REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
Quezon City

FIRST DIVISION

CHEVRON HOLDINGS, INC.,
Petitioner,

-*versus*-

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NO. 9266

Members:

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

Promulgated:
MAR 16 2022 2:10pm

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AMENDED DECISION

DEL ROSARIO, P.J.:

For resolution are the following:

1. Petitioner's **Supplemental Formal Offer of Evidence** filed on November 4, 2021,[1] with respondent's **Comment (Re: Supplemental Formal Offer of Evidence)** filed on November 15, 2021; and,

2. Petitioner's **Motion for Reconsideration (Re: Decision dated October 7, 2020)** filed through registered mail on October 28, 2020,[2] with respondent's **Opposition (Re: Omnibus Motion (1) Motion for Reconsideration of the Decision dated 7 October 2020; and (2) Urgent Motion to Reopen Case)** filed on January 11, 2021.

To recall, petitioner filed on October 28, 2020 through registered mail its **Omnibus Motion (1) Motion for Reconsideration (Re: Decision dated October 7, 2020) (2) Urgent Motion to Reopen Case**, with respondent's **Opposition (Re: Omnibus Motion (1) Motion for Reconsideration of the Decision dated 7 October 2020; and (2) Urgent Motion to Reopen Case)** filed on January 11, 2021.

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[1] Through registered mail and electronic mail.
[2] One of the motions stated in petitioner's Omnibus Motion filed on October 28, 2020.

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In the Resolution dated May 31, 2021, **petitioner's Motion to Reopen Case was granted** in the interest of truth and justice, and the resolution of its Motion for Reconsideration was held in abeyance pending the presentation of petitioner's supplemental evidence, and the clearer/legible copies of certain exhibits, as specified in its Omnibus Motion. Accordingly, a Commissioner's Hearing was held on October 19, 2021 and the presentation of petitioner's evidence proceeded on October 26, 2021.

Pursuant to the Court's Order dated October 26, 2021, petitioner's **Supplemental Formal Offer of Evidence** was filed on November 4, 2021,[3] with respondent's **Comment (Re: Supplemental Formal Offer of Evidence)** filed on November 15, 2021.

On December 16, 2021, petitioner's **Supplemental Formal Offer of Evidence** filed on November 4, 2021, with respondent's **Comment (Re: Supplemental Formal Offer of Evidence)** filed on November 15, 2021, and petitioner's **Motion for Reconsideration**, were submitted for resolution.

The Court shall now resolve the aforesaid pending incidents.

<u>Supplemental Formal Offer of Evidence</u>

Acting on petitioner's **Supplemental Formal Offer of Evidence** filed on November 4, 2021,[4] with respondent's **Comment (Re: Supplemental Formal Offer of Evidence)** filed on November 15, 2021, this Court resolves to **ADMIT Exhibits "P-55.1", "P-55.2", "P-55.3", "P-55.4", "P-55.5", "P-55.6", "P-55.7", "P-55.8", "P-55.9", "P-55.10", "P-55.11", "P-55.12", "P-55.13", "P-55.14", "P-55.15", "P-56.1", "P-56.2", "P-56.3", "P-56.4", "P-56.5", "P-57", "P-57.1", "P-31-458", "P-31-666", "P-31-1037", "P-31-2428", "P-31.2448", "P-31.2452", "P-31.2584", "P-31.2590", "P-31.2602", "P-31.2604", "P-31.2762", "P-31.2766", "P-32.7", "P-32.9", "P-32.19", "P-32.25", "P-32.27", "P-32.49", "P-32.53", "P-32.59", "P-32.61", "P-32.63", "P-32.67", "P-32.69", "P-32.204", "P-32.230", "P-32.252", and "P-32.254"**, subject to this Court's final evaluation and/or appreciation of their purposes, materiality, relevancy, and probative value to the issues involved in this case.

[3] Through registered mail and electronic mail.
[4] Through registered mail and electronic mail.

The Court notes certain discrepancies in the description of exhibits in the Supplemental Formal Offer of Evidence and the actual documents marked, *viz.:*

Exhibit	Description	Actual Document
P-55.3	Articles of Approval for Establishment of Enterprises with Foreign Investment in the People's Republic of China of Caltex (China) Investment Co., Ltd. (Now Chevron (China) Investment Co., Ltd.)	Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hongkong, Macao and Overseas Chinese in the People's Republic of China of Chevron (China) Investment Co., Ltd.
P-55.15	Business License Certification of Chevron (China) Investment - Services	Business License (Duplicate) issued to Chevron (China) Investment Co., Inc.
P-56.2	Email request dated August 12, 2015 requesting the Certificate Confirming Incorporation of Company under the New Name of Chevron International Pte. Ltd. (Exhibit P-55) and Certificate of Continuance of Chevron Asia Pacific Holdings Limited with attached Memorandum of Continuance of Company Limited By Shares	Email dated August 12, 2015 merely requesting for authenticated/ consularized incorporation documents of Chevron International Pte. Ltd. There is no indication in the email regarding the request for the Certificate of Continuance of Chevron Asia Pacific Holdings Limited with attached Memorandum of Continuance of Company Limited By Shares.
P-56.3	Email dated January 6, 2015 requesting the Articles of Incorporation of Chevron (Cambodia) Limited (Exhibit P-55.2) and Certificate of Amendment of Certificate of Incorporation of Chevron Overseas Services Corporation	Email dated January 6, 2015 requesting the Articles of Incorporation of CCNs. There is no indication in the email regarding the request for Certificate of Amendment of Certificate of Incorporation of Chevron Overseas Services Corporation.
P-56.4	Email dated November 22, 2009 requesting the Articles of Association of Caltex (China) Investment Co., Ltd. (Now Chevron (China) Investment Co., Ltd.) (Exhibit P-55.3), Memorandum of Incorporation of Chevron South Africa (Pty) Ltd. (Exhibit P-55.11), Business Profile of Chevron Trading Pte. Ltd. (Exhibit P-55.12), and Restated Certificate of Incorporation of Chevron Global Energy Inc. (Exhibit P-55.14)	Email dated November 22, 2009 requesting the Articles of Incorporation of the entities listed in the excel file.
P-56.5	Email request dated April 7, 2014 requesting the Articles of Association of Chevron Lubricants Lanka PLC	Email dated April 7, 2014 requesting information if there has been a directive addressed to all Chevron entities to change name from Caltex to Chevron. There is no indication regarding a request for the Articles of Association of Chevron Lubricants Lanka PLC.

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P-32.53	Sales Invoice No. 310173843 issued by Integrated Computer Systems, Inc. on February 15, 2014	Sales Invoice No. 310173843 issued by Integrated Computer Systems, Inc. on February 5, 2014

With the admission of the foregoing exhibits in evidence, the Court shall proceed to resolve petitioner's Motion for Reconsideration (re: Decision dated October 7, 2020), which prays for the partial reconsideration of the Decision dated October 7, 2020.

<u>Petitioner's Motion for Reconsideration</u>

Petitioner prays for the reconsideration of the Decision dated October 7, 2020 which granted its claim in the reduced amount of ₱6,443,989.88. Petitioner insists that it is entitled to the refund or the issuance of a tax credit certificate in the amount of ₱84,228,009.20, representing its alleged excess and unutilized input VAT attributable to zero-rated sales for calendar year 2014.

Taking into consideration the records of this case, including the aforesaid admitted additional evidence, the Court finds petitioner's Motion for Reconsideration partly meritorious.

Petitioner proved that it had zero-rated sales during the subject period but only in the amount of ₱3,017,038,914.02

As stated in the assailed Decision, to be considered as a non-resident foreign corporation doing business outside the Philippines, each entity must be supported, at the very least, by both the Certificate of Non-Registration of Corporation/Partnership issued by the Securities and Exchange Commission (SEC) **AND** proof of foreign incorporation/registration (*i.e.*, Certificate/Articles of Foreign Incorporation/Association or printed screenshots of the US SEC Website showing the state/province/country where the entity was organized, or Tax Residence Certificate).

The assailed Decision noted that petitioner made a valid zero-rated sales to only seven (7) clients which were considered as non-resident foreign corporations (NRFCs), *viz.*:

Client	SEC Certificate of Non-Registration	Proof of foreign incorporation/registration	
		Exhibit No.	Document
Chevron (Thailand) Limited	"P-15.4"	"P-16.27"; "P-19.5" to "P-19.5.1"	Letter of Certification of the Text that the Register Keeps Under the Foreign Business Act B.E. 2542 (1999); Screenshot of US SEC website
Chevron Australia Pty Ltd	"P-15.10"	"P-16.5"; "P-19.1" to "P-19.1.1"	Certificate of Registration of Change of Name; Screenshot of US SEC website
Chevron Global Energy Inc.	"P-15.16"	"P-19.3" to "P-19.3.1"	Screenshot of US SEC website
Chevron New Zealand	"P-15.25"	"P-16.25" "P-17-3"	Certificate of Incorporation with attached Constitution of Caltex Oil (N.Z.) Limited; Certificate of Status of Enterprise stating that the company is registered in New Zealand and is a resident for tax purposes
Chevron Singapore Pte. Ltd.	"P-15.30"	"P-16.19"	Certificate Confirming Incorporation of Company with attached Certificate of Incorporation
Chevron U.S.A. Inc. (Singapore Branch)	"P-15.34"	"P-16.8"	Certificate of Registration of Foreign Company
Chevron North Sea Limited	"P-15.38"	"P-16.9"; "P-19.4" to "P-19.4.1"	Certificate of Incorporation of Change of Name; Screenshot of US SEC website; Certificate of Residence

The assailed Decision likewise held that the sales to one of petitioner's alleged clients, "Chevron Corporation", in the total amount of ₱212,744,285.44 cannot qualify for VAT zero-rating since no service agreement or any contract was submitted to prove that the services rendered by petitioner to "Chevron Corporation" are services other than processing, manufacturing or repacking goods in accordance with Section 108(B)(2) of the National Internal Revenue Code (NIRC) of 1997, as amended.

1. Service agreements and screenshots of petitioner's Subgovern Website do not, by themselves, prove the NRFC status of petitioner's clients

In its Omnibus Motion, petitioner submits that it has sufficiently proved that the rest of its clients are NRFCs doing business outside the Philippines. Petitioner contends that the Service Agreements, which show the addresses of said clients, clearly prove that the entities are conducting business outside the Philippines. Petitioner likewise argues that the screenshots of its own *Subgovern Website* are not self-serving pieces of evidence because such exhibits were properly presented in Court, and respondent was given every opportunity to cross-examine and test the truthfulness thereof during trial. Petitioner also contends that the Court should have considered the printed screenshots of the US SEC Website which indicates the state, province or country in which petitioner's affiliates were organized.

In the case of *Commissioner of Internal Revenue vs. Deutsche Knowledge Services Pte. Ltd.*,[5] the Supreme Court ruled that:

> "For purposes of VAT zero-rating under Section 108(B)(2) of the Tax Code, the claimant must establish the two components of a client's NRFC status, *viz.*: (1) that their client was established under the laws of a country not the Philippines or, simply, is not a domestic corporation; and (2) that it is not engaged in trade or business in the Philippines. To be sure, there must be proof of *both* of these components: showing that the clients are not only foreign corporations, but also are not doing business in the Philippines.
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> x x x To the Court's mind, the SEC Certifications of Non-Registration show that their affiliates are foreign corporations. On the other hand, the articles of association/certificates of incorporation stating that these affiliates are registered to operate in their respective home countries, outside the Philippines are *prima facie* evidence that their clients are not engaged in trade or business in the Philippines.
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> Proof of the above-mentioned second component sets the present case apart from *Accenture, Inc. v. Commissioner of Internal Revenue* and *Sitel Philippines Corp. v. Commissioner of Internal Revenue*. **In these cases, the claimants similarly presented SEC Certifications and client service agreements. However, the Court consistently ruled that documents of this nature only establish the *first* component (*i.e.*, that the affiliate is foreign). The absence of any other competent evidence (*e.g.*, articles of**

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[5] G.R. No. 234445, July 15, 2020.

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> **association/certificates of incorporation) proving the *second* component (*i.e.*, that the affiliate is not doing business here in the Philippines) shall be fatal to the claim for credit or refund of excess input VAT attributable to zero-rated sales.**" (*Boldfacing supplied*)

Indeed, the rule is trite that service agreements, even taken together with an SEC Certificate of Non-Registration, do not prove that the foreign clients were doing business outside the Philippines or have a continuity of commercial dealings outside the Philippines. Simply put, the service agreements cannot substitute the required foreign incorporation/registration documents required by law.

Anent the screenshots of petitioner's *Subgovern Website*, it must be noted that the same were admitted as electronic evidence by the Court.[6] Even though the screenshots of the *Subgovern Website* were admitted in evidence, such admission should not be confounded with the determination of their probative value. A particular item of evidence may be admissible, but its evidentiary weight depends on judicial evaluation within the guidelines provided by the rules of evidence.[7]

With this in mind, the Court concluded that the computer-generated data contained in the printouts of the *Subgovern Website* are sourced from a website maintained by petitioner's affiliated companies, and access to such website is likewise limited to such companies. Said documents can easily be manipulated to favor petitioner in view of its affinity with the entity that maintains or keeps the database.[8] As such, the information contained therein may not be given full faith and credit.

It is further erroneous for petitioner to claim that the Court did not consider the printed screenshots of the US SEC Website in proving that a client is not doing business in the Philippines. As can be found in the Decision, certain clients were considered as NRFCs in consideration of the printed screenshots of the US SEC Website, namely: (1) Chevron Australia Pty. Ltd; and (2) Chevron North Sea Limited.

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[6] Resolution dated November 22, 2019, Docket, Vol. 6, pp. 3278-3291.
[7] *Mancol vs. Development Bank of the Philippines*, G.R. No. 204289, November 22, 2017.
[8] *Commissioner of Internal Revenue vs. Chevron Holdings, Inc.*, CTA EB No. 1950 (CTA Case No. 8946); *Chevron Holdings, Inc. vs. Commissioner of Internal Revenue*, CTA EB No. 1951 (CTA Case No. 8946), June 3, 2020.

2. Sales to Chevron Corporation are considered as zero-rated sales

With regard to alleged VAT zero-rated sales to "Chevron Corporation", the Court disallowed the total amount of ₱212,744,285.44 for petitioner's failure to submit its service agreement with said corporation, which would prove that the services rendered were other than processing, manufacturing or repacking of goods, as provided under Section 108(B)(2) of the NIRC of 1997, as amended.

Petitioner contends that even if there is no service agreement to show that the services rendered to said client were "other than processing, manufacturing or repacking of goods," the SEC Certificate of Registration would be sufficient to show that the type of service rendered falls within the scope of "services other than processing, manufacturing or repacking of goods."

Upon review of its Certificate of Registration and License duly issued by the SEC,[9] petitioner is licensed to do business as a Regional Operating Headquarters (ROHQ) in the Philippines. Petitioner is authorized to engage in the following services or functions: general administration and planning; business planning and coordination; sourcing and 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.

Moreover, petitioner's witness, Mr. Benedicto A. Santos, petitioner's Manager-Business Analysis and Support, testified that petitioner is a "shared services center" offering finance, human resource, information technology, and procurement services to its affiliates; and that a service agreement is not executed when petitioner provides only *ad hoc*, one-time or occasional services, to its foreign affiliates. In the words of Mr. Santos, there are approximately 1,800 entities embraced and operating under the Chevron Group of Companies worldwide. Given the enormity of petitioner's organization, it would be impractical and operationally unfeasible to request each and every Chevron affiliate to execute a written contract with the petitioner before providing the said services, *viz:*

[9] Exhibit "P-1", CTA Docket, Vol. IV, p. 1855.

"Q6: You mentioned that Petitioner acts as a shared services center. What does it mean to be a "shared services center"?

A: As a shared services center, Petitioner offers finance, human resources, information technology, and procurement services to its affiliates.

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Q30: Mr. Witness, you also mentioned Service Agreements as proof that Petitioner's services were provided to entities engaged in business conducted outside the Philippines. What are these Service Agreements?

A: For customers that the Petitioner regularly renders services to, Petitioner executes Service Agreements which contain the terms and conditions regarding the scope of work, nature of relationship, the service fee, billings and payments, among others. On the other hand, if the Petitioner only provides *ad hoc*, one-time or occasional services for its foreign affiliates, then the services are billed and paid on a per transaction basis without need to execute a Service Agreement.

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Q35: You mentioned that the Petitioner also provides *ad hoc* services to foreign affiliates that are not covered by Service Agreements. Does this mean that Petitioner renders services to foreign affiliates even without executing a written contract?

A: Yes. **There are approximately 1,800 entities embraced and operating under the Chevron Group of Companies worldwide. Given the enormity of Petitioner's organization, it would be impractical and operationally unfeasible to request each and every Chevron affiliate to execute a written contract with the Petitioner before providing the said services.** To do so would be counterproductive and negates the very purpose for which our company was organized, which is to provide immediate, efficient, and effective line functions to Chevron companies around the globe.

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Q37: You mentioned earlier that Petitioner is paid for the services rendered in the Philippines. Do all the Chevron affiliates pay the Petitioner consideration to perform the finance, human resources, information technology, and procurement functions, whether regular or *ad hoc*?

A: Yes. The Petitioner generally charges all its Chevron affiliates the total cost of the services plus an agreed mark-up cost regardless of whether the services performed are regular or *ad hoc*, which services are paid for in U.S. dollars and accounted for in accordance with the rules and regulations of the _Bangko Sentral ng Pilipinas._[10]

Petitioner's SEC Certificate of Registration and License, and the unrebutted testimony of Mr. Santos, taken together convinces the Court that the services rendered by petitioner to Chevron Corporation fall within the scope of "services other than processing, manufacturing or repacking of goods". Accordingly, the Court reconsiders the previously disallowed zero-rated sales to Chevron Corporation amounting to ₱212,744,285.44.

3. Petitioner proved its additional zero-rated sales

Upon review of the admitted evidence, the Court finds that the following clients shall additionally be considered as NRFCs:

Client	SEC Certificate of Non-Registration	Proof of foreign incorporation/registration	
		Exhibit No.	Document
Chevron (Cambodia) Limited	"P-15.2"	"P-55.2"	Articles of Incorporation of Chevron (Cambodia) Limited
Chevron (Tianjin) Lubricants Co., Ltd.	"P-15.5"	"P-55.4"; "P-55.5"	Certificate of Approval for Establishment of Enterprises with Foreign Investment in the People's Republic of China; Business License of Chevron (Tianjin) Lubricants Co., Ltd.
Chevron Africa and Latin America Exploration and Production Company (a Chevron U.S.A Inc. division) - FEABU HQ Branch	"P-55.13"	"P-16.1"; "P-16.2"	Amended and Restated Articles of Incorporation; By-Laws
Chevron Asia Pacific Holdings Limited	"P-15.9"	"P-55.6"	Certificate of Continuance of Chevron Asia Pacific Holdings Limited with attached Memorandum of Continuance of Company Limited By Shares
Chevron Energy Technology Company	"P-55.13"	"P-16.1"; "P-16.2"	Amended and Restated Articles of Incorporation; By-Laws
Chevron Global Energy, Inc.	"P-15.16"	"P-55.14"	Restated Certificate of Incorporation of Chevron Global Energy Inc.

[10] Exhibit "P-25", CTA Docket Vol. 1, pp. 433-463.

Chevron Information Technology Company	"P-55.13"	"P-16.1"; "P-16.2"	Amended and Restated Articles of Incorporation; By-Laws
Chevron International Pte. Ltd.	"P-15.19"	"P-55.7"	Certificate Confirming Incorporation of Company under the New Name of Chevron International Pte. Ltd.
Chevron Iraq (Sarta) Limited	"P-15.20"	"P-55.8"	Certificate of Incorporation with attached Memorandum of Association of Company Limited by Shares
Chevron Lubricants Lanka PLC	"P-15.21"	"P-55.9"	Articles of Association of Chevron Lubricants Lanka PLC
Chevron Products Company (a Chevron U.S.A. Inc. Division)	"P-55.13"	"P-16.1"; "P-16.2"	Amended and Restated Articles of Incorporation; By-Laws
Chevron Products UK Limited	"P-15.27"	"P-55.1"	Certificate of Incorporation on Change of Name of Chevron Products UK Limited with Attached Articles of Association and Memorandum of Association
Chevron Services Company	"P-55.13"	"P-16.1"; "P-16.2"	Amended and Restated Articles of Incorporation; By-Laws
Chevron Trading Pte. Ltd.	"P-15.32"	"P-55.12"	Business Profiled (Company) of Chevron Trading Pte. Ltd. Issued by Singapore Accounting and Corporate Regulatory Authority (ACRA)
Chevron Upstream	"P-55.13"	"P-16.1"; "P-16.2"	Amended and Restated Articles of Incorporation; By-Laws
Chevron Overseas Services Corporation	"P-15.39"	"P-55.10"	Certificate of Amendment of Certificate of Incorporation of Chevron Overseas Services Corporation
Chevron Power and Energy Management Company (a Chevron U.S.A. Inc. division)	"P-55.13"	"P-16.1"; "P-16.2"	Amended and Restated Articles of Incorporation; By-Laws

On the other hand, with respect to the following recipients of the services, petitioner failed to prove that they are NRFCs doing business outside the Philippines. As a result, the disallowed zero-rated sales should only amount to ₱224,168,876.88, to wit: *M*

Exhibit Ref No.	O.R. No.	O.R. Date	Payor	Zero-rated Sale	
				in USD	in PHP
First Quarter of CY 2014					
"P-39.3"	5138	1/24/14	Chevron Australia Pty Ltd – Other	261,699.32	11,852,324.28
"P-39.7"	5143	1/24/14	Chevron Malaysia Limited	142,119.06	6,436,551.63
"P-39.12"	5149	1/27/14	Refinaria Panama S. de R.L.	1,489.95	67,479.62
"P-39.13"	5151	1/30/14	Chevron (China) Investment - Services	12,821.81	579,647.83
"P-39.19"	5158	2/25/14	Chevron Australia Pty Ltd – Other	284,642.75	12,684,614.53
"P-39.23"	5162	2/25/14	Chevron Hong Kong Limited	126,815.85	5,651,330.22
"P-39.25"	5164	2/25/14	Chevron U.S.A. Inc. - Chevron Global Downstream	13,854.21	617,389.04
"P-39.27"	5166	2/25/14	Chevron Neftegaz Inc.	11,134.35	496,183.16
"P-39.28"	5167	2/26/14	Chevron Products UK Limited - Trading and Marine Lubricants Branch	179,591.71	8,006,747.66
"P-39.33"	5172	3/25/14	CGEI-Global Dnstrm Cost Allocation	110,292.97	4,983,866.70
"P-39.35"	5175	3/25/14	Chevron Australia Pty Ltd - Other	284,642.75	12,862,302.31
"P-39.44"	5185	3/25/14	Chevron Neftegaz Inc.	12,493.33	564,542.70
"P-39.45"	5186	3/26/14	Chevron Products UK Limited - Trading and Marine Lubricants Branch	98,411.09	4,438,930.54
"P-39.47"	5188	3/27/14	Chevron (China) Investment - Services	22,539.99	1,015,772.42
"P-47.3"	N/A	3/31/14	Chevron Munaigas Inc. - Home Office	N/A	544,518.17
"P-47.3"	N/A	3/31/14	Chevron Denmark Inc. - Denmark Branch	N/A	511,786.10
"P-47.3"	N/A	3/31/14	Chevron Munaigas Inc. - Home Office	N/A	559,617.65
"P-47.3"	N/A	3/31/14	Chevron Denmark Inc. - Denmark Branch	N/A	551,370.32
"P-47.3"	N/A	3/31/14	Chevron Munaigas Inc. - Home Office	N/A	565,922.49

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"P-47.3"	N/A	3/31/14	Chevron Denmark Inc. - Denmark Branch	N/A	557,582.24
Subtotal -- First Quarter					**73,548,479.61**
Second Quarter of CY 2014					
"P-39.52"	5193	4/25/14	Chevron Malaysia Limited	205,071.84	9,171,370.31
"P-39.53"	5194	4/25/14	Chevron Australia Pty Ltd - Other	202,935.02	9,075,805.90
"P-39.54"	5195	4/25/14	Chevron Hong Kong Limited	172,301.41	7,705,787.57
"P-39.60"	5201	4/25/14	Chevron Canada Limited-Downstream	101,118.66	4,522,301.43
"P-39.66"	5207	4/25/14	Chevron U.S.A. Inc. - Chevron Global Downstream	4,912.68	219,708.41
"P-39.67"	5208	4/25/14	Chevron Neftegaz Inc.	8,963.59	400,876.12
"P-39.72"	5223	4/30/14	Chevron Al Khalij	53,286.34	2,370,388.79
"P-39.73"	5224	4/30/14	Chevron Products UK Limited - Trading and Marine Lubricants Branch	74,731.16	3,324,339.86
"P-39.74"	5225	4/30/14	Chevron South Africa (Pty) Limited	156,689.39	6,970,168.59
"P-39.76"	5227	4/30/14	Chevron (China) Investment - Services	12,997.02	578,159.25
"P-39.77"	5228	4/25/14	CGEI-Global Dnstrm Cost Allocation	15,016.79	671,591.68
"P-39.92"	5242	5/16/14	Chevron Pakistan Limited-Branch	35,151.69	1,529,664.46
"P-39.93"	5243	5/20/14	Chevron Products UK Limited - Trading and Marine Lubricants Branch	90,517.78	3,973,567.61
"P-39.94"	5244	5/27/14	Chevron Neftegaz Inc.	11,316.75	496,784.95
"P-39.96"	5246	5/29/14	Chevron (China) Investment - Services	11,848.65	520,143.19
"P-39.98"	5248	6/25/14	Chevron Neftegaz Inc.	11,316.75	495,479.42
"P-39.99"	5249	6/25/14	Chevron (China) Investment - Services	11,857.01	519,133.54
"P-39.105"	5255	6/25/14	Chevron Hong Kong Limited	155,183.79	6,794,386.60
"P-39.112"	5263	6/26/14	Compania Chevron de Panama, S.A.	25,852.31	1,133,376.16

"P-47.6"	N/A	6/30/14	Chevron Munaigas Inc. - Home Office	N/A	404,123.10
"P-47.6"	N/A	6/30/14	Chevron Denmark Inc. - Denmark Branch	N/A	395,837.51
"P-47.6"	N/A	6/30/14	Chevron Munaigas Inc. - Home Office	N/A	498,521.68
"P-47.6"	N/A	6/30/14	Chevron Denmark Inc. - Denmark Branch	N/A	490,414.81
"P-47.6"	N/A	6/30/14	Chevron Munaigas Inc. - Home Office	N/A	498,958.80
"P-47.6"	N/A	6/30/14	Chevron Denmark Inc. - Denmark Branch	N/A	490,844.80
Subtotal -- Second Quarter					**63,251,734.54**
Third Quarter of CY 2014					
"P-39.121"	5275	7/25/14	Chevron Malaysia Limited	188,315.59	8,134,582.72
"P-39.129"	5283	7/25/14	Chevron Neftegaz Inc.	11,316.75	488,844.49
"P-39.130"	5284	7/28/14	Chevron Products UK Limited - Trading and Marine Lubricants Branch	181,035.56	7,847,228.44
"P-39.132"	5286	7/30/14	Chevron (China) Investment - Services	11,848.57	513,592.11
"P-47.7"	N/A	7/31/14	Chevron Munaigas Inc. - Home Office	N/A	492,908.19
"P-47.7"	N/A	7/31/14	Chevron Denmark Inc. - Denmark Branch	N/A	484,892.59
"P-39.139"	5294	8/26/14	Chevron Hong Kong Limited	160,649.43	7,042,938.62
"P-39.145"	5300	8/26/14	Chevron Neftegaz Inc.	11,316.75	496,131.08
"P-47.8"	N/A	8/31/14	Chevron Munaigas Inc. - Home Office	N/A	498,958.80
"P-47.8"	N/A	8/31/14	Chevron Denmark Inc. - Denmark Branch	N/A	490,844.80
"P-39.146"	5301	9/26/14	Compania Chevron de Panama, S.A.	13,961.95	620,531.12
"P-39.148"	5303	9/2/14	Chevron (China) Investment - Services	11,848.58	517,179.40
"P-39.155"	5311	9/25/14	Chevron Malaysia Limited	125,640.58	5,593,970.62
"P-39.159"	5315	9/25/14	Chevron Hong Kong Limited	78,824.88	3,509,567.23

"P-39.161"	5317	9/25/14	Chevron Neftegaz Inc.	11,316.75	503,862.42
"P-39.162"	5318	9/26/14	CGEI-Global Dnstrm Cost Allocation	588,264.50	2,909,402.22
"P-39.163"	5319	9/26/14	Chevron Products UK Limited - Trading and Marine Lubricants Branch	181,035.56	8,046,024.89
"P-39.164"	5320	9/26/14	Chevron South Africa (Pty) Limited	126,108.57	5,604,825.33
"P-39.166"	5322	9/26/14	Chevron U.S.A. Inc. - Chevron Global Downstream	34,028.15	1,512,362.22
"P-39.172"	5328	9/29/14	Chevron (China) Investment - Services	11,848.57	530,137.36
"P-47.9"	N/A	9/30/14	Chevron Munaigas Inc. - Home Office	N/A	506,734.19
"P-47.9"	N/A	9/30/14	Chevron Denmark Inc. - Denmark Branch	N/A	498,493.77
Subtotal -- Third Quarter					**56,844,012.61**
Fourth Quarter of CY 2014					
"P-39.174"	5331	10/1/14	Chevron Al Khalij	68,349.20	3,077,406.57
"P-39.185"	5343	10/24/14	Chevron Neftegaz Inc.	11,316.75	506,568.93
"P-39.187"	5345	10/30/14	Chevron (China) Investment - Services	11,848.58	530,137.81
"P-47.10"	N/A	10/31/14	Chevron Munaigas Inc. - Home Office	N/A	509,912.64
"P-47.10"	N/A	10/31/14	Chevron Denmark Inc. - Denmark Branch	N/A	501,620.52
"P-39.195"	5354	11/25/14	Chevron Hong Kong Limited	160,587.00	7,210,911.54
"P-39.196"	5355	11/25/14	Chevron Malaysia Limited	125,580.61	5,639,003.59
"P-39.199"	5358	11/25/14	Chevron Neftegaz Inc.	11,316.75	508,161.20
"P-39.203"	5362	11/26/14	Chevron Products UK Limited - Trading and Marine Lubricants Branch	281,438.45	12,648,919.10
"P-39.206"	5365	11/28/14	Chevron Pakistan Limited-Branch	8,693.77	390,555.71
"P-47.11"	N/A	11/30/14	Chevron Munaigas Inc. - Home Office	N/A	511,287.06
"P-47.11"	N/A	11/30/14	Chevron Denmark Inc. - Denmark Branch	N/A	502,972.60

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"P-39.211"	5381	12/29/14	Chevron (China) Investment - Services	11,833.31	528,981.22
"P-47.12"	N/A	12/31/14	Chevron Munaigas Inc. - Home Office	N/A	(1,671,886.80)
"P-47.12"	N/A	12/31/14	Chevron Denmark Inc. - Denmark Branch	N/A	(869,901.57)
Subtotal -- Fourth Quarter					**30,524,650.12**
Total					**224,168,876.88**

Of the zero-rated sales to the NRFCs, the total amount of ₱60,930,491.177 shall be disallowed for petitioner's failure to prove the payment for such sales are in an acceptable foreign currency and accounted for in accordance with the rules and regulations of the *Bangko Sentral ng Pilipinas*, *i.e.*, the payments are not supported by proof of inward remittance, as shown below:

Exhibit Ref No.	**O.R. No.**	**O.R. Date**	**Payor**	**Zero-rated Sale**	
				in USD	**in PHP**
First Quarter of CY 2014					
"P-39.34"	5173	3/25/14	Chevron Products Company (a Chevron U.S.A. Inc. Division)	270,372.04	12,217,444.19
Subtotal -- First Quarter					**12,217,444.19**
Second Quarter of CY 2014					
"P-39.50"	5190	4/25/14	Chevron Products Company (a Chevron U.S.A. Inc. Division)	567,294.86	25,370,968.69
"P-39.78"	5229	4/25/14	Chevron Asia Pacific Holdings Branch	2,378.93	106,392.22
Subtotal -- Second Quarter					**25,477,360.91**
Third Quarter of CY 2014					

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"P-47.9"	N/A	9/30/14	Chevron Products Company (a Chevron U.S.A. Inc. Division)	N/A	23,235,686.67
Subtotal -- Third Quarter					**23,235,686.67**
Total					**₱ 60,930,491.77**

Moreover, for petitioner's failure to comply with the invoicing requirements under Section 113 of the NIRC of 1997, as amended, and Section 4.113-1 of Revenue Regulations (RR) No. 16-2005, the following disallowed zero-rated sales are sustained for petitioner's failure to submit valid VAT official receipts (ORs) for sales rendered to the abovementioned NRFC clients:

Exhibit Ref No.	**O.R. No.**	**O.R. Date**	**Payor**	**Zero-rated Sale**	
				in USD	**in PHP**
First Quarter of CY 2014					
"P-47.3"	N/A	3/31/14	Chevron Global Energy Inc.	N/A	₱ 1,820,324.25
"P-47.3"	N/A	3/31/14	Chevron Global Energy Inc.	N/A	941,874.78
"P-47.3"	N/A	3/31/14	Chevron Global Energy Inc.	N/A	953,705.27
Subtotal -- First Quarter					**3,715,904.30**
Second Quarter of CY 2014					
"P-47.6"	N/A	6/30/14	Chevron Lubricants Lanka PLC	N/A	239,242.00
"P-47.6"	N/A	6/30/14	Chevron Global Energy Inc.	N/A	1,091,037.60
"P-47.6"	N/A	6/30/14	Chevron Global Energy Inc.	N/A	973,720.11
"P-47.6"	N/A	6/30/14	Chevron Global Energy Inc.	N/A	975,244.19
Subtotal -- Second Quarter					**3,279,243.90**
Third Quarter of CY 2014					
"P-47.7"	N/A	7/31/14	Chevron Information Technology Company	N/A	150,322,123.54

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"P-47.7"	N/A	7/31/14	Chevron Global Energy Inc.	N/A	962,732.78
"P-47.8"	N/A	8/31/14	Chevron Global Energy Inc.	N/A	974,551.07
"P-47.9"	N/A	9/30/14	Chevron U.S.A. Inc. (Singapore Branch)	N/A	4,722,142.92
"P-47.9"	N/A	9/30/14	Chevron Global Energy Inc.	N/A	989,737.31
Subtotal -- Third Quarter					**157,971,287.62**
Fourth Quarter of CY 2014					
"P-47.10"	N/A	10/31/14	Chevron Global Energy Inc.	N/A	995,945.34
"P-47.10"	N/A	10/31/14	Chevron Africa and Latin America Exploration and Production Company (a Chevron U.S.A Inc. division) - FEABU HQ Branch	N/A	5,906,885.30
"P-47.10"	N/A	10/31/14	Chevron Power and Energy Management Company (a Chevron U.S.A. Inc. division)	N/A	32,989.70
"P-47.11"	N/A	11/30/14	Chevron Global Energy Inc.	N/A	997,339.62
"P-47.11"	N/A	11/30/14	Chevron Africa and Latin America Exploration and Production Company (a Chevron U.S.A Inc. division) - FEABU HQ Branch	N/A	987,134.32
"P-47.12"	N/A	12/31/14	Chevron Global Energy Inc.	N/A	(666,477.85)
"P-47.12"	N/A	12/31/14	Chevron Africa and Latin America Exploration and Production Company (a Chevron U.S.A Inc. division) -	N/A	(1,611,060.40)

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			FEABU HQ Branch		
Subtotal -- Fourth Quarter					**6,642,756.03**
Total					**₱ 171,609,191.85**

In summary, upon review and revalidation of the total amount of valid VAT zero-rated sales of petitioner, out of the ₱3,473,747,474.52 zero-rated sales declared per VAT returns for CY 2014, only the amount of ₱3,017,038,914.02 qualifies for VAT zero-rating, as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Zero-rated sales declared per VAT returns	₱862,939,005.71	₱909,392,301.24	₱998,331,794.66	₱703,084,372.91	₱3,473,747,474.52
Less: Disallowances					
Sales to those not considered as NRFCs	73,548,479.61	63,251,734.54	56,844,012.61	30,524,650.12	224,168,876.88
No proof of inward remittance	12,217,444.19	25,477,360.91	23,235,686.67	-	60,930,491.77
Without VAT Official Receipts	3,715,904.30	3,279,243.90	157,971,287.62	6,642,756.03	171,609,191.85
Valid zero-rated sales	**₱773,457,177.61**	**₱817,383,961.89**	**₱760,280,807.76**	**₱665,916,966.76**	**₱3,017,038,914.02**

Petitioner incurred/paid input taxes attributable to zero-rated sales and said input taxes were not applied against any output VAT liability

For the input VAT on domestic purchases disallowed by the Court due to unreadable information on the VAT ORs, petitioner claims that these exhibits with total input VAT of ₱3,953,719.98 were documents marked, scanned and submitted to the Court by the ICPA. In the interest of justice, petitioner requested leave of court to substitute the copy of the following Exhibits:[11]

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[11] Omnibus Motion, pp. 23-25; granted in Resolution dated May 31, 2021, unpaginated, Docket Vol. VII.

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Exhibit	Description	Amount Disallowed by Court
P-31.458	Official Receipt No. 135063 issued by Hewlett-Packard Phils. Corporation on January 3, 2014	₱ 35,288.40
P-31.666	Official Receipt No. 135920 issued by Hewlett-Packard Phils. Corporation on February 10, 2014	36,655.78
P-31.1037	Official Receipt No. 136705 issued by Hewlett-Packard Phils. Corporation on March 19, 2014	141,234.60
P-31.2428	Official Receipt No. 44412 issued by RCBC Realty Corporation on August 6, 2014	579,398.67
P-31.2448	Official Receipt No. 44422 issued by RCBC Realty Corporation on August 6, 2014	40,364.42
P-31.2452	Official Receipt No. 44424 issued by RCBC Realty Corporation on August 6, 2014	2,378,208.60
P-31.2584	Official Receipt No. 005 issued by CSC Information Technology (Philippines), Inc. on August 9, 2014	84,668.66
P-31.2590	Official Receipt No. 001 issued by CSC Information Technology (Philippines), Inc. on August 9, 2014	50,693.32
P-31.2602	Official Receipt No. 013 issued by CSC Information Technology (Philippines), Inc. on August 9, 2014	111,005.28
P-31.2604	Official Receipt No. 012 issued by CSC Information Technology (Philippines), Inc. on August 9, 2014	16,827.87
P-31.2762	Official Receipt No. 45063 issued by RCBC Realty Corporation on September 9, 2014	129,873.50
P-31.2766	Official Receipt No. 45062 issued by RCBC Realty Corporation on September 9, 2014	253,454.93
P-32.7	Sales Invoice No. 010172983 issued by Integrated Computer Systems, Inc. on January 21, 2014	2,524.29
P-32.9	Sales Invoice No. 010172984 issued by Integrated Computer Systems, Inc. on January 21, 2014	945.54

P-32.19	Sales invoice No. 210079039 issued by Integrated Computer Systems, Inc. on February 11, 2014	16,971.44
P-32.25	Sales invoice No. 310174836 issued by Integrated Computer Systems, Inc. on February 20, 2014	2,528.57
P-32.27	Sales invoice No. 310174958 issued by Integrated Computer Systems, Inc. on February 24, 2014	6,985.71
P-32.49	Sales Invoice No. 310176217 issued by Integrated Computer Systems, Inc. on March 14, 2014	9,055.18
P-32.53	Sales Invoice No. 310173843 issued by Integrated Computer Systems, Inc. on February 15, 2014	1,470.00
P-32.59	Sales Invoice No. 310176218 issued by Integrated Computer Systems, Inc. on March 14, 2014	120.54
P-32.61	Sales Invoice No. 310176219 issued by Integrated Computer Systems, Inc. on March 14, 2014	466.08
P-32.63	Sales Invoice No. 210074359 issued by Integrated Computer Systems, Inc. on March 24, 2014	29,700.00
P-32.67	Sales Invoice No. 310177136 issued by Integrated Computer Systems, Inc. on March 31, 2014	1,928.57
P-32.69	Sales Invoice No. 310177137 issued by Integrated Computer Systems, Inc. on March 31, 2014	1,406.25
P-32.204	Sales Invoice no. 171073 issued by Jjed Phils. Inc. on July 28, 2014	15,938.64
P-32.230	Sales Invoice No. 310185305 issued by Integrated Computer Systems, Inc. on August 27, 2014	3,857.14
P-32.252	Sales Invoice No. 60559 issued by Personal Computer Specialists, Inc. on October 17, 2014.	1,452.00
P-32.254	Sales Invoice No. 60599 issued by Personal Computer Specialists, Inc. on November 11, 2014	696.00
Total		**₱ 3,953,719.98**

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Upon evaluation of these documents, as substituted, the same were found to be legible and compliant with the invoicing requirements provided under the law and regulations. Thus, the input VAT amounting to ₱3,953,719.98 shall be allowed.

Anent the disallowance by the Court of input VAT on domestic purchases of services due to alterations on payor details or amounts made without authorized countersignature, petitioner prays that the Court take a closer look at the following exhibits as it can be gleaned that the countersignatures affixed to the erasures are similar to the signature affixed on top of the authorized signatory's portion of the official receipts. Moreover, petitioner claims that the erasures in most of these documents are not material, as follows:[12]

Exhibit	Description	Amount Disallowed by Court
P-31.1749	Official Receipt No. 65856 issued by Facilities Managers, Inc. on June 13, 2014	₱ 82,013.18
P-31.2416	Official Receipt No. 139875 issued by Hewlett-Packard Phils. Corporation issued on August 5, 2014	238,376.31
P-31.2570	Official Receipt No. 139893 issued by Hewlett-Packard Phils. Corporation issued on August 22, 2014	57,985.80
P-31.2992	Official Receipt No. 0534 issued by JLGT Marketing on October 20, 2014	235,017.24
P-31.3016	Official Receipt No. 0536 issued by JLGT Marketing on October 20, 2014	57,002.14
P-31.3076	Official Receipt No. 221869 issued by Makati Shangri-la on october 24, 2014	99,879.90
P-31.3078	Official Receipt issued by Trends & Technologies, Inc. on October 24, 2014	477,600.52
P-31.3108	Official Receipt No. 141505 issued by Hewlett-Packard Phils. Corporation on November 20, 2014	333,674.20
P-31.3126	Official Receipt No. 67554 issued by Facilities Managers, Inc. on October 22, 2014	82,680.34
P-31.3159	Official Receipt No. 67602 issued by Facilities Managers, Inc. on October 31, 2014	148,215.57

[12] Omnibus Motion, pp. 25-27.

P-31.3175	Official Receipt No. 67601 issued by Facilities Managers, Inc. on October 31, 2014	139,743.82
P-31.3211	Official Receipt No. 141897 issued by Facilities Managers, Inc. on November 3, 2014	238,376.31
P-31.3245	Official Receipt No. 44920 issued by Lane Archive Technologies Corporation on November 10, 2014	83,978.40
P-31.3316	Official Receipt No. 67680 issued by Facilities Managers, Inc. on November 28, 2014	93,868.98
P-31.3330	Official Receipt No. 67682 issued by Facilities Managers, Inc. on November 28, 2014	71,034.70
P-31.3334	Official Receipt No. 29608 issued by Trends & Technologies, Inc. on November 28, 2014	1,111,216.80
P-31.3342	Official Receipt No. 0541 issued by JLGT Marketing on November 28, 2014	59,066.22
P-31.3354	Official Receipt No. 143277 issued by Hewlett-Packard Phils. Corporation on November 20, 2014	128,283.60
P-31.3332	Official Receipt dated November 28, 2014 issued by Ultra Modular Concept	129,085.02
P-31.3471	Official Receipt No. 84836 issued by Ascott Makati, Inc. on December 2, 2014	
P-31.3472	Invoice No. 103344 issued by Ascott Makati, Inc. received on September 30, 2014	24,480.00
P-31.3627	Official Receipt No. 0546 issued by JLGT Marketing on December 22, 2014	155,761.87
P-31.3631	Official Receipt No. 142943 issued by Hewlett-Packard Phils. Corporation on December 29, 2014	98,372.70
P-31.3647	Official Receipt No. 7554 issued by Delta Rent-A-Car Corp. on December 22, 2014	60,757.37
P-31.3661	Official Receipt No. 142945 issued by Hewlett-Packard Phils. Corporation on December 29, 2014	62,089.80
P-31.3665	Official Receipt No. 142941 issued by Hewlett-Packard Phils. Corporation on December 29, 2014	62,089.80
P-31.3683	Official Receipt No. 87488 issued by Ascott Makati, Inc. on December 23, 2014	202,278.58

P-31.3696	Official Receipt No. 45387 issued by Lane Archive Technologies Corporation on December 29, 2014	38,823.93
P-31.3706	Official Receipt No. 45386 issued by Lane Archive Technologies Corporation on December 29, 2014	120,869.76
P-31.3720	Official Receipt No. 142942 issued by Hewlett-Packard Phils. Corporation on December 29, 2014	43,110.19
P-31.3730	Official Receipt No. 093518 issued by Angara Abello Concepcion Regala & Cruz on December 29, 2014	34,938.00
P-31.652	Official Receipt No. 63545 issued by Ascott Makati, Inc. on February 7, 2014	47,736.00
P-31.872	Official Receipt No. 68011 issued by Ascott Makati, Inc. on March 7, 2014	75,182.10
P-31.910	Official Receipt No. 65633 issued by Ascott Makati, Inc. on February 27, 2014	48,960.00
P-31.1204	Official Receipt No. 70709 issued by Ascott Makati, Inc. on April 15, 2014	24,480.00
P-31.1597	Official Receipt No. 9646 issued by Delta Rent-A-Car Corp on May 30, 2014	44,701.49
P-31.3370	Official Receipt No. 0543 issued by JLGT Marketing on November 28, 2014	101,607.94
P-31.3384	Official Receipt No. 3168 issued by Benchmark Par Excellence Tours and Transport Inc. November 18, 2014	12,795.41
Total		**₱ 5,126,133.99**

The counter-signature on the alteration or insertion of any figures appearing on the face of a VAT official receipt/invoice should be similar to or identical with the signature of the payee's authorized representative. If the counter-signature is not similar or identical, it could not be ascertained whether the person who counter-signed the alterations or who made the additions was authorized. While petitioner had the right to request its supplier to issue a compliant VAT official receipt/invoice, it had the corresponding obligation to check whether the insertions or alterations were properly validated or countersigned by the authorized signatory.[13]

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[13] *Coral Bay Nickel Corporation vs. Commissioner of Internal Revenue*, CTA EB No. 1269 (CTA Case No. 7895); *Commissioner of Internal Revenue vs. Coral Bay Nickel Corporation*, CTA EB No. 1970 (CTA Case No. 7895), June 29, 2016.

Upon re-evaluation of the foregoing exhibits, the Court maintains that said exhibits, except for the following ORs in the total amount of ₱873,842.53, show alterations which were made without authorized countersignatures:

Exhibit	Description	Allowed
P-31.2416	Official Receipt No. 139875 issued by Hewlett-Packard Phils. Corporation issued on August 5, 2014	₱ 238,376.31
P-31.2570	Official Receipt No. 139893 issued by Hewlett-Packard Phils. Corporation issued on August 22, 2014	57,985.80
P-31.3076	Official Receipt No. 221869 issued by Makati Shangri-la on October 24, 2014	99,879.90
P-31.3078	Official Receipt issued by Trends & Technologies, Inc. on October 24, 2014	477,600.52
Total		**₱ 873,842.53**

Thus, the Court reiterates that the following VAT ORs shall be disallowed for the following specific reasons:

Exhibit	Description	Input VAT	Reason for Sustained Disallowance
P-31.1749	Official Receipt No. 65856 issued by Facilities Managers, Inc. on June 13, 2014	₱ 82,013.18	Not authorized countersignature for change in VAT amount
P-31.2992	Official Receipt No. 0534 issued by JLGT Marketing on October 20, 2014	235,017.24	Not authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3016	Official Receipt No. 0536 issued by JLGT Marketing on October 20, 2014	57,002.14	Not authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3108	Official Receipt No. 141505 issued by Hewlett-Packard Phils. Corporation on November 20, 2014	333,674.20	Not authorized countersignature for erasure of VAT Exempt Sales amount

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P-31.3126	Official Receipt No. 67554 issued by Facilities Managers, Inc. on October 22, 2014	82,680.34	Not authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3159	Official Receipt No. 67602 issued by Facilities Managers, Inc. on October 31, 2014	148,215.57	Not authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3175	Official Receipt No. 67601 issued by Facilities Managers, Inc. on October 31, 2014	139,743.82	Not authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3211	Official Receipt No. 141897 issued by Facilities Managers, Inc. on November 3, 2014	238,376.31	Not authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3245	Official Receipt No. 44920 issued by Lane Archive Technologies Corporation on November 10, 2014	83,978.40	Not authorized countersignature for change in VATable sale
P-31.3316	Official Receipt No. 67680 issued by Facilities Managers, Inc. on November 28, 2014	93,868.98	Not authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3330	Official Receipt No. 67682 issued by Facilities Managers, Inc. on November 28, 2014	71,034.70	Not authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3334	Official Receipt No. 29608 issued by Trends & Technologies, Inc. on November 28, 2014	1,111,216.80	Not authorized countersignature for change in VATable sale and VAT amount
P-31.3342	Official Receipt No. 0541 issued by JLGT Marketing on November 28, 2014	59,066.22	Not authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3354	Official Receipt No. 143277 issued by Hewlett-Packard Phils. Corporation on November 20, 2014	128,283.60	Not authorized countersignature for erasure of

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			VAT Exempt Sales amount
P-31.3332	Official Receipt dated November 28, 2014 issued by Ultra Modular Concept	129,085.02	Exhibit not submitted
P-31.3471	Official Receipt No. 84836 issued by Ascott Makati, Inc. on December 2, 2014		No authorized countersignature for strikethrough of VAT Exempt sale
P-31.3472	Invoice No. 103344 issued by Ascott Makati, Inc. received on September 30, 2014	24,480.00	
P-31.3627	Official Receipt No. 0546 issued by JLGT Marketing on December 22, 2014	155,761.87	Not authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3631	Official Receipt No. 142943 issued by Hewlett-Packard Phils. Corporation on December 29, 2014	98,372.70	Not authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3647	Official Receipt No. 7554 issued by Delta Rent-A-Car Corp. on December 22, 2014	60,757.37	No authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3661	Official Receipt No. 142945 issued by Hewlett-Packard Phils. Corporation on December 29, 2014	62,089.80	Not authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3665	Official Receipt No. 142941 issued by Hewlett-Packard Phils. Corporation on December 29, 2014	62,089.80	Not authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3683	Official Receipt No. 87488 issued by Ascott Makati, Inc. on December 23, 2014	202,278.58	Not authorized countersignature for change of VAT Exempt Sales amount
P-31.3696	Official Receipt No. 45387 issued by Lane Archive Technologies Corporation on December 29, 2014	38,823.93	Not authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3706	Official Receipt No. 45386 issued by Lane Archive Technologies	120,869.76	Not authorized countersignature

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	Corporation on December 29, 2014		for change of VATable sale
P-31.3720	Official Receipt No. 142942 issued by Hewlett-Packard Phils. Corporation on December 29, 2014	43,110.19	Not authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3730	Official Receipt No. 093518 issued by Angara Abello Concepcion Regala & Cruz on December 29, 2014	34,938.00	Not authorized countersignature for strikethrough of VAT Exempt Sales amount
P-31.652	Official Receipt No. 63545 issued by Ascott Makati, Inc. on February 7, 2014	47,736.00	Exhibit not submitted
P-31.872	Official Receipt No. 68011 issued by Ascott Makati, Inc. on March 7, 2014	75,182.10	Exhibit not submitted
P-31.910	Official Receipt No. 65633 issued by Ascott Makati, Inc. on February 27, 2014	48,960.00	Exhibit not submitted
P-31.1204	Official Receipt No. 70709 issued by Ascott Makati, Inc. on April 15, 2014	24,480.00	Exhibit not submitted
P-31.1597	Official Receipt No. 9646 issued by Delta Rent-A-Car Corp on May 30, 2014	44,701.49	Exhibit not submitted
P-31.3370	Official Receipt No. 0543 issued by JLGT Marketing on November 28, 2014	101,607.94	Not authorized countersignature for erasure of VAT Exempt Sales amount
P-31.3384	Official Receipt No. 3168 issued by Benchmark Par Excellence Tours and Transport Inc. November 18, 2014	12,795.41	Not authorized countersignature for strikethrough of VAT Exempt Sales amount
Total		**₱ 4,252,291.46**	

Petitioner failed to substantiate its alleged input VAT carried over from previous periods

As regards the disallowance of input VAT carry-over, petitioner submits that the existence of its reported input VAT carry-over from the previous quarters are shown by petitioner's Amended Quarterly VAT returns for the four quarters of TY 2014 which were formally offered in evidence.[14] Hence, petitioner contends that it was erroneous for the Court to conclude that the documents submitted by petitioner are insufficient to prove the existence of its reported input VAT carry-over from the previous quarter. Moreover, petitioner maintains that submission of VAT invoices/receipts to prove the existence of reported input VAT carry-over from the previous year is not among the requirements to prove entitlement to a claim for refund.[15]

The Court does not agree.

It bears stressing that a claimant has the burden of proof to establish the factual basis of his or her claim for tax credit or refund.[16] Tax refunds are in the nature of tax exemptions. As such, they are regarded as in derogation of sovereign authority and to be construed *strictissimi juris* against the person or entity claiming the refund.[17] The pieces of evidence presented entitling a taxpayer to an exemption are also *strictissimi* scrutinized and must be duly proven.[18]

Sections 110(A)(1) and (B) of the NIRC of 1997, as amended, requires that any input VAT shall be creditable against the output VAT only if the same is evidenced by a VAT official receipt/invoice issued in accordance with Section 113 of the NIRC of 1997, as amended. In the computation of the output VAT liability for the period, prior year's excess input VAT credits may be utilized to cover for such liability. However, the law mandates strict compliance with the invoicing requirements as it is the only way to determine the veracity of petitioner's refund claim.[19]

The importance of submitting VAT official receipts/invoices as supporting documents in a claim for refund is emphasized by the Supreme Court in *Atlas Consolidated Mining and Development Corporation vs. Commissioner of Internal Revenue*,[20] thus:

> "x x x First, a judicial claim for refund or tax credit in the CTA is by no means an original action but rather an *appeal* by way

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[14] Omnibus Motion, p. 27.
[15] Omnibus Motion, p. 29.
[16] *Citibank N.A. vs. Court of Appeals and Commissioner of Internal Revenue*, G.R. No. 107434, October 10, 1997.
[17] *Commissioner of Internal Revenue vs. S.C. Johnson and Son, Inc.*, G.R. No. 127105, June 25, 1999.
[18] *Kepco Philippines Corp. vs. Commissioner of Internal Revenue*, G.R. No. 179961, January 31, 2011.
[19] *Id.*
[20] G.R. No. 145526, March 16, 2007.

> of petition for review of a previous, unsuccessful administrative claim. Therefore, as in every appeal or petition for review, **a petitioner has to convince the appellate court that the quasi-judicial agency a quo did not have any reason to deny its claims. In this case, it was necessary for petitioner to show the CTA not only that it was entitled under substantive law to the grant of its claims but also that it satisfied all the documentary and evidentiary requirements for an administrative claim for refund or tax credit.** Second, cases filed in the CTA are litigated *de novo*. Thus, **a petitioner should prove every minute aspect of its cases by presenting, formally offering and submitting its evidence to the CTA.** Since it is crucial for a petitioner in a judicial claim for refund or tax credit to show that its administrative claim should have been granted in the first place, part of the evidence to be submitted to the CTA must necessarily include whatever is required for the successful prosecution of an administrative claim." *(Emphasis supplied)*

Contrary to petitioner's assertion, the aspects that must be substantiated by petitioner include its input tax carry-over from the previous taxable period especially since its current output tax liability is offset against the said carried-over input tax. In this case, petitioner merely relied on its VAT returns to show the amount of its input VAT carry-over, and not with the VAT official receipts/invoices as required by Sections 110(A)(1) and (B) of the NIRC of 1997, as amended.[21]

Thus, upon re-evaluation by the Court, the total additional input VAT of petitioner stands at ₱4,827,562.51, as follows:

Particular	Amount
Previously disallowed ORs due to unreadable supporting documents	₱ 3,953,719.98
Previously disallowed ORs due to alterations without authorized countersignature	873,842.53
Total Additional Valid Input VAT	₱ 4,827,562.51

Combining the total additional valid input VAT amount to the total allowable input VAT as determined in the assailed Decision, the total adjusted allowable input VAT now stands at ₱74,020,907.31, computed below:

[21] *Commissioner of Internal Revenue vs. Chevron Holdings, Inc.*, CTA EB No. 1950 & 1951, June 3, 2020; and *Chevron Holdings, Inc. vs. Commissioner of Internal Revenue*, CTA EB No. 1895 & 1896, March 9, 2020.

Total Allowable Input VAT per Decision	₱ 69,193,344.80
Add: Allowed Input VAT upon reevaluation	4,827,562.51
Total Adjusted Allowable Input VAT	₱ 74,020,907.31

The total adjusted allowable input VAT shall then be allocated to petitioner's VATable and VAT-zero rated sales in accordance with Section 112(A) of the NIRC of 1997, as amended, as follows:

Total Taxable Sales per VAT Return	₱ 139,122,645.90
Divided by the Reported Total Sales per Quarterly VAT Returns	3,612,870,120.42
Multiplied by the Total Allowable Input VAT	74,020,907.31
Valid Input VAT Allocated to Total Taxable Sales Subject to 12% VAT	**₱ 2,850,361.11**

Total Zero-rated Sales per VAT Return	₱ 3,743,747,474.52
Divided by the Reported Total Sales per Quarterly VAT Returns	3,612,870,120.42
Multiplied by the Total Allowable Input VAT	74,020,907.31
Valid Input VAT Allocated to Total Zero-rated Sales	**₱ 71,170,546.20**

Since petitioner's valid input VAT in the amount of ₱2,850,361.11 allocated to sales subject to 12% VAT is insufficient to cover the ₱16,694,717.51 output VAT liability reported in its Quarterly VAT Returns, the output VAT still due against petitioner is ₱13,844,356.40, computed as follows:

Output VAT	₱ 16,694,717.51
Valid Input VAT Allocated to Taxable Sales Subject to 12% VAT	2,850,361.11
Output VAT Still Due	**₱ 13,844,356.40**

The valid input VAT attributable to zero-rated sales in the amount of ₱71,170,546.20 shall then be utilized to offset the balance of the output tax due in the amount of ₱13,844,356.40. Thus, there is excess valid input VAT attributable to total reported zero-rated sales of

₱57,326,189.80. This amount shall be further allocated based on the valid zero-rated sales of ₱3,017,038,914.02, out of the total reported or declared zero-rated sales of ₱3,473,747,474.52, computed below:

Valid Input VAT Allocated to Reported Zero-rated Sales	₱ 71,170,546.20
Output VAT Still Due	13,844,356.40
Excess Valid Input VAT Allocated to Reported Zero-rated Sales	57,326,189.80
Divided by Total Reported Zero-rated Sales	3,473,747,474.52
Multiplied by Total Valid Zero-rated Sales	3,017,038,914.02
Valid Input VAT Attributable to Valid Zero-rated Sales	**₱ 49,789,268.42**

In summary, petitioner has sufficiently proven that it is entitled to a total VAT refund of ₱49,789,268.42 or an additional amount of ₱43,345,278.54, as shown below:

Amount of refund granted in the assailed Decision	**₱ 6,443,989.88**
Additional refundable amount per this Amended Decision	**43,345,278.54**
Total Valid Input VAT attributable to valid zero-rated sales	**₱ 49,789,268.42**

In view of the foregoing, as petitioner was able to discharge its burden for its entitlement to a refund in the total amount of ₱49,789,268.42, representing its excess and unutilized input VAT attributable to zero-rated sales for the first to fourth quarters of CY 2014, the Court finds no reason not to grant the same to petitioner.

WHEREFORE, premises considered, the exhibits offered in petitioner's **Supplemental Formal Offer of Evidence** filed on November 4, 2021 are **ADMITTED**.

Petitioner's **Motion for Reconsideration (Re: Decision dated October 7, 2020)** filed on October 28, 2020 is **PARTIALLY GRANTED**. Accordingly, the Decision of this Court dated October 7, 2020 is **MODIFIED**. Respondent Commissioner of Internal Revenue is hereby **ORDERED TO REFUND OR ISSUE A TAX CREDIT CERTIFICATE** in favor of petitioner Chevron Holdings, Inc. in the amount of **₱49,789,268.42**, representing the latter's excess and unutilized input VAT attributable to zero-rated sales for the four quarters of calendar year 2014.

SO ORDERED.

ROMAN G. DEL ROSARIO
Presiding Justice

WE CONCUR:

CATHERINE T. MANAHAN
Associate Justice

(NO PART)
MARIAN IVY F. REYES-FAJARDO
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, 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.

ROMAN G. DEL ROSARIO
Presiding Justice