REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

AVALOQ PHILIPPINES OPERATING HEADQUARTERS,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA *EB* NO. 3197
(CTA Case No. 10491)

Present:

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

Promulgated:
JUL 21 2026 3:37

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DECISION

CUI-DAVID, J.:

Before the Court *En Banc* is a *Petition for Review (RE: Decision dated 20 January 2025 and Resolution dated 20 June 2025)*[1] (***Petition for Review***), filed on August 14, 2025 by petitioner Avaloq Philippines Operating Headquarters (**petitioner**), assailing the *Decision* dated January 20, 2025[2] (**assailed *Decision***), and the *Resolution* dated June 20, 2025[3] (**assailed *Resolution***), both issued by the Court's *Second Division* (**Court in Division**) in CTA Case No. 10491. The dispositive portions of the assailed *Decision* and *Resolution* read:

Assailed Decision

> **WHEREFORE**, in light of the foregoing disquisition, the present *Petition for Review* is **DENIED** for lack of merit.
>
> **SO ORDERED.**

[1] *En Banc (EB)* Docket, pp. 1–21.
[2] *Id.* at 26–53.
[3] *Id.* at 55–57.

<u>*Assailed Resolution*</u>

> **WHEREFORE**, premises considered, petitioner's Motion for Reconsideration (Re: Decision promulgated on 20 January 2025) is **DENIED** for lack of merit.
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> **SO ORDERED.**

Petitioner seeks that the assailed *Decision* and *Resolution* be reversed and set aside, and that its claim for refund in the aggregate amount of ₱4,351,724.28, representing unutilized input value-added tax (**VAT**) attributable to its zero-rated sales for the third (**3rd**) and fourth (**4th**) quarters of calendar year (**CY**) 2018 (*i.e.*, from July 1, 2018 to December 31, 2018), be granted.

THE PARTIES

Petitioner is a regional operating headquarters (**ROHQ**) of Avaloq Group AG, a company organized and existing under the laws of Switzerland.[4] It is duly licensed by the Securities and Exchange Commission (**SEC**) as an ROHQ, to engage in general administration and planning; business planning and coordination; sourcing/procurement of raw materials and components; corporate finance advisory services; sales promotion; training and personnel management; logistics services; research and development services; product development; technical support and maintenance; data processing and communication; and business development.[5] It is registered with the Bureau of Internal Revenue (**BIR**), Revenue District Office (**RDO**) No. 050, under Taxpayer Identification Number (**TIN**) 008-637-771-000.[6]

Respondent Commissioner of Internal Revenue (**respondent** or **CIR**) is vested, under the National Internal Revenue Code (**NIRC**), with the authority, among others, to decide, approve, and grant applications for the refund of excess or unutilized input VAT. He holds office at the BIR National Office Building, BIR Road, Diliman, Quezon City.[7]

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[4] Division Docket – Vol. II, p. 544, Pre-Trial Order, II. Statement of Facts and Issue, par. 1.
[5] *Id.* at pars. 2–3.
[6] *Id.* at par. 4.
[7] *EB* Docket, p. 3, Petition for Review, II. Parties.

THE FACTS AND THE PROCEEDINGS

The relevant facts, as found by the Court in Division, are as follows:

> For the 3rd and 4th quarters of CY 2018, petitioner filed its amended *Quarterly VAT Returns* (BIR Form No. 2550Q) on September 28, 2020.
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> On September 30, 2020, petitioner's letter request for the refund and/or issuance of tax credit certificate was received by the BIR. On the same date, the BIR received petitioner's *Application for Tax Credits/Refunds* (BIR Form No. 1914), applying for the refund or tax credit of input tax for the period from July 1, 2018 to December 31, 2018, amounting to ₱4,351,724.28.
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> On March 18, 2021, petitioner received the letter dated December 14, 2020 from the BIR's Assessment Service, denying its application for the refund of its accumulated (excess and unutilized) input VAT for 3rd and 4th quarters of CY 2018.
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> . . . .
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> Following the denial of its administrative claim, petitioner filed the present *Petition for Review* on March 19, 2021. The case was raffled to this Court's Third Division.
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> After being granted an extension of time by the Court, respondent filed an *Answer (Re: Petition for Review dated 19 March 2021)* on October 25, 2021, interposing the following special and affirmative defenses, to wit: (1) petitioner cannot cure its failure to submit documents to the administrative level by filing the said documents before this Court; (2) petitioner failed to substantiate its claim for refund, and hence, must be denied; and (3) tax refunds are strictly construed against the taxpayer and in favor of the government.
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> Respondent transmitted the *BIR Records* of the case on December 15, 2021.
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> The Pre-Trial Conference was set and held on March 10, 2022. Prior thereto, *Respondent's Pre-Trial Brief* was filed on December 16, 2021, while the *Pre-Trial Brief (of Petitioner Avaloq Philippines Operating Headquarters)* was submitted on March 8, 2022.
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> On March 24, 2022, the parties submitted their *Joint Stipulation of Facts and Issues*, which was admitted and approved in the Resolution dated March 30, 2022, thereby

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deeming the termination of the Pre-Trial. The Pre-Trial Order was subsequently issued on April 19, 2022.

Trial then ensued, with the parties presenting and offering their respective documentary and testimonial evidence.

Petitioner offered the testimonies of the following witnesses, namely: (1) Ms. Mary Lalaine V. Munar, petitioner's Accountant; and (2) Ms. Krista V. Bambao, the Court-commissioned Independent Certified Public Accountant (ICPA).

The Report of the ICPA was submitted on June 27, 2022.

On August 16, 2022, petitioner filed its *Formal Offer of Evidence with Motion with Leave of Court to Allow Correction of Exhibit Markings/Reference,* to which respondent filed his *Comment (Re: Formal Offer of Evidence dated 16 August 2022)* on August 18, 2022. In the Resolution dated October 5, 2022, the Court granted petitioner's motion to allow correction of exhibit marking on the Judicial Affidavit of Ms. Mary Lalaine V. Munar and her signature thereon from Exhibit "P-28" to Exhibit "P-33" and Exhibit "P-28-1" to Exhibit "P-33 1", respectively, was; and admitted all of petitioner's offered exhibits.

For his part, respondent offered the testimony of Revenue Officer Eufemia Mylene N. Mabingnay.

On November 10, 2022, respondent filed his *Formal Offer of Evidence,* to which petitioner submitted its *Comment on the Respondent's Formal Offer of Exhibits* on November 15, 2022. In the Resolution dated December 13, 2022, the Court admitted all of respondent's exhibits.

Thereafter, on January 31, 2023, respondent filed a *Manifestation,* stating that he is adopting the arguments he raised in his *Answer* as his *Memorandum,* on account that he has already fully discussed all his arguments in the said *Answer.*

On February 1, 2023, petitioner filed its *Memorandum with Motion for Leave of Court to Reopen the Case for Presentation of Additional Evidence and Allow Conditional Recall of Witness (of Avaloq Philippines Operating Headquarters).* Respondent then filed his *Comment and Opposition (Re: Petitioner's Memorandum with Motion for Leave of Court to Reopen the Case for Presentation of Additional Evidence and Allow Conditional Recall of Witness dated 01 February 2023)* on March 17, 2023. In the Resolution dated May 26, 2023, the Court resolved to grant petitioner's motion to present additional evidence, and to recall its witness to testify thereon.

Subsequently, the present case was transferred to this Court's Second Division per Resolution dated June 7, 2023.

Petitioner's Accountant, Ms. Mary Lalaine V. Munar, was recalled to the witness stand on August 15, 2023. On August 29, 2023, petitioner filed its *Compliance with Submission*, with attached *Supplemental Formal Offer of Evidence*, to which respondent filed his *Comment (Re: Supplemental Formal Offer of Evidence dated 24 August 2023)* on August 30, 2023. In the Resolution dated November 17, 2023, the Court admitted petitioner's additional offered exhibits.

Considering respondent's *Manifestation* that he is adopting the arguments he raised in his Answer as his Memorandum, and the submission of petitioner's *Supplemental Memorandum (of Avaloq Philippines Operating Headquarters)*, appended to the *Motion with Leave of Court to Admit Attached Supplemental Memorandum (of Avaloq Philippines Operating Headquarters)*, the present case was submitted for decision through the Minute Resolution dated February 8, 2024.

On January 20, 2025, the Court in Division rendered the assailed *Decision* denying the original *Petition for Review* for lack of merit.[8]

Aggrieved, petitioner filed a *Motion for Reconsideration (Re: Decision promulgated on 20 January 2025)* on February 11, 2025,[9] to which respondent filed a *Comment and Opposition (Re: Motion for Reconsideration dated 11 February 2025)*[10] on February 26, 2025. The Court in Division denied the motion in the assailed *Resolution* dated June 20, 2025.[11]

On August 14, 2025, petitioner filed the instant *Petition for Review*, to which respondent was directed to file his comment within ten (10) days from notice.[12]

Respondent complied and filed his *Comment and Opposition (Re: Petition for Review dated 14 August 2025)* [***Comment***],[13] which the Court *En Banc* noted in a *Minute Resolution*[14] dated October 22, 2025. The case was thereafter submitted for decision.

[8] Division Docket – Vol. III, pp. 1574–1601.
[9] *Id.* at 1602–1621.
[10] *Id.* at 1626–1630.
[11] *Id.* at 1635–1637.
[12] *EB* Docket, p. 93. Minute Resolution dated September 11, 2025.
[13] *Id.* at 94–98.
[14] *Id.* at. 102.

THE ISSUE

As culled from the present *Petition for Review*, petitioner assigns the following error to the Court in Division:

> WHETHER THE CTA-SECOND DIVISION ERRED IN DISMISSING PETITIONER'S CLAIM FOR TAX REFUND AMOUNTING TO PESOS: FOUR MILLION THREE HUNDRED FIFTY-ONE THOUSAND SEVEN HUNDRED TWENTY-FOUR and 28/100 (PHP 4,351,724.28) REPRESENTING ITS UNUTILIZED INPUT VAT ATTRIBUTABLE TO ITS ZERO-RATED SALES FOR THE Q3 TO Q4 OF CY 2018 OR THE PERIOD 1 JULY 2018 TO 31 DECEMBER 2018.[15]

Petitioner's Arguments

Petitioner mainly contends that the services it rendered to non-resident foreign corporations (**NRFCs**) were paid for in acceptable foreign currency exchange *via* an intercompany offsetting agreement.

Petitioner submits that the General Framework Services Agreement [16] (**GFSA**) and the Short-Term Credit Facility Agreement[17] (**STCFA**) together constitute a valid intercompany offsetting arrangement equivalent to payment in acceptable foreign currency. In support thereof, petitioner cites Revenue Memorandum Circular (**RMC**) No. 42-2003,[18] asserting that the BIR has clarified that "contracts with foreign or affiliated company that brought about the liabilities which were offset against receivable from export sales" fall within the acceptable documentary requirements to support offsetting arrangement for the purposes of refund.

Petitioner further avers that this intercompany offsetting arrangement was sufficiently explained by its witness, Ms. Mary Lalaine V. Munar (**Ms. Munar**), who testified through her Judicial Affidavit dated March 19, 2021.[19] In her testimony, Ms. Munar stated that the GFSA sets out the guidelines governing the provision of services among affiliates of Avaloq Group AG, while the STCFA explains the manner by which petitioner bills its foreign affiliates. She also explained that whenever petitioner

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15 *Id.* at 5, Petition for Review, par. IV.
16 Division Docket – Vol. II, pp. 899–911, Exhibit "P-21".
17 *Id.* at 952–965, Exhibit "P-23".
18 SUBJECT: Clarifying Certain Issues Raised Relative to the Processing of Claims for Value-Added Tax (VAT) Credit/Refund, Including Those Filed with the Tax and Revenue Group, One-Stop Shop Inter-Agency Tax Credit and Duty Drawback Center, Department of Finance (OSS) by Direct Exporters, July 15, 2003.
19 Exhibit "P-33".

obtains a "loan" from its head office, Avaloq Group AG, which essentially constitutes its monthly funding, the amount is credited to the Avaloq Group AG group current account. In turn, the receivables from services rendered to affiliates are debited or offset against the same account.

Petitioner contends that, although the GFSA and STCFA are distinct and separate agreements, they complement each other, particularly with respect to their provisions on the application, maintenance, and use of the group current account by Avaloq Group AG and its affiliates, including petitioner, for the settlement and payment of services rendered among Avaloq affiliates. Petitioner thus posits that both agreements demonstrate the intent of the contracting parties to adopt such intercompany offsetting arrangement as an acceptable foreign currency payment.

In further support of its claim of a valid offsetting agreement, petitioner submits that, as an ROHQ, it is merely an extension of its head office, Avaloq Group AG, and therefore does not possess a separate and distinct legal personality from the latter.

Moreover, according to petitioner, the consistent use of "current account" among the agreements reflects the parties' contractual intention to treat the same account as the centralized mechanism for the settlement of intercompany obligations by and between Avaloq Group AG and its affiliates, including petitioner. As such, this obviates the need for separate offsetting agreements.

Petitioner likewise maintains that the Court in Division erred in denying its claim for refund due to the alleged insufficiency of details to prove the offsetting. It asserts that it was able to adduce sufficient evidence to substantiate its claim, stressing that the transactions subject of the offsetting are traceable and that Ms. Munar clearly articulated the details of the offsetting arrangement in her Judicial Affidavit.

Finally, petitioner argues that the principle of *strictissimi juris* must conform to substantial justice, equity, and fair play.

Respondent's Counter-arguments

In his *Comment,* respondent submits that the Court in Division correctly denied petitioner's original *Petition for Review* as petitioner failed to submit sufficient documentary evidence to support its refund claim. Respondent maintains that petitioner, as the claimant, bears the burden of proving the factual basis of its claim for tax credit or refund, considering that a tax refund partakes of the nature of a tax exemption and is therefore strictly construed against the taxpayer.

THE COURT *EN BANC'S* RULING

Before delving into the merits, the Court *En Banc* must first determine the timeliness of the instant *Petition for Review.*

The present Petition for Review was timely filed; hence, the Court En Banc properly acquired jurisdiction.

Section 3(b), Rule 8 of the Revised Rules of the Court of Tax Appeals (**RRCTA**) provides:

> SEC. 3. *Who may appeal; period to file petition.* —
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> . . . .
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> (b) A party adversely affected by a decision or resolution of a Division of the Court on a motion for reconsideration or new trial may appeal to the Court by filing before it a petition for review **within fifteen days from receipt of a copy of the questioned decision or resolution**. Upon proper motion and the payment of the full amount of the docket and other lawful fees and deposit for costs before the expiration of the reglementary period herein fixed, the Court may grant an additional period not exceeding fifteen days from the expiration of the original period within which to file the petition for review. (Emphasis supplied)

The records show that petitioner received the assailed *Resolution* denying its *Motion for Reconsideration (Re: Decision promulgated on 20 January 2025)* on July 30, 2025.[20] Thus, petitioner had fifteen (15) days from receipt of the assailed

[20] Division Docket – Vol. III, p. 1634, Notice of Resolution.

Resolution, or until August 14, 2025, to appeal to the Court *En Banc*.

Accordingly, the present *Petition for Review* was timely filed on August 14, 2025. Thus, the Court *En Banc* is properly vested with jurisdiction to take cognizance of the case.

The Court *En Banc* now proceeds to the merits of the appeal.

After a careful and judicious review of the parties' arguments and the records, the Court *En Banc* finds no reversible error in the findings and conclusions of the Court in Division in the assailed *Decision* and *Resolution*.

The arguments proffered by petitioner were already thoroughly discussed and passed upon, albeit rejected, by the Court in Division. On this ground alone, the *Petition for Review* deserves scant consideration. Nevertheless, to finally dispel any uncertainty on the part of petitioner, the Court *En Banc* finds it proper to revisit these issues for purposes of emphasis and clarity, and to underscore the basis of the Court in Division's ruling.

The Court in Division did not err in concluding that petitioner failed to establish that it was engaged in zero-rated or effectively zero-rated sales, absent proof of payment in acceptable foreign currency.

In the assailed *Decision*, the Court in Division denied petitioner's VAT refund claim due to its failure to establish that it was engaged in zero-rated sales of services under Section 108(B)(2) of the NIRC of 1997, as amended. Specifically, the Court in Division found that petitioner did not sufficiently prove the existence of a valid offsetting arrangement that could serve as an alternative to the actual inward remittance of foreign currency as consideration for services rendered to NRFCs not doing business in the Philippines.

Petitioner, however, argues otherwise. It contends that the documentary evidence it presented, particularly the GSFA and STCFA, taken together and in conjunction with the testimony of Ms. Munar, adequately establishes a valid intercompany offsetting arrangement equivalent to payment in acceptable foreign currency.

The Court *En Banc* is not persuaded.

It is well-settled that offsetting arrangements are recognized by the BIR as an acceptable alternative to proof of inward remittance of foreign currency. Nonetheless, the right to offset between petitioner and its affiliates cannot be presumed and must be established by clear and convincing evidence.

In RMC No. 42-2003, the BIR enumerated the documentary requirements for substantiating offsetting arrangements, as follows:

> Q-8: With the full liberalization of the BSP rules on foreign exchange and trade transactions (CB Circular No. 1389 dated April 13, 1993 enunciated in RMC No. 57-97), the BIR requirement for full documentation of proofs of inward remittances of export proceeds should no longer be enforced. Accordingly, what should be the acceptable documentary requirements in the processing of claims for TCC/refund, specifically on offsetting arrangements?
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> A-8: In the case of offsetting arrangements, the following documents should be required:
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> a. Import documents which created liability accounts in favor of the foreign parent or affiliated company;
> b. Other contracts with the foreign or affiliated company that brought about the liabilities which were offset against receivables from export sales;
> c. Evidence of proceeds of loans, in case the claimant has received loans or advances from the foreign company;
> d. Documents or correspondence regarding offsetting arrangements;
> e. Confirmation of the offsetting arrangements by the heads of the business organizations involved;
> f. Documents to prove actual export of goods; [and]
> g. Documents to prove that the sales are zero-rated sales.

Based on the foregoing, any claim of an offsetting arrangement must be substantiated in accordance with RMC No. 42-2003, which expressly requires, among others, documents or correspondence regarding such arrangements, as well as contracts with the foreign or affiliated company that give rise to the liabilities offset against receivables from export sales.

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In the present case, petitioner failed to present the requisite proof that payments in foreign currency were accounted for in accordance with BSP rules and regulations. While petitioner underscores that the agreements show the intent of the contracting parties to adopt such an intercompany offsetting arrangement as an acceptable foreign currency payment, a mere assertion of such intent is insufficient to establish compliance with the prescribed requirements, particularly where such intent is not clearly supported by the evidence on record.

A closer scrutiny of the wording of paragraph 12[21] of the STCFA reveals that the parties are authorized to set off any credit balance, in any currency and on any account. Notably, the parties referred to therein, clearly and unequivocally, are Avaloq Group AG, as lender, and its affiliates, including petitioner, collectively or individually referred to as the borrower. This provision neither contemplates nor authorizes the set-off of credits between one affiliate and another. Rather, it only refers to a set-off of credits between Avaloq Group AG and a borrowing affiliate, ***not*** between one affiliate and another. Accordingly, petitioner failed to establish any authority permitting the offsetting of credits between petitioner itself and another affiliate of Avaloq Group AG.

Contrary to petitioner's assertion that separate offsetting agreements are not required, and notwithstanding its position that it is only an ROHQ, having no separate and distinct legal personality from its mother company, Avaloq Group AG, the Court *En Banc* concurs with the Court in Division in holding that a separate agreement between and among Avaloq Group AG's affiliates is necessary to corroborate and substantiate the purported offsetting arrangement.

This interpretation finds support in paragraph 7.3, Invoice and Payment Terms of the GSFA, which provides that "[t]he contracting entity and each service provider may agree on alternative methods for the payment of the Service Fees due to the Service Provider, including by way of centralized clearing/netting system or group current accounts."[22] Thus, a

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[21] Par. 12, Set-Off Balances of the STCFA provides:

Both parties authorize each other to set-off any credit balance in any currency to which it is entitled on any account in satisfaction of any sum due and payable under this Agreement but unpaid. For this purpose, both parties are authorized to purchase with the monies standing to the credit of any such account such other currencies as may be necessary to effect such application.

[22] Division Docket – Vol. II, pp. 952–965, Exhibit "P-23".

separate agreement between or among Avaloq Group AG's affiliates, or at the very least, an express provision in the STCFA to that effect, is necessary before such an offsetting arrangement can take effect between and/or among Avaloq Group AG's affiliates.

Correspondingly, the Court *En Banc* agrees with the Court in Division when it ruled, thus:

> While an examination of the Short-Term Credit Facility Agreement executed by and between Avaloq Group AG and its various affiliates, including petitioner, validates petitioner's claim of having loan transactions in US Dollars with Avaloq Group AG, the same agreement failed to show that such advances from Avaloq Group AG can be the subject of set-off as payment for the receivables earned by petitioner from its sale of services to other affiliates. Suffice it to say, petitioner should have presented additional corroborating documentary evidence on this matter.
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> *First*, the Short-Term Credit Facility Agreement is an undertaking between Avaloq Group AG, as the primary party and lender, and each affiliate, as a borrower. Thus, it does not include loan agreement between one affiliate and another affiliate.
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> *Second*, the said agreement does not provide for an offsetting arrangement between Avaloq Group AG's advances to petitioner and the latter's receivables from Avaloq Group AG's affiliates. It would be erroneous to construe paragraph "12. Set Off Balances" of the agreement as authorizing offsetting arrangement between affiliates given that such provision contemplates a set-off of credits between the lender-parent company and borrower-affiliate.
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> *Third*, Avaloq Group AG is a distinct legal entity from its affiliates so that the right of offset between petitioner and other affiliates cannot presumed. If there is indeed an offsetting arrangement among Avaloq Group AG affiliates, the same should have been covered by a separate agreement executed between and among them. Unfortunately, petitioner failed to submit evidence of this separate agreement.
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> For these reasons, petitioner was not able to establish before this Court that there exists a valid offsetting arrangement in the present case that may serve as an alternative to actual inward remittance of foreign currency in consideration for the services it rendered to the aforementioned NRFCs. Consequently, petitioner failed to prove that is engaged in zero-rated sales of services under Section 108 (B) (2) of the NIRC of 1997, as amended.

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Even assuming arguendo that the GFSA and STCFA are sufficient to establish a valid offsetting arrangement, the Court in Division did not err in finding that petitioner failed to prove the specific details of the alleged offsetting transactions.

In the assailed *Decision*, the Court in Division ruled that, even granting that petitioner had established the existence of a valid offsetting arrangement, petitioner must still establish the specific details of the offsetting that occurred between petitioner's receivables from the sale of services to Avaloq Group AG's affiliates and the advances made by Avaloq Group AG.

Indeed, a careful examination of the *Schedule of Offsetting of Receivables,*[23] however, reveals that it fails to provide the necessary particulars. The schedule does not reflect the actual matching or application of specific receivables against corresponding advances. Instead, it merely shows the additions to and deductions from the "Group Account Balance," without clearly identifying which receivables were offset against which advances, or the dates on which such offsetting occurred.

Consequently, it cannot be ascertained from the schedule that the advances or loan transactions were, in fact, treated as payments for the services rendered by petitioner to Avaloq Group AG's affiliates. The Court *En Banc* cannot presume which loan amounts were intended to directly offset a particular receivable from petitioner's non-resident foreign affiliates, nor can it infer the existence of clear authority for such offsetting without sufficient documentation.

Absent any compelling reason to relax the rules, the principle of strictissimi juris cannot yield to bare invocations of substantial justice, equity, and fair play.

The Court *En Banc* stresses that the invocation of substantial justice is not a magic wand that would readily dispel the application of procedural rules.[24] Such rules are meant to

[23] *Id.* at 991, Exhibit "P-25-1".
[24] *Philippine Savings Bank v. Papa*, G.R. No. 200469, January 15, 2018, [Per J. Martires, Third Division].

be faithfully observed except only for the most persuasive of reasons.[25]

While courts indeed have the prerogative to relax procedural rules of even the most mandatory character and that the Supreme Court has, in numerous instances, adopted a liberal construction of the rules to serve the ends of substantial justice and equity,[26] the Court *En Banc* finds no sufficient justification to warrant such leniency in the present case.

In light of the foregoing, and considering that petitioner failed to adduce sufficient proof of its entitlement to a tax refund, and that no new, substantial, or compelling argument has been raised that has not been previously scrutinized, studied, and resolved by the Court in Division, there exists no cogent reason to disturb the ruling in the assailed *Decision* and *Resolution*. The Court in Division correctly denied petitioner's refund claim for lack of merit, rendering any relaxation of the rules unwarranted.

As a final note, stringent evidentiary burden imposed upon taxpayers to prove their entitlement to a tax refund, consistent with the doctrine of *strictissimi juris,* calls for rigid adherence to procedural rules and a strict interpretation of the law. It bears emphasizing that claims for tax refund, such as the present case, partake of the nature of tax exemptions; hence, the statutes of which must be construed *strictissimi juris* against the taxpayer and liberally in favor of the taxing authority.[27] An entitlement to a tax refund is for the taxpayer to prove and not for the government to disprove.[28] The pieces of evidence presented entitling a taxpayer to an exemption are also *strictissimi* scrutinized and must be duly proven.[29]

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[25] *Id.*

[26] *Ong Lim Sing, Jr. v. Feb Leasing & Finance Corporation*, G.R. No. 168115, June 8, 2007 [Per J. Nachura, Third Division]; See also *Latogan v. People*, January 22, 2020 [Per J. Inting, Second Division].

[27] *Philippine Phosphate Fertilizer Corporation v. Commissioner of Internal Revenue*, G.R. No. 141973, June 28, 2005 [Per J. Austria-Martinez, Second Division] citing *Commissioner of Internal Revenue v. Seagate Technology*, G.R. No. 153866, February 11, 2005 [Per J. Panganiban, Third Division].

[28] *Commissioner of Internal Revenue v. Far East Bank & Trust Company (Now Bank of the Philippine Islands)*, G.R. No. 173854, March 15, 2010 [Per J. Del Castillo, Second Division].

[29] *Pilipinas Shell Petroleum Corporation v. Commissioner of Internal Revenue*, G.R. No. 211779, November 3, 2020 [Notice, First Division]; *Kepco Philippines Corporation v. Commissioner of Internal Revenue*, G.R. No. 179961, January 31, 2011 [Per J. Mendoza, Second Division] citing *Atlas Consolidated Mining and Development Corporation v. Commissioner of Internal Revenue*, G.R. No. 159490, February 18, 2008 [Per J. Velasco, Jr., Second Division].

WHEREFORE, premises considered, the instant *Petition for Review (RE: Decision dated 20 January 2025 and Resolution dated 20 June 2025),* filed by petitioner Avaloq Philippines Operating Headquarters, is **DENIED** for lack of merit.

Accordingly, the assailed *Decision* dated January 20, 2025, and *Resolution* dated June 20, 2025, both issued by the Court's Second Division in CTA Case No. 10491, are **AFFIRMED**.

SO ORDERED.

LANEE S. CUI-DAVID
Associate Justice

WE CONCUR:

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

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

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CORAZON G. FERRER-FLORES
Associate Justice

HENRY S. ANGELES
Associate Justice

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