REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

FIRST DIVISION

TAKASAGO PHILIPPINES, INC.
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

C.T.A. CASE NO. 7825

Members:

ACOSTA, *PJ,*
UY, *and,*
FABON-VICTORINO, *JJ.*

Promulgated:
MAY 19 2011 ; 11:30am

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DECISION

ACOSTA, *PJ:*

Before the Court is a Petition for Review seeking for the issuance of a tax credit certificate in the amount of ELEVEN MILLION FOUR HUNDRED FORTY ONE THOUSAND EIGHT HUNDRED NINETY SEVEN PESOS AND ELEVEN CENTAVOS (P11,441,897.11), allegedly representing unutilized input VAT on petitioner's purchases attributable to effectively VAT zero-rated sales for the period covering the four (4) quarters of taxable year 2006.

THE FACTS

As stipulated by the parties in the Joint Stipulation of Facts and Issues and as borne by the records of this case, the following are the undisputed facts:

Petitioner is a domestic corporation duly registered with the Securities and Exchange Commission, and existing under and by virtue of Philippine law, with principal office or place of business located at 14th Floor, Oledan Square, 6788 Ayala Avenue, Makati City, Philippines.[1]

Respondent is the duly appointed Commissioner of Internal Revenue vested by law with power to decide, approve and grant claims for refund or tax credit of internal revenue taxes, and holds office at the Bureau of Internal Revenue (BIR) National Office Building, BIR/Agham Road, Diliman, Quezon City, where she may be served summons and other legal processes.[2]

Petitioner's primary business purpose is to provide general and specialty construction services and other allied business including structural, mechanical, electrical, and other design, construction, erection, installation, repair, and related services.[3]

Petitioner is a value-added tax (VAT) taxpayer registered with the Revenue District Office (RDO) No. 47 – East Makati of the BIR as such in accordance with Section 236 of the National Internal Revenue Code of 1997, as amended (Tax Code), with VAT Registration/Taxpayer Identification No. 003-982-236-000.[4]

For the period covering the 1st quarter of 2006 up to the 4th quarter of 2006, petitioner filed Monthly VAT Declarations (BIR Form No. 2550M) and Quarterly VAT Returns (BIR Form No. 2550Q) within the period provided under the Tax Code, and then subsequently filed Amended Monthly and Quarterly VAT Returns showing the following:

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[1] Par. 1, Joint Stipulation of Facts and Issues (JSFI), Rollo, p. 86.
[2] Par. 2, *Ibid*, pp. 86-87.
[3] Par. 3, *Id*, p. 87.
[4] Par. 4, *Id*.

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Period	Output VAT	Input VAT, Beginning	Input VAT, for the Quarter	Excess
1st Quarter	128,800.00	0.00	2,821,949.29	2,693,149.29
2nd Quarter	369,600.00	2,693,149.29	3,156,000.00	5,479,549.30
3rd Quarter	249,621.43	5,479,549.30	2,859,523.74	8,089,451.61
4th Quarter	55,202.77	8,089,451.61	3,407,648.27	11,441,897.11[5]

The rest and the bulk of petitioner's sales consist of services rendered to entities registered with the Philippine Economic Zone Authority (PEZA), which are among the persons or entities whose exemption under special laws effectively subjects the supply of such services to VAT at zero percent (0%) rate; hence, such sales are deemed effectively VAT zero-rated sales and, therefore, has zero output VAT.[6]

On March 31, 2008, Petitioner filed with RDO No. 47 – East Makati of the BIR administrative claim for issuance of a Tax Credit Certificate (TCC) for unutilized input VAT on purchases attributable to effectively VAT zero-rated sales for the period covering the 1st quarter 2006 up to the 4th quarter 2006 in the total amount of P11,441,897.11.[7]

To date, respondent has not yet acted with finality on petitioner's aforesaid administrative claim for tax refund.[8]

On July 25, 2008, thru registered mail received by the Court on August 26, 2008, petitioner filed the instant Petition for Review.[9]

On October 16, 2008, also thru registered mail received by the Court on October 28, 2008, respondent filed her Answer[10] raising the following special and affirmative defenses:

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[5] Par. 5, *Id.*
[6] Par 6, *Id*, p 88.
[7] Par. 7, *Id.*
[8] Par. 8, *Id.*
[9] Rollo, pp. 1-10.
[10] Rollo, pp. 18-19.

6. Assuming without admitting that petitioner filed a claim for refund, the same is subject to investigation by the Bureau of Internal Revenue;

7. Assuming without admitting that the petitioner is entitled to refund, the same will not hold true with respect to the 1st and 2nd quarters because it has already prescribed when the petition was filed;

8. Petitioner failed to demonstrate that the tax, which is the subject of this case, was erroneously or illegally collected;

9. Taxes paid and collected are presumed to have been made in accordance with the laws and regulations, hence, not refundable;

10. It is incumbent upon the petitioner to show that it has complied with the provisions of Section 204(C) in relation to Section 229 of the Tax Code, as amended, upon which its claim for refund is premised;

11. In an action for tax refund the burden is upon the taxpayer to prove that he is entitled thereto, and failure to discharge said burden is fatal to the claim *(Emmanuel & Zenaida Aguilar vs. Commissioner, CA-GR Sp. No. 16432, March 30,1990 cited in Aban, Law of Basic Taxation in the Philippines, 1st Edition, p. 206);*

12. Claims for refund are construed strictly against the claimant, the same partake the nature of exemption from taxation *(Commissioner of Internal Revenue vs. Ledesma, 31 SCRA 95)* and, as such, they are looked upon with disfavor (*Western Minolco Corp. vs. Commissioner of Internal Revenue, 124 SCRA 121*).

On April 1, 2009, the Court issued a Resolution[11] dismissing the Petition for Review for failure of petitioner to prosecute for an unreasonable length of time, pursuant to Section 3, Rule 17 of the Revised Rules of Court. On April 30, 2009, petitioner filed a Motion for Reconsideration[12] of said Resolution. The Court granted the said Motion in a Resolution[13] dated May 28, 2009 and allowed petitioner to present its evidence.

During trial, the petitioner presented its testimonial and documentary evidence in support of its position. On the other hand, respondent's counsel, in the hearing of April 6, 2010, manifested that he is submitting the case for the resolution of the Court since the examiner handling the

[11] Rollo, p. 57.
[12] Rollo, pp. 61-74.
[13] Rollo, pp. 81-83.

investigation of petitioner's claim was transferred to another district and that there is still no report of investigation.[14]

The Court granted the parties thirty (30) days from April 6, 2010 or until May 6, 2010 within which to file their respective Memorandum, and thereafter, the case shall be submitted for decision.

Respondent filed her Memorandum on April 20, 2010[15] while petitioner did not submit any Memorandum.

On May 26, 2010, the Court issued a Resolution[16] submitting the case for decision *sans* any Memorandum from petitioner.

THE ISSUES

By agreement of the parties, the issues[17] to be tried and resolved in this case are the following:

1. Whether or not petitioner's claim for issuance of a TCC for unutilized input VAT on purchases attributable to effectively VAT zero-rated sales for the period covering the 1st quarter 2006 up to the 4th quarter 2006 in the total amount of P11,441,897.11 was filed within the two (2)-year prescriptive period for filing claims for tax refunds or credits.

2. Whether or not the purchases on which the above input VAT being claimed were paid (and) were attributable to effectively VAT zero-rated sales of petitioner.

3. Whether or not petitioner's input VAT being claimed were duly substantiated with documents.

[14] Minutes of the Hearing of April 6, 2010.
[15] Rollo, pp. 199-213.
[16] Rollo, p. 215.
[17] Stipulated Issues to be Tried or Resolved, JSFI, Rollo, pp. 88-89.

THE DECISION OF THE COURT

In summary, the issues of the parties boil down on whether or not petitioner is entitled to an issuance of a tax credit certificate in the amount of P11,44,897.11, representing input VAT on purchases attributable to effectively VAT zero-rated sales for the period covering the 1st to 4th quarters of 2006.

It is petitioner's aversion that it has complied with all the legal requirements prescribed in claiming a refund or an issuance of a tax credit certificate for its unutilized input VAT on its purchases attributable to zero-rated sales for the 1st to 4th quarters of 2006.

On the other hand, respondent posited that the judicial claim for the issuance of tax credit certificate was filed out of time after petitioner failed to file a portion of the administrative claim within two (2) years from the close of the taxable quarters. Further, respondent avers that petitioner has failed to comply with the substantiation requirements, such as but not limited to, failure to indicate the TIN, name and address of purchaser in the receipts, submission of receipts and invoices without the "zero-rated" imprint and others, in violation of Section 113(B) of the 1997 NIRC, as amended.

After a thorough review of the records of the case, the Court finds that petitioner's claim for issuance of a tax credit certificate is partially justified.

It is pertinent to quote Section 112 of the 1997 NIRC, as amended by Republic Act (RA) No. 9337, which lays down the requisites for refunds or tax credits of input tax due or paid attributable to zero-rated or effectively zero-rated sales, viz:

> "SEC. 112. *Refunds or Tax Credits of Input Tax.* -
>
> "(A) *Zero-Rated or Effectively Zero-Rated Sales.* - Any VAT-registered person, whose sales are zero-rated or effectively zero-

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> rated may, within two (2) years after the close of the taxable quarter when the sales were made, apply for the issuance of a tax credit certificate or refund of creditable input tax due or paid attributable to such sales, except transitional input tax, to the extent that such input tax has not been applied against output tax: *Provided, however,* That in the case of zero-rated sales under Section 106(A)(2)(a)(1), (2) and (b) and Section 108 (B)(1) and (2), the acceptable foreign currency exchange proceeds thereof had been duly accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP): *Provided, further,* That where the taxpayer is engaged in zero-rated or effectively zero-rated sale and also in taxable or exempt sale of goods or properties or services, and the amount of creditable input tax due or paid cannot be directly and entirely attributed to any one of the transactions, it shall be allocated proportionately on the basis of the volume of sales: *Provided, finally,* That for a person making sales that are zero-rated under Section 108 (B)(6), the input taxes shall be allocated ratably between his zero-rated and non-zero-rated sales.

In other words, to be entitled to the issuance of a tax credit certificate, petitioner should comply with the following requisites:

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

Before resolving the first four issues, it is pivotal to determine, first and foremost, whether the Court has jurisdiction to rule on herein case. The Court, therefore, opts to rule on the fifth requisite first.

Reckoning of the Period to File A Claim for Refund of Input Taxes

As previously laid down, the application for refund or tax credits over input taxes is governed by Section 112 of the 1997 NIRC, as amended by RA No. 9337.

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It is noteworthy that Section 112(A) of the 1997 NIRC, as amended, specifically provides the reckoning of the two-year period for filing a claim for refund/tax credit over input taxes to be the close of the taxable quarter when the sales were made.

In the recent case of *Commissioner of Internal Revenue vs. Aichi Forging Company of Asia, Inc.*[18] (Aichi Forging Case), the Supreme Court applied the case of *Commissioner of Internal Revenue vs. Mirant Pagbilao Corporation*[19] (Mirant Case) wherein it was ruled that the two-year period to file a refund for input tax arising from zero-rated sales should be reckoned from the close of the taxable quarter when the sales were made, *viz*:

> The pivotal question of when to reckon the running of the two-year prescriptive period, however, has already been resolved in *Commissioner of Internal Revenue v. Mirant Pagbilao Corporation,* **where we ruled that Section 112(A) of the NIRC is the applicable provision in determining the start of the two-year period for claiming a refund/credit of unutilized input VAT,** and that Sections 204(C) and 229 of the NIRC are inapplicable as "both provisions apply only to instances of erroneous payment or illegal collection of internal revenue taxes." We explained that:
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>> The above proviso [Section 112 (A) of the NIRC] clearly provides in no uncertain terms that **unutilized input VAT payments not otherwise used for any internal revenue tax due the taxpayer must be claimed within two years reckoned from the close of the taxable quarter when the relevant sales were made pertaining to the input VAT regardless of whether said tax was paid or not.** As the CA aptly puts it, albeit it erroneously applied the aforequoted Sec. 112 (A), "[P]rescriptive period commences from the close of the taxable quarter when the sales were made and not from the time the input VAT was paid nor from the time the official receipt was issued." Thus, when a zero-rated VAT taxpayer pays its input VAT a year after the pertinent transaction, said taxpayer only has a year to file a claim for refund or tax credit of the unutilized creditable input VAT. The reckoning frame would always be the end of the quarter when the pertinent sales or transaction was made, regardless when the input VAT was paid. Be that as it may, and given that the last creditable input VAT due for the period covering the progress billing of September 6, 1996 is the third quarter of 1996 ending on September 30, 1996, any claim for unutilized creditable input VAT refund or tax credit for said quarter prescribed two years after September 30, 1996 or, to be precise, on September 30, 1998. Consequently, MPC's claim for refund or tax credit filed on December 10, 1999 had already prescribed.

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[18] GR No. 184823, October 6, 2010.
[19] GR No. 172129, September 12, 2008.

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> In view of the foregoing, we find that the CTA *En Banc* erroneously applied Sections 114(A) and 229 of the NIRC in computing the two-year prescriptive period for claiming refund/credit of unutilized input VAT. **To be clear, Section 112 of the NIRC is the pertinent provision for the refund/credit of input VAT. Thus, the two-year period should be reckoned from the close of the taxable quarter when the sales were made.**

Thus, it is clear that the reckoning of the two year period on claims for refunds/credit for input tax on zero-rated sales should be from the close of the taxable quarter when the sales were made.

Petitioner believes otherwise and argues that the two-year prescriptive period provided in Section 112(A) of the 1997 NIRC, as amended, should be reckoned from the filing of the corresponding Quarterly VAT Return as held in the case of *Atlas Consolidated Mining and Development Corporation vs. CIR*[20] (Atlas Case). Such argument is bereft of merit.

It must be emphasized that the ruling in the Atlas Case is only applicable to cases before the effectivity of the 1997 NIRC, which took effect on January 1, 1998. It is worth mentioning that in the Atlas Case, the involved subject of refund/credit was on the excess input VAT on purchases of capital goods and zero-rated sales in the taxable quarters of 1990 and 1992. Thus, the same was decided using the pertinent provision of the 1977 NIRC.

On the other hand, the Mirant Case involves transactions covering excess input VAT for the second quarter of 1998. Thus, the provisions of the 1997 NIRC were correctly applied by the Supreme Court.

Considering that in this instant case the subject of the claim is for the 1st to 4th quarters of taxable year 2006, the more fitting interpretation, therefore, is the Mirant Case which used as basis the 1997 NIRC.

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[20] GR No. 141104 and 148763, June 8, 2007.

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The Period to File the Administrative Claim and Judicial Claim for Refund of Input Taxes

It is worthy to note that the Supreme Court, in the same *Aichi Forging Case*, applied Section 112(A) in ascertaining whether the taxpayer timely filed its administrative claim for refund and Section 112(D) in determining the timely filing of the judicial claim with the CTA. Section 112(D) (now, Section 112(C) of RA No. 9337) reads as follows:

> "(C) *Period within which Refund or Tax Credit of Input Taxes shall be Made.* - In proper cases, the Commissioner shall grant a refund or issue the tax credit certificate for creditable input taxes **within one hundred twenty (120) days from the date of submission of complete documents in support of the application filed in accordance with Subsection (A) hereof**.
>
> "In case of full or partial denial of the claim for tax refund or tax credit, or the failure on the part of the Commissioner to act on the application within the period prescribed above, the taxpayer affected **may, within thirty (30) days from the receipt of the decision denying the claim or after the expiration of the one hundred twenty day-period, appeal the decision or the unacted claim with the Court of Tax Appeals.**

The disquision in the *Aichi Forging Case* significantly explained that the phrase "within two (2) years x x x apply for the issuance of a tax credit certificate or refund" refer to applications for refund/credit filed with the CIR and not to appeals made to the CTA. Moreover, in the same case, it was ruled that the failure to await the decision of the CIR or the lapse of the 120-day period prescribed in Section 112(D) amounts to a premature filing which is crucial in filing an appeal with the CTA, *to wit*:

> In this case, the administrative and the judicial claims were simultaneously filed on September 30, 2004. **Obviously, respondent did not wait for the decision of the CIR or the lapse of the 120-day period. For this reason, we find the filing of the judicial claim with the CTA premature.**

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> Respondent's assertion that the non-observance of the 120-day period is not fatal to the filing of a judicial claim as long as both the administrative and the judicial claims are filed within the two-year prescriptive period has no legal basis.
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> There is nothing in Section 112 of the NIRC to support respondent's view. Subsection (A) of the said provision states that "any VAT-registered person, whose sales are zero-rated or effectively zero-rated may, within two years after the close of the taxable quarter when the sales were made, apply for the issuance of a tax credit certificate or refund of creditable input tax due or paid attributable to such sales." **The phrase "within two (2) years x x x apply for the issuance of a tax credit certificate or refund" refers to applications for refund/credit filed with the CIR and not to appeals made to the CTA.** This is apparent in the first paragraph of subsection (D) of the same provision, which states that the CIR has "120 days from the submission of complete documents in support of the application filed in accordance with Subsections (A) and (B)" within which to decide on the claim.
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> In fact, applying the two-year period to judicial claims would render nugatory Section 112(D) of the NIRC, which already provides for a specific period within which a taxpayer should appeal the decision or inaction of the CIR. **The second paragraph of Section 112(D) of the NIRC envisions two scenarios: (1) when a decision is issued by the CIR before the lapse of the 120-day period; and (2) when no decision is made after the 120-day period. <u>In both instances, the taxpayer has 30 days within which to file an appeal with the CTA. As we see it then, the 120-day period is crucial in filing an appeal with the CTA.</u>**

In other words, the claim for refund/credit must be filed with the CIR within 2 years reckoned from the close of the taxable quarter when the relevant zero-rated sales were made. As to the filing with the CTA, the claim for refund/credit must be filed within thirty (30) days from the receipt of the decision of the CIR or after the expiration of the 120 day period provided for the CIR to act on the claim. The failure of the taxpayer to await for the decision of the CIR or the lapse of the 120 day period amounts to premature filing of the judicial claim.

<u>Applying Sections 112(A) & (D) of the 1997 NIRC, as amended, to herein case</u>

The present claim pertains to input VAT on zero-rated sales incurred for the period of 1st to 4th quarters of 2006. Petitioner had until the following dates to file its claim for the issuance of tax credit certificate on:

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Period Covered (2006)	End of the Two-Year Period	Filing Date of Administrative Claim with the BIR	Last Day of the 120-day Period Within Which to File a Petition for Review with CTA	Filing Date of the Judicial Claim with CTA
1st Quarter	March 31, 2008	March 31, 2008	July 29, 2008	July 25, 2008
2nd Quarter	June 30, 2008	March 31, 2008	July 29, 2008	July 25, 2008
3rd Quarter	September 30, 2008	March 31, 2008	July 29, 2008	July 25, 2008
4th Quarter	December 31,2008	March 31, 2008	July 29, 2008	July 25, 2008

Records reveal that petitioner timely filed on March 31, 2008 its administrative claim for refund in the amount of P11,441,897.11, allegedly representing the unutilized input VAT arising from its purchases attributable to effectively zero-rated sales for the four quarters of 2006.

However, it appears that petitioner's judicial filing with the Court is premature. Petitioner filed its judicial claim on July 25, 2008, three (3) days ahead of the end of the 120 day period provided in Section 112(C) of the 1997 NIRC, as amended.

Accordingly, petitioner's premature filing of its judicial claim is a violation of the doctrine of exhaustion of administrative remedies.

It is already well settled that non-exhaustion of administrative remedies is not jurisdictional. It only renders the action premature, *i.e.*, the claimed cause of action is not ripe for judicial determination and for that reason a party has no cause of action to ventilate in court.[21] The premature invocation of court's intervention is fatal to one's cause of action. Accordingly, absent any finding of waiver or *estoppel,* the case is susceptible of dismissal for lack of cause of action.[22]

Finding that respondent failed to ventilate the prematurity of petitioner's judicial filing and lack of cause of action in her Answer, respondent is considered to have waived said defense. Petitioner's judicial claim for its

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[21] *Carale vs. Abarintos*, GR No. 120704, March 3, 1997.
[22] *Paat vs. Court of Appeals*, GR No. 111107, January 10, 1997; 266 SCRA 167, pp. 175-177.

alleged unutilized input VAT arising from purchases attributable to zero-rated sales for the 1st to 4th quarters of 2006 is therefore cognizable by the Court.

The Court shall now proceed to determine petitioner's compliance with the other requisites.

Anent the first requisite, petitioner claims that the services it rendered to PEZA-registered enterprises qualifies as zero-rated VAT transactions under Section 108(B)(3) of the 1997 NIRC, as amended, and Section 3 of Revenue Memorandum Circular (RMC) No. 74-99, which, respectively, provides:

> **"SEC. 108. Value-added Tax on Sale of Services and Use or Lease of Properties. —**
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> xxx xxx xxx
>
> "(B) Transactions Subject to Zero Percent (0%) Rate. — The following services performed in the Philippines by VAT-registered persons shall be subject to zero percent (0%) rate:
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> xxx xxx xxx
>
> "(3) Services rendered to persons or entities whose exemption under special laws or international agreements to which the Philippines is a signatory effectively subjects the supply of such services to zero percent (0%) rate;
>
> **Revenue Memorandum Circular No. 74-99**
>
> **"SECTION 3. Tax Treatment of Sales Made by a VAT Registered Supplier from the Customs Territory, to a PEZA Registered Enterprise. —**
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> xxx xxx xxx
>
> 3. In the final analysis, any sale of goods, property or services made by a VAT registered supplier from the Customs Territory to any registered enterprise operating in the ecozone, regardless of the class or type of the latter's PEZA registration, is actually qualified and thus legally entitled to the zero percent (0%) VAT. Accordingly, all sales of goods or property to such enterprise made by a VAT registered supplier from the Customs Territory shall be treated subject to 0% VAT, pursuant to Sec. 106(A)(2)(a)(5), NIRC, in relation to ART. 77(2) of the Omnibus Investments

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> Code, while all sales of services to the said enterprises, made by VAT registered suppliers from the Customs Territory, shall be treated effectively subject to the 0% VAT, pursuant to Section 108(B)(3), NIRC, in relation to the provisions of R.A. 7916 and the 'Cross Border Doctrine' of the VAT system.
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> This Circular shall serve as a sufficient basis to entitle such supplier of goods, property or services to the benefit of the zero percent (0%) VAT for sales made to the aforementioned ECOZONE enterprises and shall serve as sufficient compliance to the requirement for prior approval of zero-rating imposed by Revenue Regulations No. 7-95 effective as of the date of the issuance of this Circular." (Emphasis supplied)

Pertinent is the case of *Commissioner of Internal Revenue vs. Toshiba Information Equipment (Phils), Inc.*[23], wherein it was laid down by the Supreme Court that sales to a PEZA-registered entity is an export sale, thus considered zero-rated, *viz*:

> "Section 8 of Rep. Act No. 7916, as amended, mandates that the PEZA shall manage and operate the ECOZONES as a separate customs territory; thus, creating the fiction that the ECOZONE is a foreign territory. As a result, sales made by a supplier in the Customs Territory to a purchaser in the ECOZONE shall be treated as an exportation from the Customs Territory. Conversely, sales made by a supplier from the ECOZONE to a purchaser in the Customs Territory shall be considered as an importation into the Customs Territory.
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> Given the preceding discussion, what would be the VAT implication of sales made by a supplier from the Customs Territory to an ECOZONE enterprise?
>
> The Philippine VAT system adheres to the Cross Border Doctrine, according to which, no VAT shall be imposed to form part of the cost of goods destined for consumption outside of the territorial border of the taxing authority. **Hence, actual export of goods and services from the Philippines to a foreign country must be free of VAT; while, those destined for use or consumption within the Philippines shall be imposed with ten percent (10%) VAT."** (Emphasis given)

It is clear, therefore, that sales made by VAT-registered entities, such as petitioner, to PEZA-registered enterprises operating within a special economic zone (Ecozone) qualify as VAT zero-rated transactions.

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[23] G.R. No. 150154, August 9, 2005.

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Furthermore, petitioner must substantiate its alleged zero-rated sales in accordance with Section 113 of the 1997 NIRC, as amended, together with the requirements set forth in Section 4.113-1 of RR No. 16-05 which enumerates the information needed to appear on the face of the receipts or invoices issued for the sale of goods and services by all VAT-registered persons, to *wit*:

SECTION 4.113-1. Invoicing Requirements. —

(A) A VAT-registered person shall issue: —

(1) A VAT invoice for every sale, barter or exchange of goods or properties; and
(2) A VAT official receipt for every lease of goods or properties, and for every sale, barter or exchange of services.
Only VAT-registered persons are required to print their TIN followed by the word "VAT" in their invoice or official receipts. Said documents shall be considered as a "VAT Invoice" or VAT official receipt. All purchases covered by invoices/receipts other than VAT Invoice/VAT Official Receipt shall not give rise to any input tax.
VAT invoice/official receipt shall be prepared at least in duplicate, the original to be given to the buyer and the duplicate to be retained by the seller as part of his accounting records.

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

(1) A statement that the seller is a VAT-registered person, followed by his TIN;
(2) The total amount which the purchaser pays or is obligated to pay to the seller with the indication that such amount includes the VAT; Provided, That:
(a) The amount of tax shall be shown as a separate item in the invoice or receipt;
(b) If the sale is exempt from VAT, the term "VAT-exempt sale" shall be written or printed prominently on the invoice or receipt;
(c) If the sale is subject to zero percent (0%) VAT, the term "zero-rated sale" shall be written or printed prominently on the invoice or receipt;
(d) If the sale involves goods, properties or services some of which are subject to and some of which are VAT zero-rated or VAT-exempt, the invoice or receipt shall clearly indicate the break-down of the sale price between its taxable, exempt and zero-rated components, and the calculation of the VAT on each portion of the sale shall be shown on the invoice or receipt. The seller has the option to issue separate invoices or receipts for the taxable, exempt, and zero-rated components of the sale.
(3) In the case of sales in the amount of one thousand pesos (P1,000.00) or more where the sale or transfer is made to a VAT-registered person, the name, business style, if any, address and TIN of the purchaser, customer or client, shall be indicated in addition to the information required in (1) and (2) of this Section.

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In support of its sales to PEZA-registered enterprises, petitioner presented various documents to prove its reported zero-rated sales of services for the year 2006 such as the report of the Court-commissioned Independent Certified Public Accountant (ICPA)[24]; Summary of Sales per Relief for Calendar Year 2006[25]; petitioner's Invoices and Official Receipts issued to its customers pertaining to its VAT zero-rated sales[26]; 1st to 4th Quarterly VAT Returns for 2006[27]; Summary List of Purchases for the 1st to 4th quarters of 2006[28]; Suppliers Invoices and Official receipts[29]; Certification from PEZA confirming VAT-zero rating certificates issued to various customer-enterprises[30]; and BIR-approved application for VAT-zero rating of various customer-enterprises[31].

Respondent argued that considering the final report of the Court-commissioned ICPA dated August 18, 2009 reduced the amount of claim from P11,441,897.11 to P9,782,776.10 because of disallowances due to omission or negligence on the part of the petitioner's suppliers in inputting the TIN, name and address on the invoices, the further act of the petitioner of sending back the invoices to rectify the mistakes is improper.

The Court would not belabor Itself in judging the act of petitioner in sending back the invoices to rectify the mistakes in the alleged invoices after the Court-commissioned ICPA already submitted his supplementary report[32] on September 8, 2009 attaching the already examined, verified and corrected invoices. Notably, the supplementary report was not objected to by the respondent when it was formally offered by petitioner nor was there any objection on the part of the respondent when it was being presented as evidence. The Court cannot just take a blind eye on the supplemental report and the correct invoices as they were presented unopposed during trial and was formally offered and accepted by the Court.

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[24] Exhibits "N" and "N-10".
[25] Exhibit "N-7".
[26] Exhibits "1054" to "1287".
[27] Exhibits "A" to "E".
[28] Exhibits "N-5" to "N-5-12".
[29] Exhibits "1" to "1053" and Exhibits "2000" to "2198".
[30] Exhibit "N-8".
[31] Exhibits "N-8-1" to "N-8-9".
[32] Exhibit "N-10".

After a thorough examination and verification of the documentary evidence presented by petitioner, the Court-commissioned ICPA, Mr. Richard D. Go, noted that petitioner generated gross receipts from its services rendered to PEZA-registered enterprises in the total amount of P158,824,768.83[33] covering the period of January 1, 2006 to December 31, 2006 and duly supported by VAT invoices and official receipts[34]. However, as correctly pointed out by the Court-commissioned ICPA, the amount of P116,748.00[35] of the said gross receipts from PEZA registered enterprises was not reported in the petitioner's Quarterly VAT Returns for 2006. Therefore, petitioner's gross receipts in its Quarterly VAT Return in the total amount of P158,708,020.83[36] is the only amount which qualifies for zero percent VAT and which petitioner may claim as a refund / tax credit, proportionate to the amount of unutilized excess input VAT attributable thereto in accordance with Section 112 of the NIRC of 1997, as amended.

It is noteworthy that petitioner alleged that it has a total input VAT of P12,245,121.31[37] from which it claims a refund for its unutilized input VAT for the 1st to 4th Quarters of 2006 in the amount of P11,441,890.11. The Court-commissioned ICPA, in his Supplemental Report[38] and Judicial Affidavit[39], however, noted the following exceptions and observations as far as the total claimed amount of unutilized input taxes is concerned:

Item	Nature	Exhibit	Amount
1.	Input VAT on purchase of goods and services supported by sales invoices/official receipts where the TIN No. or address of Takasago Philippines, Inc. is not indicated	N-10-2	712,002.54
2.	Input Vat on purchase of goods and services where Input VAT was erroneously computed	N-9-6	423,886.17

[33] Exhibit "N-7".
[34] Exhibits "1054" to "1287".
[35] Exhibit "N-7".
[36] Line 17 of Exhibits "A" to "D".
[37] Par. 5, p. 2, Petition for Review.
[38] Exhibit "N-10".
[39] Exhibit "P".

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3.	Input VAT on purchase of goods and services without original supporting documents	N-9-4	43,957.33
4.	Input VAT on purchase of goods and services supported by sales invoices/official receipts which are beyond the period of claim	N-9-7	41,347.20
5.	Input VAT on purchase of goods and services supported by sales invoices/official receipts not under the name of the company	N-9-5	34,527.46
6.	Input VAT on purchase of goods and services supported by documents where the amount of input VAT is not shown separately	N-9-2	20,227.43
7.	Input VAT on purchase of goods and services supported by sales invoices/official receipts with no indicated Tax Identification Number (TIN) of supplier	N-9-1	3,832.00
Disallowed input VAT claims before allocation			1,279,780.13
8.	Difference between allocated input VAT and actual input VAT utilized/applied on output VAT on vatable sales	N-10-1	379,340.88
Total disallowed input VAT claims			**P1,659,121.01**

Furthermore, after a thorough verification and examination of the records, the Court found the additional amount of P2,332,841.28 of the input taxes claimed must be disapproved for failure to properly document the same, to wit:

	Findings[40]	**Input VAT**
Annex A	Input VAT on purchase of goods and services supported by sales invoices/official receipts where the TIN No. or address of Takasago Philippines, Inc. is not indicated	528,956.85
Annex B	Input Vat on purchase of goods and services where Input VAT was erroneously computed	265,252.93
Annex C	Input VAT on purchase of goods and services without original supporting documents	25,443.21
Annex D	Input VAT on purchase of goods and services supported by sales invoices/official receipts which are beyond the period of claim	1,180,010.36
Annex E	Input VAT on purchase of goods and services supported by documents where the amount of input VAT is not shown separately	306,177.93
Annex F	Input VAT on purchase of goods and services supported by sales invoices/official receipts with No BIR Authority to print	27,000.00
TOTAL		**P2,332,841.28**

[40] See Annex Report.

Thus, of the total input VAT of P12,245,121.31, only the input VAT of P8,632,499.90 was properly substantiated in accordance with the invoicing requirements under 113(A) of the NIRC of 1997. Hence, to illustrate:

	Input Taxes Claimed Per Summary List (A)	Disallowed Input VAT Per ICPA (B)	Additional Disallowance of Input VAT Per Verification of this court (C)	Substantiated Input VAT [(A)-(B)-C)]
Jan	609,449.61	82,550.51	87,172.73	439,726.37
Feb	982,311.86	376,501.16	141,401.93	464,408.77
Mar	1,230,187.82	196,237.39	311,985.57	721,964.86
1st Qtr	**2,821,949.29**	**655,289.06**	**540,560.23**	**1,626,100.00**
April	817,158.28	53,574.59	189,791.97	573,791.72
May	1,294,535.73	68,838.52	190,104.85	1,035,592.36
June	1,044,306.00	151,871.90	149,255.79	743,178.31
2nd Qtr	**3,156,000.01**	**274,285.01**	**529,152.61**	**2,352,562.39**
July	681,261.44	51,744.16	73,244.05	556,273.23
August	903,810.51	47,590.65	251,019.03	605,200.83
Sept	1,274,451.79	31,590.72	483,036.07	759,825.00
3rd Qrt	**2,859,523.74**	**130,925.53**	**807,299.15**	**1,921,299.06**
Oct	899,062.78	20,479.89	170,732.57	707,850.32
Nov	1,572,756.63	101,568.51	188,135.00	1,283,053.12
Dec	935,828.86	97,232.13	96,961.72	741,635.01
4th Qtr	**3,407,648.27**	**219,280.53**	**455,829.29**	**2,732,538.45**
Total	**12,245,121.31**	**1,279,780.13**	**2,332,841.28**	**8,632,499.90**

As to the third requisite, considering that petitioner is engaged in both zero-rated sales and other taxable sales, its substantiated input tax cannot automatically be directly or entirely attributed to any of the transactions. The Court, therefore, shall allocate the refundable amount of input tax proportionately to its zero-rated sales on the basis of its volume of sales.

Period Covered 2006	Zero Rated Sales (A)	VAT Sales (B)	Total Sales [C=(A+B)]	Substantiated Input tax (D)	Input Tax Attributable to Zero-rated Sales [(A/C)x(D)]	Input Tax Attributable to VAT Sales [(B/C)x(D)]	Output VAT
1st qrtr	41,563,448.13	1,288,000.00	42,851,448.13	1,626,100.00	1,577,223.78	48,876.22	128,800.00
2nd qtr	48,881,052.37	3,080,000.00	51,961,052.37	2,352,562.39	2,213,113.86	139,448.53	369,600.00
3rd qtr	38,507,578.40	2,080,178.58	40,587,756.98	1,921,299.06	1,822,829.83	98,469.23	249,621.43
4th qtr	29,755,941.93	460,023.01	30,215,964.94	2,732,538.45	2,690,936.91	41,601.54	55,202.76
	158,708,020.83	**6,908,201.59**	**165,616,222.42**	**8,632,499.90**	**8,304,104.39**	**328,395.51**	**803,224.19**

Since petitioner's input tax allocated to taxable sales in the amount of P328,395.51 will not entirely cover its output tax liability of P803,224.19, petitioner has an output tax payable amounting to P474,828.68 which must be applied against its substantiated claimed input tax allocated to zero-rated sales resulting to a refundable excess input tax of only P7,829,275.71, computed as follows:

Substantiated Input VAT allocated to zero-rated sales	P 8,304,104.39
Less: Output VAT payable	474,828.68
Refundable Input VAT attributable to zero-rated sales	**P7,829,275.71**

Finally as to the fourth requisite, the Court found petitioner's excess input VAT for the 1st Quarter to 4th Quarter of 2006 was not utilized against the output VAT in the succeeding quarters. The above input VAT on purchases has not been applied nor credited against any output VAT and was already removed in the Quarterly VAT Return for the fourth quarter of 2006. The petitioner presented in evidence its Quarterly VAT Returns for the first[41], second[42], third[43] and fourth[44] quarters of 2007 and the first[45], second[46] and third[47] quarters of 2008 to prove that it remains unutilized to date.

[41] Exhibits "E".
[42] Exhibits "F".
[43] Exhibits "G".

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In sum, therefore, the Court finds petitioner entitled to its claim for the issuance of tax credit certificate in the reduced amount of **P7,829,275.71**, representing unutilized input VAT on petitioner's purchases attributable to effectively VAT zero-rated sales for the period covering the four (4) quarters of taxable year 2006.

WHEREFORE, the instant Petition for Review is hereby **PARTIALLY GRANTED.** Accordingly, respondent is hereby **ORDERED** to **ISSUE A TAX CREDIT CERTIFICATE** to petitioner in the reduced amount of **SEVEN MILLION EIGHT HUNDRED TWENTY NINE THOUSAND TWO HUNDRED SEVENTY FIVE PESOS AND 71/100 CENTAVOS** (**P7,829,275.71**), representing unutilized input VAT attributable to effectively VAT zero-rated sales for the period covering the four (4) quarters of taxable year 2006.

SO ORDERED.

ERNESTO D. ACOSTA
Presiding Justice

WE CONCUR:

(With Concurring and Dissenting Opinion)
ERLINDA P. UY
Associate Justice

ESPERANZA R. FABON-VICTORINO
Associate Justice

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[44] Exhibits "H" .
[45] Exhibits "I".
[46] Exhibits "J".
[47] Exhibits "K".

CERTIFICATION

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

ERNESTO D. ACOSTA
Presiding Justice
Chairperson, First Division

TAKASAGO PHILIPPINES INC.
INPUT VAT ON PURCHASE OF GOODS OR SERVICES SUPPORTED BY SALES INVOICES/OFFICIAL RECEIPTS WHERE THE TIN NO. OR ADDRESS OF TAKASAGO INC. IS NOT INDICATED

Exhibit			OR No.	OR DATE	INPUT VAT
1	002-246-630	ACA Pacific Inc.	4229	1/3/2006	13,636.36
2	002-246-630	ACA Pacific Inc.	4410	2/10/2006	9,636.36
3	200-512-491	Concepcion Carrier Airconditioning	38774	4/25/2006	41,400.00
95	206-766-972	Sherry Joy Enterprises	4202	2/17/2006	1,612.50
96	206-766-972	Sherry Joy Enterprises	4203	2/10/2006	1,071.43
155	183-952-385	ACL Industrial sales	5251	2/4/2008	3,540.00
156	183-952-385	ACL Industrial sales	5251	2/6/2008	2,760.00
157	183-952-385	ACL Industrial sales	5251	2/6/2008	3,480.00
166	200-512-491	Concepcion Carrier Airconditioning	38767	4/19/2006	6,600.00
222	003-829-148	Ant Industrial Works	2131	4/7/2006	24,696.00
229	203-739-786	Beta Tech Power Corp	353	3/10/2006	16,200.00
230	203-739-786	Beta Tech Power Corp	352	3/4/2006	3,182.14
232	172-668-365	CE Contrans	374	3/17/2006	1,928.57
233	213-000-717	Cummins Sales and Service Phils.	10571	3/10/2006	4,783.93
236	222-342-27	Daca Manpower Services	157	3/15/2006	18,562.50
237	222-342-27	Daca Manpower Services	157	3/15/2006	3,480.00
241	207-238-164	El Mar Fuente Services Corp.	615	3/15/2006	18,600.00
247	226-230-106	Kruger M E Industries Corp.			1,060.71
293	180-407-836	B and A Trading	5011	4/17/2006	5,700.96
297	203-739-786	Beta Tech Power Corp	361	4/7/2006	3,214.29
512	002-246-630	ACA Pacific Phils Inc.	4899	6/30/2006	2,400.00
589	003-839-795	Uniforge Integrated steel corp.	1049	6/15/2006	4,020.00
613	203-739-786	Beta Tech Power Corp.	382	7/17/2006	1,071.43
614	203-739-786	Beta Tech Power Corp.	382	7/17/2006	252.00
615	203-739-786	Beta Tech Power Corp.	382	7/17/2006	16,200.00
624	000-451-549	Eastern Telecoms	E326618	8/11/2006	1,056.00
657	000-500-185	Solid Gold Realty Corp.	37811	7/11/2006	10,657.20
659	203-981-079	Strellan Trade and Systems Inc.	788	7/17/2006	13,435.71
695	203-739-786	Beta Tech Power Corp.	387	8/15/2006	16,200.00
708	226-230-106	Kruger ME Industries Corp	349	8/15/2006	7,200.00
709	226-230-106	Kruger ME Industries Corp	349	8/15/2006	4,200.00
682	203-715-746	Systems XI Inc.	517	8/15/2006	1,414.29
683	203-715-746	Systems XI Inc.	517	8/15/2006	4,872.00
684	203-715-746	Systems XI Inc.	517	8/15/2006	1,339.31
748	000-845-159	Delta Hardware Inc.	25286	9/1/2006	133,200.00
762	206-766-972	Sherry Joy Enterprises	4205	9/15/2006	578.57
763	206-766-972	Sherry Joy Enterprises	4206	9/1/2006	932.14
790	215-865-895	HA Pastor Construction Corp.	1488	9/12/2006	90,000.00
838	172-668-365	Asian Container Sales expert	81	10/31/2006	1,928.57
842	203-739-786	Beta Tech Power Corp.	399	10/16/2006	5,400.00
843	203-739-786	Beta Tech Power Corp.	399	10/16/2006	6,600.00
844	203-739-786	Beta Tech Power Corp.	399	10/16/2006	1,440.00
946	004-711-490	Kinden Phils Inc.	4100	11/15/2006	14,715.00
951	112-432-978	Metronics Calibration Services	564	12/6/2006	1,800.00
1005	206-766-972	Sherry Joy Enterprises	4204	12/15/2006	1,242.86
1030	000-169-061	Philippine Insulation Co. Inc.	74697	12/15/2006	1,656.00
	TOTAL Disallowance				**528,956.84**

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TAKASAGO PHILIPPINES INC.
INPUT VAT ERRONEOUSLY COMPUTED

Exhibit			**OR No.**	**OR DATE**	**INPUT VAT**
74	183-952-385	ACL Industrial sales	4553	2/10/2006	13,950.00
128	215-865-895	HA Pastor Const. Corp.	1686	2/15/2006	75,000.00
2022	000-169-334	Sumisetsu Phils Inc.	4651	2/15/2006	23,500.00
2023	230-581-836	Yaranon Taneo Architectural Builders	44	2/15/2006	14,850.00
186	002-705-677	First Snowden Systems	3304	5/22/2006	450.00
212	000-169-061	Philippine Insulation Co. Inc	72251	3/24/2006	1,840.00
2045	004-618-757	Fluid Systems Design	2674	3/16/2006	20,000.00
2047	000-148-093	Teknikos Refrigeration and airconditioni	7352	3/15/2006	11,410.00
2056	005-012-398	Sagawa Express Phils. Inc.	17945	4/21/2006	6,240.00
2057	000-169-334	Sumisetsu Phils. Inc.	4697	4/21/2006	2,120.00
2088	103-797-567	Star Tek Industrial Sales	2298	6/15/2006	5,571.43
2131	004-450-682	RCL Holdings Inc.	564	9/21/2006	90,121.50
2148	237-850-098	Ikap Solutions Inc.	294	11/15/2006	200.00
	TOTAL Disallowance				**265,252.93**

TAKASAGO PHILIPPINES INC.
INPUT VAT ON PURCHASE OF GOODS OR SERVICES WITHOUT SUPPORTING DOCUMENTS

Exhibit			**OR No.**	**OR DATE**	**INPUT VAT**
224	210-102-236	Audec Enterprises	2513	3/15/2006	723.21
898	226-230-106	Kruger ME Industries Corp.	537	11/15/2006	16,800.00
899	226-230-106	Kruger ME Industries Corp.	537	11/15/2006	7,200.00
2160	003-829-148	Ant Industrial Works	2331	11/15/2006	720.00
	Total Disallowance				**25,443.21**

TAKASAGO PHILIPPINES INC.
INPUT VAT ON PURCHASE PURCHASE OF GOODS OR SERVICES BEYOND THE PERIOD OF CLAIM

Exhibit			OR No.	OR DATE	INPUT VAT
59	001-649-427	Sidaca Const. Co	1052	2/8/2008	3,500.00
60	001-649-427	Sidaca Const. Co	1052	2/8/2008	7,000.00
61	001-649-427	Sidaca Const. Co	1052	2/8/2008	12,000.00
154	183-952-385	ACL Industrial sales	4660	2/4/2008	38,362.50
259	001-649-427	Sidaca Const. Co	1056	2/8/2008	27,896.79
260	001-649-427	Sidaca Const. Co	1056	2/8/2008	19,623.21
339	001-649-427	Sidaca Const. Co	1057	2/8/2008	24,910.71
340	001-649-427	Sidaca Const. Co	1058	2/8/2008	23,136.00
341	001-649-427	Sidaca Const. Co	1058	2/8/2008	81,085.71
431	001-649-427	Sidaca Const. Co	1059	2/8/2008	2,892.00
432	001-649-427	Sidaca Const. Co	1059	2/8/2008	5,067.86
433	001-649-427	Sidaca Const. Co	1059	2/8/2008	40,542.86
434	001-649-427	Sidaca Const. Co	1059	2/8/2008	28,512.00
435	001-649-427	Sidaca Const. Co	1059	2/8/2008	20,250.00
436	001-649-427	Sidaca Const. Co	1059	2/8/2008	20,088.00
437	001-649-427	Sidaca Const. Co	1059	2/8/2008	6,000.00
438	001-649-427	Sidaca Const. Co	1059	2/8/2008	6,600.00
439	001-649-427	Sidaca Const. Co	1060	2/8/2008	16,020.00
579	001-649-427	Sidaca Const. Co	1061	2/8/2008	11,400.00
580	001-649-427	Sidaca Const. Co	1061	2/8/2008	7,200.00
581	001-649-427	Sidaca Const. Co	1061	2/8/2008	17,280.00
582	001-649-427	Sidaca Const. Co	1061	2/8/2008	14,142.86
583	001-649-427	Sidaca Const. Co	1061	2/8/2008	3,300.00
651	001-649-427	Sidaca Const. Co	1062	2/8/2008	5,785.71
652	001-649-427	Sidaca Const. Co	1062	2/8/2008	1,650.00
653	001-649-427	Sidaca Const. Co	1062	2/8/2008	12,816.00
654	001-649-427	Sidaca Const. Co	1063	2/8/2008	2,760.00
655	001-649-427	Sidaca Const. Co	1063	2/8/2008	2,520.00
656	001-649-427	Sidaca Const. Co	1063	2/8/2008	5,040.00
725	001-649-427	Sidaca Const. Co	1065	2/8/2008	17,678.57
726	001-649-427	Sidaca Const. Co	1065	2/8/2008	2,232.00
727	001-649-427	Sidaca Const. Co	1065	2/8/2008	2,250.00
728	001-649-427	Sidaca Const. Co	1065	2/8/2008	3,168.00
729	001-649-427	Sidaca Const. Co	1065	2/8/2008	20,271.43
730	001-649-427	Sidaca Const. Co	1066	2/8/2008	50,678.57
731	001-649-427	Sidaca Const. Co	1066	2/8/2008	4,587.43
732	001-649-427	Sidaca Const. Co	1066	2/8/2008	1,071.43
733	001-649-427	Sidaca Const. Co	1066	2/8/2008	4,920.00
734	001-649-427	Sidaca Const. Co	1066	2/8/2008	16,020.00
735	001-649-427	Sidaca Const. Co	1064	2/8/2008	45,000.00
736	001-649-427	Sidaca Const. Co	1064	2/8/2008	20,916.00
800	001-649-427	Sidaca Const. Co	1068	2/8/2008	1,920.00
801	001-649-427	Sidaca Const. Co	1068	2/8/2008	5,067.86
802	001-649-427	Sidaca Const. Co	1068	2/8/2008	12,480.00
803	001-649-427	Sidaca Const. Co	1067	2/8/2008	113,400.00
864	001-649-427	Sidaca Const. Co	1070	2/8/2008	3,840.00
865	001-649-427	Sidaca Const. Co	1070	2/8/2008	3,840.00
866	001-649-427	Sidaca Const. Co	1070	2/8/2008	5,340.00
867	001-649-427	Sidaca Const. Co	1070	2/8/2008	960.00
868	001-649-427	Sidaca Const. Co	1069	2/8/2008	56,700.00
869	001-649-427	Sidaca Const. Co	1069	2/8/2008	37,500.00
870	001-649-427	Sidaca Const. Co	1069	2/8/2008	41,832.00
871	001-649-427	Sidaca Const. Co	1069	2/8/2008	5,352.00
960	001-649-427	Sidaca Const. Co	1071	2/8/2008	10,800.00

961	001-649-427	Sidaca Const. Co	1071	2/8/2008	22,500.00
962	001-649-427	Sidaca Const. Co	1071	2/8/2008	113,400.00
1037	001-649-427	Sidaca Const. Co	1073	2/8/2008	30,000.00
1038	001-649-427	Sidaca Const. Co	1073	2/8/2008	3,822.86
1039	001-649-427	Sidaca Const. Co	1073	2/8/2008	1,560.00
1040	001-649-427	Sidaca Const. Co	1072	2/8/2008	4,920.00
1041	001-649-427	Sidaca Const. Co	1072	2/8/2008	37,800.00
1042	001-649-427	Sidaca Const. Co	1072	2/8/2008	10,800.00
	TOTAL Disallowance				**1,180,010.36**

TAKASAGO PHILIPPINES INC.
INPUT VAT ON PURCHASE OF GOODS OR SERVICES SUPPORTED BY DOCUMENTS
WHERE THE AMOUNT OF OF VAT IS NOT SHOWN SEPARATELY

Exhibit			OR No.	OR DATE	INPUT VAT
2015	222-395-886	Petronne Corporation	9911	2/23/2006	10,218.00
2021	000-492-195	Punong Bayan and Araullo	86143	3/13/2006	1,200.00
256	126-706-218	Rey D Towing Services	6334	3/15/2006	2,100.00
2026	171-980-702	Bermuda Engineering	392	4/17/2006	18,900.00
2027	171-980-702	Bermuda Engineering	390	3/17/2006	8,100.00
2028	243-412-822	Constech System Corp	5	4/17/2006	13,500.00
2029	243-412-822	Constech System Corp	5	4/17/2006	21,000.00
2041	222-395-886	Petronne Corporation	13574	5/9/2006	7,956.00
2043	203-715-746	Systems XI Inc.	484	4/17/2006	11,250.00
295	203-739-786	Beta Tech Power Corp	363	4/17/2006	32,400.00
296	203-739-786	Beta Tech Power Corp	363	4/17/2006	6,364.29
2055	005-012-398	Sagawa express Philippines Inc.	17945	4/21/2006	4,620.00
374	117-162-125	PBM Integrated Products	737	5/5/2006	2,400.00
2060	243-412-822	Constech Systems Corp.	6	5/15/2006	2,250.00
2061	004-618-937	Enertrop International Incorporated	2001	5/15/2006	39,482.14
545	004-669-090	Denki technical services	561	6/15/2006	14,962.50
2075	214-758-933	GPM industries Corp.	220	6/2/2006	27,600.00
2080	117-162-125	PBM Integrated Products	745	6/4/2006	9,360.00
2083	117-162-125	PBM Integrated Products	859	7/18/2006	21,840.00
2087	222-395-886	Petronne Corporation	17626	7/19/2006	10,179.00
2126	214-758-933	GPM Industries Corp.	237	9/15/2006	27,600.00
2127	168-001-291	Altan Glory Marketing	1856	9/19/2006	6,536.00
2150	000-492-195	Punong Bayan and Araullo	89168	9/1/2006	1,200.00
2176	171-980-702	Bermuda Engineering	408	12/1/2006	5,160.00
	TOTAL Disallowance				**306,177.93**

TAKASAGO PHILIPPINES INC.
INPUT VAT SUPPORTED BY OFFICIAL RECEIPT/SALES INVOICE WITHOUT AUTHORITY TO PRINT

Exhibit			OR No.	OR DATE	INPUT VAT
700	107-636-991	Gwe Electromechanical Services	68	8/9/2006	**27,000.00**