REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

FIRST DIVISION

AECOM PHILIPPINES, INC.,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NO. 10007

Members:

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

Promulgated:
JUN 20 2022 1:20pm

x---x

RESOLUTION

DEL ROSARIO, P.J.:

This resolves petitioner's **Motion for Reconsideration *(Re: Decision Rendered on October 25, 2021)*** filed on December 1, 2021, without respondent's comment as per Records Verification dated March 8, 2022.

The dispositive portion of the assailed Decision[1] dated October 25, 2021 reads:

> "**WHEREFORE,** premises considered, the present Petition for Review is **DENIED** for lack of merit.
>
> **SO ORDERED.**"

Petitioner moves for the reconsideration of the assailed Decision based on the ground that the Court erred in not considering petitioner's pieces of evidence showing that its income upon which the taxes were withheld was included as part of the gross income declared in its income tax returns. It raises the following arguments:

[1] CTA Docket, pp. 523-536.

on

1. The income payments upon which the taxes were withheld were included as part of the gross revenue declared in its Income Tax Return (ITR);

2. Petitioner's unutilized creditable withholding taxes (CWTs) for fiscal year (FY) 2016 are duly substantiated by documentary evidence; and,

3. The amount claimed by petitioner was not carried over nor applied to the succeeding year.

After a careful evaluation of petitioner's arguments, the Court finds no merit in the motion.

In the assailed Decision, the Court found that petitioner failed to prove that its income payments were declared as part of the gross income reported in its Annual ITR. More specifically, the Court held that petitioner's income payments could not be traced to the Annual ITR due to lack of supporting documents, to wit:

> "A perusal of petitioner's Amended Annual ITR for FY 2016 shows that its gross income amounted to ₱190,088,152.00, computed as follows:

Net Sales/Revenues/Receipts/Fees	₱172,615,367.00
Add: Other Taxable Income Not Subjected to Final Tax	17,472,785.00
Total Income	190,088,152.00

> On the other hand, the withholding tax certificates reveal that the CWTs in the amount of ₱12,355,134.07 (against which the claimed amount of ₱11,968,655.00 was compared) was withheld on gross income payments of ₱94,143,379.31.
>
> The Court, however, is unable to verify whether the gross income payments of ₱94,143,379.31 indeed formed part of the gross income of ₱190,088,152.00 reported by petitioner in its Amended Annual ITR for FY 2016. It is noted that petitioner presented a Tax Recovery General Ledger Account and Project Performance Report for FY 2016 in an attempt to show that the income payments were declared in the Amended Annual ITR. Perusal of the Tax Recovery General Ledger Account, however, shows that no amount of income payment was reflected therein but only the amounts of CWTs sourced from FY 2016. Moreover, the Project Performance Report for FY 2016 does not indicate the name of petitioner's income payors, the amounts of income payment and the CWTs. These documents, taken together, were not sufficient to prove that the total income recorded per petitioner's books tallies with or were the same income that is reflected in its Amended Annual ITR for FY 2016."[2]

[2] CTA Docket, pp. 534-535.

In its Motion, petitioner admits that the Tax Recovery General Ledger Account[3] does not reflect the amount of income payment but only the amounts of CWTs sourced from Fiscal Year (FY) 2016, and that the Project Performance Reports (PPRs) for FYs 2014,[4] 2015,[5] and 2016[6] do not indicate the name of petitioner's income payors, the amounts of income payment and the CWTs.

Petitioner claims that a tracing procedure could be undertaken to determine how income payments received by petitioner are eventually reported as part of the gross income in its ITRs.

The Court has painstakingly reviewed the tracing procedure presented by petitioner and it can be summarized as follows:

(1) The income payment and withholding tax are determined from the individual BIR Forms No. 2307 or Certificates of Creditable Tax Withheld at Source (CWT Certificates).

(2) The amount of income payment is traced to an official receipt (OR) that bears an "Invoice No."

(3) The "Invoice No." is then traced to a billing invoice that states a certain project contract code (PCC).

(4) The PCC is then presented as a line item in the PPR.

Petitioner illustrated the foregoing tracing procedure using Exhibit "P-24" (BIR Form No. 2307) as an example, thus:

(1) The BIR Form No. 2307 indicates that petitioner received an income from Trans Aire Development Holdings Corp. during the period October 1, 2015 to December 31, 2015 in the amount of ₱1,866,336.04 with a corresponding withholding tax of ₱37,326.72.

(2) The income payment is then traced back to OR No. 0000856 bearing an invoice amount of ₱2,052,969.64 which is gross of value-added tax (VAT) and net of the 2% withholding tax. Adding the 2% withholding tax of ₱37,326.72 and deducting the VAT of ₱223,960.32 will result to an income payment amounting to ₱1,866,336.04 which tallies with the income

[3] Exhibit "P-163".
[4] Exhibits "P403" and "P-403-A".
[5] Exhibits "P402" and "P-402-A".
[6] Exhibits "P401" and "P-401-A".

payment reflected in BIR Form No. 2307. The OR indicates Invoice No. PH 15-034 as the source document.

(3) A quick look at Billing Invoice No. PH 15-034 (Exhibit "P-167") readily shows an amount due (VAT inclusive) of ₱2,727,200.00 and the PCC "MNLD13109WC".

(4) The Court then traced the PCC to the PPR.

The PPR for FY 2016 indeed presents the PCC "MNLD13109WC" as one of its line items. It shows that the Inception-to-Date Gross Revenue (ITD GR) or the gross revenue recognized for the entire duration of the project from its commencement to the date of the report already amounted to ₱19,145,756.00. Moreover, the PPR states that the Inception-to-Date Billing (ITD Billing) or the total amount of invoices billed by petitioner from the commencement of the project up to the date of the report already amounted to ₱17,111,205.00. According to petitioner, the ITD GR being greater than the ITD Billing means that any amount collected from the said billings already had a corresponding revenue recognition in petitioner's books. In other words, petitioner is saying that no billed amount has not been recognized in its books.

Applying petitioner's explanation to the above example, petitioner claims that the income payment of ₱1,866,336.04 formed part of the total ITD Billing of ₱17,111,205.00 which in turn was part of the ITD GR amounting to ₱19,145,756.00.

The Court is not convinced.

It should be noted that the amount reflected as ITD GR is the gross revenue recognized for the entire duration of the project from its commencement to the date of the report. Taking petitioner's example, this means that the amount of ₱19,145,756.00, of which petitioner claims that the income payment of ₱1,866,336.04 is part of, covers several years. As to how much of the ₱19,145,756.00 pertain to the income earned and reportable for FY 2016, the same was not shown.

First, the PPR does not indicate the Year-to-Date Gross Revenue (YTD GR) or the gross revenue recognized for the FY and the amount eventually reflected in the Audited Financial Statements (AFS) pertaining to the PCC "MNLD13109WC". Second, petitioner did not provide any breakdown of the ₱19,145,756.00 to show that indeed an income payment of ₱1,866,336.04 for FY 2016 was part of the former.

A perusal of the PPR for FY 2016 shows that for PCC "MNLD13109WC" a dash was reflected under the YTD GR column. This means that there is no gross revenue recognized for FY 2016 and such fact only leads to the reasonable conclusion that the ITD GR of ₱19,145,756.00 does not include any income earned in FY 2016. The income payment of ₱1,866,336.04 was not established to have formed part of the ITD GR of ₱19,145,756.00. Even assuming that the income payment of ₱1,866,336.04 was actually part of the ITD GR of ₱19,145,756.00, it does not negate the fact that no income for PCC "MNLD13190WC" was reported for FY 2016.

More importantly, petitioner still failed to show the total breakdown of the total income of ₱190,088,152.00 as declared in petitioner's Amended Annual ITR for FY 2016.[7] Consequently, the Court cannot verify whether the gross income payments of ₱94,143,379.31 on which the subject withholding taxes were made certainly formed part of the gross income of ₱190,088,152.00. The PPR for FY 2016 dedicated a column for YTD GR which supposedly represents the gross revenues recognized for the FY and the amount eventually reflected in the AFS. The PPR for FY 2016 shows that the total YTD GR for FY 2016 is only ₱169,004,612.00 which still does not match the gross income for FY 2016 amounting to ₱190,088,152.00 or at least the Net Sales/Revenues/Receipts/Fees amounting to ₱172,615,367.00 as reported in the AFS for FY 2016.

The discrepancy between the total amount of ₱169,004,612.00 reported in the YTD GR found in the PPR of 2016 and the Net Sales/Revenues/Receipts/Fees reflected in the AFS for FY 2016 amounting to ₱172,615,367.00 leaves doubt as to the veracity of the total income payments declared by petitioner.

At this point, it is apparent that the application of the tracing procedure presented by petitioner to the other income payments would yield the same result. Remarkably, petitioner already admitted that "the exact amount of income payment shown in BIR Forms No. 2307 cannot be matched to any single line item reported in the PPR."[8] Thus, even though the YTD GR amounted to ₱169,004,612.00, the admitted fact remains that the breakdown thereof does not match any of the income payments reflected in BIR Forms No. 2307 or CWTs.

Anent the timing difference allegedly caused by petitioner's use of the percentage of completion method of recognizing revenue, while Section 48 of the National Internal Revenue Code (NIRC) of 1997, as

[7] Exhibit "P-5", CTA Docket, pp. 429-436.
[8] Par. 24, Motion for Reconsideration, CTA Docket, p. 547.

amended, sanctions the use of said method, petitioner failed to point out the exact years when the respective incomes were reported. Notably, petitioner did not offer in evidence the AFS and Annual ITR of FYs other than that for 2016 and 2017 to show that the gross income in such other periods contained the timing difference being alleged.

Tax refunds or credits, just like tax exemptions, are strictly construed against the claimant, the latter has the burden to prove strict compliance with the conditions for the grant of the tax refund or credit.[9] The claimant should prove every minute aspect of its case by presenting, formally offering and submitting its evidence to Court.[10] Evidently, petitioner failed to discharge the burden of proof entitling it to the refund being claimed.

Considering the foregoing, the Court finds no cogent reason to reverse or modify the assailed Decision dated October 25, 2021.

WHEREFORE, premises considered, petitioner's **Motion for Reconsideration (Re: Decision Rendered on October 25, 2021)** is hereby **DENIED** for lack of merit.

SO ORDERED.

ROMAN G. DEL ROSARIO
Presiding Justice

WE CONCUR:

CATHERINE T. MANAHAN
Associate Justice

MARIAN IVY F. REYES-FAJARDO
Associate Justice

---

[9] *Applied Food Ingredients Company, Inc. vs. Commissioner of Internal Revenue*, G.R. No. 184266, November 11, 2013.
[10] *Atlas Consolidated Mining and Development Corporation vs. Commissioner of Internal Revenue*, G.R. No. 145526, March 16, 2007.