**REPUBLIC OF THE PHILIPPINES**
**COURT OF TAX APPEALS**
**QUEZON CITY**

# SPECIAL SECOND DIVISION

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| **DEUTSCHE KNOWLEDGE SERVICES PTE., LTD.,** Petitioner, | **CTA CASE NO. 9496** |
| | Members: |
| - versus - | **CASTAÑEDA, JR.**, Chairperson, and **MANAHAN, *JJ.*** |
| **COMMISSIONER OF INTERNAL REVENUE,** Respondent. | Promulgated: |
| | FEB 12 2019 |
| | 9:00 a.m. |

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# DECISION

**CASTAÑEDA, JR.**, ***J.***:

## THE CASE

This is a Petition for Review[1] filed on November 21, 2016 by Deutsche Knowledge Services Pte., Ltd. to seek the refund or issuance of tax credit certificate (TCC) in the amount of ₱27,065,518.44, allegedly representing its excess and unutilized input value-added tax (VAT) attributable to zero-rated sales for the second (2nd) quarter of calendar year (CY) 2014.

## THE FACTS

Petitioner Deutsche Knowledge Services Pte., Ltd. is established as a regional operating headquarters (ROHQ) in the

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[1] Docket, pp. 10-16.

Philippines of a multinational company organized and existing under and by virtue of the laws of Singapore, with registered office address at One Raffles Quay, #17-10 South Tower, Singapore 048583. It is registered with the Bureau of Internal Revenue (BIR) as a VAT taxpayer, with Taxpayer Identification No. (TIN) 238-763-115-000.[2]

Petitioner is licensed by the Securities and Exchange Commission (SEC) to engage in general administration and planning; business planning and coordination; sourcing/procurement of raw materials and components; corporate finance advisory services; marketing control and sales promotion; training and personnel management; logistic services; research and development services and product development; technical support and maintenance; data processing and communication and business development.[3]

On the other hand, respondent is the duly appointed Commissioner of the Bureau of Internal Revenue who has the power to decide disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties imposed in relation thereto or other matters arising under the National Internal Revenue Code (NIRC) or other laws or portions thereof administered by the BIR. He holds office at the BIR National Office Building, Agham Road, Diliman, Quezon City.

In the 2$^{nd}$ quarter of CY 2014, petitioner claims to have rendered services in the Philippines to persons engaged in businesses conducted outside the Philippines, the payments for which were made in Euro and other acceptable foreign currency and accounted for in accordance with the rules and regulations of *Bangko Sentral ng Pilipinas* (BSP).[4]

Petitioner filed its original VAT Return for the 2$^{nd}$ quarter of CY 2014 with the BIR through electronic filing and payment system (eFPS) on July 21, 2014,[5] alleging that it accumulated excess input tax in the total amount of ₱27,178,784.99. And out of this total amount, ₱27,065,518.44 is purportedly attributable to its zero-rated sales, which remained unutilized and/or unapplied against its output VAT liability.[6] *ge*

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[2] Par. 2, Stipulated Facts, Joint Stipulation of Facts and Issues (JSFI), docket, p. 112.
[3] Exhibit "P-1", Formal Offer of Evidence (FOE) Folder.
[4] Par. 4, Petitioner's Memorandum, docket, pp. 300-301.
[5] Exhibit "P-3", FOE Folder.
[6] Par. 6, Petitioner's Memorandum, docket, p. 301.

On June 24, 2016, petitioner filed with the BIR Large Taxpayers Regular Audit Division 3 (LTRAD 3) an application for tax credit/refund (BIR Form No. 1914) of its excess and unutilized input VAT for the 2nd quarter of CY 2014 in the amount of ₱27,065,518.44.[7]

There being no action taken by respondent on petitioner's administrative claim for refund, petitioner filed the present Petition for Review before the Court on November 21, 2016.

Respondent filed his Answer[8] on December 6, 2016, and interposed the following special and affirmative defenses:

> "**SPECIAL AND AFFIRMATIVE DEFENSES**
>
> 4. Petitioner's alleged claim for refund is subject to administrative routinary investigation/examination by the Bureau.
>
> 5. The amount of P27,065,518.44 allegedly representing excess and unutilized input VAT on alleged purchases of goods and services attributable to zero-rated sales for the 2nd quarter of calendar year 2014, was not properly documented.
>
> 6. In an action for refund, the burden of proof is on the taxpayer to establish its right to refund, and failure to sustain the burden is fatal to the claim for refund/credit.
>
> 7. Petitioner must show that it has complied with the provisions of Section 229 of the NIRC of 1997 on the prescriptive period for claiming tax refund/credit.
>
> 8. There is no record of petitioner ever submitting complete documents to substantiate its administrative claim for refund. Such is a requirement, otherwise, the administrative body will have sufficient reason to deny the claim. As held by the Honorable Supreme Court in the case of *Atlas Consolidated Mining*

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[7] Exhibit "P-4" and "P-4.a", FOE Folder.
[8] Docket, pp. 50-57.

*and Development Corporation vs. Commissioner of Internal Revenue, G.R.* 145526, *16 March 2007:*

xxx xxx xxx

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

xxx xxx xxx

Far from complying with the checklist of requirements, petitioner merely stated that it submitted complete documents in support of its administrative claim for refund. This is not a claim for erroneously or illegally collected taxes where petitioner has the discretion of choosing the evidence it deems fit to prove its case. This is a claim for excess but legally collected, unutilized input taxes. It does not have to prove its case because the law already acknowledges it is entitled to refund. Thus, it merely has to substantiate the export sales and the excess/unutilized amount of input taxes attributable to the said export sales. Hence, petitioner's failure to comply with the duly mandated legal requirements in such claims for refund/tax credit warranted the denial by inaction of the administrative claim.

The power to tax is the most effective instrument to raise needed revenues to finance and support the myriad activities of the government for the delivery of basic services essential to the promotion of the general welfare and enhancement of peace, progress, and prosperity of the people **(*Mactan Cebu International Airport Authority vs. Marcos, 261 SCRA 667, 690*).** Consequently, any delay in implementing tax measures would be to the detriment of the public. It is for this reason that claims for refund are required to be done within certain time frames. In the instant petition, the failure of petitioner to comply with such periods is fatal to its cause.

Moreover, petitioner's failure to submit documents supporting its claim for refund makes its administrative claim for refund pro-forma. This pro-forma administrative claim should not be taken as proper compliance with the requirements of the law that an administrative claim for refund should have been filed prior to the institution of a judicial claim for refund. Thus, without a validly and duly filed administrative claim for refund, the Honorable Court is without jurisdiction to entertain the Petition for Review. Petitioner's failure to comply with a condition precedent prior to the institution of its petition for review makes it dismissible for absence of jurisdiction on the part of the Honorable Court.

The claimant has the burden of proof to establish the factual basis of his claim for tax credit or refund. After all tax refunds, like tax exemptions, are construed strictly against the taxpayer **(Citibank N.A. vs. Court of Appeals and Commissioner of Internal Revenue, 280 SCRA 459; Commissioner of Internal Revenue vs. Tokyo Shipping Co., Ltd., 244 SCRA 332, both cited in Benguet Corporation vs. Commissioner of Internal Revenue, CTA Case No. 5392 promulgated October 30, 1998).**

Partaking of the nature of exemptions, claims for refund are strictly construed against the claimant and cannot be allowed unless granted in the most explicit and categorical language **(Sps. Aguilar vs. Commissioner of Internal Revenue, et al., CA G.R.SP No. 16432, March 30, 1999).** Being in the nature of tax exemptions, these claims are regarded as in derogation of sovereign authority and to be construed *strictissimi juris* against the claimant and liberally in favor of the taxing authority **(Commissioner of Internal Revenue vs. Procter and Gamble Philippines Manufacturing Corporation, 204 SCRA 377).**

Claims for refund are construed strictly against the claimant for the same partake the nature of exemption from taxation *(Commissioner of Internal Revenue vs. Ledesma, 31 SCRA 95)* and such, they are looked upon with disfavor *(Western Minolco Corp. vs. Commissioner of Internal Revenue, 124 SCRA 1211).*"

Respondent filed his Pre-Trial Brief[9] on December 20, 2016, while petitioner's Pre-Trial Brief[10] was filed on January 27, 2017. The pre-trial conference was held on February 2, 2017.[11]

The parties filed their Joint Stipulation of Facts and Issues[12] on March 9, 2017, which the Court approved in its Pre-Trial Order[13] dated March 20, 2017.

Petitioner presented Ms. Rachel Concepcion[14] and Mr. Emmanuel Y. Mendoza[15], the Court-commissioned Independent Certified Public Accountant (ICPA), as its witnesses.

On July 17, 2017, petitioner filed its Formal Offer of Evidence.[16] Meanwhile, respondent's counsel manifested that the case has no report of investigation and upon motion, the parties were granted a period of thirty (30) days within which to file their respective memoranda.[17]

The Court declared the case submitted for decision as of March 6, 2018,[18] considering respondent's Memorandum[19] filed on February 15, 2018 and petitioner's Memorandum[20] filed on March 2, 2018. Hence, this decision.

## THE ISSUES

The parties submitted the following issues[21] for the Court's resolution:

> Whether or not petitioner is entitled to its claim for refund of or issuance of TCC for excess or unutilized input VAT in the amount of ₱27,065,518.44 for the 2nd quarter of CY 2014.

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[9] Docket, pp. 61-63.
[10] Docket, pp. 65-74.
[11] Minutes of the Hearing, docket, p. 76.
[12] Docket, pp. 112-120.
[13] Docket, pp. 132-136.
[14] Minutes of the Hearing dated March 20, 2017, docket, p. 137.
[15] Minutes of the Hearing dated June 7, 2017, docket, p. 173.
[16] Docket, pp. 182-230.
[17] Minutes of the Hearing dated August 16, 2017, docket, p. 242.
[18] Resolution, docket, p. 326.
[19] Docket, pp. 291-297.
[20] Docket, pp. 299-325.
[21] Stipulated Issue, JSFI, docket, pp. 112-113.

The main issue may be broken down into the following sub-issues:

A. Whether or not petitioner incurred input VAT on its purchases of goods and services attributable to zero-rated sales for the 2nd quarter of CY 2014.

B. Whether or not petitioner had zero-rated sales during the 2nd quarter of CY 2014, the consideration for which were paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP.

C. Whether or not the input VAT incurred by petitioner for the 2nd quarter of CY 2014 is duly supported by VAT invoices and official receipts.

D. Whether or not the input VAT incurred by petitioner for the 2nd quarter of CY 2014 amounting to ₱27,065,518.44 was applied against any output VAT or carried over to succeeding taxable periods.

E. Whether or not petitioner's administrative and judicial claims for input VAT refund were filed within the periods prescribed under the Tax Code.

## DISCUSSION

Pertinent to the resolution of the present case are the provisions of Sections 112(A) and (C) of the National Internal Revenue Code (NIRC) of 1997, as amended, which provide:

"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, ℊ 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 of 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.

xxx xxx xxx

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

Pursuant to the above-quoted provision, in order to be entitled to a refund or tax credit of unutilized input VAT attributable to zero-rated or effectively zero-rated sales, the following requisites must be satisfied:

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

***Petitioner is a VAT-registered entity***

It is undisputed that petitioner is a VAT-registered taxpayer, with Taxpayer Identification No. 238-763-115-000 and BIR Certificate of Registration No. OCN 9RC0000270209.[22]

***Petitioner's administrative and judicial claims were timely filed***

Pursuant to Section 112(A) of NIRC of 1997, as amended, the application for refund or tax credit of unutilized excess input VAT must be filed within two years after the close of the taxable quarter when the zero-rated or effectively zero-rated sales were made.

The present claim covers the second quarter of CY 2014, which closed on June 30, 2014. Counting two years from the said date, petitioner had until June 30, 2016, within which to file its administrative claim for refund or tax credit. Thus, petitioner's administrative claim for the said quarter was seasonably filed on June 24, 2016.

As to the timeliness of petitioner's judicial claim, Section 112(C) of the NIRC of 1997, as amended, provides that the Commissioner of Internal Revenue (CIR) has one hundred twenty (120) days from the

[22] Par. 2, Stipulated Facts, JSFI, docket, p. 112; Exhibit "P-2", FOE Folder.

date of submission of the complete documents in support of the application for refund or tax credit certificate within which to grant or deny the claim. In case of full or partial denial by the CIR, the taxpayer's recourse is to file an appeal before the Court of Tax Appeals within 30 days from receipt of the decision of the CIR. However, if after the 120-day period the CIR fails to act on the application for tax refund/credit, the remedy of the taxpayer is to appeal the inaction of the CIR to the Court of Tax Appeals within 30 days.

Accordingly, from filing of petitioner's administrative claim on June 24, 2016, respondent had 120 days or until October 22, 2016 to decide on petitioner's claim. Since respondent failed to act on the said claim, petitioner had until November 21, 2016, the last day of the 30-day period, within which to file its judicial claim. Clearly, petitioner likewise timely filed its judicial claim via Petition for Review on November 21, 2016.

***Petitioner had zero-rated sales during the second quarter of CY 2014***

With regard to the third requisite, *i.e.*, the existence of zero-rated sales, petitioner claims that it rendered services to non-resident entities not engaged in trade or business in the Philippines, the payments for which were made in Euro and other acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP. As such, these sales are subject to zero percent (0%) VAT pursuant to 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.* –
>
> xxx xxx xxx
>
> (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: *gr*

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

(2) Services other than those mentioned in the preceding paragraph rendered to a person engaged in business conducted outside the Philippines or to a 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 *Bangko Sentral ng Pilipinas* (BSP);"

In the case of *Commissioner of Internal Revenue v. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*[23], the Supreme Court held that in order for the supply of services to be VAT zero-rated under Section 108(B)(2) of the NIRC of 1997, as amended, the following requisites must be satisfied:

1. the services must be other than processing, manufacturing or repacking of goods;

2. the payment for such services must be in acceptable foreign currency accounted for in accordance with the BSP rules and regulations; and

3. the recipient of such services is doing business outside the Philippines.

Petitioner is licensed by the Securities and Exchange Commission to do business as a regional operating headquarters (ROHQ) in the Philippines, pursuant to the Omnibus Investments Code of 1987, as amended by Republic Act (RA) No. 8756, and its implementing rules and regulations, particularly, to engage in general administration and planning; business planning and coordination; sourcing/procurement of raw materials and components; corporate finance advisory services; marketing control and sales promotion; yc

[23] G.R. No. 153205, January 22, 2007.

training and personnel development; logistic services; research and development services and product development; technical support and maintenance; data processing and communication and business development.[24] Such services are not in the same category as "processing, manufacturing or repacking of goods". Clearly, petitioner complied with the first requisite.

In compliance with the third requisite, petitioner presented the following documents to prove that its clients/affiliates are non-resident foreign corporations doing business outside the Philippines:

1. SEC Certifications of Non-Registration of Company;[25]
2. IntraGroup Service Agreements;[26]
3. Company Registration Documents (Certificate of Registration/Certificate of Incorporation/Association);[27]
4. AMInet Company Profile Fact Sheets;[28] and
5. Deutsche Bank Comprehensive List of Shareholdings 2013.[29]

However, said documents are insufficient to prove that petitioner's client is a non-resident foreign corporation doing business outside the Philippines.

The Certificates of Registration/Foreign Incorporation/ Association as well as the List of Shareholdings only prove that the named entities therein were incorporated/organized/domiciled abroad. However, they do not establish that such entities are not doing business in the Philippines.

The SEC Certificates of Non-Registration show that the named entities therein are not registered corporations/partnerships in the Philippines. However, it does not necessarily follow that when an entity is not registered here, it is also a non-resident foreign corporations doing business outside the Philippines.

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[24] Exhibit "P-1", FOE Folder.
[25] Exhibits "P-5" to "P-5.52", FOE Folder.
[26] Exhibits "P-6", "P-6.2", "P-6.4" to "P-6.14", "P-6.16" to "P-6.37", "P-6.40" to "P-6.51", FOE Folder.
[27] Exhibits "P-7" to "P-7.11".
[28] Exhibits "P-8" to "P-8.52", FOE Folder.
[29] Exhibit "P-9", FOE Folder.

Likewise, the Service Agreements only show the names and addresses of petitioner's clients to whom it renders services, but the same do not establish that such clients are non-resident foreign corporations doing business outside the Philippines.

In the case of *Sitel Philippines Corporation (formerly Clientlogic Phils., Inc.) v. Commissioner of Internal Revenue*[30], the Supreme Court held that while Sitel's documentary evidence, which included Certifications issued by the Securities and Exchange Commission and Agreements between Sitel and its foreign clients, may have established that Sitel rendered services to foreign corporations and received payment therefor through inward remittances, the said documents failed to specifically prove that such foreign clients were doing business outside the Philippines or have a continuity of commercial dealings outside the Philippines.

Meanwhile, the Court cannot give credence to the purported foreign business registration print-outs retrieved from the AMInet database, which is a database set up by Deutsche Bank Group.[31] Said documents are not sufficient to establish the fact that the service recipients are non-resident foreign corporations doing business outside the Philippines, as they may be considered self-serving and can be easily manipulated to favor petitioner in view of its affinity with the entity that maintains or keeps the said database. In addition, the business registration documents attached to their counterpart AMInet Company Profile Facts Sheets are not duly authenticated.

The following table shows whether petitioner complied with the third requisite as it presented the admitted SEC Certificate of Non-Registration and Certificates of Registration/Foreign Incorporation/ Association for each of the recipients of the services rendered by petitioner:

| | **SEC Certification of Non-Registration (Exhibit)** | **Authenticated Company Registration (Exhibit)** |
|---|---|---|
| DB Consorzio S. Cons. a.r.l. | P-5 | ***NONE*** |
| DB Energy Trading LLC | P-5.1 | ***NONE*** |
| DB International (Asia) Limited | P-5.2 | ***NONE*** |

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[30] G.R. No. 201326, February 8, 2017.
[31] Answer to Q51, Sworn Statement of Ms. Rachel Concepcion, Exhibit "P-10"; Par. 37, Petitioner's Memorandum, docket, p. 312.

| | | |
|---|---|---|
| DB Services New Jersey, Inc. | P-5.3 | ***NONE*** |
| DBOI Global Services Private Limited | P-5.4 | ***NONE*** |
| DBOI Global Services UK Limited | P-5.5 | ***NONE*** |
| Deutsche Asia Pacific Holdings Pte Ltd | P-5.6 | P-7 |
| Deutsche Asset Management Korea Company Limited | P-5.7 | ***NONE*** |
| Deutsche Bank (China) Co. Ltd., Shanghai Branch | P-5.8 | ***NONE*** |
| Deutsche Bank (Malaysia) Berhad | P-5.9 | P-7.1 |
| Deutsche Bank (Suisse) SA | P-5.10 | ***NONE*** |
| Deutsche Bank Aktiengesselschaft Asia Pacific Head Office | P-5.11 | P-7.2 |
| Deutsche Bank Aktiengesselschaft, Filiale Amsterdam | P-5.12 | ***NONE*** |
| Deutsche Bank Aktiengesselschaft, Filiale Bangkok | P-5.13 | ***NONE*** |
| Deutsche Bank Aktiengesselschaft, Filiale Brussel | P-5.14 | ***NONE*** |
| Deutsche Bank Aktiengesselschaft, Filiale Cayman Islands | P-5.15 | ***NONE*** |
| Deutsche Bank Aktiengesselschaft, Filiale Dubai (DIFC) | P-5.16 | ***NONE*** |
| Deutsche Bank Aktiengesselschaft, Filiale Ho-Chi-Min | P-5.17 | ***NONE*** |
| Deutsche Bank Aktiengesselschaft, Filiale HongKong | P-5.18 | P-7.3 |
| Deutsche Bank Aktiengesselschaft, Filiale Jakarta | P-5.19 | ***NONE*** |
| Deutsche Bank Aktiengesselschaft, Filiale Johannesburg | P-5.20 | ***NONE*** |
| Deutsche Bank Aktiengesselschaft, Filiale Labuan | P-5.21 | ***NONE*** |
| Deutsche Bank Aktiengesselschaft, Filiale London | P-5.22 | P-7.11 |
| Deutsche Bank Aktiengesselschaft, Filiale Mumbai | P-5.23 | ***NONE*** |
| Deutsche Bank Aktiengesselschaft, Filiale New York | P-5.24 | P-7.4 |
| Deutsche Bank Aktiengesselschaft, Filiale Paris | P-5.25 | ***NONE*** |
| Deutsche Bank Aktiengesselschaft, Filiale Prag | P-5.26 | ***NONE*** |
| Deutsche Bank Aktiengesselschaft, Filiale Seoul | P-5.27 | P-7.5 |
| Deutsche Bank Aktiengesselschaft, Filiale Singapur | P-5.28 | P-7.6 |
| Deutsche Bank Aktiengesselschaft, Filiale Taipei | P-5.29 | ***NONE*** |
| Deutsche Bank Aktiengesselschaft, Filiale Wein | P-5.30 | ***NONE*** |
| Deutsche Bank Aktiengesselschaft, Filiale Zurich | P-5.31 | ***NONE*** |
| Deutsche Bank Aktiengesselschaft, Inlandsbank | P-5.32 | P-7.7 |
| Deutsche Bank Luxembourg S.A. | P-5.33 | ***NONE*** |
| Deutsche Bank Netherland N.V. | P-5.34 | ***NONE*** |
| Deutsche Bank PGK AG | P-5.35 | ***NONE*** |
| Deutsche Bank Securities Inc. | P-5.36 | P-7.8 |
| Deutsche Bank Societa per Azioni | P-5.37 | ***NONE*** |
| Deutsche Bank Trust Company Americas | P-5.38 | ***NONE*** |
| Deutsche Bank Company Delaware | P-5.39 | ***NONE*** |
| Deutsche Bank Trust Corporation | P-5.40 | ***NONE*** |
| Deutsche Bank Sociedad Anonima Española | P-5.41 | ***NONE*** |
| Deutsche Group Services Pty Limited | P-5.42 | P-7.9 |
| Deutsche Investment Management Americas Inc. | P-5.43 | ***NONE*** |
| Deutsche Securities Inc. | P-5.44 | P-7.10 |
| Deutsche Securities Korea Co. | P-5.45 | ***NONE*** |
| Deutsche Trustees Malaysia Berhad | P-5.46 | ***NONE*** |
| DWS Holding and Service GmbH | P-5.47 | ***NONE*** |
| DWS Investment S.A. | P-5.48 | ***NONE*** |

| | | |
|---|---|---|
| OOO "Deutsche Bank" | P-5.49 | ***NONE*** |
| PT Deutsche Securities Indonesia | P-5.50 | ***NONE*** |
| RREEF Management GmbH | P-5.51 | ***NONE*** |
| RREEF Management L.L.C. | P-5.52 | ***NONE*** |

Consequently, only the sales of services by petitioner to entities which are duly supported by the two required documents will be treated as subject to the 0% VAT rate, pursuant to Section 108(B)(2) of the NIRC of 1997, as amended.

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

> "SEC. 113. *Invoicing and Accounting Requirements for VAT-Registered Persons.* –
>
> (A) *Invoicing Requirements.* – A VAT-registered person shall issue:
>
> xxx xxx xxx
>
> (2) A **VAT official receipt** for every lease of goods or properties, and **for every sale, barter or exchange of services.**
>
> (B) *Information Contained in the VAT Invoice or VAT Official Receipt.* – The following information shall be indicated in the VAT invoice or VAT official receipt:
>
> (1) A statement that the seller is a VAT-registered person, followed by his Taxpayer's Identification Number (TIN);
>
> (2) The total amount which the purchaser pays or is obligated to pay to the seller with the indication that such amount includes the value-added tax: *Provided*, That:

xxx xxx xxx

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

xxx xxx xxx

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

"SECTION 4.113-1. *Invoicing Requirements.* –

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

xxx xxx xxx

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

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

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

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

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

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

xxx xxx xxx

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

Pursuant to the foregoing provisions, the foreign currency remittances referred to under Section 108(B)(2) of the NIRC of 1997, as amended, must likewise be supported by VAT zero-rated official receipts.

To prove that it rendered services to its non-resident foreign clients/affiliates and was paid in Euro duly accounted for in accordance with the rules and regulations of the BSP for the second quarter of CY 2014, petitioner presented its Schedule of Zero-Rated Sales[32], and the related official receipts[33], sales invoices[34], and bank inward remittances.[35]

Upon scrutiny of the documents submitted, the Court finds that out of the ₱1,400,103,099.77[36] zero-rated sales declared per VAT Return for the second quarter of CY 2014, only the amount of €19,028,312.32 with peso equivalent of ₱1,146,413,520.86, as detailed below, qualifies for VAT zero-rating under Section 108(B)(2) of the NIRC of 1997, as amended:

| **Customer's Name** | **OR No.** | **OR Exh. Ref.** | **OR Amount in Euro** | **Inward Remittance Exh. Ref** | **Valid Zero-rated Sales in Php** |
|---|---|---|---|---|---|
| Deutsche Securities, Inc. | 5258 | P-12-3 | 109,714.89 | P-12-3B | 6,754,632.86 |
| Deutsche Bank Aktiengesellschaft, Filiale Singapur | 5264 | P-12-5 | 257,171.95 | P-12-5B | 15,820,755.45 |

[32] Annex 1 of Exhibit "P-12" (ICPA Report).
[33] Exhibits "P-12-1" to "P-12-184", CD
[34] Exhibits "P-12-1a" to "P-12-184a", CD.
[35] Exhibits "P-12-1b" to "P-12-184b", CD.
[36] Exhibit "P-30-4", Line 17, CD.

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|---|---|---|---|---|---|
| Deutsche Bank Aktiengesellschaft, Filiale Hongkong | 5265 | P-12-6 | 421,607.37 | P-12-6B | 25,936,526.51 |
| Deutsche Bank Aktiengesellschaft, Filiale Singapur | 5268 | P-12-7 | 131,460.94 | P-12-7B | 8,072,957.18 |
| Deutsche Group Services Pty Limited | 5271 | P-12-10 | 70,115.65 | P-12-10B | 4,312,199.70 |
| Deutsche Bank Aktiengesellschaft, Filiale Singapur | 5272 | P-12-11 | 24,704.96 | P-12-11B | 1,518,852.59 |
| Deutsche Bank Aktiengesellschaft, Filiale Hongkong | 5273 | P-12-12 | 94,278.01 | P-12-12B | 5,796,180.19 |
| Deutsche Bank Aktiengesellschaft, Filiale London | 5281 | P-12-17 | 1,839,056.20 | P-12-17B | 112,925,848.28 |
| Deutsche Bank Aktiengesellschaft, Filiale New York | 5282 | P-12-18 | 421,558.95 | P-12-18B | 25,885,506.95 |
| Deutsche Bank Securities, Inc. | 5283 | P-12-19 | 161,455.54 | P-12-19B | 9,914,054.73 |
| Deutsche Bank (Malaysia) Berhad | 5289 | P-12-23 | 23,606.23 | P-12-23B | 1,447,934.60 |
| Deutsche Bank Aktiengesellschaft, Asia Pacific Head Office | 5292 | P-12-26 | 215,918.00 | P-12-26B | 13,243,755.67 |
| Deutsche Bank Aktiengesellschaft, Asia Pacific Head Office | 5293 | P-12-27 | 1,194,457.68 | P-12-27B | 73,264,413.69 |
| Deutsche Bank Aktiengesellschaft, Filiale Seoul | 5297 | P-12-29 | 28,760.30 | P-12-29B | 1,767,361.71 |
| Deutsche Asia Pacific Holdings Pte Ltd | 5298 | P-12-30 | 8,882.34 | P-12-30B | 545,832.54 |
| Deutsche Bank Aktiengesellschaft, Filiale London | 5302 | P-12-34 | 1,182,412.81 | P-12-34B | 73,026,573.07 |
| Deutsche Bank Aktiengesellschaft, Filiale Singapur | 5315 | P-12-43 | 280,595.65 | P-12-43B | 16,755,982.49 |
| Deutsche Bank Aktiengesellschaft, Filiale Hongkong | 5316 | P-12-44 | 428,926.65 | P-12-44B | 25,613,680.89 |
| Deutsche Securities Inc. | 5321 | P-12-46 | 107,897.61 | P-12-46B | 6,438,499.64 |
| Deutsche Bank Aktiengesellschaft, Filiale Singapur | 5323 | P-12-48 | 134,100.98 | P-12-48B | 8,002,115.25 |
| Deutsche Bank Aktiengesellschaft, Asia Pacific Head Office | 5324 | P-12-49 | 217,354.46 | P-12-49B | 12,970,042.73 |
| Deutsche Bank Aktiengesellschaft, Filiale New York | 5326 | P-12-50 | 40,521.94 | P-12-50B | 2,425,256.75 |
| Deutsche Bank (Malaysia) Berhad | 5328 | P-12-52 | 23,606.23 | P-12-52B | 1,412,843.72 |
| Deutsche Bank Aktiengesellschaft, Filiale Singapur | 5331 | P-12-53 | 24,704.96 | P-12-53B | 1,478,603.22 |
| Deutsche Bank Aktiengesellschaft, Asia Pacific Head Office | 5332 | P-12-54 | 1,133,813.70 | P-12-54B | 67,850,348.39 |
| Deutsche Bank Aktiengesellschaft, Filiale New York | 5333 | P-12-55 | 422,725.00 | P-12-55B | 25,296,958.86 |
| Deutsche Bank Aktiengesellschaft, Filiale Hongkong | 5336 | P-12-57 | 99,185.92 | P-12-57B | 5,935,542.34 |
| Deutsche Bank Aktiengesellschaft, Filiale Seoul | 5342 | P-12-62 | 28,760.30 | P-12-62B | 1,722,722.67 |
| Deutsche Bank Aktiengesellschaft, Filiale London | 5345 | P-12-64 | 82,852.00 | P-12-64B | 4,947,249.51 |
| Deutsche Bank Securities, Inc. | 5346 | P-12-65 | 183,901.95 | P-12-63B | 10,981,133.01 |
| Deutsche Bank Aktiengesellschaft, Filiale London | 5353 | P-12-70 | 66,066.40 | P-12-70B | 3,931,923.43 |
| Deutsche Bank Aktiengesellschaft, Filiale London | 5358 | P-12-72 | 2,813,596.51 | P-12-72B | 167,450,414.11 |
| Deutsche Securities Inc. | 5369 | P-12-81 | 538,670.98 | P-12-81B | 32,150,044.16 |
| Deutsche Securities Inc. | 5370 | P-12-82 | 107,897.61 | P-12-82B | 6,439,762.03 |
| Deutsche Bank Aktiengesellschaft, Filiale Singapur | 5390 | P-12-102 | 24,704.96 | P-12-102B | 1,465,207.64 |
| Deutsche Bank Aktiengesellschaft, Filiale Hongkong | 5391 | P-12-103 | 99,185.92 | P-12-103B | 5,892,984.44 |
| Deutsche Bank Aktiengesellschaft, Asia Pacific Head Office | 5392 | P-12-104 | 217,354.46 | P-12-104B | 12,913,793.12 |
| Deutsche Bank Aktiengesellschaft, Filiale Singapur | 5405 | P-12-116 | 132,435.12 | P-12-116B | 7,868,436.39 |
| Deutsche Bank Aktiengesellschaft, Filiale London | 5408 | P-12-119 | 1,140,999.21 | P-12-119B | 67,790,777.10 |

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| Deutsche Bank Aktiengesellschaft, Filiale Seoul | 5418 | P-12-126 | 28,760.30 | P-12-126B | 1,709,570.64 |
| Deutsche Bank (Malaysia) Berhad | 5420 | P-12-128 | 23,606.23 | P-12-128B | 1,403,202.26 |
| Deutsche Bank Aktiengesellschaft, Filiale New York | 5421 | P-12-129 | 500,922.34 | P-12-129B | 29,775,841.26 |
| Deutsche Bank Securities, Inc. | 5421 | P-12-129 | 155,670.00 | P-12-129B | 9,253,340.97 |
| Deutsche Bank Aktiengesellschaft, Filiale Hongkong | 5428 | P-12-136 | 369,116.84 | P-12-136B | 21,941,054.65 |
| Deutsche Bank Aktiengesellschaft, Asia Pacific Head Office | 5432 | P-12-140 | 792,843.63 | P-12-140B | 47,128,235.63 |
| Deutsche Group Services Pty Limited | 5436 | P-12-178 | 248,659.11 | P-12-178B | 14,780,802.53 |
| Deutsche Group Services Pty Limited | 5437 | P-12-179 | 70,115.65 | P-12-179B | 4,167,816.64 |
| Deutsche Bank Aktiengesellschaft, Filiale Singapur | 5438 | P-12-142 | 257,843.25 | P-12-142B | 15,326,726.46 |
| Deutsche Bank Aktiengesellschaft, Filiale London | 5450 | P-12-150 | 1,646,757.94 | P-12-150B | 98,586,582.75 |
| Deutsche Asia Pacific Holdings Pte Ltd | 5455 | P-12-155 | 17,764.68 | P-12-155B | 1,063,519.46 |
| Deutsche Group Services Pty Limited | 5267 | P-12-158 | 310,779.13 | P-12-158B | 19,092,482.72 |
| Deutsche Group Services Pty Limited | 5330 | P-12-168 | 70,452.88 | P-12-168B | 4,216,637.28 |
| **TOTAL VALID ZERO-RATED SALES** | | | **19,028,312.32** | | **1,146,413,520.86** |

On the other hand, the remaining amount of ₱253,689,578.94 shall be denied VAT zero-rating due to the following reasons:

| | OR No. | OR Exh. Ref | OR Amount in Euro | Inward Remittance Exh. Ref. | Disallowed Zero-rated Sales |
|---|---|---|---|---|---|
| ***Overclaimed zero-rated sales (Amount per inward remittance in Php is lower than the claimed zero-rated sales)*** | | | | | |
| Deutsche Securities, Inc. | 5258 | P-12-3 | 109,714.89 | P-12-3B | ₱ 1,011.04 |
| Deutsche Group Services Pty Limited | 5271 | P-12-10 | 70,115.65 | P-12-10B | 7,600.98 |
| Deutsche Bank Aktiengesellschaft, Filiale Singapur | 5272 | P-12-11 | 24,704.96 | P-12-11B | 502.70 |
| Deutsche Bank Aktiengesellschaft, Filiale Hongkong | 5273 | P-12-12 | 94,278.01 | P-12-12B | 1,918.37 |
| Deutsche Bank (Malaysia) Berhad | 5289 | P-12-23 | 23,606.23 | P-12-23B | 3,337.24 |
| Deutsche Bank Aktiengesellschaft, Asia Pacific Head Office | 5292 | P-12-26 | 215,918.00 | P-12-26B | 30,524.55 |
| Deutsche Bank Aktiengesellschaft, Asia Pacific Head Office | 5293 | P-12-27 | 1,194,457.68 | P-12-27B | 168,861.68 |
| Deutsche Bank Aktiengesellschaft, Filiale Seoul | 5297 | P-12-29 | 28,760.30 | P-12-29B | 12,941.71 |
| Deutsche Asia Pacific Holdings Pte Ltd | 5298 | P-12-30 | 8,882.34 | P-12-30B | 3,996.92 |
| Deutsche Bank Aktiengesellschaft, Filiale London | 5302 | P-12-34 | 1,182,412.81 | P-12-34B | 134,238.15 |
| Deutsche Bank Aktiengesellschaft, Filiale New York | 5326 | P-12-50 | 40,521.94 | P-12-50B | 6,895.62 |
| Deutsche Bank (Malaysia) Berhad | 5328 | P-12-52 | 23,606.23 | P-12-52B | 4,017.08 |
| Deutsche Bank Aktiengesellschaft, Filiale Singapur | 5331 | P-12-53 | 24,704.96 | P-12-53B | 4,204.04 |
| Deutsche Bank Aktiengesellschaft, Filiale Seoul | 5342 | P-12-62 | 28,760.30 | P-12-62B | 3,727.94 |
| Deutsche Bank Aktiengesellschaft, Filiale London | 5353 | P-12-70 | 66,066.40 | P-12-70B | 783.41 |
| Deutsche Bank Aktiengesellschaft, Filiale London | 5358 | P-12-72 | 2,813,596.51 | P-12-72B | 51,821.91 |
| Deutsche Securities Inc. | 5369 | P-12-81 | 538,670.98 | P-12-81B | 769,154.84 |
| Deutsche Securities Inc. | 5370 | P-12-82 | 107,897.61 | P-12-82B | 72,383.12 |
| Deutsche Bank Aktiengesellschaft, Filiale Singapur | 5390 | P-12-102 | 24,704.96 | P-12-102B | 4,039.07 |

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| Deutsche Bank Aktiengesellschaft, Filiale Hongkong | 5391 | P-12-103 | 99,185.92 | P-12-103B | 5,773.84 |
| Deutsche Bank Aktiengesellschaft, Asia Pacific Head Office | 5392 | P-12-104 | 217,354.46 | P-12-104B | 12,652.64 |
| Deutsche Bank Aktiengesellschaft, Filiale Singapur | 5405 | P-12-116 | 132,435.12 | P-12-116B | 7,709.32 |
| Deutsche Bank Aktiengesellschaft, Filiale London | 5408 | P-12-119 | 1,140,999.21 | P-12-119B | 109,382.66 |
| Deutsche Bank Aktiengesellschaft, Filiale Seoul | 5418 | P-12-126 | 28,760.30 | P-12-126B | 854.16 |
| Deutsche Bank (Malaysia) Berhad | 5420 | P-12-128 | 23,606.23 | P-12-128B | 701.09 |
| Deutsche Bank Aktiengesellschaft, Filiale New York | 5421 | P-12-129 | 500,922.34 | P-12-129B | 99,989.73 |
| Deutsche Bank Securities, Inc. | 5421 | P-12-129 | 155,670.00 | P-12-129B | 201,098.21 |
| Deutsche Bank Aktiengesellschaft, Filiale Hongkong | 5428 | P-12-136 | 369,116.84 | P-12-136B | 880,314.35 |
| Deutsche Bank Aktiengesellschaft, Asia Pacific Head Office | 5432 | P-12-140 | 792,843.63 | P-12-140B | 1,678,829.37 |
| Deutsche Group Services Pty Limited | 5436 | P-12-178 | 248,659.11 | P-12-178B | 601,587.47 |
| Deutsche Group Services Pty Limited | 5437 | P-12-179 | 70,115.65 | P-12-179B | 9,516.34 |
| Deutsche Bank Aktiengesellschaft, Filiale Singapur | 5438 | P-12-142 | 257,843.25 | P-12-142B | 596,764.54 |
| Deutsche Bank Aktiengesellschaft, Filiale London | 5450 | P-12-150 | 1,646,757.94 | P-12-150B | 2,355,716.25 |
| Deutsche Asia Pacific Holdings Pte Ltd | 5455 | P-12-155 | 17,764.68 | P-12-155B | 821.08 |
| Deutsche Group Services Pty Limited | 5330 | P-12-168 | 70,452.88 | P-12-168B | 19,491.54 |
| ***Sub-total*** | | | | | ***₱ 7,863,162.96*** |
| ***Without supporting zero-rated official receipt*** | | | | | |
| Deutsche Bank Aktiengesellschaft, Filiale New York | 5261 | | 47,602.32 | | ₱ 2,928,409.04 |
| ***Sub-total*** | | | | | ***₱ 2,928,409.04*** |
| ***Supported by photocopied official receipt*** | | | | | |
| Deutsche Group Services Pty Limited | 5329 | P-12-183 | 340,145.38 | P-12-183B | ₱ 20,423,242.58 |
| ***Sub-total*** | | | | | ***₱ 20,423,242.58*** |
| ***ORs issued were not in the name of Deutsche Bank Aktiengesellschaft, Inlandsbank (issued to DB AG Domestic Bank)*** | | | | | |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5371 | P-12-83 | 35,096.88 | P-12-83B | ₱ 2,171,871.45 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5372 | P-12-84 | 7,608.08 | P-12-84B | 470,804.58 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5373 | P-12-85 | 386,522.37 | P-12-85B | 23,686,256.00 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5374 | P-12-86 | 37,309.95 | P-12-86B | 2,308,821.04 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5375 | P-12-87 | 91,970.24 | P-12-87B | 5,691,318.95 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5376 | P-12-88 | 227,988.06 | P-12-88B | 14,108,398.17 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5379 | P-12-91 | 231,958.88 | P-12-91B | 14,325,525.33 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5380 | P-12-92 | 35,519.77 | P-12-92B | 2,193,661.92 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5381 | P-12-93 | 16,495.08 | P-12-93B | 1,018,718.00 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5382 | P-12-94 | 34,309.93 | P-12-94B | 2,118,943.54 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5383 | P-12-95 | 16,421.21 | P-12-95B | 1,014,155.87 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5384 | P-12-96 | 16,118.48 | P-12-96B | 997,446.68 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5385 | P-12-97 | 7,717.99 | P-12-97B | 476,654.58 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5393 | P-12-105 | 88,761.44 | P-12-105B | 5,481,808.90 |

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| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5395 | P-12-107 | 132,843.97 | P-12-107B | 8,105,504.00 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5396 | P-12-108 | 34,309.93 | P-12-108B | 2,070,771.02 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5397 | P-12-109 | 240,552.18 | P-12-109B | 14,518,493.15 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5398 | P-12-110 | 7,717.99 | P-12-110B | 465,818.21 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5399 | P-12-111 | 16,495.08 | P-12-111B | 995,558.24 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5400 | P-12-112 | 35,519.77 | P-12-112B | 2,143,790.75 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5401 | P-12-113 | 16,421.21 | P-12-113B | 991,099.83 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5406 | P-12-117 | 27,719.44 | P-12-117B | 1,715,339.38 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5407 | P-12-118 | 59,038.79 | P-12-118B | 3,590,036.48 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5412 | P-12-122 | 88,761.44 | P-12-122B | 5,357,184.28 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5423 | P-12-131 | 16,421.21 | P-12-131 | 976,597.77 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5424 | P-12-132 | 7,717.99 | P-12-132 | 459,002.22 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5425 | P-12-133 | 16,495.08 | P-12-133 | 980,990.94 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5426 | P-12-134 | 240,552.18 | P-12-134 | 14,306,054.40 |
| Deutsche Bank Aktiengesellschaft, Inlandsbank | 5427 | P-12-135 | 34,309.93 | P-12-135 | 2,040,470.89 |
| ***Sub-total*** | | | | | ***₱134,781,096.57*** |
| ***Sales to entities not considered as non-resident foreign corporations doing business outside the Philippines (without proof of foreign registration/incorporation)*** | | | | | |
| DB Consorzio S. Cons. a.r.l. | 5274 | | 4,728.64 | | ₱ 291,709.44 |
| DB Consorzio S. Cons. a.r.l. | 5334 | | 4,750.64 | | 284,290.60 |
| DB Consorzio S. Cons. a.r.l. | 5447 | | 4,750.64 | | 282,528.79 |
| DB Energy Trading LLC | 5261 | | (28.52) | | (1,754.50) |
| DB Energy Trading LLC | 5318 | | 442.48 | | 26,423.03 |
| DB Energy Trading LLC | 5415 | | 371.76 | | 22,781.00 |
| DB International (Asia) Limited | 5253 | | 13,512.94 | | 837,188.81 |
| DB International (Asia) Limited | 5253 | | 13,512.94 | | 837,188.78 |
| DB International (Asia) Limited | 5308 | | 13,543.78 | | 835,219.19 |
| DB International (Asia) Limited | 5387 | | 13,543.78 | | 817,432.95 |
| DB Services New Jersey, Inc. | 5261 | | 7,142.59 | | 677,541.00 |
| DB Services New Jersey, Inc. | 5318 | | 9,261.69 | | 553,068.86 |
| DB Services New Jersey, Inc. | 5445 | | 11,071.96 | | 439,399.28 |
| DBOI Global Services Private Limited | 5279 | | 4,914.15 | | 301,749.66 |
| DBOI Global Services Private Limited | 5279 | | 67,475.30 | | 4,143,269.52 |
| DBOI Global Services Private Limited | 5386 | | 4,914.15 | | 302,514.13 |
| DBOI Global Services Private Limited | 5386 | | 3,515.78 | | 216,430.74 |
| DBOI Global Services Private Limited | 5386 | | 5,067.35 | | 311,945.09 |
| DBOI Global Services Private Limited | 5386 | | 84,314.84 | | 5,190,405.31 |
| DBOI Global Services UK Limited | 5439 | | 318.49 | | 19,573.24 |
| DBOI Global Services UK Limited | 5439 | | 3,987.04 | | 245,029.03 |
| DBOI Global Services UK Limited | 5439 | | 4,018.52 | | 246,963.68 |
| DBOI Global Services UK Limited | 5439 | | 1,850.11 | | 113,701.06 |
| Deutsche (Suisse) SA | 5306 | | 26,010.64 | | 1,606,930.85 |
| Deutsche Asset Management (Korea) Company Limited | 5351 | | 4,142.60 | | 253,461.03 |
| Deutsche Asset Management (Korea) Company Limited | 5378 | | 4,255.58 | | 260,373.60 |

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| Deutsche Asset Management (Korea) Company Limited | 5378 | | 4,255.58 | | 260,373.60 |
| Deutsche Asset Management (Korea) Company Limited | 5378 | | 4,142.60 | | 253,461.03 |
| Deutsche Bank (China) Co. Ltd., Shanghai Branch | 5312 | | 7,638.26 | | 461,006.11 |
| Deutsche Bank (China) Co. Ltd., Shanghai Branch | 5312 | | 7,563.48 | | 456,492.78 |
| Deutsche Bank (China) Co. Ltd., Shanghai Branch | 5312 | | 7,506.56 | | 453,057.38 |
| Deutsche Bank (China) Co. Ltd., Shanghai Branch | 5312 | | 7,506.56 | | 453,057.38 |
| Deutsche Bank (China) Co. Ltd., Shanghai Branch | 5312 | | 8,062.31 | | 486,599.59 |
| Deutsche Bank (China) Co. Ltd., Shanghai Branch | 5312 | | 8,062.31 | | 486,599.59 |
| Deutsche Bank (China) Co. Ltd., Shanghai Branch | 5312 | | 15,436.57 | | 931,672.03 |
| Deutsche Bank (China) Co. Ltd., Shanghai Branch | 5312 | | 15,436.57 | | 931,672.02 |
| Deutsche Bank (China) Co. Ltd., Shanghai Branch | 5356 | | 15,917.75 | | 947,876.71 |
| Deutsche Bank (China) Co. Ltd., Shanghai Branch | 5356 | | 15,917.75 | | 947,876.71 |
| Deutsche Bank (Suisse) SA | 5301 | | 7,298.26 | | 451,772.66 |
| Deutsche Bank Aktiengesellschaft, Filiale Amsterdam | 5276 | | 22.38 | | 1,374.23 |
| Deutsche Bank Aktiengesellschaft, Filiale Amsterdam | 5278 | | 6,342.25 | | 389,441.04 |
| Deutsche Bank Aktiengesellschaft, Filiale Amsterdam | 5349 | | 6,342.25 | | 378,707.74 |
| Deutsche Bank Aktiengesellschaft, Filiale Amsterdam | 5350 | | 252.81 | | 15,095.76 |
| Deutsche Bank Aktiengesellschaft, Filiale Amsterdam | 5430 | | 6,342.25 | | 377,184.58 |
| Deutsche Bank Aktiengesellschaft, Filiale Bangkok | 5270 | | 7,609.08 | | 467,958.50 |
| Deutsche Bank Aktiengesellschaft, Filiale Bangkok | 5280 | | 21,856.46 | | 1,342,079.32 |
| Deutsche Bank Aktiengesellschaft, Filiale Bangkok | 5357 | | 7,609.08 | | 453,108.62 |
| Deutsche Bank Aktiengesellschaft, Filiale Bangkok | 5360 | | 21,856.20 | | 1,305,832.76 |
| Deutsche Bank Aktiengesellschaft, Filiale Bangkok | 5440 | | 20,892.33 | | 1,291,799.00 |
| Deutsche Bank Aktiengesellschaft, Filiale Bangkok | 5444 | | 7,609.08 | | 452,525.16 |
| Deutsche Bank Aktiengesellschaft, Filiale Brussel | 5305 | | 4,296.65 | | 265,445.96 |
| Deutsche Bank Aktiengesellschaft, Filiale Brussel | 5317 | | 4,296.65 | | 256,391.03 |
| Deutsche Bank Aktiengesellschaft, Filiale Brussel | 5394 | | 4,296.65 | | 255,872.77 |
| Deutsche Bank Aktiengesellschaft, Filiale Cayman Islands | 5261 | | 606.41 | | 37,305.25 |
| Deutsche Bank Aktiengesellschaft, Filiale Cayman Islands | 5318 | | 268.71 | | 16,046.22 |
| Deutsche Bank Aktiengesellschaft, Filiale Cayman Islands | 5421 | | 359.04 | | 22,075.00 |
| Deutsche Bank Aktiengesellschaft, Filiale Dubai (DIFC) | 5295 | | 4,277.59 | | 262,979.13 |
| Deutsche Bank Aktiengesellschaft, Filiale Dubai (DIFC) | 5335 | | 4,277.59 | | 255,982.06 |
| Deutsche Bank Aktiengesellschaft, Filiale Dubai (DIFC) | 5451 | | 4,277.59 | | 254,395.68 |
| Deutsche Bank Aktiengesellschaft, Filiale Ho-Chi-Min | 5307 | | 6,334.03 | | 390,607.61 |
| Deutsche Bank Aktiengesellschaft, Filiale | 5307 | | | | |

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| Ho-Chi-Min | | | 8,409.00 | | 518,570.15 |
| Deutsche Bank Aktiengesellschaft, Filiale Ho-Chi-Min | 5307 | | 8,409.05 | | 518,570.15 |
| Deutsche Bank Aktiengesellschaft, Filiale Ho-Chi-Min | 5327 | | 8,409.05 | | 504,716.48 |
| Deutsche Bank Aktiengesellschaft, Filiale Jakarta | 5314 | | 6,975.66 | | 416,556.84 |
| Deutsche Bank Aktiengesellschaft, Filiale Johannesburg | 5252 | | 3,071.35 | | 189,464.49 |
| Deutsche Bank Aktiengesellschaft, Filiale Johannesburg | 5300 | | 3,167.09 | | 188,595.17 |
| Deutsche Bank Aktiengesellschaft, Filiale Johannesburg | 5359 | | 3,167.09 | | 195,596.00 |
| Deutsche Bank Aktiengesellschaft, Filiale Johannesburg | 5446 | | 3,167.09 | | 188,352.33 |
| Deutsche Bank Aktiengesellschaft, Filiale Labuan | 5290 | | 1,365.27 | | 83,934.54 |
| Deutsche Bank Aktiengesellschaft, Filiale Labuan | 5344 | | 1,365.27 | | 81,955.72 |
| Deutsche Bank Aktiengesellschaft, Filiale Labuan | 5417 | | 1,365.27 | | 81,194.97 |
| Deutsche Bank Aktiengesellschaft, Filiale Mumbai | 5313 | | 9,393.56 | | 566,517.73 |
| Deutsche Bank Aktiengesellschaft, Filiale Mumbai | 5313 | | 9,069.63 | | 546,981.79 |
| Deutsche Bank Aktiengesellschaft, Filiale Mumbai | 5389 | | 9,352.36 | | 577,591.49 |
| Deutsche Bank Aktiengesellschaft, Filiale Paris | 5266 | | 3,822.92 | | 234,763.80 |
| Deutsche Bank Aktiengesellschaft, Filiale Paris | 5325 | | 3,822.92 | | 229,454.07 |
| Deutsche Bank Aktiengesellschaft, Filiale Paris | 5354 | | 68.60 | | 4,083.52 |
| Deutsche Bank Aktiengesellschaft, Filiale Paris | 5355 | | 99.02 | | 5,894.32 |
| Deutsche Bank Aktiengesellschaft, Filiale Paris | 5409 | | 3,822.92 | | 227,355.67 |
| Deutsche Bank Aktiengesellschaft, Filiale Prag | 5294 | | 316.71 | | 19,470.80 |
| Deutsche Bank Aktiengesellschaft, Filiale Prag | 5320 | | 316.71 | | 18,898.82 |
| Deutsche Bank Aktiengesellschaft, Filiale Prag | 5403 | | 316.71 | | 18,835.29 |
| Deutsche Bank Aktiengesellschaft, Filiale Taipei | 5442 | | 3,181.04 | | 191,872.60 |
| Deutsche Bank Aktiengesellschaft, Filiale Taipei | 5442 | | 3,071.35 | | 185,256.37 |
| Deutsche Bank Aktiengesellschaft, Filiale Taipei | 5442 | | 3,071.35 | | 185,256.37 |
| Deutsche Bank Aktiengesellschaft, Filiale Taipei | 5442 | | 3,167.09 | | 191,031.17 |
| Deutsche Bank Aktiengesellschaft, Filiale Taipei | 5442 | | 3,167.09 | | 191,031.17 |
| Deutsche Bank Aktiengesellschaft, Filiale Taipei | 5443 | | (1,922.28) | | (115,947.26) |
| Deutsche Bank Aktiengesellschaft, Filiale Taipei | 5443 | | 3,077.36 | | 185,618.88 |
| Deutsche Bank Aktiengesellschaft, Filiale Taipei | 5443 | | 2,957.32 | | 178,378.36 |
| Deutsche Bank Aktiengesellschaft, Filiale Taipei | 5443 | | 2,957.32 | | 178,378.36 |
| Deutsche Bank Aktiengesellschaft, Filiale Taipei | 5443 | | 2,957.32 | | 178,378.36 |
| Deutsche Bank Aktiengesellschaft, Filiale Tokyo | 5311 | | 8,780.37 | | 540,799.06 |
| Deutsche Bank Aktiengesellschaft, Filiale Wien | 5263 | | 316.71 | | 19,483.43 |
| Deutsche Bank Aktiengesellschaft, Filiale | 5319 | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Wien | | | 316.71 | | 18,898.82 |
| Deutsche Bank Aktiengesellschaft, Filiale Wien | 5404 | | 316.71 | | 18,835.29 |
| Deutsche Bank Aktiengesellschaft, Filiale Zurich | 5366 | | 3,262.10 | | 196,883.59 |
| Deutsche Bank Aktiengesellschaft, Filiale Zurich | 5367 | | 3,163.49 | | 195,763.66 |
| Deutsche Bank Aktiengesellschaft, Filiale Zurich | 5368 | | 3,262.10 | | 201,463.71 |
| Deutsche Bank Luxembourg SA | 5291 | | 4,594.30 | | 282,449.94 |
| Deutsche Bank Luxembourg SA | 5322 | | 4,594.30 | | 274,152.50 |
| Deutsche Bank Luxembourg SA | 5411 | | 4,594.30 | | 273,230.97 |
| Deutsche Bank Management (Korea) Company Limited | 5452 | | 4,142.60 | | 246,367.59 |
| Deutsche Bank National Trust Company | 5261 | | (56.86) | | (3,497.92) |
| Deutsche Bank Netherland N.V. | 5275 | | 1,675.20 | | 102,864.38 |
| Deutsche Bank Netherland N.V. | 5277 | | 17,220.08 | | 1,057,385.94 |
| Deutsche Bank Netherland N.V. | 5347 | | 17,220.08 | | 1,028,243.52 |
| Deutsche Bank Netherland N.V. | 5348 | | 41.32 | | 2,467.30 |
| Deutsche Bank Netherland N.V. | 5429 | | 17,220.08 | | 1,024,107.98 |
| Deutsche Bank PGK AG | 5377 | | 881.57 | | 54,039.00 |
| Deutsche Bank PGK AG | 5388 | | 640.59 | | 39,744.00 |
| Deutsche Bank PGK AG | 5402 | | 560.53 | | 34,478.00 |
| Deutsche Bank PGK AG | 5422 | | 623.15 | | 37,423.00 |
| Deutsche Bank Societa Anonima Española | 5433 | | 13,778.86 | | 819,452.64 |
| Deutsche Bank Societa Anonima Española | 5435 | | 13,778.86 | | 831,621.17 |
| Deutsche Bank Societa per Azioni | 5284 | | 1,182.30 | | 72,711.47 |
| Deutsche Bank Societa per Azioni | 5284 | | 4,607.04 | | 283,333.02 |
| Deutsche Bank Societa per Azioni | 5341 | | 5,861.15 | | 351,838.70 |
| Deutsche Bank Societa per Azioni | 5341 | | 5,861.15 | | 351,838.70 |
| Deutsche Bank Societa per Azioni | 5434 | | 5,861.15 | | 348,572.73 |
| Deutsche Bank Trust Company | 5318 | | 422.95 | | 25,256.78 |
| Deutsche Bank Trust Company Americas | 5254 | | 29,159.62 | | 1,806,572.59 |
| Deutsche Bank Trust Company Americas | 5261 | | 2,056.24 | | 126,496.18 |
| Deutsche Bank Trust Company Americas | 5282 | | 24,780.28 | | 1,521,614.26 |
| Deutsche Bank Trust Company Americas | 5318 | | 2,432.39 | | 145,252.02 |
| Deutsche Bank Trust Company Americas | 5337 | | 24,780.28 | | 1,483,967.07 |
| Deutsche Bank Trust Company Americas | 5410 | | 1,869.85 | | 112,391.00 |
| Deutsche Bank Trust Company Americas | 5415 | | 24,780.28 | | 1,473,726.12 |
| Deutsche Bank Trust Company Delaware | 5261 | | 29,140.55 | | 1,792,674.18 |
| Deutsche Bank Trust Company Delaware | 5326 | | 29,170.31 | | 1,750,820.38 |
| Deutsche Bank Trust Company Delaware | 5445 | | 21,520.00 | | 1,330,608.00 |
| Deutsche Bank Trust Corporation | 5261 | | 1,994.18 | | 122,678.36 |
| Deutsche Bank Trust Corporation | 5415 | | 1,837.92 | | 110,376.00 |
| Deutsche Bank, Sociedad Anonima Española | 5269 | | 13,756.86 | | 847,400.03 |
| Deutsche Investment Management Americas, Inc. | 5261 | | 3,597.61 | | 221,318.49 |
| Deutsche Investment Management Americas, Inc. | 5282 | | 57,770.44 | | 3,547,349.97 |
| Deutsche Investment Management Americas, Inc. | 5333 | | 57,770.44 | | 3,457,132.76 |
| Deutsche Investment Management Americas, Inc. | 5421 | | 57,770.44 | | 3,435,708.01 |
| Deutsche Securities Korea Co. | 5304 | | 5,793.60 | | 358,474.20 |
| Deutsche Securities Korea Co. | 5361 | | 5,793.60 | | 346,147.67 |
| Deutsche Securities Korea Co. | 5453 | | 5,793.60 | | 344,555.41 |

| | | | | | |
|---|---|---|---|---|---|
| Deutsche Trustees Malaysia Berhad | 5287 | | 682.64 | | 41,967.58 |
| Deutsche Trustees Malaysia Berhad | 5288 | | 680.51 | | 41,836.63 |
| Deutsche Trustees Malaysia Berhad | 5431 | | 682.64 | | 40,597.78 |
| Deutsche Trustees Malaysia Berhad | 5441 | | 682.64 | | 41,200.64 |
| DWS Holding & Service GmbH | 5255 | | 21,466.20 | | 1,329,929.83 |
| DWS Holding & Service GmbH | 5299 | | 18,491.06 | | 1,141,987.53 |
| DWS Holding & Service GmbH | 5364 | | 18,491.06 | | 1,116,025.34 |
| DWS Holding & Service GmbH | 5416 | | 18,491.06 | | 1,099,695.33 |
| DWS Investment S.A. | 5262 | | 4,898.04 | | 301,318.61 |
| DWS Investment S.A. | 5310 | | 4,067.28 | | 250,511.22 |
| DWS Investment S.A. | 5365 | | 4,067.28 | | 245,480.11 |
| OOO "Deutsche Bank" | 5303 | | 2,047.67 | | 126,697.88 |
| OOO "Deutsche Bank" | 5338 | | 6,408.15 | | 383,752.07 |
| OOO "Deutsche Bank" | 5339 | | 6,408.15 | | 384,674.52 |
| OOO "Deutsche Bank" | 5449 | | 6,408.15 | | 381,103.77 |
| PT Deutsche Securities Indonesia | 5340 | | 591.47 | | 35,505.32 |
| PT Deutsche Securities Indonesia | 5340 | | 636.21 | | 38,191.02 |
| PT Deutsche Securities Indonesia | 5340 | | 614.27 | | 36,873.99 |
| PT Deutsche Securities Indonesia | 5340 | | 614.27 | | 36,873.99 |
| PT Deutsche Securities Indonesia | 5340 | | 633.42 | | 38,023.54 |
| PT Deutsche Securities Indonesia | 5454 | | 633.42 | | 37,975.61 |
| PT Deutsche Securities Indonesia | 5454 | | 633.42 | | 37,975.61 |
| RREEF Management GmbH | 5286 | | 22,558.34 | | 1,386,849.30 |
| RREEF Management GmbH | 5419 | | 22,558.34 | | 1,343,387.27 |
| RREEF Management LLC | 5282 | | 14,461.44 | | 887,993.74 |
| RREEF Management LLC | 5337 | | 14,461.44 | | 866,023.33 |
| RREEF Management LLC | 5415 | | 14,461.44 | | 860,046.86 |
| ***Sub-total*** | | | | | ***₱ 87,693,667.79*** |
| **TOTAL DISALLOWED ZERO-RATED SALES** | | | | | **₱253,689,578.94** |

***Petitioner had input VAT attributable to its zero-rated sales and were not applied against any output VAT liability***

After determining that petitioner had valid VAT zero-rated sales for the second quarter of CY 2014 in the amount of ₱1,146,413,520.86, the Court shall now proceed to determine whether petitioner incurred corresponding input taxes and if said input taxes were not applied against any output VAT liability of petitioner.

In its Quarterly VAT Return for the second quarter of CY 2014[37], petitioner declared input VAT of ₱27,881,900.36 on its

[37] Exhibit "P-30-4", CD.

current purchases of goods and services, of which the amount of ₱27,065,518.44 is the subject of the present claim, as shown below:

| | |
|---|---|
| Input tax deferred on capital goods exceeding ₱1M from previous quarter | ₱ 952,001.43 |
| Purchase of Capital Goods Exceeding P1M | 172,246.92 |
| Total | 1,124,248.35 |
| Less: Input tax on capital goods exceeding ₱1M deferred for the succeeding period | 930,408.09 |
| **Amortized input tax on capital goods exceeding ₱1M** | **193,840.26** |
| Add: Input tax on | |
| Purchase of capital goods not exceeding ₱1M | 84,908.46 |
| Domestic purchases of goods other than capital goods | 79,350.84 |
| Domestic purchases of services | 26,871,989.32 |
| Services rendered by non-residents | 651,811.48 |
| ***Total*** | ***27,688,060.10*** |
| **Total input tax during the quarter** | **27,881,900.36** |
| Less: Output tax | 703,115.37 |
| **Excess input tax** | **27,178,784.99** |
| Divided by total declared sales | 1,405,962,394.52 |
| Multiply by total declared zero-rated sales | 1,400,103,099.77 |
| **Input tax claimed for refund/TCC** | **₱ 27,065,518.44** |

In support of its input VAT on purchases of goods and services other than capital goods amounting to ₱27,688,060.10, petitioner presented its Summary Lists of Purchases for the 2nd Quarter of CY 2014[38], and the related supporting invoices, official receipts, BIR Forms No. 1600 and other documents[39], which were all examined by the Court-commissioned ICPA, Mr. Emmanuel Y. Mendoza.

In his Report, the ICPA noted the following exceptions:[40]

| | | |
|---|---|---|
| Input VAT on domestic purchases of goods other than capital goods supported by documents other than VAT Invoices | Annex 3-G | ₱ 685.71 |
| Input VAT on domestic purchases of services supported by documents such as invoices, provisional receipts, billing statements, and statement of accounts | Annex 3-H | 71,022.82 |
| Input VAT on domestic purchases of services supported by documents dated outside the period of claim | Annex 3-I | 3,986,174.24 |
| Input VAT on domestic purchases of goods other than capital goods supported by documents dated outside the | Annex 3-J | 14,378.68 |

[38] Exhibit "P-34", CD.
[39] Exhibits "P-14-1" to "P-14-207", "P-15-1" to "P-15-19", "P-16-1" to "P-16-6", "P-22-1" to "P-22-31", "P-21-1" to "P-21-47", "P-17-1" to "P-17-11", "P-18-1" to "P-18-28", "P-23-1" to "P-23-8", "P-20-1", "P-19-1" to "P-19-10", and "P-24-1" to "P-24-15", CD.
[40] Exhibit "P-12", ICPA Report, pp. 11-12.

| | | |
|---|---|---|
| period of claim | | |
| Input VAT on domestic purchases of goods not exceeding 1million supported by documents dated outside the period of claim | Annex 3-K | 39,196.73 |
| Input VAT on domestic purchases of services and goods with no supporting documents | Annex 3-L | 1,313,758.22 |
| Excess of Input VAT per schedule over the amount of input VAT in the supporting VAT ORs | Annex 3-B | 19,088.20 |
| **Total not properly substantiated input VAT** | | **₱5,444,304.60** |

The above-noted exceptions found by the ICPA in the amount of ₱5,444,304.60 should be disallowed for not being properly substantiated by VAT invoices or official receipts as required under Sections 110(A) and 113(A) and (B), 237 and 238 of the NIRC of 1997, as amended, in relation to Sections 4.110-2, 4.110-8, and 4.113-1 of RR No. 16-05, as amended.

Further verification of the ICPA report, together with the supporting documents, reveals that the additional input VAT of ₱2,173,945.53 should likewise be disallowed for the reasons stated below:

| Exhibit | Supplier | Input VAT per Schedule | Input VAT per OR | Disallowed Input VAT |
|---|---|---|---|---|
| **A. Overclaimed input VAT (Input VAT on purchases of services supported by official receipts wherein the amount of input VAT indicated therein is lower than the amount of claim)** | | | | |
| P-14-18 | Asalus Corporation | ₱ 52,215.85 | ₱ 51,283.42 | ₱ 932.43 |
| P-14-26 | AsiaPeopleWorks! Inc. | 21,014.41 | 20,639.14 | 375.27 |
| P-14-27 | AsiaPeopleWorks! Inc. | 2,910.76 | 2,858.77 | 51.99 |
| P-14-28 | AsiaPeopleWorks! Inc. | 11,872.74 | 11,660.73 | 212.01 |
| P-14-29 | AsiaPeopleWorks! Inc. | 7,182.01 | 7,053.76 | 128.25 |
| P-14-30 | AsiaPeopleWorks! Inc. | 1,547.00 | 1,519.37 | 27.63 |
| P-14-31 | AsiaPeopleWorks! Inc. | 2,106.86 | 2,069.24 | 37.62 |
| P-14-32 | AsiaPeopleWorks! Inc. | 21,002.04 | 20,627.01 | 375.03 |
| P-14-45 | BusinessWorks, Inc. | 23,940.00 | 23,512.50 | 427.50 |
| P-14-46 | BusinessWorks, Inc. | 9,000.00 | 8,631.28 | 368.72 |
| P-14-47 | BusinessWorks, Inc. | 18,660.00 | 18,326.78 | 333.22 |
| P-14-50 | CityWay Printing Services | 5,269.18 | 5,175.09 | 94.09 |
| P-14-84 | ePLDT, Inc. | 649,814.02 | 622,770.57 | 27,043.45 |
| P-14-85 | ePLDT, Inc. | 148,270.62 | 145,622.93 | 2,647.69 |
| P-14-86 | ePLDT, Inc. | 1,450,257.26 | 1,144,791.02 | 305,466.24 |
| P-14-87 | ePLDT, Inc. | 649,814.02 | 638,210.20 | 11,603.82 |
| P-14-94 | Exclusive Cars International | 26,245.83 | 26,219.53 | 26.30 |
| P-14-98 | Exclusive Cars International | 23,526.65 | 23,470.57 | 56.08 |
| P-14-99 | Exclusive Cars International | 12,091.82 | 12,015.30 | 76.52 |
| P-14-117 | Global City Car Lease & Transport Corp | 33,226.07 | 30,982.27 | 2,243.80 |
| P-14-180 | Reuters Limited | 329,459.93 | 323,576.72 | 5,883.21 |

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| | | | | |
|---|---|---|---|---|
| P-14-185 | Santa Fe Moving and Relocation | 1,130.40 | 1,110.21 | 20.19 |
| | ***subtotal*** | | | ***₱ 358,431.06*** |
| **B. Input VAT on purchase of services supported by Official Receipt but the amount of VAT is not separately indicated** | | | | |
| P-14-16 | AIG Philippines Insurance, Inc. | | | ₱ 1,171,075.68 |
| P-14-128 | Headstrong Philippines, Inc. | | | 567,420.00 |
| P-14-135 | Innove Communications, Inc. | | | 62,070.22 |
| | ***subtotal*** | | | ***₱1,800,565.90*** |
| **C. Input VAT on Purchase of Service supported by Official Receipt dated outside the period of claim** | | | | |
| P-14-149 | Lantro Phils., Inc. | | | ₱ 600.00 |
| P-14-150 | Lantro Phils., Inc. | | | 13,446.43 |
| | ***subtotal*** | | | ***₱ 14,046.43*** |
| **D. Input VAT on purchase of Service supported by documents other than VAT ORs** | | | | |
| P-14-6 | Accent Micro Technologies Inc. | | | ₱ 482.14 |
| P-14-164 | Premium Security & Investigation Agency, Inc. | | | 420.00 |
| | ***subtotal*** | | | ***₱ 902.14*** |
| **Total Disallowed Input VAT per this Court's further verification** | | | | **₱2,173,945.53** |

Moreover, part of the total input VAT claim is the amount of ₱193,840.25, representing the amortization of the input VAT on purchases of capital goods exceeding ₱1Million, as shown below:

| | **Total Input VAT** | **Amortized Input VAT** |
|---|---|---|
| ***Purchases of capital goods exceeding ₱1M from previous quarters*** | | |
| 2nd Quarter of CY 2010 | ₱ 824,557.71 | ₱ 7,939.83 |
| 3rd Quarter of CY 2010 | 517,803.43 | 32,362.71 |
| 4th Quarter of CY 2010 | 1,230,911.56 | 76,931.97 |
| 1st Quarter of CY 2011 | 276,516.85 | 17,282.30 |
| 2nd Quarter of CY 2013 | 448,559.31 | 28,034.96 |
| 3rd Quarter of CY 2013 | 182,025.53 | 11,376.60 |
| 4th Quarter of CY 2013 | 203,758.70 | 12,734.92 |
| ***Purchases of capital goods exceeding ₱1M from current quarter*** | | |
| 2nd Quarter of CY 2014 | 172,246.92 | 7,176.96 |
| **TOTAL** | | **₱ 193,840.25** |

The ICPA accounted the amount of ₱193,840.25 as follows:

| **Findings** | **Reference to ICPA Report** | **Total Amount** |
|---|---|---|
| **Properly Substantiated** | | |
| Amortization of Input VAT on domestic purchase of capital goods (from 4th Quarter of CY 2013) supported by VAT invoice | Annex 4-A | ₱ 11,541.72 |
| ***Total properly substantiated Input VAT*** | | ***₱ 11,541.72*** |
| **Not Properly Substantiated** | | |
| Amortization of Input VAT on domestic purchase of | Annex 4-B | 173,928.38 |

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| | | |
|---|---|---|
| capital goods (from 2010 to 4th quarter of CY 2013) with no available supporting VAT invoice | | |
| Amortization of Input VAT on domestic purchase of capital goods (in 2nd quarter of CY 2014) with no available supporting VAT invoice | Annex 4-C | 6,638.54 |
| Amortization of Input VAT on domestic purchase of capital goods where amount of purchase were expense out not recorded as capital asset | Annex 4-D | 1,731.61 |
| ***Total not properly substantiated Input VAT*** | | ***₱ 182,298.53*** |
| **Total** | | **₱ 193,840.25** |

Based on the foregoing, the Court finds that the input VAT amount of ₱182,298.53 should be disallowed because it was not properly substantiated. Further, upon scrutiny of the invoice supporting the input VAT of ₱11,541.72 under the caption "Properly Substantiated", the Court finds that it should likewise be disallowed because it is supported by invoice, the input VAT amount of which was not separately indicated.

Thus, out of petitioner's total declared input VAT of ₱27,881,900.36 for the second quarter of CY 2014, only the amount of ₱20,069,809.98 represents its valid input VAT, as computed below:

| | | |
|---|---|---|
| Input VAT per VAT Return | | ₱ 27,881,900.36 |
| Less: Disallowances | | |
| Per ICPA Report | | |
| Input VAT on purchases of goods and services other than capital goods exceeding ₱1M | ₱5,444,304.60 | |
| Input VAT on purchases of capital goods exceeding ₱1M | 182,298.53 | |
| Per this Court's further verification | | |
| Input VAT on purchases of goods and services other than capital goods exceeding ₱1M | 2,173,945.53 | |
| Input VAT on purchases of capital goods exceeding ₱1M | 11,541.72 | 7,812,090.38 |
| **Valid Input VAT** | | **₱20,069,809.98** |

A portion of the valid input VAT of ₱20,069,809.98, however, shall be applied against the reported output VAT liability of ₱703,115.37[41]. Consequently, only the remaining input VAT of ₱19,366,694.61 can be attributed to the entire zero-rated sales amounting to ₱1,400,103,099.77 and only the input VAT of

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[41] Line15B of Exhibit "P-30-4".

₱15,857,575.46 is attributable to the valid zero-rated sales of ₱1,146,413,520.86, computed as follows:

| | |
|---|---|
| Valid Input VAT | ₱ 20,069,809.98 |
| Less: Output tax due | 703,115.37 |
| **Excess Input VAT** | **19,366,694.61** |
| Divide by Total Declared Zero-Rated Sales | 1,400,103,099.77 |
| Multiply by Valid Zero-Rated Sales | 1,146,413,520.86 |
| **Excess Input VAT attributable to Valid Zero-Rated Sales** | **₱ 15,857,575.46** |

Even though the claimed input VAT was carried over by petitioner in its succeeding Quarterly VAT Returns[42], the same remained unutilized until it was deducted as "VAT Refund/TCC Claimed"[43] in its amended Quarterly VAT Return for the second quarter of CY 2016. Therefore, the subject claim no longer formed part of the excess input VAT of ₱164,806,025.92[44] as of the end of the second quarter of CY 2016 that was carried over/applied to the succeeding third quarter of CY 2016[45]. As such, it eliminates the possibility that the present claim would be applied to future output VAT liability.

**WHEREFORE**, premises considered, the instant Petition for Review is **PARTIALLY GRANTED**. Accordingly, respondent is **ORDERED TO REFUND or ISSUE A TAX CREDIT CERTIFICATE** in favor of petitioner in the amount of **₱15,857,575.46**, representing the latter's unutilized excess input VAT attributable to its zero-rated sales for the second quarter of CY 2014.

**SO ORDERED.**

Juanito C. Castañeda, Jr.
**JUANITO C. CASTAÑEDA, JR.**
Associate Justice

I CONCUR:

Catherine T. Manahan
**CATHERINE T. MANAHAN**
Associate Justice

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42 Exhibits "P-3.4" to "P-3.24".
43 Line 23D of Exhibit "P-3.24".
44 Line 29 of Exhibit "P-3.24".
45 Line 20A of Exhibit "P-3.25".

## ATTESTATION

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

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

## CERTIFICATION

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

**ROMAN G. DEL ROSARIO**
Presiding Justice