REPUBLIC OF THE PHILIPPINES
Court Of Tax Appeals
QUEZON CITY

SECOND DIVISION

GOLDEN ARCHES DEVELOPMENT CORPORATION,
Petitioner,

-versus-

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

C.T.A. CASE NO. 7200

Members:

CASTAÑEDA,JR., Chairperson
UY, and
PALANCA-ENRIQUEZ, JJ.

Promulgated:

OCT 15 2008
10:45 a.m.

x -- x

DECISION

PALANCA-ENRIQUEZ, J.:

A taxpayer's excess withholding tax credits for the taxable quarter/taxable year shall automatically be allowed as a refund or credit for purposes of filing his income tax return for the taxable quarter/taxable year immediately succeeding the taxable quarter/taxable year in which the aforesaid excess credit arose. This right to refund or credit, however, is not automatic, the taxpayer must be able to prove the same by substantial evidence, pursuant to the prescribed requirements set forth in our Tax Code.

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THE CASE

This is a Petition for Review filed by Golden Arches Development Corporation (hereafter "petitioner") praying for the refund or issuance of a tax credit certificate in the total amount of P56,220,970.00, representing its unutilized creditable income taxes withheld for calendar year ending December 31, 2002.

THE FACTS

In their Joint Stipulation of Facts, the parties stipulated as follows:

> "1. On April 21, 2003, petitioner filed with the BIR, through the Electronic Filing and Payment System (EFPS), its Annual Income Tax Return for CY ending December 31, 2002;
>
> 2. On November 25, 2003, petitioner filed an Amended Annual Income Tax Return for CY 2002 with the BIR;
>
> 3. Petitioner's Application for Tax Credits/Refunds (BIR Form No. 1914) for unutilized creditable withholding taxes for CY 2002, stamped received by the BIR on April 1, 2005, is authentic and duly-executed;
>
> 4. Petitioner's administrative claim for refund of unutilized creditable withholding taxes for CY 2002 dated April 1, 2005, addressed to Ms. Maridur V. Rosario of the BIR,LTDO – Makati, is authentic and duly-executed;
>
> 5. On November 28, 2002, the Securities and Exchange Commission ("SEC") approved the merger between the petitioner and McGeorge Food Industries, Inc.;

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> 6. As stated in its Amended Articles of Incorporation filed with the SEC on November 28, 2002, petitioner's primary purpose was amended to that of establishing, maintaining, operating and managing, for its own account or for the account of other entities or individuals, restaurants, cafes, bars, and general food catering services;
>
> 7. To date, respondent has neither denied nor approved petitioner's administrative claim for refund or unutilized creditable withholding taxes for CY 2002."

In her Answer, respondent alleged by way of special and affirmative defenses that petitioner failed to demonstrate that the tax subject of the case at bar was erroneously or illegally collected; taxes paid and collected are presumed to have been made in accordance with law and regulations, hence, not refundable; in an action for tax refund/credit, the burden of proof is on the taxpayer to establish its right to refund and failure to adduce sufficient proof is fatal to the action for tax refund/credit; it is incumbent upon the petitioner to show that it has complied with the provisions of Section 204, in relation to Section 229 of the Tax Code, as amended; and finally, claims for refund are construed strictly against the claimant for the same partakes of the nature of exemption from taxation and as such, are looked upon with disfavor.

Petitioner presented its Senior Accounting Manager, Cornelia Naguit, as witness, and documentary evidence, marked as Exhibits *"A"* to *"RR"*, inclusive of their submarkings, which were all admitted by the Court.

On February 16, 2006, petitioner filed a "Motion for Leave to Admit Amended Petition for Review", which was granted and the Amended Petition for Review was admitted. The Amended Petition for Review incorporated the alternative option and willingness of petitioner to accept a TCC, in lieu of cash refund, for its claim of unutilized creditable withholding taxes.

On the other hand, respondent waived her right to present evidence and submitted the case for decision.

Thereafter, both parties were ordered to file their simultaneous memoranda, within thirty (30) days from July 25, 2007. Considering that only petitioner filed its memorandum, the case was deemed submitted for decision on October 17, 2007.

Hence, this decision.

ISSUES

As stipulated upon by the parties, the following are the issues for the consideration of this Court:

I

WHETHER OR NOT PETITIONER'S WITHHOLDING TAX CREDITS OF P68,446,803.00 FOR CY 2002 ARE

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DUILY SUBSTANTIATED BY DOCUMENTARY EVIDENCE.

II

WHETHER OR NOT PETITIONER HAS AN UNUTILIZED/EXCESS CREDITABLE WITHHOLDING TAX IN THE AMOUNT OF P56,220,970.00 FOR CY 2002.

III

WHETHER OR NOT THE INCOME FROM WHICH THE SUBJECT CREDITABLE TAXES WERE WITHHELD WERE REPORTED AS PART OF PETITIONER'S REVENUES IN ITS ANNUAL INCOME TAX RETURN FOR CY 2002.

IV

WHETHER OR NOT SAID PETITIONER'S UNUTILIZED CREDITABLE WITHHOLDING TAXES AS OF DECEMBER 31, 2002 WERE APPLIED AGAINST ITS INCOME TAX LIABILITY IN THE SUCCEEDING TAXABLE YEAR/S.

V

WHETHER OR NOT PETITIONER FILED ITS ADMINISTRATIVE CLAIM FOR REFUND/TAX CREDIT IN ACCORDANCE WITH THE PROVISIONS OF SECTION 204 (C) OF THE TAX CODE.

VI

WHETHER OR NOT PETITIONER FILED ITS JUDICIAL CLAIM FOR REFUND/TAX CREDIT WITHIN THE TWO YEAR PERIOD AS PROVIDED UNDER SECTION 229 OF THE TAX CODE.

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Principal Issue

The foregoing issues raised by both parties boil down to the principal issue of whether or not petitioner is entitled to a refund or issuance of a tax credit certificate in the amount of P56,220,970.00, attributable to its unutilized creditable income taxes withheld for CY 2002.

THE RULING OF THE COURT

The petition is partly meritorious.

A perusal of petitioner's Annual Income Tax Return (both original and amended) for the calendar year 2002 shows a gross income of P611,291,648.00 and operating expenses of P611,291,648.00, resulting to a net operating loss. Pursuant to *Section 27(E)(1)* of the *National Internal Revenue Code of 1997* (hereafter "NIRC of 1997"), as amended, petitioner is still liable for the Minimum Corporate Income Tax (MCIT) in the amount of P12,225,833.00. Consequently, the excess taxes withheld during the course of the taxable year, while collected legally, partakes of the nature of erroneously collected taxes at the end of the taxable year.

In this regard, *Section 76 of the NIRC of 1997, as amended*, provides:

> "***SEC. 76. Final Adjustment Return*** – Every corporation liable to tax under Section 27 shall file a final adjustment return covering the total taxable income for the preceding calendar or fiscal year. If the sum of the quarterly tax payments made during the said taxable year is not equal to the total tax due on the entire taxable income of that year, the corporation shall either:
>
> (A) Pay the balance of tax still due; or
> (B) Carry over the excess credit; or
> (C) Be credited or refunded with the excess amount paid, as the case may be.
>
> In case the corporation is entitled to a tax credit or refund of the excess estimated quarterly income taxes paid, the excess amount shown on its final adjustment return may be carried over and credited against the estimated quarterly income tax liabilities for the taxable quarters of the succeeding taxable years. Once the option to carry-over and apply the excess quarterly income tax against tax due for the taxable quarters of the succeeding taxable years has been made, such option shall be considered irrevocable for that taxable period and no application for cash refund or issuance of a tax credit certificate shall be allowed therefor."

The above provision gives two options to a taxable corporation whose total quarterly income tax payment in a given taxable year exceeds its total income tax due. These options are (1) be credited or refunded either in the form of cash or credit certificate with the excess amount paid; or (2) carry over the excess credit to the succeeding taxable year.

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The first option works simply by applying for a cash refund or tax credit certificate with the Bureau of Internal Revenue for any tax on income that is paid in excess of the amount due to the government. The second option, on the other hand, works by applying the refundable amount, as shown on the Final Adjustment Return of the given taxable year, against the income tax liabilities of the succeeding taxable year.

The two options under *Section 76* are alternative in nature *(Paseo Realty & Development Corp. v. Court of Appeals, 440 SCRA 235, 250-251).* The choice of one precludes the other. Once the choice is made, it shall be considered irrevocable for that taxable period, and no application for a tax refund or issuance of a tax credit certificate shall then be allowed regardless of whether or not the excess tax credit is actually utilized.

A perusal of petitioner's Annual Income Tax Return (both original and amended) for calendar year ending December 31, 2002 shows that petitioner did not mark any choice in the options provided under Item 31 thereof. A perusal also of the succeeding Annual Income Tax Return for calendar year 2003 *(*Exhibit *"C")* reveals that petitioner did not indicate any amount of prior year's excess credit. Evidently, petitioner did not carry over its claimed amount of P56,220,970.00, as tax credit to the succeeding taxable year 2003. The subsequent filing of a claim for refund

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with the BIR is a clear manifestation of its intention to have its excess tax payments be refunded as cash or tax credit certificate.

However, in order to be entitled to a claim for refund or issuance of a tax credit certificate of excess creditable withholding tax at source, petitioner must comply with the following requisites prescribed under *Section 2.58.3 of Revenue Regulations No.2-98*, otherwise known as the *Withholding Tax Regulations,* to wit:

1) That the claim for refund was filed within the two-year reglementary period prescribed under Section 204(C), in relation to *Section 229* of the NIRC of 1997, as amended;

2) That the fact of withholding is established by a copy of the statement duly issued by the payor (withholding agent) to the payee (BIR Form No. 1743-A), showing the amount paid and the amount of tax withheld therefrom;

3) That it is shown on the return of the recipient that the income payment received was declared as part of the gross income declared in the income tax return of the recipient *(Citibank N.A. vs. Court of Appeals and Commissioner of Internal Revenue, 280 SCRA 459).*

Thus, it is imperative that petitioner should be able to prove the above requisites.

First Requisite –
Claim For Refund Was
Filed Within the Two-year
Prescriptive Period

In this connection, *Sections 204 (C) and 229 of the NIRC of 1997, as amended*, provide:

> "SEC. 204. Authority of the Commissioner to Compromise, Abate and Refund or Credit Taxes. — The Commissioner may —
>
> (A) xxx
>
> (B) xxx
>
> (C) Credit or refund taxes erroneously or illegally received or penalties imposed without authority, refund the value of internal revenue stamps when they are returned in good condition by the purchaser, and, in his discretion, redeem or change unused stamps that have been rendered unfit for use and refund their value upon proof of destruction. No credit or refund of taxes or penalties shall be allowed unless the taxpayer files in writing with the Commissioner a claim for credit or refund within two (2) years after the payment of the tax or penalty: Provided, however, That a return filed showing an overpayment shall be considered as a written claim for credit or refund."
>
> "SEC. 229. Recovery of Tax Erroneously or Illegally Collected. — No suit or proceeding shall be maintained in any court for the recovery of any national internal revenue tax hereafter alleged to have been erroneously or illegally assessed or collected, or of any

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> penalty claimed to have been collected without authority, or of any sum alleged to have been excessively or in any manner wrongfully collected, until a claim for refund or credit has been duly filed with the Commissioner; but such suit or proceeding may be maintained, whether or not such tax, penalty, or sum has been paid under protest or duress.
>
> In any case, no such suit or proceeding shall be filed after the expiration of two (2) years from the date of payment of the tax or penalty regardless of any supervening cause that may arise after payment: Provided, however, That the Commissioner may, even without a written claim therefor, refund or credit any tax, where on the face of the return upon which payment was made, such payment appears clearly to have been erroneously paid."

The two-year prescriptive period for the filing of a claim for refund under *Section 204 (C),* in relation to *Section 229* of the *NIRC of 1997, as amended,* commences from the date of filing of the final adjustment return *(ACCRA Investments Corp. vs. Court of Appeals, 204 SCRA 957)*. It must be stressed that the rationale in computing the two-year prescriptive period with respect to petitioner corporation's claim for refund from the time it filed its final adjustment return is the fact that it was only then that petitioner could ascertain whether it made profits or incurred losses in its business operations.

Records reveal that petitioner filed its Annual Income Tax Return for the calendar year ending December 31, 2002 on April 21, 2003

(Exhibit "A-7") through electronic filing and within the extended period for filing income tax returns by virtue of Revenue Regulations 15-2003. Counting from April 21, 2003, petitioner had until April 21, 2005, within which to file its claim for refund/tax credit certificate, both administratively and judicially. Therefore, both petitioner's administrative claim filed on April 1, 2005 *(Exhibit "D")* and the instant Petition for Review filed on April 13, 2005 were filed within the two-year prescriptive period under *Section 204 (C),* in relation to *Section 229 of the NIRC of 1997,* as amended. Clearly, the first requirement has been complied with.

Second Requisite -
Taxes Withheld Are Duly Supported by Certificates of Tax Withheld

To prove the fact of withholding of the reported creditable taxes withheld for the first three quarters and fourth quarter of 2002 in the respective amounts of P48,068,171.00 *(Exhibit "B-3")* and P20,378,632.00 *(Exhibit "B-4")* or in the total amount of P68,446,803.00, petitioner presented Certificates of Creditable Tax Withheld at Source duly issued to it by various withholding agents for the same year (*Exhibits "I-1" to "I-50", "L-1" to "L-108", "N-1" to "N-103", "O-1" to "O-215", "R", "S" and "T"*), which were all summarized in *Exhibit "V"*.

However, upon a careful examination of the documentary evidence presented, the Court finds that the following certificates should be disallowed for the same pertain to final taxes withheld on royalties:

Exhibit	Withholding Agent/Payor		Final Tax Withheld
O-13	Alfonso Ng		P 61,954.49
O-36	Davao City Food Industries, Inc.		6,037.63
		Total	P 67,992.12

Likewise, this Court denies the following certificates with creditable withholding taxes in the amount of P151,227.76 on the ground that petitioner is not indicated as the payee/income recipient, but as the withholding agent/payor:

Exhibit	Withholding Agent/Payor	Creditable Tax Withheld
L-58	Golden Arches Development Corp.	P 23,133.36
L-59	Golden Arches Development Corp	49,888.98
L-60	Golden Arches Development Corp	78,205.42
	Total	P 151,227.76

Thus, this Court holds that only the creditable withholding taxes amounting to P68,227,583.31 are duly supported by valid withholding tax certificates, which are summarized, as follows, per nature of income payment:

Nature of Income Payment	Income Tax Withheld
Rentals - Real Property	P62,032,657.07
Payments to Prime Contractors/Sub-Contractors	344,114.09
Professional Fees	142,945.54
Sales of Real Property Other Than Capital Assets	5,613,937.49
Sales of Goods	73,338.58
Royalties	20,590.53
Total	P68,227,583.31

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The details of the creditable withholding taxes in the amount of P68,227,583.31 is hereto attached and made an integral part of this decision, as Annex "A".

<u>Third Requisite</u> –
<u>The Income Withheld</u>
<u>Were Declared as Part</u>
<u>of Petitioner's Gross Income</u>

With regard to the third requisite, in its amended 2002 income tax return *(Exhibit "B")*, petitioner reflected the following gross income amounts:

	Gross Income Per Income Tax Return
Sale of Goods/Properties	P 572,232,425.00
Sale of Services	10,922,502.00
Lease of Properties	1,221,741,087.00
Total Sales/Revenues/Receipts/Fees *(Exhibit "B-8")*	**P1,804,896,014.00**
Interest Income	P 14,179,984.00
Gain on sale of restaurant business	28,723,821.00
Rent Income	16,463,321.00
Other Income	9,736,992.00
Total Other Income *(Exhibit "B-9")*	**P 69,104,118.00**

On the other hand, the certificates show that creditable withholding taxes of P68,227,583.31 were withheld on income payments, totalling to P1,344,977,364.94, which are summarized per nature of income payment, broken down as follows: ~~[illegible]~~

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	Per Certificates	
	Income Payments	Income Tax Withheld
Rentals - Real Property	P1,240,975,363.33	P62,032,657.07
Payments to Prime Contractors/Sub-Contractors	19,570,110.87	344,114.09
Professional Fees	1,429,455.32	142,945.54
Sales of Real Property Other Than Capital Assets	75,565,624.90	5,613,937.49
Sales of Goods	7,333,857.86	73,338.58
Royalties	102,952.66	20,590.53
Total	**P1,344,977,364.94**	**P68,227,583.31**

The details of the income payments in the total amount of P1,344,977,364.94 with their corresponding income taxes withheld is shown also in Annex "A".

Apparently, the income from lease of properties in the amount of P1,221,741,087.00, and the rent income of P16,463,321.00, totalling to P1,238,204,408.00, as reflected in petitioner's 2002 income tax return is lower by P2,770,955.33 than the rental income of P1,240,975,363.33, as shown in the certificates.

In her Sworn Statement dated June 23, 2006 (*Exhibit "FF"*), petitioner's Senior Accounting Manager, Cornelia Naguit, explained the nature of the discrepancy, as follows:

> "The discrepancy was primarily due to the adjustment of the rental income billed to McGeorge for the 4th quarter of CY 2002. As you are aware, Mc George was merged with GADC on November 28, 2002. For this reason, the rentals due from McGeorge for the period November 28, 2002 to December 31, 2002 amounting to P7,748,628.29 were reversed since GADC and Mc George were merged into one corporation.
>
> Aside from the adjustment of the company's rental income from McGeorge, we have already accrued the rental income from lessees such as GENOS1, HAVI Food, Aurora Trading, Expression

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> Stationery, Filemon Pascua and Leopoldo Bartolome, even though the rentals have not yet been collected and the Creditable Withholding Tax Certificates have not yet been received.
>
> Lastly, rentals due from franchisees amounting to P2,994,255.30 have already been reported as part of our gross revenues in CY 2001. However, we only received the Creditable Withholding Tax Certificates from our franchisees in CY 2002 when they paid the rentals."

To corroborate the testimony of Ms. Naguit, petitioner submitted the Schedule of Rent Income for the year 2002 (*Exhibit "Y"*) with attached Schedule of Rent Income from McGeorge Food Ind., Inc. (*Exhibit "Z"*), Certificates of Creditable Tax Withheld at Source for taxable year 2002 (*Exhibits "CC", "DD", "EE", "EE-2", "EE-3", "EE-4"*), income tax return for taxable year 2001, and the corresponding Certificates of Creditable Tax Withheld at Source for 2001 (*Exhibits "MM" & "NN"*). However, the Court finds the aforesaid documents insufficient because the discrepancy of P2,770,955.33 cannot be traced as forming part of petitioner's declared taxable gross income in 2002 or prior year 2001. Thus, with respect to this amount petitioner failed to comply with the third requisite that to be entitled for refund the income upon which the taxes were withheld was included as part of the gross income.

Therefore, out of the claimed creditable withholding taxes of P62,032,657.07, pertaining to the rental income payments of P1,240,975,363.33, the amount of P138,547.77, corresponding to the

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discrepancy in rental income of P2,770,955.33, computed as follows, is hereby disallowed:

	Per ITR	Per Certificates	Discrepancy
Lease of Properties	P1,221,741,087.00		
Rent Income	16,463,321.00		
Total Rent Income	P1,238,204,408.00	P1,240,975,363.33	P 2,770,955.33
Multiply by 5% w/holding tax rate			x 0.05
Disallowed Creditable Withholding Taxes			**P 138,547.77**

Also, the Court finds that petitioner's income from sale of services in the amount of P10,922,502.00, as reflected in its 2002 income tax return, is lower by P10,077,064.19, when compared with the professional fees and contractor's fees, as shown in the certificates in the respective amounts of P1,429,455.32 and P19,570,110.87, or in the sum of P20,999,566.19. For petitioner's failure to account for the discrepancy of P10,077,064.19, the related creditable withholding taxes in the amount of P233,725.30, as computed below, are also disallowed from petitioner's claim for refund:

Income from sale of services per certificates		
Payments to prime contractors/sub-contractors		P19,570,110.87
Professional fees		1,429,455.32
Total		P20,999,566.19
Less: Income from sale of services per income tax return		10,922,502.00
Discrepancy in income		P10,077,064.19
Percentage of discrepancy to total income per certificates		47.987%
Multiply by: Creditable Taxes Withheld per Certificates		
Payments to prime contractors/sub-contractors	P344,114.09	
Professional fees	142,945.54	487,059.63
Disallowed creditable withholding taxes		**P 233,725.30**

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As regards petitioner's sale of real property other than capital assets in the amount of P75,565,624.90 pertaining to the claimed creditable withholding taxes of P5,613,937.49, the same allegedly formed part of petitioner's reported gain on sale of restaurant business in the amount of P28,723,821.00, as testified to by petitioner's Senior Accounting Manager, Cornelia Naguit, on direct examination, to wit:

> Q. Based on the Summary of GADC's Creditable Withholding Tax Certificates for CY 2002 marked as **Exhibit "U"**, GADC derived income from sale of real property in the total amount of P75,565,625.00, and creditable withholding taxes at the rate of 6% and 7.5% amounting to P5,613,937.50 were withheld therefrom. In what portion of GADC's Amended Annual Income Tax Return for CY 2002 (Exhibit "B") is the income from sale of real properties reported?
>
> A. The company's income from sale of real properties is reported in Line 54 of the Annual Income Tax Return for CY 2002, pertaining to "gain on sale of restaurant businesses."
>
> Q. Can you please explain why the "gain on sale of restaurant businesses" reported on Line 54 is only P28,723,821.32, while the company's total income from sale of real properties as shown in the Creditable Withholding Tax Certificates is P75,565,625.00.
>
> A. The amount of gain on sale of restaurant businesses reported in Line 54 of the Annual Income Tax Return for CY 2002 is based on the excess of selling price over the net book value of the property. On the other hand, the tax base for the creditable withholding taxes is the higher of (1) the consideration stated in the sales document, or (b) the fair market value of the property.
>
> For this reason, the tax base shown in the CWT Certificates does not tally with the amount of income reported in GADC's Annual Income Tax Return for CY 2002.
>
> Q. Do you confirm that the amount of P28,723,821.32, representing "gain on sale of restaurant businesses," pertains to the net gain on the sale of real properties in 2002.

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A. The net gain on sale of real properties, particularly restaurants, represent approximately 80% of the P28,723,821.32. The remaining 20% pertains to the retirement of various properties of the company in 2002.

Q. In any case, are the creditable withholding taxes on GADC's income from sale of real properties supported by Certificates of Creditable Tax Withheld at Source (BIR Form 2307)?

A. Yes. As a matter of fact, the CWT Certificates covering the P5,613,937.50 creditable withholding taxes on sale of real properties other than capital asset has already been presented to the Court and marked as petitioner's Exhibits "L-40." "L-41", "L-42", "O-19", "O-74", "O-75", "O-76", "O-77", "O-163", "O-167" and "O-213".

Q. Can you please explain to us the nature of these transactions.

A: The "gain on sale of restaurant businesses" pertains to the sale of McDonald's Restaurants – particularly, the building or leasehold improvements, equipment, signage, seating and décor of the said restaurants – to our franchisees during the year.

In 2002, our franchisees HRA Foods, Angel of Hope Food Enterprises, Noemi Concepcion, Ordo Food Enterprises (Ma. Jose Ordoveza), and 3k Golden Foods Corporation purchased the McDonald's Restaurants located at Metropolis-Alabang, Vigan-Ilocos Sur, Santiago-Isabela, Sta. Cruz-Laguna, and E. Rodriguez-Quezon City, respectively. These restaurants were previously owned and operated by GADC.

The gain realized on the sale of the five (5) McDonald's Restaurants were reported as part of GADC's "gain on sale of restaurant businesses," as shown in Line 54 of the Annual Income Tax Return for CY 2002." *(*Exhibit *"QQ").*

To prove the computation of the reported gain on sale of restaurant business for the year 2002 in the amount of P28,723,821.00, petitioner presented a schedule summarizing in detail the selling price, acquisition cost, accumulated depreciation, net book value, other cost and gain/loss earned for each property sold *(Exhibit "RR").* However, other than the

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Deed of Sale *(Exhibit "GG-4")* pertaining to the McDonald's store located in Vigan and Withholding Tax Remittance Returns *(Exhibits "II", "JJ", "KK" and "LL)*, which reflected the selling prices of the properties sold, petitioner failed to submit the underlying documents upon which the figures indicated in the schedule, *i.e.*, acquisition cost, accumulated depreciation and other costs, were based. Thus, this Court cannot ascertain whether the gain on sale related to the claimed creditable withholding taxes of P5,613,937.49 actually formed part of petitioner's taxable income for the year 2002. Accordingly, this Court denies petitioner's claimed creditable withholding taxes in the amount of P5,613,937.49.

As regards the sales of goods in the amount of ₱7,333,857.86 corresponding to the claimed creditable taxes withheld of P73,338.58, petitioner's witness, Ms. Cornelia Naguit, on direct examination testified that the same pertains to food, paper and other restaurant supplies, such as hamburger patties, marinated chicken, French fries, ketchup, disposable spoons and forks, drinking cups, sanitizer, linen, etc., which were sold to petitioner's franchisees at cost, thus, no income was derived therefrom. *(Exhibit "X")*. The sales were allegedly recorded in petitioner's books of accounts, as decreases in inventory *(Exhibit "X")*. Again, the Court finds

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such testimony, unsupported by documentary proof, insufficient to establish petitioner's claim. Thus, the Court disallows the claimed creditable taxes withheld of P73,338.58.

The same holds true as regards the royalties received by petitioner in the amount of P102,952.66 with the corresponding creditable taxes withheld of P20,590.53. Petitioner's witness, Ms. Cornelia Naguit, on direct examination, testified that the amount of P102,952.66 was reported as part of petitioner's income from "Sale of Services" amounting to P10,922,502.00, as shown in Line 36 of its Annual Income Tax Return. *(Exhibit "FF").* Without documentary evidence to corroborate her statement, the claimed creditable taxes withheld of P20,590.53 cannot be granted.

As regards the third requisite, petitioner has complied with the same, but only to the extent of P62,147,443.64 out of the total claimed creditable withholding taxes of P68,227,583.31 with valid certificates, computed as follows:

Claimed creditable taxes withheld w/ proper certificates				P68,227,583.31
Less:	a.	Creditable taxes withheld pertaining to the discrepancy in rental income per income tax return and per certificates	P 138,547.77	
	b.	Creditable taxes withheld pertaining to petitioner's sales of real property other than capital assets	5,613,937.49	
	c.	Creditable taxes withheld pertaining to the discrepancy in sales of services per income tax return and per certificates	233,725.30	
	d.	Creditable taxes withheld pertaining to petitioner's sales of goods in the amount of P7,344,766.95	73,338.58	

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e. Creditable taxes withheld pertaining to the royalties received by petitioner in the amount of P102,952.66	20,590.53	6,080,139.67
Claimed creditable taxes withheld pertaining to petitioner's declared income per income tax return		**P62,147,443.64**

In sum, the Court finds petitioner to have sufficiently established its entitlement for the refund/tax credit of its unutilized creditable taxes withheld for the taxable year 2002, but in the reduced amount of P49,921,610.64, computed as follows:

Sales/Revenue/Receipts/Fees	P1,804,896,014.00
Less: Cost of Sales/Services	1,262,708,484.00
Gross Income from Operation	P 542,187,530.00
Add: Non-Operating & Other Income	69,104,118.00
Total Gross Income	P 611,291,648.00
Less: Deductions	611,291,648.00
Taxable Income	P -
Minimum Corporate Income Tax (MCIT) Due	P 12,225,833.00
Less: Tax Credits	
Substantiated Creditable Taxes Withheld during the year 2002	62,147,443.64
Refundable Excess Tax Credits	**P 49,921,610.64**

Finally, We reiterate the well entrenched rule in jurisprudence that actions for tax refund, as in the instant case, are in the nature of a claim for exemption and the law is not only construed in *strictissimi juris* against the taxpayer, but also the pieces of evidence presented entitling a taxpayer to an exemption are *strictissimi* scrutinized and must be duly proven.

WHEREFORE, premises considered, the present Petition for Review is **PARTIALLY GRANTED**. Accordingly, respondent is hereby **ORDERED TO REFUND OR TO ISSUE A TAX CREDIT CERTIFICATE** in favor of petitioner the reduced amount of P49,921,610.64, representing the unutilized creditable withholding taxes for the calendar year 2002.

SO ORDERED.

OLGA PALANCA-ENRIQUEZ
Associate Justice

WE CONCUR:

JUANITO C. CASTAÑEDA, JR.
Associate Justice

ERLINDA P. UY
Associate Justice

A T T E S T A T I O N

I attest that the conclusions in the above Decision were reached in consultation before the cases were assigned to the writer of the opinion of the Court's Division.

JUANITO C. CASTAÑEDA, JR.
Associate Justice
Chairperson, Second Division

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

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

ERNESTO D. ACOSTA
Presiding Justice

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GOLDEN ARCHES DEVELOPMENT CORPORATION
SCHEDULE OF CREDITABLE TAXES WITHHELD
FOR THE YEAR ENDING DECEMBER 31, 2002

EXHIBIT	WITHHOLDING AGENT/PAYOR	INCOME PAYMENT	INCOME TAX WITHHELD
Rentals - Real Property (5%)			
I-1	Alfonso Ng	P 373,778.91	P 18,688.95
I-2	Alfonso Ng	487,038.59	24,351.93
I-3	Alfonso Ng	697,601.35	34,880.07
I-4	Alfonso Ng	433,848.05	21,692.41
I-5	Ancel A Corporation	1,053,009.84	52,650.50
I-6	Ancel A Corporation	651,183.91	32,559.20
I-7	Clark Mac Enterprises	261,389.60	13,069.48
I-8	Blue Dairy Corporation	500,000.01	25,000.00
I-9	Cebu Golden Food Industries, Inc.	1,165,154.40	58,257.72
I-10	Cebu Golden Food Ventures, Inc.	1,633,415.00	81,670.75
I-11	Davao City Food Industries, Inc.	1,132,553.04	56,627.69
I-12	Edsa Food Industries, Inc.	1,546,950.48	77,347.52
I-13	Geneva Food Inc.	773,151.98	38,657.60
I-14	Giant Arches Food Corp.-Session Rd.	1,978,725.27	98,936.26
I-15	Giant Arches Food Corp.-Centermall	817,179.26	40,858.96
I-16	Giant Arches Food Corp.-Baguio Sunshine	706,739.27	35,336.97
I-17	Golden Laoag Foods Corp.	989,592.53	49,479.63
I-18	Golden City Food Industries, Inc.	377,470.36	18,873.52
I-19	HAVI Food Services Phils., Inc.	2,500,000.40	125,000.02
I-20	HRA Foods	805,835.90	40,291.79
I-21	Johnarches Foods	682,302.30	34,115.12
I-22	Mariel Food Corp.-Baliuag	554,445.16	27,722.26
I-23	Mariel Food Corp.-Pulilan	389,777.80	19,488.89
I-24	Mary Gocheco-Commonwealth	725,822.99	36,291.15
I-25	Mary Gocheco-Ever Gotesco	462,311.55	23,115.58
I-26	McColby's Inc.-CSI Urdaneta-Pass Thru	741,839.49	37,091.97
I-27	McColby's Inc.-CSI Urdaneta	104,007.27	5,200.36
I-28	McColby's Inc.-Dagupan1-Pass Thru	188,807.28	9,440.36
I-29	McColby's Inc.-Dagupan1	621,930.27	31,096.51
I-30	McColby's Inc.-Lucao-Pass Thru	269,325.00	13,466.25
I-31	McColby's Inc.-Lucao	408,102.98	20,405.15
I-32	McDaniels Food Corp.	719,627.84	35,981.39
I-33	McGeorge Food Industries, Inc.	264,837,454.40	13,241,872.72
I-34	McDonald's Restaurant-Balanga	1,244,487.45	62,224.37
I-35	McDonald's Alaminos	1,663,903.04	83,195.15
I-36	McAnt Food Service	807,739.80	40,386.99
I-37	McAnt Food Service	911,741.91	45,587.10
I-38	Retiro Golden Foods, Inc.	631,653.40	31,582.67
I-39	Nee Mee Food Corp.	1,432,478.67	71,623.94
I-40	Nestor dela Merced II-Guadalupe-Pass Thru	443,041.29	22,152.06
I-41	Nestor dela Merced II-Guadalupe	137,400.27	6,870.01
I-42	Nestor dela Merced II-Pass Thru	851,593.92	42,579.70
I-43	Nestor dela Merced II	69,853.52	3,492.67
I-44	QSC & V Food Services(San Mateo)	522,095.29	26,104.76
I-45	QSC & V Food Services(Sumulong)	1,035,693.57	51,784.65
I-46	Ontiveros, Cyrus Ren Balubal-Tuguegarao	261,933.15	13,096.65
I-47	Ontiveros, Cyrus Ren Balubal-Tuguegarao	288,672.81	14,433.63
I-48	PQS Enterprises	951,957.24	47,597.86

EXHIBIT	WITHHOLDING AGENT/PAYOR	INCOME PAYMENT	INCOME TAX WITHHELD
I-49	Ranola, Alan Ong	962,735.00	48,136.75
I-50	VZG Food Industries, Inc.	593,046.05	29,652.31
L-1	Ranola, Alan Ong	853,510.45	42,675.53
L-2	Alfonso Ng	373,778.91	18,688.95
L-3	Alfonso Ng	420,118.53	21,005.93
L-4	Alfonso Ng	693,767.48	34,688.37
L-5	Alfonso Ng	424,938.97	21,246.95
L-6	Ancel A Corporation	886,302.96	44,315.15
L-7	Ancel A Corporation	1,799,678.66	89,983.93
L-8	Ancel A Corporation	676,554.01	33,827.70
L-9	Clark Mac Enterprises	232,967.80	11,648.39
L-10	Clark Mac Enterprises	252,868.00	12,643.40
L-11	Blue Dairy Corporation	500,000.01	25,000.00
L-12	Cebu Golden Food Industries, Inc.	101,978.40	5,098.92
L-13	Cebu Golden Food Industries, Inc.	384,470.80	19,223.54
L-15	Cebu Golden Food Ventures, Inc.	1,209,859.20	60,492.96
L-16	Davao City Food Industries, Inc.	1,114,546.87	55,727.34
L-17	Geneva Food Inc.	739,952.41	36,997.62
L-18	Geneva Food Inc.	255,612.73	12,780.64
L-19	Giant Arches Food Corp.-Session Rd.	666,661.29	33,333.06
L-20	Giant Arches Food Corp.-Session Rd.	668,725.43	33,436.27
L-21	Giant Arches Food Corp.-Session Rd.	593,370.78	29,668.54
L-22	Giant Arches Food Corp.-Session Rd.	287,655.12	14,382.76
L-23	Giant Arches Food Corp.-Session Rd.	539,664.63	26,983.23
L-24	Giant Arches Food Corp.-Centermall	269,521.65	13,476.08
L-25	Giant Arches Food Corp.-Centermall	291,700.80	14,585.04
L-26	Giant Arches Food Corp.-Centermall	235,479.57	11,773.98
L-27	Giant Arches Food Corp.-Baguio Sunshine	502,629.97	25,131.50
L-28	Giant Arches Food Corp.-Baguio Sunshine	213,157.04	10,657.85
L-29	Glenn Lim	1,592,522.24	79,626.11
L-31	Golden Laoag Foods Corp.	667,375.98	33,368.80
L-32	Golden Laoag Foods Corp.	344,773.29	17,238.66
L-33	Golden Laoag Foods Corp.	336,707.38	16,835.37
L-34	Golden City Food Industries, Inc.	394,012.24	19,700.61
L-35	Golden South Foods, Inc.	2,198,660.14	109,933.01
L-36	Golden South Foods, Inc.	2,538,471.59	126,925.16
L-37	HAVI Food Services Phils., Inc.	3,143,302.00	157,165.10
L-38	HRA Foods	879,583.58	43,979.18
L-39	HRA Foods	281,971.50	14,098.58
L-43	Jessica Golayan Lim	825,251.73	41,262.58
L-44	Jessica Golayan Lim	953,409.79	47,670.48
L-45	Johnarches Foods	424,848.68	21,242.43
L-46	Mariel Food Corp.-Baliuag	537,109.89	26,855.50
L-47	Mariel Food Corp.-Pulilan	393,337.90	19,666.90
L-48	Mary Gocheco-Commonwealth	754,866.60	37,744.33
L-49	Mary Gocheco-Ever Gotesco	455,426.22	22,771.31
L-50	McColby's Inc.-CSI Urdaneta-Pass Thru	823,221.97	41,161.10
L-51	McColby's Inc.-CSI Urdaneta	104,007.27	5,200.36
L-52	McColby's Inc.-Dagupan1-Pass Thru	198,247.65	9,912.38
L-53	McColby's Inc.-Dagupan1	663,934.59	33,196.73
L-54	McColby's Inc.-Lucao-Pass Thru	269,325.00	13,466.25
L-55	McColby's Inc.-Lucao	485,657.10	24,282.86
L-56	McColby's Inc.-Alaminos	1,580,011.04	79,000.55

EXHIBIT	WITHHOLDING AGENT/PAYOR	INCOME PAYMENT	INCOME TAX WITHHELD
L-57	McDaniels Food Corp.	804,470.87	40,223.54
L-61	McGeorge Food Industries, Inc.	89,264,010.00	4,463,200.50
L-62	McGeorge Food Industries, Inc.	82,079,404.40	4,103,970.72
L-63	McGeorge Food Industries, Inc.	86,739,487.00	4,336,974.35
L-64	McGill Food Industries, Inc.	791,980.92	39,599.07
L-65	McGill Food Industries, Inc.	762,032.68	38,101.64
L-66	McPhilips Food Industries, Inc.-Baclaran	1,974,408.56	98,720.43
L-67	McPhilips Food Industries, Inc.-Baclaran	979,901.05	48,995.05
L-68	McPhilips Food Industries, Inc.-Baclaran	306,284.81	15,314.24
L-69	McPhilips Food Industries, Inc.-La Salle	1,056,897.00	52,844.85
L-70	McPhilips Food Industries, Inc.-La Salle	992,627.71	49,631.39
L-71	McPhilips Food Industries, Inc.-La Salle	410,500.87	20,525.04
L-72	McDonald's Restaurant-Balanga	809,250.35	40,462.51
L-73	McDonald's Restaurant-Balanga	409,120.92	20,456.05
L-74	McDonald's Restaurant-Balanga	419,768.90	20,988.45
L-75	McAnt Food Service	878,453.35	43,922.67
L-76	McAnt Food Service	265,672.49	13,283.62
L-77	McAnt Food Service	900,582.77	45,029.14
L-78	McAnt Food Service	268,950.46	13,447.52
L-79	Retiro Golden Foods, Inc.	426,065.20	21,303.26
L-80	Nee Mee Food Corp.	1,508,143.20	75,407.16
L-81	Nee Mee Food Corp.	485,964.38	24,298.22
L-82	Nestor dela Merced II-Guadalupe-Pass Thru	471,426.43	23,571.33
L-83	Nestor dela Merced II-Guadalupe-Pass Thru	166,244.66	8,312.23
L-84	Nestor dela Merced II-Pass Thru	926,669.67	46,333.48
L-85	Nestor dela Merced II-Pass Thru	329,114.04	16,455.70
L-86	QSC & V Food Services(San Mateo)	168,337.28	8,416.87
L-87	QSC & V Food Services(San Mateo)	179,200.72	8,960.04
L-88	QSC & V Food Services(San Mateo)	73,312.37	3,665.62
L-89	QSC & V Food Services(San Mateo)	185,975.55	9,298.78
L-90	QSC & V Food Services(Sumulong)	342,312.43	17,115.62
L-91	QSC & V Food Services(Sumulong)	373,798.72	18,689.94
L-92	QSC & V Food Services(Sumulong)	261,170.35	13,058.52
L-93	QSC & V Food Services(Sumulong)	275,753.78	13,787.69
L-94	Teresita Borbon Ababao (Batangas City)	1,045,064.94	52,253.25
L-95	Teresita Borbon Ababao (Batangas City)	1,083,014.15	54,150.71
L-96	Teresita Borbon Ababao (Bauan)	767,691.39	38,384.56
L-97	Teresita Borbon Ababao (Bauan)	866,683.72	43,334.18
L-98	Teves, Lyndon	540,673.20	27,033.66
L-99	Teves, Lyndon	304,324.40	15,216.22
L-100	Teves, Lyndon	388,300.80	19,415.04
L-101	Teves, Lyndon	300,121.00	15,006.05
L-102	Ontiveros, Cyrus Ren Balubal-Tuguegarao	313,791.09	15,689.55
L-103	Ontiveros, Cyrus Ren Balubal-Tuguegarao	293,569.43	14,678.45
L-104	SPF Food	1,351,977.64	67,598.88
L-105	VZG Food Industries, Inc.	188,397.03	9,419.86
L-106	VZG Food Industries, Inc.	195,584.94	9,779.25
L-107	VZG Food Industries, Inc.	194,950.57	9,747.53
L-108	VZG Food Industries, Inc.	207,308.01	10,365.41
N-3	Alfonso Ng	373,778.91	18,688.95
N-4	Alfonso Ng	506,930.36	25,346.52
N-5	Alfonso Ng	739,513.77	36,975.69
N-6	Alfonso Ng	487,621.43	24,381.08

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EXHIBIT	WITHHOLDING AGENT/PAYOR	INCOME PAYMENT	INCOME TAX WITHHELD
N-7	Ancel A Corporation	868,135.92	43,406.80
N-8	Clark Mac Enterprises	205,302.20	10,265.11
N-9	Clark Mac Enterprises	104,292.94	5,214.65
N-10	Blue Dairy Corporation	500,000.01	25,000.00
N-11	Cebu Golden Food Industries, Inc.	354,762.40	17,738.12
N-12	Davao City Food Industries, Inc.	1,178,222.51	58,911.12
N-13	Edsa Food Industries, Inc.	1,118,950.88	55,947.54
N-14	Edsa Food Industries, Inc.	2,278,209.38	113,910.47
N-15	Geneva Food Inc.	204,198.89	10,209.94
N-16	Geneva Food Inc.	238,969.24	11,948.46
N-17	Geneva Food Inc.	231,331.25	11,566.56
N-18	Giant Arches Food Corp.-Session Rd.	660,229.56	33,011.48
N-19	Giant Arches Food Corp.-Session Rd.	640,811.87	32,040.59
N-20	Giant Arches Food Corp.-Session Rd.	600,288.71	30,014.44
N-21	Giant Arches Food Corp.-Centermall	273,095.07	13,654.75
N-22	Giant Arches Food Corp.-Centermall	311,639.26	15,581.96
N-23	Giant Arches Food Corp.-Centermall	282,208.74	14,110.43
N-24	Giant Arches Food Corp.-Centermall	273,302.66	13,665.13
N-25	Giant Arches Food Corp.-Baguio Sunshine	242,296.72	12,114.84
N-26	Giant Arches Food Corp.-Baguio Sunshine	233,359.79	11,667.99
N-27	Giant Arches Food Corp.-Baguio Sunshine	249,344.96	12,467.25
N-28	Glenn Lim	1,459,930.76	72,996.54
N-29	Glenn Lim	1,746,818.94	87,340.95
N-30	Golden Laoag Foods Corp.	322,182.19	16,109.11
N-31	Golden Laoag Foods Corp.	339,296.50	16,964.83
N-32	Golden Laoag Foods Corp.	314,956.93	15,747.85
N-33	Golden City Food Industries, Inc.	402,918.99	20,145.95
N-36	Golden South Foods, Inc.	730,903.53	36,545.18
N-37	Golden South Foods, Inc.	601,957.39	30,097.87
N-38	Golden South Foods, Inc.	696,446.10	34,822.31
N-41	HRA Foods	326,212.23	16,310.61
N-42	Mariel Food Corp.-Baliuag	585,963.62	29,298.18
N-43	Mariel Food Corp.-Pulilan	424,917.09	21,245.85
N-44	Mary Gocheco-Commonwealth	780,183.91	39,009.19
N-45	Mary Gocheco-Ever Gotesco	459,611.83	22,980.59
N-46	DLC Foods, Inc.-Meycauayan	440,084.25	22,004.21
N-47	DLC Foods, Inc.-Meycauayan	446,333.68	22,316.69
N-48	DLC Foods, Inc.-Valenzuela	981,124.66	49,055.73
N-49	DLC Foods, Inc.-Valenzuela	1,150,748.28	57,537.42
N-50	DLC Foods, Inc.-Balagtas,Bulacan	1,793,819.71	89,690.99
N-51	DLC Foods, Inc.-Balagtas,Bulacan	1,379,522.14	68,976.12
N-52	McGeorge Food Industries, Inc.	283,229,262.00	14,161,463.10
N-53	McGill Food Industries, Inc.	469,169.97	21,325.92
N-54	McGill Food Industries, Inc.	383,744.67	19,187.24
N-55	McDonald's Restaurant-Balanga	460,509.85	23,025.49
N-56	McDonald's Restaurant-Balanga	425,381.32	21,269.07
N-57	McAnt Food Service	302,938.92	15,146.95
N-58	McAnt Food Service	320,945.14	16,047.26
N-59	McAnt Food Service	334,335.88	16,716.79
N-60	McAnt Food Service	311,553.66	15,577.68
N-61	McAnt Food Service	297,242.70	14,862.14
N-62	McAnt Food Service	303,520.35	15,176.02
N-63	Nee Mee Food Corp.	541,985.21	27,099.26

EXHIBIT	WITHHOLDING AGENT/PAYOR	INCOME PAYMENT	INCOME TAX WITHHELD
N-64	Nee Mee Food Corp.	601,577.35	28,646.54
N-65	Nee Mee Food Corp.	493,599.78	24,679.99
N-66	Nee Mee Food Corp.	512,615.54	25,615.54
N-67	Nestor dela Merced II-Guadalupe-Pass Thru	366,115.04	18,305.75
N-68	Nestor dela Merced II-Guadalupe-Pass Thru	147,500.00	7,375.00
N-69	Nestor dela Merced II-Guadalupe	170,903.10	8,545.16
N-70	Nestor dela Merced II-Pass Thru	705,895.70	35,294.79
N-71	Nestor dela Merced II-Pass Thru	312,731.58	15,636.58
N-72	QSC & V Food Services(San Mateo)	797,977.80	39,898.89
N-73	QSC & V Food Services(San Mateo)	193,891.65	9,694.58
N-74	QSC & V Food Services(San Mateo)	188,606.51	9,430.33
N-75	QSC & V Food Services(San Mateo)	189,099.24	9,454.97
N-76	QSC & V Food Services(San Mateo)	2,087,806.27	104,390.31
N-77	QSC & V Food Services(Sumulong)	316,836.28	15,841.82
N-78	QSC & V Food Services(Sumulong)	296,558.05	14,827.90
N-79	QSC & V Food Services(Sumulong)	323,156.91	16,157.85
N-80	Teresita Borbon Ababao (Batangas City)	1,159,785.13	57,951.43
N-81	Teresita Borbon Ababao (Bauan)	784,258.32	39,212.92
N-82	Teves, Lyndon	165,097.66	8,254.88
N-83	Teves, Lyndon	322,035.40	16,101.77
N-84	PQS Enterprises	275,165.63	13,758.28
N-85	PQS Enterprises	285,474.68	14,423.73
N-86	PQS Enterprises	297,560.04	14,878.00
N-87	PQS Enterprises	320,946.67	16,047.33
N-88	PQS Enterprises	362,476.84	18,123.84
N-89	PQS Enterprises	317,840.45	15,892.02
N-90	PQS Enterprises	305,735.53	15,286.78
N-1	Ranola, Alan Ong	623,949.05	31,197.45
N-91	SPF Food	438,310.50	21,915.53
N-92	SPF Food	465,771.76	23,288.59
N-93	SPF Food	511,648.82	25,582.44
N-94	SPF Food	540,881.97	27,044.10
N-95	SPF Food	545,085.73	27,254.29
N-96	SPF Food	510,066.37	25,503.32
N-97	SPF Food	496,093.95	24,804.70
N-98	VZG Food Industries, Inc.	217,385.39	10,869.27
N-99	VZG Food Industries, Inc.	200,287.50	10,014.38
N-100	VZG Food Industries, Inc.	205,480.27	10,274.01
N-101	J&F Food Corp.	115,835.33	5,265.24
N-102	J&F Food Corp.	210,179.25	10,008.54
N-103	J&F Food Corp.	266,233.21	12,101.51
O-4	Ranola, Alan Ong	1,003.20	50.16
O-5	Ranola, Alan Ong	310,324.86	15,516.24
O-6	Ranola, Alan Ong	361,888.23	18,094.41
O-8	Ranola, Alan Ong	288,409.74	14,420.49
O-9	Ranola, Alan Ong	398,038.53	19,901.93
O-12	Alfonso Ng	373,778.91	18,688.95
O-15	Alfonso Ng	444,546.97	22,227.35
O-16	Alfonso Ng	713,706.39	35,685.32
O-18	Alfonso Ng	440,861.59	22,043.07
O-20	Angel of Hope Food Enterprises	450,000.00	22,500.00
O-21	Angel of Hope Food Enterprises	450,000.00	22,500.00
O-22	Angel of Hope Food Enterprises	450,000.00	22,500.00

EXHIBIT	WITHHOLDING AGENT/PAYOR	INCOME PAYMENT	INCOME TAX WITHHELD
O-23	Angel of Hope Food Enterprises	531,883.26	26,594.16
O-25	Angel of Hope Food Enterprises	140,578.38	7,028.92
O-26	Clark Mac Enterprises	128,829.87	6,441.49
O-28	Clark Mac Enterprises	113,235.79	5,661.79
O-29	Blue Dairy Corporation	499,999.80	24,999.99
O-32	Cebu Golden Food Ventures, Inc.	1,024,077.00	51,203.85
O-33	Cebu Golden Food Ventures, Inc.	2,784,824.00	139,241.20
O-35	Davao City Food Industries, Inc.	1,229,470.40	61,473.52
O-38	Edsa Food Industries, Inc.	606,035.14	30,301.76
O-39	Geneva Food Inc.	259,124.32	12,956.22
O-40	Geneva Food Inc.	264,383.30	13,219.17
O-43	Giant Arches Food Corp.-Session Rd.	550,348.50	27,517.43
O-44	Giant Arches Food Corp.-Session Rd.	659,740.03	32,987.00
O-46	Giant Arches Food Corp.-Centermall	257,897.77	12,894.89
O-47	Giant Arches Food Corp.-Centermall	299,311.76	14,965.59
O-49	Giant Arches Food Corp.-Baguio Sunshine	231,837.21	11,591.86
O-50	Giant Arches Food Corp.-Baguio Sunshine	262,076.34	13,103.82
O-52	Glenn Lim	1,580,320.45	79,016.02
O-56	Golden City Food Industries, Inc.	377,755.62	18,887.78
O-59	Golden South Foods, Inc.	664,333.20	33,216.66
O-60	Golden South Foods, Inc.	751,958.09	37,597.90
O-61	Golden South Foods, Inc.	692,332.40	34,616.62
O-67	HAVI Food Services Phils., Inc.	2,500,000.20	125,000.01
O-68	HAVI Food Services Phils., Inc.	2,500,000.60	125,000.03
O-69	HRA Foods	303,141.32	15,157.07
O-70	HRA Foods	317,594.08	15,879.70
O-71	HRA Foods	283,903.00	14,195.15
O-72	HRA Foods	403,605.57	20,180.28
O-78	Jessica Golayan Lim	1,090,768.95	54,538.44
O-79	Jessica Golayan Lim	1,103,153.09	55,157.65
O-80	Johnarches Foods	378,175.48	18,908.77
O-81	Johnarches Foods (2%)	437,170.77	8,743.42
O-83	Mariel Food Corp.-Baliuag	576,694.14	28,834.72
O-84	Mariel Food Corp.-Pulilan	425,375.58	21,268.79
O-85	Mary Gocheco-Commonwealth	777,357.44	38,867.88
O-86	Mary Gocheco-Ever Gotesco	495,636.34	24,781.82
O-88	McColby's Inc.-CSI Urdaneta-Pass Thru	766,190.56	38,309.53
O-89	McColby's Inc.-CSI Urdaneta-Pass Thru	846,129.67	42,306.48
O-91	McColby's Inc.-CSI Urdaneta	104,007.27	5,200.36
O-92	McColby's Inc.-CSI Urdaneta	104,007.27	5,200.36
O-93	McColby's Inc.-Dagupan1-Pass Thru	198,247.65	9,912.38
O-94	McColby's Inc.-Dagupan1-Pass Thru	198,247.65	9,912.38
O-95	McColby's Inc.-Dagupan1	610,436.07	30,521.80
O-96	McColby's Inc.-Dagupan1	616,343.64	30,817.18
O-99	McColby's Inc.-Lucao-Pass Thru	269,325.00	13,466.25
O-100	McColby's Inc.-Lucao-Pass Thru	269,325.00	13,466.25
O-101	McColby's Inc.-Lucao	440,695.04	22,034.75
O-102	McColby's Inc.-Lucao	492,878.48	24,643.92
O-104	McColby's Inc.-Alaminos	1,489,944.56	74,497.23
O-105	McColby's Inc.-Alaminos	1,637,946.57	81,897.33
O-107	McColby's Inc.-San Carlos	682,144.29	34,107.21
O-109	McDaniels Food Corp.	830,890.93	41,544.55
O-110	McDaniels Food Corp.	804,179.97	40,208.99

EXHIBIT	WITHHOLDING AGENT/PAYOR	INCOME PAYMENT	INCOME TAX WITHHELD
O-112	DLC Foods, Inc.-Meycauayan	457,502.57	22,875.13
O-113	DLC Foods, Inc.-Valenzuela	1,074,750.21	53,737.51
O-114	DLC Foods, Inc.-Balagtas,Bulacan	1,563,353.20	78,167.66
O-115	Miriam Bernardo Arguelles-Biñan1	746,907.16	37,345.37
O-116	Miriam Bernardo Arguelles-Biñan1	721,440.55	36,072.02
O-117	Miriam Bernardo Arguelles-Biñan1	783,004.86	39,150.24
O-118	Miriam Bernardo Arguelles-Biñan1	677,623.83	33,881.19
O-119	Miriam Bernardo Arguelles-Biñan2	195,000.00	9,750.00
O-120	Miriam Bernardo Arguelles-Biñan2	195,000.00	9,750.00
O-121	Miriam Bernardo Arguelles-Biñan2	195,000.00	9,750.00
O-122	Miriam Bernardo Arguelles-Biñan2	195,000.00	9,750.00
O-123	McGill Food Industries, Inc.	426,518.16	21,325.92
O-124	McGill Food Industries, Inc.	426,518.16	21,325.92
O-125	McGill Food Industries, Inc.	356,720.95	17,836.05
O-126	McJola, Inc.	1,626,130.40	81,306.52
O-127	McJola, Inc.	1,557,815.00	77,890.75
O-128	McJola, Inc.	1,804,862.40	90,243.12
O-129	McJola, Inc.	2,419,009.40	120,950.47
O-130	Lopez, Eusebio Soriano	1,074,112.00	53,705.60
O-131	Lopez, Eusebio Soriano	1,110,652.80	55,532.64
O-132	Lopez, Eusebio Soriano	1,268,100.00	63,405.00
O-133	Lopez, Eusebio Soriano	1,342,331.60	67,116.58
O-134	McPhilips Food Industries, Inc.-Baclaran	4,912,983.57	245,653.28
O-135	McPhilips Food Industries, Inc.-La Salle	4,302,007.84	215,100.39
O-136	McDonald's Restaurant-Balanga	423,057.56	21,152.88
O-137	McDonald's Restaurant-Balanga	374,964.54	18,748.23
O-138	McDonald's Restaurant-Balanga	452,665.08	22,633.25
O-140	McAnt Food Service	272,603.89	13,630.19
O-141	McAnt Food Service	348,865.53	17,443.28
O-142	McAnt Food Service	333,010.83	16,650.54
O-143	McAnt Food Service	335,956.45	16,797.82
O-144	Retiro Golden Foods, Inc.	225,000.00	11,250.00
O-145	Retiro Golden Foods, Inc.	201,051.20	10,052.56
O-146	Retiro Golden Foods, Inc.	546,292.20	27,314.61
O-147	Retiro Golden Foods, Inc.	225,678.00	11,283.90
O-148	Retiro Golden Foods, Inc.	243,540.00	12,177.00
O-149	Nee Mee Food Corp.	471,650.04	23,582.50
O-150	Nee Mee Food Corp.	495,310.03	24,765.50
O-151	Nestor dela Merced II-Guadalupe-Pass Thru	20,803.53	1,040.18
O-152	Nestor dela Merced II-Guadalupe-Pass Thru	165,872.31	8,293.62
O-154	Nestor dela Merced II-Guadalupe	580,130.96	29,006.55
O-155	Noemi Cabuay-Rosario, Cavite	751,340.40	37,567.02
O-156	Noemi Cabuay-Rosario, Cavite	973,581.84	48,679.08
O-157	Noemi Cabuay-Rosario, Cavite	917,807.22	48,590.36
O-158	Noemi Cabuay-Binakayan	720,550.34	36,027.51
O-159	Noemi Cabuay-Binakayan	779,589.80	38,978.48
O-160	Noemi Cabuay-Binakayan	798,189.69	39,909.48
O-161	Noemi Cabuay-Binakayan	769,047.24	38,452.36
O-162	Noemi Concepcion	538,956.00	26,947.80
O-168	OrdoFood Enterprises	260,843.34	13,042.17
O-169	QSC & V Food Services(San Mateo)	172,653.39	8,632.67
O-170	QSC & V Food Services(San Mateo)	192,971.03	9,648.55
O-171	QSC & V Food Services(Sumulong)	303,907.01	15,195.35

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EXHIBIT	WITHHOLDING AGENT/PAYOR	INCOME PAYMENT	INCOME TAX WITHHELD
O-172	QSC & V Food Services(Sumulong)	295,146.38	14,757.32
O-173	QSC & V Food Services(Masinag)	69,569.64	3,478.48
O-174	Teresita Borbon Ababao (Batangas City)	1,115,398.84	55,769.94
O-176	Teresita Borbon Ababao (Bauan)	800,149.75	40,007.49
O-178	Teves, Lyndon	62,552.40	3,127.62
O-179	Teves, Lyndon	76,415.60	3,820.78
O-180	Teves, Lyndon	65,829.40	3,291.47
O-181	Teves, Lyndon	75,593.00	3,779.65
O-182	Teves, Lyndon	72,299.60	3,614.98
O-184	Teves, Lyndon	94,470.40	4,723.52
O-185	Ontiveros, Cyrus Ren Balubal-Tuguegarao	525,775.53	26,291.78
O-186	Ontiveros, Cyrus Ren Balubal-Tuguegarao	538,452.23	26,922.59
O-187	PQS Enterprises	264,739.61	13,236.98
O-188	PQS Enterprises	306,874.71	15,343.74
O-190	RSA Food Service (RFC Molino)	1,397,544.80	69,877.24
O-191	RSA Food Service (RFC Molino)	1,467,684.20	73,384.21
O-192	RSA Food Service (RFC Molino)	1,520,638.00	76,031.90
O-193	RSA Food Service (RFC Molino)	1,480,937.60	74,046.88
O-194	RSA Food Service (General Trias)	1,072,002.00	53,600.10
O-195	RSA Food Service (General Trias)	1,012,449.40	50,622.47
O-196	RSA Food Service (General Trias)	1,117,926.60	55,896.33
O-197	RSA Food Service (General Trias)	1,071,791.80	53,590.00
O-198	SPF Food	485,548.31	24,277.42
O-199	SPF Food	487,246.60	24,362.33
O-201	TGY & Kids Inc.	1,555,511.02	77,775.54
O-202	TGY & Kids Inc.	1,620,849.32	81,042.46
O-203	TGY & Kids Inc.	1,772,472.52	88,623.61
O-204	TGY & Kids Inc.	651,059.43	32,552.97
O-205	Yaman Kids Corporation	1,105,804.19	55,290.20
O-206	VZG Food Industries, Inc.	192,350.24	9,617.52
O-207	VZG Food Industries, Inc.	201,433.13	10,071.66
O-209	J&F Food Corp.	227,151.04	11,357.55
O-210	J&F Food Corp.	162,050.59	8,102.53
O-211	J&F Food Corp.	156,044.13	7,802.21
O-212	J&F Food Corp.	133,602.95	6,680.15
O-214	3K Golden Foods Corp.	253,471.25	12,673.56
R	McGeorge Food Industries, Inc.	95,456,478.60	4,772,823.93
S	McGeorge Food Industries, Inc.	82,800,958.20	4,140,047.91
Total:	***Rentals - Real Property***	***P 1,240,975,363.33***	***P 62,032,657.07***

Payments to Prime Contractors/Sub-contractors (2%)

L-32	Golden Laoag Foods Corp.	P 18,181.82	P 363.64
N-2	Ranola, Alan Ong (2%)	136,577.06	2,731.54
N-11	Cebu Golden Food Industries, Inc. (2%)	70,970.00	1,419.40
N-31	Golden Laoag Foods Corp. (2%)	800.00	16.00
N-34	Golden South Foods, Inc. (1%)	174,237.03	1,742.37
N-35	Golden South Foods, Inc. (2%)	71,927.00	1,438.54
N-39	Golden South Foods, Inc. (1%)	2,195.00	21.95
N-40	Golden South Foods, Inc. (1%)	146,138.49	1,461.38
O-1	Ranola, Alan Ong	147,917.44	2,958.34
O-2	Ranola, Alan Ong	144,393.62	2,887.87

ANNEX A

EXHIBIT	WITHHOLDING AGENT/PAYOR	INCOME PAYMENT	INCOME TAX WITHHELD
O-3	Ranola, Alan Ong	287,819.73	5,756.39
O-7	Ranola, Alan Ong	468,356.35	9,367.14
O-10	Ranola, Alan Ong	180,926.60	3,618.53
O-11	Ranola, Alan Ong	38,967.00	779.34
O-14	Alfonso Ng	370,455.81	7,409.11
O-17	Alfonso Ng	339,124.29	6,782.48
O-24	Angel of Hope Food Enterprises	194,126.44	3,882.53
O-25	Clark Mac Enterprises	202,934.50	4,058.69
O-27	Clark Mac Enterprises	155,699.21	3,113.98
O-28	Clark Mac Enterprises	36,850.00	737.00
O-30	Cebu Golden Food Industries, Inc.	161,879.13	3,237.58
O-31	Cebu Golden Food Industries, Inc.	309,316.81	6,186.34
O-33	Cebu Golden Food Ventures, Inc.	5,515.50	110.31
O-34	Cebu Golden Food Ventures, Inc.	461,996.00	9,239.92
O-35	Davao City Food Industries, Inc.	351,954.70	7,039.09
O-42	Geneva Food, Inc.	2,135,076.58	42,701.53
O-45	Giant Arches Food Corp.-Session Rd.	286,843.49	5,736.87
O-48	Giant Arches Food Corp.-Centermall	213,794.12	4,275.88
O-51	Giant Arches Food Corp.-Baguio Sunshine	252,595.43	5,051.91
O-53	Glenn Lim	207,994.65	4,159.89
O-54	Golden Laoag Foods Corporation	255,024.39	5,100.49
O-58	Golden City Food Industries, Inc.	629,592.70	12,591.85
O-59	Golden South Foods, Inc. (1%)	2,675.60	26.76
O-60	Golden South Foods, Inc.	1,950.00	39.00
O-62	Golden South Foods, Inc. (1%)	26,171.99	261.72
O-63	Golden South Foods, Inc.	85,410.00	1,708.20
O-66	Golden South Foods, Inc. (1%)	3,626,226.69	36,262.27
O-73	HRA Foods	224,225.32	4,484.51
O-82	Johnarches Foods	257,291.60	5,145.83
O-87	McCarol Ventures	512,770.97	10,255.41
O-90	McColby's Inc.-CSI Urdaneta-Pass Thru	141,761.14	2,835.22
O-97	McColby's Inc.-Dagupan1	290,159.14	5,803.18
O-103	McColby's Inc.-Lucao	244,380.22	4,887.60
O-106	McColby's Inc.-Alaminos	259,051.47	5,181.03
O-108	McColby's Inc.-San Carlos	92,052.68	1,841.05
O-111	McDaniels Food Corp.	115,844.77	2,316.90
O-118	Miriam Bernardo Arguelles-Biñan1	126,674.18	2,533.48
O-122	Miriam Bernardo Arguelles-Biñan2	54,079.96	1,081.60
O-125	McGill Food Industries, Inc.	152,068.29	3,041.38
O-129	McJola, Inc.	538,717.00	10,774.34
O-133	Lopez, Eusebio Soriano	149,877.00	2,997.54
O-139	McDonald's Restaurant-Balanga	189,296.48	3,785.93
O-141	McAnt Food Service	153,581.91	3,071.64
O-143	McAnt Food Service	377,521.56	7,550.43
O-150	Nee Mee Food Corp.	198,255.38	3,965.11
O-153	Nestor dela Merced II	178,903.52	3,578.07
O-157	Noemi Cabuay-Rosario, Cavite	179,809.26	3,596.19
O-161	Noemi Cabuay-Binakayan	115,998.89	2,319.98
O-164	OrdoFood Enterprises (1%)	880,984.00	8,809.84
O-165	OrdoFood Enterprises	221,959.50	4,439.19
O-166	OrdoFood Enterprises	118,565.15	2,371.30
O-170	QSC & V Food Services(San Mateo)	117,229.42	2,344.59
O-172	QSC & V Food Services(Sumulong)	210,818.85	4,216.38

ANNEX A

EXHIBIT	WITHHOLDING AGENT/PAYOR		INCOME PAYMENT		INCOME TAX WITHHELD
O-173	QSC & V Food Services(Masinag)		69,569.64		1,391.39
O-175	Teresita Borbon Ababao (Batangas City)		182,760.06		3,655.20
O-177	Teresita Borbon Ababao (Bauan)		146,336.59		2,926.73
O-183	Teves, Lyndon		157,450.50		3,149.01
O-189	PQS Enterprises		219,196.22		4,383.92
O-200	SPF Food		165,623.30		3,312.47
O-208	VZG Food Industries, Inc.		100,856.16		2,017.12
O-215	3K Golden Foods Corp.		207,598.27		4,151.97
T			16,227.30		1,622.73
Total:	***Payments to Prime Contractors/ Subcontractors***	***P***	***19,570,110.87***	***P***	***344,114.09***

Professional Fees (10%)

O-25	Clark Mac Enterprises	P	262,611.90	P	26,261.19
O-27	Clark Mac Enterprises		151,290.90		15,129.09
O-34	Cebu Golden Food Ventures, Inc.		192,676.90		19,267.69
O-35	Davao City Food Industries, Inc.		173,932.85		17,393.29
O-57	Golden City Food Industries, Inc.		284,700.00		28,470.00
O-54	Golden Laoag Foods Corporation		104,366.60		10,436.66
O-64	Golden South Foods, Inc.		73,236.87		7,323.69
O-65	Golden South Foods, Inc.		186,639.30		18,663.93
Total:	***Professional Fees***	***P***	***1,429,455.32***	***P***	***142,945.54***

Sale of Real Property Other Than Capital Assets (6%)

L-40	HRA Foods	P	509,374.98	P	30,562.50
L-41	HRA Foods		509,374.98		30,562.50
L-42	HRA Foods		509,374.98		30,562.50
O-19	Angel of Hope Food Enterprises (7.5%)		20,000,000.00		1,500,000.00
O-74	HRA Foods (6%)		509,374.99		30,562.50
O-75	HRA Foods (6%)		509,374.99		30,562.50
O-76	HRA Foods (6%)		509,374.99		30,562.50
O-77	HRA Foods (6%)		509,374.99		30,562.50
O-163	Noemi Concepcion (7.5%)		13,000,000.00		975,000.00
O-167	OrdoFood Enterprises (7.5%)		17,000,000.00		1,275,000.00
O-213	3K Golden Foods Corp. (7.5%)		22,000,000.00		1,650,000.00
Total:	***Sale of Real Property Other Than Capital Assets***	***P***	***75,565,624.90***	***P***	***5,613,937.49***

Sales of Goods (1%)

I-17	Golden Laoag Foods Corp.	P	154,300.52	P	1,543.01
L-14	Cebu Golden Food Industries, Inc.		104,976.94		1,049.77
L-32	Golden Laoag Foods Corp.		15,762.79		157.63
L-33	Golden Laoag Foods Corp.		39,000.00		390.00
N-30	Golden Laoag Foods Corp.		190,142.18		1,901.42
O-37	Davao City Food Industries, Inc.		2,185,085.59		21,850.86
O-54	Golden Laoag Foods Corp.		818.80		8.19
O-55	Golden Laoag Foods Corp.		4,643,771.04		46,437.71
Total:	***Sales of Goods***	***P***	***7,333,857.86***	***P***	***73,338.58***

EXHIBIT	WITHHOLDING AGENT/PAYOR		INCOME PAYMENT		INCOME TAX WITHHELD
Royalties					
O-41	Geneva Food, Inc. (20%)	P	44,920.83	P	8,984.16
O-98	McColby's Inc.-Dagupan1 (20%)		58,031.83		11,606.37
Total:	***Royalties***	***P***	***102,952.66***	***P***	***20,590.53***
GRAND TOTAL		***P***	***1,344,977,364.94***	***P***	***68,227,583.31***

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