REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

YILAN HOLDINGS CO., INC.,
Petitioner,

CTA *EB* NO. 2307
(CTA Case No. 9665)

-*versus*-

Present:

DEL ROSARIO, *P.J.,*
UY,
RINGPIS-LIBAN,
MANAHAN,
BACORRO-VILLENA,
MODESTO-SAN PEDRO,
REYES-FAJARDO, *and*
CUI-DAVID, *JJ.*

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

Promulgated:
AUG 10 2022 11:47am

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RESOLUTION

MANAHAN, J.:

On February 28, 2022, the Court rendered its Decision[1] affirming the Division's denial of petitioner Yilan Holdings Co., Inc.'s claim for refund of input value-added tax (VAT) covering the period from January 1, 2015 to March 31, 2015, allegedly attributable to its zero-rated sales in the total amount of Php9,642,857.14. The assailed Decision disposed of the case, as follows:

> **WHEREFORE**, the Petition for Review is **DENIED** for lack of merit. The Decision and Resolution of the Court's 3rd Division, dated November 7, 2019 and June 19, 2020, respectively, are **AFFIRMED**.
>
> **SO ORDERED**.[2]

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[1] EB Docket, pp. 47-58.
[2] EB Docket, p. 56.

On March 17, 2022, petitioner filed its *Motion for Reconsideration (of the Decision dated February 28, 2022),*[3] stating that it purchased two (2) parcels of land, which were eventually leased by petitioner to Chuanshun Electric (Phils.) Inc., a PEZA registered enterprise as evidenced by the Contract of Lease executed sometime in March 2015. Petitioner states that it reflected its income from the subject Contract of Lease in its subsequent VAT returns. Petitioner states that the lease of the subject lots is tantamount to a sale of service which is treated as zero-rated; that the sale happened in the first quarter of taxable year 2015; and, that the claim for refund was made within two (2) years from the time of sale. As such, petitioner insists that it is entitled to the tax credit/refund and that respondent should have given due course to the application for tax credit/refund.

Despite notice,[4] respondent Commissioner of Internal Revenue (CIR) failed to file his comment.[5]

We deny the *Motion for Reconsideration.*

It must be recalled that Section 113 of the 1997 National Internal Revenue Code (NIRC), as amended by Republic Act (RA) No. 9337, provides for the invoicing requirements, as follows:

> SEC. 113. *Invoicing and Accounting Requirements for VAT-Registered Persons.* –
>
> (A) *Invoicing Requirements.* – 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. (*emphasis supplied*)

To implement Section 113 of the 1997 NIRC, Section 4.113-1 of Revenue Regulations No. 16-2005 provides:

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[3] EB Docket, pp. 62-66.
[4] EB Docket, pp. 68-69.
[5] EB Docket, Records Verification dated May 5, 2022, p. 70.

SEC. 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.

xxx

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. (*emphasis supplied*

Compliance with all the VAT invoicing requirements provided by tax laws and regulations is mandatory.[6] Thus, the taxpayer claiming the refund must comply with the invoicing and accounting requirements mandated by the NIRC, as well as by revenue regulations implementing them. [7] Such compliance is required to be able to file a claim for input taxes attributable to zero-rated sales.[8]

Petitioner failed to prove any of its alleged zero-rated or effectively zero-rated sales for January 1, 2015 to March 31, 2015. Petitioner's evidence and the records are bereft of any VAT official receipts for petitioner's alleged lease transactions, nor was there any zero-rated or effectively zero-rated sales reported in petitioner's Quarterly VAT return for the same period. Without the VAT official receipts issued to its client, Chuanshun Electric (Phils.), Inc., the payments received by petitioner cannot qualify for VAT zero-rating, or that it had zero-rated or effectively zero-rated sales for the said period.

In a claim for tax refund or tax credit, the applicant must prove not only entitlement to the grant of the claim under substantive law. It must also show satisfaction of all the

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[6] *Eastern Telecommunications Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 183531, March 25, 2015.
[7] *Western Mindanao Power Corporation v. Commissioner of Internal Revenue*, G.R. No. 181136, June 13, 2012.
[8] *J.R.A. Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 171307, August 28, 2013.

documentary and evidentiary requirements for an administrative claim for refund or tax credit.[9]

Thus, the Court finds no compelling reason to reverse or modify the assailed Decision.

WHEREFORE, petitioner's *Motion for Reconsideration (of the Decision dated February 28, 2022)*, filed on March 17, 2022 is **DENIED** for lack of merit.

SO ORDERED.

CATHERINE T. MANAHAN
Associate Justice

WE CONCUR:

ROMAN G. DEL ROSARIO
Presiding Justice

ERLINDA P. UY
Associate Justice

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

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[9] *Western Mindanao Power Corporation v. Commissioner of Internal Revenue*, G.R. No. 181136, June 13, 2012.

MARIAN IVY F. REYES-FAJARDO
Associate Justice

LANEE S. CUI-DAVID
Associate Justice