REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

FIRST DIVISION

PROCTER & GAMBLE INTERNATIONAL OPERATIONS SA-ROHQ, *Petitioner,*	**CTA CASE Nos. 9768 & 9829**
	Members:
- versus -	**DEL ROSARIO,** *P.J., Chairperson,* **MANAHAN,** *and* **REYES-FAJARDO,** *JJ.*
COMMISSIONER OF INTERNAL REVENUE, *Respondent.*	Promulgated: OCT 05 2022 11:28 am

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DECISION

REYES-FAJARDO, *J.*:

The consolidated *Petitions for Review* respectively filed on February 14, 2018 and April 30, 2018, by petitioner Procter & Gamble International Operations SA-ROHQ against respondent Commissioner of Internal Revenue, seek the refund of the total amount of Fifty-One Million Seven Hundred Forty-Two Thousand Seven Hundred Two Pesos and Twenty Centavos (₱51,742,702.20), representing its alleged excess and unutilized input VAT on the purchases of goods and services attributable to zero-rated sales for the period covering July 1, 2015 to September 30, 2015, and October 1, 2015 to December 31, 2015, detailed as follows:[1]

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1 Statement of the Case, Pre-Trial Order dated February 19, 2019, Docket (CTA Case No. 9768) – Vol. IV, p. 2171; Statement of the Case, Amended Pre-Trial Order dated June 7, 2019, Docket (CTA Case No. 9768) – Vol. VII, p. 4324.

CTA Case No.	Period Covered	Amount of Claim
9768	July 1, 2015 to September 30, 2015 (1st quarter of fiscal year (FY) 2016)	₱37,374,865.93
9829	October 1, 2015 to December 31, 2015 (2nd quarter of FY 2016)	₱14,367,836.27
	Total	₱51,742,702.20

FACTS

Petitioner is the Philippine Regional Operating Headquarters (ROHQ) of a multinational company organized and existing under and by virtue of the laws of Switzerland. Petitioner is licensed by the Securities and Exchange Commission (SEC) to transact business in the Philippines under SEC Registration No. FS201104304 dated March 24, 2011, with registered office address at 11th Floor, Net Park, 5th Avenue, Crescent Park West, Bonifacio Global City, Taguig 1634.[2] It is registered with the Bureau of Internal Revenue, as a VAT taxpayer, with Tax Identification Number (TIN) 406-931-778-00000.

On the other hand, respondent is the duly appointed Commissioner of Internal Revenue vested under the appropriate laws with the authority to carry out the functions, duties, and responsibilities of said office, including *inter alia*, the duty to act upon and approve claims for refund pursuant to the provisions of the National Internal Revenue Code (NIRC) of 1997, as amended, and other tax laws, rules, and regulations. Respondent holds office at the BIR National Office Building, BIR Road, Diliman, Quezon City.[3]

On September 18, 2017, petitioner filed with the BIR-Large Taxpayers Services Regular Audit Division (BIR-LTRAD), an administrative claim for refund of and/or the issuance of tax credit certificate (TCC) of its unutilized input VAT attributable to zero-rated sales of service during the 1st quarter of FY 2016 covering the period

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[2] Par. 1, Stipulation of Facts, *Joint Stipulation of Facts and Issues* (JSFI), Docket (CTA Case No. 9768) - Vol. IV, p. 2108.

[3] Par. 2, Stipulation of Facts, *Joint Stipulation of Facts and Issues* (JSFI), Docket (CTA Case No. 9768) - Vol. IV, p. 2108.

from July 1, 2015 to September 30, 2015, in the total amount of ₱37,374,865.93.[4]

On December 5, 2017, petitioner also filed with the BIR-LTRAD an administrative claim for the refund and/or issuance of tax credit certificate for its unutilized input VAT attributable to zero-rated sales of service during the 2nd quarter of FY 2016 covering the period from October 1, 2015 to December 31, 2015, in the total amount of ₱14,367,836.27.[5]

Respondent has neither approved nor denied its administrative claim for refund for the period covering July 1, 2015 to September 30, 2015.

On April 2, 2018, petitioner received respondent's letter dated March 5, 2018,[6] denying its administrative claim for refund or issuance of TCC for the period covering October 1, 2015 to December 31, 2015.

CTA Case No. 9768:

On February 14, 2018, alleging inaction, petitioner filed a *Petition for Review*,[7] which was raffled to the Court's Second Division.

On April 26, 2018, respondent filed an *Answer*.[8]

On June 1, 2018, respondent filed her *Pre-Trial Brief*;[9] while on June 4, 2018, petitioner filed its *Pre-Trial Brief*[10] and its *Omnibus Motion (I. Motion to Consolidate Cases; and II. Motion To Defer Pre-Trial Conference)*.[11]

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4 Exhibits "P-9" and "P-9.1", Docket (CTA Case No. 9768) - Vol. VI, pp. 4237 to 4246.
5 Exhibits "P-9.3" and "P-9.4", Docket (CTA Case No. 9768) - Vol. VI, pp. 4248 to 4255.
6 Exhibit "P-12", Docket (CTA Case No. 9768) - Vol. VI, pp. 4301 to 4303.
7 Docket (CTA Case No. 9768) - Vol. I, pp. 10 to 21.
8 Docket (CTA Case No. 9768) - Vol. I, pp. 103 to 109.
9 Docket (CTA Case No. 9768) - Vol. I, pp. 145 to 147.
10 Docket (CTA Case No. 9768) - Vol. I, pp. 149 to 159.
11 Docket (CTA Case No. 9768) - Vol. I, pp. 161 to 165.

CTA Case No. 9829:

On April 30, 2018, petitioner filed a *Petition for Review*,[12] which was raffled to the Court's Third Division.

On June 4, 2018, petitioner filed a *Motion to Consolidate*,[13] CTA Case No. 9829 with CTA Case No. 9768.

In the Resolution dated August 22, 2018, the Court's Third Division granted petitioner's *Motion to Consolidate*, and the present cases were consolidated, subject to the conformity of the Court's Second Division.[14]

On August 24, 2018, respondent filed her *Answer*.[15]

On August 30, 2018, respondent submitted the *BIR Records* of this case.[16]

Consolidated CTA Case Nos. 9768 and 9829:

In the Resolution dated September 4, 2018,[17] the Court stated that the Court's Second Division has no objection to the Resolution of the Court's Third Division consolidating CTA Case No. 9829 with CTA Case No. 9768, the case bearing the lower number.

In view of the reorganization of the three (3) Divisions of the Court, pursuant to CTA Administrative Circular No. 02-2018 dated September 18, 2018, the consolidated cases were transferred to the First Division of this Court.[18]

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12 Docket (CTA Case No. 9829), pp. 10 to 21.

13 Docket (CTA Case No. 9829), pp. 99 to 103.

14 Docket (CTA Case No. 9768) – Vol. I, p. 183; Docket (CTA Case No. 9829), p. 127.

15 Docket (CTA Case No. 9829), pp. 128 to 135.

16 *Compliance* dated August 29, 2018, Docket (CTA Case No. 9768) – Vol. I, pp. 185 to 186.

17 Docket (CTA Case No. 9768) – Vol. I, pp. 190 to 191.

18 Order dated September 24, 2018, Docket (CTA Case No. 9768) – Vol. I, p. 205.

On September 21, 2018, petitioner filed its *Pre-Trial Brief*,[19] while on November 8, 2018, respondent filed her *Consolidated Pre-Trial Brief*.[20]

On November 15, 2018 , the *Pre-Trial Conference* was held.[21]

On December 5, 2018, the parties filed their *Joint Stipulation of Facts and Issues*,[22] which the Court approved in the Resolution dated December 20, 2018.[23]

On February 19, 2019, the Court issued the Pre-Trial Order.[24]

During trial, petitioner presented Mr. Carlos Ben C. Ignacio,[25] petitioner's Comptroller and Compliance Manager; and Mr. Jay A. Ballesteros,[26] the Court-commissioned Independent Certified Public Accountant (ICPA).[27]

The Report of the ICPA was submitted on March 22, 2019.[28]

On May 16, 2019, petitioner filed its *Formal Offer of Evidence*,[29] to which respondent filed her *Comment (on Petitioner's Motion to Amend Pre-Trial Order)* on May 22, 2019.[30]

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19 Docket (CTA Case No. 9768) - Vol. I, pp. 193 to 204.
20 Docket (CTA Case No. 9768) Docket - Vol. III, pp. 2038 to 2041.
21 Notice of Pre-Trial Conference dated October 12, 2018, Docket (CTA Case No. 9768) Docket - Vol. III, pp. 2038 to 2042; Minutes of the hearing held on, and Order dated, November 15, 2018, Docket (CTA Case No. 9768) - Vol. IV, pp. 2088 to 2097.
22 Docket (CTA Case No. 9768) - Vol. IV, pp. 2103 to 2117.
23 Docket (CTA Case No. 9768) - Vol. IV, p. 2119.
24 Docket (CTA Case No. 9768) - Vol. IV, pp. 2171 to 2197.
25 Exhibit "P-31", Docket (CTA Case No. 9768) - Vol. I, pp. 210 to 242; Minutes of the hearing held on, and Order dated, February 19, 2019, Docket (CTA Case No. 9768) - Vol. IV, pp. 2198 to 2202.
26 Exhibit "P-23", Docket (CTA Case No. 9768) - Vol. IV, pp. 2238 to 2272; Minutes of the hearing held on, and Order dated, April 2, 2019, Docket (CTA Case No. 9768) - Vol. IV, pp. 2273 to 2277.
27 *Oath of Commission* dated February 21, 2019; Minutes of the hearing held on, and Order dated, February 21, 2019, Docket (CTA Case No. 9768) - Vol. IV, pp. 2204 to 2206, and 2208 to 2209, respectively.
28 Exhibit "P-22".
29 Docket (CTA Case No. 9768) - Vol. V, pp. 2301 to 2341.
30 Docket (CTA Case No. 9768) - Vol. VI, pp. 4314 to 4317.

In the Resolution dated August 15, 2019,[31] the Court admitted petitioner's offered exhibits, except for the following:

1. Exhibits "P-4," "P-6.5," "P-6.7," "P-6.8," "P-6.10," "P-6.22," "P-6.23," "P-7.22," "P-7.23," "P-21.9," and "P-21.12," for failure to present their originals for comparison; and
2. Exhibits "P-6.42," "P-20-26," "P-20-27," "P-20-47," "P-20-65," "P-20-84," "P-20-93," "P-20-96," "P-20-113," "P-20-117," "P-20-118," "P-20-127," "P-20-138," "P-20-141," "P-20-144," "P-20-154," "P-20-158," "P-20-159," "P-20-160," "P-20-182," "P-20-183," "P-20-184," "P-20-186," "P-20-190," "P-20-191," "P-20-192," "P-20-203," "P-20-204," "P-20-271," and "P-22-272," for failure of document formally offered and identified to correspond with the document marked.

On June 7, 2019, the Court issued an *Amended Pre-Trial Order*.[32]

On September 11, 2019, petitioner filed its *Omnibus Motion [(i) Motion for Reconsideration Re: Resolution dated August 15, 2019; (ii) Motion for Leave of Court to Recall Witness]*.[33] Respondent failed to file his comment thereto.[34]

In the Resolution dated January 23, 2020,[35] the Court granted the *Motion for Leave of Court to Recall Witness*. Thus, the Court-commissioned ICPA, Mr. Jay A. Ballesteros, was recalled, and testified again.[36]

In the Resolution dated November 24, 2020,[37] the Court partially granted petitioner's *Motion for Reconsideration Re: Resolution dated August 15, 2019*, and admitted Exhibits "P-6.22," "P-6.23," "P-7.22," "P-7.23," "P-20-26," "P-20-27," "P-20-47," "P-20-65," "P-20-84," "P-20-93," "P-20-96," "P-20-113," "P-20-117," "P-20-118," "P-20-127,"

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31 Docket (CTA Case No. 9768) - Vol. VII, pp. 4358 to 4365.

32 Docket (CTA Case No. 9768) - Vol. VII, pp. 4324 to 4351.

33 Docket (CTA Case No. 9768) - Vol. VII, pp. 4381 to 4391.

34 Records Verification dated November 5, 2019 issued by the Judicial Records Division of this Court, Docket (CTA Case No. 9768) - Vol. VII, pp. 4395.

35 Docket (CTA Case No. 9768) - Vol. VII, pp. 4381 to 4391.

36 Exhibit "P-32", Docket (CTA Case No. 9768) - Vol. VII, pp. 4409 to 4416; Minutes of the hearing held on, and Order dated, March 10, 2020, Docket (CTA Case No. 9768) - Vol. VII, pp. 4418 to 4421; Minutes of the hearing held on, and Order dated, October 22, 2020, Docket (CTA Case No. 9768) - Vol. VII, pp. 4430 to 4434.

37 Docket (CTA Case No. 9768) - Vol. VII, pp. 4437 to 4442.

"P-20-138," "P-20-141," "P-20-144," "P-20-154," "P-20-158," "P-20-159," "P-20-160," "P-20-182," "P-20-183," "P-20-184," "P-20-186," "P-20-190," "P-20-191," "P-20-192," "P-20-203," "P-20-204," "P-20-271," "P-22-272," "P-21.9," and "P-21.12;" but still denied the following:

1. Exhibits "P-4," "P-6.5," "P-6.7," "P-6.8," "P-6.10," and "P-6.22," for failure to present their originals for comparison; and
2. Exhibits "P-6.42", for failure of document formally offered and identified to correspond with the document marked.

Petitioner then rested its case.

Respondent presented Revenue Officers, Ms. Carolyn Mendoza,[38] as her witness in CTA Case No. 9768; and Ms. Olivia Sison,[39] as her witness in CTA Case No. 9829.

On February 11, 2021, respondent filed her *Formal Offer of Evidence,*[40] to which petitioner filed its *Comment (Re: Respondent's Formal Offer of Evidence)* on March 2, 2021.[41]

In the Resolution dated June 15, 2021,[42] the Court admitted respondent's offered exhibits.

On July 23, 2021, respondent filed her *Memorandum,*[43] while on July 30, 2021, petitioner filed its *Memorandum.*[44]

The present consolidated cases were submitted for decision on October 27, 2021.[45]

38 Exhibit "R-9", Docket (CTA Case No. 9768) - Vol. III, pp. 2057 to 2062; Minutes of the hearing held on, and Order dated, August 27, 2019, Docket (CTA Case No. 9768) - Vol. VII, pp. 4368 to 4370.

39 Exhibit "R-9", Docket (CTA Case No. 9768) - Vol. III, pp. 2047 to 2052; Minutes of the hearing held on, and Order dated, February 2, 2021, Docket (CTA Case No. 9768) - Vol. VII, pp. 4443 to 4447.

40 Docket (CTA Case No. 9768) - Vol. VII, pp. 4450 to 4456.

41 Docket (CTA Case No. 9768) - Vol. VII, pp. 4458 to 4463.

42 Docket (CTA Case No. 9768) - Vol. VII, pp. 4469 to 4470.

43 Docket (CTA Case No. 9768) - Vol. VII, pp. 4471 to 4484.

44 Docket (CTA Case No. 9768) - Vol. VII, pp. 4487 to 4525.

45 Resolution dated October 27, 2021, Docket (CTA Case No. 9768) - Vol. VII, p. 4528.

ISSUE

As stipulated by the parties, the sole issue to be resolved in this case, is as follows:

> WHETHER PETITIONER IS ENTITLED TO THE REFUND OF THE AMOUNT OF ₱51,742,702.20 REPRESENTING ITS EXCESS AND UNUTILIZED INPUT VAT FOR THE 1ST AND 2ND QUARTERS OF FY 2016, COVERING THE PERIOD OF JULY 1, 2015 TO DECEMBER 31 2015, ATTRIBUTABLE TO ITS ZERO-RATED SALES OF SERVICES TO NONRESIDENT ENTITIES CONDUCTING BUSINESS OUTSIDE THE PHILIPPINES."[46]

ARGUMENTS

Petitioner argues that it complied with all the requisites for the grant of input VAT refund under Section 112 of the NIRC, as amended. In particular, petitioner alleges that: 1) It is a VAT-registered entity; 2) Its sales of services to its customers outside the Philippines are zero-rated sales; 3) It paid or incurred input VAT which are properly substantiated in accordance with the law and regulations; 4) The input VAT that it paid or incurred are attributable to zero-rated sales or effectively zero-rated sales; 5) The input VAT have not been applied against output taxes during and in the succeeding periods; and 6) Its claim for refund was filed within the mandatory period provided under the law.

Respondent contends that petitioner was not able to prove its entitlement to the refund sought. Respondent counters that: *one,* petitioner failed to show proof of remittances of foreign currency from export sales of service; and *second,* petitioner failed to submit sufficient proof that its client-affiliates are not doing business in the Philippines.

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[46] Stipulation of Issue, JSFI, Docket (CTA Case No. 9768) – Vol. IV, p. 2109.

THE RULING OF THE COURT

The *Petitions for Review* are denied.

As will be discussed below, petitioner failed to prove before this Court that it is entitled to the claim for refund under substantive law, as enunciated in *Pilipinas Total Gas, Inc. v. Commissioner of Internal Revenue (PTGI)*.[47]

In PTGI, the Supreme Court explained that in an appeal of an unsuccessful administrative claim, the taxpayer must prove that it is not only entitled to the claim for tax refund under substantive law but also that the taxpayer satisfied all the documentary and evidentiary requirements for an administrative claim, thus:

> ...
>
> **At this stage, a review of the nature of a judicial claim before the CTA is in order.** In *Atlas Consolidated Mining and Development Corporation v. CIR*,[48] it was ruled –
>
>> ... **First, a judicial claim for refund or tax credit in the CTA is by no means an original action but rather an appeal by way of petition for review of a previous, unsuccessful administrative claim. Therefore, as in every appeal or petition for review, a petitioner has to convince the appellate court that the quasi-judicial agency *a quo* did not have any reason to deny its claim. In this case, it was necessary for petitioner to show the CTA not only that it was entitled under substantive law to the grant of its claims but also that it satisfied all the documentary and evidentiary requirements for an administrative claim for refund or tax credit. Second, cases filed in the CTA are litigated *de novo*. Thus, a petitioner should prove every minute aspect of its case by presenting, formally offering and submitting its evidence to the CTA. Since it is crucial for a petitioner in a judicial claim for refund or tax credit to show that its administrative claim should have been granted in the first place, part of the evidence to be submitted to the CTA must**

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47 G.R. No. 207112, December 8, 2015.

48 G.R. No. 145526, March 16, 2007.

> **necessarily include whatever is required for the successful prosecution of an administrative claim.**
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> A distinction must, thus, be made between administrative cases appealed due to inaction and those dismissed at the administrative level due to the failure of the taxpayer to submit supporting documents. If an administrative claim was dismissed by the CIR due to the taxpayer's failure to submit complete documents despite notice/request, then the judicial claim before the CTA would be dismissible, not for lack of jurisdiction, but of the taxpayer's failure to substantiate the claim at the administrative level. **When a judicial claim for refund or tax credit in the CTA is an appeal of an unsuccessful administrative claim, the taxpayer has to convince the CTA that the CIR had no reason to deny its claim. It, thus, becomes imperative for the taxpayer to show the CTA that not only is he entitled under substantive law to his claim for refund or tax credit, but also that he satisfied all the documentary and evidentiary requirement for an administrative claim. It is, thus, crucial for a taxpayer in a judicial claim for refund or tax credit to show that its administrative claim should have been granted in the first place.** Consequently, a taxpayer cannot cure its failure to submit a document requested by the BIR at the administrative level by filing the said document before the CTA.[49]

The refund claimant must establish that the BIR has no reason to deny its administrative claim for refund and must specifically show the Court that: *first*, all documentary and evidentiary requirements for an administrative claim were satisfied at the BIR level, and *second*, the taxpayer's entitlement to the claim for refund or issuance of TCC under substantive law.

In the present case, the BIR's denial of petitioner's claim for the 1st quarter of FY 2016 was issued beyond the 120-day period prescribed by law. Thus, the corresponding judicial claim was filed by petitioner due to the alleged inaction of respondent. Consequently, the Court may give credence to all evidence presented by petitioner, as the case is being essentially decided in the first instance.

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49 Boldfacing supplied.

As to petitioner's judicial claim for the 2nd quarter, petitioner has the duty to show and convince this Court that its administrative claim should have been granted in the first place, and it has satisfied all the documentary and evidentiary requirements for an administrative claim.

Requisites for the grant of the refund or issuance of TCC under the law.

Section 112 (A) and (C) of the NIRC of 1997, as amended by Republic Act (RA) No. 9337,[50] provides as follows:

> "SEC. 112. *Refunds or Tax Credits of Input Tax.* —
>
> (A) *Zero-rated or Effectively Zero-rated Sales.* — Any VAT-registered person, whose sales are zero-rated or effectively zero-rated may, within two (2) years after the close of the taxable quarter when the sales were made, apply for the issuance of a tax credit certificate or refund of creditable input tax due or paid attributable to such sales, except transitional input tax, to the extent that such input tax has not been applied against output tax: *Provided, however,* That in the case of zero-rated sales under Section 106(A)(2)(a)(1), (2) and (b) and Section 108(B)(1) and (2), the acceptable foreign currency exchange proceeds thereof had been duly accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP): *Provided, further,* That where the taxpayer is engaged in zero-rated or effectively zero-rated sale and also in taxable or exempt sale of goods or properties or services, and the amount of creditable input tax due or paid cannot be directly and entirely attributed to any one of the transactions, it shall be allocated proportionately on the basis of the volume of sales: *Provided, finally,* That for a person making sales that are zero-rated under Section 108(B)(6), the input taxes shall be allocated ratably between his zero-rated and non-zero-rated sales.
>
> ...
>
> (C) *Period within which Refund or Tax Credit of Input Taxes shall be Made.* — In proper cases, the Commissioner shall grant a refund or issue the tax credit certificate for creditable input taxes

[50] An Act Amending Sections 27, 28, 34, 106, 107, 108, 109, 110, 111, 112, 113, 114, 116, 117, 119, 121, 148, 151, 236, 237 And 288 of The National Internal Revenue Code of 1997, As Amended, and for other purposes.

within one hundred twenty (120) days from the date of submission of complete documents in support of the application filed in accordance with Subsection (A) hereof.

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

Based on the foregoing provisions, jurisprudence has laid down requisites which must be complied with by the taxpayer-applicant to obtain a refund/ TCC of input VAT, to wit:

As to the timeliness of the filing of the administrative and judicial claims:

1. The claim is filed with the BIR within two (2) years after the close of the taxable quarter when the sales were made;[51]
2. In case of full or partial denial of the refund claim, or the failure on the part of the Commissioner to act on the said claim within a period of one hundred twenty (120) days, the judicial claim has been filed with this Court, within thirty (30) days from receipt of the decision or after the expiration of the said 120-day period;[52]

With reference to the taxpayer's registration with the BIR:

3. The taxpayer is a VAT-registered person;[53]

In relation to the taxpayer's output VAT:

4. The taxpayer is engaged in zero-rated or effectively zero-rated sales;[54]

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51 *Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 166732, April 27, 2007; *San Roque Power Corporation v. Commissioner of Internal Revenue*, G.R. No. 180345, November 25, 2009; and *AT&T Communications Services Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 182364, August 3, 2010.

52 *Steag State Power, Inc. (Formerly State Power Development Corporation) v. Commissioner of Internal Revenue*, G.R. No. 205282, January 14, 2019; *Rohm Apollo Semiconductor Philippines v. Commissioner of Internal Revenue*, G.R. No. 168950, January 14, 2015.

53 *Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 166732, April 27, 2007; *San Roque Power Corporation v. Commissioner of Internal Revenue*, G.R. No. 180345, November 25, 2009; and *AT&T Communications Services Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 182364, August 3, 2010.

5. For zero-rated sales under Sections 106(A)(2)(1) and (2); 106(B); and 108(B)(1) and (2), the acceptable foreign currency exchange proceeds have been duly accounted for in accordance with BSP rules and regulations;[55]

As regards the taxpayer's input VAT being refunded:

6. The input taxes are not transitional input taxes;[56]
7. The input taxes are due or paid;[57]
8. The input taxes have not been applied against output taxes during and in the succeeding quarters;[58] and
9. The input taxes claimed are attributable to zero-rated or effectively zero-rated sales. However, where there are both zero-rated or effectively zero-rated sales and taxable or exempt sales, and the input taxes cannot be directly and entirely attributed to any of these sales, the input taxes shall be proportionately allocated on the basis of sales volume.[59]

Thus, petitioner must show compliance with each of the foregoing requisites.

First and second requisites: Petitioner's administrative and judicial claims were timely filed.

The *first* requisite pertains to the filing of a claim for tax refund or tax credit of input VAT before the BIR, within two (2) years from the close of the taxable quarter when the zero-rated or effectively zero-rated sales were made.

The present claim covers the 1st quarter (July 1, 2015 to September 30, 2015) and 2nd quarter (October 1, 2015 to December 31, 2015) of FY ending June 30, 2016. Counting 2 years from the respective close of the said quarters, the last days for the filing of the administrative claim therefor, is shown below:

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54 *Id.*
55 *Id.*
56 *Id.*
57 *Id.*
58 *Id.*
59 *Id.*

CTA Case No.	FY ending June 30, 2016	Close of the Taxable Quarter	Last Day to File Administrative Claim	Date of Filing of the Administrative Claim
9768	1st Quarter	September 30, 2015	September 30, 2017	September 18, 2017[60]
9829	2nd Quarter	December 31, 2015	December 31, 2017	December 5, 2017[61]

Therefore, petitioner's administrative claims for refund or issuance of TCC for the 1st and 2nd quarters of FY 2016 were timely made within the two-year prescriptive period.

The *second* requisite necessitates that the judicial claim must be filed within 30 days from receipt of respondent's decision or after the expiration of the 120-day period under Section 112(C) of the NIRC of 1997, as amended.

In *Silicon Philippines, Inc. (Formerly Intel Philippines Manufacturing, Inc.) v. Commissioner of Internal Revenue*,[62] the Supreme Court explained that the 30-day period provided by law where a taxpayer may resort to a judicial claim before the CTA should be reckoned after the receipt of respondent's decision or ruling or after the expiration of the 120-day period, **whichever is sooner.** It is clear that any judicial claim filed in a period less than or beyond the said 120+30-day period is outside the jurisdiction of the CTA.

Respondent then had 120 days from September 18, 2017 and December 5, 2017, respectively, to act on said claims. For the 1st quarter claim, the 120 days ended on January 16, 2018; while for the 2nd quarter claim, the 120 days ended on April 4, 2018.

With regard to the 1st quarter claim, respondent's denial is beyond the 120-day period because it was only in February 2018 that respondent issued a letter denying said claim.[63] Consequently, the

60 Exhibits "P-9" and "P-9.1", Docket (CTA Case No. 9768) – Vol. VI, pp. 4237 to 4246.
61 Exhibits "P-9.3" and "P-9.4", Docket (CTA Case No. 9768) – Vol. VI, pp. 4248 to 4255.
62 G.R. No. 182737, March 2, 2016.
63 Exhibit "R-3" [included in Exhibit "R-4" (Binder 1)], p. 69, BIR Records (CTA Case No. 9768).

30-day period to file an appeal before the CTA should be reckoned from the expiration of the 120-day period on January 16, 2018. Counting 30 days from January 16, 2018, petitioner had until February 15, 2018, within which to file a judicial claim for refund. The *Petition for Review* was thus timely filed on February 14, 2018.[64]

Anent the 2nd quarter claim, on April 2, 2018, petitioner received respondent's denial letter dated March 5, 2018.[65] Counting 30 days from April 2, 2018, petitioner had until May 2, 2018, within which to file a judicial claim for refund. The *Petition for Review* was thus timely filed on April 30, 2018.[66]

The Court finds that petitioner complied with the *first* and *second* requisites.

Third requisite: Petitioner is a VAT-registered taxpayer.

Petitioner complied with the *third* requisite, as it is registered with the BIR as a VAT taxpayer on April 6, 2011, with Tax Identification Number 406-931-778-000.[67]

Fourth and fifth requisites: Petitioner failed to sufficiently establish that it was engaged in zero-rated sales or effectively zero-rated sales during the subject periods of claim.

The *fourth* and *fifth* requisites respectively require that the taxpayer is engaged in zero-rated or effectively zero-rated sales, and for zero-rated sales under Sections 106(A)(2)(a)(1), (2) and (b), and 108(B)(1) and (2) of the NIRC of 1997, as amended by RA No. 9337,

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64 Docket (CTA Case No. 9768) - Vol. I, pp. 10 to 21.
65 Exhibit "P-12", Docket (CTA Case No. 9768) - Vol. VI, pp. 4301 to 4303.
66 Docket (CTA Case No. 9829), pp. 10 to 21.
67 Exhibit "P-2", Docket (CTA Case No. 9768) - Vol. V, pp. 2383 to 2384.

the acceptable foreign currency exchange proceeds have been duly accounted for in accordance with the BSP rules and regulations.

In its Quarterly VAT Returns for the 1st and 2nd quarters of FY 2016, petitioner declared an aggregate amount of ₱1,624,797,370.20 sales/receipts which included zero-rated sales/receipts of ₱1,514,744,292.29, broken down as follows:

	1st Quarter (FY 2016)	2nd Quarter (FY 2016)	Total
	(Exhibit "P-8.4")	(Exhibit "P-8.8")	
Vatable sales/receipts	₱ 57,703,396.74	₱ 52,349,681.17	₱ 110,053,077.91
Zero-rated sales/receipts	**872,089,433.90**	**642,654,858.39**	**1,514,744,292.29**
Total sales/receipts	₱ 929,792,830.64	₱ 695,004,539.56	₱ 1,624,797,370.20

Petitioner alleges that its sales of services to persons engaged in business conducted outside the Philippines, the consideration for which were paid in acceptable foreign currencies and accounted for in accordance with the rules and regulations of the BSP are subject to VAT at zero percent (0%), under Section 108(B)(2) of the NIRC of 1997, as amended, which states:

> "SEC. 108. *Value-added Tax on Sale of Services and Use or Lease of Properties.* –
>
> . . .
>
> (B) *Transactions Subject to Zero Percent (0%) Rate.* – **The following services performed in the Philippines by VAT-registered persons shall be subject to zero percent (0%) rate:**
>
> (1) Processing, manufacturing or repacking of goods for other persons doing business outside the Philippines which goods are subsequently exported, where the services are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP;
>
> **(2) Services other than those mentioned in the preceding paragraph rendered to a person engaged in business conducted outside the Philippines or to a nonresident person not engaged in business who is outside the Philippines when the services are performed, the consideration for which is paid for in acceptable**

foreign currency and accounted for in accordance with the rules and regulations of the BSP;[68]

Based on the foregoing provision, the following elements must be present for a sale or supply of services to be subject to the VAT rate of zero percent (0%):

1. The recipient of the services is a foreign corporation, and the said corporation is doing business outside the Philippines, or is a nonresident person not engaged in business who is outside the Philippines when the services were performed;[69]
2. The services fall under any of the categories under Section 108(B)(2),[70]
3. The payment for such services should be in acceptable foreign currency accounted for in accordance with BSP rules;[71] and
4. The **services must be performed in the Philippines**[72] by a VAT-registered person.

First element- Proof that petitioner's client-affiliates are non-resident foreign corporations

For petitioner to establish that the recipient of its services is a non-resident foreign corporation (NRFC) doing business outside of the Philippines, there must be proof of two components: (1) the client-affiliate was established under the laws of a country not the Philippines; and (2) it is not engaged in trade or business in the Philippines.

The first component, that the client-affiliate is not a domestic corporation, may be proven by SEC Certification of Non-Registration of Corporation, which shows that the client is an NRFC. The second component, that the client-affiliate is not engaged in trade or business

68 Boldfacing supplied.

69 *Sitel Philippines Corporation (Formerly Clientlogic Phils. Inc.) v. Commissioner of Internal Revenue*, G.R. No. 201326, February 8, 2017; *Commissioner of Internal Revenue v. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*, G.R. No. 153205, January 22, 2007; *Accenture, Inc. v. Commissioner of Internal Revenue*, G.R. No. 190102, July 11,2012.

70 *Commissioner of Internal Revenue v. Burmeister and Wain Scandinavian Contractor Mindanao, Inc. No. 153205, January 22, 2007; Commissioner of Internal Revenue v. American Express International, Inc. (Philippine Branch), G.R. No. 152609, June 29, 2005.*

71 *Id.*

72 *Id.*

in the Philippines, may be evidenced by the client-affiliate's certificate of incorporation in another country, which confirms that the client-affiliate was established under the laws of a foreign country. These requirements of proof of both components are especially required from ROHQs like petitioner, as was sufficiently explained by the Supreme Court in *Commissioner of Internal Revenue v. Deutsche Knowledge Services Pte Ltd.*,[73] to wit:

> ...
>
> To the Court's mind, the SEC Certifications of Non-Registration show that these affiliates [clients] are foreign corporations. On the other hand, the articles of association/certificates of incorporation stating that these affiliates [clients] are registered to operate in their respective home countries, outside the Philippines are *prima facie* evidence that their clients are not engaged in trade or business in the Philippines.
>
> Proof of the abovementioned second component sets this case apart from Accenture, Inc. v. Commissioner of Internal Revenue and Site/ Philippines Corp. v. Commissioner of Internal Revenue. In these cases, the claimants similarly presented SEC Certifications and client service agreements. However, the Court consistently ruled that documents of this nature only establish the first component (i.e., that the affiliate is foreign). The absence of any other competent evidence (e.g., articles of association/certificates of incorporation) proving the second component (i.e., that the affiliate is not doing business here in the Philippines) shall be fatal to a claim for credit or refund of excess input VAT attributable to zero-rated sales.

With regard to the *first* element of proving that its client-affiliates are NRFC doing business outside the Philippines, petitioner presented the following documents:

1. Certification of Non-Registration of Corporation/ Partnership from the Philippines' Securities and Exchange Commission (SEC);[74]

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73 G.R. No. 234445, July 15, 2020.

74 Exhibits "P-5" to "P-5.48", Docket (CTA Case No. 9768) - Vol. V, pp. 3253 to 3320.

2. Company Registration Documents of petitioner's foreign client-affiliates;[75]

3. Sworn Statements executed by petitioner's foreign client-affiliates' authorized representatives;[76]

4. Exhibit 21 of The Procter and Gamble Company and Subsidiaries Report to the U.S. Securities and Exchange Commission;[77] and

5. Services Agreements.[78]

A scrutiny of the documents submitted shows that petitioner failed to establish that its clients for the subject periods of claim, as enumerated below, are NRFC doing business outside the Philippines, for the following reasons:

a. Petitioner's client with SEC Certification of Non-Registration of Company, but the supporting proof of foreign incorporation/registration was denied admission by the Court for failure of the document formally offered and identified to correspond with the document marked:

NAME OF COMPANY	SEC CERTIFICATION OF NON-REGISTRATION OF COMPANY (Exhibit No.)	DENIED EVIDENCE OF FOREIGN INCORPORATION/REGISTRATION (Exhibit No.)
GILLETTE PAKISTAN LIMITED	"P-5.44"	"P-6.42"

b. The name of petitioner's client indicated in the SEC Certification of Non-Registration of Company is different from that shown in the Certificate of Incorporation:

NAME OF COMPANY PER SEC CERTIFICATION OF NON-REGISTRATION OF COMPANY	Exhibit	NAME OF COMPANY PER CERTIFICATE OF INCORPORATION	Exhibit
P&G ISRAEL M.D.O. LTD	"P-5.33"	PROCTER & GAMBLE ISRAEL M.D.O. LTD	"P-6.33"

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75 Exhibits "P-6" to "P-6.4", "P-6.9", "P-6.11" to "P-6.43". Docket (CTA Case No. 9768) – Vol. VI, pp. 3321 to 4014.

76 Exhibits "P-7" to "P-7.43", Docket (CTA Case No. 9768) – Vol. VI, pp. 4015 to 4180.

77 Exhibit "P-10", Docket (CTA Case No. 9768) - Vol. VI, pp. 4256 to 4264.

78 Exhibits "P-4.1" to "P-4.45", Docket (CTA Case No. 9768) – Vol. V, pp. 2402 to 3252.

c. Petitioner's client with SEC Certification of Non-Registration of Company, but without supporting proof of foreign incorporation/registration:

	NAME OF COMPANY	SEC CERTIFICATION OF NON-REGISTRATION OF COMPANY (Exhibit No.)	PROOF OF FOREIGN INCORPORATION/ REGISTRATION (Exhibit No.)
1.	PROCTER & GAMBLE DISTRIBUTING NEW ZEALAND LIMITED	"P-5.13"	(NONE)
2.	PROCTER & GAMBLE EGYPT	"P-5.5"	(NONE)
3.	PROCTER & GAMBLE EGYPT DISTRIBUTION	"P-5.37"	(NONE)
4.	PROCTER & GAMBLE EGYPT SUPPLIES LTD	"P-5.38"	(NONE)

Thus, only the following clients of petitioner are considered as NRFCs doing business outside the Philippines, under Section 108(B)(2) of the NIRC of 1997, as amended, to wit:

	NAME OF COMPANY	SEC CERTIFICATION OF NON-REGISTRATION OF COMPANY (Exhibit No.)	PROOF OF FOREIGN INCORPORATION/ REGISTRATION (Exhibit No.)
1.	COSMETIC SUPPLIERS PTY. LTD.	"P-5.41"	"R-8-C", binder 4, pp. 1888 to 1905[79]
2.	DETERGENT PRODUCTS SARL	"P-5.17"	"P-6.14"
3.	GILLETTE DIVERSIFIED OPERATIONS PRIVATE LIMITED	"P-5.34"	"P-6.28"
4.	GILLETTE INDIA LIMITED	"P-5.35"	"P-6.29"
5.	INDUSTRIES MAROCAINES MODERNES	"P-5.11"	"P-6.39"
6.	MODERN INDUSTRIES COMPANY-DAMMAM	"P-5.14"	"P-6.34"
7.	MODERN PRODUCTS COMPANY	"P-5.15"	"P-6.35"
8.	P&G DISTRIBUTION MOROCCO SAS	"P-5.2"	"P-6.38"
9.	P&G INNOVATION GODO KAISHA	"P-5.40"	"P-6.4"
10.	P&G K.K.	"P-5.30"	"P-6.25"
11.	P&G MAX FACTOR GODO KAISHA	"P-5.8"	"P-6.11"
12.	PROCTER & GAMBLE AUSTRALIA PTY. LTD.	"P-5.3"	"R-8-C", binder 4, pp. 1925 to 1928[80]
13.	PROCTER & GAMBLE (SINGAPORE) PTE LTD.	"P-5.16"	"P-6.13"
14.	PROCTER & GAMBLE EUROPE SA SINGAPORE BRANCH	"P-5.26"	"P-6.21"
15.	PROCTER & GAMBLE GULF FZE	"P-5.29"	"P-6.24"
16.	PROCTER & GAMBLE HOME PRODUCTS PRIVATE LIMITED	"P-5.23"	"P-6.19"
17.	PROCTER & GAMBLE HONG KONG LIMITED	"P-5.6"	"P-6.9"
18.	PROCTER & GAMBLE HYGIENE & HEALTH CARE LIMITED	"P-5.7"	"R-8-C", binder 4, pp. 1934 to 1941[81]

79 BIR Records (CTA Case No. 9829).
80 BIR Records (CTA Case No. 9829).
81 BIR Records (CTA Case No. 9829).

19.	P&G INDOCHINA	"P-5.28"	"P-6.23"
20.	PROCTER & GAMBLE INTERNATIONAL OPERATIONS S.A. DUBAI BRANCH	"P-5.45"	"P-6.43"
21.	PROCTER & GAMBLE INTERNATIONAL OPERATIONS SA SINGAPORE BRANCH	"P-5.32"	"P-6.27"
22.	PROCTER & GAMBLE JAPAN K.K.	"P-5.36"	"P-6.2"
23.	P&G KOREA S&D, CO.	"P-5.31"	"P-6.26"
24.	PROCTER & GAMBLE (MALAYSIA) SDN BHD	"P-5.10"	"P-6.12"
25.	PROCTER & GAMBLE MANUFACTURING (THAILAND) LIMITED	"P-5.19"	"P-6.16"
26.	PROCTER AND GAMBLE MANUFACTURING SA PROPRIETARY LIMITED	"P-5.39"	"P-6.3"
27.	PROCTER & GAMBLE MAROC	"P-5.12"	"P-6.40"
28.	PROCTER & GAMBLE PAKISTAN (PRIVATE) LIMITED	"P-5.47"	"P-6.41"
29.	PROCTER & GAMBLE TAIWAN LIMITED	"P-5.18"	"P-6.15"
30.	PROCTER & GAMBLE TAIWAN SALES COMPANY LIMITED	"P-5.43"	"P-6.6"
31.	PROCTER & GAMBLE TECHNICAL CENTRES LIMITED	"P-5.48"	"P-6.30"
32.	PROCTER & GAMBLE TRADING (THAILAND) LTD	"P-5.20"	"P-6.17"
33.	PROCTER & GAMBLE TUKETIM MALLARI SANAYI ANONIM SIRKETI	"P-5.21"	"P-6.32"
34.	PROCTER & GAMBLE VIETNAM LTD	"P-5.27"	"P-6.22"
35.	PROCTER & GAMBLE LEVANT SAL.	"P-5.9"	"P-6.14"
36.	PROCTER & GAMBLE MIDDLE EAST FZE	"P-5.46"	"P-6.31"
37.	PROCTER AND GAMBLE SA PROPRIETARY LIMITED	"P-5.24"	"P-20"
38.	P&G SOUTH AFRICAN TRADING (PTY) LTD	"P-5.1"	"P-6.1"
39.	PT PROCTER & GAMBLE HOME PRODUCTS INDONESIA	"P-5.25"	"P-6.36"
40.	P.T. PROCTER & GAMBLE OPERATIONS INDONESIA	"P-5.42"	"P-6.37"
41.	THE PROCTER & GAMBLE COMPANY	"P-5"	"P-6"
42.	WELLA INDIA HAIRCOSMETICS PRIVATE LIMITED	"P-5.4"	"R-8-C", Binder 4, pp-. 1929 to 1933[82]

Second element- Proof that the services fall within the scope of services other than processing, manufacturing or repacking of goods.

Petitioner satisfied the *second* element as it entered into Services Agreements with its clients for financial and solutions services to the latter.[83] Particularly, petitioner rendered accounting and payroll services to its clients as evidenced by the invoices/debit notes, credit notes and VAT ORs it issued to clients.[84] Clearly, these services fall

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82 BIR Records (CTA Case No. 9829).

83 Exhibits "P-4.1" to "P-4.45", Docket (CTA Case No. 9768) - Vol. V, pp. 2402 to 3252.

84 Exhibit "R-4", Binder 1, pp. 6 to 451 and Exhibit "R-8", Binder 1, pp. 214 to 600, BIR Records.

within the scope of *"services other than processing, manufacturing or repacking of goods"* contemplated by Section 108(B)(2) of the NIRC of 1997, as amended.

Third element- Proof that acceptable foreign currency exchange proceeds were duly accounted for in accordance with BSP Rules and Regulations.

Relative to the *third* element, and in relation to the *fifth* requisite for the granting of the input VAT refund, petitioner presented the Certifications of inward remittances from Citibank, N.A. [85] purportedly showing the remittances of its non-resident foreign clients. The certifications of inward remittances attest to the fact of payment *"in acceptable foreign currency ...and accounted for in accordance with the rules and regulations of the BSP"*.[86]

In any event, the foreign currency remittances referred to under Section 108(B)(2) of the NIRC of 1997, as amended, must not only be duly accounted for in accordance with the rules and regulations of the BSP, but must also comply with the pertinent invoicing requirements, containing all the required information under Section 113(A) and (B) of the NIRC of 1997, as amended, to wit –

> SEC. 113. *Invoicing and Accounting Requirements for VAT-registered Persons.* —
>
> (A) *Invoicing Requirements.* — A VAT-registered person shall issue:
>
> (1) A VAT invoice for every sale, barter or exchange of goods or properties; and
>
> (2) A VAT official receipt for every lease of goods or properties, and for every sale, barter or exchange of services.

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85 Exhibits "P-3" and "P-3.1", Docket (CTA Case No. 9768) - Vol. V, pp. 2385 to 2401.

86 *Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 166732, April 27, 2007.

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

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

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

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

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

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

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

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

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

These provisions of the NIRC of 1997, as amended, are further implemented by Section 4.113-1(A) and (B) of Revenue Regulations (RR) No. 16-05, as amended, to wit:

SEC. 4.113-1. <u>Invoicing Requirements</u>. —

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

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

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

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

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

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

(1) A statement that the seller is a VAT-registered person, followed by his TIN;

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

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

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

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

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

(3) In the case of sales in the amount of one thousand pesos (₱1,000.00) or more where the sale or transfer is made to a VAT-registered person, the name, business style, if any, address and TIN of the purchaser, customer or client, shall be indicated in addition to the information required in (1) and (2) of this Section.

In addition to the above requirements, the sales invoices ("SIs") and official receipts ("ORs") must be duly registered with the BIR as prescribed under Section 237 in relation to Section 238 of the NIRC of 1997, as amended, to wit:

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

...

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

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

Since petitioner's reported sales are in the nature of sales of services under Section 108(B)(2) of the NIRC of 1997, as amended, petitioner is required to issue BIR-registered VAT ORs for the foreign currency proceeds of each sales transaction and the information contained therein must be in compliance with the applicable provisions previously cited, such as the word "zero-rated" and the taxpayer's TIN-VAT number.

In the present case, aside from the Certifications of inward remittances from Citibank, N.A., petitioner also submitted its Schedules of Zero-Rated Sales,[87] Summary Lists of Sales,[88] Comparison of Zero-Rated Official Receipts Against Certificates of Inward Remittance[89] and the corresponding VAT ORs[90] to support its reported zero-rated sales/receipts for the 1st quarter of FY 2016 in the amount of ₱872,089,433.90 and 2nd quarter of FY 2016 in the amount of ₱642,654,858.39 totaling ₱1,514,744,292.29.

Upon verification, the Court finds that the sales/receipts in the amount of ₱18,996,007.51 (US$428,867.31) for the 1st quarter and ₱9,430,516.82 (USD205,503.49) for the 2nd quarter of FY 2016, totaling ₱28,426,524.33 (US$634,370.80), pertain to services rendered by petitioner to its client-affiliates which do not qualify as non-resident corporations doing business outside the Philippines, as discussed earlier, hence must be disallowed:[91]

Customer Name	OR No.	Date of OR	Sales/Receipts in US$	Sales/Receipts in PHP
1st Quarter – FY 2016				
P&G ISRAEL M.D.O. LTD	3190	July 16, 2015	461.14	20,540.76
P&G ISRAEL M.D.O. LTD	3210	Aug. 13, 2015	396.57	18,510.33
P&G ISRAEL M.D.O. LTD	3248	Sept. 16, 2015	451.28	20,587.60
P&G ISRAEL M.D.O. LTD Total			***1,308.99***	***59,638.69***
PROCTER & GAMBLE DISTRIBUTING NEW ZEALAND LIMITED	3178	July 15, 2015	19,236.76	856,871.27
PROCTER & GAMBLE DISTRIBUTING NEW ZEALAND LIMITED	3230	Sept. 14, 2015	2,950.09	137,527.64
PROCTER & GAMBLE DISTRIBUTING NEW ZEALAND LIMITED Total			***22,186.85***	***994,398.91***
PROCTER & GAMBLE EGYPT	3250	Sept. 17, 2015	489,184.95	21,646,454.94
PROCTER & GAMBLE EGYPT Total			***489,184.95***	***21,646,454.94***
PROCTER & GAMBLE EGYPT DISTRIBUTION		July 22, 2015	(61,213.12)	(2,682,432.96)
PROCTER & GAMBLE EGYPT DISTRIBUTION		Sept. 15, 2015	(77,256.94)	(3,460,142.67)
PROCTER & GAMBLE EGYPT DISTRIBUTION Total			***(138,470.06)***	***(6,142,575.63)***
PROCTER & GAMBLE EGYPT SUPPLIES	3252	Sept. 17, 2015	54,656.58	2,438,090.60
PROCTER & GAMBLE EGYPT SUPPLIES Total			***54,656.58***	***2,438,090.60***
Total – 1st Quarter - FY 2016			**428,867.31**	**18,996,007.51**
2nd Quarter – FY 2016				
GILLETTE PAKISTAN LIMITED	3304	Oct. 28, 2015	12,535.63	560,177.35
GILLETTE PAKISTAN LIMITED Total			***12,535.63***	***560,177.35***
P&G ISRAEL M.D.O. LTD	3292	Oct. 19, 2015	255.62	11,967.23
P&G ISRAEL M.D.O. LTD	3319	Nov. 16, 2015	463.59	21,683.35

[87] Exhibit "P-14".
[88] Exhibit "P-15".
[89] Exhibit "P-17".
[90] Exhibit "P-16".
[91] Exhibit "P-22", Annex 1.

P&G ISRAEL M.D.O. LTD	3347	Dec. 14, 2015	312.60	14,655.41
P&G ISRAEL M.D.O. LTD Total			***1,031.81***	***48,305.99***
PROCTER & GAMBLE DISTRIBUTING NEW ZEALAND LIMITED	3279	Oct. 16, 2015	8,019.03	375,422.75
PROCTER & GAMBLE DISTRIBUTING NEW ZEALAND LIMITED	3315	Nov. 16, 2015	8,350.52	390,576.24
PROCTER & GAMBLE DISTRIBUTING NEW ZEALAND LIMITED	3353	Dec. 15, 2015	4,877.83	228,684.01
PROCTER & GAMBLE DISTRIBUTING NEW ZEALAND LIMITED Total			***21,247.38***	***994,683.00***
PROCTER & GAMBLE EGYPT	3342	Dec. 1, 2015	112,615.66	5,218,355.22
PROCTER & GAMBLE EGYPT Total			***112,615.66***	***5,218,355.22***
PROCTER & GAMBLE EGYPT DISTRIBUTION	3305	Oct. 28, 2015	48,598.40	2,169,986.87
PROCTER & GAMBLE EGYPT DISTRIBUTION Total			***48,598.40***	***2,169,986.87***
PROCTER & GAMBLE EGYPT SUPPLIES	3336	Nov. 20, 2015	9,474.61	439,008.39
PROCTER & GAMBLE EGYPT SUPPLIES Total			***9,474.61***	***439,008.39***
Total - 2nd Quarter - FY 2016			**205,503.49**	**9,430,516.82**
Grand Total - 1st and 2nd Quarters - FY 2016			**634,370.80**	**28,426,524.33**

Thus, only the sales/receipts in the amounts of ₱853,093,426.40 (equivalent to US$19,081,893.03) for the 1st quarter and ₱633,224,341.59 (equivalent to US$13,533,679.52) for the 2nd quarter of FY 2016, totaling ₱1,486,317,767.99 (US$32,615,572.55), pertain to services rendered to the following client-affiliates of petitioner, which as determined earlier, qualify as non-resident foreign entities doing business outside the Philippines and that such sales/receipts are properly supported by ORs[92] compliant with above-stated invoicing requirements under the law and regulations, detailed as follows:[93]

Customer Name	OR No.	Date of OR	Sales/Receipts in US$	Sales/Receipts in PHP
1st Quarter – FY 2016				
COSMETIC SUPPLIERS PTY. LTD.	3182	July 15, 2015	24,816.02	1,105,390.65
COSMETIC SUPPLIERS PTY. LTD.	3233	Sept. 14, 2015	3,491.25	163,944.75
COSMETIC SUPPLIERS PTY. LTD. Total			***28,307.27***	***1,269,335.40***
DETERGENT PRODUCTS SARL	3185	July 16, 2015	15,031.47	669,553.23
DETERGENT PRODUCTS SARL	3241	Sept. 16, 2015	13,396.35	611,147.35
DETERGENT PRODUCTS SARL		Aug. 10,2015	(13,954.81)	(630,298.55)
DETERGENT PRODUCTS SARL Total			***14,473.01***	***650,402.03***
GILLETTE DIVERSIFIED OPERATIONS PVT LTD	3171	July 7, 2015	987.73	44,036.27
GILLETTE DIVERSIFIED OPERATIONS PVT LTD	3213	Aug. 14, 2015	4,743.11	211,274.44
GILLETTE DIVERSIFIED OPERATIONS PVT LTD Total			***5,730.84***	***255,310.71***
GILLETTE INDIA LIMITED	3172	July 7, 2015	84,407.59	3,763,155.99
GILLETTE INDIA LIMITED	3214	Aug. 14, 2015	178,887.26	7,968,251.92
GILLETTE INDIA LIMITED	3249	Sept. 16, 2015	24,127.97	1,113,314.22
GILLETTE INDIA LIMITED Total			**287,422.82**	***12,844,722.13***
INDUSTRIES MAROCAINES MODERNES S.A	3225	Sept. 1, 2015	22,805.70	1,015,844.10
INDUSTRIES MAROCAINES MODERNES S.A	3225	Sept. 1, 2015		
INDUSTRIES MAROCAINES MODERNES S.A Total			***22,805.70***	***1,015,844.10***

92 Exhibit "P-16".

93 Exhibit "P-22", Annex 1.

MODERN INDUSTRIES COMPANY - DAMMAM	3199	July 23, 2015	126,354.88	5,630,315.35
MODERN INDUSTRIES COMPANY - DAMMAM	3254	Sept. 21, 2015	8,673.85	408,558.24
MODERN INDUSTRIES COMPANY - DAMMAM Total			***135,028.73***	***6,038,873.59***
MODERN PRODUCTS COMPANY	3200	July 23, 2015	102,701.40	4,575,386.08
MODERN PRODUCTS COMPANY	3255	Sept. 21, 2015	8,327.86	383,953.44
MODERN PRODUCTS COMPANY Total			***111,029.26***	***4,959,339.52***
P&G DISTRIBUTION MOROCCO SAS	3224	Sept. 1, 2015	20,290.93	903,827.62
P&G DISTRIBUTION MOROCCO SAS	3224	Sept. 1, 2015		
P&G DISTRIBUTION MOROCCO SAS Total			***20,290.93***	***903,827.62***
P&G INNOVATION GODO KAISHA	3181	July 15, 2015	4,871.98	217,014.71
P&G INNOVATION GODO KAISHA	3237	Sept. 15, 2015	5,298.86	242,201.33
P&G INNOVATION GODO KAISHA Total			***10,170.84***	***459,216.04***
P&G PRESTIGE GODO KAISHA	3177	July 15, 2015	240,729.30	10,722,908.69
P&G PRESTIGE GODO KAISHA	3235	Sept. 15, 2015	56,596.31	2,597,734.33
P&G PRESTIGE GODO KAISHA Total			***297,325.61***	***13,320,643.02***
P&G K.K.	3179	July 15, 2015	116,373.62	5,183,680.18
P&G K.K.	3236	Sept. 15, 2015	30,111.37	1,375,762.89
P&G K.K. Total			***146,484.99***	***6,559,443.07***
PROCTER & GAMBLE AUSTRALIA PTY. LTD.	3176	July 15, 2015	23,714.68	1,056,333.19
PROCTER & GAMBLE AUSTRALIA PTY. LTD.	3229	Sept. 14, 2015	47,605.50	2,172,260.56
PROCTER & GAMBLE AUSTRALIA PTY. LTD. Total			***71,320.18***	***3,228,593.75***
PROCTER & GAMBLE (SINGAPORE) PTE LTD	3184	July 16, 2015	24,261.86	1,080,706.46
PROCTER & GAMBLE (SINGAPORE) PTE LTD	3240	Sept. 16, 2015	7,227.53	330,840.81
PROCTER & GAMBLE (SINGAPORE) PTE LTD Total			***31,489.39***	***1,411,547.27***
PROCTER & GAMBLE EUROPE SA SINGAPORE BRANCH	3187	July 16, 2015	13,121,930.01	584,495,768.82
PROCTER & GAMBLE EUROPE SA SINGAPORE BRANCH	3220	Aug. 19, 2015	77,599.08	3,504,926.83
PROCTER & GAMBLE EUROPE SA SINGAPORE BRANCH	3245	Sept. 16, 2015	567,446.36	26,857,627.39
PROCTER & GAMBLE EUROPE SA SINGAPORE BRANCH Total			***13,766,975.45***	***614,858,323.04***
PROCTER & GAMBLE GULF FZE	3194	July 20, 2015	10,139.17	451,633.40
PROCTER & GAMBLE GULF FZE	3209	Aug. 13, 2015	330.47	14,926.38
PROCTER & GAMBLE GULF FZE	3247	Sept. 16, 2015	5,136.04	234,308.39
PROCTER & GAMBLE GULF FZE Total			***15,605.68***	***700,868.17***
PROCTER & GAMBLE HOME PRODUCTS PRIVATE LIMITED	3170	July 7, 2015	244,860.69	10,916,660.22
PROCTER & GAMBLE HOME PRODUCTS PRIVATE LIMITED	3212	Aug. 14, 2015	531,182.42	23,660,686.97
PROCTER & GAMBLE HOME PRODUCTS PRIVATE LIMITED	3262	Sept. 29, 2015	30,376.03	1,438,172.96
PROCTER & GAMBLE HOME PRODUCTS PRIVATE LIMITED Total			***806,419.14***	***36,015,520.15***
PROCTER & GAMBLE HONG KONG LIMITED	3196	July 22, 2015	82,446.73	3,672,460.14
PROCTER & GAMBLE HONG KONG LIMITED	3238	Sept. 16, 2015	14,249.76	654,835.23
PROCTER & GAMBLE HONG KONG LIMITED Total			***96,696.49***	***4,327,295.37***
PROCTER & GAMBLE HYGIENE & HEALTH CARE LIMITED	3169	July 7, 2015	78,149.16	3,484,135.33
PROCTER & GAMBLE HYGIENE & HEALTH CARE LIMITED	3211	Aug. 14, 2015	167,657.13	7,468,023.76
PROCTER & GAMBLE HYGIENE & HEALTH CARE LIMITED	3261	Sept. 29, 2015	16,842.34	782,213.66
PROCTER & GAMBLE HYGIENE & HEALTH CARE LIMITED Total			***262,648.63***	***11,734,372.75***
PROCTER & GAMBLE INDOCHINA COMPANY LIMITED	3167	July 6, 2015	269,569.61	12,039,789.26
PROCTER & GAMBLE INDOCHINA COMPANY LIMITED	3206	Aug. 12, 2015	299,399.48	13,336,279.93
PROCTER & GAMBLE INDOCHINA COMPANY LIMITED	3258	Sept. 24, 2015	87,085.71	3,972,888.01
PROCTER & GAMBLE INDOCHINA COMPANY LIMITED Total			***656,054.80***	***29,348,957.20***
PROCTER & GAMBLE INTERNATIONAL OPERATIONS SA SINGAPORE BRANCH	3189	July 16, 2015	89,959.67	4,007,112.25
PROCTER & GAMBLE INTERNATIONAL OPERATIONS SA SINGAPORE BRANCH	3221	Aug. 19, 2015	1,517.42	68,537.48
PROCTER & GAMBLE INTERNATIONAL OPERATIONS SA SINGAPORE BRANCH Total			***91,477.09***	***4,075,649.73***
PROCTER & GAMBLE JAPAN K.K.	3180	July 15, 2015	242,375.60	10,796,240.53

PROCTER & GAMBLE JAPAN K.K.	3264	Sept. 29, 2015	44,937.58	2,078,651.48
PROCTER & GAMBLE JAPAN K.K. Total			***287,313.18***	***12,874,892.01***
PROCTER & GAMBLE KOREA S&D, CO.	3195	July 20, 2015	125,500.50	5,590,222.72
PROCTER & GAMBLE KOREA S&D, CO.	3232	Sept. 14, 2015	14,745.63	688,596.03
PROCTER & GAMBLE KOREA S&D, CO. Total			***140,246.13***	***6,278,818.75***
PROCTER & GAMBLE KOREA, INC.	3193	July 20, 2015	39,094.09	1,741,384.87
PROCTER & GAMBLE KOREA, INC.	3215	Aug. 18, 2015	1,891.54	85,435.41
PROCTER & GAMBLE KOREA, INC.	3231	Sept. 14, 2015	4,565.90	208,298.37
PROCTER & GAMBLE KOREA, INC. Total			**45,551.53**	**2,035,118.65**
PROCTER & GAMBLE MALAYSIA SDN BHD	3197	July 22, 2015	38,575.80	1,718,298.45
PROCTER & GAMBLE MALAYSIA SDN BHD	3251	Sept. 17, 2015	11,168.81	511,746.05
PROCTER & GAMBLE MALAYSIA SDN BHD Total			***49,744.61***	***2,230,044.50***
PROCTER & GAMBLE MANUFACTURING (THAILAND) LTD.	3191	July 20, 2015	92,959.88	4,140,751.89
PROCTER & GAMBLE MANUFACTURING (THAILAND) LTD.	3222	Aug. 20, 2015	1,051.38	47,487.80
PROCTER & GAMBLE MANUFACTURING (THAILAND) LTD.	3242	Sept. 16, 2015	29,227.38	1,334,198.21
PROCTER & GAMBLE MANUFACTURING (THAILAND) LTD. Total			***123,238.64***	***5,522,437.90***
PROCTER & GAMBLE MANUFACTURING SA	3202	July 23, 2015	63,158.61	2,813,301.12
PROCTER & GAMBLE MANUFACTURING SA	3257	Sept. 21, 2015	2,026.88	95,447.44
PROCTER & GAMBLE MANUFACTURING SA Total			***65,185.49***	***2,908,748.56***
PROCTER & GAMBLE MAROC	3226	Sept. 1, 2015	1,107.00	49,466.98
PROCTER & GAMBLE MAROC	3226	Sept. 1, 2015		
PROCTER & GAMBLE MAROC Total			***1,107.00***	***49,466.98***
PROCTER & GAMBLE TAIWAN LIMITED	3198	July 22, 2015	27,282.88	1,215,272.83
PROCTER & GAMBLE TAIWAN LIMITED	3259	Sept. 28, 2015	4,608.66	216,569.55
PROCTER & GAMBLE TAIWAN LIMITED Total			***31,891.54***	***1,431,842.38***
PROCTER & GAMBLE TAIWAN SALES COMPANY LIMITED	3223	Aug. 20, 2015	51,529.06	2,295,608.94
PROCTER & GAMBLE TAIWAN SALES COMPANY LIMITED Total			***51,529.06***	***2,295,608.94***
PROCTER & GAMBLE TECHNICAL CENTERS LTD	3216	Aug. 18, 2015	704,374.26	31,814,555.56
PROCTER & GAMBLE TECHNICAL CENTERS LTD	3246	Sept. 16, 2015	195,736.10	8,929,566.62
PROCTER & GAMBLE TECHNICAL CENTERS LTD		July 7, 2015	(7,629.44)	(339,841.42)
PROCTER & GAMBLE TECHNICAL CENTERS LTD Total			***892,480.92***	***40,404,280.76***
PROCTER & GAMBLE TRADING (THAILAND) LTD.	3192	July 20, 2015	44,497.60	1,982,075.73
PROCTER & GAMBLE TRADING (THAILAND) LTD.	3243	Sept. 16, 2015	9,482.59	440,195.30
PROCTER & GAMBLE TRADING (THAILAND) LTD. Total			***53,980.19***	***2,422,271.03***
PROCTER & GAMBLE TUKETIM MALLARI SANAYI A.S.	3186	July 16, 2015	59,706.39	2,659,527.39
PROCTER & GAMBLE TUKETIM MALLARI SANAYI A.S.	3256	Sept. 21, 2015	35,019.02	1,607,544.41
PROCTER & GAMBLE TUKETIM MALLARI SANAYI A.S. Total			***94,725.41***	***4,267,071.80***
PROCTER & GAMBLE VIETNAM CO. LTD	3188	July 16, 2015	61,673.00	2,748,333.83
PROCTER & GAMBLE VIETNAM CO. LTD	3188	July 16, 2015		
PROCTER & GAMBLE VIETNAM CO. LTD	3263	Sept. 29, 2015	9,236.38	432,043.25
PROCTER & GAMBLE VIETNAM CO. LTD Total			***70,909.38***	***3,180,377.08***
PROCTER AND GAMBLE LEVANT SAL	3183	July 16, 2015	114.39	5,095.32
PROCTER AND GAMBLE LEVANT SAL	3208	Aug. 13, 2015	1,543.27	69,705.06
PROCTER AND GAMBLE LEVANT SAL	3239	Sept. 16, 2015	112.40	5,127.74
PROCTER AND GAMBLE LEVANT SAL Total			***1,770.06***	***79,928.12***
PROCTER AND GAMBLE SA (PTY) LTD	3201	July 23, 2015	2,151.50	95,835.19
PROCTER AND GAMBLE SA (PTY) LTD	3244	Sept. 16, 2015	1,243.14	56,712.59
PROCTER AND GAMBLE SA (PTY) LTD Total			***3,394.64***	***152,547.78***
PROCTER AND GAMBLE SOUTH AFRICAN TRADING (PTY) LTD	3203	July 24, 2015	47,532.70	2,117,269.49
PROCTER AND GAMBLE SOUTH AFRICAN TRADING (PTY) LTD	3253	Sept. 21, 2015	7,251.01	333,405.43
PROCTER AND GAMBLE SOUTH AFRICAN TRADING (PTY) LTD Total			***54,783.71***	***2,450,674.92***

PT PROCTER & GAMBLE HOME PRODUCTS INDONESIA	3204	July 24, 2015	144,870.18	6,453,014.70
PT PROCTER & GAMBLE HOME PRODUCTS INDONESIA Total			***144,870.18***	***6,453,014.70***
PT. PROCTER & GAMBLE OPERATIONS INDONESIA	3205	July 24, 2015	55,676.70	2,480,031.18
PT. PROCTER & GAMBLE OPERATIONS INDONESIA	3217	Aug. 18, 2015	525.77	23,747.52
PT. PROCTER & GAMBLE OPERATIONS INDONESIA Total			***56,202.47***	***2,503,778.70***
THE PROCTER & GAMBLE COMPANY	3175	July 15, 2015	4,709.35	209,770.60
THE PROCTER & GAMBLE COMPANY	3234	Sept. 15, 2015	762.37	34,779.65
THE PROCTER & GAMBLE COMPANY		Aug. 19, 2015	(382.39)	(17,271.45)
THE PROCTER & GAMBLE COMPANY Total			***5,089.33***	***227,278.80***
WELLA INDIA HAIR COSMETICS PVT. LTD	3168	July 7, 2015	8,161.93	363,884.68
WELLA INDIA HAIR COSMETICS PVT. LTD	3207	Aug. 13, 2015	18,077.46	805,231.89
WELLA INDIA HAIR COSMETICS PVT. LTD	3260	Sept. 29, 2015	3,883.32	178,022.81
WELLA INDIA HAIR COSMETICS PVT. LTD Total			***30,122.71***	***1,347,139.38***
Total- 1st Quarter FY 2016			**19,081,893.03**	**853,093,426.40**
2nd Quarter – FY 2016				
COSMETIC SUPPLIERS PTY. LTD.	3293	Oct. 19, 2015	14,815.72	693,619.85
COSMETIC SUPPLIERS PTY. LTD.	3322	Nov. 16, 2015	10,632.50	497,310.57
COSMETIC SUPPLIERS PTY. LTD.	3361	Dec. 15, 2015	5,160.18	241,921.24
COSMETIC SUPPLIERS PTY. LTD. Total			***30,608.40***	***1,432,851.66***
DETERGENT PRODUCTS SARL	3283	Oct. 16, 2015	7,579.84	354,861.42
DETERGENT PRODUCTS SARL	3325	Nov. 17, 2015	13,775.27	644,306.36
DETERGENT PRODUCTS SARL	3363	Dec. 16, 2015	9,352.43	438,463.67
DETERGENT PRODUCTS SARL Total			***30,707.54***	***1,437,631.45***
GILLETTE INDIA LIMITED	3309	Oct. 29, 2015	96,890.92	4,536,091.87
GILLETTE INDIA LIMITED	3345	Dec. 2, 2015	19,044.39	890,757.20
GILLETTE INDIA LIMITED Total			***115,935.31***	***5,426,849.07***
INDUSTRIES MAROCAINES MODERNES S.A	3265	Oct. 1, 2015	7,823.79	356,924.73
INDUSTRIES MAROCAINES MODERNES S.A	3310	Nov. 2, 2015	4,396.32	205,820.23
INDUSTRIES MAROCAINES MODERNES S.A Total			***12,220.11***	***562,744.96***
MODERN INDUSTRIES COMPANY - DAMMAM	3297	Oct. 22, 2015	20,889.95	977,994.06
MODERN INDUSTRIES COMPANY - DAMMAM	3333	Nov. 20, 2015	37,874.91	1,771,511.04
MODERN INDUSTRIES COMPANY - DAMMAM Total			***58,764.86***	***2,749,505.10***
MODERN PRODUCTS COMPANY	3300	Oct. 26, 2015	9,723.04	455,198.28
MODERN PRODUCTS COMPANY	3334	Nov. 20, 2015	17,642.01	825,164.26
MODERN PRODUCTS COMPANY Total			***27,365.05***	***1,280,362.54***
P&G DISTRIBUTION MOROCCO SAS	3268	Oct. 15, 2015	7,507.63	347,866.45
P&G DISTRIBUTION MOROCCO SAS	3268	Oct. 15, 2015		
P&G DISTRIBUTION MOROCCO SAS	3341	Nov. 26, 2015	6,437.68	301,107.58
P&G DISTRIBUTION MOROCCO SAS	3374	Dec. 18, 2015	4,097.43	192,097.05
P&G DISTRIBUTION MOROCCO SAS Total			***18,042.74***	***841,071.08***
P&G INNOVATION GODO KAISHA	3276	Oct. 15, 2015	19,884.87	930,939.61
P&G INNOVATION GODO KAISHA	3321	Nov. 16, 2015	930.49	43,521.52
P&G INNOVATION GODO KAISHA	3360	Dec. 15, 2015	614.68	28,817.63
P&G INNOVATION GODO KAISHA Total			***21,430.04***	***1,003,278.76***
P&G PRESTIGE GODO KAISHA	3269	Oct. 15, 2015	188,185.34	8,810,175.09
P&G PRESTIGE GODO KAISHA	3314	Nov. 16, 2015	24,659.60	1,153,395.70
P&G PRESTIGE GODO KAISHA Total			**212,844.94**	**9,963,570.79**
P&G K.K.	3318	Nov. 16, 2015	7,764.42	363,162.77
P&G K.K.	3356	Dec. 15, 2015	5,238.31	245,584.15
P&G K.K.	3273	Oct. 15, 2015	101,280.47	4,741,595.03
P&G K.K. Total			***114,283.20***	***5,350,341.95***
P&G MAX FACTOR GODO KAISHA	3351	Dec. 15, 2015	32,266.05	1,512,707.45
P&G MAX FACTOR GODO KAISHA Total			***32,266.05***	***1,512,707.45***

PROCTER & GAMBLE AUSTRALIA PTY. LTD.	3277	Oct. 16, 2015	45,845.40	2,146,320.23
PROCTER & GAMBLE AUSTRALIA PTY. LTD.	3349	Dec. 15, 2015	18,994.66	890,513.83
PROCTER & GAMBLE AUSTRALIA PTY. LTD.		Nov. 25, 2015	(16,154.40)	(665,975.03)
PROCTER & GAMBLE AUSTRALIA PTY. LTD. Total			***48,685.66***	***2,370,859.03***
PROCTER & GAMBLE (SINGAPORE) PTE LTD	3282	Oct. 16, 2015	14,747.48	690,425.09
PROCTER & GAMBLE (SINGAPORE) PTE LTD	3324	Nov. 17, 2015	5,123.30	239,630.50
PROCTER & GAMBLE (SINGAPORE) PTE LTD	3354	Dec. 15, 2015	420.85	19,730.42
PROCTER & GAMBLE (SINGAPORE) PTE LTD Total			***20,291.63***	***949,786.01***
PROCTER & GAMBLE EUROPE SA SINGAPORE BRANCH	3286	Oct. 16, 2015	2,465,185.86	115,411,323.02
PROCTER & GAMBLE EUROPE SA SINGAPORE BRANCH	3327	Nov. 17, 2015	3,726,058.32	174,277,751.16
PROCTER & GAMBLE EUROPE SA SINGAPORE BRANCH	3379	Dec. 23, 2015	3,421,486.75	160,407,255.06
PROCTER & GAMBLE EUROPE SA SINGAPORE BRANCH Total			***9,612,730.93***	***450,096,329.24***
PROCTER & GAMBLE GULF FZE	3291	Oct. 19, 2015	2,870.06	134,366.10
PROCTER & GAMBLE GULF FZE	3335	Nov. 20, 2015	6,508.18	304,405.06
PROCTER & GAMBLE GULF FZE	3365	Dec. 16, 2015	365.06	17,114.86
PROCTER & GAMBLE GULF FZE Total			***9,743.30***	***455,886.02***
PROCTER & GAMBLE HOME PRODUCTS PRIVATE LIMITED	3308	Oct. 29, 2015	280,202.60	13,118,099.26
PROCTER & GAMBLE HOME PRODUCTS PRIVATE LIMITED	3344	Dec. 2, 2015	24,804.68	1,157,457.13
PROCTER & GAMBLE HOME PRODUCTS PRIVATE LIMITED Total			***305,007.28***	***14,275,556.39***
PROCTER & GAMBLE HONG KONG LIMITED	3278	Oct. 16, 2015	44,426.17	2,079,876.87
PROCTER & GAMBLE HONG KONG LIMITED	3331	Nov. 20, 2015	9,892.64	462,705.33
PROCTER & GAMBLE HONG KONG LIMITED Total			***54,318.81***	***2,542,582.20***
PROCTER & GAMBLE HYGIENE & HEALTH CARE LIMITED	3307	Oct. 29, 2015	66,442.50	3,110,603.93
PROCTER & GAMBLE HYGIENE & HEALTH CARE LIMITED	3378	Dec. 23, 2015	36,198.47	1,693,933.80
PROCTER & GAMBLE HYGIENE & HEALTH CARE LIMITED Total			***102,640.97***	***4,804,537.73***
PROCTER & GAMBLE INDOCHINA COMPANY LIMITED	3302	Oct. 26, 2015	90,047.43	4,073,561.25
PROCTER & GAMBLE INDOCHINA COMPANY LIMITED	3380	Dec. 23, 2015	63,888.75	2,989,601.60
PROCTER & GAMBLE INDOCHINA COMPANY LIMITED	3380	Dec. 23, 2015		
PROCTER & GAMBLE INDOCHINA COMPANY LIMITED Total			***153,936.18***	***7,063,162.85***
PROCTER & GAMBLE INTERNATIONAL OPERATIONS S.A. DUBAI BRANCH	3337	Nov. 20, 2015	594.17	27,790.93
PROCTER & GAMBLE INTERNATIONAL OPERATIONS S.A. DUBAI BRANCH	3366	Dec. 16, 2015	149.73	7,019.69
PROCTER & GAMBLE INTERNATIONAL OPERATIONS S.A. DUBAI BRANCH Total			***743.90***	***34,810.62***
PROCTER & GAMBLE INTERNATIONAL OPERATIONS SA SINGAPORE BRANCH	3266	Oct. 1, 2015	111,246.66	5,130,651.32
PROCTER & GAMBLE INTERNATIONAL OPERATIONS SA SINGAPORE BRANCH	3288	Oct. 16, 2015	75,439.02	3,772,041.03
PROCTER & GAMBLE INTERNATIONAL OPERATIONS SA SINGAPORE BRANCH	3329	Nov. 17, 2015	439,913.00	20,575,912.06
PROCTER & GAMBLE INTERNATIONAL OPERATIONS SA SINGAPORE BRANCH	3358	Dec. 15, 2015	60,207.02	2,822,645.11
PROCTER & GAMBLE INTERNATIONAL OPERATIONS SA SINGAPORE BRANCH Total			***686,805.70***	***32,301,249.52***
PROCTER & GAMBLE JAPAN K.K.	3275	Oct. 15, 2015	140,525.35	6,578,902.16
PROCTER & GAMBLE JAPAN K.K.	3320	Nov. 16, 2015	69,910.42	3,269,898.03
PROCTER & GAMBLE JAPAN K.K.	3359	Dec. 15, 2015	22,169.54	1,039,359.59
PROCTER & GAMBLE JAPAN K.K. Total			***232,605.31***	***10,888,159.78***
PROCTER & GAMBLE KOREA S&D, CO.	3274	Oct. 15, 2015	45,750.79	2,141,890.91
PROCTER & GAMBLE KOREA S&D, CO.	3328	Nov. 17, 2015	45,173.42	2,112,882.13
PROCTER & GAMBLE KOREA S&D, CO.	3357	Dec. 15, 2015	30,563.22	1,432,874.82
PROCTER & GAMBLE KOREA S&D, CO. Total			***121,487.43***	***5,687,647.86***
PROCTER & GAMBLE KOREA, INC.	3272	Oct. 15, 2015	7,804.09	365,360.03
PROCTER & GAMBLE KOREA, INC.	3355	Dec. 15, 2015	1,941.32	91,013.60
PROCTER & GAMBLE KOREA, INC.		Nov. 17, 2015	(872.36)	(40,802.62)

PROCTER & GAMBLE KOREA, INC. Total			***8,873.05***	***415,571.01***
PROCTER & GAMBLE MALAYSIA SDN BHD	3270	Oct. 15, 2015	27,040.44	1,265,938.20
PROCTER & GAMBLE MALAYSIA SDN BHD	3323	Nov. 17, 2015	7,337.78	343,207.67
PROCTER & GAMBLE MALAYSIA SDN BHD	3352	Dec. 15, 2015	6,882.54	322,669.48
PROCTER & GAMBLE MALAYSIA SDN BHD Total			***41,260.76***	***1,931,815.35***
PROCTER & GAMBLE MANUFACTURING (THAILAND) LTD.	3285	Oct. 16, 2015	98,604.74	4,616,326.78
PROCTER & GAMBLE MANUFACTURING (THAILAND) LTD.	3316	Nov. 16, 2015	4,282.13	200,286.72
PROCTER & GAMBLE MANUFACTURING (THAILAND) LTD.	3370	Dec. 17, 2015	2,910.83	136,466.48
PROCTER & GAMBLE MANUFACTURING (THAILAND) LTD. Total			***105,797.70***	***4,953,079.98***
PROCTER & GAMBLE MANUFACTURING SA	3295	Oct. 20, 2015	4,857.28	227,400.75
PROCTER & GAMBLE MANUFACTURING SA	3377	Dec. 22, 2015	14,729.79	689,600.17
PROCTER & GAMBLE MANUFACTURING SA	3377	Dec. 22, 2015		
PROCTER & GAMBLE MANUFACTURING SA Total			***19,587.07***	***917,000.92***
PROCTER & GAMBLE MAROC	3271	Oct. 15, 2015	4,230.45	194,824.16
PROCTER & GAMBLE MAROC	3271	Oct. 15, 2015		
PROCTER & GAMBLE MAROC	3339	Nov. 23, 2015	2,778.19	129,943.41
PROCTER & GAMBLE MAROC	3368	Dec. 17, 2015	1,886.25	88,431.79
PROCTER & GAMBLE MAROC Total			***8,894.89***	***413,199.36***
PROCTER & GAMBLE PAKISTAN (PRIVATE) LIMITED	3303	Oct. 27, 2015	116,901.94	5,220,527.53
PROCTER & GAMBLE PAKISTAN (PRIVATE) LIMITED	3303	Oct. 27, 2015		
PROCTER & GAMBLE PAKISTAN (PRIVATE) LIMITED	3369	Dec. 17, 2015	7,775.54	364,023.41
PROCTER & GAMBLE PAKISTAN (PRIVATE) LIMITED Total			***124,677.48***	***5,584,550.94***
PROCTER & GAMBLE TAIWAN LIMITED	3284	Oct. 16, 2015	22,746.31	1,064,902.28
PROCTER & GAMBLE TAIWAN LIMITED Total			***22,746.31***	***1,064,902.28***
PROCTER & GAMBLE TAIWAN SALES COMPANY LIMITED	3289	Oct. 16, 2015	3,148.37	228,594.79
PROCTER & GAMBLE TAIWAN SALES COMPANY LIMITED Total			***3,148.37***	***228,594.79***
PROCTER & GAMBLE TECHNICAL CENTERS LTD	3287	Oct. 16, 2015	691,182.78	31,871,628.02
PROCTER & GAMBLE TECHNICAL CENTERS LTD	3364	Dec. 16, 2015	141,099.50	6,615,072.67
PROCTER & GAMBLE TECHNICAL CENTERS LTD		Nov. 9, 2015	(3,874.65)	(181,227.79)
PROCTER & GAMBLE TECHNICAL CENTERS LTD Total			***828,407.63***	***38,305,472.90***
PROCTER & GAMBLE TRADING (THAILAND) LTD.	3317	Nov. 16, 2015	17,889.21	836,726.38
PROCTER & GAMBLE TRADING (THAILAND) LTD.	3371	Dec. 17, 2015	6,532.49	306,258.32
PROCTER & GAMBLE TRADING (THAILAND) LTD.		Oct. 30, 2015	(16,045.62)	(641,123.24)
PROCTER & GAMBLE TRADING (THAILAND) LTD. Total			***8,376.08***	***501,861.46***
PROCTER & GAMBLE TUKETIM MALLARI SANAYI A.S.	3290	Oct. 16, 2015	31,984.77	1,497,414.33
PROCTER & GAMBLE TUKETIM MALLARI SANAYI A.S.	3340	Nov. 24, 2015	57,761.02	2,701,637.98
PROCTER & GAMBLE TUKETIM MALLARI SANAYI A.S.	3346	Dec. 14, 2015	36,995.79	1,734,448.67
PROCTER & GAMBLE TUKETIM MALLARI SANAYI A.S. Total			***126,741.58***	***5,933,500.98***
PROCTER & GAMBLE VIETNAM CO. LTD	3301	Oct. 26, 2015	6,424.12	324,356.34
PROCTER & GAMBLE VIETNAM CO. LTD	3381	Dec. 28, 2015	21,100.69	987,658.19
PROCTER & GAMBLE VIETNAM CO. LTD Total			***27,524.81***	***1,312,014.53***
PROCTER AND GAMBLE LEVANT SAL	3332	Nov. 20, 2015	115.70	5,411.60
PROCTER AND GAMBLE LEVANT SAL	3362	Dec. 16, 2015	78.81	3,694.80
PROCTER AND GAMBLE LEVANT SAL		Oct. 30, 2015	(1,396.16)	(62,045.12)
PROCTER AND GAMBLE LEVANT SAL Total			***(1,201.65)***	***(52,938.72)***
PROCTER AND GAMBLE MIDDLE EAST FZE	3338	Nov. 20, 2015	11,083.24	518,392.89
PROCTER AND GAMBLE MIDDLE EAST FZE	3367	Dec. 16, 2015	2,702.52	126,700.43
PROCTER AND GAMBLE MIDDLE EAST FZE Total			***13,785.76***	***645,093.32***
PROCTER AND GAMBLE SA (PTY) LTD	3294	Oct. 20, 2015	701.52	32,842.70
PROCTER AND GAMBLE SA (PTY) LTD	3376	Dec. 22, 2015	2,134.11	99,912.24
PROCTER AND GAMBLE SA (PTY) LTD	3376	Dec. 22, 2015		
PROCTER AND GAMBLE SA (PTY) LTD		Nov. 30, 2015	(23,044.21)	(1,036,994.45)
PROCTER AND GAMBLE SA (PTY) LTD Total			***(20,208.58)***	***(904,239.51)***

PROCTER AND GAMBLE SOUTH AFRICAN TRADING (PTY) LTD	3296	Oct. 22, 2015	7,328.74	343,105.81
PROCTER AND GAMBLE SOUTH AFRICAN TRADING (PTY) LTD	3375	Dec. 22, 2015	21,994.46	1,029,696.41
PROCTER AND GAMBLE SOUTH AFRICAN TRADING (PTY) LTD	3375	Dec. 22, 2015		
PROCTER AND GAMBLE SOUTH AFRICAN TRADING (PTY) LTD Total			***29,323.20***	***1,372,802.22***
PT PROCTER & GAMBLE HOME PRODUCTS INDONESIA	3298	Oct. 22, 2015	60,228.18	2,789,396.65
PT PROCTER & GAMBLE HOME PRODUCTS INDONESIA	3326	Nov. 17, 2015	29,324.17	1,371,570.16
PT PROCTER & GAMBLE HOME PRODUCTS INDONESIA	3372	Dec. 17, 2015	15,940.33	747,319.74
PT PROCTER & GAMBLE HOME PRODUCTS INDONESIA Total			***105,492.68***	***4,908,286.55***
PT. PROCTER & GAMBLE OPERATIONS INDONESIA	3299	Oct. 22, 2015	36,390.31	1,697,942.14
PT. PROCTER & GAMBLE OPERATIONS INDONESIA	3330	Nov. 17, 2015	1,868.28	87,384.47
PT. PROCTER & GAMBLE OPERATIONS INDONESIA	3373	Dec. 17, 2015	3,727.69	174,762.78
PT. PROCTER & GAMBLE OPERATIONS INDONESIA Total			***41,986.28***	***1,960,089.39***
THE PROCTER & GAMBLE COMPANY	3267	Oct. 15, 2015	686.61	32,144.66
THE PROCTER & GAMBLE COMPANY	3313	Nov. 16, 2015	653.25	30,554.25
THE PROCTER & GAMBLE COMPANY	3348	Dec. 15, 2015	363.20	17,027.67
THE PROCTER & GAMBLE COMPANY Total			***1,703.06***	***79,726.58***
WELLA INDIA HAIR COSMETICS PVT. LTD	3306	Oct. 29, 2015	11,555.46	540,985.76
WELLA INDIA HAIR COSMETICS PVT. LTD	3343	Dec. 2, 2015	1,742.24	81,489.44
WELLA INDIA HAIR COSMETICS PVT. LTD Total			***13,297.70***	***622,475.20***
Total - 2nd Quarter FY 2016			**13,533,679.52**	**633,224,341.59**
Grand Total - 1st & 2nd Quarters FY 2016			**32,615,572.55**	**1,486,317,767.99**

A review of the schedule of "Comparison of Zero-Rated Official Receipts against Certificates of Inward Remittance"[94] revealed that some of the afore-stated sales/receipts do not tie up with the inward remittances indicated in said schedule, to wit:

Customer Name	OR No.	Date of OR	Sales/Receipts in US$	Sales/Receipts in PHP	Foreign Currency Remittances			Difference in US$
					Reference	Date	Amount in US$	
1st Quarter - FY 2016								
INDUSTRIES MAROCAINES MODERNES S.A	3225	1-Sep-15	22,805.70	1,015,844.10	3545244220	Aug. 28, 2015	7,042.68	2,330.57
					3545244221	Aug. 28, 2015	13,432.45	
MODERN INDUSTRIES COMPANY - DAMMAM	3199	23-Jul-15	126,354.88	5,630,315.35	3545204266	July 23, 2015	91,291.40	35,063.48
MODERN PRODUCTS COMPANY	3200	23-Jul-15	102,701.40	4,575,386.08	3545204265	July 23, 2015	74,201.76	28,499.64
P&G DISTRIBUTION MOROCCO SAS	3224	1-Sep-15	20,290.93	903,827.62	3545244217	Aug. 28, 2015	5,418.11	2,079.09
					3545244219	Aug. 28, 2015	12,793.73	
PROCTER & GAMBLE EUROPE SA SINGAPORE BRANCH	3187	16-Jul-15	13,121,930.01	584,495,768.82	3545197228	July 16, 2015	13,146,428.57	(24,498.56)

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94 Exhibit "P-17".

PROCTER & GAMBLE EUROPE SA SINGAPORE BRANCH	3220	19-Aug-15	77,599.08	3,504,926.83	3545231195	Aug. 19, 2015	70,911.74	6,687.34
PROCTER & GAMBLE GULF FZE	3194	20-Jul-15	10,139.17	451,633.40	3545201489	July 20, 2015	18,101.48	(7,962.31)
PROCTER & GAMBLE KOREA S&D, CO.	3232	14-Sep-15	14,745.63	688,596.03	3545257244	Sept. 14, 2015	49,806.84	(35,061.21)
PROCTER & GAMBLE MAROC	3226	1-Sep-15	1,107.00	49,466.98	3545244216	Aug. 28, 2015	769.17	110.70
					3545244372	Sept. 01, 2015	227.13	
Subtotal – 1st Quarter FY 2016			**13,497,673.80**	**601,315,765.21**			**13,490,425.06**	**7,248.74**
2nd Quarter FY 2016								
INDUSTRIES MAROCAINES MODERNESS.A	3265	1-Oct-15	7,823.79	356,924.73	3545274207	Sept. 30, 2015	7,016.41	807.38
INDUSTRIES MAROCAINES MODERNES S.A	3310	2-Nov-15	4,396.32	205,820.23	3545306202	Oct. 30, 2015	3,931.69	464.63
MODERN INDUSTRIES COMPANY - DAMMAM	3333	20-Nov-15	37,874.91	1,771,511.04	3545324280	Nov. 20, 2015	27,364.42	10,510.49
MODERN PRODUCTS COMPANY	3334	20-Nov-15	17,642.01	825,164.26	3545324197	Nov. 20, 2015	12,746.35	4,895.66
P&G DISTRIBUTION MOROCCO SAS	3268	15-Oct-15	7,507.63	347,866.45	3545288174	Oct. 14, 2015	3,520.65	800.76
					3545288178	Oct. 14, 2015	3,186.22	
P&G DISTRIBUTION MOROCCO SAS	3341	26-Nov-15	6,437.68	301,1 07.58	3545330157	Nov. 25, 2015	5,768.91	668.77
P&G DISTRIBUTION MOROCCO SAS	3374	18-Dec-15	4,097.43	192,097.05	3545352229	Dec. 18, 2015	3,687.69	409.74
PROCTER & GAMBLE HOME PRODUCTS PRIVATE LIMITED	3344	2-Dec-15	24,804.68	1,157,457.13	3545335428	Dec. 01, 2015	44,584.94	(19,780.26)
PROCTER & GAMBLE MAROC	3271	15-Oct-15	4,230.45	194,824.16	3545274218	Sept. 30, 2015	2,430.98	423.05
					3545288176	Oct. 14, 2015	1,376.42	
PROCTER & GAMBLE MAROC	3339	23-Nov-15	2,778.19	129,943.41	3545327118	Nov. 20, 2015	2,500.37	277.82
PROCTER & GAMBLE MAROC	3368	17-Dec-15	1,886.25	88,431.79	3545351207	Dec. 16, 2015	1,697.62	188.63
PROCTER & GAMBLE PAKISTAN (PRIVATE) LIMITED	3303	27-Oct-15	116,901.94	5,220,527.53	3545300434	Oct. 27, 2015	40,982.76	17,535.29
					3545300433	Oct. 27, 2015	58,383.89	
PROCTER & GAMBLE PAKISTAN (PRIVATE) LIMITED	3369	17-Dec-15	7,775.54	364,023.41	3545351468	Dec. 17, 2015	6,609.21	1,166.33
PROCTER & GAMBLE TAIWAN SALES COMPANY LIMITED	3289	16-Oct-15	3,148.37	228,594.79	3545289280	Oct. 16, 2015	2,519.17	629.20
PROCTER & GAMBLE TUKETIM MALLARI SANAYI A.S.	3290	16-Oct-15	31,984.77	1,497,414.33	3545292291	Oct. 19, 2015	25,587.82	6,396.95
PROCTER & GAMBLE TUKETIM	3340	24-Nov-15	57,761.02	2,701,637.98	3545328346	Nov. 24, 2015	46,208.82	11,552.20

MALLARI SANAYI A.S.								
PROCTER & GAMBLE TUKETIM MALLARI SANAYI A.S.	3346	14-Dec-15	36,995.79	1,734,448.67	3545348316	Dec. 14, 2015	29,596.63	7,399.16
PROCTER & GAMBLE VIETNAM CO. LTD	3381	28-Dec-15	21,100.69	987,658.19	3545335692	Dec. 01, 2015	13,789.28	7,311.41
PROCTER AND GAMBLE LEVANT SAL	3362	16-Dec-15	78.81	3,694.80	3545350420	Dec. 16, 2015	72.90	5.91
Subtotal - 2nd Quarter FY 2016			**395,226.27**	**18,309,147.53**			**343,563.15**	**51,663.12**
Total - 1st and 2nd Quarters FY 2016			**13,892,900.07**	**619,624,912.74**			**13,833,988.21**	**58,911.86**

While it was indicated in the schedule that the discrepancies pertain to alleged withholding taxes, billing adjustments and reimbursements, the Court cannot ascertain the veracity thereof without documentary proof. Thus, the above sales/receipts of ₱601,315,765.21 (US$13,497,673.80) for the 1st quarter of FY 2016, and ₱18,309,147.53 (US$395,226.27) for the 2nd quarter of FY 2016, in the aggregate sum of ₱619,624,912.74 (US$13,892,900.07), shall be disallowed for petitioner's failure to prove that the same were paid in acceptable foreign currency and accounted for in accordance with BSP rules and regulations.

In fine, for purposes of the *fourth* and *fifth* requisites, which must be complied with to successfully obtain a credit or refund of input VAT, petitioner had valid zero-rated sales/receipts for the 1st and 2nd quarters of FY 2016, but only in the amounts of ₱251,777,661.18 and ₱614,915,194.04, respectively, totaling ₱866,692,855.22, computed as follows:

	1st Quarter (FY 2016)	**2nd Quarter (FY 2016)**	**Total**
Zero-Rated Sales/Receipts per VAT Returns	₱ 872,089,433.90	₱ 642,654,858.39	₱1,514,744,292.29
Less: Disallowances			
1) Sales/Receipts to entities which do not qualify as non-resident foreign corporations doing business outside the Philippines	₱ 18,996,007.51	₱ 9,430,516.82	₱ 28,426,524.33
2) Sales/ Receipts, the foreign currency proceeds thereof were not proven to have been paid and accounted for in accordance with BSP rules and regulations	601,315,765.21	18,309,147.53	619,624,912.74
Total Disallowances	₱ 620,311,772.72	₱ 27,739,664.35	₱ 648,051,437.07
Valid Zero-Rated Sales/Receipts	**₱251,777,661.18**	**₱614,915,194.04**	**₱866,692,855.22**

Fourth element – Proof that the services were performed in the Philippines is inadequate.

However, with regard to the *fourth* element, petitioner failed to establish that the services it rendered to its client-affiliates abroad were performed in the Philippines.

Section 108(B)(2) of the NIRC of 1997, as amended, provides that for the supply of service to qualify for a zero percent VAT rate, the same must be performed in the Philippines by VAT-registered persons. The Supreme Court in *Commissioner of Internal Revenue v. American Express International, Inc.*[95] laid down the requirements for a supply of service to qualify for VAT zero-rating, as follows:

> However, the law clearly provides for an exception to the destination principle; that is, for a zero percent VAT rate for services that are performed in the Philippines, 'paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the [BSP].' Thus, **for the supply of service to be zero-rated as an exception, the law merely requires that first, the service be performed in the Philippines;** second, the service fall under any of the categories in Section 102(b) of the Tax Code; and, third, it be paid in acceptable foreign currency accounted for in accordance with BSP rules and regulations.
>
> ...
>
> The law neither makes a qualification nor adds a condition in determining the tax situs of a zero-rated service. Under this criterion, the place where the service is rendered determines the jurisdiction to impose the VAT. **Performed in the Philippines, such service is necessarily subject to its jurisdiction, for the State necessarily has to have a 'substantial connection' to it, in order to enforce a zero rate.** The place of payment is immaterial; much less is the place where the output of the service will be further or ultimately used. *(Boldfacing supplied)*[96]

Petitioner's Comptroller and Compliance Manager, Mr. Carlos Ben Ignacio, stated in his Sworn Statement that for the subject

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95 G.R. No. 152609, June 29, 2005.

96 *Commissioner of Internal Revenue v. American Express International, Inc,* G.R. No. 152609, June 29, 2005 as cited in *Procter & Gamble Asia Pacific Pte. Ltd. v. Commissioner of Internal Revenue,* CTA EB No. 2301, November 24, 2021.

periods of claim, petitioner rendered services in the Philippines to entities located and conducting business outside the Philippines, to wit:[97]

> Q17: **How did Petitioner incur the input VAT credits subject of its claim for refund for the Period of Claim?**
>
> A: For the Period of Claim, Petitioner rendered services in the Philippines to entities located and conducting business outside the Philippines. For and in consideration of these services, Petitioner was paid in acceptable foreign currencies and accounted for in accordance with rules and regulations of the BSP.

It is indispensable that a claimant of tax refund must prove that the services it rendered to its foreign affiliates must have been performed or rendered in the Philippines and not abroad.[98] The issue of whether or not the refund claimant performed the subject services in the Philippines is a question of fact and must be proven by specific evidence.[99] As the law does not look with favor on tax exemptions, one who seeks entitlement must justify it with evidence *"too plain to be mistaken and too categorical to be misinterpreted."*[100]

The Services Agreements[101] between petitioner and its client-affiliates do not categorically state that the contracted services shall be performed by the petitioner in the Philippines only. The Services Agreement contain a standard provision which provides that the service provider shall not be construed to provide services to service recipients outside of the service provider's normal place of business on other than on an occasional basis, to wit:

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97 Exhibit "P-31", Docket (CTA Case No. 9768) – Vol. I, p. 213.

98 *Procter & Gamble Asia Pte. Ltd. v. Commissioner of Internal Revenue,* CTA EB Case No. 2301 (CTA Case Nos. 7581 & 7639), November 24, 2021.

99 *Tongonan Holdings and Development Corporation v. Atty. Francisco Escaño,* G.R. No. 190994 citing *Republic of the Philippines v. Angelo B. Malabanan, Pablo B. Malabanan, Greenthumb Realty and Development Corporation and The Registrar of Deeds of Batangas,* G.R. No. 169067, October 6, 2010; Deutsche *Knowledge Services Pte., Ltd. v. Commissioner of Internal Revenue, CTA Case No. 9154, February 14, 2020.*

100 *Sea-Land Service, Inc. v. Court of Appeals and Commissioner of Internal Revenue,* GR No. 122605, April 30, 2001 citing *Commissioner of Internal Revenue v. P. J. Kiener Co., Ltd.,* 65 SCRA 142, 153 [1975], citing *Reagan v. Commissioner of Internal Revenue,* 141 Phil. 621, 633 [1969].

101 Exhibits "P-4.1" to "P-4.45", Docket (CTA Case No. 9768) – Vol. V, pp. 2402 to 3252.

> 4.2 Performance of Services
>
> ...
>
> 4.2.2 THE SERVICE PROVIDER shall render the Services referred to in Article 4.1 from all or any of its operational locations, provided however that nothing herein shall be construed to require THE SERVICE PROVIDER to establish or maintain an office or other place of business other than its current and future places of business as deemed appropriate by THE SERVICE PROVIDER itself or be construed to require THE SERVICE PROVIDER **to provide the services of its employees, agents, or subcontractors, to SERVICE RECIPIENT outside of THE SERVICE PROVIDER's normal place of business on other than on an occasional basis.**[102]

Article 1370 of the Civil Code provides that if the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control. In contract interpretation, courts must first determine whether a stipulation is ambiguous or susceptible of multiple interpretations. If no ambiguity is found and the terms of the contract clearly reflect the intentions of the contracting parties, the stipulation will be interpreted as it is written.[103]

Following the intent of petitioner and its client-affiliates embodied in the Services Agreements, the services may be performed both in the Philippines and abroad. Thus, without convincing proof that the services were actually performed by petitioner in the Philippines only, the services rendered by petitioner to its client-affiliates are not entitled to zero percent (0%) VAT under Section 108(B)(2) of the NIRC of 1997, as amended.

In view of petitioner's failure to prove that its alleged VAT zero-rated sales were performed in the Philippines, petitioner failed to show that it is entitled to the claim for refund or tax credit under the substantive law. A claim for unutilized input value-added tax is in the nature of a tax exemption. Thus, strict adherence to the conditions prescribed by the law is required of the taxpayer. Refunds

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102 Boldfacing supplied.

103 *Cezar Yatco Real Estate Services, Inc., et. al v. Bel-Air Village Association, Inc., et al.,* G.R. No. 211780, November 21, 2018.

need to be proven and their application raised in the right manner as required by law.[104]

Consequently, it becomes unnecessary to determine petitioner's compliance with the remaining requisites for granting a refund for the subject periods.

WHEREFORE, in light of the foregoing considerations, the *Petitions for Review* are **DENIED,** for insufficiency of evidence.

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

WE CONCUR:

(With due respect, see Dissenting Opinion)
ROMAN G. DEL ROSARIO
Presiding Justice

(With Separate Concurring Opinion)
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

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104 *Steag State Power, Inc. (Formerly State Power Development Corporation) v. Commissioner of Internal Revenue*, G.R. No. 205282, January 14, 2019.

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

FIRST DIVISION

PROCTER & GAMBLE INTERNATIONAL OPERATIONS SA-ROHQ,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NOS. 9768 & 9829

Members:

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

Promulgated:

OCT 05 2022 11:28a

x - x

DISSENTING OPINION

DEL ROSARIO, P.J.:

With due respect, I withhold my assent to the *ponencia* in denying the Petition for Review for insufficiency of evidence.

I submit that petitioner was able to prove that its value-added tax (VAT) zero-rated sales were performed in the Philippines pursuant to Section 108(B)(2) of the National Internal Revenue Code (NIRC) of 1997, as amended, and that the Court should proceed with the determination whether petitioner complied with the other requisites for a valid refund claim of input tax.

The *ponencia* ruled that the sworn statement of petitioner's witness, Carlos Ben Ignacio, its Comptroller and Compliance Manager, alleging that the services were rendered in the Philippines, is insufficient. It also held that the Service Agreements between petitioner and its clients do not categorically state that the contracted services shall be performed in the Philippines.

The unrebutted testimony of petitioner's witness, Carlos Ben Ignacio, states:

> "Q17: How did Petitioner incur the input VAT credits subject of its claim for refund for the Period of Claim?
>
> A: **For the Period of Claim, Petitioner rendered services in the Philippines to entities located and conducting business outside the Philippines**. For and in consideration of these services, Petitioner was paid in acceptable foreign currencies and accounted for in accordance with rules and regulations of the BSP." (*Emphases supplied*)

In the Amended Decision of the recently decided case of *Deutsche Knowledge Services Pte., Ltd. vs. Commissioner of Internal Revenue* (*Deutsche Knowledge*),[1] penned by the Honorable Associate Justice Catherine T. Manahan, the Court *En Banc* ruled that the unrebutted testimony of the claimant's witness is sufficient to establish that the services were performed in the Philippines, *viz.*:

> "As to whether said services were performed in the Philippines, **Ms. Concepcion's testimony was likewise unrebutted**, to wit:
>
> > Q23: How did Petitioner incur the input VAT credits which are the subject of the present claim for refund?
> >
> > A: Petitioner purchased goods and services in the course of rendering services in the Philippines as a shared services center to clients engaged in business conducted in the Philippines. These clients are all part of the Deutsche Bank Aktiengesellschaft Group (DB Group).
>
> **This testimony was likewise corroborated by petitioner's purchases of goods and services in the Philippines to be utilized in the Philippines in the course of rendering services to petitioner's clients.**
>
> **Given the foregoing, and considering that respondent has not presented any evidence during trial contrary to or to rebut petitioner's evidence, the Court finds sufficient basis to reconsider the assailed Decision and rule that petitioner has proven that the services** rendered by petitioner to its affiliates are services other than processing, manufacturing, or repacking of goods; and, that said services **are rendered in the Philippines**." (*Boldfacing supplied*)

Jurisprudence has it that an unrebutted testimony is enough evidence,[2] and sufficient to establish a basis for the court's award.[3]

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[1] CTA EB No. 2249 (CTA Case No. 9154), June 1, 2022.
[2] *Bienvenido Yap vs. The Solicitor General*, G.R. No. L-1602, September 9, 1948.
[3] *People of the Philippines vs. Elroswell Manzano y Brebonera @ Boy Ulo*, G.R. No. 138303, November 26, 2001.

The present case is on all fours with the *Deutsche Knowledge* case. The unrebutted testimony of petitioner's witness should be sufficient to establish the fact that services were performed in the Philippines pursuant to Section 108(B)(2) of the NIRC of 1997, as amended.

Such testimony is corroborated by petitioner's purchases of goods and services in the Philippines to be utilized in the Philippines in the course of rendering services to petitioner's clients that resulted in petitioner incurring input taxes, as found by the Court-commissioned Independent Certified Public Accountant.[4]

Moreover, the aforementioned pieces of evidence were not objected to by respondent. Likewise, respondent did not raise as a defense in her Answer[5] and Memorandum[6] that petitioner did not perform the subject services in the Philippines.

In her Separate Concurring Opinion, Justice Manahan states that the *Deutsche Knowledge* case is not applicable here because of the presence of the Service Agreements which were not categorical in stating that the services may only be performed in the Philippines.

The Service Agreements uniformly provide that:

> "4.2.2 THE SERVICE PROVIDER shall render the Services referred to in Article 4.1 from all or any of its operational locations, provided however that **nothing herein shall be construed to** require THE SERVICE PROVIDER to establish or maintain an office or other place of business other than its current and future places of business as deemed appropriate by THE SERVICE PROVIDER itself or be construed to **require THE SERVICE PROVIDER to provide services of its employees, agents, or subcontractors, to SERVICE RECIPENT outside of THE SERVICE PROVIDER's normal place of business on other than on an occasional basis.**"[7] (*Boldfacing supplied*)

A review of the provision shows that petitioner may indeed be asked to perform services outside of its normal place of business on an occasional basis. However, the testimony of petitioner's witness, as above-quoted, shows that for the period of claim under consideration, *i.e.*, 1st and 2nd Quarters of Fiscal Year 2016, the services were rendered in the Philippines. Even if the Service Agreements provide

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[4] Exhibit "P-23", CTA Case No. 9768, Docket, Vol. IV, pp. 2254-2267.
[5] CTA Case No. 9768, Docket, Vol. I, pp. 103-109.
[6] CTA Case No. 9768, Docket, Vol. VII, pp. 4471-4485.
[7] Exhibits "P-4.1" to "P-4.45", CTA Case No. 9768, Vol. V, pp. 2402-3252.

that petitioner may be asked to render services outside the country, nevertheless for the period of claim in these consolidated cases, petitioner was able to prove that the services were rendered in the Philippines and not abroad. Thus, there exists no inconsistency between the Service Agreements and the testimony of petitioner's witness, with the latter categorically stating that for purposes of the refund claim herein, the services were rendered in the Philippines.

Considering that petitioner has sufficiently established that the services were performed in the Philippines, the Court should proceed with the determination of petitioner's compliance with the other requisites for a valid refund claim of excess and unutilized input VAT.

ALL TOLD, I *VOTE* for the Court to determine petitioner's compliance with the other requisites for refund for a full disposition of these consolidated cases.

ROMAN G. DEL ROSARIO
Presiding Justice

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

First Division

PROCTER & GAMBLE INTERNATIONAL OPERATIONS SA-ROHQ,
Petitioner,

-versus-

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA Case Nos. 9768 and 9829

Members:

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

Promulgated:
OCT 05 2022 11:28a

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SEPARATE CONCURRING OPINION

MANAHAN, *J.*:

I agree with the ponencia of my esteemed colleague, Justice Marian Ivy F. Reyes-Fajardo, denying petitioner's Petition for Review for insufficiency of evidence.

In the same vein, the undersigned would like to accentuate further why the evidence presented by petitioner to prove that the services rendered to its foreign clients were performed in the Philippines was insufficient.

The undersigned agrees that an unrebutted testimony may be used as evidence in proving that services rendered for foreign client was performed in the Philippines, such as the Amended Decision rendered under CTA EB No. 2249.[1]

However, unlike in the abovementioned case wherein the testimony of the witness focused on the proof of purchases that gave rise to input value-added tax (VAT) credits, the unrebutted testimony made by petitioner's witness in the instant case dwelt on the services allegedly rendered in the Philippines and not on

[1] *Deutsche Knowledge Services PTE., Ltd. v. Commissioner of Internal Revenue* dated June 1, 2022.

purchases of goods made in the Philippines as the source of petitioner's input value-added tax (VAT) credits, to wit:[2]

> "Q17: How did Petitioner incur the input VAT credits subject of its claim for refund for the Period of Claim.
>
> A: For the Period of Claim, **Petitioner rendered services in the Philippines** to entities located and conducting business outside the Philippines. For and in consideration of these services, Petitioner was paid in acceptable foreign currencies and accounted for in accordance with rules and regulations of the BSP" (*Emphasis supplied*)

Moreover, as found by this Court, the services to be rendered are not exclusively to be done in the Philippines but may also be performed somewhere else, to wit:[3]

> "4.2 <u>Performance of Services</u>
>
> xxx xxx xxx
>
> 4.2.2 **THE SERVICE PROVIDER shall render the Services referred to in Article 4.1 from all or any of its operational locations**, provided however that nothing herein shall be construed to require THE SERVICES PROVIDER to establish or maintain an office or other place of business other than its current and future places of business as deemed appropriate by THE SERVICE PROVIDER itself or be construed to require THE SERVICE PROVIDER **to provide the services of its employees, agents, or subcontractors, to SERVICE RECIPIENT outside of THE SERVICE PROVIDER's normal place of business on other than on an occasional basis**." (*Emphasis supplied*)

A close reading of the aforequoted section of the Services Agreement reveals that services to the recipients/foreign clients may be rendered outside of petitioner's place of business **on an occasional basis**.

Thus, petitioner must prove that indeed **ALL** of its services rendered to its foreign client were done in the Philippines.

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[2] Docket, CTA Case No. 9768, Vol. I, *Sworn Statement of Mr. Carlos Ben Ignacio to Questions propounded by Atty. Alexis John S. Ramos*, p. 213.

[3] *Id.*, Exhibit P-4.1, p. 2405; Exhibit P-4.2, p. 2422, Exhibit P-4.3, p. 2440; Exhibit P-4.4, p. 2460; Exhibit P-4.5, p. 2476

Petitioner should be reminded that a claim for refund is akin to a claim against public funds considering that such input taxes form part of the funds for government operations, hence, petitioner is required to prove its entitlement to the return of such funds. It is hornbook doctrine that tax refunds are in the nature of tax exemptions and as such they are regarded as in derogation of sovereign authority and to be construed *strictissimi juris* against the person or entity claiming the exemption.[4] The burden of proof is upon the person/entity who claims the exemption and he/she/it must be able to justify the claim by the clearest grant under constitutional or statutory law.[5]

WHEREFORE, falling short of the quantum of evidence required to grant the claim for refund, I **CONCUR** with the **DECISION** denying the Petition for Review.

CATHERINE T. MANAHAN
Associate Justice

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[4] *Commissioner of Internal Revenue v. S.C. Johnson and Son, Inc., et al.*, G.R. No. 127105, June 25, 1999.

[5] *Commissioner of Internal Revenue v. Procter & Gamble Philippine Manufacturing Corporation and The Court of Tax Appeals*, G.R. No. L-66838, December 2, 1991.