REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

REGUS SERVICE CENTRE, PHILIPPINES B.V. — ROHQ,
Petitioner,

-versus-

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA EB No. 3161
(CTA Case No. 9962)

Present:

RINGPIS-LIBAN, *P.J.,*
BACORRO-VILLENA,
MODESTO-SAN PEDRO,
REYES-FAJARDO,
CUI-DAVID,
FERRER-FLORES, and
ANGELES, *JJ.*

Promulgated:

JUN 29 2026 2:50

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DECISION

REYES-FAJARDO, J.:

THE CASE

This is a Petition for Review filed by petitioner Regus Service Centre, Philippines B.V.—ROHQ, appealing the Decision dated June 29, 2023[1] (the "assailed Decision") and the Resolution dated May 6, 2025[2] (the "assailed Resolution"), both rendered by the Special Third Division of this Court (the "Court in Division") in the case entitled *Regus Service Centre, Philippines B.V.—ROHQ v. Commissioner of Internal Revenue,* docketed as CTA Case No. 9962.[3]

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1 Decision, Docket — pp. 32 to 52.
2 Resolution, Docket — pp. 54 to 58.
3 Petition for Review, Docket — pp. 1 to 22.

The assailed Decision denied petitioner's claim for refund of unutilized input value-added tax (VAT) for the second (2nd) to fourth (4th) quarters of calendar year (CY) 2016, in the amount of ₱7,834,310.94, for failure to sufficiently establish its entitlement to zero-rated or effectively zero-rated sales.

The assailed Resolution, in turn, denied petitioner's Motion for Reconsideration for lack of merit.

THE PARTIES

Petitioner is a regional operating headquarters (ROHQ) of Regus Service Centre, Philippines, B.V., a corporation organized and existing under the laws of the Netherlands. As a registered ROHQ, petitioner is duly licensed by the Securities and Exchange Commission (SEC) to transact business in the Philippines.[4]

Respondent is the Commissioner of Internal Revenue (CIR), vested by law with the authority to decide claims for refund or tax credit of internal revenue taxes pursuant to the National Internal Revenue Code (NIRC) of 1997, as amended, and related laws and regulations.[5]

THE FACTS

The facts, as found by the Court in Division, are as follows:[6]

On June 29, 2018, petitioner filed its Application for Tax Credits/Refunds (BIR Form No. 1914), seeking a refund of unutilized input VAT in the amount of ₱7,834,310.94, covering the period April 1, 2016 to December 31, 2016.

On September 25, 2018, petitioner received a letter dated September 6, 2018, issued by the BIR, through Assistant Commissioner Erlinda A. Simple, denying its administrative claim.

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4 Petition, Docket — p. 1.
5 Petition, Docket — p. 2.
6 Decision, Docket — pp. 33 to 36.

On October 25, 2018, petitioner filed a Petition for Review before the Court in Division, to which respondent filed his Answer on March 4, 2019.

On October 1, 2019, the pre-trial conference was held. The parties thereafter filed a Joint Stipulation of Facts and Issues, which the Court in Division admitted and approved, resulting in the termination of pre-trial and the issuance of the corresponding Pre-Trial Order.

Trial ensued.

Petitioner presented the testimonies of its Senior Finance Manager, Atty. Juan R. Bernardino, Jr., and the Court-commissioned Independent Certified Public Accountant (ICPA), Ms. Krista V. Bambao, whose Report was submitted on October 31, 2019.

On July 6, 2020, petitioner filed its Formal Offer of Evidence with Motion for Leave of Court, seeking, among others, the admission of additional documentary evidence and the taking of judicial notice of certain records, to which respondent filed his Comment/Objection on August 19, 2020.

In a Resolution dated November 11, 2020, the Court in Division admitted petitioner's offered exhibits, except for several documents excluded for failure to comply with evidentiary requirements, including failure to submit duly marked exhibits, to present originals for comparison, and to match the documents formally offered with those actually marked. On January 4, 2021, petitioner filed a Motion for Reconsideration with Motion for Leave of Court for the Admission of Evidence, followed by a Manifestation with Motion for Leave of Court on January 14, 2021, to which respondent filed his Comment on February 22, 2021.

In a Resolution dated June 7, 2021, the Court in Division granted and noted petitioner's motions. Petitioner subsequently filed a Motion with Submission on July 19, 2021. Thereafter, in a Resolution dated December 4, 2021, the Court granted petitioner's Motion for Reconsideration and admitted the previously excluded exhibits.

For his part, respondent presented the testimony of Revenue Officer Ma. Cleofe T. Tasarra and filed his Formal Offer of Evidence on March 8, 2022, which the Court admitted in a Resolution dated May 12, 2022, after petitioner failed to interpose any objection.

On January 29, 2023, the Court in Division promulgated the assailed Decision, denying petitioner's claim for refund of unutilized input VAT for failure to establish that its sales were zero-rated or effectively zero-rated.

In so ruling, the Court in Division found that petitioner failed to prove that its sales or supply of services qualified for VAT zero-rating under Section 108(B)(2) of the NIRC of 1997, as amended—specifically, that the subject services were actually performed in the Philippines.

On July 27, 2023, petitioner filed a Motion for Reconsideration, to which respondent filed his Comment/Opposition on February 18, 2025.[7]

On July 1, 2024, the Court in Division promulgated the assailed Resolution, denying the petitioner's Motion for Reconsideration for lack of merit.[8]

On May 23, 2025, petitioner filed the present Petition for Review with the Court *En Banc*.[9] Then on July 29, 2025, respondent filed his Comment/Opposition.[10]

On September 11, 2025, the Court issued a Minute Resolution submitting this case for decision.[11]

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7 Resolution, Docket — p. 54.
8 Resolution, Docket — p. 57.
9 Petition for Review, Docket — pp. 1 to 22. Filed personally on May 23, 2025 and electronically on May 26, 2025.
10 Comment/Opposition, Docket — pp. 84 to 93. Filed electronically on July 29,2025 and personally on July 31, 2025.
11 Docket — p. 95.

THE ISSUE

Did the Court in Division err in denying petitioner's VAT refund claim for failure of petitioner to prove that the subject services were performed in the Philippines, as required for VAT zero-rating under Section 108(B)(2) of the NIRC of 1997, as amended?

Petitioner's arguments:

Petitioner argues that: 1) the subject services were rendered in the Philippines by virtue of its status as a duly licensed ROHQ under Republic Act (RA) No. 8756,[12] the nature and authorized functions of which necessarily involve the performance of qualifying services in the Philippines for its non-resident foreign affiliate, Franchise International S.A.R.L.; 2) its ROHQ license, Service Agreement, corporate records, and uncontroverted testimonial evidence, taken together with the court-commissioned ICPA Report, sufficiently establish compliance with Section 108(B)(2) of the NIRC of 1997, as amended; 3) the ICPA's findings should have been accorded substantial weight in the absence of contrary evidence; 4) the *strictissimi juris* rule was misapplied, as the minimum evidentiary requirements were allegedly met; and 5) equitable considerations, including the doctrine of *solutio indebiti*, warrant the refund to prevent unjust enrichment on the part of the government.

Respondent's counter-arguments:

Respondent counters that: 1) petitioner failed to discharge its burden of proving that the subject services were actually rendered in the Philippines, emphasizing that petitioner's ROHQ status under RA No. 8756 and the existence of a Service Agreement do not, by themselves, establish the place of performance required under Section 108(B)(2) of the NIRC of 1997, as amended; 2) the Service Agreement is silent as to the situs of service rendition, while petitioner's corporate records merely establish the non-residency of the foreign affiliate and not the performance of services within the Philippines; 3) the findings of the court-appointed ICPA are non-

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12 An Act Providing for the Terms, Conditions and Licensing Requirements of Regional or Area Headquarters, Regional Operating Headquarters, and Regional Warehouses of Multinational Companies, Amending for the Purpose Certain Provisions of Executive Order No. 226, otherwise known as The Omnibus Investments Code of 1987. Enacted on November 23, 1999.

conclusive and merely corroborative; 4) petitioner failed to strictly comply with VAT substantiation and invoicing requirements under Section 113 of the NIRC of 1997, as amended; and 5) claims for VAT refund partake of the nature of tax exemption and are construed *strictissimi juris* against the taxpayer, rendering equitable considerations and *solutio indebiti* inapplicable absent strict compliance with statutory and evidentiary requirements.

RULING

The Petition for Review lacks merit.

Section 108(B)(2) of the NIRC of 1997, as amended, states:

> Section Sec. 108. Value-Added Tax on Sale of Services and Use or Lease of Properties. —
>
> . . .
>
> (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:
>
> . . .
>
> (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).[13]

The above provision requires the concurrence of four conditions to qualify for VAT zero-rating: ***first,*** the services rendered should be other than processing, manufacturing or repacking of goods; ***second,*** the services are performed in the Philippines; ***third,*** the service-recipient is (a) a person engaged in business conducted outside the Philippines; or (b) a non-resident person not engaged in a business which is outside the Philippines when the services are performed; and ***fourth,*** the services are paid for in acceptable foreign

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[13] Emphasis supplied.

currency inwardly remitted and accounted for in conformity with Bangko Sentral ng Pilipinas (BSP) rules and regulations.[14]

In the present case, it is undisputed that petitioner has satisfied the *first, third,* and *fourth* requisites.

With respect to the ***first*** requisite, the Service Agreement[15] entered into by petitioner's Head Office and Franchise International S.A.R.L., its non-resident foreign affiliate, lists intercompany services that fall within the scope of "services other than processing, manufacturing or repacking goods." Hence, petitioner satisfactorily complied with the first essential element.[16]

Anent the ***third*** requisite, petitioner submitted sufficient documents[17] proving that its sole client for the subject period of claim, Franchise International S.A.R.L., is a non-resident foreign corporation doing business outside the Philippines[18]

As regards the ***fourth*** requisite, petitioner presented the Certification of inward remittances issued by Hongkong and Shanghai Banking Corporation (HSBC),[19] which attests to the fact of payment in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP.[20]

The controversy centers on the ***second*** requisite—whether the subject services were actually performed in the Philippines.

Petitioner failed to establish this essential element.

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14 *Chevron Holdings, Inc. v. Commissioner of Internal Revenue,* G.R. No. 215159, July 5, 2022.

15 Exhibit "P-29", CTA Case No. 9962, Docket, pp. 406 to 416.

16 Decision, Docket — pp. 45 to 46.

17 The following documents were presented before the Court in Division: (1) Updated Articles of Association of Franchise International (Luxembourg) as at December 17th, 2012; (2) Authenticated Certificate of Residency of Franchise International S.A.R.L. issued by the Tax Authorities of Luxembourg; (3) Apostilled document as to the change of name of the private limited liability company (societe a responsabilite limitee or S.A.R.L.) from Franchise International (Luxembourg) to Franchise International; and (4) Certificate of Non-registration as a corporation or partnership issued by the Philippines SEC to Franchise International S.A.R.L.

18 Decision, Docket — pp. 43 to 45.

19 Exhibit "P-34", CTA Case No. 9962, Docket, pp. 449 to 450.

20 Decision, Docket — p 46.

First. Petitioner's reliance on its status as a duly licensed ROHQ under RA No. 8756 is misplaced. ROHQ status, by itself, does not prove that the services were actually rendered in the Philippines.

Section 108(B)(2) of the NIRC of 1997, as amended, expressly requires that the services be "**performed in the Philippines**." Whether this statutory element is satisfied is a factual matter that must be shown by specific, affirmative, and competent evidence—not by inference drawn from corporate licensing or classification alone.[21] The rule is that bare allegations, unsubstantiated by evidence, are not equivalent to proof, and that he who asserts must prove.[22]

Here, the Service Agreement merely reflects juridical relationships and the non-residency of the recipient. It does not categorically establish that petitioner itself performed the subject services within Philippine territory during the taxable period.

Second. The "totality of evidence" cited by petitioner remains insufficient.

A claim for refund of unutilized input VAT is a tax refund claim; it is in the nature of a tax exemption and is construed *strictissimi juris* against the claimant.[23] Accordingly, the taxpayer bears the burden of proving strict compliance with the statutory and regulatory requisites; any doubt is resolved against the claim.

While petitioner presented its ROHQ license, Service Agreement, corporate records, testimonial evidence, and the ICPA Report, these pieces of evidence do not, individually or collectively, establish the situs of performance required under Section 108(B)(2) of the NIRC of 1997, as amended, as none categorically demonstrate that petitioner actually performed the subject services in the Philippines during the taxable period.

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21 *Procter & Gamble International Operations SA-ROHQ v. Commissioner of Internal Revenue*, C.T.A. EB Case Nos. 2768 & 2775 (C.T.A. Case No. 9897), October 28, 2024.

22 *Aragon v. Ong*, A.C. No. 9654, July 18, 2022; *Bacala v. Heirs of Poliño*, G.R. No. 200608, February 10, 2021.

23 *Brewery Properties, Inc. v. Commissioner of Internal Revenue*, G.R. No. 239260, March 6, 2023; *Eastern Telecommunications Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 183531, March 25, 2015; and *Commissioner of Internal Revenue v. S.C. Johnson and Son, Inc., et al.*, G.R. No. 127105, June 25, 1999.

Third. The ICPA Report is not controlling upon the Court.[24]

The findings of a court-appointed ICPA are persuasive and corroborative, but they do not supplant the Court's duty to determine compliance with statutory requisites.

Here, the Court in Division did not disregard the ICPA's findings; rather, it evaluated the report in relation to the totality of the evidence on record and correctly treated it as corroborative in character. The ICPA Report primarily confirmed the existence of transactions and accounting entries. It did not conclusively establish that the services covered by the refund claim were performed within Philippine territory.

Hence, the Court in Division did not err in according the ICPA Report persuasive—but not controlling—weight.

Fourth. *Solutio indebiti* and equity considerations cannot override the law.

In *Metropolitan Bank & Trust Co. v. Commissioner of Internal Revenue*,[25] the Supreme Court, rejected the application of said principle to tax refund cases, *viz.*:

> Finally, the Court finds untenable Metrobank's resort to the principle of solutio indebiti in support of its position. In *CIR v. Manila Electric Company*,[26] the Court rejected the application of said principle to tax refund cases, *viz.*:
>
> > In this regard, petitioner is misguided when it relied upon the six (6)-year prescriptive period for initiating an action on the ground of quasi contract or solutio indebiti under Article 1145 of the New Civil Code. There is solutio indebiti where: (1) payment is made when there exists no binding relation between the payor, who has no duty to pay, and the person who received the payment; and (2) the payment is made through mistake, and not through liberality or some other cause. **Here, there is a binding relation between petitioner as the taxing authority in this jurisdiction and respondent MERALCO which is bound under the law to act as a**

24 *Takenaka Corporation Philippine Branch v. Commissioner of Internal Revenue*, G.R. No. 211589, March 12, 2018.
25 G.R. No. 182582, April 17, 2017.
26 G.R. No. 181459, June 9, 2014.

> **withholding agent of NORD/LB Singapore Branch, the taxpayer. Hence, the first element of solutio indebiti is lacking. Moreover, such legal precept is inapplicable to the present case since the Tax Code, a special law, explicitly provides for a mandatory period for claiming a refund for taxes erroneously paid.**
>
> Tax refunds are based on the general premise that taxes have either been erroneously or excessively paid. Though the Tax Code recognizes the right of taxpayers to request the return of such excess/erroneous payments from the government, they must do so within a prescribed period. Further, "a taxpayer must prove not only his entitlement to a refund, but also his compliance with the procedural due process as non-observance of the prescriptive periods within which to file the administrative and the judicial claims would result in the denial of his claim."[27]

Besides, tax refunds are governed by the NIRC of 1997, as amended, a special law that prescribes specific conditions and periods for claiming refunds. It is a basic tenet in statutory construction[28] that between a general law (*e.g.*, Civil Code) and a special law, the latter prevails.[29]

In sum, petitioner failed to discharge its burden of proving that the subject services were rendered in the Philippines. Without proof of this indispensable statutory element, the claim for VAT zero-rating and refund necessarily fails.

Accordingly, the Court *En Banc* finds no reversible error on the part of the Court in Division in denying petitioner's claim for refund of unutilized input VAT for the 2nd to fourth 4th quarters of CY 2016, in the amount of ₱7,834,310.94.

WHEREFORE, the Petition for Review in CTA EB No. 3161 is **DENIED**, for lack of merit. The Decision dated June 29, 2023 and the Resolution dated May 6, 2025, both rendered by the Special Third Division of this Court in CTA Case No. 9962 are **AFFIRMED**.

SO ORDERED.

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27 Emphasis in original.
28 *Generalia specialibus non derogant.*
29 *Commissioner of Internal Revenue v. San Miguel Corp.* G.R. Nos. 180740 & 180910, November 11, 2019.

MARIAN IVY F. REYES-FAJARDO
Associate Justice

WE CONCUR:

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

LANEE S. CUI-DAVID
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice

HENRY S. ANGELES
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice