REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
Quezon City

Special Third Division

AIG SHARED SERVICES CORPORATION (PHILIPPINES) [Formerly: CHARTIS TECHNOLOGY AND OPERATIONS MANAGEMENT CORPORATION (PHILIPPINES)],
Petitioner,

-versus-

COMMISSIONER OF INTERNAL REVENUE
Respondent.

CTA CASE NO. 9100

Members:
FABON-VICTORINO, and
RINGPIS-LIBAN, ***JJ.***

Promulgated:
JAN 24 2019
11:16 a.m.

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DECISION

RINGPIS-LIBAN, J.:

The Case

This is a Petition for Review filed by AIG Shared Services Corporation (Philippines) [Formerly: Chartis Technology and Operations Management Corporation (Philippines)] ("Petitioner") against the Commissioner of Internal Revenue ("Respondent"). Petitioner seeks the refund or issuance of tax credit certificates ("TCC") for its alleged excess and unutilized input value-added tax ("VAT") in the total amount of Sixty-Seven Million Nine Hundred Seventy-Six Thousand Four Hundred Forty-Nine Pesos and Sixteen Centavos (Php67,976,449.16) for fiscal year ("FY") 2013.

The Facts

Petitioner is a foreign corporation duly registered and authorized by the Securities and Exchange Commission ("SEC") under Amended SEC License No. FM00000152 to operate as a Regional Operating Headquarters ("ROHQ"), with principal office address at 46th Floor, 6795 Ayala Avenue corner Rufino St., Makati City, and an extension office at iHub2 Building, North Bridgeway Avenue, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City.[1]

It is registered with the Bureau of Internal Revenue ("BIR") as a VAT taxpayer in accordance with Section 236 of the National Internal Revenue Code ("NIRC") of 1997, as amended, under Certificate of Registration Nos. OCN9R0000355401 effective September 13, 1997, OCN9R0000355702 effective November 24, 2009, and OCN8RC0000059749 effective August 20, 2015.[2]

On the other hand, Respondent is the duly appointed Commissioner of the BIR who has the power to decide on disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties imposed in relation thereto or other matters arising under the NIRC of 1997, as amended, or other laws or portions thereof administered by the BIR. He holds office at the BIR National Office Building, Agham Road, Diliman, Quezon City.

On February 27, 2015, Petitioner filed with Respondent through BIR-Revenue District Office (RDO) No. 126 an application for refund/tax credit of its excess and unutilized input VAT for the four quarters of FY 2013.[3]

Respondent failed to rule on Petitioner's application for VAT refund or issuance of tax credit certificate for its excess/unutilized input VAT for the four quarters of FY 2013. Hence, on July 20, 2015, Petitioner filed with this Court the present Petition for Review.[4]

Respondent filed through registered mail a Motion for Extension of Time to File Answer[5] on August 13, 2015, which was granted by the Court in a Resolution[6] dated September 04, 2015.

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[1] Docket, Joint Stipulation of Facts and Issue ("JSFI"), Stipulation of Facts, Par. 1, p. 506.
[2] *Id.*, JSFI, Stipulation of Facts, Par. 1.1, p. 507.
[3] *Id.*, JSFI, Stipulation of Facts, Par. 3, p. 507.
[4] *Id.*, pp. 10-21.
[5] *Id.*, p. 323-325.
[6] *Id.*, p. 327.

On September 15, 2015, Respondent filed through registered mail his Answer[7], raising the following Special and Affirmative Defenses:

> "6. Respondent reproduces and repleads all the foregoing allegations insofar as they are relevant to her defenses, which are discussed hereunder and incorporates them herein, by way of reference and, in addition thereto, most respectfully avers THAT:
>
> 7. Petitioner's alleged claim for issuance of tax credit certificate is still subject to administrative routinary investigation/examination by the Respondent's Bureau.
>
> 8. Taxes paid and collected are presumed to have been made in accordance with law, hence, not refundable.
>
> 9. Petitioner's claim for refund or issuance of tax credit certificate in the amount of Php67,976,449.16 representing alleged excess and unutilized input VAT paid for the fiscal period from December 01, 2012 to November 30, 2013, were not fully substantiated by proper documents, such as sales invoices, official receipts and other pursuant to Revenue Regulations no. 7-95 in relation to Section 113 and 237 of the 1997 Tax Code.
>
> 10. In an action for refund/tax credit, the burden of proof is on the Petitioner to establish its right to claimed refund and failure to adduce sufficient proof is fatal to the claim for tax refund/credit.
>
> 11. It is incumbent upon the latter to show that it has complied with the provisions under Section 204 (c) in relation to Section 229 of the Tax Code. Otherwise, its failure to prove the same is fatal to its claim for refund.
>
> 12. Claims for refund are construed strictly against herein Petitioner since the same partakes the nature of exemption from taxation ***(Commissioner of Internal Revenue vs. Ledesma, 31 SCRA 95)*** and as such, they are looked upon with disfavor ***(Western Minolco Corp. vs. Commissioner of Internal Revenue, 124 SCRA 211)***."

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[7] *Id.*, pp. 328-332.

The case was set for pre-trial conference on November 24, 2015.[8] On November 6, 2015, Petitioner filed a Motion to Reset the Pre-Trial Conference scheduled on November 24, 2015,[9] which the Court granted on November 11, 2015.[10]

On November 12, 2015, Respondent filed through registered mail his Pre-Trial Brief[11]. On February 05, 2016, Petitioner filed a Motion to Reset the Pre-Trial Conference scheduled on 16 February 2016[12], which the Court granted on February 10, 2016.[13]

On April 11, 2016, Petitioner filed a Motion to Commission an Independent Certified Public Accountant.[14]

On May 31, 2016, Petitioner filed a Motion to Cancel the Pre-Trial Conference (And Hearing of Motion to Commission an Independent Certified Public Accountant)[15], which the Court granted[16] on June 02, 2016.

On July 15, 2016, Petitioner filed its Pre-Trial Brief[17].

The parties then filed their Joint Stipulation of Facts and Issue[18] on August 12, 2016. On October 04, 2016, the parties also filed a Motion to Admit (Re: Supplemental Joint Stipulation of Facts and Issue)[19] and a Motion to Admit (Re: Amended Joint Stipulation of Facts and Issue)[20], which were granted by the Court on October 10, 2016.[21]

Upon the promulgation of the Pre-Trial Order on October 19, 2016, the pre-trial conference was deemed terminated and the parties were ordered to proceed with the trial on the merits.

To prove its case, Petitioner presented the following witnesses: (1) Glaiza Apolinaro-Baroro, Petitioner's Accountant III; (2) Atty. Geronimo Randy

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[8] *Id.*, Notice of Pre-Trial Conference, pp. 333-334.
[9] *Id.*, pp. 339-341.
[10] *Id.*, p. 344.
[11] *Id.*, pp. 345-348.
[12] *Id.*, pp. 356-359.
[13] *Id.*, Resolution dated February 10, 2016, p. 361.
[14] *Id.*, pp. 364-375.
[15] *Id.*, pp. 384-387.
[16] *Id.*, Order dated June 2, 2016, p. 388.
[17] *Id.*, Pre-Trial Brief for the Petitioner, pp. 413-474.
[18] *Id.*, pp. 506-546.
[19] *Id.*, pp. 950-957.
[20] *Id.*, pp. 958-1000.
[21] *Id.*, Order dated October 10, 2016, pp. 1005-1007.

Recinto, Petitioner's General Counsel; and (3) Mary Ann C. Capuchino, the Court-commissioned Independent Certified Public Accountant ("ICPA").

Petitioner filed its Formal Offer of Evidence[22] on February 06, 2017, consisting of Exhibits "P-1" to "P-268", inclusive of submarkings; which were later admitted by the Court as Petitioner's evidence.[23]

On March 13, 2017, Respondent manifested that he would not be presenting evidence in this case.[24] Thus, the parties were granted thirty (30) days from receipt of the Resolution on Petitioner's Formal Offer of Evidence to submit their respective memoranda.[25]

On December 28, 2017, the Judicial Records Division of this Court issued a Records Verification Report[26] stating that Respondent failed to file his Memorandum. Petitioner filed its Memorandum[27] on January 05, 2018. Hence, the Court declared the case submitted for decision on January 26, 2018.[28]

The Issues

The parties submitted the following issues for this Court's disposition:[29]

1) Is Petitioner entitled to refund or issuance of a tax credit certificate for its unutilized/excess input VAT payments for the first to fourth quarters of fiscal year 2013; and

2) If in the affirmative, how much is Petitioner entitled to the amount being claimed.

Discussion/Ruling

Petitioner's claim for refund of excess or unutilized input VAT finds legal support in Sections 112(A) and (C) of the NIRC of 1997, as amended, which state:

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[22] *Id.*, pp. 1150-3458.
[23] *Id.*, pp. 3496-3500.
[24] *Id.*, p. 3480.
[25] *Id.*, Order dated March 13, 2017, p. 3481.
[26] *Id.*, p. 3508.
[27] *Id.*, pp. 3513-3534.
[28] *Id.*, Resolution dated January 26, 2018, p. 3539.
[29] *Id.*, Amended Joint Stipulation of Facts and Issue, Stipulation of Issue, pp. 964-965.

"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 of 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.

xxx xxx xxx

(C) *Period within which Refund or Tax Credit of Input Taxes shall be Made.* – In proper cases, the Commissioner shall grant a refund or issue the tax credit certificate for creditable input taxes within one hundred twenty (120) days from the date of submission of complete documents in support of the application filed in accordance with Subsection (A) hereof.

In case of full or partial denial of the claim for tax refund or tax credit, or the failure on the part of the Commissioner to act on the application within the period prescribed above, the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the claim or after the expiration of the one hundred twenty day-period, appeal the decision or the unacted claim with the Court of Tax Appeals."

Pursuant to the above-quoted provision and as enunciated by the Supreme Court in the case of *San Roque Power Corporation vs. Commissioner of Internal*

Revenue[30], in order to be entitled to a refund or issuance of a tax credit certificate of input VAT paid, Petitioner must prove the following:

1) the taxpayer is VAT registered;
2) the taxpayer is engaged in zero-rated or effectively zero-rated sales;
3) the input taxes are due or paid;
4) the input taxes are not transitional input taxes;
5) the input taxes have not been applied against output taxes during and in the succeeding quarters;
6) the input taxes claimed are attributable to zero-rated or effectively zero-rated sales;
7) for zero-rated sales under Section 106(A)(2)(1) and (2); 106(B); and 108(B)(1) and (2), the acceptable foreign currency exchange proceeds have been duly accounted for in accordance with Bangko Sentral ng Pilipinas ("BSP") rules and regulations;
8) 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; and
9) the claim is filed within two years after the close of the taxable quarter when such sales were made.

Ninth Requisite: *Petitioner timely filed its administrative and judicial claims.*

This Court shall first resolve the timeliness of the filing of Petitioner's claim for refund or issuance of tax credit certificates.

Pursuant to Section 112(A) of the NIRC of 1997, as amended, the administrative claim for the issuance of a TCC or refund of input VAT must be filed with the BIR within two (2) years after the close of the taxable quarter when the zero-rated or effectively zero-rated sales were made. Thus, Petitioner's last day for filing of its administrative claim for the four quarters of FY 2013 fell on the following dates:

Taxable Quarter	Close of the Taxable Quarter	Last Day for Filing Administrative Claim
1st Quarter (Dec. 01, 2012 to Feb. 28, 2013)	February 28, 2013	February 28, 2015

[30] G.R. No. 180345, November 25, 2009.

2nd Quarter (March ,1, 2013 to May 31, 2013)	May 31, 2013	May 31, 2015
3rd Quarter (June ,1, 2013 to Aug. 31, 2013)	August 31, 2013	August 31, 2015
4th Quarter (Sept. ,1, 2013 to Nov. 30, 2013)	November 30, 2013	November 30, 2015

Clearly, Petitioner's administrative claim[31] was timely filed on February 27, 2015.

As to the timeliness of Petitioner's judicial claim, Section 112(C) of the NIRC of 1997, as amended, provides that the Commissioner of Internal Revenue ("CIR") has one hundred twenty (120) days from the date of submission of the complete documents in support of the application for refund or tax credit certificate within which to grant or deny the claim. In case of full or partial denial by the CIR, the taxpayer's recourse is to file an appeal before the Court of Tax Appeals within thirty (30) days from receipt of the decision of the CIR. However, if after the 120-day period the CIR fails to act on the application for tax refund/credit, the remedy of the taxpayer is to appeal the inaction of the CIR to the Court of Tax Appeals within 30 days.

Accordingly, from the filing of Petitioner's administrative claim, together with the supporting documents, on February 27, 2015, Respondent had one hundred twenty (120) days or until June 27, 2015 to act on the said claim. Considering that Respondent did not act on Petitioner's claim on or before June 27, 2015, the latter had until July 27, 2015, the last day of the 30-day period, within which to file its appeal before this Court. Evidently, Petitioner's judicial claim filed on July 20, 2015 is well within the period prescribed by law.

We will now determine whether Petitioner has satisfied the remaining requirements to be entitled to a refund.

First Requisite: *Petitioner is a VAT-registered entity.*

It is undisputed that Petitioner is duly registered with the BIR as a VAT taxpayer[32] with Taxpayer Identification Number (TIN) 001-218-732-000[33], thereby satisfying the first requisite.

[31] Docket, Exhibit "P-9", pp. 1354-1364.
[32] *Id.*, Amended Joint Stipulation of Facts and Issue, Par. 1.1, p. 964.
[33] *Id.*, Exhibits "P-4", "P-5", and "P-6", pp. 1294-1296.

Second and Seventh Requisites:
Petitioner had zero-rated sales which were paid for in acceptable foreign currency duly accounted for in accordance with BSP rules and regulations.

Petitioner avers that its sales of services to its foreign affiliates for FY 2013 were VAT zero-rated, pursuant to Section 108(B)(2) of the NIRC of 1997, as amended, to wit:

> "SEC. 108. *Value-added Tax on Sale of Services and Use or Lease of Properties.* –
>
> xxx xxx xxx
>
> (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 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);"

According to Petitioner, as a duly registered ROHQ, it performs qualifying services to its non-resident foreign affiliates, subsidiaries and branches in the Asia Pacific Region and in other foreign markets.[34]

For FY 2013, Petitioner rendered services, pursuant to Master Service Agreements, to seventy-three (73) non-resident foreign affiliate clients, who all belong to the American International Group. Petitioner avers that the bank

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[34] *Id.*, Petitioner's Memorandum, Discussion, Par. 39, p. 3528.

certifications issued by East West Banking Corporation indicate that Petitioner's foreign clients indeed remitted US Dollars to Petitioner's account.[35]

A close scrutiny of Section 108(B)(2) and as laid down by the Supreme Court in the case of *Commissioner of Internal Revenue vs. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*[36] shows that a taxpayer must establish the following requirements in order for the supply of services to be considered as VAT zero-rated:

1) the services must be other than processing, manufacturing or repacking of goods;
2) the recipient of such services is doing business outside the Philippines; and
3) the payment for such services must be in acceptable foreign currency accounted for in accordance with the BSP rules and regulations.

For FY 2013, Petitioner allegedly rendered services to the following non-resident foreign corporations which are either covered with individual Master Service Agreements or included in an Intercompany Service Agreement as listed by Ms. Glaiza Apolinario-Baroo and Atty. Geronimo Randy Recinto, Petitioner's Accountant III and General Counsel, respectively, in their Sworn Statements both dated September 07, 2016[37] and in their Supplemental Sworn Statements both dated October 12, 2016[38].

1.	AIG Asia Pacific Insurance PTE Ltd., formerly known as Chartis Asia Pacific PTE. Ltd.
2.	AIG Europe (Services) Limited, formerly known as Chartis UK Services Limited
3.	AIG Europe Limited, formerly known as Chartis Europe S.A.
4.	AIG Europe Limited – Czech Republic, formerly known as Chartis Europe S.A. Czech Republic Branch
5.	AIG Europe Limited – France, formerly known as Chartis Europe S.A. France
6.	AIG Europe Limited – Italy, formerly known as Chartis Europe S.A. Italy
7.	AIG Europe Limited – Poland, formerly known as Chartis Europe S.A. Poland
8.	AIG Europe Limited – Spain, formerly known as Chartis Europe S.A. Spain
9.	AIG Europe Limited – Portugal, formerly known as Chartis Europe S.A. Portugal
10.	AIG Europe Limited – Georgia, formerly known as Chartis Europe S.A. Georgia

[35] *Id.*, Petitioner's Memorandum, Discussion, Par. 43, pp. 3529-3530.
[36] G.R. No. 153205, January 22, 2007.
[37] Docket, Exhibits "P-210" and "P-211", pp. 813-874 and 875-933.
[38] *Id.*, Exhibits "P-210-b" and "P-211-b", pp. 1012-1024 and 1025-1033.

11.	AIG Europe Limited – Belgium, formerly known as Chartis Europe S.A. Belgium
12.	AIG Europe Limited – Denmark, formerly known as Chartis Europe S.A. Denmark
13.	AIG Europe Limited – Deutschland, formerly known as Chartis Europe S.A. – Direktion Fur Deutschland
14.	AIG Europe Limited – Finland, formerly known as Chartis Europe S.A. Finland
15.	AIG Europe Limited – Netherlands, formerly known as Chartis Europe S.A. Netherlands branch
16.	AIG Europe Limited – Norway, formerly known as Chartis Europe S.A. Norway
17.	AIG Europe Limited – Sweden, formerly known as Chartis Europe S.A. Sweden
18.	AIG Europe Limited – Switzerland, formerly known as Chartis Europe S.A. Switzerland branch
19.	AIG Global Services, Inc. – formerly known as Chartis Global Services, Inc.
20.	AIG Global Services (M) Sdn. Bhd., formerly known as AIG Global Services Malaysia
21.	AIG Malaysia Insurance Berhad, formerly known as Chartis Malaysia Insurance Berhad
22.	AIG Shared Services (M) Sdn. Bhd., formerly known as Chartis Technology & Operations Management (M) Sdn. Bhd.
23.	AIG Insurance & Reinsurance Company, formerly knon as CJSC Chartis
24.	AIG Insurance New Zealand Limited, formerly known as American Home New Zealand
25.	AIG Insurance Hong Kong Limited, formerly known as Chartis Insurance Hong Kong Limited
26.	UZ AIG, formerly known as Chartis Uzbekistan Insurance Company Joint Venture LLC
27.	AIG Australia Limited, formerly known as American Home Assurance Company Australia
28.	AIG Business Partners Kabushiki Kaisha
29.	AIG Claims Inc., formerly known as Chartis Claims Inc.
30.	AIG Employee Services Inc.
31.	AIG Insurance Company China Limited, formerly known as Chartis Insurance Company China Limited
32.	AIG Insurance Company of Canada
33.	AIG Japan Holdings KK, formerly known as Chartis Far East Holdings KK
34.	AIG Korea, Inc., formerly known as American Home Assurance Korea
35.	AIG Seguros Mexico S.A. DE CV
36.	AIG South Africa Ltd., formerly known as Chartis South Africa Ltd.
37.	AIG Taiwan Insurance Company Ltd.
38.	AIG Uganda, formerly known as Chartis Uganda Insurance Company
39.	AIG Vietnam Insurance Company Limited, formerly known as AIG General Insurance (Vietnam) Company Limited
40.	American Home Assurance Company, UAE
41.	American International Group KK

42.	AIG Caspian Insurance Company, formerly known as Chartis Azerbaijan Insurance Company
43.	AIG Chile Compania Seguros Generales S.A., formerly known as Chartis Chile Compania Seguros Generales S.A.
44.	AIG Egypt Insurance Company, S.A.E., formerly known as Chartis Egypt Insurance Company, S.A.E.
45.	PT AIG Insurance Indonesia, formerly known as Chartis Insurance Indonesia
46.	AIG Insurance Limited, Sri Lanka, formerly known as Chartis Insurance Ltd., Sri Lanka
47.	AIG Kenya Insurance Company Limited, formerly known as Chartis Kenya Insurance Company Limited
48.	AIG MEA Limited (Oman branch), formerly known as Chartis Memsa Insurance Company Ltd. Oman branch
49.	Chartis New Hampshire Insurance Company, Pakistan branch
50.	AIG Seguros Brasil S.A., formerly known as Chartis Seguros Brasil S.A.
51.	AIG Sigorta S.A., formerly known as Chartis Sigorta S.A.
52.	AIG Ukraine Insurance Company, formerly known as Chartis Ukraine Insurance Company CJSC
53.	Direct DME, Inc.
54.	Guam Insurance Adjusters, Inc.
55.	Health Direct, Inc.
56.	Lexington Insurance Company
57.	National Union Fire Insurance Company
58.	New Hampshire Insurance Company – Thailand
59.	Private Client Group
60.	United Guaranty Services, Inc.
61.	Venezuela Casai
62.	American International Group, Inc.
63.	AIG Property Casualty U.S. Inc., formerly known as Chartis U.S.
64.	AIG Apac Holdings Pte Ltd.
65.	AIG Cyprus, formerly known as Chartis Cyprus
66.	Intercompany Clearing House
67.	AIG Global Claims Services, Inc., formerly known as Chartis Insurance Claims
68.	AIG Southeast Asia Limited, formerly known as Chartis Southeast Asia Limited
69.	AIG Property Casualty Global Services, Inc.
70.	AIG Shared Services Corporation – Ireland branch
71.	AIG Travel Assist, Inc.
72.	AIG North America Inc. formerly known as Chartis North America
73.	AIG Europe Limited – Ireland, formerly known as Chartis Europe S.A. – Ireland Branch

Petitioner presented SEC Certifications of Non-Registration of Company[39], Master Agreements for Professional Services[40], Statements of Work

[39] Exhibits "P-67-a" to "P-140."

[40] Exhibits "P-141", "P-142", "P-143-a", "P-144", "P-147", "P-148", "P-149", "P-153", "P-158", "P-159", "P-160", "P-162", "P-163", "P-164", "P-165", "P-166", "P-167", "P-170", "P172", "P173", "P-174", "P-175", "P-176", "P-177", "P-178", "P-179", "P-180", "P-181", "P-182", "P-183", "P-

and Work Orders[41], intercompany service agreements[42], consularized Confirmations of Assignment of Tax Identification Number and Certificates for the Philippine Tax Authorities[43], consularized foreign incorporation/registration documents and/or screenshots from various foreign government websites[44], a consularized Notarial Certificate[45], an Intercompany Contract of Transfer of Personal Data[46], letters of intent[47], and a Memorandum of Understanding[48] to prove that its clients are non-resident foreign corporations doing business outside the Philippines.

In *Deutsche Knowledge Services, Pte. Ltd. vs. Commissioner of Internal Revenue*[49], this Court discussed the documentary requirements to prove that the recipients of services are non-resident foreign corporations doing business outside of the Philippines, to wit:

> "To prove that its clients are non-resident foreign corporations doing business outside the Philippines, Petitioner presented the following documents:
>
> 1. SEC Certifications of Non-Registration of Company;
> 2. Certifications from different government agencies in the country of origin of Petitioner's clients, all duly authenticated by the nearest consulate of the Philippines;
> 3. Intragroup Service Agreements; and,
> 4. Deutsche Bank List of Shareholdings 2008.

184", "P-185", "P-186", "P-187", "P-188", "P-189", "P-190", "P-191", "P-193", "P-196", "P-197", "P-198-a", "P-199", "P201", and "P-203".

41 Exhibits "P-142-a", "P-144-a", "P-145", "P-146", "P-150", "P-151", "P-155", "P-156", "P-157", "P-159-a", "P-167-a", "P-169", "P-170", "P-171", "P-195", "P-198", and "P-200".

42 Exhibit "P-143".

43 Exhibits "P-147-a", "P-150-c", and "P-150-d".

44 Exhibits "P-141-a to "P-141-e", "P-142-b", "P-143-b" to "P-143-e", "P-144-b to "P-144-d", "P-145-a", "P-145-b", "P-146-a to "P-146-c", "P-147-b", "P-147-c", "P-150-a", "150-b", "P-150-c", "P-150-e", "P-151-a" to "P-151-d", "P-152", "P-153-a" to "P-153-d", "P-154-a" to "P-154-c", "P-155-a" to "P-155-d", "P-156-a" to "P-156-d", "P-158-a", "P-159-b" to "P-159-d", "P-160-a", "P-161-b" to "P-161-d", "P-162-a", "P-163-a" to "P-163-c", "P-164-a" to "P-164-c", "P-165-a", "P-166-a", "P-166-b", "P-168-a", "P-168-b", "P-169-a", "P-170-a", "P-170-b", "P-172-a", "P-173-a", "P-173-b", "P-173-c", "P-175-a", "176-a", "P-178-a" to "P-178-e", "P-179-a", "P-181-a", "182-a", "182-b", "P-183-a", "P-184-a" to "P-184-e", "P-186-a", "P-187-a", "P-188-a", "P-191-a", "P-192-a", "P-192-b", "P-193-a", "P-194-a", "P-194-b", "P-195-a", "P-195-b", "P-196-a", "P-196-b", "P-197-a", "P-197-b", "P-198-c", "P-198-b", "P-200-a", "P-200-b", "P-201-a", "P-201-b", "P-202-a", "P-203-a" to "P-203-c", "P-204-a", "P-205", "P-206", "P-206-a", "P-206-b", "P-207", "P-208", and "P-209".

45 Exhibit "P-148-a".

46 Exhibit "P-154".

47 Exhibits "P-192" and "P-194".

48 Exhibit "P-202".

49 CTA Case No. 7808, December 16, 2014, affirmed *in toto* by the CTA *En Banc* on August 16, 2016 in CTA EB No. 1290.

However, the Court finds that the aforesaid documents *per se* do not constitute sufficient proof that Petitioner's clients are non-resident foreign corporations doing business outside the Philippines.

While the SEC Certificates of Non-Registration show that the named entities therein are not registered corporations/partnerships in the Philippines, the same do not prove that such entities are non-resident foreign corporations doing business outside the Philippines. Likewise, the Intra-Group Service Agreements only show the names of Petitioner's customers to whom it rendered services but the same do not establish that such customers are non-resident foreign corporations doing business outside the Philippines. Moreover, the Articles of Association and Certificates of Registration/Incorporation of Foreign Company only prove that the named entities therein were incorporated/organized abroad. However, they also do not establish that such entities are not doing business in the Philippines.

To be considered as non-resident foreign corporation doing business outside the Philippines, each entity must be supported, at the very least, by both SEC certificate of non-registration of corporation/partnership and certificate/articles of foreign incorporation/association/registration. xxx" *(Emphasis supplied)*

As to the validity of screenshots of foreign government websites, this Court ruled in *Chevron Holdings, Inc. [formerly Caltex (Asia) Limited] vs. Commissioner of Internal Revenue*[50] that "[B]eing official government registry of corporations, the Court is inclined to accept the printed screenshots of the foreign government's registry of companies as sufficient proof in lieu of the Certificates/Articles of Foreign Incorporation/Association."

Hence, to be considered as a non-resident foreign corporation doing business outside the Philippines, each entity must be supported, at the very least, by **both** SEC certificate of non-registration of corporation/partnership **and** proof of incorporation, association or registration in a foreign country[51] (*e.g.*, Certificate or Articles of Foreign Incorporation, Certificate of Registration of a Foreign Company, printed screenshots of United States Securities and Exchange Commission (or the official regulatory body of a particular jurisdiction) website

[50] CTA Case No. 8241, August 11, 2015.
[51] Chevron Holdings, Inc. v. Commissioner of Internal Revenue, CTA EB Nos. 1508 and 1509, March 21, 2018.

showing the state/province/country where the entity was organized or any other equivalent document).

After a thorough examination of the presented documents, the Court finds that out of Petitioner's seventy-three (73) foreign clients, only the following entities can be considered non-resident foreign corporations doing business outside the Philippines:

1.	AIG Asia Pacific Insurance Pte. Ltd. (formerly known as Chartis Singapore Pte. Ltd./Chartis Singapore Insurance Pte. Ltd.)
2.	AIG Europe Limited, formerly known as Chartis Europe S.A.
3.	AIG Europe Limited – Czech Republic, formerly known as Chartis Europe S.A. Czech Republic Branch
4.	AIG Europe Limited – France, formerly known as Chartis Europe S.A. France
5.	AIG Europe Limited – Italy, formerly known as Chartis Europe S.A. Italy
6.	AIG Europe Limited – Poland, formerly known as Chartis Europe S.A. Poland
7.	AIG Europe Limited – Belgium, formerly known as Chartis Europe S.A. Belgium
8.	AIG Europe Limited – Denmark, formerly known as Chartis Europe S.A. Denmark
9.	AIG Europe Limited – Finland, formerly known as Chartis Europe S.A. Finland
10.	AIG Europe Limited – Netherlands, formerly known as Chartis Europe S.A. Netherlands branch
11.	AIG Europe Limited – Norway, formerly known as Chartis Europe S.A. Norway
12.	AIG Europe Limited – Sweden, formerly known as Chartis Europe S.A. Sweden
13.	AIG Global Services (M) Sdn. Bhd., formerly known as AIG Global Services Malaysia
14.	AIG Shared Services (M) Sdn. Bhd., formerly known as Chartis Technology & Operations Management (M) Sdn. Bhd.
15.	AIG Insurance New Zealand Limited, formerly known as American Home New Zealand
16.	AIG Insurance Hong Kong Limited, formerly known as Chartis Insurance Hong Kong Limited
17.	AIG Australia Limited, formerly known as American Home Assurance Company Australia
18.	AIG Claims Inc., formerly known as Chartis Claims Inc.
19.	AIG Employee Services Inc.
20.	AIG Insurance Company China Limited
21.	AIG Korea, Inc., formerly known as American Home Assurance Korea
22.	AIG Taiwan Insurance Company Ltd.
23.	AIG Vietnam Insurance Company Limited, formerly known as AIG General Insurance (Vietnam) Company Limited
24.	American Home Assurance Company, UAE

25.	AIG Chile Compania Seguros Generales S.A., formerly known as Chartis Chile Compania Seguros Generales S.A.
26.	PT AIG Insurance Indonesia, formerly known as Chartis Insurance Indonesia
27.	Chartis New Hampshire Insurance Company, Pakistan branch
28.	Direct DME, Inc.
29.	Guam Insurance Adjusters, Inc.
30.	Health Direct, Inc.
31.	Lexington Insurance Company
32.	New Hampshire Insurance Company – Thailand
33.	United Guaranty Services, Inc.
34.	American International Group, Inc.
35.	AIG Cyprus, formerly known as Chartis Cyprus
36.	AIG Global Claims Services, Inc., formerly known as Chartis Insurance Claims
37.	AIG Southeast Asia Limited, formerly known as Chartis Southeast Asia Limited
38.	AIG Shared Services Corporation – Ireland branch
39.	AIG Travel Assist, Inc.

The names of the above-enumerated entities matched with those shown in both the Philippine SEC Certificates of Non-Registration of Company and consularized foreign incorporation/registration documents and/or screenshots from various foreign government websites.

Corollary to the second requisite, Sections 113(A)(2), (B)(1), (2)(c) and (3) of the NIRC of 1997, as amended, as implemented by Sections 4.113-1(A)(2), (B)(1) and (2)(c) of Revenue Regulations ("RR") No. 16-05 provide that a VAT taxpayer, like herein Petitioner, shall for every lease of goods or properties, and for every sale, barter or exchange of services, issue a VAT official receipt which must contain the following information:

> "SEC. 113. *Invoicing and Accounting Requirements for VAT-Registered Persons.* –
>
> (A) *Invoicing Requirements.* – A VAT-registered person shall issue:
>
> xxx xxx xxx
>
> (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:

xxx xxx xxx

(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;

xxx xxx xxx

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

"SECTION 4.113-1. *Invoicing Requirements.* –

(A) *A VAT-registered person shall issue:* –

xxx xxx xxx

(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:

xxx xxx xxx

(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;" *(Emphasis supplied)*

Pursuant to the foregoing provisions, the foreign currency remittances referred to under Section 108(B)(2) of the NIRC of 1997, as amended, must likewise be supported by VAT zero-rated official receipts.

To prove that it rendered services to its foreign affiliates and was paid in foreign currency duly accounted for in accordance with the rules and regulations of the BSP for the second quarter of FY 2013, Petitioner submitted in evidence its VAT zero-rated official receipts (ORs)[52] issued to its alleged non-resident foreign clients and Certificate of Inward Remittance[53] issued by East West Bank.

Upon verification of the official receipts supporting Petitioner's zero-rated sales, as well as the related certificate of inward remittances, the Court finds that the amount of Php2,001,352,577.27 shall be denied VAT zero-rating for the reasons stated hereunder:

Particulars	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	TOTAL
The amount of sales per purported Certificate of Inward Remittance (CIR) does not tally with the amount per Official Receipts	Php7,344,599.88	Php3,191,816.66	Php6,520,139.36	Php23,570,118.68	Php40,626,674.58
Overclaimed Zero-rated Sales (Sales with difference noted between ORs vis-à-vis Schedule of Sales)	-	928,354.82	174,783.06		1,103,137.88

[52] Exhibits "P-220" to "P-227".
[53] Exhibits "P-45" to "P-66".

Sales to Customers without complete proof of Non-Registration in the Philippines and Registration/Incorporation in the Foreign Country (Sales per schedule is different from Sales per ICH Summary.)	8,257,917.89	44,249,434.17	29,533,938.69	12,852,489.32	94,893,780.07
Sales to Customers without complete proof of Non-Registration in the Philippines and Registration/Incorporation in the Foreign Country	330,314,731.25	435,595,107.51	427,925,410.64	670,893,735.34	1,864,728,984.74
Total Disallowed Zero-rated Sales	**Php345,917,249.02**	**Php483,964,713.16**	**Php464,154,271.75**	**Php707,316,343.34**	**Php2,001,352,577.27**

Hence, out of the total reported zero-rated sales of Php2,675,219,721.49, only the amount of Php673,867,144.22 represents Petitioner's valid zero-rated sales, as shown below:

Period Covered	**Zero-Rated Sales**	**Disallowed Zero-Rated Sales**	**Valid Zero-Rated Sales**
1st Quarter	Php464,730,110.36	Php345,917,249.02	Php118,812,861.34
2nd Quarter	660,199,872.49	483,964,713.16	176,235,159.32
3rd Quarter	658,857,186.91	464,154,271.75	194,702,915.17
4th Quarter	891,432,551.73	707,316,343.34	184,116,208.39
Total	**Php2,675,219,721.49**	**Php2,001,352,577.27**	**Php673,867,144.22**

Third, Fourth, Fifth, Sixth and Eighth Requisites: *The input taxes incurred or paid were not transitional input taxes and were attributable to its zero-rated sales and were not applied against any output VAT liability.*

Having resolved that Petitioner had valid VAT zero-rated sales for FY 2013 in the amount of Php673,867,144.22, We proceed to determine the amount of input VAT attributable thereto.

In its Quarterly VAT Return for FY 2013, Petitioner declared input VAT of Php76,267,435.26 on its current purchases of goods and services, of which the amount of Php67,976,449.16 is the subject of the present claim, as shown below:

	1st Quarter FY 2013	2nd Quarter FY 2013	3rd Quarter FY 2013	4th Quarter FY 2013	TOTAL
	P-11	**P-12**	**P-13**	**P-14**	
Input VAT on:					
Purchase of Capital Goods Exceeding Php1M	Php1,438,181.02	Php358,971.43	Php247,899.67	Php3,315,522.53	Php5,360,574.65
Purchase of Capital Goods not Exceeding Php1M		592,232.08	140,868.69		733,100.77
Domestic Purchases of Goods other than Capital Goods	1,064,204.65	2,273,770.73	1,177,003.59	927,757.33	5,442,736.30
Domestic Purchases of Services	16,081,815.91	19,369,777.88	17,085,490.32	12,193,939.43	64,731,023.54
Total	**Php18,584,201.58**	**Php22,594,752.12**	**Php18,651,262.27**	**Php16,437,219.29**	**Php76,267,435.26**
Add: Input Tax Deferred on Capital Goods				234,127.47	234,127.47
Less: Input Tax on Capital Goods exceeding P1M deferred	1,376,251.01		234,127.47	3,312,906.74	4,923,285.22
Total Input Tax FY 2013	**Php17,207,950.57**	**Php22,594,752.12**	**Php18,417,134.80**	**Php13,358,440.02**	**Php71,578,277.51**
Less: Output Tax	-	1,324,996.49	682,204.94	980,594.25	2,987,795.69
Excess Input VAT	**Php17,207,950.57**	**Php21,269,755.63**	**Php17,734,929.86**	**Php12,377,845.77**	**Php68,590,481.82**
Divided by Total Declared Sales	464,730,110.36	671,241,509.99	664,542,228.05	899,604,170.48	
Multiply by Zero-Rated Sales	464,730,110.36	660,199,872.49	658,857,186.91	891,432,551.73	
Input VAT Claim for Refund	**Php17,207,950.57**	**Php20,919,877.19**	**Php17,583,210.68**	**Php12,265,410.72**	**Php67,976,449.16**

In support of the foregoing, Petitioner presented various official receipts and invoices[54] issued by its suppliers, which were all examined by the Court-commissioned ICPA, Ms. Mary Ann C. Capuchino of SyCip, Gorres, Velayo & Co. In her Report, the ICPA noted the following exceptions:

	Reference		1st Quarter 2013	2nd Quarter 2013	3rd Quarter 2013	4th Quarter 2013	TOTAL
	Annex	Exh.					
Domestic purchases of capital goods exceeding P1M supported with original VAT invoices (amount of deferred input VAT)	U	P-247	Php189,410.51	Php -	Php 10,692.00	Php -	Php200,102.51
Domestic purchases of capital goods exceeding P1M supported with original VAT invoices (amount of deferred input VAT) (in USD)	U.1	P-248	96,272.61	741,004.73		220,215.36	1,057,492.70

[54] Exhibits "P-232" to "P-268".

Domestic purchases of capital goods exceeding P1M supported with original VAT invoices not dated within the quarter but within the taxable year (amount of deferred input VAT)	V	P-249		453,054.41		23,150.02	476,204.43
Domestic purchases of capital goods exceeding P1M supported with original VAT invoices not dated within the quarter but within the taxable year (amount of deferred input VAT) (in USD)	V.1	P-250		8,542.84	287,071.59	2,521,678.69	2,817,293.12
Domestic purchases of goods supported with original VAT invoices but with invalid ATP/not stamped with "*Valid until October 31, 2013 only*"	W	P-251				70,434.33	70,434.33
Domestic purchases of services supported with original VAT ORs but with invalid ATP	X	P-252			578,253.51	2,193,096.27	2,771,349.78
Domestic purchases of goods supported with original VAT invoices but has no ATP	Y	P-253	3,214.29	120,739.37		56,838.00	180,791.66
Domestic purchases of services supported with original VAT ORs but has no ATP	Z	P-254	106,534.04	20,376.73	119,421.31	92,837.51	339,169.59
Domestic purchases of goods supported with original VAT invoices but the amount of input VAT claimed was overstated (amount of overstatement)	AA	P-255			202.11		202.11
Domestic purchases of goods supported with original VAT invoices but the amount of input VAT claimed was overstated (amount of overstatement) (in USD)	AA.1	P-256		2,266.26	11,031.52	1,931.69	15,229.47
Domestic purchases of services supported with original VAT ORs but the amount of input VAT claimed was overstated (amount of overstatement)	BB	P-257	467.30	439,693.37	171.27	13.29	440,345.23
Domestic purchases of services supported with original VAT ORs but the amount of input VAT claimed	BB.1	P-258	197.65	10,004.67	3,034.57	31,819.95	45,056.84

was overstated (amount of overstatement) (in USD)							
Domestic purchases of capital goods not exceeding P1M supported with original VAT invoices but the amount of input VAT claimed was overstated (amount of overstatement) (in USD)	CC	P-259				76.93	76.93
Domestic purchases of capital goods exceeding P1M supported with original VAT invoices but the amount of input VAT claimed was overstated (amount of overstatement) (in USD)	DD	P-260		11,462.11	10,865.21	57,854.36	80,181.68
Domestic purchases of goods supported with original VAT invoices not dated within the taxable year	EE	P-261	604,834.99	6,035.76		2,121.43	612,992.18
Domestic purchases of services supported with original VAT ORs but not dated within the taxable year	FF	P-262			324.32		324.32
Domestic purchases of capital goods supported with original VAT invoices not dated within the taxable year	GG	P-263	504,344.02				504,344.02
Domestic purchases of goods supported with check voucher and statement of account only	HH	P-264			310.71	451.71	762.42
Domestic purchases of services not properly supported (billing invoice, rental billings, service charge invoice, non-VAT acknowledgement receipt, provisional receipt, non-VAT official receipt, quotation, invoice, statement of account)	II	P-265	226,050.00	1,313,065.73	575,078.75	677,254.06	2,791,448.54
Domestic purchases of goods supported with photocopy of VAT invoices	JJ	P-266		3,423.21			3,423.21
Domestic purchases that are not subject to VAT/Non-VATable	KK	P-267		9,560.65	3,293.48	954.15	13,808.28
Domestic purchases of services supported with VAT ORs imprinted with *"Not a Valid Source of Input Tax"/ Not Valid*	LL	P-268	198,215.28	4,602.64	115,488.82	65,717.03	384,023.77

without Cashier's Signature							
Unsupported domestic purchases of goods	MM		22,625.98		891.71	25,937.02	49,454.71
Unsupported domestic purchases of services	NN		1,544,347.34	61,363.09	4,186.77	6,674.87	1,616,572.07
Unsupported domestic purchases of capital goods	OO					130,606.16	130,606.16
TOTAL			**Php3,496,514.01**	**Php3,205,195.57**	**Php1,720,317.65**	**Php6,179,662.83**	**Php14,601,690.06**

The above-noted exceptions found by the ICPA in the amount of Php14,601,690.06 should be disallowed for not being properly substantiated by VAT invoices or official receipts as prescribed under Sections 110(A) and 113(A) and (B) of the NIRC of 1997, as amended, in relation to Sections 4.110-2, 4.110-3, 4.110-8, and 4.113-1 of RR No. 16-05, as amended.

Further verification of the ICPA report, together with the supporting documents, reveals that the additional input VAT of Php4,973,362.22 shall likewise be disallowed for the reasons stated below:

Registered Name of Supplier	Exhibit No.	DISALLOWED INPUT VAT				
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Input VAT on purchases of goods/services supported by computer-generated VAT invoices/official receipts with alterations/insertions of Petitioner's TIN and/or address but without countersignature of the issuer						
Gem Stationery, Inc.	P-232-12	Php2,565.39				Php2,565.39
Gem Stationery, Inc.	P-232-13	1,096.32				1,096.32
Gem Stationery, Inc.	P-232-14	6,418.47				6,418.47
Integrated Computer Systems, Inc.	P-232-15	19,326.96				19,326.96
Integrated Computer Systems, Inc.	P-232-17	1,916.79				1,916.79
Integrated Computer Systems, Inc.	P-232-18	13,269.62				13,269.62
Sanitary Care Products Asia, Inc.	P-232-34	728.57				728.57
Sanitary Care Products Asia, Inc.	P-232-35	10,339.29				10,339.29
Sanitary Care Products Asia, Inc.	P-232-36	13,721.79				13,721.79
Sanitary Care Products Asia, Inc.	P-232-37	11,498.56				11,498.56
Sanitary Care Products Asia, Inc.	P-232-38	803.57				803.57
Seagull Glass Works, Inc.	P-232-39	466.07				466.07
St. Francis Generic Drugstore, Inc.	P-232-40	171.43				171.43
St. Francis Generic Drugstore, Inc.	P-232-41	2,305.68				2,305.68
St. Francis Generic Drugstore, Inc.	P-232-42	3,125.82				3,125.82
Information Work Tools Corp.	P-233-01	8,670.17				8,670.17
Integrated Computer Systems, Inc.	P-233-02	28,874.42				28,874.42

Integrated Computer Systems, Inc.	P-233-03	4,613.15				4,613.15
Filinvest Asia Corporation	P-234-14	277,514.21				277,514.21
Sta. Elena Properties, Inc.	P-234-73	768.00				768.00
Tower Club, Inc.	P-234-87	731.35				731.35
Tower Club, Inc.	P-234-88	2,839.28				2,839.28
Tower Club, Inc.	P-234-89	731.35				731.35
Tower Club, Inc.	P-234-90	744.64				744.64
Angara, Abello, Concepcion, Regala & Cruz	P-243-02	2,383.20				2,383.20
Angara, Abello, Concepcion, Regala & Cruz	p-243-03	1,677.60				1,677.60
Sta. Elena Properties, Inc.	P-243-32	768.00				768.00
Filinvest Asia Corporation	P-234-115		Php277,514.22			277,514.22
Manila Golf And Country Club, Inc.	P-234-138		1,212.00			1,212.00
Manila Golf And Country Club, Inc.	P-234-139		1,854.86			1,854.86
Manila Golf And Country Club, Inc.	P-234-140		1,212.00			1,212.00
Philhealthcare Inc.	P-234-152		840,603.34			840,603.34
Philhealthcare Inc.	P-234-153		859,915.21			859,915.21
Manila Golf And Country Club, Inc.	P-243-52		1,452.00			1,452.00
Abenson Ventures Inc.	P-232-48		6,165.00			6,165.00
Esco, Inc.	P-232-49		51,204.87			51,204.87
Gem Stationery, Inc.	P-232-51		4,111.08			4,111.08
Integrated Computer Systems, Inc.	P-232-55		30,311.25			30,311.25
Integrated Computer Systems, Inc.	P-232-56		1,474.82			1,474.82
Sanitary Care Products Asia, Inc.	P-232-63		11,498.57			11,498.57
Sanitary Care Products Asia, Inc.	P-232-64		803.57			803.57
Sanitary Care Products Asia, Inc.	P-232-65		2,410.71			2,410.71
The First Enterprise Inc.	P-232-68		2,314.29			2,314.29
The First Enterprise Inc.	P-232-69		1,928.57			1,928.57
Design And Function Inc.	P-241-02		5,025.00			5,025.00
Gem Stationery, Inc.	P-241-03		7,493.64			7,493.64
Icon Interiors, Inc.	P-241-05		36,480.44			36,480.44
Sanitary Care Products Asia, Inc.	P-241-13		803.57			803.57
St. Francis Generic Drugstore, Inc.	P-241-14		1,693.37			1,693.37
Integrated Computer Systems, Inc.	P-242-02		5,653.50			5,653.50
Integrated Computer Systems, Inc.	P-242-03		39,573.30			39,573.30
Integrated Computer Systems, Inc.	P-242-04		5,650.86			5,650.86
Integrated Computer Systems, Inc.	P-242-05		2,089.24			2,089.24
Icon Interiors, Inc.	P-245-03		798.92			798.92
Icon Interiors, Inc.	P-245-04		7,950.85			7,950.85

Integrated Computer Systems, Inc.	P-246-01		949.20			949.20
Alpha Insurance & Surety Co., Inc.	P-234-209			Php3,754.20		3,754.20
Eastern Telecommunications	P-234-222			15,286.25		15,286.25
Philhealthcare Inc.	P-234-266			889,640.59		889,640.59
Gb Distributor, Inc.	P-232-76			16,500.00		16,500.00
Gem Stationery, Inc.	P-232-77			2,960.40		2,960.40
Gem Stationery, Inc.	P-232-78			3,593.11		3,593.11
Hoffsman Systematic Designs Inc.	P-232-80			4,903.20		4,903.20
Integrated Computer Systems, Inc.	P-232-81			5,086.61		5,086.61
Integrated Computer Systems, Inc.	P-232-82			5,674.82		5,674.82
Integrated Computer Systems, Inc.	P-232-84			4,044.64		4,044.64
Ray-Nier Marketing Inc.	P-232-99			67.50		67.50
Unison Computer Systems, Inc.	P-233-21			29,296.35		29,296.35
Integrated Computer Systems, Inc.	P-241-23			1,002.36		1,002.36
Integrated Computer Systems, Inc.	P-241-24			3,235.89		3,235.89
Hoffsman Systematic Designs Inc.	P-241-20			4,903.20		4,903.20
Information Work Tools Corp.	P-241-21			21,696.43		21,696.43
Information Work Tools Corp.	P-241-22			3,589.29		3,589.29
St. Francis Generic Drugstore, Inc.	P-241-28			499.29		499.29
Integrated Computer Systems, Inc.	P-242-12			4,024.87		4,024.87
Integrated Computer Systems, Inc.	P-242-13			1,262.20		1,262.20
Integrated Computer Systems, Inc.	P-242-14			22,647.23		22,647.23
Integrated Computer Systems, Inc.	P-242-15			2,865.83		2,865.83
Integrated Computer Systems, Inc.	P-242-16			61,111.42		61,111.42
Integrated Computer Systems, Inc.	P-242-17			39,638.04		39,638.04
Integrated Computer Systems, Inc.	P-242-18			28,637.68		28,637.68
Integrated Computer Systems, Inc.	P-242-19			7,872.74		7,872.74
Integrated Computer Systems, Inc.	P-246-02			8,539.23		8,539.23
Integrated Computer Systems, Inc.	P-246-03			20,167.92		20,167.92
Acez Instrument Philippines Corp.	P-232-101				Php1,234.80	1,234.80
Gem Stationery, Inc.	P-232-105				2,764.41	2,764.41
Gem Stationery, Inc.	P-232-106				1,813.95	1,813.95
Gem Stationery, Inc.	P-232-107				2,764.41	2,764.41
Gem Stationery, Inc.	P-232-108				1,813.95	1,813.95
Gem Stationery, Inc.	P-232-109				2,764.41	2,764.41
Gem Stationery, Inc.	P-232-110				1,813.95	1,813.95

Gem Stationery, Inc.	P-232-111				2,646.82	2,646.82
Gem Stationery, Inc.	P-232-112				5,909.95	5,909.95
Gem Stationery, Inc.	P-232-113				2,762.65	2,762.65
Gem Stationery, Inc.	P-232-114				1,813.95	1,813.95
Gem Stationery, Inc.	P-232-115				2,762.65	2,762.65
Icon Interiors, Inc.	P-232-116				7,056.00	7,056.00
Information Work Tools Corp.	P-232-117				2,362.50	2,362.50
Information Work Tools Corp.	P-232-118				4,692.86	4,692.86
Integrated Computer Systems, Inc.	P-232-119				45,646.07	45,646.07
The First Enterprise Inc.	P-232-135				2,391.44	2,391.44
The First Enterprise Inc.	P-232-136				2,732.12	2,732.12
Information Worktools Corp.	P-233-22				22,367.45	22,367.45
Integrated Computer Systems, Inc.	P-233-23				7,221.79	7,221.79
Integrated Computer Systems, Inc.	P-233-24				926.61	926.61
Allcard Plastics Philippines, Inc	P-241-30				10,714.29	10,714.29
Gaytano, Virna Condes	P-241-32				182.14	182.14
Gaytano, Virna Condes	P-241-33				675.00	675.00
Gem Stationery, Inc.	P-241-34				5,590.58	5,590.58
Gem Stationery, Inc.	P-241-35				1,959.22	1,959.22
Gem Stationery, Inc.	P-241-36				1,889.44	1,889.44
Integrated Computer Systems, Inc.	P-242-23				4,037.29	4,037.29
Integrated Computer Systems, Inc.	P-237-1				17,022.25	17,022.25
Integrated Computer Systems, Inc.	P-237-2				55,252.80	55,252.80
Integrated Computer Systems, Inc.	P-237-3				15,771.44	15,771.44
Integrated Computer Systems, Inc.	P-246-06				14,468.60	14,468.60
Integrated Computer Systems, Inc.	P-246-07				53,997.00	53,997.00
Integrated Computer Systems, Inc.	P-246-08				388.60	388.60
Integrated Computer Systems, Inc.	P-246-09				26,572.56	26,572.56
Integrated Computer Systems, Inc.	P-246-11				34,435.73	34,435.73
Subtotal		***Php418,069.70***	***Php2,210,148.25***	***Php 1,212,501.29***	***Php369,219.68***	***Php4,209,938.92***
Input VAT on purchases of goods and services with no valid supporting documents found in the records						
Manila Golf And Country Club, Inc.	P-234-37	Php1,854.86				Php1,854.86
Subtotal		***Php1,854.86***	-	-	-	***Php1,854.86***
Input VAT on purchases of goods/services supported by VAT invoices/official receipts with incorrect TIN/without TIN of Petitioner						
Reg Information Technology Inc.	P-234-57	Php28,630.80				Php28,630.80
Intermed Marketing Phils., Inc.	P-240-1	333,699.26				333,699.26
Integrated Computer Systems, Inc.	P-232-122				Php48,309.11	48,309.11

Integrated Computer Systems, Inc.	P-246-05				54,581.75	54,581.75
Integrated Computer Systems, Inc.	P-246-12				32,858.00	32,858.00
Subtotal		***Php362,330.06***	**-**	**-**	***Php135,748.86***	***Php498,078.92***
Input VAT on purchases of goods/services supported by VAT invoices/official receipts but the VAT amount was not separately indicated therein						
Kai-Kai International Eximport Inc.	P-234-30	Php257,684.16				Php257,684.16
Subtotal		***Php257,684.16***	**-**	**-**	**-**	***Php257,684.16***
Overclaimed Input VAT						
Ascott Makati, Inc. (Php22,509.31 - Php22,059.31)	P-234-100		Php450.00			Php450.00
Fuji Xerox Philippines, Inc.	P-234-229			Php5,355.36		5,355.36
Subtotal		**-**	***Php450.00***	***Php5,355.36***	**-**	***Php5,805.36***
TOTAL		**Php1,039,938.78**	**Php2,210,598.25**	**Php1,217,856.65**	**Php504,968.54**	**Php4,973,362.22**

Thus, out of Petitioner's total reported input VAT on current purchases of Php76,267,435.26 for the four quarters of FY 2013, only the amount of Php56,692,382.98 represents its valid input VAT, as computed hereunder:

	1st Qtr 2013	**2nd Qtr 2013**	**3rd Qtr 2013**	**4th Qtr 2013**	**TOTAL**
Total Input VAT on Current Purchases per Returns	Php18,584,201.58	Php22,594,752.12	Php18,651,262.27	Php16,437,219.29	Php76,267,435.26
Less: Disallowances					-
Per ICPA Report	Php3,496,514.01	Php3,205,195.57	Php1,720,317.65	Php6,179,662.83	Php14,601,690.06
Per Court's further verification	1,039,938.78	2,210,598.25	1,217,856.65	504,968.53	4,973,362.22
Total Disallowances	*Php4,536,452.79*	*Php5,415,793.82*	*Php2,938,174.30*	*Php6,684,631.37*	*Php19,575,052.28*
Valid Input VAT	**Php14,381,448.05**	**Php17,178,958.30**	**Php15,713,087.97**	**Php9,752,587.93**	**Php56,692,382.98**

Proceeding therefrom, a portion of Petitioner's valid input VAT of Php56,692,382.98 shall be applied against the output VAT liability for the four quarters of FY 2013 in the aggregate amount of Php2,987,795.68. Consequently, only the remaining input VAT of Php53,704,587.30 can be attributed to the declared zero-rated sales of Php2,675,219,721.49 and only the input VAT of Php14,077,169.64 is attributable to the valid zero-rated sales of Php673,867,144.22, computed as follows:

	1st Qtr 2013	**2nd Qtr 2013**	**3rd Qtr 2013**	**4th Qtr 2013**	**TOTAL**
Valid Input VAT	Php14,047,748.79	Php17,178,958.30	Php15,713,087.97	Php9,752,587.92	Php56,692,382.98
Less: Output VAT liability	-	1,324,996.49	682,204.94	980,594.25	2,987,795.68
Excess Input VAT	**Php14,047,748.79**	**Php15,853,961.81**	**Php15,030,883.03**	**Php8,771,993.67**	**Php53,704,587.30**
Divide by Declared Zero-Rated Sales	464,730,110.36	660,199,872.49	658,857,186.91	891,432,551.73	2,675,219,721.49

Multiply by Valid Zero-Rated Sales	118,812,861.34	176,235,159.32	194,702,915.17	184,116,208.39	673,867,144.22
Excess Input VAT attributable to Valid Zero-Rated Sales	**Php 3,591,446.29**	**Php 4,232,090.31**	**Php 4,441,868.13**	**Php1,811,764.91**	**Php14,077,169.64**

Further, Petitioner was able to prove that the claimed input VAT of Php67,976,449.16 for the four quarters of FY 2013 was not applied against any output VAT in the succeeding quarters and the same remained unutilized as the said amount was deducted as "VAT Refund/TCC claimed" in its Quarterly VAT Return for the first quarter of TY 2015[55]. Apparently, the subject claim no longer formed part of the excess input VAT of Php95,963,733.71[56] as of the end of the first quarter of TY 2015 that was to be carried over/applied to the succeeding quarters. As such, it eliminates the possibility that the present claim would be applied to future output VAT liability.

WHEREFORE, premises considered, the instant Petition for Review is hereby **PARTIALLY GRANTED**. Accordingly, Respondent is **ORDERED TO REFUND or TO ISSUE A TAX CREDIT CERTIFICATE** in favor of Petitioner the amount of **Php14,077,169.64** representing the latter's unutilized input VAT attributable to its zero-rated sales for the 2013.

SO ORDERED.

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

I CONCUR:

ESPERANZA R. FABON-VICTORINO
Associate Justice

[55] Line 23D of Exhibit "P-216".
[56] Line 29 of Exhibit "P-216".

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.

ESPERANZA R. FABON-VICTORINO
Associate Justice
Acting Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Division Acting Chairperson's Attestation, 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.

ROMAN G. DEL ROSARIO
Presiding Justice