REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL THIRD DIVISION

NIPPON EXPRESS PHILIPPINES CORPORATION,	**CTA Case No. 10915**
Petitioner,	Present:
-*versus*-	**REYES-FAJARDO,** *Chairperson* *and* **ANGELES,** *JJ.*
COMMISSIONER OF INTERNAL REVENUE,	Promulgated:
Respondent.	MAR 2 3 2026 4:20 p.m.

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DECISION

REYES-FAJARDO, *J.*

Before the Court is a Petition for Review[1] filed on July 14, 2022, by Nippon Express Philippines Corporation, praying for the refund of its unutilized input value-added tax (VAT) for the period from January 1, 2020 to March 31, 2020 in the aggregate amount of ₱44,909,172.29.

FACTS

Petitioner Nippon Express Philippines Corporation is a corporation duly organized and existing under the laws of the Philippines.[2] It is registered with the Bureau of Internal Revenue (BIR) as a VAT taxpayer, under Taxpayer Identification Number (TIN) 004-669-434-00000.[3]

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1 *Petition for Review*, Docket – Vol. I, pp. 6 - 61.
2 Exhibits "P-1" and "P-2," Docket – Vol. I, pp. 485 to 499.
3 Exhibit "P-3," Docket – Vol. I, pp. 140 to 142.

Respondent Commissioner of Internal Revenue is empowered to perform the duties of his office, including acting upon on protest cases and approval of claims for refund or tax credit as provided by law and implementing regulations.[4]

On March 31, 2022, petitioner filed before the BIR-VAT Credit Audit Division an administrative claim for VAT refund *via* the letter dated March 30, 2022[5] and Application for Tax Credits / Refunds (BIR Form No. 1914),[6] in the total amount of ₱57,596,046.13, representing unutilized input taxes attributable to its VAT zero-rated sales as declared in its first Quarter VAT Return for the taxable period from January 1, 2020 to March 31, 2020.[7]

On June 15, 2022, petitioner received the VAT Refund Notice dated May 31, 2022,[8] stating that petitioner's application for VAT refund for the period from January 1, 2020 to March 31, 2020 is denied.

On July 14, 2022, petitioner filed the present Petition for Review.[9]

On November 21, 2022, respondent filed his Answer.[10]

On March 2, 2023, the Pre-Trial Conference was held.[11]

On March 21, 2023, the parties submitted their Joint Stipulation of Facts and Issues,[12] approved by the Court in its Resolution dated April 24, 2023,[13] thereby deeming the termination of the Pre-Trial.

On May 26, 2023, the Court issued the Pre-Trial Order.[14]

Trial ensued.

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4 Par. 1, *Joint Stipulation of Facts and Issues* (JSFI), Docket - Vol. I, p. 339.
5 Exhibit "P-28," Docket - Vol. I, pp. 178 to 199.
6 Exhibit "P-27," Docket - Vol. I, pp. 177.
7 Refer to par. 3, JSFI, Docket - Vol. I, p. 340.
8 Exhibit "P-31," Docket - Vol. II, pp. 205 to 239; Exhibit "R-5," BIR Records (Exhibit "R-6"), pp. 428 to 462.
9 Docket - Vol. I, pp. 6 to 61.
10 Docket - Vol. I, pp. 258 to 269.
11 Resolution dated December 5, 2022, Docket - Vol. I, p. 287; Notice of Pre-Trial Conference dated December 13, 2022, Docket - Vol. I, pp. 288 to 290; Minutes of the hearing held on, and Order dated, March 2, 2023, Docket - Vol. I, pp. 318 to 320, and 324 to 326, respectively.
12 Docket - Vol. I, pp. 339 to 350.
13 Docket - Vol. I, p. 355.
14 Docket - Vol. I, pp. 387 to 398.

Petitioner presented: (1) Ms. Elizabeth D. Quingquing,[15] petitioner's Finance Manager; and (2) Mr. Neil U. Sison,[16] the Court-commissioned independent certified public accountant (ICPA Sison).[17]

On July 21, 2023, petitioner filed its Formal Offer of Evidence,[18] to which respondent filed his Comment (on Petitioner's Formal Offer of Evidence) on July 26, 2023.[19]

In the Resolution dated December 21, 2023,[20] the Court admitted petitioner's offered exhibits, *except* the following:

> 1. Exhibits "P-34-A," "P-34-H," "P-34-I," "P-34-K," "P-34-L," "P-34-P-287," "P-34-P-0303," "P-34-T-0033," "P-34-AD-0054," "P-34-AE," "P-34-AG-16," "P-34-AI-0159," "P-34-AJ-0180," "P-34-AL," "P-34-AM," "P-34-AP-008," "P-34-AS-3," "P-34-AU-1," "P-34-AU-2," "P-34-AV," "P-34-BA-0060," "P-34-BA-142," "P-34-BB-415," "P-34-BD-5," "P-34-BJ-15," "P-34-BJ-21," and "P-34-BJ-23," for not being found in the records of the case; and
>
> 2. Exhibit "P-34-AP-060," for completely blurred, unreadable, and/or not properly scanned.

On January 12, 2024, petitioner filed its Motion for Partial Reconsideration to the Resolution dated December 21, 2023,[21] while respondent submitted his Manifestation (in lieu of Comment) on February 5, 2024.[22]

In the Resolution dated April 19, 2024,[23] the Court partially granted petitioner's Motion for Partial Reconsideration to the

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15 Exhibit "P-32," Docket – Vol. I, pp. 101 to 124; Minutes of the hearing held on, and Order dated, May 24, 2023, Docket – Vol. I, pp. 403 to 405, and 380 to 381, respectively.

16 Exhibits "P-36," Docket – Vol. I, pp. 439 to 465; Minutes of the hearing held on, and Order dated, July 19, 2023, Docket – Vol. I, pp. 470.

17 *Oath of Commission* dated May 24, 2023, Docket – Vol. I, p. 406; Minutes of the hearing held on, and Order dated, May 24, 2023, Docket – Vol. I, pp. 403 to 405, and 380 to 381, respectively.

18 Docket – Vol. I, pp. 473 to 484.

19 Docket – Vol. I, pp. 501 to 503.

20 Docket – Vol. II, pp. 561 to 563.

21 Docket – Vol. II, pp. 565 to 568.

22 Docket – Vol. II, pp. 572 to 574.

23 Docket – Vol. II, pp. 579 to 582.

Resolution dated December 21, 2023. Specifically, the Court admitted Exhibits "P-34-A," "P-34-P-287," "P-34-P-0303," "P-34-T-0033," "P-34-AD-0054," "P-34-AG-16," "P-34-AI-0159," P-34-AJ-0180," "P-34-AL," "P-34-AP-008," "P-34-AU-1," "P-34-BA-0060," "P-34-BA-142," "P-34-BB-415," "P-34-BD-5," "P-34-BJ-15," "P-34-BJ-21," "P-34-BJ-23," and "P-34-AP-060," while sustaining the denial of the admission of Exhibits "P-34-H," "P-34-I," "P-34-K," "P-34-L," "P-34-AE," "P-34-AM," "P-34-AS-3," "P-34-AU-2," and "P-34-V," for not being found in the records.

On August 27, 2024, respondent presented the testimony of Revenue Officer Michelle J. Alonzo-Bucayu.[24]

On September 11, 2024, Respondent's Formal Offer of Evidence was filed *via* accredited courier,[25] to which petitioner submitted its Comment/Opposition (To the Respondent's Formal Offer of Evidence) on September 13, 2024.[26]

By Resolution dated November 8, 2024,[27] the Court admitted all of respondent's offered exhibits.

On January 24, 2025, the present petition was submitted for decision,[28] considering petitioner's Memorandum filed on December 10, 2024[29]; and respondent's Memorandum submitted on January 8, 2025.[30]

ISSUE

Is petitioner entitled to the claim for refund of the alleged excess and unutilized input VAT allocable to its VAT zero-rated sales for the period January 1, 2020 to March 31, 2020 amounting to ₱44,909,172.29?[31]

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24 Exhibit "R-1," Docket – Vol. I, pp. 274 to 280; Minutes of hearing held on August 27, 2024, Docket – Vol. II, p. 585.
25 Docket – Vol. II, pp. 588 to 593.
26 Docket – Vol. II, pp. 597 to 599.
27 Docket – Vol. II, pp. 606 to 607.
28 Minute Resolution dated January 24, 2025, Docket – Vol. II, p. 691.
29 Docket – Vol. II, pp. 609 to 671.
30 Docket – Vol. II, pp. 675 to 686.
31 *Issue, JSFI,* Docket – Vol. I, p. 340.

ARGUMENTS

Petitioner argues that it had unutilized and unapplied input tax credits for the period from January 1, 2020 to March 31, 2020 allocable to its zero-rated sales in the aggregate amount of ₱44,909,172.29; that it timely filed its administrative claim for refund within the two-year prescriptive period; that petitioner seasonably filed this Petition for Review with the Court against the decision of the authorized representative of the respondent under Section 112 (C) of the Tax Code; and that petitioner should have been granted the refund of ₱44,909,172.29 for the period from January 1, 2020 to March 31, 2020.

On the other hand, respondent contends that the present Petition for Review must be denied for petitioner's failure to sufficiently substantiate its claim; and that petitioner is not entitled to its claim refund in the aggregate amount of ₱44,909,172.29.

RULING

The Petition is partly meritorious. Petitioner is entitled to a refund in the reduced amount of ₱1,533,475.42, representing the portion of its excess and unutilized input VAT properly attributable to valid zero-rated sales for the first quarter of taxable year 2020.

Requisites for the grant of the refund or issuance of tax credit certificate under the law.

Section 112 of the National Internal Revenue Code (NIRC) of 1997, as amended by Republic Act (RA) No. 10963, also known as Tax Reform for Acceleration and Inclusion (TRAIN), provides, in part, as follows:

> 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 non-zero-rated sales.
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> ...
>
> (C) *Period within which Refund of Input Taxes shall be Made.* — In proper cases, the Commissioner shall grant a refund for creditable input taxes within ninety (90) days from the date of submission of the official receipts or invoices and other documents in support of the application filed in accordance with Subsections (A) and (B) hereof: *Provided,* That should the Commissioner find that the grant of refund is not proper, the Commissioner must state in writing the legal and factual basis for the denial.
>
> In case of full or partial denial of the claim for tax refund, the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the claim, appeal the decision with the Court of Tax Appeals: *Provided, however,* That failure on the part of any official, agent, or employee of the BIR to act on the application within the ninety (90)-day period shall be punishable under Section 269 of this Code.

Jurisprudence has laid down certain requisites which the taxpayer-applicant must comply with to successfully obtain a credit/refund of input VAT, to wit:

> *As to the timeliness of the filing of the administrative and judicial claims:*
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> 1. the refund claim is filed with the BIR within two years after the close of the taxable quarter when the sales were made;[32]

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[32] *Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue,* G.R. No. 166732, April 27, 2007; *San Roque Power Corporation v. Commissioner of Internal Revenue,* G.R. No. 180345,

2. in case of full or partial denial of the refund claim rendered within a period of 90 days from the date of submission of the official receipts (ORs) or invoices and other documents in support of the application, the judicial claim shall be filed with this Court within 30 days from receipt of the decision;[33]

With reference to the taxpayer's registration with the BIR:

3. the taxpayer is a VAT-registered person;[34]

In relation to the taxpayer's output VAT:

4. the taxpayer is engaged in zero-rated or effectively zero-rated sales;[35]

5. for zero-rated sales under Section 106(A)(2)(a)(1), (2) and (b) and Section 108(B)(1) and (2),[36] the acceptable foreign currency exchange proceeds have been duly accounted for in accordance with the *Bangko Sentral ng Pilipinas* (BSP) rules and regulations;[37]

As regards the taxpayer's input VAT being refunded:

6. the input taxes are not transitional input taxes;[38]

November 25, 2009; and *AT&T Communications Services Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 182364, August 3, 2010.

33 Refer to *Energy Development Corporation v. Commissioner of Internal Revenue*, G.R. No. 203367, March 17, 2021; *Commissioner of Internal Revenue v. CE Casecnan Water and Energy Company, Inc.*, G.R. No. 212727, February 1, 2023; and *Commissioner of Internal Revenue v. Vestas Services Philippines, Inc.*, G.R. No. 255085, March 29, 2023.

34 *Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue*, supra; *San Roque Power Corporation v. Commissioner of Internal Revenue*, supra; and *AT&T Communications Services Philippines, Inc. v. Commissioner of Internal Revenue*, supra.

35 *Id.*

36 Under RA No. 10963, Section 106(A)(2)(a)(2) was renumbered to Section 106(A)(2)(a)**(3)** while Section 106(A)(2)**(b)** was deleted. However, there was no corresponding amendment to the subsections cited in Section 112(A) of the NIRC of 1997, as amended.

37 *Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue*, supra; *San Roque Power Corporation v. Commissioner of Internal Revenue*, supra; and *AT&T Communications Services Philippines, Inc., v. Commissioner of Internal Revenue*, supra.

38 *Id.*

7. the input taxes are due or paid;[39]

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;[40] and

9. the input taxes have not been applied against output taxes during and in the succeeding quarters.[41]

In addition, in claims for VAT refund/credit, applicants must satisfy the substantiation and invoicing requirements under the NIRC and other implementing rules and regulations.[42] Thus, relative to the *fourth* and *seventh* requisites, petitioner's compliance with all the VAT invoicing requirements is required to be able to file a claim for input taxes attributable to zero-rated sales.[43] The invoicing and substantiation requirements should be followed because it is the only way to determine the veracity of the taxpayer's claims.[44] Compliance with all the VAT invoicing requirements provided by tax laws and regulations is mandatory.[45]

In turn, substantiation and invoicing requirements are found under Section 113 (A) and (B), 237, and 238 of the NIRC, as amended, in relation to Section 4.113-1 (A) and (B) of Revenue Regulations (RR) No. 16-2005,[46] providing as follows:

> SEC. 113. *Invoicing and Accounting Requirements for VAT-registered Persons.* –

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39 *Id.*

40 *Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue*, supra; and *San Roque Power Corporation v. Commissioner of Internal Revenue*, supra.

41 *Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue*, supra; *San Roque Power Corporation v. Commissioner of Internal Revenue*, supra; and *AT&T Communications Services Philippines, Inc. v. Commissioner of Internal Revenue*, supra.

42 *Team Energy Corporation v. Commissioner of Internal Revenue, et seq.*, G.R. Nos. 197663 and 197770, March 14, 2018.

43 *J.R.A. Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 171307, August 28, 2013.

44 *Nippon Express (Philippines) Corporation v. Commissioner of Internal Revenue*, G.R. No. 191495, July 23, 2018.

45 *Eastern Telecommunications Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 183531, March 25, 2015.

46 SUBJECT: Consolidated Value-Added Tax Regulations of 2005.

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

(1) A VAT invoice for every sale, barter or exchange of goods or properties; and

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

(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:

(a) The amount of the tax shall be shown as a separate item in the invoice or receipt;

(b) If the sale is exempt from value-added tax, the term **'VAT-exempt sale'** shall be written or printed prominently on the invoice or receipt;

(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;

(d) If the sale involves goods, properties or services some of which are subject to and some of which are VAT zero-rated or VAT-exempt, the invoice or receipt shall clearly indicate the break-down of the sale price between its taxable, exempt and zero-rated components, and the calculation of the value-added tax on each portion of the sale shall be shown on the invoice or receipt: *Provided*, That the seller may issue separate invoices or receipts for the taxable, exempt, and zero-rated components of the sale.

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

(4) In the case of sales in the amount of One thousand pesos (P1,000) or more where the sale or transfer is made to a VAT-registered person, the name, business style, if any, address and Taxpayer Identification Number (TIN) of the purchaser, customer or client.

...

SEC. 237. *Issuance of Receipts or Sales or Commercial Invoices.* —

(A) *Issuance.* — All persons subject to an internal revenue tax shall, at the point of each sale and transfer of merchandise or for services rendered valued at One hundred pesos (P100) or more, issue duly registered receipts or sale or commercial invoices, showing the date of transaction, quantity, unit cost and description of merchandise or nature of service: *Provided, however,* That where the receipt is issued to cover payment made as rentals, commissions, compensation or fees, receipts or invoices shall be issued which shall show the name, business style, if any, and address of the purchaser, customer or client: *Provided, further,* That where the purchaser is a VAT-registered person, in addition to the information herein required, the invoice or receipt shall further show the Taxpayer Identification Number (TIN) of the purchaser.

...

SEC. 238. *Printing of Receipts or Sales or Commercial Invoices.* — All persons who are engaged in business shall secure from the Bureau of Internal Revenue an authority to print receipts or sales or commercial invoices before a printer can print the same

No authority to print receipts or sales or commercial invoices shall be granted unless the receipts or invoices to be printed are serially numbered and shall show, among other things, the name, business style, Taxpayer Identification Number (TIN) and business address of the person or entity to use the same, and such other information that may be required by rules and regulations to be promulgated by the Secretary of Finance, upon recommendation of the Commissioner.

...

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

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

(1) A VAT invoice for every sale, barter or exchange of goods or properties; and

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

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:

(a) The amount of tax shall be shown as a separate item in the invoice or receipt;

(b) If the sale is exempt from VAT, the term 'VAT-exempt sale' shall be written or printed prominently on the invoice or receipt;

(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;

(d) If the sale involves goods, properties or services some of which are subject to and some of which are VAT zero-rated or VAT-exempt, the invoice or receipt shall clearly indicate the break-down of the sale price between its taxable, exempt and zero-rated components, and the calculation of the VAT on each portion of the sale shall be shown on the invoice or receipt. The seller has the option to issue separate invoices or receipts for the taxable, exempt, and zero-rated components of the sale.

> (3) In the case of sales in the amount of one thousand peso (P1,000.00) or more where the sale or transfer is made to a VAT-registered person, the name, business style, if any, address and TIN of the purchaser, customer or client, shall be indicated in addition to the information required in (1) and (2) of this Section.

First and Second Requisites:
Petitioner's administrative and judicial claims for refund/credit were timely filed.

Section 112(A) of the NIRC, as amended, requires the taxpayer to file an administrative claim for input VAT refund, within two years from the close of the taxable quarter when the sales were made.

Section 112(C) of the same Code grants the BIR a period of 90 days from date of submission of the official receipts or invoices and other supporting documents, to decide on the taxpayer's administrative claim for input VAT refund. At present, said invoices, official receipts, and other supporting documents are submitted upon the filing of the taxpayer's administrative claim for input VAT refund.[47] In turn, the taxpayer, may appeal to the Court, within 30 days: (a) from receipt of adverse decision rendered within said 90-day period; or (b) after the lapse of said 90-day period, whichever is earlier.

For the *first* requisite, petitioner's administrative claim for input VAT refund pertains to the first quarter of taxable year 2020 or the period from January 1, 2020 to March 31, 2020. Counting two years from March 31, 2020, the last day to file an administrative claim for refund of excess or unutilized input VAT is on March 31, 2022. Thus, the filing of petitioner's Application for Tax Credits/Refunds,[48] together with the letter dated March 30, 2022,[49] of input tax for the first quarter of taxable year 2020, on March 31, 2022 was timely made within the two-year prescriptive period.

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[47] See *Zuellig-Pharma Asia Pacific Ltd. Phils. ROHQ v. Commissioner of Internal Revenue,* G.R. No. 244154, July 15, 2020. Beginning June 11, 2014, or upon effectivity of Revenue Memorandum Circular (RMC) No. 54-2014, the documents are deemed complete upon filing of the taxpayer's administrative claim for input VAT refund.

[48] Exhibit "P-27," Docket - Vol. I, p. 177.

[49] Exhibit "P-28," Docket - Vol. I, pp. 178 to 199.

As for the *second* requisite, respondent had 90 days from its submission of its administrative claim on March 31, 2022, or until June 29, 2022 to act on the said claim. Thus, respondent's VAT Refund Notice dated May 31, 2022,[50] was issued well - within the 90-day period.

On June 15, 2022, petitioner received BIR's denial of its administrative claim.[51] Counting 30 days therefrom, petitioner had until July 15, 2022 to appeal with the Court. Therefore, the filing of the present Petition on Review on July 14, 2022[52] vested the Court with jurisdiction over CTA Case No. 10915.

<u>Third Requisite:</u> Petitioner is a VAT-registered entity.

Petitioner is a VAT-registered person/entity, with TIN 004-694-434-00000, as evidenced by BIR Certificate of Registration No. OCN 125RC20220000000391.[53]

<u>Fourth and Fifth Requisites:</u> Petitioner was able to establish that it had valid zero-rated sales or effectively zero-rated sales for the first quarter of taxable year 2020, but only in the amount of ₱42,341,499.50.

The *fourth* and *fifth* requisites require that the taxpayer be engaged in zero-rated or effectively zero-rated sales, and for zero-rated sales under Sections 106(A)(2)(a)(1), (2) and (b),[54] and 108(B)(1) and (2) of the NIRC of 1997, as amended, the acceptable foreign currency exchange proceeds have been duly accounted for in accordance with BSP rules and regulations.

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50 Exhibit "P-31," Docket - Vol. I, pp. 205 to 239; Exhibit "R-5," BIR Records (Exhibit "R-6"), pp. 428 to 462.

51 Par. 2, JSFI, Docket - Vol. I, p. 339; Exhibit "P-31," Docket - Vol. I, pp. 205 to 239.

52 Docket - Vol. I, pp. 6 to 61.

53 Exhibit "P-3," Docket - Vol. I, pp. 140 to 142.

54 Under RA No. 10963, Section 106(A)(2)(a)**(2)** was renumbered to Section 106(A)(2)(a)**(3)** while Section 106(A)(2)**(b)** was deleted. However, there was no corresponding amendment to the subsections cited in Section 112(A) of the NIRC of 1997, as amended.

In its amended Quarterly Value-Added Tax Return (BIR Form No. 2550-Q) for the first quarter of taxable year 2020,[55] petitioner declared an aggregate amount of ₱712,280,791.65 of sales/receipts, which comprised of vatable sales/receipts of ₱414,146,056.88, and zero-rated sales/receipts of ₱298,134,734.77, as detailed in Table 1, thus:

Table 1 – Total Sales/Receipts Declared by Petitioner for the first Quarter of Taxable Year 2020

	Amount
Vatable Sales/Receipts	₱ 414,146,056.88
Zero-Rated Sales/Receipts *(Refer to Table 2)*	298,134,734.77
Total Sales/Receipts	**₱ 712,280,791.65**

For purposes of verification, ICPA Sison traced petitioner's zero-rated sales/receipts for the first quarter of taxable year 2020 amounting to ₱298,134,734.77[56] spelled out in Table 2, to wit:

Table 2 – Summary of Zero-Rated Sales/Receipts of Petitioner for the first Quarter of Taxable Year 2020

	Amount
Sales to PEZA,[57] FAB,[58] SBMA,[59] and CDC[60]	₱147,733,418.62
Sales to NRFCs[61]	149,359,561.77
Sales to BOI[62]	57,721.67
Sales to DFA[63]	497,176.25
Sales to ADB[64]	466,856.46
Sales to Consular Office of Japan/Embassy of Japan	20,000.00
Total Zero-Rated Sales/Receipts	**₱298,134,734.77**

ICPA Sison found that out of the total amount of ₱298,134,734.77 being claimed by petitioner as zero-rated sales/receipts, only ₱252,931,796.53 complied with the invoicing requirements pursuant to Section 237 of the NIRC, as follows:[65]

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55 Exhibit "P-19," Docket - Vol. I, at p. 161.
56 Par. 7, Exhibit "P-35," Docket – Vol. I, at p. 417.
57 Philippine Economic Zone Authority.
58 Freeport Area of Bataan.
59 Subic Bay Metropolitan Authority.
60 Clark Development Corporation.
61 Nonresident foreign corporations.
62 Board of Investments.
63 Department of Foreign Affairs.
64 Asian Development Bank.
65 Par. 7.a., Exhibit "P-35," Docket – Vol. I, at pp. 417 to 418.

Table 3 – ICPA Determination of Compliance with Invoicing Requirements

Exhibit Reference	Description	Valid	Invalid	Total
"P-34-AY"	Zero-rated sales of service to entities properly substantiated by VAT ORs which complied with invoicing requirements	₱166,286,968.67		₱ 166,286,968.67
"P-34-AZ"	Zero-rated sales of service to entities supported by VAT ORs which are valid with countersigned	1,420,974.53		1,420,974.53
"P-34-BB"	Zero-rated sales of services to entities supported by VAT ORs altered with countersigned but countersigned by suppliers['] authorized representative with Certificate of Authorized representative of the suppliers were marked as Exhibit P-34-BK.	73,390,964.96		73,390,964.96
"P-34-BA"	Zero-rated sales of services to entities but the total amount of billing statements are not equal to OR	11,832,888.37	52,581,183.30	64,414,071.67
"P-34-BD"	Zero-rated sales of services to entities but invalid		198,373.80	198,373.80
"P-34-BE"	Zero-rated sales of services to entities not supported by a valid document		(7,920,665.58)	(7,920,665.58)
"P-34-BF"	Zero-rated sales of services to entities but altered and with no countersign		303,546.72	303,546.72
"P-34-BG"	Zero-rated sales of service to entities with incorrect customer name per OR		40,500.00	40,500.00
Total output tax valid for claiming refund or tax credit in violation of invoicing requirements		**₱252,931,796.53**	**₱45,202,938.24**	**₱298,134,734.77**

However, further independent examination of the records and the supporting disclosed that out of the total claimed zero-rated sales/receipts of ₱298,134,734.77, the Court finds that ₱255,793,235.27 should be disallowed, leaving only ₱42,341,499.50 as allowable zero-rated sales, as shown in Table 4, thus:

Table 4 – Court Determination of Allowable and Disallowed Zero-Rated Sales/Receipts

Sales to	Total	Disallowed	Allowed
PEZA, FAB, SBMA, and CDC	₱147,733,418.62	₱105,662,833.89	₱42,070,584.73
NRFCs	149,359,561.77	149,359,561.77	-
BOI	57,721.67	57,721.67	-
DFA	497,176.25	497,176.25	-
ADB	466,856.46	215,941.69	250,914.77
Consular Office of Japan/ Embassy of Japan	20,000.00	-	20,000.00
Total Zero-Rated Sales/Receipts	**₱298,134,734.77**	**₱255,793,235.27**	**₱42,341,499.50**

The Court's corresponding justification follows.

a. Sales to PEZA, FAB, SBMA, and CDC – ₱147,733,418.62

Petitioner maintains that it rendered services to entities registered with PEZA, FAB, SBMA, and CDC in the aggregate amount of ₱147,733,418.62, hence, subject to zero percent (0%) VAT pursuant to Section 108(B)(3) of the NIRC of 1997, as amended by the TRAIN Law, to wit:

> 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:
>
> ...
>
> (3) Services rendered to persons or entities whose exemption under special laws or international agreements to which the Philippines is a signatory effectively subjects the supply of such services to zero percent (0%) rate;

One of the special laws applicable to this case is RA No. 7916,[66] as amended by RA No. 8748,[67] otherwise known as *"The Special Economic Zone Act of 1995."* Sections 8 and 24 thereof read:

> SECTION 8. *ECOZONE to be Operated and Managed as Separate Customs Territory.* – **The ECOZONE shall be managed and operated by the PEZA as separate customs territory.**
>
> The PEZA is hereby vested with the authority to issue certificate of origin for products manufactured or processed in each ECOZONE in accordance with the prevailing rules of origin, and the

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66 An Act Providing for the Legal Framework and Mechanisms for the Creation, Operation, Administration, and Coordination of Special Economic Zones in the Philippines, Creating for this Purpose, the Philippine Economic Zone Authority (PEZA), and for other Purposes.

67 An Act Amending Republic Act No. 7916, otherwise known as the "Special Economic Zone Act of 1995."

> pertinent regulations of the Department of Trade and Industry and/or the Department of Finance.
>
> ...
>
> SECTION 24. *Exemption from National and Local Taxes.* - Except for real property taxes on land owned by developers, **no taxes, local and national, shall be imposed on business establishments operating within the ECOZONE.** ...[68]

Relative thereto, registered enterprises operating within the FAB enjoy the same tax incentives given under the foregoing provisions, considering that it is also managed and operated as a separate customs territory,[69] pursuant to Section 5 of RA No. 9728,[70] *viz.*:

> SEC. 5. *Fiscal Incentives.* - The registered enterprises operating within the FAB may be entitled to the existing pertinent fiscal incentives as provided under Republic Act No. 7916, as amended by Republic Act No. 8748, also known as the Special Economic Zone Act of 1995, or those provided under Executive Order 226, as amended, otherwise known as the Omnibus Investment Code of 1987.

Furthermore, the special law specific to SBMA and CDC-registered entities is RA No. 7227,[71] as amended by RA No. 9400,[72] otherwise known as *"Bases Conversion and Development Act of 1992."* Sections 12 and 15 thereof respectively provide:

> SEC. 12. *Subic Special Economic Zone.* - ...
>
> (b) **The Subic Special Economic Zone shall be operated and managed as a separate customs territory** ensuring free flow or movement of goods and capital within, into and exported out of the Subic Special Economic Zone, as well as provide incentives such as

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68 Emphasis supplied.

69 Refer to Section 4(e), RA No. 9728.

70 AN ACT CONVERTING THE BATAAN ECONOMIC ZONE LOCATED IN THE MUNICIPALITY OF MARIVELES, PROVINCE OF BATAAN, INTO THE FREEPORT AREA OF BATAAN (FAB), CREATING FOR THIS PURPOSE THE AUTHORITY OF THE FREEPORT AREA OF BATAAN (AFAB), APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES.

71 AN ACT ACCELERATING THE CONVERSION OF MILITARY RESERVATIONS INTO OTHER PRODUCTIVE USES, CREATING THE BASES CONVERSION AND DEVELOPMENT AUTHORITY FOR THE PURPOSE, PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES.

72 AN ACT AMENDING REPUBLIC ACT NO. 7227, AS AMENDED, OTHERWISE KNOWN AS THE BASES CONVERSION AND DEVELOPMENT ACT OF 1992, AND FOR OTHER PURPOSES.

tax and duty-free importations of raw materials, capital and equipment. However, exportation or removal of goods from the territory of the Subic Special Economic Zone to the other parts of the Philippine territory shall be subject to customs duties and taxes under the Tariff and Customs Code of the Philippines, as amended, the National Internal Revenue Code of 1997, as amended, and other relevant tax laws of the Philippines.

(c) **The provision of existing laws, rules and regulations to the contrary notwithstanding, no national and local taxes shall be imposed within the Subic Special Economic Zone.** ...

...

SEC. 15. *Clark Special Economic Zone (CSEZ) and Clark Freeport Zone (CFZ).* - Subject to the concurrence by resolution of the local government units directly affected, the President is hereby authorized to create by executive proclamation a Special Economic Zone covering the lands occupied by the Clark military reservations and its contiguous extensions as embraced, covered and defined by the 1947 Military Bases Agreement between the Philippines and the United States of America, as amended, ...

The CFZ shall be operated and managed as a separate customs territory ensuring free flow or movement of goods and capital equipment within, into and exported out of the CFZ, as well as provide incentives such as tax and duty-free importation of raw materials and capital equipment. ...

The provisions of existing laws, rules and regulations to the contrary notwithstanding, no national and local taxes shall be imposed on registered business enterprises within the CFZ. ...

...

Duly registered business enterprises that will operate in the Special Economic Zones to be created shall be entitled to the same tax and duty incentives as provided for under Republic Act No. 7916, as amended: *Provided,* That for the purpose of administering these incentives, the PEZA shall register, regulate, and supervise all registered enterprises within the Special Economic Zones.[73]

Since the ecozone is viewed as a foreign territory by legal fiction, sales of goods and services made by a VAT-registered person in the Philippine customs territory to an entity registered and operating

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73 Emphasis supplied.

within the ecozone are considered exports to a foreign country subject to zero percent (0%) VAT. This was elucidated by the Supreme Court in the case of *Commissioner of Internal Revenue v. Toshiba Information Equipment (Phils.), Inc.*,[74] to wit:

> This Court agrees, however, **that PEZA-registered enterprises, which would necessarily be located within ECOZONES, are VAT-exempt entities**, not because of Section 24 of Rep. Act No. 7916, as amended, which imposes the five percent (5%) preferential tax rate on gross income of PEZA-registered enterprises, in lieu of all taxes; but, rather, **because of Section 8 of the same statute which establishes the fiction that ECOZONES are foreign territory**.
>
> ... An ECOZONE or a Special Economic Zone has been described as –
>
> ... [S]elected areas with highly developed or which have the potential to be developed into agro-industrial, industrial, tourist, recreational, commercial, banking, investment and financial centers whose metes and bounds are fixed or delimited by Presidential Proclamations. An ECOZONE may contain any or all of the following: industrial estates (IEs), export processing zones (EPZs), free trade zones and tourist/recreational centers.
>
> The national territory of the Philippines outside of the proclaimed borders of the ECOZONE shall be referred to as the Customs Territory.
>
> Section 8 of Rep. Act No. 7916, as amended, mandates that the PEZA shall manage and operate the ECOZONES as a separate customs territory; thus, creating the fiction that the ECOZONE is a foreign territory. As a result, sales made by a supplier in the Customs Territory to a purchaser in the ECOZONE shall be treated as an exportation from the Customs Territory. Conversely, sales made by a supplier from the ECOZONE to a purchaser in the Customs Territory shall be considered as an importation into the Customs Territory.
>
> Given the preceding discussion, what would be the VAT implication of sales made by a supplier from the Customs Territory to an ECOZONE enterprise?
>
> **The Philippine VAT system adheres to the Cross Border Doctrine, according to which, no VAT shall be imposed to form part of the cost of goods destined for consumption outside of the**

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74 G.R. No. 150154, August 9, 2005.

> **territorial border of the taxing authority. Hence, actual export of** goods and **services from the Philippines to a foreign country must be free of VAT**; while, those destined for use or consumption within the Philippines shall be imposed with ten percent (10%)[75] VAT.[76]

Likewise, in *Commissioner of Internal Revenue v. Sekisui Jushi Philippines, Inc.*,[77] the Supreme Court held that:

> Notably, **while an ecozone is geographically within the Philippines, it is deemed a separate customs territory and is regarded in law as foreign soil.** Sales by suppliers from outside the borders of the ecozone to this separate customs territory are **deemed as exports and treated as export sales. These sales are zero-rated or subject to a tax rate of zero percent.**[78]

Witness Quingquing enumerated the entities registered with PEZA, CDC, SBMA, FAB, and other government agencies to whom petitioner allegedly rendered services. However, only the entities listed in Table 5 are supported by certifications issued by the concerned agencies showing validity during the period of claim, or from January 1, 2020 to March 31, 2020,[79] to wit:

Table 5 – Customers with Valid Ecozone Registration Certificates for the Period January 1, 2020 to March 31, 2020

Exhibit Reference (Exhibit "P-133-2")	Customer	Certificate No.	Validity
"P-34-N-1"	ARKRAY INDUSTRY WEST, INC.	PEZA (2020-0999)	2020
"P-34-N-2"	ARUZE PHILIPPINES MANUFACTURING, INC.	PEZA (2020-1154)	2020
"P-34-N-3"	ASIAN TRANSMISSION CORPORATION	PEZA (2020-1179)	2020
"P-34-N-4"	BRIDGESTONE PRECISION MOLDING PHILIPPINES, INC.	PEZA (2020-0106)	2020
"P-34-N-5"	BROTHER INDUSTRIES (PHILIPPINES), INC.	PEZA (2020-0814)	2020
"P-34-N-6"	CANON BUSINESS MACHINES (PHILIPPINES), INC.	PEZA (2020-0145)	2020
"P-34-N-7"	CAVITE NAGANO SEIKO INC.	PEZA (2020-0087)	2020
"P-34-N-8"	CEBU MITSUMI, INC.	PEZA (2020-0147)	2020
"P-34-N-9"	CEBU TOYO CORPORATION	PEZA (2020-0474)	2020
"P-34-N-10"	CITIZEN FINEDEVICE PHILIPPINES CORP.	PEZA (2020-0676)	2020
"P-34-N-11"	DAEDUCK PHILIPPINES, INC.	PEZA (2020-0856)	2020

75 Now at 12% VAT rate.
76 Emphasis supplied.
77 G.R. No. 149671, July 21, 2006.
78 Emphasis supplied.
79 Exhibits "P-34-N," "P-34-N-1" to "P-34-N-14" and "P-34-N-16" to "P-34-N-68," USB (Exhibit "P-35-2"); Exhibits "P-34-N-15" and "P-34-N-71" to "P-34-N-117," Docket – Vol. II, pp. 507, and 511 to 557, respectively.

Exhibit Reference (Exhibit "P-133-2")	Customer	Certificate No.	Validity
"P-34-N-12"	DENSO PHILIPPINES CORPORATION	PEZA (2020-0332)	2020
"P-34-N-13"	DENSO TEN PHILIPPINES CORPORATION	PEZA (2020-0569)	2020
"P-34-N-14"	FIRST SUMIDEN CIRCUITS, INC.	PEZA (2020-0594)	2020
"P-34-N-15"	FRP JHK CORP.	CFZ/CRTE (2019-706)	January 1, 2020 until December 31, 2022
"P-34-N-16"	FUJI ELECTRIC PHILIPPINES, INC.	PEZA (2020-0324)	2020
"P-34-N-17"	FURUKAWA AUTOMOTIVE SYSTEMS LIMA PHILIPPINES INC.	PEZA (2020-0567)	2020
"P-34-N-18"	FURUKAWA ELECTRIC AUTOPARTS PHILIPPINES, INC.	PEZA (2020-0504)	2020
"P-34-N-19"	GLOBAL MOCOM TRANSCENDING INC.	PEZA (2020-0872)	2020
"P-34-N-20"	HARADA AUTOMOTIVE ANTENNA (PHILIPPINES), INC.	PEZA (2020-0672)	2020
"P-34-N-21"	HKT PHILIPPINES, INC.	PEZA (2020-0382)	2020
"P-34-N-22"	HONDA TRADING PHILIPPINES ECOZONE CORPORATION	PEZA (2020-0911)	2020
"P-34-N-23"	IBIDEN PHILIPPINES, INC.	PEZA (2020-0598)	2020
"P-34-N-24"	IRISO ELECTRONICS PHILIPPINES, INC.	PEZA (2020-1279)	2020
"P-34-N-25"	JAE PHILIPPINES, INC.	PEZA (2020-0473)	2020
"P-34-N-26"	JMS HEALTHCARE PHL, INC.	PEZA (2020-1501)	2020
"P-34-N-27"	JOYSON SAFETY SYSTEMS (PHILIPPINES) CORPORATION	PEZA (2020-0261)	2020
"P-34-N-28"	K & K CENTRAL MOLD, INC.	PEZA (2020-0242)	2020
"P-34-N-29"	KINPO ELECTRONICS (PHILIPPINES), INC.	PEZA (2020-0699)	2020
"P-34-N-30"	KOLEN PHILIPPINES INC.	PEZA (2020-1403)	2020
"P-34-N-31"	LAGUNA AUTO-PARTS MANUFACTURING CORPORATION	PEZA (2020-0763)	2020
"P-34-N-32"	MAKOTO METAL TECHNOLOGY, INC.	PEZA (2020-0810)	2020
"P-34-N-33"	MARUBUN/ARROW (PHILS.), INC.	PEZA (2020-0571)	2020
"P-34-N-34"	MITSUMI PHILIPPINES INC.	FAB (2020-063)	2020
"P-34-N-35"	MOLEX INTEGRATED PRODUCTS PHILIPPINES, INC.	PEZA (2020-1211)	2020
"P-34-N-36"	MSM CEBU, INC.	PEZA (2020-0906)	2020
"P-34-N-37"	MURATA ELECTRONICS PHILIPPINES, INC.	PEZA (2020-0964)	2020
"P-34-N-38"	NAGASE PHILIPPINES INTERNATIONAL SERVICES CORPORATION	PEZA (2020-0321)	2020
"P-34-N-39"	NANOX PHILIPPINES, INC.	CFZ/CRTE (2018-314)	May 16, 2018 until February 14, 2020
"P-34-N-40"	NICERA PHILIPPINES INC.	SBFZ/CRTE (2001-0008)	until March 25, 2022
"P-34-N-41"	NIDEC PHILIPPINES CORPORATION	PEZA (2020-0802)	2020
"P-34-N-42"	NIDEC SANKYO PHILIPPINES CORPORATION	PEZA (2020-1145)	2020
"P-34-N-43"	NIPPON MICROMETAL CORPORATION PHILIPPINES	PEZA (2020-0959)	2020
"P-34-N-44"	NIPPON SUPER PRECISION PHILIPPINES CORPORATION	PEZA (2020-0002)	2020
"P-34-N-45"	NISSHO PRECISION PHILIPPINES INCORPORATED	PEZA (2020-1322)	2020
"P-34-N-46"	NITTO DENKO PHILIPPINES CORPORATION	PEZA (2020-0141)	2020
"P-34-N-47"	P. IMES CORP.	PEZA (2020-0216)	2020
"P-34-N-48"	PHILIPPINE MAKOTO CORPORATION	PEZA (2020-0188)	2020

Exhibit Reference (Exhibit "P-133-2")	Customer	Certificate No.	Validity
"P-34-N-49"	PHILIPPINE MANUFACTURING CO. OF MURATA, INC.	PEZA (2020-1523)	2020
"P-34-N-50"	PHILIPPINE NAGANO SEIKO, INC.	PEZA (2020-0873)	2020
"P-34-N-51"	RICOH IMAGING PRODUCTS (PHILIPPINES) CORPORATION	PEZA (2020-0233)	2020
"P-34-N-52"	ROHM ELECTRONICS PHILIPINES, INC.	PEZA (2020-0196)	2020
"P-34-N-53"	SHIMADZU PHILIPPINES MANUFACTURING, INC.	PEZA (2020-0661)	2020
"P-34-N-54"	SHOWA ALUMINUM MANUFACTURING PHILS. CORPORATION	PEZA (2020-0182)	2020
"P-34-N-55"	SIIX COXON PRECISION PHILS., INC.	PEZA (2020-0796)	2020
"P-34-N-56"	SIIX EMS PHILIPPINES, INC.	PEZA (2020-0826)	2020
"P-34-N-57"	SIIX LOGISTICS PHILS., INC.	PEZA (2020-0833)	2020
"P-34-N-58"	SONION PHILIPPINES INC.	PEZA (2020-0392)	2020
"P-34-N-59"	TERUMO (PHILIPPINES) CORPORATION	PEZA (2020-1320)	2020
"P-34-N-60"	TOSHIBA INFORMATION EQUIPMENT (PHILIPPINES), INC.	PEZA (2020-0686)	2020
"P-34-N-61"	TOSHIBA LOGISTICS (PHILIPPINES) CORPORATION	PEZA (2020-1284)	2020
"P-34-N-62"	TOYOTA TSUSHO PHILIPPINES CORPORATION	PEZA (2020-0342)	2020
"P-34-N-63"	VACUUMTECH PHILIPPINES INC.	PEZA (2020-0380)	2020
"P-34-N-64"	YAMAICHI SEIKO PHILIPPINES INC.	PEZA (2020-0927)	2020
"P-34-N-65"	YAZAKI-TORRES MANUFACTURING, INCORPORATED	PEZA (2020-0365)	2020
"P-34-N-66"	YOKOHAMA TIRE PHILS., INC.	CFZ/CRTE (2019-323)	April 17, 2019 until April 16, 2022
"P-34-N-67"	YO-ZURI PHILIPPINES, INC.	PEZA (2020-0026)	2020
"P-34-N-68"	NISSIN PRECISION PHILIPPINES CORPORATION	PEZA (2020-0073)	2020
"P-34-N-71"	EATON INDUSTRIES (PHILIPPINES), LLC, PHILIPPINE BRANCH	PEZA (2020-0237)	2020
"P-34-N-72"	ISUZU AUTOPARTS MANUFACTURING CORPORATION	PEZA (2020-0137)	2020
"P-34-N-73"	MINEBEA PHILIPPINES, INC.	PEZA (2020-0156)	2020
"P-34-N-74"	MITSUBA PHILIPPINES CORP.	PEZA (2020-0143)	2020
"P-34-N-75"	SAN TECHNOLOGY, INCORPORATED	PEZA (2020-0176)	2020
"P-34-N-76"	ON SEMICONDUCTOR PHILIPPINES, INC.	PEZA (2020-1222)	2020
"P-34-N-77"	NEP LOGISTICS, INC.	PEZA (2020-1255)	2020
"P-34-N-78"	SHIN-ETSU MAGNETICS PHILIPPINES, INC.	PEZA (2020-0835)	2020
"P-34-N-79"	TEMIC AUTOMOTIVE (PHILS.), INC.	PEZA (2020-0677)	2020
"P-34-N-80"	TAIHAN PRECISION TECHNOLOGY (PHILIPPINES) CO., INC.	PEZA (2020-1029)	2020
"P-34-N-81"	STT PHILIPPINES, INC.	PEZA (2020-0809)	2020
"P-34-N-82"	F-TECH S&F (PHILIPPINES) INC.	PEZA (2020-1270)	2020
"P-34-N-83"	DAIKOKU ELECTRONICS (PHILS.), INC.	PEZA (2020-0516)	2020
"P-34-N-84"	JECO AUTOPARTS PHILIPPINES INC.	PEZA (2020-1581)	2020
"P-34-N-85"	NAKASHIMA PHILIPPINES CORPORATION	PEZA (2020-1023)	2020
"P-34-N-86"	KATOLEC PHILIPPINES CORPORATION	PEZA (2020-0092)	2020
"P-34-N-87"	PHILIPPINE MANUFACTURING CO. OF MURATA, INC.	PEZA (2020-1523)	2020
"P-34-N-88"	FUJITSU DIE-TECH CORPORATION OF THE PHILIPPINES	PEZA (2020-1117)	2020
"P-34-N-89"	FUNAI ELECTRIC PHILIPPINES INC.	PEZA (2020-0295)	2020

Exhibit Reference (Exhibit "P-133-2")	Customer	Certificate No.	Validity
"P-34-N-90"	GOSHI PHILIPPINES, INCORPORATED	PEZA (2020-1334)	2020
"P-34-N-91"	FUTABA CORPORATION OF THE PHILIPPINES	PEZA (2020-0589)	2020
"P-34-N-92"	HAYAKAWA ELECTRONICS (PHILS.) CORP.	PEZA (2020-0865)	2020
"P-34-N-93"	KEYENCE PHILIPPINES INC.	PEZA (2020-0167)	2020
"P-34-N-94"	EHS LENS PHILIPPINES INC.	PEZA (2020-1128)	2020
"P-34-N-95"	EMD TECHNOLOGIES PHILIPPINES, INC.	PEZA (2020-0074)	2020
"P-34-N-96"	ENOMOTO PHILIPPINE MANUFACTURING, INC.	PEZA (2020-0337)	2020
"P-34-N-97"	EPSON PRECISION (PHILIPPINES), INC.	PEZA (2020-0131)	2020
"P-34-N-98"	FUJIFILM OPTICS PHILIPPINES INC.	PEZA (2020-0484)	2020
"P-34-N-99"	ENSYU TAKERU RUBBER INDUSTRIES INC.	PEZA (2020-1465)	2020
"P-34-N-100"	HITACHI CABLE PHILIPPINES, INC.	PEZA (2020-0231)	2020
"P-34-N-101"	K & K MOLDING INC.	PEZA (2020-1087)	2020
"P-34-N-102"	MARUICHI PHILIPPINES STEEL TUBE, INC.	PEZA (2020-1348)	2020
"P-34-N-103"	MSPECIALTY PRINTING PHILIPPINES, INC.	PEZA (2020-0879)	2020
"P-34-N-104"	NIPPO METAL TECH PHILS., INC.	PEZA (2020-1386)	2020
"P-34-N-105"	OB KOGYO (PHILIPPINES) INC.	PEZA (2020-1404)	2020
"P-34-N-106"	PHILIPPINES TRC, INC.	PEZA (2020-0924)	2020
"P-34-N-107"	SENJU SOLDER (PHIL.), INC.	PEZA (2020-1113)	2020
"P-34-N-108"	PANASONIC INDUSTRIAL DEVICES PHILIPPINES CORPORATION	PEZA (2020-0674)	2020
"P-34-N-109"	DAIKYO INTERNATIONAL PHILIPPINE, INC.	PEZA (2020-0122)	2020
"P-34-N-110"	ELEMATEC PHILIPPINES, INC.	PEZA (2020-0227)	2020
"P-34-N-111"	ROHM MECHATECH PHILIPPINES, INC.	PEZA (2020-0827)	2020
"P-34-N-112"	TOYO SEAT PHILIPPINES CORPORATION	PEZA (2020-1116)	2020
"P-34-N-113"	COVAC PHILIPPINES, INC.	PEZA (2020-0770)	2020
"P-34-N-114"	ATMAK CORPORATION	PEZA (2020-1565)	2020
"P-34-N-115"	MIYASAKA POLYMER (PHILIPPINES), INC.	PEZA (2020-0859)	2020
"P-34-N-116"	JUNTEC CORPORATION	PEZA (2020-0803)	2020
"P-34-N-117"	PHILINAK INDUSTRIES, INC.	PEZA (2020-0203)	2020

Indeed, the sales made to the entities identified in Table 5 may be considered as sales to recipients shown to be duly registered ecozone enterprises for purposes of VAT zero-rating. Thus, only the total amount of ₱107,908,547.80 pertains to petitioner's sales to entities with valid ecozone registration certificates. Table 6 summarizes this conclusion:

Table 6 – Sales of Services to Entities with Valid Ecozone Registration Certificates

CLIENTS WITH VALID ECOZONE CERTIFICATES	"P-34-AY"	"P-34-AZ"	"P-34-BB"	"P-34-BA"
ARKRAY INDUSTRY WEST INC.	₱ 839,973.93	₱ -	₱ 29,680.19	₱ -
ARUZE PHILIPPINES MFG. INC.	4,596.25	-	4,268.25	-

CLIENTS WITH VALID ECOZONE CERTIFICATES	"P-34-AY"	"P-34-AZ"	"P-34-BB"	"P-34-BA"
ASIAN TRANSMISSION CORPORATION	273,695.77	-	29,678.52	-
ATMAK CORPORATION PLANT1	2,907.40	-		-
BRIDGESTONE PRECISION MOLDING PHILS INC.	444,274.47	-	114,262.27	752,335.35
BROTHER INDUSTRIES PHILS INC.	2,890,621.41	-	4,315.05	-
CANON BUSINESS MACHINES PHILS INC.	6,109,486.29	-	2,219.10	-
CAVITE NAGANO SEIKO INC.	-	-	-	171,621.00
CEBU MITSUMI, INC.	-	-	-	1,239,704.92
CEBU TOYO CORPORATION	16,618.30	-	170,074.56	-
CITIZEN FINE DEVICE PHILS CORP	-	-	3,247.90	-
COVAC PHILIPPINES INC.	141,022.23	-	-	-
DAEDUCK PHILIPPINES INC.	18,395.43	-	60,141.14	-
DAIKOKU ELECTRONICS PHILS INC.	3,969.62	-	-	-
DAIKYO INTERNATIONAL PHILS. INC.	7,669.41	-	38,927.45	-
DENSO PHILIPPINES CORPORATION	56,923.91	1,500.00	119,761.35	-
DENSO TEN PHILIPPINES CORP.	717,891.31	136,419.17	619,937.21	-
EATON INDUSTRIES PHILS. LLC	71,493.29	9,882.24	89,720.92	-
EHS LENS PHILIPPINES INC.	3,396,003.96	-	956,868.95	-
EMD TECHNOLOGIES PHILIPPINES	56,624.81	-	-	-
ENOMOTO PHILIPPINE MFTNG INC.	4,108.04	-	7,845.80	193,788.94
ENSYU TAKERU RUBBER INDUSTRIES INC.	265,113.40	-	24,579.50	
EPSON PRECISION PHILS INC.	33,690,562.31	-	-	-
F TECH S AND F PHILS INC.	26,065.57	10,749.20	38,879.76	188,866.00
FIRST SUMIDEN CIRCUITS	39,300.38	-	32,589.17	-
FRPJHK CORP.	16,354.50	-	19,924.74	-
FUJI ELECTRIC PHILIPPINES INC.	206,908.10	-	148,481.91	-
FUJIFILM OPTICS PHILIPPINES INC.	520,277.09	-	116,198.82	-
FUJITSU DIE TECH CORP PHILS.	451,003.94	-	74,578.40	187,646.31
FUNAI ELECTRIC PHILIPPINES INC.	1,193,398.21	-	11,268.18	-
FURUKAWA ELECTAUTOPARTS PHILS. INC.	1,320,494.03	-	1,202,500.94	-
FUTABA CORP. OF THE PHILS.	20,267.82	-	84,590.09	-
GOSHI PHILIPPINES INC.	108,203.37	-	6,279.24	-
HARADA AUTOMOTIVE ANTENNA PHIL.	47,571.17	-	14,695.07	-
HAYAKAWA ELECTRONIC PHILS CORP.	388,024.44	-	101,616.75	-
HITACHI CABLE PHILIPPINES INC.	291,665.76	-	92,543.56	-
HKT PHILIPPINES INC.	171,741.56	-	131,266.37	-
HONDA TRADING PHILIPPINES ECOZONE CORP.	12,742.97	-	12,731.07	-
IBIDEN PHILIPPINES INC.	4,732.90	-	6,000.00	-
IRISO ELECTRONICS PHILIPPINES	247,626.14	-	68,351.18	-
ISUZU AUTOPARTS MFG. CORP.	146,275.68	-	4,024.23	-
JAE PHILIPPINES INC.	943,420.75	-	342,786.41	1,213,692.53
JECO AUTOPARTS PHILS INC.	130,218.38	-	1,199.87	-
JMS HEALTHCARE PHL INC.	13,917.69	-	12.00	-
JOYSON SAFETY SYSTEMS PHILS. CORP.	742,227.45	-	1,626.49	-
JUNTEC CORPORATION	9,563.85	-	-	-
KATOLEC PHILIPPINES CORP.	10,363.00	-	-	-
KEYENCE PHILIPPINES INC.	197,558.06	-	-	-
KINPO ELECTRONICS PHILS. INC.	117,202.04	26,112.00	58,159.29	-
KOLEN PHILIPPINES INC.	167,399.63	-	330,933.08	242,446.65
LAGUNA AUTOPARTS MFG. CORP.	84,686.01	-	-	-
MAKOTO METAL TECHNOLOGY INC.	109,046.96	-	409,517.99	162,494.60
MARUICHI PHILIPPINES STEEL TUBE INC.	28,294.05	-	-	-

CLIENTS WITH VALID ECOZONE CERTIFICATES	"P-34-AY"	"P-34-AZ"	"P-34-BB"	"P-34-BA"
MINEBEA PHILIPPINES INC.	585,261.28	-	1,661.24	608,658.17
MITSUBA PHILIPPINES CORP.	46,234.66	-	-	-
MITSUMI PHILIPPINES INC.	512,871.04	-	-	-
MIYASAKA POLYMER PHILS. INC.	6,705.77	-	2,347.54	-
MOLEX INTEG PRODUCTS PHIL INC.	15,910.25	-	1,042,424.51	469,317.12
MSM CEBU INC.	49,732.63	-	509,506.05	351,290.62
MSPECIALTY PRINTING PHILS INC.	27,415.66	-	10,016.44	-
MURATA ELECTRONICS PHILS INC.	106,942.52	-	-	104,151.64
NAGASE PHILS INTL SVCS CORP.		-	3,561.74	-
NAKASHIMA PHILIPPINES CORP.	125,935.70	-	270,088.61	106,922.44
NANOX PHILIPPINES INC.	-	-	152,857.83	3,296,664.38
NEP LOGISTICS INC.	12,960.06	-	3,253,512.38	-
NICERA PHILIPPINES INC.	7,485.37	-	332,725.02	-
NIDEC PHILIPPINES CORPORATION	1,894,190.10	-	3,195,938.41	-
NIDEC SANKYO PHILIPPINES CORP.	28,103.87	-	123,227.72	325,872.35
NIPPO METAL TECH PHILS INC.	18,871.67	-	7,276.38	-
NIPPON MICROMETAL CORP PHILS.	310,332.41	-	142,099.80	-
NISSIN PRECISION PHILS. CORP.	19,693.92	-	-	-
NITTO DENKO PHILS CORP.	61,688.30	11,447.83	14,030.00	235,242.90
OB KOGYO PHILIPPINES INC.	139,270.92	-	5,194.73	-
P IMES CORPORATION	2,318.18	-	15,899.51	-
PANASONIC INDUSTRIAL DEVICES PHILS. CORP.	333,318.01	2,800.00	25,200.00	-
PHILINAK INDUSTRIES INC.	231,295.26	-	4,659.52	-
PHILIPPINE MAKOTO CORPORATION	948.70	-	17,560.64	-
PHILIPPINE MANUFACTURING CO OF	7,395.11	-	9,442.57	-
PHILIPPINE NAGANO SEIKO INC.	2,193.76	-	9.08	-
PHILIPPINES TRC INC.	580,000.00	-	-	-
RICOH IMAGING PRODUCTS PHILS.	35,395.85	-	196,284.81	192,057.30
ROHM ELECTRONICS PHILIPPINES	1,800.12	-	-	497,984.27
ROHM MECHATECH PHILIPPINES INC.	2,800.00	-	1,400.00	-
SAN TECHNOLOGY INCORPORATED	199,529.85	-	1,049,632.02	-
SENJU SOLDER PHILS INC.	456.92	-	149,380.05	-
SHIMADZU PHILIPPINES	702.12	-	29,777.70	-
SHINETSU MAGNETICS PHILS INC.	3,420,369.20	-	413,774.34	1,875,852.57
SHOWA ALUMINUM MANUFACTURING PHILS CORP.	38,587.06	-	20,452.08	-
SIIX COXON PRECISION PHILS INC.	154,722.98	-	-	-
SIIX EMS PHILIPPINES INC.	620.00	-	-	-
SIIX LOGISTICS PHILS INC.	40,071.69	7,449.72	11,423.28	-
SONION PHILIPPINES INC.	24,962.25	-	-	-
STT PHILIPPINES INC.	140,925.50	-	-	-
TEMIC AUTOMOTIVE PHILS INC.	4,965.85	-	9,484.85	-
TERUMO PHILIPPINES CORP.	3,153,480.44	-	1,128,728.04	1,604,471.09
TOSHIBA INFO EQUIP PHILS INC.	1,400.00	-	203,226.06	1,449,250.00
TOYO SEAT PHILIPPINES CORP.	8,602.66	-	13,911.24	-
TOYOTA TSUSHO PHILIPPINES	-	1,400.00	-	-
VACUUMTECH PHILIPPINES INC.	280,281.70	328,592.69	4,810.05	-
YAMAICHI SEIKO PHILIPPINES INC.	35,160.05	-	4,133.58	177,550.54
YAZAKI TORRES MFG. INC.	144,506.87	-	52,202.90	-
YOKOHAMA TIRE PHILIPPINE INC.	964,062.50	-	24,584.49	2,956,700.00
YOZURI PHILIPPINES INC.	776.96	-	18,901.81	150,224.71
TOTAL	₱70,559,758.76	₱536,352.85	₱18,057,629.79	₱18,754,806.40
GRAND TOTAL				₱107,908,547.80

Nevertheless, the presentation of valid ecozone registration certificates on the part of petitioner's clients does not, by itself, entitle petitioner to VAT zero-rating. In addition to proving the status of the recipients as duly registered ecozone entities, petitioner must likewise establish that the corresponding sales of services were supported by receipts and other documents that strictly comply with the invoicing and substantiation requirements.

Upon examination, the Court finds that out of the total sales of services amounting to ₱107,908,547.80 made to entities with valid ecozone registration certificates, the amount of ₱65,837,963.07 must still be disallowed for failure to comply with the foregoing documentary and invoicing requirements. Table 7 reflects the particulars thereof:

Table 7 - Sales to Ecozone-Registered Entities Disallowed for Failure to Comply with Invoicing Requirements

Exhibit	Customer	Amount
1. Nature of the service is not indicated or cannot be ascertained (violation pursuant to Section 113(B)(3) of the NIRC of 1997, as amended).		
"P-34-AY-0317"	KEYENCE PHILIPPINES INC.	₱ 35,745.90
"P-34-AY-0322"	FUNAI ELECTRIC PHILIPPINES INC.	160,300.00
"P-34-AY-0329"	FUNAI ELECTRIC PHILIPPINES INC.	300,864.32
"P-34-AY-0334"	FUNAI ELECTRIC PHILIPPINES INC.	405,633.89
"P-34-AY-0335"	CANON BUSINESS MACHINES PHILS INC.	10,000.00
"P-34-AY-0444"	FUJIFILM OPTICS PHILIPPINES INC.	216,299.09
"P-34-AY-0462"	VACUUMTECH PHILIPPINES INC.	185,981.70
"P-34-AY-0472"	STT PHILIPPINES INC.	81,808.50
"P-34-AY-0474"	ISUZU AUTO PARTS MFG. CORP.	141,238.50
"P-34-AY-0519"	FTECH S AND F PHILIPPINES INC.	4,184.10
"P-34-AY-0520"	YAZAKI TORRES MFG INC.	2,795.50
"P-34-AY-0526"	NIPPON MICROMETAL CORP. PHILS.	78,510.40
"P-34-AY-0527"	NIPPON MICROMETAL CORP. PHILS.	58,874.41
"P-34-AY-0528"	FURUKAWA ELECTRIC AUTOPARTS PHILS INC.	186,712.29
"P-34-AY-0533"	PANASONIC INDUSTRIAL DEVICES PHILS. CORP.	132,513.15
"P-34-AY-0566"	VACUUMTECH PHILIPPINES INC.	94,300.00
"P-34-AY-0581"	KEYENCE PHILIPPINES INC.	52,605.92
"P-34-AY-0582"	CANON BUSINESS MACHINES PHILS INC.	6,098,693.23
"P-34-AY-0585"	FUNAI ELECTRIC PHILIPPINES INC.	326,600.00
"P-34-AY-0590"	PHILINAK INDUSTRIES INC.	101,996.16
"P-34-AY-0591"	PHILINAK INDUSTRIES INC.	102,001.36
"P-34-AY-0592"	HITACHI CABLE PHILIPPINES INC.	144,427.85
"P-34-AY-0594"	YOKOHAMA TIRE PHILIPPINES INC.	446,100.00
"P-34-AY-0598"	YOKOHAMA TIRE PHILIPPINES INC.	500,100.00
"P-34-AY-0599"	FUJITSU DIE TECH CORP PHILS.	310,953.77
"P-34-AY-0600"	FUJIFILM OPTICS PHILIPPINES INC.	63,983.86
"P-34-AY-0601"	EPSON PRECISION PHILS INC.	17,865,187.71
"P-34-AY-0602"	SIIX COXON PRECISION PHILS INC.	154,722.98
"P-34-AY-0611"	NIPPON MICROMETAL CORP PHILS	42,000.00
"P-34-AY-0616"	MITSUMI PHILIPPINES INC.	372,988.21
"P-34-AY-0617"	MITSUMI PHILIPPINES INC.	139,882.83
"P-34-AY-0621"	JOYSON SAFETY SYSTEMS PHILS. CORP.	175,343.98
"P-34-AY-0625"	JOYSON SAFETY SYSTEMS PHILS. CORP.	242,741.50
"P-34-AY-0630"	YAZAKI TORRES MFG INC.	2,400.00
"P-34-AY-0632"	YAZAKI TORRES MFG INC.	14,531.54
"P-34-AY-0635"	KEYENCE PHILIPPINES INC.	109,206.24
"P-34-AY-0640"	KINPO ELECTRONICS PHIL. INC.	1,400.00
"P-34-AY-0648"	NICERA PHILIPPINES INC.	7,485.37
"P-34-AY-0653"	TERUMO PHILIPPINES CORP.	1,935,165.71

Exhibit	Customer	Amount
"P-34-AY-0656"	PANASONIC INDUSTRIAL DEVICES PHILS. CORP.	32,005.23
"P-34-AY-0663"	MINEBEA PHILIPPINES INC.	581,866.30
"P-34-AY-0664"	JOYSON SAFETY SYSTEMS PHILS. CORP.	324,141.97
"P-34-AY-0665"	BRIDGESTONE PRECISION MOLDING PHILS. INC.	396,253.73
"P-34-AY-0666"	HAYAKAWA ELECTRONICS PHILS. INC.	209,400.00
"P-34-AY-0667"	MURATA ELECTRONICS PHILS. INC.	106,942.52
"P-34-AY-0668"	ARKRAY INDUSTRY WEST INC.	133,695.11
"P-34-AY-0669"	ARKRAY INDUSTRY WEST INC.	706,278.82
"P-34-AY-0670"	TERUMO PHILIPPINES CORP.	532,557.93
"P-34-AY-0671"	FUJIFILM OPTICS PHILIPPINES INC.	239,994.14
"P-34-AY-0672"	PANASONIC INDL. DEVICES SALES M SDN	68,900.00
"P-34-AY-0674"	SONION PHILIPPINES INC.	24,962.25
"P-34-AY-0682"	HARADA AUTOMOTIVE ANTENNA PHIL.	41,280.24
"P-34-AY-0683"	FURUKAWA ELECTRIC AUTOPARTS PHILS. INC.	118,476.46
"P-34-AY-0687"	YAZAKI TORRES MFG INC.	21,738.93
"P-34-AY-0691"	NIPPON MICROMETAL CORP PHILS.	7,773.43
"P-34-AY-0694"	FUJITSU DIE TECH CORP PHILS.	137,229.25
"P-34-AY-0697"	PANASONIC INDUSTRIAL DEVICES PHILS. CORP.	135,199.63
"P-34-AY-0699"	HAYAKAWA ELECTRONICS PHILS. INC.	4,111.21
"P-34-AY-0700"	FUJI ELECTRIC PHILIPPINES INC.	121,081.43
"P-34-AY-0703"	BROTHER INDUSTRIES PHILS INC.	2,783,074.79
"P-34-AY-0705"	EHS LENS PHILIPPINES INC.	2,410,014.84
"P-34-AY-0706"	DENSO TEN PHILIPPINES CORP.	523,505.03
"P-34-AZ-0034"	EATON INDUSTRIES PHILIPPINES	1,766.80
"P-34-AZ-0036"	DENSO TEN PHILIPPINES CORP.	136,419.17
"P-34-AZ-0040"	TOYOTA TSUSHO PHILIPPINES	1,400.00
"P-34-BA-0005"	CAVITE NAGANO SEIKO INC.	171,621.00
"P-34-BA-0016"	MAKOTO METAL TECHNOLOGY INC.	162,494.60
"P-34-BA-0018"	RICOH IMAGING PRODUCTS PHILS.	192,057.30
"P-34-BA-0023"	CEBU MITSUMI INC.	1,239,704.92
"P-34-BA-0024"	MSM CEBU INC.	351,290.62
"P-34-BA-0036"	ENOMOTO PHILIPPINE MFTNG. INC.	193,788.94
"P-34-BA-0039"	KOLEN PHILIPPINES INC.	242,446.65
"P-34-BA-0042"	YOZURI PHILIPPINES INC.	150,224.71
"P-34-BA-0046"	F-TECH S&F (PHILIPPINES) INC.	188,866.00
"P-34-BA-0048"	TOSHIBA INFO EQUIP PHILS. INC.	1,449,250.00
"P-34-BA-0052"	BRIDGESTONE PRECISION MOLDING PHILS. INC.	752,335.35
"P-34-BA-0055"	NIDEC SANKYO PHILIPPINES CORP.	325,872.35
"P-34-BA-0062"	JAE PHILIPPINES INC.	487,832.00
"P-34-BA-0063"	JAE PHILIPPINES INC.	345,692.00
"P-34-BA-0065"	YOKOHAMA TIRE PHILIPPINES, INC.	229,200.00
"P-34-BA-0066"	NITTO DENKO (PHILS) CORP.	235,242.90
"P-34-BA-0070"	NAKASHIMA PHILIPPINES CORP.	106,922.44
"P-34-BA-0074"	YOKOHAMA TIRE PHILIPPINES, INC.	967,604.45
"P-34-BA-0077"	YOKOHAMA TIRE PHILIPPINES, INC.	2,436,300.00
"P-34-BA-0078"	FUJITSU DIE TECH CORP PHILS.	187,646.31
"P-34-BA-0080"	SHIN ETSU MAGNETICS PHILS.	1,875,852.57
"P-34-BA-0081"	YAMAICHI SEIKO PHILIPPINES INC.	177,550.54
"P-34-BA-0087"	TERUMO (PHILIPPINES) CORP.	361,620.43
"P-34-BA-0090"	MURATA ELECTRONICS PHILS INC.	104,151.64
"P-34-BA-0098"	NANOX PHILIPPINES INC.	3,296,664.38
"P-34-BA-0104"	TERUMO PHILIPPINES CORP.	1,242,850.66
"P-34-BA-0105"	ROHM ELECTRONICS PHILIPPINES INC.	497,984.27
"P-34-BA-0110"	MINEBEA PHILIPPINES INC.	608,658.17
"P-34-BA-0115"	MOLEX INTEGRATED PRODUCTS PHILS. INC.	469,317.12
"P-34-BA-0118"	JAE PHILIPPINES INC.	380,168.53
"P-34-BB-0011"	CEBU TOYO CORPORATION	59,519.91
"P-34-BB-0012"	MAKOTO METAL TECHNOLOGY INC.	80,426.29
"P-34-BB-0063"	TOSHIBA INFO EQUIP PHILS INC.	203,226.06
"P-34-BB-0064"	ARKRAY INDUSTRY WEST INC.	29,680.19
"P-34-BB-0065"	FURUKAWA ELECTRIC AUTOPARTS PHILS. INC.	3,825.00
"P-34-BB-0212"	PHILIPPINE MAKOTO CORPORATION	16,447.79
"P-34-BB-0219"	MAKOTO METAL TECHNOLOGY INC.	62,293.75
"P-34-BB-0236"	CEBU TOYO CORPORATION	15,434.26
"P-34-BB-0237"	CEBU TOYO CORPORATION	46,807.74

Exhibit	Customer	Amount
"P-34-BB-0244"	MSM CEBU INC.	216,753.05
"P-34-BB-0290"	NITTO DENKO PHILS. CORP.	5,720.37
"P-34-BB-0395"	PANASONIC INDUSTRIAL DEVICES PHILS. CORP.	1,400.00
"P-34-BB-0400"	JAE PHILIPPINES INC.	337,359.50
"P-34-BB-0401"	NIPPON MICROMETAL CORP. PHILS.	108,227.11
Sub-total		***₱61,724,681.05***
2. Official receipts do not contain TIN of client (violation pursuant to Section 113(B)(4) of the NIRC of 1997, as amended).		
"P-34-AY-0168"	EHS LENS PHILIPPINES INC.	₱ 985,989.12
"P-34-AY-0195"	KOLEN PHILIPPINES INC.	167,399.63
"P-34-AY-0201"	MINEBEA PHILIPPINES INC.	3,394.98
"P-34-AY-0545"	KINPO ELECTRONICS PHILS. INC.	6,514.54
"P-34-AY-0580"	SHINETSU MAGNETICS PHILS. INC.	2,120,843.33
"P-34-AZ-0030"	VACUUMTECH PHILIPPINES INC.	328,592.69
"P-34-BB-0022"	SENJU SOLDER PHILS INC.	31,395.04
"P-34-BB-0027"	SENJU SOLDER PHILS INC.	35,245.73
"P-34-BB-0028"	SENJU SOLDER PHILS INC.	31,897.44
"P-34-BB-0034"	SENJU SOLDER PHILS INC.	4,150.00
"P-34-BB-0109"	KOLEN PHILIPPINES INC.	207,786.84
"P-34-BB-0260"	SENJU SOLDER PHILS INC.	46,691.84
"P-34-BB-0262"	P IMES CORPORATION	10,450.00
"P-34-BB-0341"	IBIDEN PHILIPPINES INC.	6,000.00
"P-34-BB-0442"	KOLEN PHILIPPINES INC.	123,146.24
Sub-total		***₱4,109,497.42***
3. Unsupported		
"P-34-AY-0005"	SAN TECHNOLOGY INC.	₱ 3,784.60
Sub-total		***₱ 3,784.60***
Total		**₱65,837,963.07**

Accordingly, only the amount of ₱42,070,584.73[80] sales of services to PEZA, SBMA, and CDC, which complied with the invoicing and substantiation requirements under Sections 113, 237, and 238 of the NIRC of 1997, as amended, and as implemented by RR No. 16-2005, as amended, qualify for VAT zero-rating under Section 108(B)(3) of the NIRC, as amended.

b. Sale to BOI - ₱57,721.67.

Petitioner also claims that its sales to a BOI-registered entity in the amount of ₱57,721.67 are subject to zero percent (0%) VAT under Section 108(B)(3) of the NIRC of 1997, as amended.

Section 4.106-5(a)(5) of Revenue Regulations (RR) No. 16-2005[81] provides that sales of goods, properties or services made by a VAT-registered supplier to a BOI-registered manufacturer/producer **whose products are 100% exported** are *"considered export sales."* A certification

80 ₱107,908,547.80 (Table 5) less ₱65,837,963.07 (Table 6).

81 SUBJECT: Consolidated Value-Added Tax Regulations of 2005.

to this effect must be issued by the BOI and shall be valid for one year unless subsequently reissued by the BOI.

Section 4.106-5(a)(5) of RR No. 16-2005, as amended by RR No. 4-2007, provides:

> SEC. 4.106-5. *Zero-Rated Sales of Goods or Properties.* – ...
>
> The following sales by VAT-registered persons shall be subject to zero percent (0%) rate:
>
> **(a)** ***Export sales.*** **–** *'Export Sales'* shall mean:
>
> ...
>
> (5) Transactions considered export sales under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, and other special laws.
>
> ***'Considered export sales under Executive Order No. 226'*** shall mean the Philippine port F.O.B. value determined from invoices, bills of lading, inward letters of credit, landing certificates, and other commercial documents, of export products exported directly by a registered export producer, or the net selling price of export products sold by a registered export producer to another export producer, or to an export trader that subsequently exports the same; *Provided,* That sales of export products to another producer or to an export trader shall only be deemed export sales when actually exported by the latter, as evidenced by landing certificates or similar commercial documents; *Provided,* further, That pursuant to EO 226 and other special laws, even without actual exportation, the following shall be considered constructively exported: (1) sales to bonded manufacturing warehouses of export-oriented manufacturers; (2) sales to export processing zones pursuant to Republic Act (RA) Nos. 7916, as amended, 7903, 7922 and other similar export processing zones; (3) sale to enterprises duly registered and accredited with the Subic Bay Metropolitan Authority pursuant to RA 7227; (4) sales to registered export traders operating bonded trading warehouses supplying raw materials in the manufacture of export products under guidelines to be set by the Board in consultation with the Bureau of Internal Revenue (BIR) and the Bureau of Customs (BOC); (5) sales to diplomatic missions and other agencies and/or instrumentalities granted tax immunities, of locally manufactured, assembled or repacked products whether paid for in foreign currency or not.

> For purposes of zero-rating, the export sales of registered export traders shall include commission income. The exportation of goods on consignment shall not be deemed export sales until the export products consigned are in fact sold by the consignee: and ***Provided,*** **finally, that sales of goods, properties or services made by a VAT-registered supplier to a BOI-registered manufacturer/producer whose products are 100% exported are considered export sales. A certification to this effect must be issued by the Board of Investment (BOI) which shall be good for one year unless subsequently re-issued by the BOI.**[82]

In *Commissioner of Internal Revenue v. Filminera Resources Corporation,*[83] the Supreme Court ruled that sales made to a BOI-registered buyer are export sales subject to the zero percent (0%) VAT rate if the following conditions are met:

1. the buyer is a BOI-registered manufacturer/producer;
2. the buyer's products are 100% exported; and,
3. the BOI certified that the buyer exported 100% of its products. For this purpose, the BOI Certification is vital for the seller-taxpayer to avail of the benefits of zero-rating. The certification is evidence that the buyer exported its entire products and shall serve as authority for the seller to claim for refund or tax credit.

Clearly, sales of services to entities located in ecozones and those registered as manufacturer/producer with BOI whose products are 100% exported are subject to a zero percent (0%) VAT rate pursuant to Section 108(B)(3) of the NIRC of 1997, as amended.

In the present case, petitioner failed to present any BOI Certification showing that its buyer was a BOI-registered manufacturer/producer whose products were 100% exported during the period of claim. Absent such proof, petitioner failed to establish that the subject sale falls under Section 108(B)(3) of the NIRC of 1997, as amended.

Accordingly, petitioner's claimed zero-rated sale to BOI in the amount of ₱57,721.67 must also be disallowed.

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82 Emphasis supplied.

83 G.R. No. 236325, September 16, 2020.

c. Sales to DFA – ₱497,176.25; ADB – ₱466,856.46; and, Embassy of Japan – ₱20,000.00.

Petitioner submitted the following documents to support the VAT exemptions for ADB and the Embassy of Japan, which also fall under the scope of Section 108(B)(3):

1. BIR Ruling No. ITAD-49-07 dated April 13, 2007 concerning the ADB;[84]

2. VAT Exemption Certificate No. 2016-593 concerning the Embassy of Japan valid until January 10, 2019;[85]

3. ITAD BIR Ruling No. 313-11 dated December 2, 2011 also for the Embassy of Japan.[86]

Based on the evidence presented, the Court is satisfied that the ADB and the Embassy of Japan are indeed entities enjoying tax exemption for purposes of Section 108(B)(3) of the NIRC, as amended. However, as in all claims for VAT zero-rating, petitioner must still prove that the specific sales being claimed were duly supported by valid receipts and competent documentary evidence.

ICPA Sison traced petitioner's sales to DFA, ADB, and the Consular Office of Japan/Embassy of Japan:

Table 8 – Verification of Zero-Rated Sales to DFA, ADB, and the Embassy of Japan

Sale to	Amount	Traced to	Exhibit
DFA	₱497,176.25	₱497,176.25	"P-34-BA-Invalid"
ADB	₱466,856.46	₱250,914.77	"P-34-AY-608"
		212,033.19	"P-34-BA-Invalid"
		3,908.50	"P-34-BD-004" (invalid)
Consular Office of Japan/ Embassy of Japan	₱20,000.00	₱20,000.00	"P-34-AZ-0010"

84 Exhibit "P-34-N-69," Docket – Vol. II, pp. 508 to 510.
85 Exhibit "P-34-N-70," p. 1, USB (Exhibit "P-35-2").
86 Exhibit "P-34-N-70," pp. 2 to 3, USB (Exhibit "P-35-2").

However, as found by the ICPA, the sale to DFA amounting to ₱497,176.25, as well as the sales to ADB in the amount of ₱212,033.19 and ₱3,908.50 are invalid.[87] Accordingly, the VAT zero-rating for purposes of the present claim.

On the other hand, the Court sustains the ICPA's finding that the sales of services rendered to the ADB and the Embassy of Japan, in the amounts of ₱250,914.77 and ₱20,000.00, respectively, are duly substantiated and therefore qualify as valid zero-rated sales.

c. Sales of Services to NRFCs – ₱149,359,561.77

Petitioner likewise claims that it has zero percent (0%) VAT from its sales of services falling under Section 108(B)(2) of the NIRC of 1997, as amended,[88] which reads:

> 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:
>
> (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)*;"

Based on the foregoing provision, the following *essential elements* must concur for a sale or supply of services to be subject to the VAT

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87 Refer to Table 3, p. 15.
88 Par. 5.9, petitioner's *Memorandum*, Docket – Vol. II, p. 622.

rate of zero percent (0%) under Section 108(B)(2) of the NIRC of 1997, as amended, to wit:

1) The service must be performed in the Philippines[89] by a VAT-registered person;

2) The services fall under any of the categories under Section 108(B)(2),[90] or simply, the services rendered should be other than *"processing, manufacturing or repacking goods"*;[91]

3) The recipient of the services is a foreign corporation, and the said corporation is doing business *outside* the Philippines, or is a nonresident person not engaged in business who is *outside* the Philippines when the services were performed;[92] and

4) The payment for such services should be in acceptable foreign currency accounted for in accordance with BSP rules.[93]

Petitioner satisfactorily complied with the *first* and *second* essential elements. For the subject period of claim, petitioner rendered forwarding services in the Philippines as evidenced by the various ORs and billing statements[94] issued by petitioner to its non-resident foreign customers. Clearly, these services fall within the scope of *"services other than processing, manufacturing or repacking of goods"* contemplated by the afore-mentioned provision.

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89 *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.

90 *Commissioner of Internal Revenue v. American Express International, Inc. (Philippine Branch)*, supra.

91 *Commissioner of Internal Revenue v. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*, supra.

92 *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.*, supra; *Accenture, Inc. v. Commissioner of Internal Revenue*, G.R. No. 190102, July 11, 2012.

93 *Commissioner of Internal Revenue v. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*, supra; *Commissioner of Internal Revenue v. American Express International, Inc. (Philippine Branch)*, supra.

94 Exhibits "P-34-BH-1 to "P-34-BH-1001," USB (Exhibit "P-35-2").

As for the *third* essential element, the *prima facie* evidence showing NRFC doing business outside the Philippines are: (1) Certification of Non-Registration of Corporation/Partnership issued by the Philippine Securities and Exchange Commission (SEC); and (2) proof of incorporation/registration in a foreign country (*e.g.*, Articles/Certificate of Incorporation/ Registration and/or Tax Residence Certificate). *Commissioner of Internal Revenue v. BW Shipping Philippines, Inc.*[95] is explicit:

> In *Commissioner of Internal Revenue v. Deutsche Knowledge Services Pte. Ltd.*, the Court, through Associate Justice Henri Jean Paul B. Inting, held that in order for sales to a non-resident foreign corporation to qualify for zero-rating under Section 108(B)(2) of the NIRC, the claimant must be able to prove '(1) that their client was established under the laws of a country not the Philippines or, simply, is not a domestic corporation; and (2) that it is not engaged in trade or business in the Philippines. To be sure, there must be sufficient proof of both of these components: showing not only that the clients are foreign corporations, but also are not doing business in the Philippines.' Accordingly, the Court likewise ruled that 'the SEC Certifications of Non-Registration show that [clients] are foreign corporations. On the other hand, the articles of association/certificates of incorporation stating that these [clients] are registered to operate in their respective home countries, outside the Philippines are *prima facie* evidence that their clients are not engaged in trade or business in the Philippines.

To prove that the above customers are NRFCs doing business outside the Philippines, petitioner presented Certifications of Non-Registration of Company issued by the SEC and proof of foreign incorporation/registration/association of the said entities, as follows:[96]

Table 9 – Customers Claimed as NRFCs and Supporting Documents Presented

Customer	Philippines' SEC Certification of Non-Registration of Company Exhibit No.	Proof of Foreign Incorporation/ Registration/ Association Exhibit No.
AIRLINK INTERNATIONAL UAE	*(none)*	*(none)*
AJATO CO. LTD.	*(none)*	*(none)*
AN CORPORATION	*(none)*	*(none)*
ARTRON 1NTL PTE LTD.	*(none)*	*(none)*
CANON INC.	*(none)*	*(none)*
CASIO COMPUTER CO., LTD.	*(none)*	*(none)*
CITIZEN SYSTEMS JAPAN CO.	*(none)*	*(none)*

95 G.R. No. 261171, October 4, 2023.

96 Q&A No. 18, Exhibit "P-32," Docket - Vol. I, at pp. 110 to 111; Exhibits "P-34-O" and "P-34-O-1" to "P-34-O-19," USB (Exhibit "P-35-2").

Customer	Philippines' SEC Certification of Non-Registration of Company Exhibit No.	Proof of Foreign Incorporation/ Registration/ Association Exhibit No.
FREITAN LOGISTICS PTY. LTD.	*(none)*	*(none)*
MATSUI MFG (SINGAPORE) PT.	*(none)*	*(none)*
MEKTEC CORP SINGAPORE PTE. LTD.	*(none)*	*(none)*
MITSUMI ELECTRIC CO., LTD.	*(none)*	*(none)*
NIPPON EXPRESS (SHENZHEN) CO. LTD	*(none)*	*(none)*
NIPPON EXPRESS BANGLADESH LTD	*(none)*	*(none)*
NIPPON EXPRESS DE MEXICO SA	*(none)*	*(none)*
NIPPON EXPRESS INDIA PVT LTD.	*(none)*	*(none)*
NIPPON EXPRESS ISTANBUL GLOBAL LOGISTICS	*(none)*	*(none)*
NITTSU LOGISTICS (THAILAND) CO., LTD.	*(none)*	*(none)*
NITTSU NEC LOGISTICS LTD.	*(none)*	*(none)*
NMB-MINEBEA THAI LTD.	*(none)*	*(none)*
PANASONIC INDUSTRIAL DEVICES SALES ASIA	*(none)*	*(none)*
PANASONIC INDUSTRIAL DEVICES SALES (M) SDN BHD	"P-34-O-0018"	"P-34-O-0018"
ROHM SEMICONDUCTOR SINGAPORE PTE. LTD.	"P-34-O-0019"	"P-34-O-0019"
STMICROELECTRONICS PTE LTD	*(none)*	*(none)*
TEIJIN FRONTIER CO LTD	*(none)*	*(none)*
NIPPON EXPRESS (AUSTRALIA) PTY., LIMITED	"P-34-O-0001"	"P-34-O-0001"
NIPPON EXPRESS (CHINA) CO., LTD.	"P-34-O-0003"	"P-34-O-0003"
NIPPON EXPRESS (H.K.) COMPANY LIMITED	"P-34-O-0005"	"P-34-O-0005"
NIPPON EXPRESS (MALAYSIA) SDN. BHD.	"P-34-O-0006"	"P-34-O-0006"
NIPPON EXPRESS (SINGAPORE) PTE. LTD.	*(none)*	*(none)*
NIPPON EXPRESS (TAIWAN) CO., LTD.	"P-34-O-0008"	"P-34-O-0008"
NIPPON EXPRESS (THAILAND) COMPANY LIMITED	"P-34-O-0009"	"P-34-O-0009"
NIPPON EXPRESS (U.K.) LIMITED	"P-34-O-0010"	"P-34-O-0010"
NIPPON EXPRESS DE ESPAÑA SA	"P-34-O-0013"	"P-34-O-0013"
NIPPON EXPRESS KOREA CO., LTD.	"P-34-O-0014"	"P-34-O-0014"
NIPPON EXPRESS U.S.A., INC.	"P-34-O-0015"	"P-34-O-0015"
P T. NIPPON EXPRESS INDONESIA	*(none)*	*(none)*
P.T. NITTSU LEMO INDONESIA LOGISTIK	"P-34-O-0017"	"P-34-O-0017"
NIPPON EXPRESS (DEUTSCHLAND) GMBH	"P-34-O-0004"	"P-34-O-0004"
NIPPON EXPRESS (SHANGHAI) CO. LTD.	*(none)*	*(none)*
NIPPON EXPRESS (SOUTH ASIA & OCEANIA) PTE. LTD.	"P-34-O-0007"	"P-34-O-0007"
NIPPON EXPRESS COMPANY LIMITED	*(none)*	*(none)*
NIPPON EXPRESS (SCHWEIZ) AG	*(none)*	*(none)*
NV NIPPON EXPRESS	"P-34-O-0015"	"P-34-O-0015"
NIPPON EXPRESS (CANADA), LTD.	*(none)*	*(none)*
NIPPON EXPRESS DO BRASIL LTD. A	*(none)*	*(none)*
NIPPON EXPRESS (FRANCE), S.A.	*(none)*	*(none)*
NIPPON EXPRESS (ITALIA) S.R.A.	*(none)*	*(none)*
NIPPON EXPRESS (NEDERLAND) B.V.	*(none)*	*(none)*
NIPPON EXPRESS (VIETNAM) COMPANY LIMITED	"P-34-O-0011"	"P-34-O-0011"
NIPPON EXPRESS EUROPE GMBH PRAHA BRANCH	*(none)*	*(none)*
NIPPON EXPRESS (CAMBODIA) CO. LTD.	"P-34-O-0002"	"P-34-O-0002"
NIPPON EXPRESS CO., LTD.	"P-34-O-0012"	"P-34-O-0012"

From the foregoing table, only those customers supported by both a SEC Certification of Non-Registration and proof of foreign incorporation or registration may be considered NRFCs doing business outside the Philippines. Accordingly, petitioner was able to establish compliance with the *third* essential element only with respect to 19 out of the 52 customers listed in Table 9.

As for petitioner's compliance with the *fourth* essential element, in relation to the *fifth* requisite for the grant of the refund or issuance of tax credit certificate, it is imperative that the sales be paid for in acceptable foreign currency under the rules and regulations of the BSP. Petitioner failed to satisfy said requisite.

Specifically, petitioner alleges that its export sale of service by its affiliates who are non-resident foreign corporations not engaged in trade or business in the Philippines were paid pursuant to the Memorandum on Multilateral Netting and Settlement for the affiliate entities.[97] However, petitioner failed to present any documentary proof of such offsetting arrangements, nor any other evidence showing that their services to the aforementioned NRFCs were paid for in foreign currency according to the rules of the BSP.

Therefore, petitioner's alleged sales of services to NRFCs amounting to ₱149,359,561.77 for the first quarter of taxable year 2020 cannot qualify for VAT zero-rating and must therefore be disallowed in full.

<u>Sixth Requisite:</u> The input VAT being claimed are not transitional input taxes.

Petitioner reported a total of ₱107,293,572.54 allowable input taxes for the first quarter of taxable year 2020, detailed as follows:[98]

Table 10 – Reported Allowable Input Taxes for the first Quarter of Taxable Year 2020

Nature of Transaction	Amount
Purchase of capital goods exceeding ₱1 million	
Input tax deferred from previous quarter	₱ 5,661,589.55
Current input tax on capital goods exceeding ₱1 million	325,533.43
Less: Input tax deferred for the succeeding period	(5,523,755.07)
Subtotal	*463,367.91*
Purchase of capital goods not exceeding ₱1 million	64,945.33
Domestic purchases of goods other than capital goods	2,370,574.08
Domestic purchase of services	104,394,685.22
Total allowable input tax	**₱107,293,572.54**

97 Par. 5.19, petitioner's *Memorandum*, Docket – Vol. II, p. 625.
98 Exhibit "P-19," Docket, Vol. I, at p. 161.

Section 111(A)[99] of the NIRC, as amended, states that transitional input taxes are realized when: *one*, a person not previously liable for VAT, becomes liable for said tax; and *two*, on newly VAT-registered persons. 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.[100] None of these conditions are present in the case of the petitioner.

<u>Seventh Requisite:</u> Not all of petitioner's input VAT incurred or paid and being claimed for refund are duly substantiated.

Section 110(A) of the NIRC, as amended, provides:

> SEC. 110. *Tax Credits.* —
>
> (A) *Creditable Input VAT.* —
>
> (1) Any input VAT evidenced by a VAT invoice or official receipt issued in accordance with Section 113 hereof on the following transactions shall be creditable against the output tax:
>
> (a) Purchase or importation of goods:
>
> (i) For sale; or
>
> (ii) For conversion into or intended to form part of a finished product for sale including packaging materials; or
>
> (iii) For use as supplies in the course of business; or

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99 SEC. 111. *Transitional/Presumptive Input VAT Credits.* - (A) *Transitional Input VAT 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 VAT 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.

100 *Fort Bonifacio Development Corporation v. Commissioner of Internal Revenue, et al., et seq.*, G.R. Nos. 158885 and 170680, April 2, 2009.

qw

(iv) For use as materials supplied in the sale of service; or

(v) For use in trade or business for which deduction for depreciation or amortization is allowed under this Code.

(b) Purchase of services on which a value-added tax has actually been paid.

(2) The input VAT on domestic purchase or importation of goods or properties by a VAT-registered person shall be creditable:

(a) To the purchaser upon consummation of sale and on importation of goods or properties; and

(b) To the importer upon payment of the value-added tax prior to the release of the goods from the custody of the Bureau of Customs.

Provided, That the input tax on goods purchased or imported in a calendar month for use in trade or business for which deduction for depreciation is allowed under this Code, shall be spread evenly over the month of acquisition and the fifty-nine (59) succeeding months if the aggregate acquisition cost for such goods, excluding the VAT component thereof, exceeds One million pesos (P1,000,000): *Provided, however,* That if the estimated useful life of the capital good is less than five (5) years, as used for depreciation purposes, then the input VAT shall be spread over such a shorter period: *Provided, further,* That the amortization of the input VAT shall only be allowed until December 31, 2021 after which taxpayers with unutilized input VAT on capital goods purchased or imported shall be allowed to apply the same as scheduled until fully utilized: *Provided,* finally, That in the case of purchase of services, lease or use of properties, the input tax shall be creditable to the purchaser, lessee or licensee upon payment of the compensation, rental, royalty or fee.

The above provisions are implemented by Sections 4.110-1 to 4.110-3 of RR No. 16-2005, as amended:

SECTION 4.110-1. *Credits for Input VAT.* — 'Input VAT' means the VAT due on or paid by a VAT-registered person on importation of goods or local purchases of goods, properties, or services, including lease or use of properties, in the course of his trade or business. It shall also include the transitional input VAT and the presumptive input VAT determined in accordance with Sec. 111 of the Tax Code.

It includes input VAT which can be directly attributed to transactions subject to the VAT plus a ratable portion of any input VAT which cannot be directly attributed to either the taxable or exempt activity.

Any input VAT on the following transactions evidenced by a VAT invoice or official receipt issued by a VAT-registered person in accordance with Secs. 113 and 237 of the Tax Code shall be creditable against the output tax:

(a) Purchase or importation of goods:

(1) For sale; or

(2) For conversion into or intended to form part of a finished product for sale including packaging materials; or

(3) For use as supplies in the course of business; or

(4) For use as materials supplied in the sale of services; or

(5) For use in trade or business for which deduction for depreciation or amortization is allowed under the Tax Code,

(b) Purchase of real properties for which a VAT has actually been paid;

(c) Purchase of services in which a VAT has actually been paid.

(d) Transactions 'deemed sale' under Sec. 106 (B) of the Tax Code;

(e) Transitional input tax allowed under Sec. 4.111 (a) of these Regulations;

(f) Presumptive input tax allowed under Sec. 4.111 (b) of these Regulations;

(g) Transitional input tax credits allowed under the transitory and other provisions of these Regulations.

SEC. 4.110-2. *Persons Who Can Avail of the Input VAT Credit.* - The input tax credit on importation of goods or local purchases of goods, properties or services by a VAT-registered person shall be creditable:

(a) To the importer upon payment of VAT prior to the release of goods from customs custody;

(b) To the purchaser of the domestic goods or properties upon consummation of the sale; or

(c) To the purchaser of services or the lessee or licensee upon payment of the compensation, rental, royalty or fee.

SEC. 4.110-3. *Claim for Input VAT on Depreciable Goods.* — Where a VAT-registered person purchases or imports capital goods, which are depreciable assets for income tax purposes, the aggregate acquisition cost of which (exclusive of VAT) in a calendar month exceeds One Million pesos (P1,000,000.00), regardless of the acquisition cost of each capital good, shall be claimed as credit against output tax in the following manner:

(a) If the estimated useful life of the capital good is five (5) years or more – The input tax shall be spread evenly over a period of sixty (60) months and the claim for input tax credit will commence in the calendar month when the capital good is acquired. The total input taxes on purchases or importations of this type of capital goods shall be divided by 60 and the quotient will be the amount to be claimed monthly.

(b) If the estimated useful life of a capital good is less than five (5) years - The input tax shall be spread evenly on a monthly basis by dividing the input VAT by the actual number of months comprising the estimated useful life of the capital good. The claim for input tax credit shall commence in the calendar month that the capital goods were acquired.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed one million pesos (P1,000,000.00), the total input taxes will be allowable as credit against output tax in the month of acquisition.

Capital goods or properties refers to goods or properties with estimated useful life greater than one (1) year and which are treated as depreciable assets under Sec. 34(F) of the Tax Code, used directly or indirectly in the production or sale of taxable goods or services.

The aggregate acquisition cost of depreciable assets in any calendar month refers to the total price, excluding the VAT, agreed upon for one or more assets acquired and not on the payments actually made during the calendar month. Thus, an asset acquired on installment for an acquisition cost of more than P1,000,000.00, excluding the VAT, will be subject to the amortization of input tax despite the fact that the monthly payments/installments may not exceed P1,000,000.00.

...

Relative thereto, Section 4.110-8 of RR No. 16-2005 provides for the substantiation requirements of input tax credits, as follows:

SEC. 4.110-8. *Substantiation of Input VAT Credits.* –

(a) Input VAT for the importation of goods or the domestic purchase of goods, properties or services is made in the course of trade or business, whether such input VAT shall be credited against zero-rated sale, non-zero-rated sales, or subjected to the 5% Final Withholding VAT, must be substantiated and supported by the following documents, and must be reported in the information returns required to be submitted to the Bureau:

(1) **For the importation of goods** - import entry or other equivalent document showing actual payment of VAT on the imported goods.

(2) **For the domestic purchase of goods and properties** – invoice showing the information required under Secs. 113 and 237 of the Tax Code.

(3) For the purchase of real property – public instrument i.e., deed of absolute sale, deed of conditional sale, contract/agreement to sell, etc., together with VAT invoice issued by the seller.

(4) **For the purchase of services** – official receipt showing the information required under Secs. 113 and 237 of the Tax Code.

A cash register machine tape issued to a registered buyer shall constitute valid proof of substantiation of tax credit only if it shows the information required under Secs. 113 and 237 of the Tax Code.

Thus, in order to prove entitlement to credits for input taxes due or paid, petitioner must not only present the supporting documents prescribed under Section 4.110-8 of RR No. 16-2005, but more importantly, these documents must comply with the invoicing requirements under Sections 113(A) and (B), 237 and 238 of the NIRC of 1997, as amended, as implemented by Section 4.113-1(A) and (B) of RR No. 16-2005, as amended.

ICPA Sison examined the VAT invoices and ORs in support of petitioner's incurred or paid input VAT for the first quarter of taxable year 2020. ICPA Sison found that out of the ₱107,293,572.29 (Table 11) allowable input taxes, with ₱0.25 difference per Quarterly VAT Return for the first quarter of taxable year 2020 of ₱107,293,572.54 (Table 10), input VAT in the total amount of ₱17,660,300.03 should be disallowed for failure to comply with the substantiation and invoicing requirements, as detailed in Table 11,[101] to wit:

Table 11 – Input VAT Disallowed by the ICPA for Failure to Comply with Substantiation and Invoicing Requirements

Exhibit Reference	Description	Valid	Invalid	Total
a. Input VAT on domestic purchase of goods and services.				
"P-34-P"	Domestic purchase of goods and services properly substantiated by VAT Invoices/VAT ORs which complied with the invoicing requirements.	₱24,332,120.73		₱24,332,120.73
"P-34-Q"	Domestic purchases of goods and services supported by VAT Invoices/VAT ORs with alteration but with countersigned by suppliers authorized signatory.	33,728,507.70		33,728,507.70
"P-34-R"	Domestic purchase of goods and services properly substantiated by VAT Invoices/VAT ORs with less than one thousand total receipts	1,878.17		1,878.17
"P-34-AJ"	Domestic purchase of goods and services properly substantiated by VAT Invoices/VAT ORs with alterations but countersigned by suppliers authorized representative with certification of authorized representative of the suppliers. Certification of authorized representative of the suppliers were marked as Exhibit "P-34-BJ"	29,771,472.77		29,771,472.77
"P-34-S"	Domestic purchase of goods and services wherein the amount of VAT claimed is not equal to the amount of VAT per documents	1,584,509.46	179,411.34	1,763,920.80
"P-34-T"	Domestic purchase of goods and services substantiated by VAT		488,203.47	488,203.47

101 Par. 8, Exhibit "P-35," Docket – Vol. I, at pp. 420 to 422.

Exhibit Reference	Description	Valid	Invalid	Total
	Invoices/VAT ORs not within the taxable quarter/ year subject for audit.			
"P-34-U"	Domestic purchase of goods and services substantiated by VAT Invoices/VAT ORs but unreadable.		1,058,537.71	1,058,537.71
"P-34-V"	Domestic purchase of goods and services but are unsupported by VAT Invoices/VAT ORs		2,184,761.22	2,184,761.22
"P-34-W"	Domestic purchase of goods and services substantiated by VAT Invoices/VAT ORs with Invalid or Outdated authority to print (ATP) or no BIR Permit.		372,519.39	372,519.39
"P-34-X"[102]	Domestic purchase of goods and services substantiated by VAT Invoices/VAT ORs but the VAT is not separately indicated in the face of the Invoice or ORs.		236,893.47	236,893.47
"P-34-Y"[103]	Domestic purchase of goods and services substantiated by VAT Invoices/VAT ORs but without TIN of the Petitioner.		116,358.33	116,358.33
"P-34-Z"[104]	Domestic purchase of goods and services substantiated by VAT Invoices/VAT ORs but without address of the Petitioner		7,923.77	7,923.77
"P-34-AA"	Domestic purchase of goods and services substantiated by VAT Invoices/VAT ORs but without name of the Petitioner		241.07	241.07
"P-34-AB"	Domestic purchase of goods and services not substantiated by VAT Invoices/VAT ORs		161,041.39	161,041.39
"P-34-AC"	Domestic purchase of goods and services substantiated by VAT Invoices/VAT ORs but without business style indicated		169,759.86	169,759.86
"P-34-AD"	Domestic purchase of goods and services substantiated by VAT Invoices/VAT ORs with alteration but without countersign.		872,538.73	872,538.73
"P-34-AF"	Domestic purchase of goods and services substantiated by VAT Invoices/VAT ORs but with incorrect TIN of supplier per schedule		2,169.64	2,169.64
"P-34-AG"	Domestic purchase of goods and services substantiated by VAT Invoices/VAT ORs with Incorrect TIN of the Petitioner.		208,089.07	208,089.07
"P-34-AH"	Domestic purchase of goods and services substantiated by VAT Invoices/VAT ORs but with incorrect business style of the Petitioner		19,086.09	19,086.09
"P-34-AI"	Domestic purchase of goods and services substantiated by VAT Invoices/VAT ORs with alterations but countersigned by suppliers		11,269,235.83	11,269,235.83

102 Refer to "ICPA-Report-CTA-Case No.-10915_05.23.2023" Microsoft Word Document, "03 OTHERS" folder, USB (Exhibit "P-35-2").

103 Refer to "ICPA-Report-CTA-Case No.-10915_05.23.2023" Microsoft Word Document, "03 OTHERS" folder, USB (Exhibit "P-35-2").

104 Refer to "ICPA-Report-CTA-Case No.-10915_05.23.2023" Microsoft Word Document, "03 OTHERS" folder, USB (Exhibit "P-35-2").

Exhibit Reference	Description	Valid	Invalid	Total
	without Certification of authorized representative of the suppliers.			
Subtotal		*₱89,418,488.83*	*₱17,346,770.38*	*₱106,765,259.21*
b. Input VAT on domestic purchase of capital goods not exceeding ₱1 million.				
"P-34-AK"	Domestic Purchase of Capital Goods properly substantiated by VAT Invoices which complied with the invoicing requirements.	₱39,729.69		₱39,729.69
"P-34-AN"	Domestic Purchase of Capital Goods substantiated by VAT Invoices/VAT ORs but with alteration and countersign		15,939.64	15,939.64
"P-34-AO"	Domestic Purchase of Capital Goods substantiated by VAT Invoices/VAT ORs but the value-added tax is not separately indicated in the face of the Invoice or ORs.		9,276.00	9,276.00
Subtotal		*₱39,729.69*	*₱25,215.64*	*₱64,945.33*
c. Amortization of input VAT on domestic purchase of capital goods exceeding ₱1 million.				
"P-34-AP"	Domestic Purchase of Capital Goods properly substantiated by VAT Invoices which complied with the invoicing requirements.	₱174,531.29		₱174,531.29
"P-34-AW"	Purchase of Capital Goods for Local Invoices with alterations but countersigned by suppliers authorized representative of the supplier.	522.45		522.45
"P-34-AX"	Purchase of Capital Goods for Local Invoices with alterations but countersigned by suppliers unauthorized representative of the supplier.		10,594.53	10,594.53
"P-34-AU"	Purchase of Capital Goods for Local Invoices wherein the amount of VAT claimed is not equal to the amount of VAT per documents.		9,019.59	9,019.59
"P-34-AT"	Domestic Purchase of Capital Goods for Missing Document/ Unsupported.		264,826.29	264,826.29
"P-34-AS"	Domestic Purchase of Capital Goods for Local Invoices wherein VAT is not separately indicated in the face of the Invoice or ORs.		2,792.07	2,792.07
"P-34-AR"	Domestic Purchase of Capital Goods with Invalid or Outdated authority to print (ATP) or no BIR Permit.		1,081.53	1,081.53
Subtotal		*₱175,053.74*	*₱288,314.01*	*₱463,367.75*
Total		**₱89,633,272.26**	**₱17,660,300.03**	**₱107,293,572.29**

Apart from ICPA Sison's disallowances, the Court finds that input VAT in the additional amount of ₱29,138,246.67 must likewise be disallowed for the following reasons:

Table 12 – Additional Input VAT Disallowances Found by the Court

Exhibit Reference	Registered Name of Supplier	Input Tax
1. Input VAT on domestic purchase of services wherein the nature of the service is not indicated or cannot be ascertained (violation pursuant to Section 113(B)(3) of the NIRC of 1997, as amended).		
"P-34-P-0002"	2GO EXPRESS INC.	₱ 5,114.66
"P-34-P-0003"	2GO EXPRESS INC.	5,065.29

Exhibit Reference	Registered Name of Supplier	Input Tax
"P-34-P-0012"	ASALUS CORPORATION	235,878.78
"P-34-P-0023"	BLE BEST MANPOWER INT'L SERVICES, INC.	8,875.68
"P-34-P-0029"	CANON MARKETING PHILS INC.	9,857.14
"P-34-P-0030"	CANON MARKETING PHILS INC.	17,180.09
"P-34-P-0031"	CANON MARKETING PHILS INC.	22,943.12
"P-34-P-0032"	CANON MARKETING PHILS INC.	9,857.14
"P-34-P-0050"	CIRBET FREIGHT & BROKERAGE INC.	2,556.00
"P-34-P-0051"	CIRBET FREIGHT & BROKERAGE INC.	122,415.86
"P-34-P-0118"	DSF CONSOLIDATED FREIGHT SVCS.	1,031.86
"P-34-P-0119"	DSF CONSOLIDATED FREIGHT SVCS.	495.31
"P-34-P-0120"	DSF CONSOLIDATED FREIGHT SVCS.	901.10
"P-34-P-0121"	DSF CONSOLIDATED FREIGHT SVCS.	414.96
"P-34-P-0134"	EPICURREAN PARTNERS EXCHANGE INC.	555.43
"P-34-P-0135"	EVERSTRONG TRANSPORT & LOGISTICS	852.00
"P-34-P-0136"	EVERSTRONG TRANSPORT & LOGISTICS	7,380.00
"P-34-P-0198"	GATEWAY PRIME MOVERS INC.	6,159.00
"P-34-P-0199"	GATEWAY PRIME MOVERS INC.	7,776.00
"P-34-P-0374"	JOPARE PEST CONTROL SYSTEM	1,004.46
"P-34-P-0412"	KLEEKAI CORPORATION	96,000.00
"P-34-P-0443"	MARKDEN FREIGHT FORWARDER	14,466.00
"P-34-P-0444"	MARKDEN FREIGHT FORWARDER	31,968.00
"P-34-P-0445"	MARKDEN FREIGHT FORWARDER	42,804.00
"P-34-P-0472"	NEW WORLD MAKATI HOTEL	1,795.83
"P-34-P-0543"	PREMIER MGT.& JANITORL SOLUTNS	22,982.44
"P-34-P-0545"	PREMIER MGT.& JANITORL SOLUTNS	23,554.55
"P-34-P-0560"	PTP-SUBIC LOGISTICS INC.	4,200.00
"P-34-P-0589"	SN HOMEFINDERS MANAGEMENT & DEVELOPMENT CORP.	141,428.57
"P-34-P-0600"	SUNMARCUS EXPRESS CORP	534.00
"P-34-P-0637"	TOYOTA GLOBAL CITY INC.	1,720.92
"P-34-P-0638"	TOYOTA GLOBAL CITY INC.	2,738.42
"P-34-P-0639"	TOYOTA GLOBAL CITY INC.	1,771.63
"P-34-P-0641"	TRANS ONE PORT SOLUTION	840.00
"P-34-P-0642"	TRANS ONE PORT SOLUTION	1,800.00
"P-34-P-0643"	TRANS ONE PORT SOLUTION	5,220.00
"P-34-P-0656"	YUSEN LOGISTICS PHILS., INC.	937.96
"P-34-P-0664"	DECKERCARGO LOGISTICS CORP.	8,648.40
"P-34-P-0688"	GLOBE TELECOM INC.	443.36
"P-34-Q-0003"	2GO GROUP INC.	45.16
"P-34-Q-0006"	ACESTAR INT'L. SERVICE CORP.	373.32
"P-34-Q-0007"	ACESTAR INT'L. SERVICE CORP.	612.66
"P-34-Q-0008"	ALMALEEN TRUCKING INCORPORATED	316,113.42
"P-34-Q-0009"	ALMALEEN TRUCKING INCORPORATED	3,804.00
"P-34-Q-0019"	ARMORED TRANSPORT PLUS, INC.	8,760.18
"P-34-Q-0020"	ARMORED TRANSPORT PLUS, INC.	5,836.85
"P-34-Q-0038"	BIONIC LOGISTICS, INC.	24,540.00
"P-34-Q-0039"	BIONIC LOGISTICS, INC.	21,420.00
"P-34-Q-0040"	BIONIC LOGISTICS, INC.	25,481.54
"P-34-Q-0041"	BIONIC LOGISTICS, INC.	23,741.54
"P-34-Q-0042"	BIONIC LOGISTICS, INC.	476,880.00
"P-34-Q-0043"	BIONIC LOGISTICS, INC.	16,440.00
"P-34-Q-0044"	BIONIC LOGISTICS, INC.	522,480.00
"P-34-Q-0045"	BIONIC LOGISTICS, INC.	505,380.00
"P-34-Q-0046"	BIONIC LOGISTICS, INC.	5,760.00
"P-34-Q-0048"	BLE BEST MANPOWER INT'L SERVICES, INC.	9,292.19
"P-34-Q-0049"	BLE BEST MANPOWER INT'L SERVICES, INC.	8,153.42
"P-34-Q-0050"	BLE BEST MANPOWER INT'L SERVICES, INC.	14,650.84
"P-34-Q-0051"	BLE BEST MANPOWER INT'L SERVICES, INC.	9,490.80
"P-34-Q-0052"	BLE BEST MANPOWER INT'L SERVICES, INC.	15,333.02
"P-34-Q-0053"	BLE BEST MANPOWER INT'L SERVICES, INC.	8,627.71
"P-34-Q-0054"	BLE BEST MANPOWER INT'L SERVICES, INC.	12,695.85
"P-34-Q-0055"	BLE BEST MANPOWER INT'L SERVICES, INC.	14,212.11
"P-34-Q-0056"	BLE BEST MANPOWER INT'L SERVICES, INC.	16,949.39
"P-34-Q-0057"	BS KING TRANSMOVERS	1,500.00
"P-34-Q-0065"	BS KING TRANSMOVERS	1,800.00

Exhibit Reference	Registered Name of Supplier	Input Tax
"P-34-Q-0081"	C-VAN TRADING	104,000.79
"P-34-Q-0082"	C-VAN TRADING	99,140.79
"P-34-Q-0083"	C-VAN TRADING	78,922.50
"P-34-Q-0102"	EMPEROR CUSTOMS BROKERAGE	6,744.00
"P-34-Q-0103"	EMPEROR CUSTOMS BROKERAGE	10,584.00
"P-34-Q-0104"	EMPEROR CUSTOMS BROKERAGE	16,224.00
"P-34-Q-0105"	EMPEROR CUSTOMS BROKERAGE	10,326.00
"P-34-Q-0106"	EMPEROR CUSTOMS BROKERAGE	21,288.00
"P-34-Q-0112"	FEDERAL EXPRESS PACIFIC, LLC.	2,366.09
"P-34-Q-0113"	FIRST ORIENT CARGO CORP.	18,294.60
"P-34-Q-0114"	FIRST ORIENT CARGO CORP.	20,506.20
"P-34-Q-0115"	FIRST ORIENT CARGO CORP.	34,285.80
"P-34-Q-0116"	FIRST ORIENT CARGO CORP.	2,256.00
"P-34-Q-0117"	FIRST ORIENT CARGO CORP.	936.00
"P-34-Q-0168"	GLOBE TELECOM INC.	717.19
"P-34-Q-0169"	GLOBE TELECOM INC.	195.20
"P-34-Q-0198"	KINTETSU WORLD EXPRESS PHILS., INC.	3,533.54
"P-34-Q-0199"	KINTETSU WORLD EXPRESS PHILS., INC.	3,502.76
"P-34-Q-0214"	LMC LOGISTICS AND ALLIED SERVI	12,450.00
"P-34-Q-0219"	MAGIN CORNELIO BROKERAGE - CMI	9,267.60
"P-34-Q-0220"	MAKIBELA TRUCKING SERVICES	8,400.00
"P-34-Q-0221"	MAKIBELA TRUCKING SERVICES	13,440.00
"P-34-Q-0222"	MANDAUE MODERN PEST CONTROL	290.36
"P-34-Q-0234"	MIJODA CONSTRUCTION & TRUCKING SERVICES	212,265.00
"P-34-Q-0235"	MIJODA CONSTRUCTION & TRUCKING SERVICES	194,496.00
"P-34-Q-0236"	MIJODA CONSTRUCTION & TRUCKING SERVICES	134,232.00
"P-34-Q-0237"	MIJODA CONSTRUCTION & TRUCKING SERVICES	238,869.00
"P-34-Q-0238"	MIJODA CONSTRUCTION & TRUCKING SERVICES	224,628.00
"P-34-Q-0244"	O.R.Q. TRUCKING	95,700.00
"P-34-Q-0260"	PHIL. MOUSEDEER INC.	19,243.22
"P-34-Q-0261"	PHIL. MOUSEDEER INC.	68,215.20
"P-34-Q-0262"	PHIL. MOUSEDEER INC.	25,440.00
"P-34-Q-0263"	PHIL. MOUSEDEER INC.	33,776.40
"P-34-Q-0264"	PHIL. MOUSEDEER INC.	24,000.00
"P-34-Q-0265"	PHIL. MOUSEDEER INC.	23,169.82
"P-34-Q-0266"	PHIL. MOUSEDEER INC.	21,269.00
"P-34-Q-0267"	PHIL. MOUSEDEER INC.	63,550.50
"P-34-Q-0268"	PHIL. MOUSEDEER INC.	2,558.40
"P-34-Q-0269"	PHIL. MOUSEDEER INC.	24,000.00
"P-34-Q-0270"	PHIL. MOUSEDEER INC.	25,440.00
"P-34-Q-0271"	PHIL. MOUSEDEER INC.	22,526.85
"P-34-Q-0272"	PHIL. MOUSEDEER INC.	79,048.80
"P-34-Q-0273"	PHIL. MOUSEDEER INC.	2,572.80
"P-34-Q-0274"	PHIL. MOUSEDEER INC.	2,616.00
"P-34-Q-0275"	PHIL. MOUSEDEER INC.	72,650.10
"P-34-Q-0276"	PHIL. MOUSEDEER INC.	18,585.01
"P-34-Q-0277"	PHIL. MOUSEDEER INC.	2,479.20
"P-34-Q-0278"	PHIL. MOUSEDEER INC.	17,723.13
"P-34-Q-0279"	PHIL. MOUSEDEER INC.	25,440.00
"P-34-Q-0280"	PHIL. MOUSEDEER INC.	75,831.43
"P-34-Q-0281"	PHIL. MOUSEDEER INC.	24,000.00
"P-34-Q-0286"	PTP-SUBIC LOGISTICS INC.	3,600.00
"P-34-Q-0289"	RACKWELL CARGO TRUCK, INC.	348,702.00
"P-34-Q-0290"	RACKWELL CARGO TRUCK, INC.	526,968.00
"P-34-Q-0291"	RACKWELL CARGO TRUCK, INC.	11,580.00
"P-34-Q-0292"	RACKWELL CARGO TRUCK, INC.	547,779.00
"P-34-Q-0293"	RACKWELL CARGO TRUCK, INC.	296,973.00
"P-34-Q-0294"	RACKWELL CARGO TRUCK, INC.	1,080.00
"P-34-Q-0295"	RACKWELL CARGO TRUCK, INC.	291,242.40
"P-34-Q-0296"	RACKWELL CARGO TRUCK, INC.	307,746.00
"P-34-Q-0297"	RACKWELL CARGO TRUCK, INC.	359,856.00
"P-34-Q-0298"	RACKWELL CARGO TRUCK, INC.	154,188.00
"P-34-Q-0299"	RACKWELL CARGO TRUCK, INC.	54,360.00
"P-34-Q-0308"	SPRINT TRANSPORT SERVICES, INC.	120,196.80

Exhibit Reference	Registered Name of Supplier	Input Tax
"P-34-Q-0309"	SPRINT TRANSPORT SERVICES, INC.	4,896.00
"P-34-Q-0310"	SPRINT TRANSPORT SERVICES, INC.	552,069.60
"P-34-Q-0311"	SPRINT TRANSPORT SERVICES, INC.	5,779.20
"P-34-Q-0312"	SPRINT TRANSPORT SERVICES, INC.	347,313.60
"P-34-Q-0313"	SPRINT TRANSPORT SERVICES, INC.	943,183.20
"P-34-Q-0314"	SPRINT TRANSPORT SERVICES, INC.	5,418.00
"P-34-Q-0315"	SPRINT TRANSPORT SERVICES, INC.	5,779.20
"P-34-Q-0316"	SPRINT TRANSPORT SERVICES, INC.	388.80
"P-34-Q-0317"	SPRINT TRANSPORT SERVICES, INC.	141,450.34
"P-34-Q-0318"	SPRINT TRANSPORT SERVICES, INC.	789,607.20
"P-34-Q-0319"	SPRINT TRANSPORT SERVICES, INC.	5,766.00
"P-34-Q-0320"	SPRINT TRANSPORT SERVICES, INC.	5,544.00
"P-34-Q-0322"	SUBLIME-ELITE TRANSPORT	26,001.60
"P-34-Q-0323"	SUBLIME-ELITE TRANSPORT	2,394.40
"P-34-Q-0324"	SUBLIME-ELITE TRANSPORT	26,841.00
"P-34-Q-0325"	SUBLIME-ELITE TRANSPORT	27,260.40
"P-34-Q-0326"	SUBLIME-ELITE TRANSPORT	1,456.00
"P-34-Q-0327"	SUBLIME-ELITE TRANSPORT	4,662.80
"P-34-Q-0328"	SUBLIME-ELITE TRANSPORT	5,278.00
"P-34-Q-0329"	SUBLIME-ELITE TRANSPORT	27,884.40
"P-34-Q-0331"	SUBLIME-ELITE TRANSPORT	27,994.80
"P-34-Q-0332"	SUBLIME-ELITE TRANSPORT	7,288.40
"P-34-Q-0337"	SUNMARCUS EXPRESS CORP	2,988.00
"P-34-Q-0338"	SUNMARCUS EXPRESS CORP.	6,102.00
"P-34-Q-0339"	SUNMARCUS EXPRESS CORP.	5,814.00
"P-34-Q-0340"	SUNMARCUS EXPRESS CORP.	4,464.00
"P-34-Q-0379"	TRANSGLOBAL CONSOLIDATORS	10,903.98
"P-34-Q-0380"	TRANSGLOBAL CONSOLIDATORS INC.	11,449.17
"P-34-Q-0381"	TRANSGLOBAL CONSOLIDATORS INC.	12,305.73
"P-34-Q-0383"	TRANSMODAL INTERNATIONAL, INC.	300.00
"P-34-Q-0384"	TRANSMODAL INTERNATIONAL, INC.	483.00
"P-34-Q-0385"	TRANSMODAL INTERNATIONAL, INC.	448.20
"P-34-Q-0386"	TRANSMODAL INTERNATIONAL, INC.	833.07
"P-34-Q-0387"	TRANSMODAL INTERNATIONAL, INC.	6,075.10
"P-34-Q-0388"	TRI-G TRUCKING SERVICES, INC.	2,207,148.00
"P-34-Q-0389"	TRI-G TRUCKING SERVICES, INC.	1,766,406.00
"P-34-Q-0390"	TRI-G TRUCKING SERVICES, INC.	116,694.00
"P-34-Q-0391"	TRI-G TRUCKING SERVICES, INC.	1,663,170.00
"P-34-Q-0392"	TRI-G TRUCKING SERVICES, INC.	1,412,712.00
"P-34-Q-0393"	TRI-G TRUCKING SERVICES, INC.	440,574.00
"P-34-Q-0394"	TRI-G TRUCKING SERVICES, INC.	1,705,194.00
"P-34-Q-0395"	TRI-G TRUCKING SERVICES, INC.	1,228,254.00
"P-34-Q-0396"	TRI-G TRUCKING SERVICES, INC.	412,800.00
"P-34-Q-0405"	VES-SUR SECURITY AGENCY, INC.	3,428.57
"P-34-Q-0425"	PRIME MOVER TRUCKING SERVICES	17,208.00
"P-34-Q-0426"	PRIME MOVER TRUCKING SERVICES	13,812.00
"P-34-Q-0427"	PRIME MOVER TRUCKING SERVICES	6,115.20
"P-34-Q-0428"	PRIME MOVER TRUCKING SERVICES	4,905.60
"P-34-AJ-0023"	ALMALEEN TRUCKING INCORPORATED	49,679.28
"P-34-AJ-0024"	ALMALEEN TRUCKING INCORPORATED	28,457.86
"P-34-AJ-0025"	ALMALEEN TRUCKING INCORPORATED	260,929.74
"P-34-AJ-0026"	ALMALEEN TRUCKING INCORPORATED	68,146.80
"P-34-AJ-0027"	ALMALEEN TRUCKING INCORPORATED	27,260.12
"P-34-AJ-0028"	ALMALEEN TRUCKING INCORPORATED	12,571.20
"P-34-AJ-0029"	ALMALEEN TRUCKING INCORPORATED	27,900.55
"P-34-AJ-0030"	ALMALEEN TRUCKING INCORPORATED	93,032.64
"P-34-AJ-0031"	ALMALEEN TRUCKING INCORPORATED	321,610.38
"P-34-AJ-0032"	ALMALEEN TRUCKING INCORPORATED	84,702.48
"P-34-AJ-0033"	ALMALEEN TRUCKING INCORPORATED	2,400.00
"P-34-AJ-0034"	ALMALEEN TRUCKING INCORPORATED	27,375.55
"P-34-AJ-0035"	ALMALEEN TRUCKING INCORPORATED	27,105.55
"P-34-AJ-0036"	ALMALEEN TRUCKING INCORPORATED	9,842.40
"P-34-AJ-0037"	ALMALEEN TRUCKING INCORPORATED	73,546.80
"P-34-AJ-0038"	ALMALEEN TRUCKING INCORPORATED	260,888.16

Exhibit Reference	Registered Name of Supplier	Input Tax
"P-34-AJ-0040"	ASL AVIATION (PHILIPPINES) INC.- GULF AIR	4,814.33
"P-34-AJ-0042"	BLE BEST MANPOWER INT'L SERVICES, INC.	13,219.65
"P-34-AJ-0043"	BLE BEST MANPOWER INT'L SERVICES, INC.	17,516.61
"P-34-AJ-0044"	BLE BEST MANPOWER INT'L SERVICES, INC.	4,727.75
"P-34-AJ-0048"	E.C. MANTALA CUSTOMS BROKERAGE	374,612.40
"P-34-AJ-0049"	E.C. MANTALA CUSTOMS BROKERAGE	99,941.40
"P-34-AJ-0050"	E.C. MANTALA CUSTOMS BROKERAGE	201,980.40
"P-34-AJ-0051"	E.C. MANTALA CUSTOMS BROKERAGE	150,904.20
"P-34-AJ-0052"	E.C. MANTALA CUSTOMS BROKERAGE	185,474.40
"P-34-AJ-0053"	E.C. MANTALA CUSTOMS BROKERAGE	8,352.00
"P-34-AJ-0054"	E.C. MANTALA CUSTOMS BROKERAGE	12,120.00
"P-34-AJ-0055"	E.C. MANTALA CUSTOMS BROKERAGE	9,228.00
"P-34-AJ-0056"	E.C. MANTALA CUSTOMS BROKERAGE	7,344.00
"P-34-AJ-0057"	E.C. MANTALA CUSTOMS BROKERAGE	12,096.00
"P-34-AJ-0059"	FIRST ORIENT CARGO CORP.	32,958.00
"P-34-AJ-0060"	FIRST ORIENT CARGO CORP.	16,258.80
"P-34-AJ-0141"	HONGKONG AIRLINES LIMITED (GSA: FREIGHT WORKS GSA INC.)	7,370.67
"P-34-AJ-0142"	HONGKONG AIRLINES LIMITED (GSA: FREIGHT WORKS GSA INC.)	4,951.91
"P-34-AJ-0143"	HONGKONG AIRLINES LIMITED (GSA: FREIGHT WORKS GSA INC.)	4,252.93
"P-34-AJ-0144"	HONGKONG AIRLINES LIMITED (GSA: FREIGHT WORKS GSA INC.)	7,279.01
"P-34-AJ-0161"	MIJODA CONSTRUCTION & TRUCKING SERVICES	230,382.00
"P-34-AJ-0162"	O.R.Q. TRUCKING	38,640.00
"P-34-AJ-0163"	O.R.Q. TRUCKING	67,680.00
"P-34-AJ-0164"	O.R.Q. TRUCKING	57,798.00
"P-34-AJ-0165"	O.R.Q. TRUCKING	101,130.00
"P-34-AJ-0166"	O.R.Q. TRUCKING	220,266.00
"P-34-AJ-0167"	O.R.Q. TRUCKING	80,004.00
"P-34-AJ-0168"	O.R.Q. TRUCKING	88,512.00
"P-34-AJ-0172"	PHIL. MOUSEDEER INC.	2,515.20
"P-34-AJ-0175"	R.V. MARZAN INT'L. FORWARDERS	289,326.97
"P-34-AJ-0176"	R.V. MARZAN INT'L. FORWARDERS	111,379.32
"P-34-AJ-0177"	R.V. MARZAN INT'L. FORWARDERS	1,838.76
"P-34-AJ-0178"	R.V. MARZAN INT'L. FORWARDERS	335,805.30
"P-34-AJ-0179"	R.V. MARZAN INT'L. FORWARDERS	118,591.05
"P-34-AJ-0180"	R.V. MARZAN INT'L. FORWARDERS	270,779.99
"P-34-AJ-0182"	SUNMARCUS EXPRESS CORP.	3,498.00
"P-34-AJ-0183"	SUNMARCUS EXPRESS CORP.	2,292.00
"P-34-AJ-0218"	BLE BEST MANPOWER INT'L SERVICES, INC.	16,213.34
"P-34-AJ-0229"	MARKDEN FREIGHT FORWARDER	36,960.00
"P-34-AJ-0234"	FIRST ORIENT CARGO CORP.	5,892.00
"P-34-AJ-0239"	ALCAPONE INCOPORATED	20,400.00
"P-34-AJ-0240"	ALCAPONE INCOPORATED	2,580.00
"P-34-AJ-0241"	ALCAPONE INCOPORATED	24,000.00
"P-34-AJ-0242"	ALCAPONE INCORPORATED	40,800.00
"P-34-AJ-0243"	ALMALEEN TRUCKING INCORPORATED	82,881.12
"P-34-AJ-0244"	ALMALEEN TRUCKING INCORPORATED	28,261.71
"P-34-AJ-0249"	BIONIC LOGISTICS, INC.	24,360.00
"P-34-AJ-0250"	BIONIC LOGISTICS, INC.	13,200.00
"P-34-AJ-0251"	BS KING TRANSMOVERS	52,644.45
"P-34-AJ-0252"	BS KING TRANSMOVERS	1,176.00
"P-34-AJ-0253"	BS KING TRANSMOVERS	37,864.71
"P-34-AJ-0254"	BS KING TRANSMOVERS	792.00
"P-34-AJ-0255"	BS KING TRANSMOVERS	50,122.99
"P-34-AJ-0256"	BS KING TRANSMOVERS	2,052.00
"P-34-AJ-0257"	BS KING TRANSMOVERS	46,830.64
"P-34-AJ-0258"	BS KING TRANSMOVERS	1,800.00
"P-34-AJ-0259"	BS KING TRANSMOVERS	21,831.66
"P-34-AJ-0260"	BS KING TRANSMOVERS	768.00
"P-34-AJ-0261"	BS KING TRANSMOVERS	12,600.00
"P-34-AJ-0262"	BS KING TRANSMOVERS	537,387.00
"P-34-AJ-0263"	BS KING TRANSMOVERS	15,840.00
"P-34-AJ-0264"	BS KING TRANSMOVERS	263,330.40
"P-34-AJ-0265"	BS KING TRANSMOVERS	112,830.00
"P-34-AJ-0266"	BS KING TRANSMOVERS	12,600.00

Exhibit Reference	Registered Name of Supplier	Input Tax
"P-34-AJ-0267"	BS KING TRANSMOVERS	167,865.00
"P-34-AJ-0268"	CIRBET FREIGHT & BROKERAGE INC.	104,227.72
"P-34-AJ-0269"	CIRBET FREIGHT & BROKERAGE INC.	155,459.58
"P-34-AJ-0270"	CIRBET FREIGHT & BROKERAGE INC.	89,798.15
"P-34-AJ-0271"	CIRBET FREIGHT & BROKERAGE INC.	89,150.57
"P-34-AJ-0272"	CKR TRUCKING SERVICES	49,800.00
"P-34-AJ-0273"	CKR TRUCKING SERVICES	8,940.00
"P-34-AJ-0274"	CKR TRUCKING SERVICES	70,140.00
"P-34-AJ-0275"	CKR TRUCKING SERVICES	70,020.00
"P-34-AJ-0276"	CKR TRUCKING SERVICES	39,960.00
"P-34-AJ-0296"	D'REDEEMERS SIGHT CORP.	7,920.00
	Sub-total	***₱29,132,244.60***
2. Input VAT on domestic purchase of goods wherein the sales invoice does not contain the phrase "This invoice shall be valid for five (5) years from the date of ATP."		
"P-34-P-0528"	PHILIPPINE VENDING MACHINE	₱ 594.96
"P-34-P-0529"	PHILIPPINE VENDING MACHINE	936.47
"P-34-P-0530"	PHILIPPINE VENDING MACHINE	1,366.99
"P-34-P-0531"	PHILIPPINE VENDING MACHINE	936.47
"P-34-P-0532"	PHILIPPINE VENDING MACHINE	594.96
"P-34-P-0533"	PHILIPPINE VENDING MACHINE	977.26
"P-34-P-0534"	PHILIPPINE VENDING MACHINE	594.96
	Sub-total	***₱ 6,002.07***
	TOTAL	**₱29,138,246.67**

Accordingly, out of petitioner's total reported input VAT of ₱107,293,572.54 for the first quarter of taxable year 2020, only the amount of ₱60,495,025.59 may be considered as validly substantiated input VAT. Table 13 condenses said conclusion:

Table 13 – Computation of Valid Input VAT for the first Quarter of Taxable Year 2020

Particulars	**Amount**
Input VAT per VAT Return	₱ 107,293,572.54
Less: Disallowances	
Difference per ICPA Schedule vs VAT Return	0.25
Per ICPA Report (Table 11)	17,660,300.03
Per this Court (Table 12)	29,138,246.67
Valid Input VAT	**₱ 60,495,025.59**

<u>Eighth Requisite:</u> Only a portion of petitioner's valid input VAT of ₱60,495,025.59 is attributable to its zero-rated or effectively zero-rated sales.

The *eighth* requisite requires that the input taxes claimed must be 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 based on the sales volume.

As earlier established, petitioner declared total sales in the amount of ₱712,280,791.65 for the first quarter of taxable year 2020, consisting of ₱414,146,056.88 in vatable sales and ₱298,134,734.77 in claimed zero-rated sales,[105] as shown in Table 1.[106]

Likewise, the Court has determined that petitioner has valid input VAT in the total amount of ₱60,495,025.59 for the same quarter, as reflected in Table 13.[107] Since such valid input VAT cannot be directly or exclusively attributed to any specific class of sales, the same must be allocated proportionately based on petitioner's sales volume for the period, as follows:

Table 14 – Allocation of Valid Input VAT Based on Total Sales

Nature of Sales/Receipts	Sales Volume	Allocation Factor	Allocated Valid Input VAT
Vatable	₱ 414,146,056.88	58.14%	₱ 35,171,807.88
Zero-rated	298,134,734.77	41.86%	25,323,217.71
Total	**₱ 712,280,791.65**	**100.00%**	**₱ 60,495,025.59**

From the foregoing, petitioner's total valid input VAT attributable to its reported zero-rated sales is ₱25,323,217.71. Accordingly, the *eighth* requisite is complied with.

<u>Ninth Requisite:</u> Petitioner's input VAT have not been applied against output VAT in the succeeding quarters.

Having determined that petitioner has valid input VAT attributable to its zero-rated sales, the Court now proceeds to determine whether the same was not applied against its output VAT liability during the same or the succeeding quarters, in relation to the ninth requisite for a successful claim for refund or issuance of a tax credit certificate.

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105 Exhibit "P-19," Docket - Vol. I, at p. 161.
106 Refer to p. 14.
107 Refer to p. 49.

In *Chevron Holdings, Inc. (formerly Caltex Asia Limited) v. Commissioner of Internal Revenue,*[108] the Supreme Court held that the input tax attributable to zero-rated sales may, at the option of the VAT-registered taxpayer, be: (1) charged against output tax from regular 12% VAT-able sales, and any unutilized or 'excess' input tax may be claimed for refund or the issuance of tax credit certificate; or (2) claimed for refund or tax credit in its entirety. The option is vested with the taxpayer-claimant and the Court may not, on its own, deduct the input tax attributable to zero-rated sales from the output tax derived from the regular twelve percent (12%) VAT -able sales first and use the resultant amount as the basis in computing the allowable amount for refund.

In the present case, petitioner adopted the first option, *i.e.*, it first applied the input VAT attributable to its vatable sales against its output VAT, and thereafter claimed as refund the alleged excess input VAT attributable to zero-rated sales.

Records show that petitioner computed its claim for refund amounting to ₱44,909,172.29 for the first quarter of taxable year 2020, as follows:[109]

Table 15 – Petitioner's Computation of Input VAT Allocation

Nature of Sales/Receipts	Sales Volume	Allocation Factor	Allocation
Vatable	₱ 414,146,056.88	58.1436509%	₱ 62,384,400.25
Zero-rated	298,134,734.77	41.8563491%	44,909,172.29
Total	**₱ 712,280,791.65**	**100.0000000%**	**₱107,293,572.54**

As shown in Table 15, petitioner argued that since the input VAT attributable to vatable sales in the amount of ₱62,384,400.25 exceeded its output VAT liability of ₱49,697,526.82[110] for the same quarter, the entire input VAT allocated to zero-rated sales in the amount of ₱44,909,172.29 remained unutilized and therefore refundable.

The Court disagrees.

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108 G.R. No. 215159, July 5, 2022.
109 Par. 3.12, petitioner's *Memorandum* Docket – Vol. II, p. 614.
110 ₱414,146,056.88 multiplied by 12% VAT rate.

As earlier determined, only ₱60,495,025.59 out of the total reported input VAT of ₱107,293,572.54 was found to be valid and properly substantiated.

Applying the proportional allocation in Table 14, the valid input VAT attributable to vatable sales and zero-rated sales amounted to ₱35,171,807.88 and ₱25,323,217.71, respectively.

Following petitioner's computation in determining the excess input tax, the Court must determine whether there remains any unutilized input VAT after offsetting the valid input VAT attributable to vatable sales against the output VAT liability, as follows:

Table 16 - Determination of Excess Input VAT

	Amount
Output VAT	₱49,697,526.82
Less: Valid input VAT allocated to declared vatable sales (Table 14)[111]	35,171,807.88
Output VAT still due	**14,525,718.94**
Less: Valid input VAT allocated to allowed zero-rated sales (Table 15)[112]	25,321,009.11
Output VAT Liability/(Excess input VAT allocated to declared zero-rated sales)	**₱(10,797,498.76)**

From the foregoing computation, petitioner has excess input VAT in the amount of ₱10,797,498.76 after fully offsetting its output VAT liability.

However, not all of petitioner's claimed zero-rated sales were found to be valid. As earlier discussed, out of the reported zero-rated sales of ₱298,134,734.77, only ₱42,341,499.50 was found to be valid and properly substantiated.

Accordingly, out of the total excess valid input VAT of ₱10,797,498.77, only ₱1,533,475.42 is attributable to valid zero-rated sales, which may be the proper subject of a claim for refund or issuance of a tax credit certificate, computed as follows:

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111 Refer to p. 50.

112 Refer to p. 51.

Table 17 – Computation for Refundable Amount

	Amount
Excess valid input VAT allocated to declared zero-rated sales	₱ 10,797,498.77
Divided by declared zero-rated sales	298,134,734.77
Multiplied by valid zero-rated sales	42,341,499.50
Excess input VAT attributable to valid zero-rated sales	**₱1,533,475.42**

Moreover, although the claimed input VAT of ₱44,909,172.29, which includes the excess valid input VAT of ₱1,533,475.42, was carried-over by petitioner in its succeeding quarters/period, the same remained unutilized. Records show that petitioner deducted as "VAT Refund/TCC claimed"[113] in its amended Quarterly VAT Return for the fourth quarter of taxable year 2021, thereby, preventing the carry-over of such input taxes in the succeeding taxable periods and application of the same to any future output tax liability.

Thus, petitioner is deemed to have fulfilled the *ninth* requisite for the grant of its claim for refund of input VAT.

WHEREFORE, in view of the foregoing considerations, the present *Petition for Review* is **PARTIALLY GRANTED.**

Accordingly, respondent is **ORDERED TO REFUND** in favor of petitioner, in the reduced amount of **₱1,533,475.42**, representing its excess and unutilized input VAT attributable to its zero-rated sales for the first quarter of taxable year 2020.

SO ORDERED.

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

I CONCUR:

HENRY S. ANGELES
Associate Justice

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113 Part of ₱57,596,046.13, Line 23D, Exhibit "P-26," Docket – Vol. I, at p. 176.

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's Division.

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

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