REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
Quezon City

Third Division

CHEVRON HOLDINGS, INC.,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NOS. 9350 & 9430

Members:

UY, *Chairperson*
RINGPIS-LIBAN, *and*
MODESTO-SAN PEDRO, *JJ.*

Promulgated:
FEB 12 2020
3:30 p.m.

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DECISION

RINGPIS-LIBAN, J.:

The Case

These *Petitions for Review* filed by Petitioner Chevron Holdings Inc. against Respondent Commissioner of Internal Revenue on May 16, 2016 (CTA Case No. 9350) and August 17, 2016 (CTA Case No. 9430), pray for the refund of unutilized input taxes allegedly attributable to Petitioner's zero-rated sales/receipts for the first quarter of taxable year ("TY") 2015 in the amount of Php14,516,165.27 covered by CTA Case No. 9350; and for the second quarter of the same TY in the amount of Php18,968,294.79 covered in CTA Case No. 9430.[1]

The Parties

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1 Docket (CTA Case No. 9350), Pre-Trial Order dated May 02, 2017, Statement of the Case, p. 1771.

Petitioner Chevron Holdings Inc. is represented herein by its counsel Du-Baladad & Associates with office at 20th Floor, Chatham House, Rufino corner Valero Streets, Salcedo Village, Makati City, where it may be served notices and other processes of this Court.[2]

Petitioner Chevron Holdings, Inc., formerly known as Caltex (Asia Limited), is a corporation organized and existing under the laws of the State of Delaware, United States of America (U.S.A.). It was granted a license to transact business in the Philippines by the Philippine Securities and Exchange Commission ("SEC") under SEC Reg. No. A199802486.[3] It is registered with the Bureau of Internal Revenue ("BIR") as a value-added tax ("VAT") taxpayer, with Tax Identification Number ("TIN") 201-056-391-0000.[4]

Respondent Commissioner of Internal Revenue is sued in his official capacity, having been duly appointed and empowered to perform the duties of his office, including, among others, the duty to act on and approve claims for refund as provided by law. He may be served with summons, notices and other court processes at his office at the BIR National Office Building, Diliman, Quezon City.[5]

The Facts

Antecedents (administrative level)

On December 18, 2015, Petitioner filed with the BIR an *Application for Tax Credits / Refunds* (BIR Form No. 1914),[6] and the letter dated December 16, 2015,[7] requesting for the issuance of tax credit certificates and/or tax refund of its unutilized and excess input VAT in the total amount of Php14,516,165.27, for the first quarter of TY 2015.

Thereafter, on April 01, 2016, Petitioner filed with the BIR another *Application for Tax Credits / Refunds* (BIR Form No. 1914),[8] and the letter dated December 16, 2015,[9] requesting for the issuance of tax credit certificates and/or tax refund of its unutilized and excess input VAT in the total amount of Php18,968,294.79, this time for the second quarter of TY 2015.

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2 *Id.*, Joint Stipulation of Facts and Issues (JSFI), Summary of Admitted Facts, Par. 1, p. 1725.
3 *Id.*, Exhibits "P-1", "P-2", "P-4", and "P-5", pp. 3658 to 3680, and 3683 to 3695.
4 *Id.*, Exhibit "P-3", pp. 3681 to 3682.
5 *Id.*, JSFI, Summary of Admitted Facts, Par. 2, p. 1725.
6 *Id.*, Exhibit "P-8", p. 3716.
7 *Id.*, Exhibit "P-6", pp. 3696 to 3705.
8 *Id.*, Exhibit "P-7", p. 3717.
9 *Id.*, Exhibit "P-7", pp. 3706 to 3715.

Proceedings before this court

On May 16, 2016, Petitioner filed a *Petition for Review* before this Court.[10] The case was docketed as **CTA Case No. 9350** and was initially raffled to this Court's First Division. In the said *Petition*, Petitioner prays that judgment be rendered ordering Respondent to refund in its favor the amount of Php14,516,165.27, allegedly representing unutilized input VAT for the first quarter of TY 2015.

Respondent then filed its *Answer* in CTA Case No. 9350 on July 15, 2016,[11] interposing the following special and affirmative defenses, to wit:

> **"SPECIAL AND AFFIRMATIVE DEFENSES**
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> 4. Petitioner's alleged claim for refund is subject to administrative routinary investigation/examination by the Bureau.
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> 5. The amount of P14,516,165.27 representing alleged unutilized VAT input taxes for the first quarter of taxable year 2015, was not properly documented.
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> 6. In an action for refund, the burden of proof is on the taxpayer to establish its right to refund, and failure to sustain the burden is fatal to the claim for refund/credit.
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> 7. Petitioner must show that it has complied with the provisions of Section 112 of the NIRC of 1997 on the prescriptive period for claiming tax refund/credit.
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> *8*. There is no record of Petitioner ever submitting complete documents to substantiate its administrative claim for refund. Such is a requirement, otherwise, the administrative body will have sufficient reason to deny the claim. As held by the Honorable Supreme Court in the case of *Atlas Consolidated Mining and Development Corporation vs. Commissioner of Internal Revenue, G.R. 145526, 16 March 2007*:
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>> 'Petitioner's contention that non-compliance with Revenue Regulations 3-88 could not have adversely affected its case in the CTA indicates a failure on its part to appreciate the nature of the proceedings in that court. First, a judicial claim for

[10] *Id.*, pp. 10 to 24.
[11] *Id.*, pp. 102 to 109.

> refund or tax credit in the CTA is by no means an original action but rather an appeal by way of petition for review of a previous, unsuccessful administrative claim. **<u>Therefore, as in every appeal or petition for review, a Petitioner has to convince the appellate court that the quasi-judicial agency a quo did not have any reason to deny its claims. In this case, it was necessary for Petitioner to show the CTA not only that it was entitled under substantive law to the grant of its claims but also that it satisfied all the documentary and evidentiary requirements for an administrative claim for refund or tax credit.</u>** Second, cases filed in the CTA are litigated de novo. Thus, a Petitioner should prove every minute aspect of its case by presenting, formally offering and submitting its evidence to the CTA. **<u>Since it is crucial for a Petitioner in a judicial claim for refund or tax credit to show that its administrative claim should have been granted in the first place, part of the evidence to be submitted to the CTA must necessarily include whatever is required for the successful prosecution of an administrative claim.</u>** (emphasis and underscoring supplied)

The implementing rule for these complete documents required by law is RMO No. 53-98. Annex B-1 of said RMO lists all the required documents as follows:

VALUE-ADDED TAX
(For audit involving Claim for Refund / TCC)

A.) Requirements from Taxpayer

I. Requirements mention in Annex B

II. Additional General Requirements

1) 3 copies of 'Application for VAT Credit/Refund'

2) Summary List of Local Purchases specifying the following:

XXX XXX XXX

3) Photocopies of VAT purchases invoices for purchase of goods and official receipts for purchase of services. (The invoices/official receipts must be arranged according to the summary list)

4) Summary of importations made during the period with the following details:

xxx xxx xxx

5) Photocopies of invoices, import entry documents, official receipts or confirmation receipts evidencing payment of VAT. (Segregate documents paid by cash from those paid by tax debit memo)

6) VAT returns filed for the quarter showing that the amount applied for refund/TCC has been reflected as a deduction from the total available input tax, as well as VAT Return for the succeeding quarter

7) Certification of taxpayer showing the amount of Zero-rated Sales, Taxable Sales and Exempt Sales

8) A statement showing the amount and description of the sale of goods and services, name of persons or entities (except in case of exports) to whom the goods or services were sold and date of the transaction, where the applicant's zero-rated transactions are regulated by certain government agency.

9) Articles of Incorporation - for first time filers

10) Sales Contract/Agreement

11) BOI Certificate of Registration

12) BIR Certificate of Registration

13) Certification from BOI, DOF, BOC, EPZA, etc., that subject taxpayer has not filed similar claim for refund covering the same period.

14) Sworn statement that ending inventory as of the close of the period covered by the Claim has been used directly or indirectly in the products subsequently exported as supported by export documents, if the applicant is 100% exporter.

15) Documents of liquidation evidencing the actual utilization of the raw materials in the manufacture of goods at least 70% of which has been actually exported, if the applicant is an indirect exporter.

16) Copy of the ITR and Certified Financial Statement, if applicable.

17) Beginning and ending inventory of raw materials, work-in-process, finished goods, supplies and materials.

Additional Specific Requirements

1) For Zero-Rated Sales of Services (contractors, mining, etc)
   a. Authenticated copy/ies of the contract/s showing the person/s for whom the services were rendered, amount of consideration, description of the services and documents evidencing actual payments.

   b. Photocopies of official receipts and billings together with a summary of the date of billing, name of principal, official receipt number, date of receipt, amount in foreign currency and the corresponding value thereof, date of remittance, name of bank, bank credit memo number and amount remitted in pesos.

   c. Bank credit memoranda and certificate from the BSP with information similar to 1-c (export sales)

As stated above, the first documentary requirement is that provided in Annex B of the same RMO. Annex B provides for more requirements as follows:

VALUE-ADDED TAX

A) Requirements from Taxpayers
   1) Proof of claimed tax credits
   2) Proof of Tax Compliance Certificates applied
   3) Xerox copy of used Tax Credit Certificate (TCC) with annotation of issued TDM at the back, if applicable

4) Proof of payment of deficiency tax, if any
   a) current year / period
   b) previous year / period
5) Certification of the appropriate government agency as to taxpayer's entitlement to tax incentives, if applicable
6) Xerox copies of the Official Receipts evidencing VAT payment on imported purchases, if applicable
7) Proof of exemption under special law, if applicable
8) Certification of the appropriate regulatory agency as to the exempt or zero-rated sales of the taxpayer under its regulatory supervision, if applicable
9) Certificate of Registration issued by the appropriate regulatory agency, together with the conditions attached to such registration, if applicable
10) Proof of 'Approval for Effective Zero-Rating of Sales', if applicable
11) Sample invoice / s for 'Export/Exempt Sales', if applicable
12) Proof that the acceptable foreign currency exchange proceeds on export/ sales foreign currency denominated sales had been duly accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP), if applicable.

9. The power to tax is the most effective instrument to raise needed revenues to finance and support the myriad activities of the government for the delivery of basic services essential to the promotion of the general welfare and enhancement of peace, progress, and prosperity of the people ***(Mactan Cebu International Airport Authority vs. Marcos, 261 SCRA 667, 690)***. Consequently, any delay in implementing tax measures would be to the detriment of the public. It is for this reason that claims for refund are required to be done within certain time frames. In the instant petition, the failure of Petitioner to comply with such periods is fatal to its cause.

10. Moreover, Petitioner's failure to submit documents supporting its claim for refund makes its administrative claim for refund pro-forma. This pro-forma administrative claim should not be taken as proper compliance with the requirements of the law that an administrative claim for refund should have been filed prior to the institution of a judicial claim for refund. Thus, without a validly and duly filed administrative claim for refund, the Honorable Court is without jurisdiction to entertain the Petition for Review. Petitioner's failure to comply with a condition precedent prior to the institution of its petition for review makes it

dismissible for absence of jurisdiction on the part of the Honorable Court.

11. The claimant has the burden of proof to establish the factual basis of his claim for tax credit or refund. After all tax refunds, like tax exemptions, are construed strictly against the taxpayer **(Citibank N.A. vs. Court of Appeals and Commissioner of Internal Revenue, 280 SCRA 459; Commissioner of Internal Revenue vs. Tokyo Shipping Co., Ltd., 244 SCRA 332, both cited in Benguet Corporation vs. Commissioner of Internal Revenue, CTA Case No. 5392 promulgated October 30, 1998)**.

12. Partaking of the nature of exemptions, claims for refund are strictly construed against the claimant and cannot be allowed unless granted in the most explicit and categorical language **(Sps. Aguilar vs. Commissioner of Internal Revenue, et al., G.R.SP No. 16432, March 30, 1999)**. Being in the nature of tax exemptions, these claims are regarded as in derogation of sovereign authority and to be construed strictissimi juris against the claimant and liberally in favor of the taxing authority **(Commissioner of Internal Revenue vs. Procter and Gamble Philippines Manufacturing Corporation, 204 SCRA 377)**.

Claims for refund are construed strictly against the claimant for the same partake the nature of exemption from taxation *(Commissioner of Internal Revenue vs. Ledesma, 31 SCRA 95)* and such, they are looked upon with disfavor *(Western Minolco Corp. vs. Commissioner of Internal Revenue, 124 SCRA 1211).*"

The Pre-Trial Conference for CTA Case No. 9350 was initially set on September 14, 2016.[12] The *Respondent's Pre-Trial Brief* for the said case was filed on July 29, 2016.[13] Thereafter, Respondent transmitted to this Court the *BIR Records* for the same case on August 03, 2016.[14]

On August 17, 2016, Petitioner filed another *Petition for Review* before this Court.[15] The case was docketed as **CTA Case No. 9430** and was likewise initially raffled to this Court's First Division. In the said *Petition*, Petitioner prays that judgment be rendered ordering Respondent to refund in its favor the amount of Php18,968,294.79, allegedly representing unutilized input VAT for the second quarter of TY 2015.

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[12] *Id.*, Notice of Pre-Trial Conference dated July 26, 2016, pp. 111 to 112.
[13] *Id.*, pp. 115 to 117.
[14] *Id.*, Compliance dated July 02, 2016, pp. 121 to 123.
[15] Docket (CTA Case No. 9430), pp. 10 to 24.

Subsequently, on September 02, 2016, Petitioner filed a *Motion to Consolidate (With Urgent Motion to Defer Pre-Trial Conference)* in CTA Case No. 9350,[16] praying for the consolidation of the said case with CTA Case No. 9430, and the deferral of the Pre-Trial Conference. Simultaneously, Petitioner filed a *Motion to Consolidate* in CTA Case No. 9430,[17] praying for the consolidation thereof with CTA Case No. 9350. Thus, in the Resolutions dated September 21, 2016 separately promulgated for the said cases,[18] the Court granted the said *Motion to Consolidate*, and ordered the consolidation of the said cases.

On November 04, 2016, Respondent filed his *Answer* in CTA Case No. 9430,[19] interposing the following special and affirmative defenses, to wit:

"**SPECIAL AND AFFIRMATIVE DEFENSES**

On the basis of the foregoing allegations and in further support of the Specific Denials herein set forth, Respondent respectfully alleged as her defenses that:

4. Taxes collected are presumed to be in accordance with laws and regulations.

5. Petitioner's alleged claim for refund is subject to administrative routinary investigation/examination by the Bureau of Internal Revenue. A claim for refund is not *ipso facto* granted because Respondent still has to investigate and ascertain the validity of the claim.

6. Taxes are essential to government's very existence; hence, the dictum that 'taxes are the lifeblood of the government.' For this reason, the right of taxation cannot easily be surrendered; statutes granting tax exemptions are considered as a derogation of the sovereign authority. Since tax refunds are regarded as tax exemptions therefore, these are to be construed ***strictissimi juris*** against the person or entity claim the exemption.

7. In action for refund, the burden of proof is on the taxpayer who claims the exemption and he must justify his claim by the clearest grant under the Constitutional or statutory law and cannot be permitted by vague implications. The taxpayer is charged with the heavy burden of proving that he has complied

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[16] Docket (CTA Case No. 9350), pp. 127 to 130.
[17] Docket (CTA Case No. 9430), pp. 82 to 85.
[18] Docket (CTA Case No. 9350), p. 136; Docket (CTA Case No. 9430), p. 91.
[19] Docket (CTA Case No. 9350), pp. 143 to 147; Docket (CTA Case No. 9430), pp. 93 to 97.

with and satisfied all the statutory and administrative requirements to be entitled to the tax refund.

8. To support its claim, it is imperative for Petitioner to prove the following, viz:

a. The registration requirements of a value-added taxpayer in compliance with section 6 (a) and (b) of Revenue Regulations No. 6-97 in relation to Section 4.107-1 (a) of Revenue Regulations No. 7-95, and Section 236 of the Tax Code, as amended;

b. The invoicing and accounting requirements for VAT-registered persons, as well as the filing and payment of VAT in compliance with the provisions of Section 113 and 114 of the Tax Code, as amended;

c. Proof of compliance with the prescribed checklist of requirements to be submitted involving claim for VAT refund pursuant to Revenue Memorandum Order No. 53-98, otherwise there would be no sufficient compliance with the filing of an administrative application for refund which is a condition sine qua non prior to the filing of a judicial claim in accordance with Section 112 of the Tax Code, as amended. This requires the submission of complete documents in support of the application filed with the Bureau of Internal Revenue before the 120-day audit period shall apply, and before the taxpayer could avail of the judicial remedies as provided for in the law. Hence, Petitioner's failure to submit proof of compliance with the above-stated requirements warrants immediate dismissal of the Petitioner for review;

d. That the input taxes of P 18,968,294.79 allegedly incurred by Petitioner for the second quarter of taxable year 2015 were attributable to its zero-rated sales and such have not been applied against any output taxes and were not carried over to the succeeding taxable quarter or quarters;

e. That Petitioner's administrative and judicial claims for tax credit or refund of the unutilized input tax (VAT) was filed within the periods provided in Sections 112(A) and (C) of the Tax Code, as amended;

f. That Petitioner's domestic purchases of goods and services were made in the course of its trade or business, properly supported by VAT invoices and /or official receipts and other documents, such as subsidiary purchase Journal showing that it actually paid VAT in accordance with Sections 110(A) (2) and 113 of the Tax Code, as amended, and pursuant to Section 4.105-5 (a) and (b) of Revenue Regulations No. 7-95 (Re: Substantiation of Claims for Input Tax Credits);

g. The requirements as enumerated under Section 4.105-5 of Revenue Regulations No. 7-95. (Re: Substantiation of Claims for Input Tax Credits)

9. Petitioner must prove that the aggregate amount of P18,968,294.79 being claimed by Petitioner arising from alleged excess and unutilized input VAT for the second quarter of taxable year 2015 is properly documented.

10. Following the premise above-mentioned, Petitioner has the burden of proving that the right to such tax refund indubitably exists and well-founded doubt is fatal to the claim."

The Pre-Trial Conference for the consolidated cases was set to, and held on, February 22, 2017.[20]

Respondent filed its *Pre-Trial Brief* on December 19, 2016;[21] while Petitioner submitted its *Consolidated Pre-Trial Brief* on February 17, 2017.[22]

On March 13, 2017 the parties filed their *Joint Stipulation of Facts and Issues* (JSFI).[23] In the Resolution dated March 23, 2017,[24] the Court approved the said JSFI, and deemed the Pre-Trial terminated. Thereafter, the Pre-Trial Order dated May 02, 2017 was issued by this Court.[25]

The trial of the case then proceeded.

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[20] Docket (CTA Case No. 9350), Notice of Pre-Trial Conference dated November 11, 2016 and Minutes of the hearing held on and Order dated February 22, 2017, pp. 149 to 150 and 1654 to 1661.
[21] *Id.*, pp. 153 to 156.
[22] *Id.*, pp. 164 to 175.
[23] *Id.*, pp. 1725 to 1740.
[24] *Id.*, p. 1747.
[25] *Id.*, pp. 1771 to 1799.

During trial, Petitioner presented its documentary and testimonial evidence. It offered the testimonies of the following individuals, namely: (1) Ms. Carolyn C. Ardina,[26] Finance Coordinator of Petitioner; (2) Mr. Benedicto A. Santos,[27] Manager – Business Analysis and Support; and (3) Atty. Walter L. Abela, Jr.,[28] the court-commissioned Independent Certified Public Accountant (ICPA).[29]

On November 5, 2017, Petitioner filed its *Formal Offer of Evidence*.[30] Thus, in the Resolution dated February 26, 2018,[31] the Court admitted Petitioner's Exhibits, *except* for the following:

1. Exhibits "P-174" and "P-188", for failure of the exhibit formally offered and identified to correspond with the document actually marked;

2. Exhibits "P-252.127", "P-252.486", "P-252.1050", "P-252.1397", "P-253.58", "P-259.8", "P-259.9", "P-259.49", "P-200", "P-201", "P-202", and "P-203", for not being found in the records;

3. Exhibits "P-252.492", "P-252.494", "P-252.496", "P-252.498", "P-252.500", "P-252.502", "P-252.504", "P-252.506", "P-252.542", and "P-252.978", for being blurred/unreadable; and

4. Exhibits "P-48", "P-58", "P-105", "P-109", "P-112", "P-116", "P-122", "P-126", "P-130", "P-136", "P-140", "P-144", "P-148", "P-152", "P-156", "P-161", "P-165", "P-169", "P-173", "P-178", "P-181", "P-185", "P-194", and "P-198", for failure to submit their originals for comparison.

Thus, Petitioner filed a *Motion for Reconsideration (With Motion to Set Additional Commissioner's Hearing)* on March 13, 2018.[32] In the Resolution dated

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[26] *Id.*, Exhibit "P-212" and Minutes of the hearing held on and Order dated May 09, 2017, pp. 209 to 222 and 1921 to 1923, and 1925 to 1926, respectively.

[27] *Id.*, Exhibit "P-214" and Minutes of the hearing held on and Order dated June 08, 2017, pp. 1944 to 1964 and 3395 to 3398.

[28] *Id.*, Exhibit "P-215" and Minutes of the hearing held on and Order dated August 17, 2017, pp. 3551 to 3570 and 3596 to 3599.

[29] *Id.*, Oath of Commission dated May 09, 2017 and Minutes of the hearing held on and Order dated May 09, 2017, p. 1924 and 1921 to 1923, and 1925 to 1926, respectively.

[30] *Id.*, pp. 3625 to 3656.

[31] *Id.*, pp. 4609 to 4612.

[32] *Id.*, pp. 4628 to 4636.

October 22, 2018,[33] the Court partially granted Petitioner's *Motion for Reconsideration*, but still denied the admission of the following:

1. Exhibits "P-174" and "P-188", for failure to submit the duly marked exhibits;

2. Exhibits "P-259.8", "P-259.9", "P-200", "P-201", "P-202" and "P-203", for not being found in the records of the case; and

3. Exhibits "P-48", "P-58", "P-105", "P-109", "P-112", "P-116", "P-122", "P-126", "P-130", "P-136", "P-140", "P-144", "P-148", "P-152", "P-156", "P-161", "P-165", "P-169", "P-173", "P-178", "P-181", "P-185", "P-194" and "P-198", for failure to submit their originals for comparison.

For his part, Respondent likewise presented his documentary and testimonial evidence. He offered the testimonies of Revenue Officer ("RO") Melinda M. Rugayan for CTA Case No. 9350,[34] and RO Romualdo I. Plocios for CTA Case No. 9430,[35] by way of their judicial affidavits.

Respondent filed his *Formal Offer of Evidence* on March 01, 2018.[36] Thus, in the Resolution dated December 04, 2018,[37] the Court admitted all the evidence offered by Respondent.

In the meantime, the instant consolidated cases were transferred to this Court's Third Division, pursuant to the Order dated October 01, 2018.[38]

Subsequently, Respondent filed its *Memorandum* on January 09, 2019;[39] while Petitioner filed its *Memorandum* on February 18, 2019.[40]

The case was deemed submitted for decision on February 21, 2019.[41]

The Issues

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33 *Id.*, pp. 4690 to 4694.
34 *Id.*, Exhibit "R-3" and Order dated February 27, 2018, pp. 1669 to 1672 and 4613 to 4614.
35 *Id.*, Exhibit "R-4" and Order dated February 27, 2018, pp. 1692 to 1695 and 4613 to 4614.
36 *Id.*, pp. 4615 to 4618.
37 *Id.*, pp. 4696 to 4697.
38 *Id.*, p. 4687.
39 *Id.*, pp. 4698 to 4707.
40 *Id.*, pp. 4718 to 4750.
41 *Id.*, Resolution dated February 21, 2019, p. 4753.

The parties submitted the following issues[42] for this Court's resolution, to wit:

> "A. Whether the Petitioner is entitled to the refund of unutilized input VAT it paid in the amount of Fourteen Million Five Hundred Sixteen Thousand One Hundred Sixty Five Pesos and Twenty Seven Centavos (Php14,516,165.27) for the first quarter of taxable year 2015 **(CTA Case No. 9350)**; and
>
> B. Whether the Petitioner is entitled to the refund of unutilized input VAT it paid in the amount of Eighteen Million Nine Hundred Sixty Eight Thousand Two Hundred Ninety Four Pesos and Seventy Nine Centavos (Php18,968,294.79) for the second quarter of taxable year 2015 **(CTA Case No. 9430)**".

Petitioner's arguments:

Petitioner argues that it is VAT-registered; that it is engaged in zero-rated sales; that the input taxes are due or paid and have not been applied against output taxes during the quarter and in the succeeding quarters; that the input taxes being claimed are attributable to zero-rated sales; that the acceptable foreign currency exchange proceeds have been duly accounted for in accordance with Bangko Sentral ng Pilipinas ("BSP") rules and regulations; that the input taxes were proportionately allocated on the basis of sales volume; that the claim is filed within two (2) years after the close of the taxable quarter when the sales were made; and that Petitioner is entitled to a claim for refund in the total amount of Php33,484,460.06, representing unutilized input taxes related to zero-rated sales/receipts for the first and second quarters of 2015.

Respondent's counter-arguments:

Respondent counter-argues that the law requires that only "creditable input taxes" that are "directly attributable" may be refunded; that Petitioner failed to prove that all of its clients are non-resident foreign corporations doing business outside the Philippines; that it chose to carry-over the unutilized input tax to the succeeding period; and that partaking of the nature of exemptions, claims for refund are strictly construed against the claimant and cannot be allowed unless granted in the most explicit and categorical language.

<u>Discussion/Ruling</u>

The Court partially grants the instant consolidated *Petitions for Review.*

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[42] *Id.*, JSFI, Statement of Issues, p. 1726.

Section 112 of the National Internal Revenue Code ("NIRC") of 1997, as amended by Republic Act (RA) No. 9337,[43] provides:

> "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-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 nonzero-rated sales.
>
> xxx xxx xxx
>
> (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

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[43] AN ACT AMENDING SECTIONS 27, 28, 34, 106, 107, 108, 109, 110, 111, 112, 113, 114, 116, 117, 119, 121, 148, 151, 236, 237 AND 288 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES.

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."

Based on the foregoing provision, jurisprudence has laid down certain requisites which the taxpayer-applicant must comply with to successfully obtain a credit/refund of input VAT. Said requisites are classified into certain categories, to wit:

<u>As to the timeliness of the filing of the administrative and judicial claims</u>:

1. the claim is filed with the BIR within two (2) years after the close of the taxable quarter when the sales were made;[44]
2. that in case of full or partial denial of the refund claim, or the failure on the part of the Commissioner to act on the said claim within a period of one hundred twenty (120) days, the judicial claim has been filed with this Court, within thirty (30) days from receipt of the decision or after the expiration of the said 120-day period;[45]

<u>With reference to the taxpayer's registration with the BIR</u>:

3. the taxpayer is a VAT-registered person;[46]

<u>In relation to the taxpayer's output VAT</u>:

4. the taxpayer is engaged in zero-rated or effectively zero-rated sales;[47]
5. for zero-rated sales under Sections 106(A)(2)(1) and (2); 106(B); and 108(B)(1) and (2), the acceptable foreign currency exchange proceeds have been duly accounted for in accordance with BSP rules and regulations;[48]

<u>As regards the taxpayer's input VAT being refunded</u>:

[44] Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue, G.R. No. 155732, April 27, 2007; San Roque Power Corporation v. Commissioner of Internal Revenue, G.R. No. 180345, November 25, 2009; and AT&T Communications Services Philippines, Inc. v. Commissioner of Internal Revenue, G.R. No. 182364, August 03, 2010.

[45] Steag State Power, Inc. (Formerly State Power Development Corporation) v. Commissioner of Internal Revenue, G.R. No. 205282, January 14, 2019; Rohm Apollo Semiconductor Philippines v. Commissioner of Internal Revenue, G.R. No. 168950, January 14, 2015.

[46] Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue, G.R. No. 155732, April 27, 2007; San Roque Power Corporation v. Commissioner of Internal Revenue, G.R. No. 180345, November 25, 2009; and AT&T Communications Services Philippines, Inc. v. Commissioner of Internal Revenue, G.R. No. 182364, August 03, 2010.

[47] *Id.*

[48] *Id.*

6. the input taxes are not transitional input taxes;[49]
7. the input taxes are due or paid;[50]
8. the input taxes claimed are attributable to zero-rated or effectively zero-rated sales. However, where there are both zero-rated or effectively zero-rated sales and taxable or exempt sales, and the input taxes cannot be directly and entirely attributable to any of these sales, the input taxes shall be proportionately allocated on the basis of sales volume;[51] and
9. the input taxes have not been applied against output taxes during and in the succeeding quarters.[52]

Petitioner's administrative and judicial claims were timely filed.

The *first* requisite pertains to the filing of the refund claim for tax credit or refund of input VAT before the BIR, within two (2) years from the close of the taxable quarter when the zero-rated or effectively zero-rated sales were made.

The present claim covers the first and second quarters of TY 2015, which closed on March 31, 2015 and June 30, 2015, respectively. Counting two years from the said dates, Petitioner had until March 31, 2017 and June 30, 2017, respectively, within which to file its administrative claim for tax credit certificate or refund. Thus, Petitioner's administrative claims for the said quarters were seasonably filed, as shown below:

CTA Case No.	Period Covered	Close of the Taxable Quarter	Last Day to File Administrative Claim	Date of Filing of Administrative Claim
9350	first Quarter of TY 2015	March 31, 2015	March 31, 2017	December 18, 2015[53]
9430	second Quarter of TY 2015	June 30, 2015	June 30, 2017	April 1, 2016[54]

The *second* requisite is to the effect that the judicial claim must have been filed within thirty (30) days from receipt of Respondent's decision or after the

49 *Id.*
50 *Id.*
51 Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue, G.R. No. 155732, April 27, 2007; and San Roque Power Corporation vs. Commissioner of Internal Revenue, G.R. No. 180345, November 25, 2009.
52 Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue, G.R. No. 155732, April 27, 2007; San Roque Power Corporation vs. Commissioner of Internal Revenue, G.R. No. 180345, November 25, 2009; and AT&T Communications Services Philippines, Inc., G.R. No. 182364, August 03, 2010.
53 Docket (CTA Case No. 9350), Exhibits "P-6" and "P-8", pp. 3696 to 3705, and 3716.
54 *Id.*, Exhibits "P-7" and "P-9", pp. 3706 to 3715, and 3717.

expiration of the 120-day period under Section 112(C) of the NIRC of 1997, as amended. Considering that there is no indication that Respondent issued a decision relative to Petitioner's administrative claim, the determination of the 120+30-day period, as applied to this case, is shown as follows:

CTA Case No.	**Date of Filing of Administrative Claim**	**End of 120 days for BIR Commissioner to decide the claim**	**End of 30 days from expiration of the 120 days**	**Date of Filing of *Petition for Review***
9350	December 18, 2015	April 16, 2016	May 16, 2016	May 16, 2016
9430	April 1, 2016	July 30, 2016	August 29, 2016	August 17, 2016

As shown above, the instant *Petitions for Review* covering the first and second quarters of TY 2015 were filed on May 16, 2016 and August 17, 2016 respectively. Thus, Petitioner's judicial claims were likewise timely made.

Such being the case, Petitioner fulfilled the above-stated *first* and *second* requisites.

Petitioner is a VAT-registered person.

Petitioner complied with the *third* requisite considering that it is a VAT registered taxpayer under BIR Certificate of Registration No. OCN 8RC0000385300 with TIN 201-056-391-00000.[55]

Petitioner was able to establish that it was engaged in zero-rated sales or effectively zero-rated sales during the first and second quarters of TY 2015, albeit only in the amount of Php1,655,274,685.71.

The *fourth* and *fifth* requisites require that the taxpayer is engaged in zero-rated or effectively zero-rated sales, and for zero-rated sales under Section 106(A)(2)(a)(1) and (2), 106(B), and 108(B)(1) and (2) of the NIRC of 1997, as amended by RA No. 9337, the acceptable foreign currency exchange proceeds have been duly accounted for in accordance with the BSP rules and regulations.

55 *Id.*, Exhibit "P-3", pp. 3681 to 3682.

In this case, Petitioner claims that its sale of services to its affiliates located and doing business outside the Philippines is a transaction subject to zero percent (0%) VAT, pursuant to Section 108(B)(2) of the NIRC of 1997, as amended, to wit:

> "SEC. 108. *Value-added Tax on Sale of Services and Use or Lease of Properties.* –
>
> 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:**
>
> (1) Processing, manufacturing or repacking of goods for other persons doing business outside the Philippines which goods are subsequently exported, where the services are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP);
>
> (2) **Services other than those mentioned in the preceding paragraph rendered to a person engaged in business conducted outside the Philippines or to a nonresident person not engaged in business who is outside the Philippines when the services are performed, the consideration for which is paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP);**" *(Emphases ours)*

Based on the foregoing provision, certain essential elements must be present for a sale or supply of services to be subject to the VAT rate of zero percent (0%), under Section 108(B)(2) of the NIRC of 1997, as amended, to wit:

1) The services fall under any of the categories under Section 108(8)(2),[56] or simply, the services rendered should be other than "*processing, manufacturing or repacking goods*";[57]

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[56] Commissioner of Internal Revenue v. American Express International, Inc. (Philippine Branch), G.R. No. 152609, June 29, 2005.

[57] Commissioner of Internal Revenue v. Burmeister and Wain Scandinavian Contractor Mindanao, Inc., G.R. No. 153205, January 22, 2007.

2) The service must be performed in the Philippines[58] by a VAT-registered person;

3) The recipient of the services is a foreign corporation, and the said corporation is doing business *outside* the Philippines, or is a non-resident person not engaged in business who is *outside* the Philippines when the services were performed;[59] and

4) The payment for such services should be in acceptable foreign currency accounted for in accordance with BSP rules.[60]

Anent the *first* essential element, Petitioner entered into a number of Service Agreements[61] with the following foreign affiliates, to wit:

Customer's Name	**Service Agreement**
Chevron USA, Inc.	"P-30"
Chevron Information Technology Company (a Chevron USA, Inc. Division)	
Chevron Services Company (a Chevron USA, Inc. Division)	
Chevron Products Company (a Chevron USA, Inc. Division)	
Chevron Africa and Latin America Exploration and Production Company (a Chevron USA, Inc. Division)-FEABU HQ Branch (a Chevron USA, Inc. Division)	
Chevron Energy Technology Company (a Chevron USA, Inc. Division)	
Chevron Upstream (a division of Chevron USA, Inc.)	
Chevron Australia Pty Ltd	"P-31"
Chevron New Zealand	"P-32"
Chevron USA Inc. Singapore Operations (Branch)	"P-33"
Chevron North Sea Limited	"P-34"
Chevron (Thailand) Limited	"P-35"
Chevron Singapore Pte. Ltd.	"P-36"

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58 Commissioner of Internal Revenue v. Burmeister and Wain Scandinavian Contractor Mindanao, Inc., G.R. No. 153205, January 22, 2007; Commissioner of Internal Revenue v. American Express International, Inc. (Philippine Branch), G.R. No. 152609, June 29, 2005.

59 Sitel Philippines Corporation (Formerly Clientlogic Phils. Inc.) v. Commissioner of Internal Revenue, G.R. No. 201326, February 8, 2017; Commissioner of Internal Revenue v. Burmeister and Wain Scandinavian Contractor Mindanao, Inc., G.R. No. 153205, January 22, 2007; Accenture, Inc. v. Commissioner of Internal Revenue, G.R. No. 190102, July 11,2012.

60 Commissioner of Internal Revenue v. Burmeister and Wain Scandinavian Contractor Mindanao, Inc., G.R. No. 153205, January 22, 2007; Commissioner of Internal Revenue v. American Express International, Inc. (Philippine Branch), G.R. No. 152609, June 29, 2005.

61 Docket (CTA Case No. 9350), Exhibit "P-30" to "P-60", pp. 3758 to 4230.

Chevron Products UK Limited	"P-37"
Chevron Hong Kong Ltd.	"P-38"
Chevron Iraq (Sarta) Limited	"P-39"
Chevron Malaysia Limited	"P-40"
Chevron Overseas Services Corporation - Argentina Home Office (Branch)	"P-41"
Chevron Canada Resources	"P-42"
Chevron International Pte Ltd	"P-43"
Chevron South Africa (Pty) Limited	"P-44"
Chevron (Cambodia) Limited	"P-45"
Chevron Global Energy Inc.	"P-46"
Chevron Trading Pte Ltd	"P-47"
Chevron Asia Pacific Holdings Limited	"P-49"
Chevron Denmark Inc. - Denmark Branch	"P-50"
Chevron Khazar, Ltd	"P-51"
Chevron Nebitgaz BV	"P-52"
Chevron (China) Investment Co. Ltd - Services	"P-53"
Chevron Canada Limited (Products Division)	"P-54"
Chevron Middle East Business Development Ltd	"P-55"
Compania Chevron de Panama S.A.	"P-56"
Chevron Overseas Services Corporation	"P-57"
Chevron Lubricants Lanka PLC	"P-59"
Chevron Pakistan Limited	'P-60"

The Service Agreements provide in part the following services to be rendered by Petitioner:

1) Finance Services/Business Support;
2) Information Technology (IT) Services-PAD;
3) Information Technology (IT)-Infrastructure Assets (IA);
4) Manila Downstream Services Center;
5) Training and Human Resources Management;
6) Retail System Support;
7) Manila Procurement/Supply Chain Shared Services; and
8) Business Real Estate Services.

Evidently, Petitioner complied with the *first* requisite, as the said services are not in the same category as *"processing, manufacturing or repacking of goods"*.

As for the *second* essential element, the contracts or *Service Agreements* Petitioner entered into with its foreign affiliates establish that the parties to the contracts have agreed that Petitioner's services shall be performed in the Philippines, to wit:

"11. **Location of Services**

> **CHI shall perform the Services in the Philippines** unless OPCO reasonably requests that some Services be performed in another location subject to, in all cases, to the prior written consent of CHI. xxx"[62] *(Emphasis ours)*

Thus, there being no indication that the services were not performed in the Philippines, Petitioner complies with the said *second* essential element.

Anent the *third* requisite, Petitioner presented the following documents[63] to prove that its clients/affiliates whom it had Service Agreements with, are non-resident foreign corporations doing business outside the Philippines:

1. Certification of Non-Registration of Company issued by the Philippine Securities and Exchange Commission (SEC);
2. Certificate/Articles of Foreign Incorporation/Registration;
3. Service Agreements;
4. Screenshots of Foreign Government Website; and
5. Screenshots of Chevron Subsidiary Governance Website.

However, each of the aforesaid documents, standing alone, is inadequate proof that Petitioner's client is a non-resident foreign corporation doing business outside the Philippines.

While the SEC Certificates of Non-Registration show that the named entities therein are not registered corporations/partnerships in the Philippines, the same do not prove that such entities are non-resident foreign corporations doing business outside the Philippines.

The same holds true with Certificates/Articles of Foreign Incorporation/Registration which only prove that the entities named therein were incorporated/organized/domiciled abroad but do not necessarily establish that such entities are not doing business in the Philippines.

Likewise, the Service Agreements only show the names and addresses/incorporation of Petitioner's clients to whom it renders services but

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62 *Id.*, Exhibits "P-30", "P-31", "P-32", "P-33", "P-34", "P-35", "P-36", "P-37", "P-38", "P-39" (Paragraph 12), Exhibit "P-40", Exhibit "P-41" (Paragraph 12), "P-42", "P-43", "P-44", "P-45", "P-46", "P-47", "P-49", "P-50" (Paragraph 12), "P-51" (Paragraph 12), "P-52" (Paragraph 12), "P-53", "P-54", "P-55", "P-56", "P-57", Exhibit "P-59", "P-60", p. 3765, 3781, 3807, 3822, 3839, 3858, 3877, 3896, 3765, 3930, 3945, 3965, 3977, 3992, 4006, 4020, 4036, 4052, 4067, 4083, 4099, 4116, 4142, 4158, 4178, 4191, 4210, 4220.

63 *Id.*, Exhibits "P-30" to P-199", "P-205", pp. 3758 to 4602.

the same do not establish that such clients are non-resident foreign corporations doing business outside the Philippines.

In the case of *Sitel Philippines Corporation (formerly Clientlogic Phils., Inc.) vs. Commissioner of Internal Revenue*,[64] the Supreme Court held that while Sitel's documentary evidence, which included Certifications issued by the Securities and Exchange Commission and Agreements between Sitel and its foreign clients, may have established that Sitel rendered services to foreign corporations and received payment therefor through inward remittances, said documents failed to specifically prove that such foreign clients were doing business outside the Philippines or have a continuity of commercial dealings outside the Philippines.

Therefore, to be considered as non-resident foreign corporation doing business outside the Philippines, each entity must be supported at the very least by **both** SEC certificate of Non-Registration of Corporation/Partnership **and** proof of incorporation/registration in a foreign country (*e.g.*, Articles/Certificate of Incorporation/Registration and/or Tax Residence Certificate) and that there is no other indication which would disqualify said entity in being classified as a non-resident foreign corporation.

In this regard, the Court cannot give credence or probative value to the printed screenshots of Chevron Subsidiary Governance Website as the information contained therein were retrieved from the database made and maintained by Petitioner's group of companies. Thus, the said documents are self-serving and can be easily manipulated to favor Petitioner in view of its affinity with the entities that maintain or keep the said database.

This is also true with the screenshots of Foreign Government Websites which can also be easily manipulated, considering that none from the said foreign government attested to the authenticity of the said website and as to the registration of the purported Petitioner's foreign clients found therein.

As a result, only the following clients of Petitioner for the first and second quarters of TY 2015 shall be considered non-resident foreign corporations doing business outside the Philippines:

Customer's Name	Service Agreement	SEC Certification of Non-Registration of Company	Articles/Certificate of Incorporation/ Registration
Chevron USA, Inc.	"P-30"	"P-205"	"P-62"[65]

[64] G.R. No. 201326, February 08, 2017.
[65] This Exhibit pertains to the Amended and Reinstated Articles of Incorporation of Chevron USA, Inc. Article I (Management) of the Company By-Laws, the corporation shall operate through its several divisions as enumerated therein; and that each division shall have all requisite

Chevron Information Technology Company (a Chevron USA, Inc. Division)		"P-61"	
Chevron Services Company (a Chevron USA, Inc. Division)		"P-66"	
Chevron Products Company (a Chevron USA, Inc. Division)		"P-68"	
Chevron Africa and Latin America Exploration and Production Company (a Chevron USA, Inc. Division)-FEABU HQ Branch (a Chevron USA, Inc. Division)		"P-119"	
Chevron Energy Technology Company (a Chevron USA, Inc. Division)		"P-133"	
Chevron Upstream (a division of Chevron USA, Inc.)		"P-191"	
Chevron Australia Pty Ltd.	"P-31"	"P-74"	"P-75"
Chevron New Zealand	"P-32"	"P-78"	"P-79"
Chevron USA Inc. (Singapore Branch)	"P-33"	"P-82"	"P-83"
Chevron North Sea Limited	"P-34"	"P-85"	"P-86"
Chevron (Thailand) Limited	"P-35"	"P-89"	"P-90"
Chevron Singapore Pte Ltd	"P-36"	"P-92"	"P-93"
Chevron Products UK Limited - Trading and Marine Lubricants Branch	"P-37"	"P-96"	"P-97"
Chevron Hong Kong Limited	"P-38"	"P-100"	"P-101"

Relative to the *fourth* requisite, Petitioner presented the Certificate of Bank Inward Remittances[66] issued by JPMorgan Chase Bank N.A.-Manila Branch for the period January 2015 to June 2015, purportedly showing the remittances of its foreign clients/affiliates. Considering that the certification (or proof) of inward remittances attests to the fact of payment "*in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP*", Petitioner is considered to have complied with the above-stated *fourth* essential element.

In any event, equally important to consider is that the said foreign currency remittances referred to under Section 108(B)(2) must be duly supported by VAT zero-rated official receipts in accordance with Section 113(A)(2), (B)(1), (2)(c) and (3) of the NIRC of 1997, as amended, as implemented by Section 4.113-1(A)(2), B(1) and (2)(c) of Revenue Regulations ("RR") No. 16-05 which provide that a VAT taxpayer, like herein Petitioner, shall for every lease of goods or properties, and for every sale, barter or exchange of services, issue a VAT official receipt which must contain the information stated in the said provisions, to wit:

corporate authority to take all such actions as it deems appropriate, and to fully obligate the corporation accordingly.

66 Exhibits "P-271.1" to "P-271.73."

"SEC. 113. *Invoicing and Accounting Requirements for VAT-registered Persons.* —

(A) *Invoicing Requirements.* — A VAT-registered person shall issue:

xxx xxx xxx

(2) A VAT official receipt for every lease of goods or properties, and for every sale, barter or exchange of services

(B) *Information Contained in the VAT Invoice or VAT Official Receipt.* — The following information shall be indicated in the VAT invoice or VAT official receipt:

(1) A statement that the seller is a VAT-registered person, followed by his Taxpayer's Identification Number (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 value-added tax: *Provided*, That:

xxx xxx xxx

(c) If the sale is subject to zero percent (0%) value-added tax, the term **'zero-rated sale'** shall be written or printed prominently on the invoice or receipt;

xxx xxx xxx

(3) The date of transaction, quantity, unit cost and description of the goods or properties or nature of the service; and xxx" (*Underscoring ours*)

"SEC. 4.113-1. *Invoicing Requirements.* —

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

xxx xxx xxx

(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:

xxx xxx xxx

(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;" (*Underscoring ours*)

In the instant case, aside from the certificate of bank inward remittances, Petitioner also presented its Summary List of Sales[67] and the related official receipts[68] purportedly supporting its total declared zero-rated sales of Php1,862,756,405.59 for the first and second quarters of TY 2015, detailed as follows:

Period Covered	**Zero-Rated Sales**
first Quarter	Php 968,689,035.61
second Quarter	894,067,369.98

[67] Exhibits "P-268.1" to "P-268.4" and "P-268.25" to "P-268.28".
[68] Exhibits "P-262.1" to "P-262.101".

Total	Php1,862,756,405.59

However, upon verification of the submitted documents, the Court finds that only the zero-rated sales of Php1,655,274,685.71 are duly supported by certificate (or proof) of inward remittances and zero-rated official receipts, detailed as follows:

Customer's Name	Exhibit No.	Official Receipt (OR) No.	OR Date	Zero -rated sales in PhP	Zero -rated sales in USD	Proof of Inward Remittance (P-271.1 to P-271.73)
Chevron (Thailand) Limited	P-262.19	5405	2/25/2015	6,855,485.61	154,865.42	T37SWIC055982
Chevron (Thailand) Limited	P-262.35	5422	3/25/2015	4,715,782.49	105,586.37	T37SWIC056337
Chevron (Thailand) Limited	P-262.67	5454	4/24/2015	4,665,770.66	105,586.39	T37SWIC056755
Chevron (Thailand) Limited	P-262.82	5470	5/26/2015	4,709,473.24	105,586.39	T37SWIC057158
Chevron (Thailand) Limited	P-262.95	5484	6/25/2015	4,760,430.57	105,586.35	T37SWIC057581
Sub-total				***25,706,942.57***	***577,210.92***	
Chevron Australia Pty Ltd	P-262.7	5390	1/26/2015	14,846,792.31	335,982.91	T37SWIC055558
Chevron Australia Pty Ltd	P-262.15	5400	2/25/2015	12,654,157.15	285,857.41	T37SWIC055975
Chevron Australia Pty Ltd	P-262.28	5415	3/25/2015	12,556,422.06	281,138.29	T37SWIC056327
Chevron Australia Pty Ltd	P-262.62	5449	4/24/2015	12,423,256.30	281,138.29	T37SWIC056749
Chevron Australia Pty Ltd	P-262.76	5464	5/26/2015	12,539,620.43	281,138.29	T37SWIC057159
Chevron Australia Pty Ltd	P-262.90	5479	6/25/2015	12,675,306.13	281,138.29	T37SWIC057571
Sub-total				***77,695,554.38***	***1,746,393.48***	

Chevron Energy Technology Company (a Chevron U.S.A. Inc. division)	P-262.48	5435	3/26/2015	952,668.31	21,311.19	T37SWIC056359
Chevron Energy Technology Company (a Chevron U.S.A. Inc. division)	P-262.80	5468	5/26/2015	4,135,004.02	92,706.79	T37SWIC057152
Sub-total				***5,087,672.33***	***114,017.98***	
Chevron Hong Kong Limited	P-262.17	5403	2/25/2015	7,217,681.27	163,047.42	T37SWIC055976
Chevron Hong Kong Limited	P-262.41	5428	3/25/2015	931,292.54	20,851.64	T37SWIC056324
Chevron Hong Kong Limited	P-262.79	5467	5/26/2015	6,398,802.41	143,461.15	T37SWIC057140
Sub-total				***14,547,776.22***	***327,360.21***	
Chevron Information Technology Company (a Chevron U.S.A. Inc. division)	P-262.3	5386	1/26/2015	179,993,262.48	4,073,247.53	T37SWIC055581
Chevron Information Technology Company (a Chevron U.S.A. Inc. division)	P-262.87	5475	6/25/2015	244,301,042.83	5,418,597.13	T37SWIC057584
Chevron Information Technology Company (a Chevron U.S.A. Inc. division)	P-262.30	5417	3/26/2015	254,252,955.29	5,687,638.61	T37SWIC056362
Chevron Information Technology Company (a	P-262.58	5444	4/24/2015	128,658,188.24	2,911,534.80	T37SWIC056764

Chevron U.S.A. Inc. division)						
Sub-total				***807,205,448.84***	***18,091,018.07***	
Chevron New Zealand	P-262.9	5393	1/26/2015	5,479,041.10	123,990.70	T37SWIC055554
Chevron New Zealand	P-262.16	5402	2/25/2015	7,239,041.17	163,529.94	T37SWIC055977
Chevron New Zealand	P-262.32	5419	3/25/2015	7,303,704.33	163,529.94	T37SWIC056330
Chevron New Zealand	P-262.63	5450	4/24/2015	7,226,246.13	163,529.95	T37SWIC056751
Chevron New Zealand	P-262.77	5465	5/26/2015	7,293,931.31	163,529.94	T37SWIC057139
Chevron New Zealand	P-262.93	5482	6/25/2015	7,372,855.28	163,529.93	T37SWIC057567
Sub-total				***41,914,819.32***	***941,640.40***	
Chevron North Sea Limited	P-262.10	5394	1/26/2015	4,820,413.61	109,085.96	T37SWIC055574
Chevron North Sea Limited	P-262.20	5406	2/25/2015	5,721,199.20	129,241.89	T37SWIC055972
Chevron North Sea Limited	P-262.29	5416	3/25/2015	9,798,016.08	219,377.58	T37SWIC056334
Chevron North Sea Limited	P-262.66	5453	4/24/2015	4,847,052.14	109,688.79	T37SWIC056745
Chevron North Sea Limited	P-262.81	5469	5/26/2015	4,892,452.72	109,688.79	T37SWIC057147
Chevron North Sea Limited	P-262.94	5483	6/25/2015	4,945,391.79	109,688.79	T37SWIC057566
Sub-total				***35,024,525.54***	***786,771.80***	
Chevron Products Company (a Chevron U.S.A. Inc. division)	P-262.5	5388	1/26/2015	21,963,899.25	497,043.04	T37SWIC055579
Chevron Products Company (a Chevron U.S.A. Inc. division)	P-262.14	5399	2/25/2015	24,776,030.99	559,690.54	T37SWIC055987

Chevron Products Company (a Chevron U.S.A. Inc. division)	P-262.27	5413	3/25/2015	25,499,174.19	570,926.51	T37SWIC056344
Chevron Products Company (a Chevron U.S.A. Inc. division)	P-262.60	5446	4/24/2015	24,980,492.71	565,308.55	T37SWIC056763
Chevron Products Company (a Chevron U.S.A. Inc. division)	P-262.74	5462	5/26/2015	25,214,475.47	565,308.54	T37SWIC057154
Chevron Products Company (a Chevron U.S.A. Inc. division)	P-262.88	5476	6/25/2015	25,487,310.64	565,308.55	T37SWIC057580
Sub-total				***147,921,383.25***	***3,323,585.73***	
Chevron Products UK Limited - Trading and Marine Lubricants Branch	P-262.25	5411	2/26/2015	7,448,042.29	169,070.56	T37SWIC055991
Chevron Products UK Limited - Trading and Marine Lubricants Branch	P-262.57	5491	3/31/2015	3,516,239.03	78,552.78	T37SWIC056351
Chevron Products UK Limited - Trading and Marine Lubricants Branch	P-262.85	5473	5/26/2015	7,007,384.48	157,105.56	T37SWIC057168
Sub-total				***17,971,665.80***	***404,728.90***	
Chevron Services Company (a	P-262.4	5387	1/26/2015	69,324,483.87	1,568,813.07	T37SWIC055582

Chevron U.S.A. Inc. division)						
Chevron Services Company (a Chevron U.S.A. Inc. division)	P-262.23	5409	2/26/2015	68,166,518.95	1,547,379.98	T37SWIC055993
Chevron Services Company (a Chevron U.S.A. Inc. division)	P-262.98	5487	6/26/2015	70,374,821.91	1,560,913.55	T37SWIC057589
Chevron Services Company (a Chevron U.S.A. Inc. division)	P-262.44	5431	3/26/2015	69,910,451.05	1,563,896.79	T37SWIC056361
Chevron Services Company (a Chevron U.S.A. Inc. division)	P-262.59	5445	4/24/2015	68,998,252.32	1,561,430.45	T37SWIC056760
Chevron Services Company (a Chevron U.S.A. Inc. division)	P-262.73	5461	5/26/2015	69,677,205.62	1,562,162.95	T37SWIC057155
Sub-total				***416,451,733.72***	***9,364,596.79***	
Chevron Singapore Pte. Ltd.	P-262.21	5407	2/25/2015	4,833,949.98	109,198.93	T37SWIC055971
Chevron Singapore Pte. Ltd.	P-262.34	5421	3/25/2015	5,160,065.65	115,533.87	T37SWIC056316
Chevron Singapore Pte. Ltd.	P-262.65	5452	4/24/2015	5,105,339.81	115,533.84	T37SWIC056741
Chevron Singapore Pte. Ltd.	P-262.91	5480	6/25/2015	10,417,840.85	231,067.71	T37SWIC057564
Sub-total				***25,517,196.29***	***571,334.35***	
Chevron Upstream (division of	P-262.46	5433	3/26/2015	406,856.50	9,101.38	T37SWIC056357

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Chevron U.S.A. Inc.)						
Sub-total				***406,856.50***	***9,101.38***	
Chevron U.S.A. Inc. (Singapore Branch)	P-262.8	5392	1/26/2015	5,363,612.91	121,378.56	T37SWIC055576
Chevron U.S.A. Inc. (Singapore Branch)	P-262.18	5404	2/25/2015	6,846,394.86	154,660.06	T37SWIC055986
Chevron U.S.A. Inc. (Singapore Branch)	P-262.31	5418	3/25/2015	6,907,550.69	154,660.06	T37SWIC056343
Chevron U.S.A. Inc. (Singapore Branch)	P-262.64	5451	4/24/2015	6,834,293.42	154,660.06	T37SWIC056762
Chevron U.S.A. Inc. (Singapore Branch)	P-262.78	5466	5/26/2015	6,898,307.76	154,660.06	T37SWIC057151
Chevron U.S.A. Inc. (Singapore Branch)	P-262.92	5481	6/25/2015	6,972,951.31	154,660.06	T37SWIC057578
Sub-total				***39,823,110.95***	***894,678.86***	
Total				**1,655,274,685.71**	**37,152,438.87**	

Therefore, out of the Php1,862,756,405.59 zero-rated sales declared per VAT Returns for the first and second quarters of TY 2015, only the amount of Php1,655,274,685.71, as presented above, qualifies for VAT zero-rating under Section 108(B)(2), in relation to Section 113(A)(2), (B)(1), (2)(c) and (3), both of the NIRC of 1997, as amended.

The rest of Petitioner's declared zero-rated sales in the amount of Php207,481,719.88, as detailed below, shall be denied VAT zero-rating for the herein stated reasons:

Customer' Name	Exhibit No.	OR No.	OR Date	Zero -rated sales in PhP	Proof of Inward Remittance (P-271.1 to P-271.73)
Without Service Agreements proving the nature of services provided and that the purported services were performed in the Philippines					
Chevron Corporation	P-262.6	5389	1/26/2015	19,810,836.50	T37SWIC055577

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Chevron Corporation	P-262.24	5410	2/26/2015	18,255,882.38	T37SWIC055992
Chevron Corporation	P-262.45	5432	3/26/2015	18,488,586.94	T37SWIC056360
Chevron Corporation	P-262.61	5447	4/24/2015	18,418,104.73	T37SWIC056761
Chevron Corporation	P-262.75	5463	5/26/2015	18,348,613.29	T37SWIC057153
Chevron Corporation	P-262.89	5477	6/25/2015	18,811,716.41	T37SWIC057579
Sub-total				***112,133,740.25***	
Without Service Agreements proving the nature of services provided and that the purported services were performed in the Philippines; Without proof that the named clients were non-resident foreign corporation doing business outside the Philippines					
Asia Pacific Marine Services (EF) B.V.	P-262.1	5384	1/14/2015	581,383.86	T37SWIC055421
Asia Pacific Marine Services (EF) B.V.	P-262.54	5441	3/26/2015	65,408.14	T37SWIC056363
Asia Pacific Marine Services (EF) B.V.	P-262.55	5442	3/26/2015	65,408.14	T37SWIC056364
Sub-total				***712,200.14***	
Without Service Agreements proving the nature of services provided and that the purported services were performed in the Philippines; Without proof that the named clients were non-resident foreign corporation					
Chevron Global Energy Inc. - Global Downstream Cost Allocation Branch	P-262.49	5436	3/26/2015	2,332,864.10	T37SWIC056358
Chevron Al Khalij, a branch of Chevron Asia Pacific Holdings Limited	P-262.47	5434	3/26/2015	3,441,349.13	T37SWIC056391
Chevron Canada Limited - Downstream Branch	P-262.38	5425	3/25/2015	1,528,358.64	T37SWIC024609
Sub-total				***7,302,571.87***	
Without proof that the named clients were non-resident foreign corporations					
Chevron (Cambodia) Limited	P-262.40	5427	3/25/2015	1,059,310.85	T37SWIC056320
Chevron (Cambodia) Limited	P-262.68	5455	4/24/2015	2,846,509.06	T37SWIC056752
Chevron (Cambodia) Limited	P-262.96	5485	6/25/2015	1,248,830.93	T37SWIC057568
Chevron (China) Investment - Services	P-262.13	5397	1/28/2015	92,605.73	T37SWIC055639
Chevron (China) Investment Co., Ltd - Services	P-262.53	5440	3/26/2015	400,472.06	T37SWIC056383
Chevron (China) Investment Co., Ltd - Services	P-262.86	5474	5/26/2015	799,157.45	T37SWIC057164
Chevron (China) Investment - Services	P-262.100	5489	6/29/2015	403,902.16	T37SWIC057606
Chevron Asia Pacific Holdings Limited	P-262.50	5437	3/26/2015	1,048,234.24	T37SWIC056367
Chevron Canada Resources	P-262.101	5490	6/30/2015	7,690,778.63	T37SWSW024700
Chevron International Pte. Ltd.	P-262.22	5408	2/25/2015	4,322,544.93	T37SWIC055970
Chevron International Pte. Ltd.	P-262.36	5423	3/25/2015	1,755,329.61	T37SWIC056315
Chevron Iraq (Sarta) Limited-Branch	P-262.12	5396	1/27/2015	4,629,626.16	T37SWIC055593

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Chevron Iraq (Sarta) Limited-Branch	P-262.39	5426	3/25/2015	1,331,872.71	T37SWIC056340
Chevron Iraq (Sarta) Limited-Branch	P-262.99	5488	6/26/2015	5,298,355.28	T37SWIC057588
Chevron Khazar, Ltd.	P-262.2	5385	1/14/2015	1,408,458.30	T37SWIC055535
Chevron Khazar, Ltd.	P-262.69	5456	4/24/2015	770,148.92	T37SWIC056759
Chevron Khazar, Ltd.	P-262.97	5486	6/25/2015	523,849.41	T37SWIC057577
Chevron Lubricants Lanka PLC	P-262.43	5430	3/25/2015	186,052.26	T37SWIC056298
Chevron Lubricants Lanka PLC	P-262.72	5459	4/28/2015	78,482.10	T37SWIC056809
Chevron Malaysia Limited	P-262.33	5420	3/25/2015	5,113,109.42	T37SWIC056319
Chevron Malaysia Limited	P-262.83	5471	5/26/2015	4,527,404.10	T37SWIC057148
Chevron Nebitgaz B.V.	P-262.71	5458	4/27/2015	1,813,321.55	T37SWIC056768
Chevron Overseas Services Corporation	P-262.51	5438	3/26/2015	803,857.40	T37SWIC056369
Chevron Pakistan Limited - branch	P-262.84	5472	5/26/2015	75,987.96	T37SWIC057129
Chevron South Africa (Pty) Limited	P-262.26	5412	2/27/2015	4,860,923.45	T37SWIC056017
Chevron South Africa (Pty) Limited	P-262.56	5443	3/30/2015	1,133,876.74	T37SWIC056413
Chevron Trading Pte. Ltd.	P-262.11	5395	1/26/2015	3,282,441.89	T37SWIC055562
Chevron Trading Pte. Ltd.	P-262.42	5429	3/25/2015	262,270.21	T37SWIC056317
Chevron Trading Pte. Ltd.	P-262.70	5457	4/24/2015	259,488.73	T37SWIC056742
Chevron U.S.A. Inc. - Chevron Global Downstream	P-262.37	5424	3/25/2015	662,735.15	T37SWIC056345
Compania Chevron de Panama, S.A.	P-262.52	5439	3/26/2015	967,560.13	T37SWIC056378
Sub-total				***59,657,497.52***	
Without proof that the name clients are non-resident foreign corporations; without supporting ORs and proof of inward remittances					
Chevron Denmark Inc.			January	415,875.61	
Chevron Denmark Inc.			February	512,892.07	
Chevron Denmark Inc.			March	520,690.97	
Chevron Denmark Inc.			April	514,251.33	
Chevron Denmark Inc.			May	519,297.50	
Chevron Denmark Inc.			June	523,500.45	
Chevron Global Energy Inc.			January	831,033.52	
Chevron Global Energy Inc.			February	761,876.65	
Chevron Global Energy Inc.			March	773,461.54	
Chevron Global Energy Inc.			April	763,895.76	
Chevron Global Energy Inc.			May	771,391.61	
Chevron Global Energy Inc.			June	777,634.89	
Chevron Middle East Business Development Ltd			March	601,660.11	
Chevron Middle East Business Development Ltd			April	297,109.54	
Chevron Middle East Business Development Ltd			May	300,024.98	

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Chevron Middle East Business Development Ltd			June	302,453.24	
Chevron Overseas Services Corporation-Argentina			February	4,884,546.70	
Chevron Overseas Services Corporation-Argentina			March	769,885.51	
Chevron Overseas Services Corporation-Argentina			April	760,363.96	
Chevron Overseas Services Corporation-Argentina			May	767,825.16	
Chevron Overseas Services Corporation-Argentina			June	774,039.57	
Sub-total				***17,143,710.67***	
Without Service Agreements proving the nature of services provided and that the purported services were performed in the Philippines; without proof that the named clients are non-resident foreign corporation; without supporting ORs and proof of inward remittances					
Chevron Liberia Limited			May	735,764.94	
Chevron Munaigas Inc. Home Office			January	502,040.14	
Chevron Munaigas Inc. Home Office			February	600,288.99	
Chevron Munaigas Inc. Home Office			March	609,416.82	
Chevron Munaigas Inc. Home Office			April	601,879.86	
Chevron Munaigas Inc. Home Office			May	607,785.91	
Chevron Munaigas Inc. Home Office			June	612,705.04	
Sub-total				***4,269,881.70***	
Without supporting ORs and proof of inward remittances					
Chevron Africa and Latin America Exploration			January	1,754,368.77	
Chevron Africa and Latin America Exploration			February	892,441.85	
Chevron Africa and Latin America Exploration			March	906,012.08	
Chevron Africa and Latin America Exploration			April	894,806.98	
Chevron Africa and Latin America Exploration			May	903,587.42	
Chevron Africa and Latin America Exploration			June	910,900.63	
Sub-total				***6,262,117.73***	
TOTAL				**207,481,719.88**	

Having found that Petitioner had valid VAT zero-rated sales *only* in the total amount of Php1,655,274,685.71 for the subject period of claim, the Court shall proceed to determine whether Petitioner complied with the remaining requisites pertaining to the input VAT being claimed for refund or issuance of a tax credit certificate.

The input VAT being claimed does not appear to be transitional input taxes.

In its Quarterly VAT Returns for the first and second quarters of TY 2015, Petitioner declared total input VAT of Php40,889,343.15 from its current domestic purchases and importation of goods and services and input VAT on purchases of capital goods from previous quarters, as shown below:

	first Quarter of TY 2015 Exhibit P-12[69]	**second Quarter of TY 2015** Exhibit P-14[70]	**Total**
Input Tax Due on Previous Quarters' Purchases			
Deferred on Capital Goods exceeding Php1 Million from Previous Quarter	Php25,367,062.82	Php22,179,769.48	Php47,546,832.30
Deferred for the succeeding period	22,179,769.49	19,058,702.00	41,238,471.49
Amortization of Input Tax Due on Capital Goods exceeding Php1 Million	Php 3,187,293.33	Php 3,121,067.48	Php 6,308,360.81
Input Tax Due on Current Domestic Purchases of Goods Other than Capital Goods	197,819.98	113,658.10	311,478.08
Sub-total	*Php 3,385,113.31*	*Php 3,234,725.58*	*Php 6,619,838.89*
Input Tax Paid on Current:			
Importation of Goods Other than Capital Goods	Php 62,663.00	Php 128,902.00	Php191,565.00
Domestic Purchase of Services	12,060,657.26	17,762,134.76	29,822,792.02
Services Rendered by Non-Residents	2,132,896.55	2,122,250.69	4,255,147.24
Sub-total	*Php14,256,216.81*	*Php20,013,287.45*	*Php34,269,504.26*
Total Input Tax for the Period	**Php17,641,330.12**	**Php23,248,013.03**	**Php40,889,343.15**
Less: Output Tax	3,125,164.85	4,279,718.24	7,404,883.09
Excess input tax claimed for refund/TCC	**Php14,516,165.27**	**Php18,968,294.79**	**Php33,484,460.06**

The above input taxes do *not* appear to be transitional input taxes, as understood under Section 111(A) of the NIRC of 1997, as amended, to wit:

"SEC. 111. *Transitional/Presumptive Input Tax Credits.* –

[69] *Id.*, pp. 3722 to 3723.
[70] *Id.*, pp. 3726 to 3727.

(A) *Transitional Input Tax Credits.* – A person who becomes liable to value-added tax or any person who elects to be a VAT-registered person shall, subject to the filing of an inventory according to the rules and regulations prescribed by the Secretary of Finance, upon recommendation of the Commissioner, be allowed input tax on his beginning inventory of goods, materials and supplies equivalent to two percent (2%) of the value of such inventory or the actual value-added tax paid on such goods, materials and supplies, whichever is higher, which shall be creditable against the output tax."

Apropos, transitional input tax credit operates to benefit newly VAT-registered persons, whether or not they previously paid taxes in the acquisitions of their beginning inventory of goods, materials and supplies. During the period of transition from non-VAT to VAT status, the transitional input tax credit serves to alleviate the impact of the VAT on the taxpayer.[71]

Since there is no showing that the above-stated input VAT are transitional input VAT, Petitioner has complied with the *sixth* requisite for the grant of an input VAT refund under Section 112 of the NIRC of 1997, as amended.

The input taxes being claimed are due and paid.

Out of the reported total input VAT of Php40,889,343.15, Petitioner claims for refund the excess input VAT amount of Php33,484,460.06, determined as follows:

	first Quarter of TY 2015	**second Quarter of TY 2015**	**Total**
Total Input Tax for the Period	Php17,641,330.12	Php23,248,013.03	Php40,889,343.15
Less: Output Tax	3,125,164.85	4,279,718.24	7,404,883.09
Excess input tax claimed for refund/TCC	**Php14,516,165.27**	**Php18,968,294.79**	**Php33,484,460.06**

In support of its input VAT due on purchases of capital goods exceeding Php1M from previous quarters and input VAT due on current domestic purchases of goods other than capital goods in the aggregate amount of Php6,619,838.89, Petitioner submitted in evidence various sales invoices and official receipts[72] issued by its suppliers.

[71] Fort Bonifacio Development Corporation v. Commissioner of Internal Revenue, G.R. Nos. 158885 and 170680, April 02, 2008.

[72] Exhibits "P-254.1" to "P-254.535"; "P-259.1" to "P-259-150"; "P-253.1" to "P-253.108"; "P-258.1" to "P-258.9".

However, upon verification, the Court shall disallow the input VAT amounting to Php926,169.25 for not being properly substantiated by VAT invoices and official receipts, as prescribed under Sections 113(A)(1) and (2), (B)(2)(a)and 237 of the NIRC of 1997, as amended, and as implemented by Section 4.113-1(A)(1) and (2), (B)(2)(a)of RR No. 16-05, as amended, detailed as follows:

Date	Name of Vendor	Input VAT	Disallowed Input VAT	Exhibit
Deferred on Capital Goods from Previous Quarters				
Purchase of Goods/Services without supporting VAT Invoice/Official Receipt				
May-10	DHL EXPRESS (PHILIPPINES) CORPORATION	Php 83.33	Php 5.56	-
Aug-10	ROMULO PRINCILLO FREEZE-AIRE AIR CONDITIONING CENTER	8,035.71	803.57	-
Oct-10	INTEGRATED COMPUTER SYSTEMS, INC.	87,993.86	8,799.39	-
Dec-10	CATS MOTORS, INC.	255,535.71	25,553.57	-
Dec-10	EQUICOM INC.	470,340.94	47,034.09	-
Dec-10	EQUICOM INC.	364,901.51	36,490.15	-
Dec-10	EQUICOM INC.	95,558.65	9,555.87	-
Dec-10	EQUICOM INC.	236,117.50	23,611.75	-
Dec-10	INTEGRATED COMPUTER SYSTEMS,INC.	111,743.25	11,174.33	-
Dec-10	MICRODATA SYSTEMS AND MANAGEMENT, INC	283,281.69	28,328.17	-
Dec-10	PERSONAL COMPUTER SPECIALISTS, INC.	48,053.61	4,805.36	-
Dec-10	PHIL-DATA BUSINESS SYSTEMS, INC.	128,945.65	12,894.57	-
Dec-10	PHIL-DATA BUSINESS SYSTEMS, INC.	518,814.98	51,881.50	-
Dec-10	TRENDS AND TECHNOLOGIES, INC.	609,434.40	60,943.44	-
Mar-11	ADTECH CONSTRUCTION AND INDUSTRIAL SERVICES CORP.	197,459.25	19,745.93	-
Oct-11	TRENDS AND TECHNOLOGIES, INC.	1,867,488.84	186,748.88	-
Nov-11	CB RICHARD ELLIS PHILIPPINES, INC.	35,919.64	3,591.96	-
Nov-11	CB RICHARD ELLIS PHILIPPINES, INC.	16,489.29	1,648.93	-
Dec-11	ALECTO GENERAL TECHNOLOGY CORPORATION	29,183.37	2,918.34	-

Dec-11	ALECTO GENERAL TECHNOLOGY CORPORATION	213,513.85	21,351.39	-
Dec-11	ALECTO GENERAL TECHNOLOGY CORPORATION	114,077.85	11,407.79	-
Dec-11	ALECTO GENERAL TECHNOLOGY CORPORATION	101,844.91	10,184.49	-
Dec-11	MASTER AUTOMATED SYSTEMS INC	190,502.25	19,050.23	-
Dec-11	RONALD MAGBITANG	326,163.26	32,616.33	-
Mar-12	RONALD MAGBITANG	530,430.23	53,043.02	-
May-12	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES	360.00	36.00	-
Jul-12	RONALD MAGBITANG	151,029.28	15,102.93	-
Jul-12	RONALD MAGBITANG	234,618.75	23,461.88	-
Jul-12	RONALD MAGBITANG	43,908.00	4,390.80	-
Sep-12	JLGT MARKETING	9,168.00	916.80	-
Sep-12	JLGT MARKETING	3,984.00	398.40	-
Nov-12	RONALD MAGBITANG	152,400.68	15,240.07	-
Dec-12	RONALD MAGBITANG	15,000.00	1,500.00	-
	SUBTOTAL		*Php 745,235.45*	
Purchase of services supported by VAT ORs but the amount of input VAT is not separately indicated				
May-12	RONALD MAGBITANG	292,744.82	Php 29,274.48	P-259.125 to P-259.126
May-12	RONALD MAGBITANG	205,191.43	20,519.14	P-259.127 to P-259.128
May-12	RONALD MAGBITANG	604,117.11	60,411.71	P-259.129 to P-259.130
May-12	RONALD MAGBITANG	424,344.18	42,434.42	P-259.131 to P-259.132
	SUBTOTAL		*Php 152,639.75*	
Input VAT supported by invoice but it cannot be ascertained whether it is a purchase of service or goods (not readable)				
Nov-11	NETWORK SOLUTIONS AND INTERFACES CORPORATION	128,758.38	Php 12,875.84	P-259.101 to P-259.102
Over-claimed Input VAT				
Mar-12	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES		Php 80.10	P-259.117 to P-259.118
	[(Php1,200.00-Php399.00)/60mos.x6mos.]			
Nov-12	RONALD MAGBITANG		769.33	P-259.145 to P-259.146
	[(Php29,332.80-Php21,639.52)/60mos.x6mos.]			
Nov-12	RONALD MAGBITANG		14,568.78	P-259.147 to P-259.148

	[(Php166,473.42-Php20,785.62)/60mos.x6mos.]			
	SUBTOTAL		*15,418.21*	
Total disallowed input VAT deferred from previous quarters			**Php926,169.25**	
Current Domestic Purchases of Goods Other than Capital Goods				
Supported by collection receipt				
20-Apr-15	EQUICOM INC.		Php 660.00	P-258.1
Supported by invoice dated outside the period of claim				
17-Dec-14	PERSONAL COMPUTER SPECIALISTS, INC.		Php 37,668.00	P-258.6
3-Dec-14	PERSONAL COMPUTER SPECIALISTS, INC.		354.00	P-25.8
	SUBTOTAL		*38,022.00*	
Total disallowed input VAT on domestic purchases of goods			**Php 38,682.00**	
Total Disallowed input VAT on purchases of goods			**Php964,851.25**	

As to the input VAT paid on its importations of goods other than capital goods, domestic purchases of services, and services rendered by non-residents in the total amount of Php34,269,504.26, Petitioner submitted in evidence various sales invoices and official receipts[73] issued by its suppliers, special bank receipts and various import documents issued by the BOC,[74] and the Monthly Remittance Return of Value-Added Tax and Other Percentage Taxes Withheld (BIR Form 1600)[75] it filed with the BIR for its payments to non-resident suppliers.

However, upon verification, the Court shall disallow the input VAT amounting to Php755,826.22 for not being properly substantiated by VAT official receipts as prescribed under Sections 113(A)(2) and (B)(2), and 237 of the NIRC of 1997, as amended, and as implemented by Section 4.113-1(A)(2) and (B)(2) of RR No. 16-05, as amended, detailed as follows:

Date	Name of Vendor	Input VAT		Exhibit
Importation of Goods				
Input VAT paid outside the period of claim				
18-Dec-14	OC TANNER		Php 21,958.00	P-260.1 to P-260.12
	SUBTOTAL		*Php 21,958.00*	
Domestic Purchases of Services				

[73] Exhibits "P-252.1" to "P-252.1,580"; "P-257.1" to "P-257.342"; "P-255.1" to "P-255.104"
[74] Exhibits "P-255.1" to "P-255.104"; "P-260.1" to "P-260.12"
[75] Exhibits "P-256.1" to "P-256.18".

Purchase of services supported by OR with notation "This document is not valid for claiming input taxes"				
20-Jan-15	AQUEOUS PURIFIED DRINKING WATER		Php 5,814.64	P-257.1
7-Jan-15	AQUEOUS PURIFIED DRINKING WATER		5,814.64	P-257.3
6-Mar-15	AQUEOUS PURIFIED DRINKING WATER		4,946.79	P-257.5
10-Apr-15	AQUEOUS PURIFIED DRINKING WATER		5,641.07	P-257.7
8-May-15	AQUEOUS PURIFIED DRINKING WATER		6,335.36	P-257.9
18-Jun-15	AQUEOUS PURIFIED DRINKING WATER		5,554.29	P-257.11
	SUBTOTAL		*Php 34,106.79*	
Purchase of services supported by documents other than VAT ORs				
11-Dec-14	JLGT MARKETING		Php 21,298.29	P-257.13
12-Dec-14	JLGT MARKETING		5,328.00	P-257.14
10-Dec-14	JLGT MARKETING		93,205.30	P-257.15
30-Sep-14	SMART COMMUNICATIONS INC.		117,700.45	P-257.16
	SUBTOTAL		*Php237,532.04*	
Input VAT claimed for VAT exempt/zero-rated sales				
22-Jan-15	ANGARA ABELLO CONCEPCION REGALA AND CRUZ		Php 476.76	P-257.17 to P-257.18
22-Jan-15	ARDENT COMMUNICATIONS, INC.		2,550.00	P-257.19 to P-257.20
14-Jan-15	ASIAN RELOCATION MANAGEMENT INC.		3,000.29	P-257.21 to P-257.22
12-Jan-15	ATM PERSONNEL ASSISTANCE, INC.	*Php2,115.45*		P-257.23 to P-257.24
12-Jan-15	ATM PERSONNEL ASSISTANCE, INC.	*1,884.60*	4,000.05	P-257.25 to P-257.26
6-Jan-15	ATM PERSONNEL ASSISTANCE, INC.		1,513.20	P-257.27 to P-257.28
26-Jan-15	ATM PERSONNEL ASSISTANCE, INC.		3,761.37	P-257.29 to P-257.30
14-Jan-15	ATM PERSONNEL ASSISTANCE, INC.	*1,381.37*		P-257.31 to P-257.32
14-Jan-15	ATM PERSONNEL ASSISTANCE, INC.	*1,139.41*		P-257.33 to P-257.34
14-Jan-15	ATM PERSONNEL ASSISTANCE, INC.	*2,580.80*		P-257.35 to P-257.36
14-Jan-15	ATM PERSONNEL ASSISTANCE, INC.	*1,173.63*		P-257.37 to P-257.38

14-Jan-15	ATM PERSONNEL ASSISTANCE, INC.	*2,230.92*		P-257.39 to P-257.40
14-Jan-15	ATM PERSONNEL ASSISTANCE, INC.	*2,230.92*		P-257.41 to P-257.42
14-Jan-15	ATM PERSONNEL ASSISTANCE, INC.	*1,210.95*		P-257.43 to P-257.44
14-Jan-15	ATM PERSONNEL ASSISTANCE, INC.	*1,208.30*		P-257.45 to P-257.46
14-Jan-15	ATM PERSONNEL ASSISTANCE, INC.	*2,301.69*		P-257.47 to P-257.48
14-Jan-15	ATM PERSONNEL ASSISTANCE, INC.	*1,848.09*	17,306.08	P-257.49 to P-257.50
7-Jan-15	BIO-TECH ENVIRONMENTAL SERVICES PHILS. INC.		535.71	P-257.51 to P-257.52
7-Jan-15	BIO-TECH ENVIRONMENTAL SERVICES PHILS. INC.	*535.71*		P-257.53 to P-257.54
7-Jan-15	BIO-TECH ENVIRONMENTAL SERVICES PHILS. INC.	*926.79*	1,462.50	P-257.55 to P-257.56
7-Jan-15	BIO-TECH ENVIRONMENTAL SERVICES PHILS. INC.		926.79	P-257.57 to P-257.58
7-Jan-15	BIO-TECH ENVIRONMENTAL SERVICES PHILS. INC.	*535.71*		P-257.59 to P-257.60
7-Jan-15	BIO-TECH ENVIRONMENTAL SERVICES PHILS. INC.	*926.79*		P-257.61 to P-257.62
7-Jan-15	BIO-TECH ENVIRONMENTAL SERVICES PHILS. INC.	*535.71*		P-257.63 to P-257.64
7-Jan-15	BIO-TECH ENVIRONMENTAL SERVICES PHILS. INC.	*926.79*	2,925.00	P-257.65 to P-257.66
13-Jan-15	CHEF LAUDICO CULINARY SERVICES		4,320.00	P-257.67 to P-257.68
7-Jan-15	GLOBAL BUSINESS SUPPORT SERVICES, INC.	*1,348.95*		P-257.69 to P-257.70
7-Jan-15	GLOBAL BUSINESS SUPPORT SERVICES, INC.	*3,730.28*		P-257.71 to P-257.72
7-Jan-15	GLOBAL BUSINESS SUPPORT SERVICES, INC.	*16,345.24*		P-257.73 to P-257.74
7-Jan-15	GLOBAL BUSINESS SUPPORT SERVICES, INC.	*1,348.95*		P-257.75 to P-257.76
7-Jan-15	GLOBAL BUSINESS SUPPORT SERVICES, INC.	*8,906.60*		P-257.77 to P-257.78
7-Jan-15	GLOBAL BUSINESS SUPPORT SERVICES, INC.	*14,752.31*		P-257.79 to P-257.80
7-Jan-15	GLOBAL BUSINESS SUPPORT SERVICES, INC.	*528.00*		P-257.81 to P-257.82
7-Jan-15	GLOBAL BUSINESS SUPPORT SERVICES, INC.	*528.00*		P-257.83 to P-257.84
7-Jan-15	GLOBAL BUSINESS SUPPORT SERVICES, INC.	*528.00*		P-257.85 to P-257.86

7-Jan-15	GLOBAL BUSINESS SUPPORT SERVICES, INC.	*1,204.05*		P-257.87 to P-257.88
7-Jan-15	GLOBAL BUSINESS SUPPORT SERVICES, INC.	*3,730.28*		P-257.89 to P-257.90
7-Jan-15	GLOBAL BUSINESS SUPPORT SERVICES, INC.	*16,963.85*	69,914.51	P-257.91 to P-257.92
12-Jan-15	MASTER AUTOMATED SYSTEMS, INC.		1,182.36	P-257.93 to P-257.94
12-Jan-15	MASTER AUTOMATED SYSTEMS, INC.		1,367.64	P-257.95 to P-257.96
12-Jan-15	MASTER AUTOMATED SYSTEMS, INC.		1,182.36	P-257.97 to P-257.98
5-Jan-15	MASTER AUTOMATED SYSTEMS, INC.	*1,367.64*		P-257.99 to P-257.100
5-Jan-15	MASTER AUTOMATED SYSTEMS, INC.	*1,182.36*		P-257.101 to P-257.102
5-Jan-15	MASTER AUTOMATED SYSTEMS, INC.	*1,367.64*	3,917.64	P-257.103 to P-257.104
22-Jan-15	MISNET EDUCATION INC.		3,000.00	P-257.105 to P-257.106
20-Jan-15	NETWORK SOLUTIONS AND INTERFACES CORPORATION	*1,489.89*		P-257.107 to P-257.108
20-Jan-15	NETWORK SOLUTIONS AND INTERFACES CORPORATION	*1,489.89*	2,979.78	P-257.109 to P-257.110
12-Jan-15	PERSONAL COMPUTER SPECIALISTS, INC.		4,936.15	P-257.111 to P-257.112
5-Jan-15	PERSONAL COMPUTER SPECIALISTS, INC.		4,689.34	P-257.113 to P-257.114
6-Jan-15	PHILIPPINE INTERNATIONAL CONVENTION CENTER		7,868.85	P-257.115 to P-257.116
23-Jan-15	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES		510.00	P-257.117 to P-257.118
23-Jan-15	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES		312.00	P-257.119 to P-257.120
23-Jan-15	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES	*216.00*		P-257.123 to P-257.124
23-Jan-15	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES	*1,350.00*	1,566.00	P-257.125 to P-257.126
23-Jan-15	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES	*360.00*		P-257.127 to P-257.128
23-Jan-15	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES	*2,004.00*	2,364.00	P-257.129 to P-257.130
12-Jan-15	RONALD MAGBITANG	*19,680.00*		P-257.131 to P-257.132
12-Jan-15	RONALD MAGBITANG	*2,400.00*		P-257.133 to P-257.134
12-Jan-15	RONALD MAGBITANG	*47,028.00*		P-257.135 to P-257.136

12-Jan-15	RONALD MAGBITANG	*9,840.00*	78,948.00	P-257.137 to P-257.138
23-Jan-15	TECHEDGE SOLUTIONS INC.		2,486.07	P-257.139 to P-257.140
23-Jan-15	TECHEDGE SOLUTIONS INC.		6,407.52	P-257.141 to P-257.142
5-Feb-15	ACTS DANCE AND ARTS ACADEMY STUDIO CORP		1,560.00	P-257.143 to P-257.144
5-Feb-15	ACTS DANCE AND ARTS ACADEMY STUDIO CORP		2,280.00	P-257.145 to P-257.146
19-Feb-15	ANGARA ABELLO CONCEPCION REGALA AND CRUZ		6,102.00	P-257.147 to P-257.148
4-Feb-15	ATM PERSONNEL ASSISTANCE, INC.	*4,404.35*		P-257.149 to P-257.150
4-Feb-15	ATM PERSONNEL ASSISTANCE, INC.	*3,483.60*		P-257.151 to P-257.152
4-Feb-15	ATM PERSONNEL ASSISTANCE, INC.	*4,700.03*		P-257.153 to P-257.154
4-Feb-15	ATM PERSONNEL ASSISTANCE, INC.	*3,578.10*		P-257.155 to P-257.156
4-Feb-15	ATM PERSONNEL ASSISTANCE, INC.	*1,146.37*		P-257.157 to P-257.158
4-Feb-15	ATM PERSONNEL ASSISTANCE, INC.	*1,049.28*		P-257.159 to P-257.160
4-Feb-15	ATM PERSONNEL ASSISTANCE, INC.	*1,848.63*		P-257.161 to P-257.162
4-Feb-15	ATM PERSONNEL ASSISTANCE, INC.	*1,504.35*		P-257.163 to P-257.164
4-Feb-15	ATM PERSONNEL ASSISTANCE, INC.	*1,507.26*		P-257.165 to P-257.166
4-Feb-15	ATM PERSONNEL ASSISTANCE, INC.	*1,347.66*		P-257.167 to P-257.168
4-Feb-15	ATM PERSONNEL ASSISTANCE, INC.	*2,443.67*		P-257.169 to P-257.170
4-Feb-15	ATM PERSONNEL ASSISTANCE, INC.	*2,787.85*	29,801.15	P-257.171 to P-257.172
4-Feb-15	ATM PERSONNEL ASSISTANCE, INC.		2,108.87	P-257.173 to P-257.174
16-Feb-15	F AND A OUTSOURCING HUB PHILS INC	*2,386.43*		P-257.175 to P-257.176
16-Feb-15	F AND A OUTSOURCING HUB PHILS INC	*2,686.71*	5,073.14	P-257.177 to P-257.178
6-Feb-15	G AND P CAR SERVICE CENTER		330.00	P-257.179 to P-257.180
6-Feb-15	G AND P CAR SERVICE CENTER	*240.00*		P-257.181 to P-257.182
6-Feb-15	G AND P CAR SERVICE CENTER	*270.00*	510.00	P-257.183 to P-257.184

11-Mar-15	ASIAN RELOCATION MANAGEMENT INC.	*11,240.20*		P-257.185 to P-257.186
11-Mar-15	ASIAN RELOCATION MANAGEMENT INC.	*11,240.20*		P-257.187 to P-257.188
11-Mar-15	ASIAN RELOCATION MANAGEMENT INC.	*7,206.78*		P-257.189 to P-257.190
11-Mar-15	ASIAN RELOCATION MANAGEMENT INC.	*9,708.00*	39,395.18	P-257.191 to P-257.192
11-Mar-15	ASIAN RELOCATION MANAGEMENT INC.	*4,320.00*		P-257.193 to P-257.194
11-Mar-15	ASIAN RELOCATION MANAGEMENT INC.	*4,320.00*	8,640.00	P-257.195 to P-257.196
19-Mar-15	SCHNEIDER ELECTRIC IT PHILIPPINES, INC.	*12,040.21*		P-257.197 to P-257.198
19-Mar-15	SCHNEIDER ELECTRIC IT PHILIPPINES, INC.	*12,040.21*	24,080.42	P-257.199 to P-257.200
12-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*776.84*		P-257.201 to P-257.202
12-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*687.80*		P-257.203 to P-257.204
12-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*555.89*		P-257.205 to P-257.206
12-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*202.81*	2,223.34	P-257.207 to P-257.208
20-Mar-15	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES		960.00	P-257.209 to P-257.210
17-Mar-15	PUNONGBAYAN AND ARAULLO		2,160.00	P-257.211 to P-257.212
3-Mar-15	ANGARA ABELLO CONCEPCION REGALA AND CRUZ		1,200.00	P-257.213 to P-257.214
9-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*1,914.19*		P-257.215 to P-257.216
9-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*1,061.62*		P-257.217 to P-257.218
9-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*2,093.26*		P-257.219 to P-257.220
9-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*1,403.93*		P-257.221 to P-257.222
9-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*2,867.56*		P-257.223 to P-257.224
9-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*2,216.74*		P-257.225 to P-257.226
9-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*1,822.83*		P-257.227 to P-257.228
9-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*1,037.34*		P-257.229 to P-257.230
9-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*1,146.37*		P-257.231 to P-257.232

9-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*3,647.88*	19,211.72	P-257.233 to P-257.234
10-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*2,230.92*		P-257.235 to P-257.236
10-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*1,252.76*		P-257.237 to P-257.238
10-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*1,370.24*	4,853.92	P-257.239 to P-257.240
11-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*794.10*		P-257.241 to P-257.242
11-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*1,638.14*		P-257.243 to P-257.244
11-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*2,847.06*	5,279.30	P-257.245 to P-257.246
6-Mar-15	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES	*1,200.00*		P-257.247 to P-257.248
6-Mar-15	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES	*312.00*	1,512.00	P-257.249 to P-257.250
20-Mar-15	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES	*624.00*		P-257.251 to P-257.252
20-Mar-15	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES	*720.00*	1,344.00	P-257.253 to P-257.254
23-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*2,149.99*		P-257.255 to P-257.256
23-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*1,378.79*		P-257.257 to P-257.258
23-Mar-15	ATM PERSONNEL ASSISTANCE, INC.	*1,274.65*	4,803.43	P-257.259 to P-257.260
8-Apr-15	ARKIGRAFIX CORPORATION		234.00	P-257.261 to P-257.262
13-Apr-15	ATM PERSONNEL ASSISTANCE, INC.		1,154.50	P-257.263 to P-257.264
13-Apr-15	MISNET EDUCATION INC.		3,171.43	P-257.265 to P-257.266
27-Apr-15	MISNET EDUCATION INC.		2,142.86	P-257.267 to P-257.268
8-Apr-15	PERSONAL COMPUTER SPECIALISTS, INC.	*4,676.35*		P-257.269 to P-257.270
8-Apr-15	PERSONAL COMPUTER SPECIALISTS, INC.	*4,936.15*	9,612.50	P-257.271 to P-257.272
17-Apr-15	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES		525.00	P-257.273 to P-257.274
17-Apr-15	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES	*120.00*		P-257.275 to P-257.276
17-Apr-15	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES	*480.00*		P-257.277 to P-257.278
17-Apr-15	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES	*120.00*		P-257.279 to P-257.280

17-Apr-15	PLATON MARTINEZ FLORES SAN PEDRO AND LEANO LAW OFFICES	*135.00*	855.00	P-257.281 to P-257.282
21-Apr-15	SYNERGY EXPERTISE INC.		2,832.00	P-257.283 to P-257.284
11-May-15	ANGARA ABELLO CONCEPCION REGALA AND CRUZ		1,200.00	P-257.285 to P-257.286
21-May-15	ATM PERSONNEL ASSISTANCE, INC.	*2,513.90*		P-257.287 to P-257.288
21-May-15	ATM PERSONNEL ASSISTANCE, INC.	*2,906.59*	5,420.49	P-257.289 to P-257.290
19-May-15	DMJ MULTI-PRINT AND SERVICES		16.07	P-257.291 to P-257.292
4-May-15	DMJ MULTI-PRINT AND SERVICES	*16.61*		P-257.293 to P-257.294
4-May-15	DMJ MULTI-PRINT AND SERVICES	*16.61*		P-257.295 to P-257.296
4-May-15	DMJ MULTI-PRINT AND SERVICES	*16.61*	49.83	P-257.297 to P-257.298
4-May-15	DMJ MULTI-PRINT AND SERVICES		16.61	P-257.299 to P-257.300
19-May-15	DMJ MULTI-PRINT AND SERVICES	*33.21*		P-257.301 to P-257.302
19-May-15	DMJ MULTI-PRINT AND SERVICES	*16.61*		P-257.303 to P-257.304
19-May-15	DMJ MULTI-PRINT AND SERVICES	*149.46*	199.28	P-257.305 to P-257.306
7-May-15	MSIECS PHILS INC		8,250.00	P-257.307 to P-257.308
8-May-15	PERSONAL COMPUTER SPECIALISTS, INC.		4,936.15	P-257.309 to P-257.310
26-May-15	RONALD MAGBITANG		3,048.19	P-257.311 to P-257.312
14-May-15	SCHNEIDER ELECTRIC IT PHILIPPINES, INC.		12,040.21	P-257.313 to P-257.314
5-Jun-15	ANGARA ABELLO CONCEPCION REGALA AND CRUZ		1,200.00	P-257.315 to P-257.316
11-Jun-15	ARKIGRAFIX CORPORATION	*1,553.57*		P-257.317 to P-257.318
11-Jun-15	ARKIGRAFIX CORPORATION	*257.14*		P-257.319 to P-257.320
11-Jun-15	ARKIGRAFIX CORPORATION	*50.40*	1,861.11	P-257.321 to P-257.322
10-Jun-15	BENIPAYO VILMA BOBIS		567.86	P-257.323 to P-257.324
4-Jun-15	BIO-TECH ENVIRONMENTAL SERVICES PHILS. INC.	*535.71*		P-257.325 to P-257.326
4-Jun-15	BIO-TECH ENVIRONMENTAL SERVICES PHILS. INC.	*926.79*		P-257.327 to P-257.328

4-Jun-15	BIO-TECH ENVIRONMENTAL SERVICES PHILS. INC.	*535.71*		P-257.329 to P-257.330
4-Jun-15	BIO-TECH ENVIRONMENTAL SERVICES PHILS. INC.	*926.79*	2,925.00	P-257.331 to P-257.332
5-Jun-15	DMJ MULTI-PRINT AND SERVICES		16.61	P-257.333 to P-257.334
5-Jun-15	DMJ MULTI-PRINT AND SERVICES	*66.43*		P-257.335 to P-257.336
5-Jun-15	DMJ MULTI-PRINT AND SERVICES	*49.82*	116.25	P-257.337 to P-257.338
	SUBTOTAL		*Php 462,229.39*	
Total disallowed input VAT on domestic purchase of services and importations of goods			**Php755,826.22**	

Thus, out of the total declared input VAT of Php40,889,343.15 for the first and second quarters of TY 2015, only the amount of Php39,168,665.68, as computed below, represents Petitioner's valid input VAT for the same period:

Total declared input VAT for the period		Php 40,889,343.15
Less: Disallowances		
Input VAT due on purchases of goods	Php964,851.25	
Input VAT paid on importations of goods, domestic purchases of services and services rendered by non-residents	755,826.22	1,720,677.47
Valid input VAT for the period		**Php39,168,665.68**

Since there are both zero-rated or effectively zero-rated sales and taxable sales, the said amount of Php39,168,665.68 shall be proportionately allocated on the basis of sales volume.

To reiterate, the *eighth* requisite is to the effect that the input taxes claimed are attributable to zero-rated or effectively zero-rated sales. However, where there are both zero-rated or effectively zero-rated sales and taxable or exempt sales, and the input taxes cannot be directly and entirely attributable to any of these sales, the input taxes shall be proportionately allocated on the basis of sales volume.

In this case, for the subject periods of the claim, there exists a zero-rated or effectively zero-rated sales and taxable sales. Specifically, in the amended Quarterly VAT Return for the first quarter of TY 2015, Petitioner reported total sales in the amount of Php994,732,076.01;[76] while in the amended Quarterly VAT Return for the second quarter of TY 2015, Petitioner declared its total sales in the amount of Php929,731,688.68.[77] In other words, Petitioner had sales for the said periods in the aggregate amount of Php1,924,463,764.69.

However, since its input VAT cannot be directly or entirely attributed to any of the transactions, this Court shall allocate the valid input VAT of **Php39,168,665.68** proportionately on the basis of the volume of its sales, as shown below:

Taxable Sales for the first and second quarters of TY 2015[78]	Php 61,707,359.10
Divided by the Reported Total Sales per Amended Quarterly VAT Returns	Php1,924,463,764.69
Multiplied by Total Valid Input VAT	Php 39,168,665.68
Valid input VAT allocated to sales subject to the 12% VAT	**Php 1,255,931.63**

Total Valid Zero-Rated Sales	Php1,655,274,685.71
Divided by the Reported Total Sales per Amended Quarterly VAT Return	Php1,924,463,764.69
Multiplied by Total Valid Input VAT	Php 39,168,665.68
Valid Input VAT allocated to valid zero-rated sales	**Php 33,689,852.71**

Thus, for purposes of, and with regard to Petitioner's compliance with, the *eighth* requisite, only the amount of Php33,689,852.71 represents valid input VAT attributable to valid zero-rated sales.

Determination of the refundable amount.

Having determined that Petitioner had valid input VAT attributable to its zero-rated sales, this Court shall now determine whether the same was applied against its output VAT liability during and in the succeeding quarters, relative to the *ninth* requisite for the successful prosecution of an input VAT refund claim.

For the periods under consideration, Petitioner has output VAT liabilities in the amount of Php7,404,883.09.[79] Since Petitioner's valid input VAT in the

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76 Docket (CTA Case No. 9350), Exhibit "P-12", pp. 3722 to 3723.
77 *Id.*, Exhibit "P-14", pp. 3722 to 3723.
78 *Id.*, Line 15A of Exhibit "P-12" and Line 15A of Exhibit "P-14", pp. 3722 to 3723.
79 Computed as follows:

	Exhibit	Output VAT
1st quarter TY 2015	P-12	Php 3,125,164.85
2nd quarter TY 2015	P-14	4,279,718.24
Total		**Php 7,404,883.09**

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amount of Php1,255,931.63 (*supra*) allocated to sales subject to the 12% VAT is not enough to cover the said output VAT liability, the output VAT still due against Petitioner is computed as follows:

Output VAT liabilities for the first and second quarters of TY 2015	Php7,404,883.09
Less: Valid Input VAT allocated to Sales subject to the 12% VAT	1,255,931.63
Output VAT Still Due	**Php6,148,951.46**

As shown earlier, the valid input VAT attributable to valid zero-rated sales in the amount of Php33,689,852.71 shall then be utilized against the said remaining output VAT liability of Petitioner in the amount of Php6,148,951.46. Correspondingly, only the remaining input VAT of Php27,540,901.25 represents Petitioner's unapplied/excess input VAT attributable to its valid zero-rated sales, as determined below:

Substantiated Total Input VAT Allocated to Zero-Rated Sales	Php33,689,852.71
Less: Output VAT still due	6,148,951.46
Excess input VAT attributable to valid zero-rated sales	**Php 27,540,901.25**

Needless to state, the said amount of Php27,540,901.25 is included in the amounts of the subject refund claim, *i.e.*, the amounts of Php14,516,165.27 and Php18,968,294.79 for the first and second quarters of TY 2015, respectively. Although the said amounts of input VAT claims were initially carried-over by Petitioner in its succeeding Quarterly VAT Returns,[80] the same remained unutilized until the same was deducted as *"VAT Refund/TCC Claimed"* in its Monthly VAT Declarations for the months of October 2015[81] and February 2016,[82] respectively.

In fine, Petitioner is deemed to have fulfilled the said *ninth* requisite in the refund of input VAT under Section 112(A) of the NIRC of 1997, as amended.

Correspondingly, Petitioner is entitled to refund or issuance of tax credit certificate in the amount of Php27,540,901.25.

WHEREFORE, in light of the foregoing considerations, the instant consolidated *Petitions for Review* is **PARTIALLY GRANTED**. Accordingly, Respondent is **ORDERED TO REFUND OR ISSUE A TAX CREDIT**

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80 *Id.*, Exhibits "P-14", "P-17", "P-20", and "P-23", pp. 3726 to 3727, 3732 to 3733, 3738 to 3739, and 3744 to 3745, respectively.
81 *Id.*, Line 20D of Exhibit "P-28", p. 3755.
82 *Id.*, Line 20D of Exhibit "P-29", p. 3757.

CERTIFICATE in favor of Petitioner in the amount of **Php27,540,901.25**, representing the latter's unutilized input VAT attributable to Petitioner's zero-rated sales for the first and second quarters of TY 2015.

SO ORDERED.

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

WE CONCUR:

ERLINDA P. UY
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
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.

ERLINDA P. UY
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Division Chairperson's Attestation, it is hereby certified that the conclusions in the above Decision were reached in consultation before the cases were assigned to the writer of the opinion of the Court.

ROMAN G. DEL ROSARIO
Presiding Justice