CTA Form No. 8 (For DCC) 22-000090-0077

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL FIRST DIVISION

CTA CASE NO. 10791

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES,
Petitioner,

- versus -

NOTICE OF RESOLUTION

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

To:

OFFICE OF THE SOLICITOR GENERAL
134 Amorsolo St., Legazpi Village
Makati City

ATTY. AYESHA HANIA B. GUILING-MATANOG
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Sen. Miriam P. Defensor-Santiago Avenue
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CABRERA & COMPANY
29th Floor, AIA Tower (Formerly Philamlife Tower)
8767 Paseo de Roxas
1226 Makati City

GREETINGS:

You are hereby notified by these presents that on **February 6, 2026,** a Resolution was rendered in the above-entitled case, copy of which is attached hereto.

Quezon City, Philippines, **February 9, 2026.**

Atty. Maria Johoanna F. Chan-Te
Executive Clerk of Court III

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
Quezon City

SPECIAL FIRST DIVISION

NATIONAL REINSURANCE CORPORATION OF THE PHILIPPINES, Petitioner,	CTA CASE NO. **10791**
	Members:
- versus -	**BACORRO-VILLENA,** *Acting Chairperson, and* **CUI-DAVID,** ***JJ.***
COMMISSIONER OF INTERNAL REVENUE, Respondent.	Promulgated: FEB 06 2026, 10:20AM

x - x

RESOLUTION

BACORRO-VILLENA, J.:

For the Court's resolution is petitioner National Reinsurance Corporation of the Philippines' (**petitioner**'s) "Motion for Reconsideration (Re: Decision dated 2 June 2025)"[1] (**MR**) filed and emailed on 25 June 2025, with respondent Commissioner of Internal Revenue's (**respondent**'s/**CIR**'s) "Comment (Re: Motion for Reconsideration dated 25 June 2025)"[2] (**Comment**) filed personally on 11 August 2025 and *via* email on 12 August 2025.

The MR assails the Court's Decision[3] promulgated on 02 June 2025 (**assailed Decision**), which dismissed the case for lack of merit. The dispositive portion of the said Decision reads —

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1 Division Docket, Volume III, pp. 1773-1787.
2 Id., pp. 1798-1803.
3 Id., pp. 1744-1772.

> ...
>
> **WHEREFORE,** with the foregoing premises, the Petition for Review filed by petitioner National Reinsurance Corporation of the Philippines on 02 February 2022 is hereby **DENIED** for lack of merit.[4]
>
> ...

In the MR, petitioner assails the Court's dismissal of its Petition for Review on the following grounds, to wit: (1) respondent's assessment has no legal basis as there is no law that imposes Value-Added Tax (**VAT**) on a mere disallowance of input tax; (2) it has enough input tax that can be legally utilized to apply against the assessment; (3) it was able to prove that it did not utilize the input tax carried over to the succeeding period; (4) the application of its excess input tax carry-over against the assessment does not contravene any tax rules and principles; and (5) even after the disallowance of input tax allocable to its VAT-exempt sales, its remaining input tax calendar year 2016 (**CY 2016**) is enough to settle its output tax for the same year.

Respondent's Comment to the MR essentially negates petitioner's claim that the assessment against it is without legal basis. Respondent cites as basis Section 4.110-4 of Revenue Regulations (**RR**) No. 16-2005[5] which provides that if any input tax cannot be directly attributed to either a VAT taxable or VAT-exempt transaction, the input tax shall be pro-rated to the VAT taxable and VAT-exempt transactions and only the ratable portion pertaining to transactions subject to VAT may be recognized for input tax credit.

Furthermore, respondent points out that he or she considered the input taxes forwarded to the succeeding period in the total amount of ₱142,173,362.82, which already formed part of the beginning balance of excess input tax in the new quarter's VAT return. Hence, contrary to petitioner's claim, there is no unutilized input tax in CY 2016 where the output tax may even be applied.

Finally, respondent cites Section 6(A)[6] of the National Internal Revenue Code (**NIRC**) of 1997, as amended, and argues that since a

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[4] Emphasis in the original text.

[5] Consolidated Value-Added Tax Regulations of 2005, dated 01 September 2005.

[6] Sec. 6. *Power of the Commissioner to Make assessments and Prescribe additional Requirements for Tax Administration and Enforcement.* -

Letter of Authority (**LOA**) had already been issued to petitioner for CY 2016, it can no longer amend both its 2016 VAT returns and subsequent returns for purposes of applying the output tax liability against the alleged remaining unutilized input VAT.

We resolve.

Petitioner's arguments are a mere rehash of those already raised and considered by this Court.

In *Ortigas and Company Limited Partnership v. Judge Tirso Velasco, et al.*[7], the Supreme Court explained, to wit:

> ...
> The filing of a motion for reconsideration, authorized by Rule 52 of the Rules of Court, does not impose on the Court the obligation to deal individually and specifically with the grounds relied upon therefor, in much the same way that the Court does in its judgment or final order as regards the issues raised and submitted for decision. This would be a useless formality or ritual invariably involving merely a reiteration of the reasons already set forth in the judgment or final order for rejecting the arguments advanced by the movant; and it would be a needless act, too, with respect to issues raised for the first time, these being, as above stated, deemed waived because not asserted at the first opportunity. It suffices for the Court to deal generally and summarily with the motion for reconsideration, and merely state a legal ground for its denial (Sec. 14, Art. VIII, Constitution); *i.e.*, the motion contains merely a reiteration or rehash of arguments already submitted to and pronounced without merit by the Court in its judgment, or the basic issues have already been passed upon, or the motion discloses no substantial argument or cogent reason to warrant reconsideration or modification of the judgment or final order; or the arguments in the motion are too unsubstantial to require consideration, etc.
> ...

(A) *Examination of Returns and Determination of Tax Due*. - After a return has been filed as required under the provisions of this Code, the Commissioner or his duly authorized representative may authorize the examination of any taxpayer and the assessment of the correct amount of tax: Provided, however; That failure to file a return shall not prevent the Commissioner from authorizing the examination of any taxpayer.

The tax or any deficiency tax so assessed shall be paid upon notice and demand from the Commissioner or from his duly authorized representative.

Any return, statement of declaration filed in any office authorized to receive the same shall not be withdrawn: Provided, That within three (3) years from the date of such filing, the same may be modified, changed, or amended: Provided, further, That no notice for audit or investigation of such return, statement or declaration has in the meantime been actually served upon the taxpayer.

7 G.R. No. 109645 (Resolution), 04 March 1996.

Additionally, the Supreme Court in *Shangri-La International Hotel Management, Ltd., et al. v. Developers Group of Companies, Inc.*[8] ruled:

> ...
>
> The bulk of the aforementioned grounds is a mere rehash of movant's previous arguments. While DGCI is correct in stating that a motion for reconsideration, by its very nature, may tend to dwell on issues already resolved in the decision sought to be reconsidered and that this should not be an obstacle for a reconsideration, the hard reality is that movant has failed to raise matters substantially plausible or compellingly persuasive to warrant the desired course of action.
>
> Considering that the grounds presently raised have been sufficiently considered, if not squarely addressed, in the subject Decision, it behooves movant to convince the Court that certain findings or conclusions in the Decision are contrary to law. **As it is, however, the instant motion does not raise any new or substantial legitimate ground or reason to justify the reconsideration sought.**
>
> ...

Nevertheless, for emphasis, this Court reiterates that respondent's disallowance of input tax is proper.

Section 110(C) of the NIRC of 1997, as amended, provides for the determination of the amount of input tax creditable for a certain period, as follows:

> ...
>
> Sec. 110. *Tax Credits.* —
>
> ...
>
> (C) *Determination of Creditable Input Tax.* — The sum of the excess input tax carried over from the preceding month or quarter and the input tax creditable to a VAT-registered person during the taxable month or quarter **shall be reduced by the amount** of claim for refund or tax credit for value-added tax and **other adjustments, such as** purchase returns or allowances and **input tax attributable to exempt sale.**
>
> The claim for tax credit referred to in the foregoing paragraph shall include not only those filed with the Bureau of Internal Revenue but also those filed with other government agencies, such as the Board of Investments and the Bureau of Customs.[9]
>
> ...

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8 G.R. No. 159938, 22 January 2007; Citation omitted and emphasis supplied.

9 Emphasis supplied and italics in the original text.

The Court finds that petitioner has been engaged in taxable and exempt sales, or in mixed transactions. It is clearly shown that for CY 2016, it reported in its Quarterly VAT returns[10] taxable sales subject to 12% VAT and exempt sales. Accordingly, if a VAT-registered entity is engaged in VATable and VAT-exempt transactions, the tax credits allowable will be computed under an apportionment formula, in view of the provision of Section 112(A) of the NIRC of 1997, as amended, to wit:

> ...
> [W]here 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.**[11]
> ...

Corollary thereto, Section 4.110-4 of RR No. 16-2005[12] provides the guidelines in determining the amount of input tax attributable to a specific sales type in case of mixed sales for a particular period. The pertinent provisions state:

> ...
> SEC. 4.110-4. *Apportionment of Input Tax on Mixed Transactions.* — A VAT-registered person who is also engaged in transactions not subject to VAT shall be allowed to recognize input tax credit on transactions subject to VAT as follows:
>
> 1. All the input taxes that can be directly attributed to transactions subject to VAT may be recognized for input tax credit; *Provided*, that input taxes that can be directly attributable to VAT taxable sales of goods and services to the Government or any of its political subdivisions, instrumentalities or agencies, including government-owned or controlled corporations (GOCCs) shall not be credited against output taxes arising from sales to non-Government entities; and
>
> 2. **If any input tax cannot be directly attributed to either a VAT taxable or VAT-exempt transaction, the input tax shall be pro-rated to the VAT taxable and VAT-exempt transactions and only the ratable portion pertaining to transactions subject to VAT may be recognized for input tax credit.**[13]
> ...

10 See Exhibits "P-27", "P-28", "P-29" and "P-30", Division Docket, Volume III, pp. 1521-1528.
11 Emphasis supplied.
12 Supra at note 5.
13 Italics in the original and emphasis supplied.

Thus, based on the foregoing, there is no dispute that when there are mixed transactions and a direct attribution of the input VAT cannot be made on such sales, a proportionate allocation based on volume of sales must be made. However, no tax credit is allowed for input taxes in case of VAT-exempt transactions. Thus, contrary to petitioner's argument, it appears that respondent's assessment has legal basis. Since petitioner has transactions exempt from payment of VAT, the corresponding input taxes attributable thereto should have been deducted from the allowable input tax pursuant to Section 110(A)(3)[14] of the NIRC of 1997, as amended.

In its MR, petitioner cites *Southern Luzon Drug Corporation v. Commissioner of Internal Revenue*[15] (**Southern Luzon**), *My Solid Technologies & Devices Corporation v. Commissioner of Internal Revenue*[16] (**My Solid Technologies**), and argued that this Court has held that a taxpayer's excess input tax credits can be utilized to cover any arising deficiency output tax assessment. In other words, petitioner insists that based on these cases, its input tax can be legally utilized to apply against the said assessment.

We disagree with petitioner.

Unlike the cases decided by the Supreme Court, the decisions of this Court do not form part of the law of the land. Compared to the Supreme Court decisions, ours are not precedents.[17] Thus, it is inaccurate, if not erroneous, for petitioner to insist for this Court to allow the utilization of input tax against the deficiency VAT assessment in Southern Luzon and My Solid Technologies.

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14 SEC. 110. *Tax Credits.* –
(A) *Creditable Input Tax.* –
...
(3) A VAT-registered person who is also engaged in transactions not subject to the value-added tax shall be allowed tax credit as follows:
(a) Total input tax which can be directly attributed to transactions subject to value-added tax; and
(b) A ratable portion of any input tax which cannot be directly attributed to either activity.

15 CTA Case No. 8941, 07 September 2018.

16 CTA Case No. 8854, 04 August 2017.

17 See *Commissioner of Internal Revenue v. San Roque Power Corporation*, G.R. Nos. 187485, 196113 & 197156 (Resolution), 08 October 2013.

For a more complete discussion, We reproduce below the relevant portion of the Final Decision on Disputed Assessment dated 27 December 2021[18] (**FDDA**), *viz:*

VATable Receipts *per* Returns			127,102,230.67
VAT Rate		12%	
Output Tax			15,252,267.68
Less: Total allowable input tax			
Input tax from previous period	123,627,778.97		
Input tax on current purchases	44,539,756.39		
Total available input tax	168,167,535.36		
Add: Input tax forwarded to succeeding period	(142,173,362.82)		
Input tax on purchases of capital goods deferred to succeeding period	(1,304,733.06)		
Input tax allocable to exempt sales *per* return	(9,437,171.80)		
Input tax allocable to Exempt Sales *per* audit	(32,427,929.99)		(17,175,662.31)
VAT Due			32,427,929.99
Add: Interest at 20% p.a. (1/26/17 to 12/31/17)	6,041,367.78		
Interest at 12% p.a. (1/1/18 to 9/30/21)	14,595,233.80		20,636,601.58
DEFICIENCY VAT			**₱ 53,064,531.57**

In the MR, petitioner maintains that even after deducting from total available input tax the assessed input tax allocable to exempt sales per audit amounting to ₱32,427,929.99, it has more than enough input tax credits for CY 2016 that it can utilize against the output tax amounting to ₱15,252,267.68. Thus, it still had ₱109,745,432.83, excess input tax that it can carry over CY 2017, and there is no resulting VAT liability for CY 2016.

At the outset, it must be underscored that petitioner's bid for reversal is hinged mainly on the utilization of its excess input tax carry-over to apply against the assessment. Petitioner does not even deny that it insufficiently allocated its input tax from its VAT-exempt sales for CY 2016.[19] It insists further that its input VAT was not utilized, and it was forwarded to the succeeding quarter or period. According to petitioner this was confirmed by Revenue Officer Sean Ruthie

[18] Exhibit "R-11", BIR Records, Folder 2, pp. 264-265.
[19] Supra at note 1, p. 1775.

Villanueva (**RO Villanueva**) during her cross examination.[20] We quote the relevant portion of her testimony:

> ...
> ATTY. MUPAS:
>
> Q. Ms. Villanueva, can you confirm that in the FDDA under the paragraph stating the BIR position, it states that, "**also it was utilized it was forwarded to the succeeding quarter or period**"?
>
> MS. VILLANUEVA:
>
> A. Yes, Attorney.[21]
> ...

Petitioner completely misses the point. RO Villanueva's testimony merely proves that the input tax was carried over to the succeeding period but this does not provide clarity on how the said carry-over will be utilized. Clearly, We do not put into issue the input VAT's utilization; rather, We merely underscored **petitioner's failure to sufficiently establish how it plans to utilize the input tax carried over of ₱143,140,581.42**. As a result, We are left with no means to astutely ascertain if, indeed, such excess input tax carried over may be used as a tax credit against output VAT in the subsequent periods and payment for deficiency VAT at the expense of the government. To act otherwise may result to petitioner benefiting twice from such a carry-over.

Further, if We are to sustain petitioner's argument that its excess input tax carry-over should be applied against the assessment, a portion of the excess input tax that should have been carried forward and utilized in the subsequent period would be utilized and offset against the basic deficiency VAT. This procedure will be in violation of the rule that the tax benefit from excess tax credits carried forward redounds to the subsequent period.[22]

Moreover, if respondent's assessment will not be sustained, petitioner's input tax that will be carried over to the succeeding period will be overstated by ₱32,427,929.99.

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20 TSN dated 30 January 2024, pp. 10-11.

21 Citations omitted and emphasis in the original text.

22 See *Commissioner of Internal Revenue v. De La Salle University Inc.*, G.R. Nos. 196596, 198841 & 198941, 09 November 2016.

It should be noted that, had petitioner **properly reported its input taxes in its VAT Quarterly Returns, there would not have been any VAT deficiency findings**. Interestingly, petitioner itself manifested that it was willing to amend its VAT Returns for CY 2023 onwards to the extent of the deficiency VAT assessment for CY 2016. In so declaring, petitioner echoes Our position that if We will not "disallow" or reduce the total allowable input tax, this would put additional burden on the taxpayer to amend subsequent returns to remove the excess input tax already utilized in order to prevent any Bureau of Internal Revenue (**BIR**) assessment on the matter. Additional burden would also be imposed upon the BIR to monitor the decisions of this Court to make sure that utilized excess tax credits are not being utilized again in the subsequent periods. This added burden imposed (on both parties) will clearly violate the canons of a sound tax system, especially on administrative feasibility.[23]

Lastly, We could not oblige to agree with petitioner that the case of *Philex Mining Corporation v. Commissioner of Internal Revenue, et al.*[24] (**Philex**) has been erroneously applied in its case. The doctrine laid down in *Philex* is that taxes cannot be subject to set-off or compensation since claim for taxes is not a debt or contract, as this would amount to a violation of basic principle that taxes are the lifeblood of the government. Similarly in this case, petitioner should not be allowed to set-off its deficiency VAT liability against its input tax carry-over for the succeeding period as this can easily give rise to confusion and abuse, depriving the government of authority over the manner by which taxpayers credit and offset their tax liabilities.

WHEREFORE, premises considered, petitioner National Reinsurance Corporation of the Philippines' "Motion for Reconsideration (Re: Decision dated 02 June 2025)" filed on 25 June 2025 is hereby **DENIED** for lack of merit.

SO ORDERED.

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

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[23] See *Municipality of Cainta v. City of Pasig and Uniwide Sales Warehouse Club, Inc.*, G.R. No. 176703 & 176721, 28 June 2017.

[24] G.R. No. 125704, 28 August 1998.

I CONCUR:

LANEE S. CUI-DAVID
Associate Justice