REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL THIRD DIVISION

PETRON CORPORATION,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA Case No. 10544

Members:

REYES-FAJARDO, *Chairperson*, and,
ANGELES, *JJ.*

Promulgated:

JUL 08 2026
11:34 a.m.

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DECISION

REYES-FAJARDO, *J.*:

This Petition for Review[1] dated June 2, 2021 filed by Petron Corporation, seeks the refund or credit of the amount of ₱45,389,277.00, allegedly representing its illegally or erroneously paid excise tax on importation of alkylate in June 2019.

FACTS

Petitioner Petron Corporation is a domestic corporation duly organized and existing under Philippine law.[2] It is registered with the Bureau of Internal Revenue (BIR), with Taxpayer Identification Number 000-168-801-00000, with registered address at 40 Ground Floor, San Miguel Head Office Complex, San Miguel Avenue, Wack Wack Greenhills, City of Mandaluyong.[3]

Respondent Commissioner of Internal Revenue is the chief of the BIR, a government agency tasked to, among others, assess and

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1 Docket, p. 6-44.
2 Exhibit "P-1." *Id.* at pp. 1150-1169.
3 Exhibit "P-2." *Id.* at pp. 1170-1171.

collect all internal revenue taxes and charges, and enforce all forfeitures, penalties, and fines connected therewith.[4]

On May 30, 2019, a Bureau of Customs - Single Administrative Document (BOC-SAD) with Reference No. 6WOA1900157[5] was issued, finding petitioner liable for excise tax corresponding to importation of alkylate, in the amount of ₱45,389,277.00.[6] Petitioner paid the foregoing sum, with the following breakdown:[7]

Date of Payment	Amount
June 3, 2019	₱45,033,324.00
September 25, 2019	₱355,953.00
Total	₱45,389,277.00

On May 28, 2021, petitioner filed with the BIR – Excise LT Audit Division II, its Letter Re: Application for Refund or Tax Credit Certificate in relation to Erroneously or Illegally Paid Excise Taxes on Importation of Alkylate in June 2019 dated May 24, 2021,[8] with its Application for Tax Credits/Refunds (BIR Form No. 1914),[9] in the total amount of ₱45,389,277.00, representing its alleged erroneously paid excise tax from said alkylate importation.

On June 3, 2021, petitioner its Petition for Review,[10] docketed as CTA Case No. 10544, which was met by respondent's Answer[11] posted on February 2, 2022.

On July 7, 2022, petitioner filed its Request for Admission,[12] to which respondent filed his Comment/Opposition (Request for Admission)[13] on July 13, 2022.

By Resolution[14] dated August 5, 2022, petitioner's Request for Admission was granted in part. Specifically, the existence and due

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4 Par. 1, Stipulation of Fact, Joint Stipulation of Facts and Issues (JSFI). *Id.* at p. 1043.
5 Exhibit "P-6." *Id.* at pp. 1189-1190.
6 Revised Charges, Exhibit "P-6." *Id.* at p. 1190.
7 Exhibits "P-7," "P-8," and "P-9." *Id.* at pp. 1191-1193.
8 Exhibit "P-10." *Id.* at pp. 1194-1214.
9 Exhibit "P-11." *Id.* at p. 1215.
10 *Supra* note 1.
11 Docket, pp. 422-432.
12 *Id.* at pp. 617-625.
13 *Id.* at pp. 899-903.
14 *Id.* at pp. 906-921.

execution of the documents and/or truthfulness of the allegations with respect to paragraphs 1, 3.1, 3.2, 3.3, 3.5, 4.1, 4.2, 4.3, 4.5, 12, 13, 14, 15, 18, 19, 20, 21, 23, 25, 26, 29, 30, 32, 33, 34, 35, 36, 37, 38, 40, 41, 42, 43, 44, 45, 46, 47, and 48, shall be deemed admitted unless respondent files and serves on petitioner a sworn statement either admitting or denying specifically the matters of which an admission is requested or setting forth in detail the reasons why respondent cannot truthfully either admit or deny those matters.

On September 14, 2022, petitioner filed its Motion for Summary Judgment,[15] to which respondent filed its Opposition (Motion for Summary Judgment) on October 3, 2022,[16] followed by petitioner's Motion to Admit Reply with Reply [to Opposition dated 22 September 2022] filed on October 20, 2022.[17]

Through Resolution[18] dated November 21, 2022, it was found that respondent admitted paragraphs 3.1, 3.2, 3.3, 3.5, 4.1, 4.2, 4.3, 4.5, 12, 13, 14, 15, 18, 19, 20, 21, 23, 26, 29, 34, 35, 36, 42, 43, 44, 45, 46, 47, and 48 of petitioner's Request for Admission. On the other hand, respondent denied paragraphs 1, 25, 30, 32, 33, 37, 38, 40, and 41 thereof. Further, in weighing these admissions, petitioner's Motion for Summary Judgment was denied.

On March 15, 2023, pre-trial conference[19] was held. There, the issue to be answered here was formulated. Further, the schedules for the presentation of the parties' evidence, along with the schedules for the marking of their exhibits were set. Additionally, the parties were granted until April 24, 2023 to submit their Joint Stipulation of Facts and Issues (JSFI).

On April 13, 2023, the parties submitted their JSFI.[20] With the approval[21] thereof, pre-trial is deemed terminated.

On May 22, 2023, a Pre-Trial Order[22] was issued.

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15 *Id.* at pp. 922-935.
16 *Id.* at pp. 941-948.
17 *Id.* at pp. 957-970.
18 *Id.* at pp. 978-989.
19 Order dated March 15, 2023. *Id.* at pp. 996-997.
20 *Id.* at pp. 1043-1061.
21 Resolution dated April 18, 2023. *Id.* at p. 1063.
22 *Id.* at pp. 1098-1104.

Trial followed.

Petitioner presented the following witnesses in support of its cause, *viz.*:

Witness	Position/Role	Hearing Date
Atty. Ma. Clarissa C. Arguelles[23]	Tax Manager	September 12, 2023[24]
Mr. Elgo R. Lagyap[25]	Limay Terminal Manager	
Engr. Jurrel D. Pumatong[26]	Process Engineering Manager	October 25, 2023[27]
Mr. Jake Martin A. Magana[28]	Commercial Services Manager	
Ms. Marissa U. Viray[29]	Operations Finance Manager (September 2016 to March 2021)	
Ms. Cecilia N. Sengia[30]	Refinery Finance Manager	February 27, 2024[31]
Mr. Simon Christopher Mulqueen[32]	Expert Witness (Transportation Fuels and Fuel Additive Production)	

On March 13, 2024, petitioner filed its Formal Offer of Evidence,[33] to which respondent filed its Comment (Re: Formal Offer of Evidence)[34] on March 14, 2024.

Under Resolution[35] dated July 8, 2024, the exhibits offered by petitioner were admitted, *except* Exhibits "P-12" and "P-14," for failure to present the originals for comparison.

On July 26, 2024, petitioner filed its Motion for Partial Reconsideration (Re: Resolution dated July 8, 2024), [36] *sans* respondent's comment.[37]

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23 Exhibit "P-34." *Id.* at pp. 278-294.
24 Order dated September 12, 2023. *Id.* at pp. 1112-1113.
25 Exhibit "P-35." *Id.* at pp. 294-305.
26 Exhibit "P-37." *Id.* at pp. 321-334.
27 Order dated October 25, 2023. *Id.* at pp. 1125-1126.
28 Exhibit "P-38." *Id.* at pp. 1001-1019.
29 Exhibit "P-39." *Id.* at pp. 352-362.
30 Exhibit "P-40." *Id.* at pp. 363-374.
31 Order dated February 27, 2024. *Id.* at pp. 1128-1129.
32 Exhibit "P-41." *Id.* at pp. 1308-1325.
33 *Id.* at pp. 1132-1148.
34 *Id.* at pp. 1330-1332.
35 *Id.* at pp. 1339-1340.
36 *Id.* at pp. 1348-1351.

Via Resolution dated March 28, 2025, petitioner's Motion for Partial Reconsideration (Re: Resolution dated July 8, 2024) was granted. Accordingly, Exhibits "P-12" and "P-14" were admitted in evidence. Petitioner rested its case.

In the hearing held on May 22, 2025,[38] respondent manifested that it will no longer present its intended witness.

On July 15, 2025, CTA Case No. 10544 was submitted for decision,[39] considering: (1) respondent's Memorandum[40] filed on June 10, 2025; and (2) petitioner's Memorandum[41] filed on June 24, 2025.

ISSUE[42]

Is petitioner entitled to the refund or credit of the amount of ₱45,389,277.00, allegedly representing its illegally or erroneously paid excise tax on its importation of alkylate in June 2019?

ARGUMENTS

Petitioner argues that it timely filed both its administrative and judicial claims for refund or credit under Sections 204(C) and 229 of the NIRC, as amended.

Petitioner, too, contends that the BIR illegally erroneously or illegally imposed and collected excise tax on its importation of alkylate in June 2019. Particularly, the legal basis, *i.e.*, Section 148(f) of the NIRC, as amended, used by the BIR to justify said imposition is inapplicable on alkylate importation. Neither could Section 148(e) of the same Code be invoked because alkylate is: (a) not an indirect product of distillation; (b) not similar to naptha; and (c) solely used as blending component for the production of gasoline. Simply put, alkylate is *not* subject to excise tax. Therefore, the refund or credit of the excise tax it paid thereon, in the amount of ₱45,389,277.00, is in place.

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37 Records Verification Report dated December 4, 2024. *Id.* at p. 1359.
38 *Id.* at pp. 1380-1381.
39 Minute Resolution dated July 15, 2025. *Id.*, unpaginated.
40 *Id.* at pp. 1383-1395.
41 *Id.* at pp. 1400-1454.
42 See Stipulation of Issue, JSFI. *Id.* at p. 1044.

Respondent counters that alkylate should be grouped under naptha, regular gasoline, and other products of distillation because it is akin to Catalytic Cracked Gasoline and Light Catalytic Cracked Gasoline. Being so, alkylate is subject to excise tax under Section 148(e) of the NIRC, as amended. Consequently, the excise tax paid by petitioner on its importation of alkylate must be rejected.

RULING

The Petition impresses.

First. Did We obtain jurisdiction over CTA Case No. 10544?

Yes.

Section 7(a)(2) of Republic Act (RA) No. 1125,[43] as amended by RA No. 9282 recognizes the CTA's exclusive appellate jurisdiction over, among others, refund of internal revenue taxes:

> Sec. 7. Jurisdiction. - The CTA shall exercise:
>
> a. **Exclusive appellate jurisdiction to review by appeal**, as herein provided:
>
> ...
>
> 2. **Inaction by the Commissioner of Internal Revenue in cases involving** disputed assessments, **refunds of internal revenue taxes, fees or other charges, penalties in relations thereto**, or other matters arising under the National Internal Revenue Code or other laws administered by the Bureau of Internal Revenue, where the National Internal Revenue Code provides a specific period of action, in which case the inaction shall be deemed a denial;[44]

Section 3(a)(2), Rule 4 of the Revised Rules of the Court of Tax Appeals (RRCTA)[45] clarified that the CTA in Division has jurisdiction over the inaction of respondent involving refunds of internal revenue taxes, among others. Among of the classes thereof is one premised

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[43] An Act Creating the Court of Tax Appeals.
[44] Boldfacing supplied.
[45] A.M. 05-11-07-CTA.

upon illegal, erroneous, or excessive collection thereof under Sections 204 and 229 of the NIRC, as amended. *Commissioner of Internal Revenue v. Carrier Air Conditioning Philippines, Inc. (Carrier)* [46] explained the requirements for Us to acquire jurisdiction over said type of refund case, in the following fashion:

> Section 204 [of the NIRC, as amended] refers to the Commissioner of Internal Revenue's administrative authority to credit or refund erroneously paid or illegally collected taxes. Under this provision, an administrative claim for refund or credit must be filed within two years from payment of the tax.
>
> Section 229 [of the NIRC, as amended], on the other hand, requires two conditions for the filing of judicial claims: (1) an administrative claim must be filed first; and (2) the judicial claim must be filed within two years after payment of the tax sought to be refunded.
>
> Reading the two provisions together, both administrative and judicial claims must be filed within the two-year period. Furthermore, the administrative claim must be filed before the judicial claim. This Court has previously declared that "[t]imeliness of the filing of the claim is mandatory and jurisdictional. The [Court of Tax Appeals] cannot take cognizance of a judicial claim for refund file either prematurely or out of time."

Taking Our cue from *Carrier,* petitioner timely filed both its administrative and judicial claims for refund or credit on May 28, 2021 and June 3, 2021, respectively, vesting Us with jurisdiction over CTA Case No. 10544. Mull over the following presentation:

Date of Payment[47]	Amount[48]	Deadline for Filing of Administrative and Judicial Claims	Date of Filing of Administrative Claim[49]	Date of Filing of Petition in CTA Case No. 10544[50]
June 3, 2019	₱45,033,324.00	June 3, 2021	May 28, 2021	June 3, 2021
September 25, 2019	₱355,953.00	September 25, 2021		

Second. Did the BIR err in collecting excise tax on petitioner's alkylate importation?

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46 G.R. No. 226592, July 27, 2021.
47 *Supra* note 7.
48 The total amount is ₱45,389,277.00.
49 *Supra* notes 8 and 9.
50 *Supra* note 10.

Yes.

There is no denying that petitioner imported alkylate *via* Nord Ocean, under BOC-SAD Reference No. 6WOA1900157.[51] Also beyond quibble is that the BIR imposed,[52] and petitioner paid,[53] excise tax thereon in the total sum of ₱45,389,277.00, with the following breakdown:

Exhibit No.	Calculation of Taxes, Other BOC Fees and Charges Per BOC SAD				
	Imported Alkylate Volume in Liters	VAT	**Excise Tax (₱9/liter)**	Other BOC Fees & Charges	Total
"P-6"	5,003,702.70	₱20,379,439.00	**₱45,033,324.00**	₱3,780.00	₱65,416,543.00
		4,022,107.00	355,953.00	-	4,378,060.00
Total		**₱24,401,546.00**	**₱45,389,277.00**	**₱3,780.00**	**₱ 69,794,603.00**

The next question—is alkylate taxable under Section 148(e) of the NIRC, as amended?

Petitioner says alkylate is not taxable under Section 148(e) of the NIRC, as amended, because it is simply a blending component of gasoline, and that the same is *not* produced through distillation. Respondent speaks otherwise, retorting that alkylate falls under "other products" of distillation, subject to excise tax based on said provision of law.

Petitioner is right.

Section 148(e) of the NIRC, as amended, reads:

> SEC. 148. *Manufactured Oils and Other Fuels.* — **There shall be collected on refined and manufactured mineral oils and motor fuels, the following excise taxes which shall attach to the goods hereunder enumerated as soon as they are in existence as such:**
>
> ...
>
> Effective January 1, 2019:

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51 Exhibit "P-6." *Supra* note 5.

52 *Ibid.*

53 Exhibits "P-7," "P-8," and "P-9." *Supra* note 7.

...

(e) **Naphtha, regular gasoline, pyrolysis gasoline, and other similar products of distillation**, per liter of volume capacity, Nine pesos (P9.00): *Provided, however,* That naphtha and pyrolysis gasoline, when used as a raw material in the production of petrochemical products, or in the refining of petroleum products, or as replacement fuel for natural-gas-fired-combined cycle power plant in lieu of locally-extracted natural gas during the non-availability thereof, subject to the rules and regulations to be promulgated by the Secretary of Finance, per liter of volume capacity, zero (P0.00): *Provided, further,* That the production of petroleum products, whether or not they are classified as products of distillation and for use solely for the production of gasoline shall be exempt from excise tax: *Provided, finally,* That the by-product including fuel oil, diesel fuel, kerosene, pyrolysis gasoline, liquefied petroleum gases and similar oils having more or less the same generating power, which are produced in the processing of naphtha into petrochemical products shall be subject to the applicable excise tax specified in this Section, except when such by-products are transferred to any of the local oil refineries through sale, barter or exchange, for the purpose of further processing or blending into finished products which are subject to excise tax under this Section;[54]

Mulqueen explained that alkylate is a hydrocarbon,[55] produced by way of alkylation.[56] Alkylation is a chemical process by which light olefins are combined with isobutane in the presence of a strong acid catalyst.[57] In this regard, *Petron Corporation v. Commissioner of Internal Revenue (2023 Petron)*[58] discussed that of these two raw materials to produce alkylate, only isobutane may be generated through distillation, while light olefins may *not* be produced through distillation. *2023 Petron* then made the following ruling:

... **it is incorrect** to say that both raw materials utilized to produce alkylate are products of distillation, much more **to declare alkylate as a product of distillation simply because its raw materials are produced through distillation.** To be sure, **Sec. 148 (e) of the 1997 NIRC, as amended**, imposes excise tax on naphtha, regular gasoline, and other similar products of distillation only, and **<u>not on the raw materials or ingredients used for their production</u>**.[59]

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54 Emphases ours.
55 Answer to Question No. 27, Exhibit "P-41." *Supra* note 32.
56 Answer to Question No. 29, Exhibit "P-41." *Ibid.*
57 *Ibid.*
58 G.R. No. 255961, March 20, 2023.
59 Emphases ours.

2023 Petron added that alkylate may *not* be grouped under the same class as naphtha and regular gasoline subject to excise tax under Section 148(e) of the NIRC, as amended:

> **It is clear that alkylate is a mere component which can be blended into finished gasoline to help meet the specification requirements, particularly those related to octane quality and volatility**. As aptly pointed out by petitioner, **alkylate is exclusively intended for use solely as a raw material or blending component in the manufacture of unleaded premium gasoline. Alkylate has no use as a product by itself as it does not possess the necessary volatility to run a vehicle's engine**. This position has been maintained by the experts presented by petitioner during trial and affirmed by DOE OIC Director Obillo. **Considering the intended purpose and nature of alkylate, it certainly cannot be placed under the same category as naphtha and regular gasoline.**[60]

These notations impelled *2023 Petron* to conclude that alkylate is not subject to excise tax under Section 148(e) of the NIRC, as amended:

> Therefore, in construing the phrase "other similar products of distillation" as stated in Sec. 148 (e) of the 1997 NIRC, as amended, the same must only include or be restricted to things or cases akin to, resembling, or of the same kind or class as those specifically mentioned, (*i.e.*, naphtha and regular gasoline). **<u>In light of the [Supreme] Court's determination that alkylate does not belong to the same category as naphtha and regular gasoline, the same should not be subjected to excise tax.</u>**[61]

Significantly, *The Department of Energy v. Commissioner of Internal Revenue (DOE)*[62] is unequivocal in that "[t]he Supreme Court, by tradition and in our system of judicial administration, has the last word on what the law is. It is the final arbiter of any justiciable controversy. There is only one Supreme Court from whose decisions all other courts should take their bearings."

2023 Petron decreed that alkylate is *not* subject to excise tax under Section 148(e) of the NIRC, as amended. Following *DOE,* the same interpretation should be accorded in petitioner's alkylate

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60 Boldfacing ours.
61 Emphases ours.
62 G.R. No. 260912, August 17, 2022.

importation here—excise tax in Section 148(e) of the NIRC, as amended, may neither be imposed nor exacted thereon.

We, too, are mindful that respondent used Section 148(f)[63] of the NIRC, as amended, in its Authority to Release Imported Goods[64] dated June 25, 2019, to justify imposition of excise tax on petitioner's alkylate importation. Yet, said provision solely imposes excise tax on unleaded premium gasoline, and *not* alkylate.

Section 229[65] of the NIRC, as amended, allows the recovery of taxes erroneously or illegally collected. An "erroneous or illegal tax" is defined as one levied without statutory authority, or upon property not subject to taxation or by some officer having no authority to levy the tax, or one which is by some other similar respect illegal.[66] Erroneous or wrongful payment includes excessive payment because they all refer to payment of taxes not legally due.[67]

Since the BIR collected excise tax on petitioner's alkylate importation *sans* statutory authority from Section 148 of the NIRC, as amended, as construed in *2023 Petron,* the same is an illegal or erroneous tax. *Ergo,* petitioner is eligible to recoup the excise tax it paid thereon in the sum of ₱45,389,277.00.

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[63] SEC. 148. *Manufactured Oils and Other Fuels.* — **There shall be collected on refined and manufactured mineral oils and motor fuels, the following excise taxes which shall attach to the goods hereunder enumerated as soon as they are in existence as such:**

...

Effective January 1, 2019:

...

(f) **Unleaded premium gasoline**, per liter of volume capacity, Nine pesos (P9.00); (Boldfacing ours)

[64] Exhibit "P-5." Docket, p. 1188.

[65] **SEC. 229.** ***Recovery of Tax Erroneously or Illegally Collected.***- no suit or proceeding shall be maintained in any court for the recovery of **any national internal revenue tax hereafter alleged to have been erroneously or illegally assessed or collected, or of any penalty claimed to have been collected without authority, of any sum alleged to have been excessively or in any manner wrongfully collected without authority, or of any sum alleged to have been excessively or in any manner wrongfully collected,** until a claim for refund or credit has been duly filed with the Commissioner; but such suit or proceeding **may** be maintained, whether or not such tax, penalty, or sum has been paid under protest or duress.

... (Boldfacing ours)

[66] See *Commissioner of Internal Revenue v. Pilipinas Shell Petroleum Corporation,* G.R. No. 188497, April 25, 2012.

[67] See *Commissioner of Internal Revenue v. San Roque Power Corporation,* G.R. No. 187485, February 12, 2013.

ACCORDINGLY, the Petition for Review dated June 2, 2021 in CTA Case No. 10544 is **GRANTED**. The Commissioner of Internal Revenue is **DIRECTED** to **REFUND** or **ISSUE A TAX CREDIT CERTIFICATE** in favor of Petron Corporation, the amount of **₱45,389,277.00**, representing illegally and erroneously paid excise tax on its importation of alkylate in June 2019.

SO ORDERED.

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

I CONCUR:

HENRY S. ANGELES
Associate Justice

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.

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

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Special Third 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.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice