REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

MANULIFE DATA SERVICES, INC.,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NO. 10666

Members:

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

Promulgated:

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RESOLUTION

FERRER-FLORES, J.:

Submitted before this Court are the following:

1. petitioner's **Motion for Partial Reconsideration (Re: Amended Decision dated 20 January 2025)** filed on February 11, 2025, with respondent's **Opposition (Re: Motion for Reconsideration of the Amended Decision dated 20 January 2025)** filed on March 25, 2025; and,

2. respondent's **Motion for Partial Reconsideration (Re: Amended Decision promulgated on 20 January 2025)** filed on February 11, 2025, with petitioner's **Comment (Re: Motion for Partial Reconsideration dated February 4, 2025)** filed *via* licensed courier on March 24, 2025.

On January 20, 2025, the Court promulgated an *Amended Decision* partially granting petitioner's claim for refund of its excess and unutilized input value-added tax (VAT), attributable to its zero-rated sales for calendar year 2019 in the amount of ₱46,989,114.47, the dispositive portion of which reads as follows:

> **WHEREFORE**, in light of the foregoing considerations, petitioner's *Motion for Reconsideration* and *Petition for Review* are **PARTIALLY GRANTED.**
>
> Accordingly, respondent is **ORDERED TO REFUND** or **ISSUE A TAX CREDIT CERTIFICATE** in favor of petitioner the amount of **FORTY-SIX MILLION, NINE HUNDRED EIGHTY-NINE THOUSAND, ONE HUNDRED FOURTEEN PESOS AND 47 CENTAVOS (₱46,989,114.47)**, representing the latter's excess and unutilized input VAT attributable to its zero-rated sales for the first to fourth quarters of calendar year 2019.
>
> **SO ORDERED**.

Undaunted, both parties implore the Court to revisit the conclusions reached in the *Amended Decision* and pray that the same be reconsidered based on their respective *Motions*.

Petitioner's Motion for Partial Reconsideration

To recapitulate, the *Amended Decision* held that petitioner was able to establish that its sales of services to non-resident foreign corporations for calendar year (CY) 2019, in the aggregate amount of ₱3,457,484,464.96, qualify for VAT zero-rating under Section 108(B)(2) of the National Internal Revenue Code (NIRC) of 1997, as amended. The Court, however, found that only the amount of ₱85,743,321.92 represents petitioner's validly substantiated and sufficiently established input VAT due or paid for CY 2019.

Now, in its *Motion*, petitioner moves for the partial reconsideration of the *Amended Decision* by primarily reiterating the findings of the Independent Certified Public Accountant (ICPA) that: *i.* petitioner generated sales totaling ₱5,417,053,759.51, 98% of which is zero-ratable and two percent is taxable at the regular rate; and, *ii.* the accumulated input VAT for CY 2019 totals to ₱102,991,135.71.

As to its first argument, petitioner submits that, as a regional operating headquarters, it performs qualifying services to its affiliates, subsidiaries or branches in the Asia Pacific Region and in other foreign markets. Petitioner continues that it is engaged in zero-rated sales that are paid by inward remittances of foreign currency, and as testified by petitioner's Accounting Specialist, Ms. Clarissa L. Magarao, and as verified by Mr. Michael L. Aguirre, the Court-commissioned ICPA, petitioner invoiced its clients in foreign currency for the services it rendered which were correspondingly paid via inbound remittances supported by bank statements. Petitioner, thus, asserts that, as reflected in the ICPA Report, it generated sales totaling to

₱5,417,053,759.51, 98% (₱5,303,129,822.20) of which is zero-ratable and two percent (₱113,923,937.11) is taxable at the regular rate.

With regard to its second argument, petitioner avers that its financial statements and VAT returns show that it paid input VAT in CY 2019 arising from its domestic purchases of goods and services. Petitioner expounds that its excess and unutilized input VAT is directly attributable to its zero-rated sales for first to fourth quarters of CY 2019, and was not applied against any output tax in the same or succeeding quarters. As such, petitioner insists that it had accumulated input VAT for CY 2019 totaling to ₱102,991,135.71 which was verified by the ICPA report.

Lastly, petitioner submits that the findings of the ICPA including his conclusions on the refundable sum, are entitled to respect. The duties of the ICPA include the examination and verification of receipts and invoices and ensuring compliance with the substantiation requirements.

On the other hand, in his *Opposition*, respondent contends that it is incumbent upon petitioner to prove that it is entitled to the refund sought. In doing so, respondent points out that petitioner failed to discharge the burden of establishing its claim for a tax refund or credit.

After due consideration, the Court finds petitioner's *Motion for Partial Reconsideration* bereft of merit.

Notably, petitioner merely restates the findings and the arguments proffered by the ICPA which have already been considered, weighed, and resolved by the Court in the assailed *Amended Decision*. Time and again the Court rules that a petitioner-taxpayer cannot merely rely on the findings of the ICPA to validate its claim, since the ultimate determination rests upon the Court based on the evidence submitted by the parties. It bears stressing that while the ICPA is commissioned to assist the Court in determining the merits of a taxpayer's case, the Court is not bound by the findings of the ICPA since the ICPA Report is but a tool or guide to aid the Court in the resolution of the case, it is only persuasive in nature and not conclusive upon the Court.[1] The Court will still examine, verify, and evaluate the documents audited by the ICPA, and the Court, in its sound discretion, may render judgment without considering the ICPA Report. This is not, however, to say that the Court disregarded the ICPA Report, as this Court took into consideration the ICPA's findings on petitioner's compliance with the invoicing requirements vis-à-vis the pertinent pieces of evidence presented to support petitioner's claim for refund.

[1] Section 3, Rule 13 of the Revised Rules of the Court of Tax Appeals.

At this juncture, the Court bears emphasis on the point that in claims for VAT refund/credit, applicants must satisfy the substantiation and invoicing requirements under the NIRC of 1997, as amended, and other implementing rules and regulations.[2] Invoicing and substantiation requirements should be followed because it is the only way to determine the veracity of the taxpayer's claim.[3] As such, compliance with all the VAT invoicing requirements provided by tax laws and regulations is mandatory.[4] The burden of proof to show that the person or the entity is ultimately entitled to the grant of such tax refund or credit rests on the taxpayer.[5] Hence, an applicant for a claim for tax refund or tax credit must not only prove entitlement to the claim but also compliance with all the documentary and evidentiary requirements.[6]

To stress, the burden is on the taxpayer to show that it has strictly complied with the conditions for the grant of the tax refund since actions for tax refund, as in the present case, are in the nature of tax exemptions. They are regarded as a derogation of sovereign authority and to be construed *strictissimi juris* against the person or entity claiming the refund.[7] The pieces of evidence presented entitling a taxpayer to an exemption are also *strictissimi* scrutinized and must be duly proven.[8] Hence, an applicant for a claim for tax refund or tax credit must not only prove entitlement to the claim but also compliance with all the documentary and evidentiary requirements.[9]

From the foregoing, petitioner failed to convince the Court that certain findings or conclusions in the *Amended Decision* are contrary to law. For the said reason, the present *Motion* does not raise any substantial ground or reason to justify the reconsideration sought.

That having been settled, the Court shall now proceed to discuss the merit of respondent's Motion.

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

3 *Nippon Express (Philippines) Corporation vs. Commissioner of Internal Revenue*, G.R. No. 191495, July 23, 2018. *Eastern Telecommunications Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 183531, March 25, 2015.

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

5 *BPI Leasing Corporation v. Court of Appeals*, G.R. No. 127624, November 18, 2003.

6 *Eastern Telecommunications Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 183531, March 25, 2015, citing *J.R.A. Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 171307, August 28, 2013.

7 *Commissioner of Internal Revenue v. Interpublic Group of Companies, Inc.*, G.R. No. 207039, August 14, 2019; *Commissioner of Internal Revenue v. S.C. Johnson and Son, Inc.*, G.R. No. 127105, June 25, 1999.

8 *Kepco Philippines Corporation v. Commissioner of Internal Revenue*, G.R. No. 179961, January 31, 2011, citing *Atlas Consolidated Mining and Development Corporation v. Commissioner of Internal Revenue*, G.R. No. 159490, February 18, 2008.

9 *Eastern Telecommunications Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 183531, March 25, 2015, citing *J.R.A. Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 171307, August 28, 2013.

Respondent's Motion for Partial Reconsideration

In his *Motion*, respondent mainly avers that the Court erred in partially granting petitioner's claim for refund as the *Petition for Review* should have been dismissed for petitioner's failure to substantiate its administrative claim with the Bureau of Internal Revenue (BIR). Respondent asserts that since respondent has already rendered a decision in petitioner's claim for refund, it can no longer submit documents which it failed to submit during the administrative proceedings especially considering that the denial of its claim was due to failure to substantiate the same. Respondent maintains that the Court is confined to a more limited issue of whether the denial was proper given the evidence submitted at the administrative level.

Respondent further insists that the burden is on petitioner to show that it has strictly complied with the conditions for the grant of the tax refund since actions for tax refund are in the nature of tax exemptions. As such, respondent argues that the Court erred in partially granting petitioner's claim for refund of unutilized input VAT for CY 2019 in the amount of ₱46,989,114.47 considering that petitioner failed to sufficiently establish factual basis of its claim for said tax credit or refund. Respondent expounds that the taxpayer's compliance with all the VAT invoicing requirements is mandatory to be able to successfully claim refund of input taxes attributable to zero-rated sales.

On the other hand, in its Comment, petitioner points out that based on Rule 37 of the Rules of Court, a motion for reconsideration, to succeed, must establish that the award is excessive, the evidence does not justify the decision, or the decision is contrary to law. Petitioner continues that respondent's Motion does not mention what evidence was not presented or was erroneously considered. By failing to comply with the grounds stated for a motion for reconsideration, petitioner claims that respondent's *Motion* should be considered *pro forma*. Nonetheless, petitioner asserts that proceedings before the Court of Tax Appeals (CTA) are litigated *de novo*, which means that the Court is not precluded from accepting evidence even though not presented at the administrative level.

After due consideration, the Court likewise finds respondent's *Motion for Partial Reconsideration* bereft of merit.

Perforce, Sections 7(a)(1) and 8 of Republic Act (RA) No. 1125,[10] as amended by RA No. 9282,[11] provides as follows:

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[10] AN ACT CREATING THE COURT OF TAX APPEALS.

> SEC. 7. *Jurisdiction.* – **The CTA shall exercise**:
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> (a) **Exclusive appellate jurisdiction to review by appeal,** as herein provided:
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> (1) **Decisions of the Commissioner of Internal Revenue in cases involving** disputed assessments, **refunds of internal revenue taxes**, fees or other charges, penalties in relation thereto, or other matters arising under the National Internal Revenue Code or other laws administered by the Bureau of Internal Revenue; *(Emphases added)*
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> SEC. 8. *Court of record; seal; proceedings.* – **The Court of Tax Appeals shall be a court of record** and shall have a seal which shall be judicially noticed. It shall prescribe the form of its writs and other processes. It shall have the power to promulgate rules and regulations for the conduct of the business of the Court, and as may be needful for the uniformity of decisions within its jurisdiction as conferred by law, but **such proceedings shall be governed strictly by technical rules of evidence**. *(Emphases added)*

From the above, Section 7(a)(1) confers exclusive appellate jurisdiction to this Court to review decisions of respondent concerning, among others, refunds of internal revenue taxes. Relative thereto, it must be remembered that appellate jurisdiction is the authority of a court higher in rank to **re-examine** the final order or judgment of a lower court which tried the case now elevated for judicial review.[12] Thus, in the exercise of its exclusive appellate jurisdiction, this Court is mandated to re-examine the appealed decision of respondent, including the determination of whether respondent's decision was made in accordance with law.

On the other hand, Section 8 of RA No. 1125, as amended, declares that this Court is a *"court of record"*. Being such, it is required to conduct a formal litigation (trial *de novo*) where the parties must present their evidence accordingly if they desire the Court to take such evidence into consideration.[13] And, in the event of an unsuccessful administrative refund claim, the appealing party must establish anew that it is entitled to the refund being sought under substantive law. Correspondingly, as a court of record, the CTA is authorized to conduct trial de novo, and consistent with this

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[11] AN ACT EXPANDING THE JURISDICTION OF THE COURT OF TAX APPEALS (CTA), ELEVATING ITS RANK TO THE LEVEL OF A COLLEGIATE COURT WITH SPECIAL JURISDICTION AND ENLARGING ITS MEMBERSHIP, AMENDING FOR THE PURPOSE CERTAIN SECTIONS OR REPUBLIC ACT NO. 1125, AS AMENDED, OTHERWISE KNOWN AS THE LAW CREATING THE COURT OF TAX APPEALS, AND FOR OTHER PURPOSES.

[12] *Daniel Garcia, et al. v. Ernesto De Jesus, et al., etseq.*, G.R. Nos. 88158 and 97108-09, March 4, 1992.

[13] *Commissioner of Internal Revenue v. Manila Mining Corporation*, G.R. No. 153204, August 31, 2005.

principle, parties who come to court are required to prove every aspect of their case if they want the Court to take such evidence into consideration.[14]

In this case, the Court had meticulously considered and weighed all the pieces of evidence presented by both parties in arriving at its findings. To reiterate, petitioner was able to properly substantiate only the amount of ₱3,457,484,464.96 out of its total declared zero-rated sales of ₱5,303,129,822.20. Consequently, out of the excess input VAT attributable to total zero-rated sales of ₱72,072,449.44, only the amount of ₱46,989,114.47 is attributable to the valid zero-rated sales of ₱3,457,484,464.96, as computed below:

Valid zero-rated sales	₱3,457,484,464.96
Divide by: Total Reported Zero-rated sales	₱5,303,129,822.20
Multiply by: Excess Input VAT attributable to total reported zero-rated sales	₱72,072,449.44
Excess valid input VAT attributable to valid zero-rated sales	*₱46,989,114.47*

Again, to emphasize, in cases filed before this Court, which are litigated *de novo*, party-litigants must prove every minute aspect of their case.[15] Correspondingly, petitioner was able to sufficiently establish its entitlement to the refund or issuance of a tax credit certificate *albeit* in the amount of ₱46,989,114.47, representing excess and unutilized input VAT attributable to its zero-rated sales for the first to fourth quarters of CY 2019.

In view of the foregoing disquisitions, there being no new matter or substantial issue raised by the parties in their respective *Motions*, the Court finds no compelling reason to reverse or modify the conclusions reached in the *Amended Decision* promulgated on January 20, 2025.

WHEREFORE, premises considered, petitioner's **Motion for Partial Reconsideration (Re: Amended Decision dated 20 January 2025)** and respondent's **Motion for Partial Reconsideration (Re: Amended Decision promulgated on 20 January 2025)** are both **DENIED** for lack of merit.

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[14] *Philippine Airlines, Inc. (PAL) v. Commissioner of Internal Revenue*, G.R. Nos. 206079-80, January 17, 2018; *Commissioner of Internal Revenue v. Philippine National Bank*, G.R. no. 180290, September 29, 2014.

[15] *Edison (Bataan) Cogeneration Corporation v. Commissioner of Internal Revenue, etseq.*, G.R. Nos. 201665 and 201668, August 30, 2017; *Commissioner of Internal Revenue v. Philippine National Bank*, G.R. No. 180290, September 29, 2014; *Commissioner of Internal Revenue v. United Salvage and Towage (Phils.), Inc.*, G.R. No. 197515, July 2, 2014; *Dizon v. Court of Tax Appeals, et al.*, G.R. No. 140944, April 30, 2008; *Atlas Consolidated Mining and Development Corporation v. Commissioner of Internal Revenue,* G.R. No. 145526, March 16, 2007; and *Commissioner of Internal Revenue v. Manila Mining Corporation,* G.R. No. 153204, August 31, 2005.

SO ORDERED.

CORAZON G. FERRER-FLORES
Associate Justice

We Concur:

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice