REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

PPD PHARMACEUTICAL DEVELOPMENT PHILIPPINES CORP.,
Petitioner,

-versus-

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA EB NO. 2839
(CTA Case No. 10249)

Present:

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

Promulgated:

NOV 21 2025 4:07 p.m.

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RESOLUTION

RINGPIS-LIBAN, ***J.:***

For resolution is the petitioner's *Motion for Reconsideration (Re: Decision dated 03 April 2025)* filed on April 25, 2025,[1] without comment from respondent despite due notice and opportunity.[2]

Petitioner moves for the reconsideration of the Court's decision which affirmed the court *a quo*'s decision denying petitioner's claim for refund of its excess and/or unutilized creditable input VAT attributable to its zero-rated sales made in the third and fourth quarters of calendar year (CY) 2017 in the total amount of Thirteen Million Two Hundred Eighty Thousand Eighty-Nine and 79/100 Pesos (PhP13,280,089.79).

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[1] *Rollo*, pp. 412-434.
[2] *Records Verification* dated July 3, 2025.

Petitioner's motion espouses the view that the law does *not* limit claims for refund to a specific office of the Bureau of Internal Revenue (BIR) as, in fact, the Tax Code only requires that the claim be filed with the Commissioner of Internal Revenue (CIR). Recent legislation amending the Tax Code acknowledge that the BIR is only one office. Secondly, the motion takes issue with the Court's finding that there was a principal-agent relationship between petitioner and its sole client, PPD Global. It argues that petitioner does *not* conclude contracts for PPD Global and their activities are different from each other. Finally, petitioner's motion asserts that the Court's decision disregards basic Organization for Economic Cooperation and Development (OECD) guidelines and the tax treaty definition of Permanent Establishment.

The Court is *unconvinced* and must, therefore, *deny* the motion.

First, the requirement to file the administrative claim for refund with the VAT Credit and Audit Division (VCAD) found in Revenue Regulations No. (RR) 13-2018, Revenue Memorandum Circular No. (RMC) 17-2018 and RMC 47-2019, is a valid exercise of the CIR's authority found in Sections 4 and 244 of the Tax Code, as amended. The Court's discussion on this point is worth repeating:

> "RR 13-2018, RMC 17-2018 and RMC 47-2019 are not mere BIR issuances, as petitioner would appear to dismiss them, but quasi-legislative issuances which were issued pursuant to Sections 4 and 244 of the NIRC:
>
>> '**SEC. 4.** *Power of the Commissioner to Interpret Tax Laws and to Decide Tax Cases.* - <u>The power to interpret the provisions of this Code and other tax laws shall be under the exclusive and original jurisdiction of the Commissioner, subject to review by the Secretary of Finance</u>.
>>
>> The power to decide disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties imposed in relation thereto, or other matters arising under this Code or other laws or portions thereof administered by the Bureau of Internal Revenue is vested in the Commissioner, subject to the exclusive appellate jurisdiction of the Court of Tax Appeals.'
>>
>> '**SEC. 244.** *Authority of Secretary of Finance to Promulgate Rules and Regulations.* - The Secretary of Finance, upon recommendation of the Commissioner, shall promulgate all needful rules and regulations for the effective enforcement of the provisions of this Code.'
>
> Tax revenue regulations are 'issuances signed by the Secretary of Finance, upon recommendation of the Commissioner of Internal Revenue, that specify, prescribe or define rules and regulations for the effective enforcement of the provisions of the [NIRC] and related statutes.' As these issuances are mandated by the NIRC itself, they are in the nature of a

> *subordinate legislation* that are as compelling as the provisions of the tax law they implement. Legislative rules are a form of subordinate legislation where the agency is acting in a legislative capacity, supplementing the statute, filling in the details, pursuant to a specific delegation of legislative power. They implement a primary legislation by providing the details thereof. They impose additional obligations pursuant to authority from Congress and affect individual rights and obligations. Thus, they can rightfully be considered to provide a binding set of rules in the filing of claims for VAT refund or TCC.
>
> Absent any proof that these issuances are *ultra vires* acts or contravene the NIRC, petitioner's argument must fail." (*Citations omitted; underscoring in the original text*)

Subsequent legislation amending Section 248(A) of the Tax Code on the filing of *returns* have little bearing on the filing of *administrative claims* for input VAT refund. Precisely, RR 13-2018, RMC 17-2018 and RMC 47-2019 are administrative issuances that govern the filing of administrative claims that were issued by the CIR in the exercise of rule-making powers.

Second, the Court's findings on the principal-agent ties between petitioner and its client-affiliate, PPD Global, are squarely based on the law between these parties: the *Affiliate Services Agreement*.

Petitioner cannot, therefore, insist that the agency relationship was merely *presumed* by the Court. The Court was able to establish that there was principal-agent relation between petitioner and PPD Global based on (a) the context where that relation was cultivated such as that fact that both are affiliates and, therefore, share a *common parent* or *beneficial interest*; that petitioner was performing services *not merely incidental but integral* to the PPD Global's business; that PPD Global is petitioner's sole client and contributes 100% of petitioner's quarterly sales; that PPD Global exercises *control* over how petitioner conducts its business through mechanisms embedded in the agreement; that petitioner's independence is encumbered when evaluated under the arm's length principle; and (b) the several specific provisions in the agreement.

The facts as understood by the Court run counter to petitioner's position that PPD Global is a *non-resident* foreign corporation *not* doing business in the Philippines. By peering closely into these contexts and contractual obligations enumerated above, the Court can only *conclude* that PPD Global is doing business in the Philippines through petitioner:

> "Although, petitioner and PPD Global were set-up as independent entities, they did *not* necessarily function or operate as such in reality. The levers of control stipulated in the *Affiliate Services Agreement* undermine petitioner's independence in carrying out its own business as a separate entity. They restrict PPD's ability to act on its own self-interest since it is subordinate to the interests of PPD Global. Furthermore, PPD Global *owns* the technology, know-how and other intellectual properties, *assumes* the risks, and is *able to set its financial targets* by limiting the cost passed on by

petitioner. Contrary to petitioner's claim, therefore, the activities to be undertaken locally are precisely for profit-making. PPD Global ensures the *profitability* of these transactions through the price caps and the other mechanisms. As a result, PPD Global effectively operates as the principal entity doing business in the Philippines through the petitioner, which merely serves as a conduit or adjunct to PPD Global's operations—activities it cannot carry out directly without a Philippine license.

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The Court has considered several factors, including the common ownership of petitioner and PPD Global, the similarity of their core business activities, the financial contribution of PPD Global to petitioner's bottom line, the agency relationship between them, and the degree of control exercised by PPD Global. Taken together, these factors lead to the same conclusion as in *Air Canada.*

In the language of *Air Canada*, the records do not show that petitioner solicited orders alone and without interference from, let alone direction of, PPD Global. On the contrary, PPD Global identifies the clinical trial projects for petitioner, which, in turn, provides clinical trial coordination and support services to the Sponsors in accordance with PPD Global's required standards. Additionally, as PPD Global owns the intellectual property assets and assumes the associated risks, it must ensure the profitability of its business venture by exercising control, as previously discussed. Thus, through the petitioner, PPD Global engages in economic activity in the Philippines as the principal. Contrary to petitioner's assertion, there is sufficient evidence to support the conclusion that it acted as PPD Global's agent." (*Citations omitted; underscoring supplied*)

Accordingly, petitioner's *Motion for Reconsideration (Re: Decision dated 03 April 2025)* is **DENIED** for lack of merit.

SO ORDERED.

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

WE CONCUR:

CATHERINE T. MANAHAN
Associate Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

Marian Ivy F. Reyes - Fajardo
MARIAN IVY F. REYES-FAJARDO
Associate Justice

LANEE S. CUI-DAVID
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice

HENRY S. ANGELES
Associate Justice