱465,648,057.91**

Whether Petron Corporation met the *first* and *second requisites* above requires, foremost, an understanding of the movements of fuel

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[45] See *Pilipinas Shell Petroleum Corp. v. Commissioner of Internal Revenue*, G.R. No. 211303, June 15, 2021.

[46] Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) – Vol. III, p. 1626.

[47] Excise tax rate for Jet A-1 fuel and unleaded gasoline fuel is ₱3.67/liter and ₱4.35/liter, respectively.

inventories from source/origin to the end-user and corresponding modes of excise tax payments.

Petron Corporation's system of recording fuel movements and tax payment modes were regular and in accordance with prescribed procedure.

The manner of payment of excise taxes on locally-manufactured petroleum products differs from that made on imported fuel. On this matter, We summarize the testimonies of (a) Ma. Clarissa C. Arguelles, Tax Manager, Petron Corporation,[48] (b) Michael F. Manzano, Commercial Services Manager, Petron Corporation, [49] and (c) Ryan Kris B. Rebong, Stock and Depot Finance Supervisor,[50] in conjunction with the results of the ICPA's verification procedures.[51]

Movements of fuel inventories.

In brief, the Jet A-1 and unleaded gasoline fuel is stored together with locally-produced fuels in the **PBR**, pursuant to Commingling Permit No. ELTRD (P) - 028-12-16-18918.[52] Thereafter, the petroleum products are delivered/transferred to Petron Corporation's **depots**, then to **third-party storage facilities** (e.g., other depots, into-plane facilities (ITPs), refuellers), for delivery to/loading into the **end-consumers**: the international air carriers and/or tax-exempt entities. All such **movements of fuel** are evidenced by the relevant supporting documents (*e.g.*, Official Register Book (ORB) BIR Form No. 261)[53] and recorded in petitioner's books of account (*i.e.*, GL-SAP system).

48 Question & Answer No. 26, Exhibit "P-190", Docket (CTA Case Nos. 9993 & 10015) - Vol. II, pp. 350 to 351.
49 Question & Answer No. 9, Exhibit "P-198", Docket (CTA Case No. 10015) - Vol. 3, pp. 1356 to 1357.
50 Question & Answer No. 9, Exhibit "P-194-L", Docket (CTA Case No. 9993) - Vol. I, pp. 263 to 278.
51 Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) - Vol. III, pp. 1629-1631.
52 Exhibit "P-5", Docket (CTA Case No. 9993) - Vol. I, p. 307; See also Exhibit "P-343-1."
53 BIR Form No. 261, ORB, shows the movements (i.e. incoming and outgoing) of the stocks/petroleum products at the particular registered facilities or locations, which in the case of the Petitioner, are the PBR and the depots. Pursuant to RR No. 13-77 and RMC No. 024-12, oil companies are required to maintain ORBs and submit, on a regular basis, the transcript sheets thereof to the BIR.

Manner of payment of excise taxes on petroleum products.

Petron Corporation pays excise taxes on locally-produced fuel on a daily basis, before removal from its refinery (*i.e.*, PBR) and on imported fuel prior to its release from the customs house. It computes the tax due on Jet A-1 fuel and unleaded gasoline at the rates of ₱3.67 per liter and ₱4.35 per liter, respectively.

For **locally-produced fuels**, Petron Corporation estimates the daily volume of removals from the PBR. Based on this, it computes the amount of excise taxes thereon and provides an allowance of around ₱5 million to ensure that excise tax payments that will fall due in the next two (2) to five (5) days shall be covered. It pays the corresponding excise tax by filing an *Excise Tax Return on alcohol products* (ETR)[54] and uses its Stock Accounting Section (SAS) to file an application for the payment of excise tax through the BIR Electronic Filing and Payment System (eFPS) in accordance with the actual product removals from the PBR. If it determines that the allowance will become insufficient, Petron Corporation makes an advance deposit to the BIR through eFPS.

For **locally-produced Jet A-1 fuel** which will be sold to international air carriers for their use and consumption outside the Philippines, Petron Corporation secures *Product Replenishment Certificates* (PRCs),[55] whereby an outstanding balance of tax credits is set up, which may be applied against excise taxes due on succeeding removals of fuel destined to be sold to international carriers. Before removal, Petron Corporation applies for a *Product Replenishment Debit Memo* (PRDM)[56] to apply the credits and allow the removal of fuel from the PBR without actual cash payment of excise taxes due.

For **imported fuel**, Petron Corporation pays the duties and taxes thereon *via* the Bureau of Customs (BOC)'s e2m system. The importation and payment are evidenced by the Statement of Settlement Duties and Taxes, Single Administrative Documents (SADs), Bill of Lading, Commercial Invoices, CPRs, BOC Certifications for Entry/Certificate of Payment, Certificates of Independent Survey

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54 BIR Form No. 2200-P.
55 BIR Form No. 2298.
56 BIR Form No. 2331.

(CIS), Authority to Release Imported Goods (ATRIG), and Reports of Survey, among others.

Based on Our verification, the above accounts (i.e., on the movements of inventory and on the modes of payment of excise taxes) coincide with the procedures laid out in Revenue Regulations (RR) No. 13-77,[57] RR No. 03-08,[58] Revenue Memorandum Order (RMO) No. 35-02,[59] and Revenue Memorandum Circular (RMC) No. 024-12,[60] and are consistent with those submitted in CTA Case Nos. 9738 & 9741,[61] which similarly dealt with Petron Corporation's judicial claim for refund relative to excise taxes paid on locally-produced and imported fuel. Furthermore, there is nothing on the records that suggests non-compliance on the part of petitioner with the prescribed procedure.

The excise taxes sought to be refunded were duly paid.

Proof of payment of the subject taxes is essential in refund cases because, while the collection of taxes may be found to be illegal or erroneous *in theory*, the claimant cannot be refunded amounts that it did not *actually* pay or remit to the government.

For reasons set out below, We find that Petron Corporation presented sufficient proof relative to the *first requisite*: that the excise taxes it seeks to be refunded (₱465,648,057.91) were **duly paid**.

The subject excise taxes on <u>locally-produced</u> Jet A-1 and Unleaded Gasoline Fuel were duly paid.

The ICPA verified that the excise taxes of the locally-produced Jet A-1 fuel and unleaded gasoline fuels from the PBR transferred to

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57 SUBJECT: Petroleum Products Regulations, October 10, 1977.

58 SUBJECT: Amending Certain Provisions of Existing Revenue Regulations on the Granting of Outright Excise Tax Exemption on Removal of Excisable Articles Intended for Export or Sale/Delivery to International Carriers or to Tax-Exempt Entities/Agencies and Prescribing the Provisions for Availing Claims for Product Replenishment, January 22, 2008.

59 SUBJECT: Prescribing the Guidelines and Procedures in the Processing and Issuance of Authority to Release Imported Goods (ATRIG) for Excise and Value-Added Tax Purposes, October 28, 2002.

60 SUBJECT: Clarifying the Issue on the Maintenance and Submission of Official Register Books on Tax-Paid Petroleum Products Stored on Formerly Bonded Storage Facilities, May 2, 2012.

61 *Petron Corporation v. Commissioner of Internal Revenue*, August 1, 2023.

various depots were paid before removals. It found that, out of the total available balance of 1,571,739,184 liters[62] of Jet A-1 fuel, the total excise taxes due on the removals of the 344,098,741 liters of Jet A-1 fuel from the PBR to the depots were paid. He also noted that on the total production of 2,237,943,397 liters[63] of unleaded gasoline fuel, the removals of 88,031,017 liters of unleaded gasoline fuel from the PBR to the depots were likewise paid.

The result of the aforementioned ICPA's verification[64] is shown below for reference:

- Withdrawal Certificate (WC) vs. ETR[65]

Particulars	Jet A-1 Fuel[66]	Unleaded Gasoline Fuel[67]	Total
Total volume of removals from PBR per WC (in Liters)	344,098,741[68]	88,031,017	
Multiply by: Equivalent Excise Tax Rate per Liter	₱3.67	₱4.35	
Amount of excise tax that should have been paid	₱1,262,842,379.47	₱382,934,923.95	₱1,645,777,303.42
Actual amount of excise tax due and paid on PBR removals per ETR			4,301,898,550.38[69]
Difference			**(₱2,656,121,246.96)**

The ICPA then accounted for the difference of ₱2,656,121,246.96,[70] as follows:

- Removals of Petroleum Products with no Effect on the Claim[71]

Particulars	Volume in Liters (from Table 9)	Equivalent Excise Tax (from Table 10)
1. Removals of Jet A-1 fuel paid thru PRDM/PRC (**marked as Exhibit No. P-209**)	336,402,002	₱1,234,595,347.34
2. Payment of excise tax on unleaded gasoline fuel not related to the claim	(884,369,069)	(3,864,748,302.55)

62 Exhibit "P-205."
63 Exhibit "P-311."
64 Table 10, Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) – Vol. III, pp. 1640 to 1641.
65 Exhibit "P-208."
66 Exhibit "P-206."
67 Exhibit "P-312."
68 Consist of Locally Manufactured Jet A-1 fuel of 188,634,110 liters and Imported Jet A-1 fuel of 155,464,631 liters; See Table 8, Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) – Vol. III, p. 1639.
69 Exhibit "P-208."
70 Tables 9 and 11, Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) – Vol. III, pp. 1640 to 1641.
71 Table 11, Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) – Vol. III, p. 1641.

Particulars	Volume in Liters (from Table 9)	Equivalent Excise Tax (from Table 10)
3. Payment of excise tax on other excisable petroleum products	(91,037,241)	(25,968,291.75)
Total accounted difference	**(639,004,308)**	**(₱2,656,121,246.96)**

Stated differently, ₱1,645,777,303.42[72] out of the total ₱4,301,898,550.38[73] pertains to excise tax payments related to the claim. Having regard to the ICPA's findings vis-à-vis Petron Corporation's compliance with the prescribed procedure on the payment of excise taxes, We find that the excise taxes on locally-produced fuel amounting to ₱10,504,805.46, subject of the present judicial claim, as forming part of the total amount of excise taxes verified to have been duly paid to the BIR.

The subject excise taxes due on <u>importations</u> of Jet A-1 Fuel were duly paid.

According to petitioner, it imported Jet A-1 fuel with a volume of 157,508,472 liters[74] and paid equivalent excise taxes due thereon amounting to ₱579,750,656.02.[75]

In support thereof, Petron Corporation offered the following documents in evidence:

1. BOC SADs;[76]
2. CPRs;[77]
3. BOC Certifications;[78]
4. BIR ATRIGs;[79] and
5. CISs.[80]

These were verified by the ICPA,[81] as summarized below:

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72 Sum of ₱1,262,842,379.47 excise taxes due for Jet A-1 fuel and ₱382,934,923.95 excise taxes due for unleaded gasoline fuel.
73 Exhibits "P-207" and "P-208".
74 Question & Answer No. 15, Exhibit "P-198", Docket (CTA Case No. 10015) -Vol. 3, p. 1363.
75 157,970,206 liters per SAD multiplied by excise tax rate of ₱3.67.
76 Exhibits "P-202-1" to "P-202-11."
77 Exhibits "P-202-12" to "P-202-33."
78 Exhibits "P-202-12" to "P-202-34."
79 Exhibits "P-202-45" to "P-202-55."
80 Exhibits "P-202-56" to "P-202-66."
81 Table 4, Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) – Vol. III, p. 1637.

- Summary of Excise Taxes Paid Based on Importation Documents[82]

BOC Single Administrative Document (SAD) *[Note: the Volume per BL and SAD are the same]*				**CIS**[83]	**ATRIG**		
Exhibit No.	**Date**	**Reference No.**	**Volume in Liters**	**Volume in Liters**	**Exhibit No.**	**Date of Payment**	**Amount of Excise Tax Actually Paid**[84]
"P-202-1"	20 Jan 2017	6WOA1700037	12,609,039	12,589,118	"P-202-45"	9 Feb 2017	₱46,275,173.13
"P-202-2"	8 Feb 2017	6WOA1700060	12,419,301	12,252,855	"P-202-46"	13 Mar 2017	45,578,834.67
"P-202-3"	28 Mar 2017	6WOA1700153	11,413,791	11,303,360	"P-202-47"	3 Apr 2017	41,888,612.97
"P-202-4"	21 Apr 2017	6WOA1700195	16,614,766	16,551,450	"P-202-48"	11 May 2017	60,976,191.22
"P-202-5"	25 Apr 2017	6WOA1700207	16,073,683	16,082,087	"P-202-49"	9 Jun 2017	58,990,416.61
"P-202-6"	3 May 2017	6WOA1700223	11,482,230	11,349,822	"P-202-50"	8 Jun 2017	42,139,784.10
"P-202-7"	11 May 2017	6WOA1700237	16,102,240	16,087,022	"P-202-51"	9 Jun 2017	59,095,220.80
"P-202-8"	22 May 2017	6WOA1700260	15,017,780	14,991,656	"P-202-52"	9 Jun 2017	55,115,252.60
"P-202-9"	22 June 2017	6WOA1700339	15,313,138	15,336,822	"P-202-53"	15 Aug 2017	56,199,216.46
"P-202-10"	25 Sep 2017	6WOA1700529	12,935,829	12,946,993	"P-202-54"	20 Oct 2017	47,474,492.43
"P-202-11"	26 Oct 2017	6WOA1700585	17,988,409	18,017,287	"P-202-55"	23 Nov 2017	66,017,461.03
		TOTAL	**157,970,206**	**157,508,472**		**TOTAL**	**₱579,750,656.02**

Notably, the final volume of 157,508,472 liters per CIS as shown in the table above is considered as the actual and final volume of imported Jet A-1 fuel which will be used in computing the final tax assessments by the BOC.

The ICPA compared[85] the CIS as against the importation documents, *viz.*:

	Per Importation Documents - Final Volume		**Per CIS (Actual Volume Received)**		**Difference**	
Vessel	**US Barrels at 60°F (a)**	**Liters at Air (b)**	**US Barrels at 60°F (c)**	**Liters at Air (d)**	**US Barrels at 60°F (e) = (a) - (c)**	**Liters at Air (f) = (b) - (d)**
Aulac Conifer	79,031,280	12,609,039	78,590,340	12,589,118	440,940	19,921
Aulac Diamond	76,500,000	12,419,301	76,060,070	12,252,855	439,930	166,446
Aulac Fortune	70,414,000	11,413,791	69,964,830	11,303,360	449,170	110,431
Aulac Venus	103,094,000	16,614,766	102,608,600	16,551,450	485,400	63,316
Global Vika	99,908,000	16,073,683	99,579,440	16,082,087	328,560	(8,404)
Aulac Fortune	70,862,000	11,482,230	70,217,940	11,349,822	644,060	132,408
Global Vika	99,929,000	16,102,240	99,635,790	16,087,022	293,210	15,218
Global Vika	93,360,000	15,017,780	93,031,330	14,991,656	328,670	26,124
Maluku Palm	95,069,750	15,313,138	94,966,360	15,336,822	103,390	(23,684)
Rio Daytona	80,396,810	12,935,829	80,329,940	12,946,993	66,870	(11,164)
Flores Palm	111,856,000	17,988,409	111,861,170	18,017,287	(5,170)	(28,878)
Total	**980,420,840**	**157,970,206**	**976,845,810**	**157,508,472**	**3,575,030**	**461,734**

[82] Importation documents consist of SADs (marked as Exhibit Nos. P-202-1 to P-202-11), CPRs (marked as Exhibit Nos. P-202-12 to P-202-33), BOC Certifications (marked as Exhibit Nos. P-202-34 to P-202-44) and BIR ATRIG (marked as Exhibit Nos. P-202-45 to P-202-55)

[83] Exhibits "P-202-56" to "P-202-66."

[84] Based on Volume in Liters per SAD.

[85] Table 5, Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) – Vol. III, p. 1637.

The difference of 461,734 liters between 157,970,206 volume per liters reported in SAD, and the 157,508,472 volume per liters reported in CIS (as shown in the table above), represents overpayment which pertains to the net effect of the movement in volume of the imported Jet A-1 fuel.

In the present case, the volume per CIS is lower than the volume per SAD. Petitioner absorbs the equivalent losses for the overpayment of taxes, as this will not be reflected in the SAD, nor refunded by the BOC to the petitioner. As such, it has no effect on the petitioner's claim for refund.[86]

Based on the foregoing, We have confirmed that (a) the importations subject of the present claim were made between January 1, 2017 to December 31, 2017, and (b) the excise taxes due thereon were paid (*i.e.*, ₱455,143,252.45).

The tax-paid fuel subject of the present claim were sold subsequently to international carriers and tax-exempt entities.

Movements of fuel inventory were properly supported and in accordance with prescribed procedure.

Further verification revealed that 188,634,110 liters and 88,031,017 liters of locally-produced Jet A-1 fuel and unleaded gasoline, respectively, were removed/withdrawn from the PBR and subsequently transferred to various depots; all such movements are in order and properly supported, as shown below:

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[86] Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) – Vol. III, pp. 1637 to 1638.

- WC vs. Removals per PBR-ORB signed by the ROOP, SAP-Generated PBR-ORB, COC/ DN (Volumes in Liters at Air).[87]

Particulars	Jet A-1 Fuel				Unleaded Gasoline Fuel	
	Exh	Related Depots	Other Depots	Total	Exh	Related Depots
Per WC	**P-206**			**344,098,741**	**P-312**	**88,031,017**
Per PBR-ORB – Removals and COC/DN						
Locally Manufactured (CTA Case No. 9993)	**P-205**				**P-311**	
Davao Depot		8,560,072	-	8,560,072		-
Iloilo Depot		5,476,350	-	5,476,350		-
SL Harbor Depot		30,645,043	-	30,645,043		49,429,638
Mactan Depot		79,893,010	-	79,893,010		-
Palawan Depot		2,034,819	-	2,034,819		-
DMIA/Clark Depot		880,000	-	880,000		-
Zamboanga Depot		4,102,348	-	4,102,348		-
Poro Terminal		-	-	-		38,601,379
Others		-	57,042,468	57,042,468		-
		131,591,642	57,042,468	*188,634,110*		*88,031,017*
Imported (CTA Case No. 10015)	**P-205**				-	
Davao Depot		2,134,921	-	2,134,921		-
Iloilo Depot		8,069,483	-	8,069,483		-
Navotas Depot		32,202,467	-	32,202,467		-
Rosario Terminal		1,192,509	-	1,192,509		-
SL Harbor Depot		92,848,311	-	92,848,311		-
Mactan Depot		17,061,555	-	17,061,555		-
Palawan Depot		608,997	-	608,997		-
Others		-	1,346,388	1,346,388		-
		154,118,243	1,346,388	*155,464,631*		-
				344,098,741		**88,031,017**
Difference				**-**		**-**

The total removal/withdrawal of Jet A-1 fuel and unleaded gasoline fuel from the PBR corresponds to the total volume received by various depots, as shown below:

- COC/WC vs. Depot's LS-Receipts and ORB-Receipts for Jet A-1 Fuel (Volume in Liters).[88]

Depots	Per COC/WC – Withdrawals from PBR (Exhibit No. P-205)			Per Depot's LS-Receipts				Per Depot's ORB-Receipts	
	Locally-Produced (CTA Case No. 9993)	Imported (CTA Case No. 10015)	Total	Exh	Gross Volume Received	In-transit Gain (Loss)	Net Volume to be Received	Exh	Volume Received by Depot
Davao	8,560,072	2,134,921	10,694,993	**P-224**	10,694,993	(94,534)	10,600,459	**P-233**	10,600,459
Iloilo	5,476,350	8,069,483	13,545,833	**P-226**	13,545,833	(90,096)	13,455,737	**P-234**	13,455,737
Navotas	-	32,202,467	32,202,467	**P-227**	32,202,467	(108,389)	32,094,078	**P-235**	32,094,078

[87] Table 8, Exhibit "P-197", Docket (CTA Case No. 9993) – Vol. III, p. 1639.
[88] Table 13, Exhibit "P-197", Docket (CTA Case No. 9993) – Vol. III, p. 1643.

	Per COC/WC – Withdrawals from PBR (Exhibit No. P-205)			Per Depot's LS-Receipts				Per Depot's ORB-Receipts	
Depots	**Locally-Produced (CTA Case No. 9993)**	**Imported (CTA Case No. 10015)**	**Total**	**Exh**	**Gross Volume Received**	**In-transit Gain (Loss)**	**Net Volume to be Received**	**Exh**	**Volume Received by Depot**
Rosario	-	1,192,509	1,192,509	**P-228**	1,192,509	(2,521)	1,189,988	**P-236**	1,189,988
SL Harbor	30,645,043	92,848,311	123,493,354	**P-229**	123,493,354	(247,280)	123,246,074	**P-237**	123,246,074
Mactan	79,893,010	17,061,555	96,954,565	**P-230**	96,954,565	(243,817)	96,710,748	**P-238**	96,710,748
Palawan	2,034,819	608,997	2,643,816	**P-231**	2,643,816	(75,716)	2,568,100	**P-239**	2,568,100
Zamboanga	4,102,348	-	4,102,348	**P-232**	4,102,348	(9,601)	4,092,747	**P-240**	4,092,747
	130,711,642	154,118,243	284,829,885		284,829,885	(871,954)	283,957,931		283,957,931
DMIA/Clark	880,000	-	880,000		-	-	-	**P-225**	880,000
Total	**131,591,642**	**154,118,243**	**285,709,885**		**284,829,885**	**(871,954)**	**283,957,931**		**284,837,931**

- COC/WC vs. SRR-Receipts and SAP-PMMT-Receipts for Unleaded Gasoline Fuel (Volume in Liters).[89]

		Per SRR-Receipts				Per SAP-PMMT-Receipts		Difference	
Depot / Type of Locally Manufactured Unleaded Gasoline Fuel	**Per COC/ WC – Withdrawals from PBR (Exhibit No. P-312) (a)**	**Exhibit No.**	**Gross Volume Received (b)**	**In-transit Gain (Loss) (c)**	**Net Volume to be Received (d) = (b) + (c)**	**Exhibit No.**	**Volume Received (e)**	**COC/ WC vs. SRR (f) = (a) - (b)**	**SRR vs. SAP-PMMT (g) = (d) - (e)**
Poro Terminal									
Unleaded (Base) Gasoline Fuel	38,601,379	**P-324**	38,601,379	(130,024)	38,471,355	**P-322/ P-323**	38,471,355	-	-
SL Harbor Depot									
Unleaded (Base) Gasoline Fuel	29,611,359	**P-325**	29,611,359	(109,955)	29,501,404	**P-319**	29,501,404	-	-
Unleaded (Blaze) Gasoline Fuel	19,818,279	**P-326**	19,818,279	(50,229)	19,768,050	**P-320/ P-321**	19,768,050	-	-
Total	**88,031,017**		**88,031,017**	**(290,208)**	**87,740,809**		**87,740,809**	**-**	**-**

Sales and delivery of locally-produced and imported fuel to international carriers and tax-exempt entities had been established.

As discussed above, the excise taxes paid on these petroleum products are refundable only upon proof that these were sold and

[89] Table 14, Exhibit "P-197", Docket (CTA Case No. 9993) – Vol. III, p. 1646.

delivered subsequently to international carriers and tax-exempt entities, as provided under Section 135 of the Tax Code.[90]

In this regard, Petron Corporation alleged that it sold an aggregate volume of **126,724,273** liters of *locally-produced* and *imported* Jet A-1 and unleaded gasoline fuel to various international air carriers and tax-exempt entities. The ICPA verified the volumes, as alleged by petitioner.

The sales of **locally-produced** Jet A-1 and unleaded gasoline fuel at volumes of **1,868,838** and **838,200** liters, respectively, are itemized as follows:[91]

Customer	Jet A-1 Fuel		Unleaded Gasoline Fuel	
	Volume in Liters	**Amount of Excise Taxes Paid at ₱3.67**	**Volume in Liters**	**Amount of Excise Taxes Paid at ₱4.35**
1. International Air Carriers				
Cebu Air, Inc.	21,151	77,624.17		
China Eastern Airlines	242,860	891,296.20		
China Southern Airlines	35,051	128,637.17		
Donghai Jet Co. Ltd	3,834	14,070.78		
Pal Express	928,167	3,406,372.89		
Phil Air Asia	1,203	4,415.01		
Philippine Airlines	8,829	32,402.43		
Click Aviation/Pan Pacific Air	170,158	624,479.86		
Raya Airways Sdn. Bhd.	16,645	61,087.15		
Silk Air	9,349	34,310.83		
Thai Lion C/O World Fuel	14,419	52,917.73		
World Fuel	18,530	68,005.10		
Zest Air	6,150	22,570.50		
Subtotal	1,476,346	₱5,418,189.82	-	-
1. Tax-exempt Entities or Agencies covered by Tax Treaties, Conventions, and Other International Agreements				
Asian Development Bank			660,000	₱2,871,000.00
DESC-Multi Service	379,569	₱1,393,018.23		
Desc-Davao Intl Airport	2,869	10,529.23		
Desc-Mactan Cebu Intl Airp	2,880	10,569.60		
Desc-Multi Service-Iloilo	1,339	4,914.13		
Desc-Multi Service- Puerto Prinsesa	5,835	21,414.45		
Subtotal	392,492	₱1,440,445.64	660,000	₱2,871,000.00
2. Entities which are by law exempt from direct or indirect taxes				
Amilao Diosdado J			102,600	446,310.00

[90] See *Pilipinas Shell Petroleum Corp. v. Commissioner of Internal Revenue*, G.R. No. 211303, June 15, 2021.

[91] Exhibit "P-200."

Customer	Jet A-1 Fuel		Unleaded Gasoline Fuel	
	Volume in Liters	Amount of Excise Taxes Paid at ₱3.67	Volume in Liters	Amount of Excise Taxes Paid at ₱4.35
Omni Aviation Corp. - La Union			75,600	328,860.00
Subtotal	-	-	178,200	₱775,170.00
TOTAL	**1,868,838**	₱6,858,635.46	**838,200**	₱3,646,170.00

In addition, the sales of **imported** Jet A-1 fuel with a volume of **124,017,235** liters are itemized below:

Customer	JET A-1 Fuel	
	Volume in Liters	Amount of Excise Taxes Paid at ₱3.67
Tax-exempt Entities		
DESC-Mactan Cebu International Air[92]	1,212	₱4,448.04
DESC-Multi Service-Laoag[93]	2,207	8,099.69
DESC-Multi Service-Puerto Prinsesa[94]	8,751	32,116.17
Subtotal	12,170	₱44,663.90
International Air Carriers		
Aeg Fuel-T'way Air	257,735	945,887.45
Air Asia Berhad	563,812	2,069,190.04
Air Busan	767,558	2,816,937.86
Air Hongkong	321,517	1,179,967.39
Air Niugini C/O Cosmo Oil	588,105	2,158,345.35
Air Philippines Corp.	60,288	221,256.96
Asiana Airlines	462,658	1,697,954.86
Cathay Pacific	4,169,790	15,303,129.30
Cebu Air, Inc.	44,765	164,287.55
Cebu Pacific	14,277,605	52,398,810.35
China Eastern Airlines	258,489	948,654.63
China Southern Airlines	715,091	2,624,383.97
Delta Airlines	523,568	1,921,494.56
Dragon Air	8,760	32,149.20
Emirates Airlines	8,197,103	30,083,368.01
Etihad Airways	3,702,769	13,589,162.23
Eva Air C/O Cosmo Oil	140,035	513,928.45
Federal Express Corporation	6,847	25,128.49
Gulf Air	2,538,421	9,316,005.07
Hongkong Express C/O World Fuel	24,639	90,425.13
Jeju Air	1,024,089	3,758,406.63
Jin Air	1,425,738	5,232,458.46
Juneyao Airlines C/O Aeg Fuel	119,682	439,232.94
Klm Royal Dutch	38,388	140,883.96
Korean Air	701,004	2,572,684.68
Kuwait Airways	3,488,388	12,802,383.96

[92] Exhibits "P-288-541" and "P-288-957."
[93] Exhibits "P-284-32" and "P-284-35."
[94] Exhibit "P-289-2."

Customer	JET A-1 Fuel	
	Volume in Liters	Amount of Excise Taxes Paid at ₱3.67
Lucky Air C/O Aeg Fuel	149,536	548,797.12
Myanmar National Airline C/O World Fuel	9,862	36,193.54
Neptune Air Sdn Bhd	10,815	39,691.05
Okay Airways	102,868	377,525.56
Oman Air	2,584,863	9,486,447.21
Pal Express	471,359	1,729,887.53
Phil. Air Asia	2,615,995	9,600,701.65
Philippine Airlines	52,313,029	191,988,816.43
Pan Pacific Intl	537,421	1,972,335.07
Qatar Airways	6,018,320	22,087,234.40
Saudi Airlines	9,610,889	35,271,962.63
Scoot Tiger Air	172,253	632,168.51
Shenzhen Airlines C/O World Fuel	40,658	149,214.86
Sichuan Airlines C/O Aeg Fuel	248,750	912,912.50
Silk Air	281,491	1,033,071.97
Singapore Airlines	1,197,840	4,396,072.80
Special Flight Detachment - Russia	106,000	389,020.00
Tiger Airways	48,718	178,795.06
Vanilla Air C/O Wfs	456,457	1,675,197.19
Xiamen Air C/O Wfs	208,119	763,796.73
Zest Air	2,392,978	8,782,229.26
Subtotal	124,005,065	₱455,098,588.55
TOTAL	**124,017,235**	₱455,143,252.45

To engage the application of Section 135 of the Tax Code, the claimant must establish that the *conditions for exemption specific to each group* have been met.

- Sales to International Carriers

For sales to the *international carriers,* it must be shown that (a) vendees are the international carriers of Philippine or foreign registry, (b) the fuel had been sold and delivered to such entities and will be used or consumed outside the Philippines, (c) the fuel were stored in a bonded storage tank, and (d) the fuel had been disposed of in accordance with the rules and regulations.

In this regard, Petron Corporation presented the following documents:

(a) **Civil Aeronautics Board (CAB) Certifications**[95] showing that its customers that are (i) *international carriers of foreign*

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[95] Exhibits "P-341-1 (1/4)" to "P-341-1 (4/4)."

registry have been issued a valid Foreign Air Carrier's Permit (FACP) to operate international air transport services between the Philippines and their country of registration and (ii) *Philippine-registered international carriers*[96] have been issued permit to operate domestic and international air transportation services;[97]

(b) **Aviation Delivery Receipts (ADR)**[98] and **Delivery Notes (DN)**[99] showing that (i) the fuels were delivered to international air carriers or to tax-exempt entities[100] and (ii) the destination of these vendees is a foreign country; and

(c) **Official Register Book (ORB),**[101] **WC,**[102] **Cargo Out-Turn Certificate (COC),**[103] **/STO - Delivery Note (STO-DN),**[104] **Product Movement by Movement Type (PMMT),**[105]

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96 Cebu Air, Inc. (Cebu Pacific Air), Philippine Airlines, Philippines AirAsia, Inc. (formerly Zest Air, Inc./Air Asia Zest), PAL Express (formerly Air Philippines Corporation/Airphil Express), and Astro Air International, Inc. (doing business as Pan Pacific Airlines).

97 Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) – Vol. III, p. 1657.

98 Exhibits "P-280" to "P-289."

99 prepared by petitioner's representative in the depot (i.e., Poro Terminal and SL Harbor Depot) which records the direct delivery of unleaded gasoline fuel to tax-exempt entities, Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) – Vol. III, p. 1635; Exhibits "P-333-1" to "P-333-33", "P-334-1" to "P-334-29", "P-335-1" to "P-335-36."

100 Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) – Vol. III, p. 1642.

101 Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) – Vol. III, 1632; Question & Answer Nos. 11 to 13, Exhibit "P-194-L", Docket (CTA Case No. 9993) – Vol. I, pp. 266 to 267; BIR Form No. 261, Exhibits "P-203-1" to "P-203-12;" Exhibits "P-205-1" to "P-205-13;" Exhibits "P-225-1" to "P-225-3", "P-233-1" to "P-233-8", "P-234-1" to "P-234-8", "P-235-1" to "P-235-6", "P-236-1", "P-237-1" to "P-237-11", "P-238-1" to "P-238-11", "P-239-1" to "P-239-6", "P-240-1" to "P-240-4", "P-250-1" to "P-250-5", "P-253-1" to "P-253-3", "P-254-1" to "P-254-3", "P-256-1", "P-257-1" to "P-257-4", "P-258-1" to "P-258-9."

102 BIR Form No. 2231, Exhibits "P-206-1" to "P-206-177"; "P-312-1" to "P-312-79."

103 SAP-generated internal document prepared at the PBR which support the recording of removals of locally manufactured and imported Jet A-1 fuels and locally manufactured unleaded gasoline fuel in the petitioner's SAP-generated ORB and General Ledger (GL)-SAP, Exhibits "P-205-14" to "P-205-149", "P-205-164" to "P-205-166", "P-205-171", "P-205-173" to "P-205-201", "P-205-204"; "P-311-1" to "P-311-79;" Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) – Vol. III, pp. 1631 to 1632; Question & Answer No. 20, Exhibit "P-194-L", Docket (CTA Case No. 9993) – Vol. I, pp. 269 to 270.

104 Exhibits "P-205-150" to "P-205-163", "P-205-167" to "P-205-170", "P-205-172", "P-205-202" to "P-205-203", "P-271-1-1" to "P-271-1-134", "P-271-2-1" to "P-271-2-987", "P-271-3-1" to "P-271-3-862", "P-271-4-1" to "P-271-4-2007", "P-271-5-1" to "P-271-5-454", "P-271-6-1" to "P-271-6-322", "P-271-7-1" to "P-271-7-136", "P-271-8-1" to "P-271-8-738", "P-271-9-1" to "P-271-9-891."

105 Supports the recording in the GL-SAP System of locally manufactured Jet A-1 fuel and unleaded gasoline fuel and imported Jet A-1 fuel directly transferred from the PBR to various depots, Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) – Vol. III, p. 1631; Exhibits "P-213-1-1" to "P-213-1-15", "P-214-1-1" to "P-214-1-372", "P-215-1-1" to "P-215-1-495", "P-216-1-1" to "P-216-1-408", "P-217-1-1" to "P-217-1-428", "P-218-1-1" to "P-218-1-1036", "P-219-1-1" to "P-219-1-32", "P-220-1-1" to "P-220-1-3392", "P-221-1-1" to "P-221-1-973", "P-222-1-1" to "P-222-1-56", "P-223-1-1" to "P-223-1-169."

Liquidation Statement (LS),[106] **Schedule of Receipts and Removals (SRR),**[107] **Cargo Intake Certificate (CIC),**[108] **Summary of Product Deliveries and Taxes Paid or Applicable Thereon (SOPD),**[109] showing that subject fuel was stored, transferred, and disposed of, with all such movements accounted for, in accordance with the applicable regulations.

- Sales to Tax-Exempt Entities

For sales to *tax-exempt entities by treaty*, the claimant must establish (a) the vendee's tax-exempt status under the applicable tax treaty, convention, or international agreement, (b) the sale and delivery of fuel to and for consumption of these entities, and (c) the vendee's home country's grant of similar tax exemption relative to sales of petroleum products to Philippine carriers. As to sales to the *tax-exempt entities by law*, it must be shown that the vendees enjoy exemption from direct and indirect taxes.

For this purpose, petitioner submitted the following documents:

(a) **Department of Foreign Affairs (DFA) Certifications,**[110] **CAB Certifications,**[111] and **Air Services Agreements**

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106 Prepared by the depot on a daily basis to account for the movement of every shipment or receipt of Jet A-1 fuel (inventories) and its corresponding deliveries to another facility (i.e., SL Harbor depot to Laoag Into-Plane (ITP) and JOCASP/NAIA depot, Rosario Terminal and Navotas depot to JOCASP/NAIA depot, Palawan and Mactan depots directly to customers, Iloilo depot to Kalibo ITP, Bacolod ITP and Iloilo ITP, and Zamboanga depot to Zamboanga refueller) or sales to international air carriers and to tax-exempt entities, Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) - Vol. III, p. 1633; Exhibits "P-224-1" to "P-224-10", "P-242-1" to "P-242-3", "P-226-1" to "P-226-12", "P-227-1" to "P-227-23", "P-228-1", "P-229-1" to "P-229-85", "P-230-1" to "P-230-50", "P-231-1" to "P-231-7", "P-232-1" to "P-232-4", "P-242-1" to "P-242-3", "P-259-1" to "P-259-10", "P-260-1" to "P-260-7", "P-261-1" to "P-261-11", "P-262-1" to "P-262-23", "P-263-1", "P-264-1" to "P-264-65","P-265-1" to "P-265-29", "P-266-1" to "P-266-4", "P-267-1" to "P-267-41."

107 Used to account for the movement of every shipment of unleaded (base) gasoline fuel by the Poro terminal and SL Harbor depot, Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) - Vol. III, p. 1633; Exhibits "P-324-1" to "P-324-12", "P-325-1" to "P-325-12", "P-326-1" to "P-326-12."

108 SAP-generated internal control document prepared at the PBR and supports the recording of the transaction in the PBR-ORB and in the GL, which records the movement of imported Jet A-1 fuel, Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) - Vol. III, p. 1631; Exhibits "P-204-1" to "P-204-11."

109 SAP-generated document where petitioner summarizes all withdrawals made during the day, Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) - Vol. III, p. 1632; Exhibits "P-208-1" to "P-208-173."

110 Exhibits "P-341-2 (1/4)" to P-341-2 (4/4).

111 Exhibit "P-88", Docket (CTA Case Nos. 9993 & 10015) - Vol. II, pp. 689 to 692.

and/or other **Agreements between the Republic of the Philippines and the international carriers' home countries**[112] showing the existence of valid and effective bilateral agreements in 2017, which grants (i) the subject entities tax-exempt status and (ii) Philippine carriers, entities, or agencies a similar tax exemption; and

(b) **ADRs**[113] showing that the subject fuel were delivered to said entities, for their consumption.

Observations

After verifying[114] the above-enumerated documents, We have observed the following:

(1) Locally-produced Jet A-1 fuel with a volume of 53,428 liters and corresponding excise tax payments of ₱196,080.76 were sold to the following international carriers *without a valid FACP*,[115] to wit:

International Air Carrier	Volume in Liters	Amount of Excise Taxes Paid at ₱3.67
Donghai Jet Co. Ltd	3,834	₱14,070.78
Raya Airways Sdn. Bhd.	16,645	61,087.15
Thai Lion C/O World Fuel	14,419	52,917.73
World Fuel	18,530	68,005.10
Total	**53,428**	**₱196,080.76**

112 Exhibits "P-91-L" and "P-91-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. IV, pp. 2401 to 2413; Exhibits "P-92-L" and "P-92-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. IV, pp. 2414 to 2426; Exhibits "P-93-L" and "P-93-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. IV, pp. 2427 to 2446; Exhibits "P-94-L" and "P-94-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. IV, pp. 2447 to 2458; Exhibits "P-95-L" and "P-95-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. IV, pp. 2459 to 2483; Exhibits "P-96-L" and "P-96-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. IV, pp. 2484 to 2499; Exhibits "P-97-L" and "P-97-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. IV, pp. 2500 to 2515; Exhibits "P-98-L" and "P-98-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. IV, pp. 2516 to 2527; Exhibit "P-107-L" and "P-107-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. V, pp. 2618 to 2649; Exhibits "P-99-L" and "P-99-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. IV, pp. 2528 to 2540; Exhibits "P-100-L" and "P-100-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. IV, pp. 2541 to 2553; Exhibits "P-101-L" and "P-101-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. IV, pp. 2554 to 2570; Exhibit "P-102", Docket (CTA Case Nos. 9993 & 10015) – Vol. II, pp. 863 to 867; Exhibits "P-103-L" and "P-103-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. V, pp. 2572 to 2584; Exhibits "P-104-L" and "P-104-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. V, pp. 2585 to 2597; Exhibits "P-105-L" and "P-105-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. V, pp. 2598 to 2611; Exhibits "P-106-L" and "P-106-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. V, pp. 2613 to 2617; Exhibits "P-108-L" and "P-108-A-L", Docket (CTA Case Nos. 9993 & 10015) – Vol. V, pp. 2650 to 2673.

113 See Note 98.

114 ICPA verification procedures and the Court's independent verification.

115 Table 22: International Air Carriers not traced to CAB Certification, Exhibit "P-197," Docket (CTA Case Nos. 9993 & 10015) – Vol. III, p. 1658.

(2) Sales of locally-produced Jet A-1 fuel with a volume of 78,949 liters and corresponding excise tax payments of ₱289,742.83 to Defense Energy Support Center (DESC), which petitioner regards as a tax-exempt entity, are supported by ADRs with *unreadable details* (i.e., customer name), to wit:

Exhibit No.	ADR No.	Volume in Liters	Amount of Excise Taxes Paid at ₱3.67
"P-285-1"	969810	912	₱3,347.04
"P-285-7"	969839	2,121	7,784.07
"P-285-9"	969845	1,176	4,315.92
"P-285-10"	969866	11,653	42,766.51
"P-285-11"	969870	1,755	6,440.85
"P-285-12"	969873	3,073	11,277.91
"P-285-20"	969909	7,506	27,547.02
"P-285-22"	969916	1,737	6,374.79
"P-285-26"	969922	2,400	8,808.00
"P-285-57"	1014148	2,200	8,074.00
"P-285-58"	1014137	1,049	3,849.83
"P-285-59"	1014140	2,572	9,439.24
"P-285-72"	1014205	1,461	5,361.87
"P-285-73"	1014207	3,629	13,318.43
"P-285-74"	1014210	1,991	7,306.97
"P-285-77"	1014218	2,624	9,630.08
"P-285-81"	1014228	2,311	8,481.37
"P-285-82"	1014227	1,940	7,119.80
"P-285-86"	1014235	1,776	6,517.92
"P-285-87"	1014240	889	3,262.63
"P-285-88"	1014243	2,396	8,793.32
"P-285-112"	1014308	965	3,541.55
"P-285-115"	1014324	732	2,686.44
"P-285-123"	1014347	1,353	4,965.51
"P-285-147"	1014405	367	1,346.89
"P-285-191"	1064632	1,465	5,376.55
"P-285-192"	1064650	1,396	5,123.32
"P-285-193"	1064659	1,287	4,723.29
"P-285-194"	1064664	423	1,552.41
"P-285-197"	1064672	1,405	5,156.35
"P-285-203"	1064721	1,790	6,569.30
"P-285-207"	1064735	931	3,416.77
"P-285-211"	1064750	1,350	4,954.50
"P-285-213"	1064754	411	1,508.37
"P-285-215"	1064762	1,334	4,895.78
"P-285-218"	1064788	2,397	8,796.99
"P-285-220"	1064819	1,869	6,859.23
"P-285-221"	1064818	446	1,636.82
		77,092	₱282,927.64
"P-288-542"	1061819	583	₱2,139.61
"P-288-543"	1062421	508	1,864.36
"P-288-854"	1076767	766	2,811.22
		1,857	₱6,815.19
	Total	**78,949**	**₱289,742.83**

(3) The tax-exempt status of Diosdado Amilao and Omni Aviation Corporation, to which sales of locally-produced unleaded gasoline with an aggregate volume of 178,200 liters and equivalent excise taxes amounting to ₱775,170.00 were made, was not established.

(4) Imported Jet A-1 fuel with a volume of 671,833 liters and equivalent excise taxes of ₱2,465,627.11 were sold and delivered to the following international carriers *without a valid FACP*, to wit:

International Air Carrier	Volume in Liters	Amount of Excise Taxes Paid at ₱3.67
ICPA's findings		
Lucky Air C/O Aeg Fuel	149,536	₱548,797.12
World Fuel		
1. Hongkong Express C/O World Fuel	6,331	23,234.77
2. Hongkong Express C/O World Fuel	18,308	67,190.36
3. Myanmar National Airline C/O World Fuel	9,862	36,193.54
4. Neptune Air Sdn Bhd	10,815	39,691.05
5. Shenzhen Airlines C/O World Fuel	40,658	149,214.86
Special Flight Detachment - Russia	106,000	389,020.00
Subtotal	341,510	₱1,253,341.70
Per Court's independent verification		
Juneyao Airlines C/O Aeg Fuel	119,682	₱439,232.94
Klm Royal Dutch	38,388	140,883.96
Scoot Tiger Air	172,253	632,168.51
Subtotal	330,323	₱1,212,285.41
Total	**671,833**	**₱2,465,627.11**

(5) Sales of imported Jet A-1 fuel with a volume of 260,144 liters and corresponding excise tax payments of ₱954,728.48 are supported by ADRs with *unreadable details* (i.e., destination), to wit:

Exhibit No.	ADR No.	International Carrier	Destination	Volume	Amount of Excise Taxes Paid at ₱3.67
"P-282-67"	1009236	PAL Express	CSX	1,743	₱6,396.81
"P-282-75"	1009256	Phil. Air Asia	HGH	11,021	40,447.07
"P-282-103"	1009306	PAL	CTU	14,534	53,339.78
"P-282-150"	1035072	Phil. Air Asia	PUS	10,530	38,645.10
"P-282-161"	1035093	PAL	PUS	7,990	29,323.30
"P-282-165"	1035092	Phil. Air Asia	ICN	12,595	46,223.65
"P-282-185"	1035110	Cebu Pacific Air	PVG	15,380	56,444.60
"P-282-205"	1035132	Cebu Pacific Air	ICN	14,116	51,805.72
"P-282-213"	1035157	PAL	ICN	7,018	25,756.06

Exhibit No.	ADR No.	International Carrier	Destination	Volume	Amount of Excise Taxes Paid at ₱3.67
"P-282-225"	1035159	Cebu Pacific Air	PVG	13,375	49,086.25
"P-282-228"	1035168	PAL	PUS	5,770	21,175.90
"P-282-235"	1035188	Phil Air Asia Intl	PVG	5,970	21,909.90
"P-282-237"	1035178	Cebu Pacific	PEK	18,010	66,096.70
"P-282-242"	1035184	PAL	ICN	6,710	24,625.70
"P-282-254"	1035198	PAL	ICN	13,972	51,277.24
"P-282-261"	1035215	Phil Air Asia	ICN	2,190	8,037.30
"P-282-276"	1035221	Phil Air Asia	PVG	9,637	35,367.79
"P-282-282"	1035238	Cebu Pacific Air	ICN	9,914	36,384.38
"P-282-283"	1035239	Cebu Pacific Air	ICN	4,020	14,753.40
"P-282-299"	1035273	Phil Air Asia	HGH	405	1,486.35
"P-282-326"	1035906	Cebu Pacific	PVG	13,340	48,957.80
"P-282-490"	1070136	PAL Intl	PUS	7,855	28,827.85
"P-282-595"	1070245	PAL Express Intl	CTU	1,296	4,756.32
"P-282-596"	1070247	PAL	ICN	9,740	35,745.80
"P-282-729"	1071851	Phil Air Asia	HGH	1,822	6,686.74
			Sub-total	218,953	₱803,557.51
"P-283-793"	1044372	Cebu Pacific	Kuala Lumpur	13,859	50,862.53
"P-283-2521"	1050005	Cebu Pacific	Hanoi	15,473	56,785.91
			Sub-total	29,332	₱107,648.44
"P-286-132"	1066764	PAL Express		11,859	43,522.53
			Total	**260,144**	**₱954,728.48**

(6) Imported Jet A-1 fuel with a volume of 269,725 liters and corresponding excise tax payments amounting to ₱989,890.75 were sold and in January 2018 and, thus, *out-of-period*:

Sales Invoices					**Aviation Delivery Receipts**		
Exh	**SI No.**	**Customer**	**Vol.**	**Amount of Excise Taxes Paid at ₱3.67**	**Exh**	**ADR No.**	**Vol.**
"P-292-85"	1009571089	Pan Pacific Intl	61,899	₱227,169.33	"P-282-752"	1107846	4,762
					"P-282-753"	1107851	14,150
					"P-282-754"	1107852	520
					"P-282-755"	1107855	1,280
					"P-282-761"	1107864	11,907
					"P-282-762"	1107878	15,261
					"P-282-763"	1107879	14,019
			61,899	**₱227,169.33**			**61,899**
"P-292-86"	1009571119	Okay Airways	23,760	87,199.20	"P-282-756"	1107848	8,820
					"P-282-764"	1107871	14,940
			23,760	**₱87,199.20**			**23,760**
"P-292-87"	1009573501	Jin Air Co., Ltd.	13,190	48,407.30	"P-282-765"	1107872	13,190
			13,190	**₱48,407.30**			**13,190**
"P-292-88"	1009571077	Cebu Pacific-Intl	47,056	172,695.52	"P-282-766"	1107853	14,554
					"P-282-767"	1107873	14,132
					"P-282-768"	1107885	18,370
			47,056	**₱172,695.52**			**47,056**
"P-292-89"	1009571080	PAL Express	18,838	69,135.46	"P-282-757"	1107847	2,460
					"P-282-758"	1107850	15,021
					"P-282-769"	1107876	1,357

Sales Invoices					**Aviation Delivery Receipts**		
Exh	**SI No.**	**Customer**	**Vol.**	**Amount of Excise Taxes Paid at ₱3.67**	**Exh**	**ADR No.**	**Vol.**
			18,838	**₱69,135.46**			**18,838**
"P-292-90"	1009571084	Philippine Airlines	41,450	152,121.50	"P-282-759"	1107849	10,682
					"P-282-760"	1107856	4,210
					"P-282-770"	1107858	3,178
					"P-282-771"	1107866	6,600
					"P-282-772"	1107868	6,540
					"P-282-773"	1107882	10,240
			41,450	**₱152,121.50**			**41,450**
"P-292-91"	1009571094	Zest Air	58,301	213,964.67	"P-282-774"	1107857	13,830
					"P-282-775"	1107859	11,510
					"P-282-776"	1107863	10,501
					"P-282-778"	1107870	10,720
					"P-282-779"	1107883	11,740
			58,301	**₱213,964.67**			**58,301**
"P-292-93"	1009573537	Air Asia Berhad	5,231	19,197.77	"P-282-781"	1107875	5,231
			5,231	**₱19,197.77**			**5,231**
		Total	**269,725**	**₱989,890.75**		**TOTAL**	**269,725**

(7) Imported Jet A-1 fuel issued by SL Harbor to JOCASP/NAIA depot[116] was *overstated* by a volume of 4,958 liters with equivalent excise tax payments of ₱18,195.86.[117]

For the foregoing reasons, the Court **disallows Items 1 to 7 above** from the present claim.

Summary

Thus, in sum, We find that Petron Corporation has substantiated its claim to the extent of **₱459,958,622.12**, representing excise tax payments for petitioner's locally produced Jet A-1 fuel and unleaded gasoline, and excise taxes paid for its importations of Jet A-1 fuel, computed as follows:

Particulars	**Vol.**	**Equivalent Excise Tax**	**Vol.**	**Equivalent Excise Tax**	**Total**
Total Claim for Refund	2,707,038	₱10,504,805.46	124,017,235	₱455,143,252.45	₱465,648,057.91
Less: Disallowances					
International Carriers without valid FACP	53,428	196,080.76	671,833	2,465,627.11	2,661,707.87
ADRs with unreadable details			260,144	954,728.48	954,728.48

116 Exhibit "P-264."

117 See Table 16: Depot LS-Issuances vs. SAP PMMT-Issuances and Depot/ITP/Refueller LS-Receipts (Volume in Liters), Exhibit "P-197", Docket (CTA Case Nos. 9993 & 10015) – Vol. III, p. 1649.

Particulars	Vol.	Equivalent Excise Tax	Vol.	Equivalent Excise Tax	Total
Sale to DESC supported by ADRs with unreadable details	78,949	289,742.83			289,742.83
Sale to taxable entities					
• Amilao Diosdado J.	102,600	446,310.00			446,310.00
• Omni Aviation Corp.	75,600	328,860.00			328,860.00
Over-recording by JOCASP/NAIA of imported Jet A-1 fuel received from SL Harbor Depot			4,958	18,195.86	18,195.86
Out-of-period sale of imported Jet A-1 fuel			269,725	989,890.75	989,890.75
Total Disallowances	**310,577**	**₱1,260,993.59**	**1,206,660**	**₱4,428,442.20**	**₱5,689,435.79**
Total Substantiated Excise Taxes Paid	**1,588,261**	**₱5,597,641.87**	**122,810,575**	**₱450,714,810.25**	**₱459,958,622.12**

WHEREFORE, in light of the foregoing considerations, the consolidated Petitions for Review filed by Petron Corporation are **PARTIALLY GRANTED**. Respondent Commissioner of Internal Revenue is **ORDERED** to refund or issue a tax credit certificate in favor of petitioner in the reduced amount of **₱459,958,622.12** representing erroneously paid excise taxes on petroleum products sold to international carriers and tax-exempt entities between January 1, 2017 to December 31, 2017.

SO ORDERED.

Marian Ivy F Reyes-Fajardo
MARIAN IVY F. REYES-FAJARDO
Associate Justice

WE CONCUR:

ROMAN G. DEL ROSARIO
Presiding Justice

(Inhibited)
CATHERINE T. MANAHAN
Associate Justice

CERTIFICATION

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

ROMAN G. DEL ROSARIO
Presiding Justice