REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

THIRD DIVISION

DEUTSCHE KNOWLEDGE SERVICES PTE. LTD.,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA Case Nos. 8510, 8546 & 8595

Members:

BAUTISTA, *Chairperson*
FABON-VICTORINO, and
RINGPIS-LIBAN, *JJ.*

Promulgated:

OCT 13 2015
4:10 p.m.

x- -x

AMENDED DECISION

***Fabon-Victorino, J.*:**

This resolves the two (2) *Motions for Partial Reconsideration* separately filed by petitioner and respondent on May 28, 2015[1] and on May 29, 2015[2], respectively, assailing the Decision[3] promulgated on May 8, 2015, the dispositive portion of which reads as follows:

> **WHEREFORE**, the Petitions for Review filed on June 28, 2012, September 27, 2012, and December 28, 2012 are **PARTIALLY GRANTED**. Accordingly, respondent Commissioner of Internal Revenue is hereby **ORDERED TO REFUND** or **TO ISSUE A TAX CREDIT CERTIFICATE** in favor of petitioner Deutsche Knowledge Services Pte. Ltd. the reduced amount of **FIFTY-THREE MILION FIFTY-EIGHT THOUSAND SEVEN HUNDRED SEVENTY-NINE PESOS AND**

[1] Docket, pp. 1414-1433.
[2] Docket, pp. 1435-1440.
[3] Docket, pp. 1307-1392.

> **67/100 (₱53,058,779.67)**, representing its unutilized excess input VAT for the 2nd, 3rd, and 4th quarters of 2010 attributable to its zero-rated receipts for the same period.
>
> **SO ORDERED.**

In the Resolution of June 11, 2015, petitioner and respondent were granted a period of fifteen (15) days within which to file their respective *Comment/Opposition* to each other's *Motion for Partial Reconsideration.*

On July 9, 2015, petitioner filed its *Comment/Opposition* to respondent's *Motion for Partial Reconsideration*.

Respondent, on the other hand, failed to file her *Comment/Opposition* to petitioner's *Motion for Partial Reconsideration* despite due notice, per *Records Verification Report* of the Judicial Records Division dated July 8, 2015.

***Respondent's Motion for Partial Reconsideration*:**

In her motion partly assailing the Decision of May 8, 2015, respondent insists that petitioner's claim for refund should be denied in its entirety for its failure to submit complete documents in the administrative level required under Section 112(C) of the NIRC of 1997, as amended. She argues that pursuant to Section 112(C) of the NIRC, as amended, the 120-day audit period shall commence only after the submission of complete documents in support of the application filed with the Bureau of Internal Revenue (BIR) and only after the expiration of the said period may the taxpayer seek judicial intervention.

In its *Comment/Opposition* thereto, petitioner denied respondent's contention saying that it submitted complete documents in support of its administrative claims for refund or issuance of tax credit certificate for its unutilized input VAT attributable to zero-rated sales for the 2nd, 3rd, and 4th quarters of 2010. Its supporting documents were submitted on January 31, 2012, May 3, 2012, and August 1, 2012, simultaneous with the filing of the respective administrative claims for refund with the BIR Large Taxpayers Regular Audit Division 3. Citing *Commissioner of Internal Revenue vs. Team Energy Corporation*,[4] petitioner contends that it is the taxpayer, and not the Commissioner of Internal Revenue, who determines what constitutes "complete documents" under Section 112(C) of the NIRC of 1997, as amended.

Respondent's *motion* must fail.

In cases more than one,[5] this Court has consistently ruled that the alleged non-submission of complete documents at the administrative level is not fatal to a claim for refund in the judicial level. The Court *En Banc,* in the case of *Commissioner of Internal Revenue vs. Philippine Airlines, Inc.*,[6] ruled that:

> "It has been settled in several CTA en banc cases that judicial claims should not be denied on the sole ground that the taxpayer allegedly failed to submit before the BIR the complete documents in support of its administrative claim for refund. In the case of Philippine Bank of Communications vs. Commissioner of Internal Revenue We passed upon the issue on the non-submission of supporting documents in the administrative level as NOT fatal to a claim for refund. The pertinent portion of the Decision provides:
>
> > '**Non-submission of supporting documents in the administrative level is not fatal to a claim for refund. Judicial**

---

[4] CTA EB No. 652, October 4, 2011.

[5] *Commissioner of Internal Revenue vs. San Roque Power Corporation*, CTA EB Case No. 657, April 4, 2012; *Commissioner of Internal Revenue vs. Panay Power Company*, CTA EB Case No. 683, November 29, 2011; *Commissioner of Internal Revenue vs. Toledo Power Company*, CTA EB Case No. 589, Resolution dated January 12, 2011; and *Commissioner of Internal Revenue vs. CE Luzon Geothermal Power Company, Inc.*, CTA EB Case No. 474, September 1, 2009.

[6] CTA EB Case No. 775, Resolution dated November 13, 2012.

> **claims are litigated de novo and decided based on what has been presented and formally offered by the parties during the trial**. In the case of CIR vs. Manila Mining Corporation, it was explained that 'Under Section 8 of RA 1125, the CTA is described as a court of record. As cases filed before it are litigated de novo, party litigants should prove every minute aspect of their cases.' Finally, pieces of evidence submitted in the administrative proceeding have no evidentiary value unless presented and formally offered before the Court.'
>
> This Court is not barred from receiving, evaluating and appreciating evidence formally offered before it. Once the claim for refund has been elevated to the Court, the admissibility, materiality, relevancy, probative value and weight of evidence presented therein become subject to the Rules of Court. **The question of whether or not the evidence submitted by a party is sufficient to warrant the granting of a claim for refund lies within the sound discretion and judgment of the Court**. . ." (*Emphasis supplied and citations omitted*)

To repeat, petitioner in the instant cases was able to sufficiently substantiate its judicial claim in accordance with law and jurisprudence to the satisfaction of the Court. Precisely the Court granted the prayer for refund or issuance of tax credit, albeit partially.

Petitioner's Motion for Partial Reconsideration:

In its motion, petitioner disagrees with the Court's conclusion that *"[t]o be considered as non-resident foreign corporation doing business outside the Philippines, each* *entity must be supported, at the very least, by* ***both*** *Securities and Exchange Commission (SEC) certificate of non-registration of corporation/partnership* ***and*** *AMInet Company Profile Fact Sheet, Memorandum & Articles of Association, Certificate of Incorporation, and Certificate of Registration on Change o[f] Name".*

According to petitioner, there is no law or regulation which expressly specifies or limits the document to prove that a non-resident foreign corporation is engaged in business conducted outside the Philippines under Section 108(B)(2) of the Tax Code. Allegedly, the submission of certificate/articles of foreign incorporation/association is not necessary when the information provided therein can be supplied through other forms of documentation and evidence like: (1) the various business registration documents (Exhibit "HHH", inclusive of submarkings), which do not merely prove the organization of its foreign clients, but also show that its foreign clients are actually conducting business outside the country; and (2) the IntraGroup Service Agreements (Exhibit "GGG", inclusive of submarkings), which clearly indicate the place where its non-resident clients are doing business.

Thus, petitioner submits that the following entities be considered as non-resident foreign corporations doing business outside the Philippines:

	Supported by		
Client	**SEC Certification of Non-Registration (Exhibit No.)**	**Intragroup Service Agreements (Exhibit No.)**	**Foreign Registration Documents (Exhibit No.)**
AO DB Securities (Kazakhstan)			
DB Consortio S. Cons. ARL	"III-44"	"GGG-342" to "GGG-347"	"HHH-529" to "HHH-553"
DB Finance Inc.	"III-21", "III-81"	-	-
DB HedgeWorks LLC	"III-23"	-	-
DB International (Asia) Limited	"III-22"	"GGG-330" to "GGG-332"	-
DB Securities Services NJ Inc.	-	"GGG-40" to "GGG-58"	"HHH-558" to "HHH-564"
DB Services New Jersey Inc.	"III-20", "III-32"	"GGG-40" to "GGG-58"	-
DB Trust Company Limited Japan	"III-22"	"GGG-327" to	-

		"GGG-329"	
Deutsche Asia Pacific Holdings Pte. Ltd.	"III-42", "III-79"	"GGG-16" to "GGG-18"	"HHH-75" to "HHH-79"
Deutsche Bank (Malaysia) Berhad	"III-51"	"GGG-75" to "GGG-86", "GGG-90" to "GGG-94"	-
Deutsche Aktiengesellshaft Filiale Abu Dhabi	-	"GGG-180" to "GGG-182"	"HHH-88" to "HHH-91"
Deutsche Aktiengesellshaft Filiale Amsterdam	"III-3", "III-30"	"GGG-183" to "GGG-187"	"HHH-1" to "HHH-19"
Deutsche Aktiengesellshaft Filiale Bangkok	"III-75"	"GGG-221" to "GGG-225"	-
Deutsche Aktiengesellshaft Filiale Jakarta	"III-71"	"GGG-135" to "GGG-242"	-
Deutsche Aktiengesellshaft Filiale Labuan	-	"GGG-75" to "GGG-86"	-
Deutsche Aktiengesellshaft Filiale Mumbai	"III-73"	"GGG-226" to "GGG-229"	"HHH-217" to "HHH-219"
Deutsche Aktiengesellshaft Filiale Prague	"III-10"	"GGG-130" to "GGG-134"	-
Deutsche Aktiengesellshaft Filiale Riad	"III-56"	"GGG-188" to "GGG-193"	-
Deutsche Aktiengesellshaft Filiale Seoul	"III-36", "III-70"	"GGG-252" to "GGG-257"	"HHH-38" to "HHH-40"
Deutsche Aktiengesellshaft Filiale Taipei	"III-64"	"GGG-87" to "GGG-89"	-
Deutsche Aktiengesellshaft Filiale Tokyo	"III-8", "III-28"	"GGG-263" to "GGG-270"	-
Deutsche Aktiengesellshaft Filiale Wien	"III-57"	"GGG-72" to "GGG-74"	"HHH-166" to "HHH-172"
Deutsche Aktiengesellshaft Filiale Zurich	"III-5", "III-59"	"GGG-205" to "GGG-210"	"HHH-21" to "HHH-23"
Deutsche Aktiengesellshaft Filiale Inlandsbank	"III-2", "III-77"	"GGG-175" to "GGG-179"	-
Deutsche Bank Luxembourg S.A.	"III-11"	"GGG-271" to "GGG-275"	"HHH-52", "HHH-265" to "HHH-275"
Deutsche Bank National Trust Company	"III-25"	-	-
Deutsche Bank PBC Spolka Akcyjna	"III-18", "III-62"	"GGG-317" to "GGG-321"	-
Deutsche Bank Sociedad Anomina Espanola	"III-4"	-	-
Deutsche Bank Societa per Azioni	"III-49", "III-60"	"GGG-282" to "GGG-287"	"HHH-519" to "HHH-528"
Deutsche Bank Societa Trustees Malaysia Berhad	-	"GGG-75" to "GGG-86"	"HHH-554" to "HHH-557"
Global Markets Centre Private Limited	"III-54"	"GGG-339" to "GGG-341"	"HHH-565"
P.T. Deutsche Securities Indonesia	"III-17"	"GGG-309" to "GGG-313"	"HHH-83"
RREEF Management GMBH	"III-24"	"GGG-153" to "GGG-157"	"HHH-318" to "HHH-321"
RREEF Management L.L.C.	-	"GGG-40" to "GGG-58"	-
Reud Blass and CIE AG	-	"GGG-333" to "GGG-338"	"HHH-466" to "HHH-479"

Petitioner also seeks to set aside the disallowance of its claimed input VAT of ₱14,401,339.27, representing its out-of-period claims, citing Revenue Memorandum Circular (RMC) No. 42-03 which allegedly allows out-of-period claims.

Petitioner as well pleads to reverse the disallowance of the amount of ₱14,817,885.67, representing its input VAT supported by invoices and Official Receipts (OR) wherein the input VAT was not separately indicated. It argues that the requirement of separately indicating the amount of input VAT in ORs and invoices is for the purpose of determining the exact amount of input tax due on the transaction. Petitioner opines that the substantiation requirement will still be served despite the absence of the required separate indication of input VAT as the input tax due may still be computed from the information in the ORs and invoices issued to it. The error belongs to its suppliers, hence, it should not be penalized for the same.

Petitioner also gives premium to the report of the Court-commissioned Independent Certified Public Accountant (ICPA) to the effect that all its input VAT incurred on purchases of capital goods exceeding ₱1 Million for the 2nd, 3rd, and 4th quarters of CY 2010 are duly substantiated, hence, refundable.

Lastly, petitioner disagrees with the Court's holding applying its substantiated input VAT for the 2nd, 3rd, and 4th quarters of CY 2010 against its output tax liability in the amount of ₱5,787,909.33 for the same period. According to petitioner, Section 4.110-7(b) of Revenue Regulations (RR) No. 6-2005 (*sic*), in relation to Section 110(B) of the NIRC of 1997, as amended, allows a taxpayer to apply the amount of its input tax carried over from the previous period to its output tax liability. It points out that its excess input tax carried over from the previous quarters is more than enough to cover its output tax liability for the 2nd, 3rd, and 4th quarters of CY 2010.

Petitioner's *motion* is partly meritorious.

<u>On petitioner's disallowed zero-rated sales</u>

Consistent is the rule that to be considered a non-resident foreign corporation doing business outside the Philippines, each entity must be supported at the very least by the Certification of Non-Registration of Corporation/Partnership duly issued by the SEC **and** either the articles/certificate of foreign incorporation/association or printed screenshots of US SEC (or the official regulatory body of a particular jurisdiction) website showing the state/province/country where the entity was organized or any other equivalent document.

To reiterate, each of the documents submitted by petitioner in the instant case, namely, the SEC Certifications of Non-Registration of Company [7]; Intragroup Service Agreements [8]; and various registration documents (*i.e.*, Aminet Company Profile Fact Sheet, Memorandum of Association & Articles of Association, Certificate of Incorporation and Certificate of Registration on Change on Name)[9] on their own are deemed insufficient.

While the SEC Certificates of Non-Registration show that the entities named therein are not registered corporations/partnerships in the Philippines, it does not indicate, much more prove, that such entities are non-resident foreign corporations doing business outside the Philippines. The same with the service agreements which only show the names and addresses of petitioner's customers to whom it renders services. Also, with the AMinet Company Profile Fact Sheet, Memorandum and Articles of Association, Certificate of Incorporation, and Certificate of Registration on Change on Name which only establish that the entities named therein were incorporated/organized abroad but not necessarily not doing business in the Philippines.

[7] Exhibits "III-1" to "III-84" and "AA" to "AA-2".
[8] Exhibits "GGG-1" to "GGG-401" and "Y" to "Y-3".
[9] Exhibits "HHH-1" to "HHH-565", "X" to "X-2", and "Z" to "Z-2".

Moreover, the various foreign registration documents presented by petitioner on which it relied its present action could not be given probative value as they were written or printed in foreign language without English translation. There was no way by which the Court might be able to determine the contents thereof and ascertain the name of the entity indicated therein as well as the attestations/certifications made.

As tax refunds are in the nature of tax exemptions, there is need to employ a stricter standard in determining whether the submissions filed by the taxpayer is sufficient to support his claim for refund or issuance of tax credit certificate.

On petitioner's out-of-period claim

Petitioner submits that the disallowance of the out-of-period claims is untenable given that RMC No. 42-03 specifically allows it.

The Court is not convinced.

Petitioner should declare the input VAT in the corresponding taxable quarters when the purchases of goods were consummated or when the purchases of services were paid, as the case may be, pursuant to Section 110 (A) (2) of the National Internal Revenue Code (NIRC) of 1997, as amended, which reads as follows:

> SEC. 110. *Tax Credits.* —
>
> (A) *Creditable input Tax.* —
>
> xxx xxx xxx
>
> (2) The input tax on **domestic purchase** or importation of **goods** or properties by a VAT-registered person shall be creditable:

> (a) To the purchaser **upon consummation of sale** and on importation of goods or properties; and
>
> (b) To the importer upon payment of the value-added tax prior to the release of the goods from the custody of the Bureau of Customs.
>
> Provided, That the input tax on goods purchased or imported in a calendar month for use in trade or business for which deduction for depreciation is allowed under this Code, shall be spread evenly over the month of acquisition and the fifty-nine (59) succeeding months if the aggregate acquisition cost for such goods, excluding the VAT component thereof, exceeds One million pesos (P1,000,000): Provided, however, That if the estimated useful life of the capital good is less than five (5) years, as used for depreciation purposes, then the input VAT shall be spread over such a shorter period: Provided, finally, That **in the case of purchase of services**, lease or use of properties, **the input tax shall be creditable to the purchaser**, lessee or licensee **upon payment of the compensation**, rental, royalty or fee. (*Emphasis supplied*)

The discussion of the Court on the foregoing provision in the case of *Lepanto Consolidated Mining Co. vs. CIR*,[10] is instructive, thus:

> The alleged unutilized input VAT of P5,820,863.87 should be denied since the supporting invoices and official receipts thereof bore dates which were earlier than the period of petitioner's claim. Section 110(A)(2) of the 1997 Tax Code provides:
>
> 'Sec. 110. *Tax Credits*. —

[10] CTA Case Nos. 6368 and 6480, December 15, 2004.

> A. *Creditable Input Tax.* —
>
> 2. The input tax on domestic purchases of goods or properties shall be creditable:
>
> (a) To the purchaser upon consummation of sale and on importation of goods or properties; and
>
> However, in the case of purchases of services, lease or use of properties, the input tax shall be creditable to the purchaser, lessee or licensee upon payment of the compensation, rental, royalty or fee.'

It is clear from the above-quoted provisions of law that for purchases of goods, the corresponding input value added taxes of which is creditable to the purchaser upon consummation of sale, that is, upon the issuance of the corresponding invoice. On the other hand, for purchases of services, the corresponding input value added taxes of which is creditable to the purchaser upon payment of compensation, rental, royalty or fee, that is, upon the date of official receipt. Section 110(A) is explicit. It states 'upon consummation', in the case of domestic purchases of goods, and 'upon payment', in the case of purchases of services. It does not provide any qualification, such as 'upon delivery of invoice or official receipt' which is the main thesis of petitioner's contention.

In a resolution of the case entitled *Telecommunications Technologies Philippines, Inc. vs. Commissioner of Internal Revenue*, CTA Case No. 6168, promulgated on July 28, 2004, this Court elucidated that 'the input VAT on domestic purchases of goods or properties shall be

> allowed as tax credit to the purchaser upon consummation of sale, which means upon issuance by the seller of the VAT sales invoice evidencing the sale of goods/properties. On the other hand, the input VAT on purchases of services shall be available as tax credit to the purchaser only upon payment of the compensation or fee i.e., upon issuance by the seller of the VAT official receipt evidencing receipt of the payment for services performed or yet to be performed.'
>
> Thus, it is indubitable on the part of the petitioner to declare the input value added taxes on domestic purchases of goods and services at the end of the corresponding taxable quarter where purchases of goods were consummated, as evidenced by VAT invoice and for payment of services, as evidenced by VAT official receipt.
>
> Therefore, the amount of input VAT of P5,820,863.87 which is supported by VAT invoices and official receipts dated earlier than the period of petitioner's claims can no longer be claimed for refund pursuant to Section 110(A) in relation with Section 112(A) of the 1997 National Internal Revenue Code.

In fine, petitioner's claimed input VAT on purchases of goods/services supported by invoices/OR dated outside the period of claim cannot be considered since the input taxes should have been declared in the corresponding taxable quarter when the purchases of goods were consummated or when purchases of services were paid pursuant to Section 110 (A) (2) in relation to Section 112 (A) of the NIRC of 1997, as amended.

On petitioner's input taxes not separately indicated in the receipts/invoices

Petitioner also insists that it should not be penalized for its client's error in not separately indicating the amount of VAT in the OR's. The law is however clear. Section 113 (B) (2) (a) of the NIRC of 1997, as amended, provides:

> "SEC. 113. Invoicing and Accounting Requirements for VAT-registered Persons. —
>
> xxx xxx xxx
>
> (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:
>
> xxx xxx xxx
>
> (2) The total amount which the purchaser pays or is obligated to pay to the seller with the indication that such amount includes the value-added tax: Provided, That:
>
> (a) The amount of the tax shall be shown as a separate item in the invoice or receipt;" (Emphasis supplied)

Hence, input taxes covered with invoices or ORs wherein the amount of input VAT was not separately indicated were properly disallowed for it was in violation of Section 113 (B) (2) (a) of the NIRC of 1997, as amended.

On applying petitioner's input VAT for the 2nd, 3rd, and 4th quarters of CY 2010 against its output VAT liability for the same period instead of its input VAT carried over from previous quarters.

Citing Section 110(B) of the 1997 NIRC, as amended, in relation to Section 4.110-7(b) of RR No. 6-2005 (*sic*), petitioner asserts that a taxpayer may apply the amount of its input VAT carried over from the previous period to its output VAT liability.

The Court does not agree.

Under the NIRC of 1997, specifically Section 110, the rule is that any input tax shall be creditable against the output tax only if it is evidenced by a VAT invoice or official receipt. Quoted below is the relevant portion of the said provision:

> "SEC. 110. *Tax Credits.* —
>
> "(A) *Creditable Input Tax.* —
>
> "(1) Any **input tax evidenced by a VAT invoice or official receipt** issued in accordance with Section 113 hereof on the following transactions **shall be creditable against the output tax**: xxx" (*Emphasis supplied*)

In this case, petitioner failed to present and offer in evidence any VAT invoice or official receipt to support the "Input Tax Carried Over from Previous Quarter" which petitioner seeks to be credited or charged against its output VAT liability for the 2nd, 3rd, and 4th quarters of CY 2010.

<u>On petitioner's input VAT on purchases of capital goods exceeding one (1) million pesos</u>

As aptly found by the ICPA, out of the ₱2,573,272.70 input VAT claim on capital goods exceeding ₱1 Million, only ₱2,099,626.27 is duly substantiated in accordance with law and regulations:

CY 2010	Per Return	Accounted as:	
		Substantiated Input VAT	**Disallowed per ICPA findings**
2nd Quarter	₱ 824,557.71	₱ 373,211.78	₱ 451,345.93
3rd Quarter	517,803.43	517,803.43	-
4th Quarter	1,230,911.56	1,208,611.06	22,300.50
Total	**₱ 2,573,272.70**	**₱ 2,099,626.27**	**₱ 473,646.43**

The ICPA disallowed the input VAT of ₱451,345.93 on the ground that the supporting sales invoices were not dated within the period of claim, detailed as follows:[11]

Supplier	Invoice Number	Date of Invoice	Input VAT
Accent Micro Technologies, Inc.	109303	3/9/2010	₱ 439,066.07
Accent Micro Technologies, Inc.	109683	3/25/2010	1,347.43
Accent Micro Technologies, Inc.	109734	3/26/2010	4,180.50
Accent Micro Technologies, Inc.	109736	3/26/2010	2,571.43
Accent Micro Technologies, Inc.	109754	3/26/2010	4,180.50
			₱ 51,345.93

With regard to the input VAT of ₱22,300.50 pertaining to petitioner's purchases from Accent Micro Technologies, Inc. purportedly under invoice number 111493 dated June 8, 2010[12], the ICPA found that it has no supporting sales invoice.

In the assailed Decision, the Court held that out of the ₱373,211.78 and ₱517,803.43 totalling ₱891,015.21 substantiated input VAT on capital goods exceeding ₱1 Million for the second and third quarters of CY 2010, only the amount of ₱137,648.00 is creditable for the said taxable quarters pursuant to Section 110(A)(2) of the NIRC of 1997, as amended.

As to the fourth quarter of CY 2010, this Court noted that in the schedule[13] of input VAT submitted by petitioner, the purchases were classified only by either "Goods" or "Services" without distinctively classifying the capital goods

[11] Exhibit "JJJ", Annex A.3.
[12] Exhibit "JJJ", Annex A.1.
[13] Exhibit "JJJ", Annex B, pp. 181-267.

exceeding ₱1 million in the amount of ₱1,230,911.56. Hence, the Court allowed the entire amount of ₱1,208,611.06 as creditable input VAT for the fourth quarter of CY 2010.

But as correctly pointed out by petitioner, based on Schedule 3 [14] (Purchases/Importation of Capital Goods – Aggregated Amount Exceeds ₱1 Million) of its Quarterly VAT Return for the fourth quarter of CY 2010, the input VAT of ₱1,230,911.56 pertains to capital goods exceeding ₱1 Million purchased on December 01, 2010 with estimated useful life of 48 months. Hence, the substantiated amount of ₱1,208,611.06 out of the total input VAT claim of ₱1,230,911.56 shall be amortized as follows:

Month Acquired	Input VAT	Useful Life (in months)	Monthly Input Tax Credit	Allowable Input VAT for the 4th Quarter of 2010
Dec. 2010	₱1,208,611.06	48	₱25,179.40	₱25,179.40

In fine, the amount of ₱70,989,948.30 substantiated input taxes for the 2nd, 3rd, and 4th quarters of CY 2010 as found in the May 8, 2015 Decision, shall be reduced to ₱69,332,870.21, computed as follows:

	2nd Quarter	**3rd Quarter**	**4th Quarter**	**Total**
Input VAT Claim	₱ 41,465,493.51	₱ 35,225,151.47	₱ 43,150,363.14	₱ 119,841,008.12
Less: Disallowances				
Per ICPA Findings	₱ 9,555,114.73	₱ 3,534,112.42	₱ 17,448,022.10	₱ 30,537,249.25
Per this Court's further verification	8,036,029.91	4,898,360.14	4,626,053.31	17,560,443.36
Input VAT on Purchase of Capital Goods exceeding P1 Million	824,557.71	517,803.43	1,230,911.56	2,573,272.70
Less: Allowable Input Tax Credit for the Period of Claim	(69,707.00)	(67,941.00)	(25,179.40)	(162,827.40)
Total Disallowances	₱ 18,345,995.35	₱ 8,882,334.99	₱ 23,279,807.57	₱ 50,508,137.91
Substantiated excess Input VAT	**₱23,119,498.16**	**₱26,342,816.48**	**₱19,870,555.57**	**₱69,332,870.21**

Subsequently, only the excess input VAT of ₱63,544,960.88 can be attributed to the entire zero-rated receipts declared by petitioner in the amount of ₱5,288,593,152.05 and only the input VAT of

[14] Exhibit "DDD-12".

₱51,726,310.11 is attributable to the valid zero-rated receipts of ₱4,241,066,062.98, as computed below:

	2nd Qtr 2010	3rd Qtr 2010	4th Qtr 2010	Total
Substantiated Input VAT	₱ 23,119,498.16	₱ 26,342,816.48	₱ 19,870,555.57	₱ 69,332,870.21
Output Tax Due	1,204,717.15	3,443,351.07	1,139,841.11	5,787,909.33
Excess Input VAT	**₱ 21,914,781.01**	**₱ 22,899,465.41**	**₱ 18,730,714.46**	**₱ 63,544,960.88**
Valid Zero-Rated Receipts	₱1,320,006,170.61	₱1,457,036,341.73	₱1,464,023,550.64	₱4,241,066,062.98
Total Declared Zero-Rated Receipts	₱1,431,219,805.14	₱1,930,688,594.64	₱1,926,684,752.27	₱5,288,593,152.05
% of Valid Zero-Rated Receipts to Total Declared Zero-Rated Receipts	92.2294511%	75.4671854%	75.9866682%	
Multiplied by Excess Input VAT	₱ 21,914,781.01	₱ 22,899,465.41	₱ 18,730,714.46	₱ 63,544,960.88
Excess Input VAT Attributable to Valid Zero-Rated Receipts	**₱ 20,211,882.24**	**₱ 17,281,582.02**	**₱ 14,232,845.85**	**₱ 51,726,310.11**

WHEREFORE, respondent's *Motion for Partial Reconsideration* is **DENIED** for lack of merit. On the other hand, petitioner's *Motion for Partial Reconsideration* is hereby **PARTIALLY GRANTED**. The May 8, 2015 Decision of the Court is hereby **MODIFIED**. Accordingly, respondent Commissioner of Internal Revenue is hereby **ORDERED TO REFUND or TO ISSUE A TAX CREDIT CERTIFICATE** in favor of petitioner Deutsche Knowledge Services Pte. Ltd. the reduced amount of **FIFTY-ONE MILLION SEVEN HUNDRED TWENTY-SIX THOUSAND THREE HUNDRED TEN PESOS and 11/100 (₱51,726,310.11)**, representing its unutilized excess input VAT attributable to its zero-rated sales for the second, third and fourth quarters of calendar year 2010.

SO ORDERED.

ESPERANZA R. FABON-VICTORINO
Associate Justice

We concur:

LOVELL R. BAUTISTA
Associate Justice

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

ATTESTATION

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

LOVELL R. BAUTISTA
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Section 13 of Article VIII of the Constitution, and the Division's Chairperson's Attestation, it is hereby certified that the conclusions in the above Amended 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