REPUBLIC OF THE PHILIPPINES
Court Of Tax Appeals
QUEZON CITY

SECOND DIVISION

AICHI FORGING COMPANY OF ASIA, INC., *Petitioner,*	**C.T.A. CASE NO. 6540** Members:
-versus-	CASTAÑEDA, JR., Chairperson UY, and PALANCA-ENRIQUEZ, JJ.
COMMISSIONER OF INTERNAL REVENUE, *Respondent.*	**Promulgated:** MAR 2 0 2009

10:00 a.m.

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DECISION

PALANCA-ENRIQUEZ, J.:

Pursuant to *Section 112 (A) of the National Internal Revenue Code of 1997* (hereafter "NIRC of 1997"), *as amended*, petitioner filed a claim for refund of its creditable input VAT attributable to its zero-rated sales. To do so, however, petitioner must be able to show that its input VAT paid and output VAT transactions are properly substantiated. Failure to show proof of proper documentation is fatal to one's claim for refund or credit.

THE CASE

This is a Petition for Review filed on September 30, 2002 by Aichi forging Company of Asia, Inc. (hereafter "petitioner") praying for the refund or issuance of a tax credit certificate in the amount of P18,030,547.77, representing unutilized input value-added tax (VAT) on purchases of capital goods directly and actually used in its trade or business and unutilized input VAT allocated to zero-rated sales for the period covering July 1, 2000 to December 31, 2001. On February 8, 2005, petitioner filed an Amended Petition for Review increasing the claim for refund or issuance of a tax credit certificate from P18,030,547.77 to P18,203,933.60, which the Court admitted in its Resolution of May 18, 2005.

THE PARTIES

Aichi Forging Company of Asia, Inc. is a domestic corporation duly organized and existing under the laws of the Philippines, with office address at Bo. Pulong, Sta. Cruz, Sta. Rosa, Laguna. It is principally engaged in the manufacture, production and processing of all kinds of steel and steel by products, such as close impression die steel forgings and all automotive steel parts. It is duly registered with the Bureau of Internal Revenue (BIR) as a

VAT Taxpayer, with Tax Identification Number 004-146-511 (*Exhibit "A"*). It is likewise registered with the Board of Investments (BOI) as an expanding producer of closed die impressions forgings for which it was issued Certificate of Registration No. EP95-132 on June 8, 1995.

On the other hand, respondent is the duly appointed Commissioner of Internal Revenue, with authority, among others, to decide, approve and grant tax credits/and or refunds of overpaid or erroneously paid internal revenue taxes, with office at 5/F BIR National Office Building, Diliman, Quezon City.

THE FACTS

In their "Joint Stipulation of Facts and Issues", the parties stipulated, as follows:

> "1. Petitioner is a domestic corporation duly organized and existing under the laws of the Philippines, with office address at the Bo. Pulong, Sta. Cruz, Sta. Rosa, Laguna;
>
> 2. Petitioner is principally engaged in the manufacture, production and processing of all kinds of steel and steel by products, more particularly but not limited to closed impression die steel forgings and all automotive steel parts;
>
> 3. Respondent is the duly appointed Commissioner of internal Revenue, with authority, among others, to decide,

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approve and grant tax credits/and or refunds of overpaid or erroneously paid internal revenue taxes, with office at 5/F BIR National Office Building, Diliman, Quezon City, where he may be served with summons and other legal processes;

4. As a seller of goods, Petitioner is duly registered with the Bureau of Internal Revenue (BIR) as a Value-Added taxpayer, with Taxpayer Identification Number 004-146-511;

5. Petitioner is likewise registered with the Board of Investments (BOI) as an expanding producer of closed die impressions forgings for which it was issued Certificate of Registration No. EP 95-132 on June 8, 1995;

6. Fact of filing on October 25, 2000 of the Quarterly VAT Return of the Petitioner for the period covering July 1, 2000 to September 30, 2000;

7. Fact of filing on January 25, 2001 of the Quarterly VAT Return of the Petitioner for the period covering October 1, 2000 to December 31, 2000 and also the fact of filing on February 20, 2001 of the amended VAT Return for the same period;

8. Fact of filing on April 25, 2001 of the Quarterly VAT Return of the Petitioner for the period covering January 1, 2001 to March 31, 2001;

9. Fact of filing on July 25, 2001 of the Quarterly VAT Return of the Petitioner for the period covering April 1, 2000 to June 30, 2001;

10. Fact of filing on October 25, 2001 of the Quarterly VAT Return of the Petitioner for the period covering July 1, 2001 to September 30, 2001;

11. Fact of filing on January 25, 2002 of the Quarterly VAT Return of the Petitioner for the period covering October 1, 2001 to December 31, 2001;

12. On September 26, 2002, Petitioner filed with the Bureau of Internal Revenue District Office in San Pedro, Laguna a written claim for refund and/or tax credit of its unutilized input VAT credits for the 3rd and 4th quarters of 2000 and the whole taxable year of 2001 amounting to P18,030,547.77, representing the unutilized/excess input VAT payments;

13. The administrative claim for refund and/or tax credit has not been acted upon with finality by the Respondent; and

14. Petition for Review is being filed in order to toll the running of the prescriptive period provided under Section 229 and 112(D) of the Tax Code, as amended, in relation to Section 4.112-2(c) of Revenue Regulations No. 7-95, as amended."

On September 30, 2002, petitioner filed the instant Petition for Review in order to toll the running of the prescriptive period provided under *Sections 229 and 112(D) of the NIRC of 1997, as amended*, in relation to *Section 4.112-2(c) of Revenue Regulations No. 7-95*, as amended.

On February 8, 2005, petitioner filed a "Motion for Leave to File its Amended Petition For Review", which the Court granted in a Resolution dated May 18, 2005, and the Amended Petition For Review was admitted.

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In his Answer to the Amended Petition for Review, respondent alleged the following special and affirmative defenses:

> "4. He reiterates and pleads the preceding paragraphs of this answer as part of his Special and Affirmative Defenses;
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> 5. Petitioner's alleged claim for refund is subject to administrative investigation/examination by the respondent;
>
> 6. To support its claim, it is imperative for petitioner to prove the following viz:
>
> a. The registration requirements of a value-added taxpayer in compliance with Section 6 (a) and (b) of the Revenue Regulations No. 6-97 in relation to Section 4.107-1 (a) of Revenue Regulations No. 7-95, and Section 236 of the Tax Code, as amended;
>
> b. The invoicing and accounting requirements for VAT-registered persons, as well as the filing and payment of VAT in compliance with the provisions of Sections 113 and 114 of the Tax Code, as amended;
>
> c. Compliance with the prescribed checklist of requirements to be submitted involving claim for VAT refund in pursuance to Revenue Memorandum Order No. 53-98, otherwise there would be no sufficient compliance with the filing of administrative claim for refund which is a condition *sine qua non* prior to the filing of judicial claim in accordance with the provision of Section 229 of the Tax Code, as amended. It is worthy of emphasis that Section 112 (D) of the Tax Code, as amended, requires the **submission of complete documents in support of the application filed** with the Bureau of Internal Revenue

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before the 120-day audit period shall apply, and before the taxpayer could avail of judicial remedies as provided for in the law;

d. That the input taxes of P18,203,933.60 allegedly paid by the petitioner on its purchases of capital goods were attributable to its zero-rated sales and such have not been applied against any output tax;

e. That petitioner's claim for tax credit or refund of the unutilized input tax (VAT) was filed within two (2) years after the close of the taxable quarter when the purchase was made in accordance with Section 112 (B) of the Tax Code, as amended;

f. That petitioner's domestic purchases of goods, services and capital goods were made in the course of its trade or business, properly supported by VAT invoices and/or official receipts and other documents, such as subsidiary purchase Journal, showing that it actually paid VAT in accordance with Sections 110 (A) (2) and 113 of the Tax Code, as amended, and in pursuance to Section 4.104-5 (a) & (b) of Revenue Regulations No. 7-95 (Re: Substantiation of Claims for Input Tax Credit);

g. The requirements as enumerated under Section 4.104-2 of the Revenue Regulations 7-95. (Re: Persons who can avail of the Input Tax Credits);

h. That petitioner has complied with the governing rules and regulations with reference to recovery of tax erroneously or illegally collected as explicitly found in Sections 112 (B) and 229 of the Tax Code, as amended.

> 7. Furthermore, in an action for refund the burden of proof is on the taxpayer to establish its right to refund and failure to sustain the burden is fatal to the claim for refund/credit. This is so because exemptions from taxation are highly disfavored in law and he who claims exemption must be able to justify his claim by the clearest grant of organic or statutory law. An exemption from common burden cannot be permitted to exist upon vague implications. (*Asiatic Petroleum Co. [P.I.] v. Llanes, 49 Phil. 466* cited in *Collector of internal Revenue v. Manila Jockey Club, Inc., 98 Phil. 670).*
>
> 8. Claims for refund are construed strictly against the claimant for the same partake the nature of exemption from taxation."

Petitioner presented Editha Descartin, Richard Querido, the Court Commissioned Independent CPA and documentary evidence, marked as *Exhibits "E" to "LLL-6" together with their submarkings,* which were admitted by the Court in a Resolution dated November 6, 2006, and supplemental exhibits, marked as *Exhibits "PP" and "PPP-I"*, which were admitted by the Court in a Resolution dated April 29, 2008.

Upon manifestation of counsel for respondent that he will not present any evidence with the admission by petitioner's counsel of the genuineness, existence, and due execution of petitioner's Certificate of BOI Registration (No. EP95-132) dated June 8, 1995, including its General and Specific

Terms and Conditions, both parties were granted thirty (30) days from May 26, 2008 or until June 25, 2008 to file their simultaneous memoranda, afterwhich the case shall be deemed submitted for decision.

On June 23, 2008, respondent filed his Memorandum, while petitioner filed its Memorandum on July 25, 2008.

On July 31, 2008, the case was deemed submitted for decision

Hence, this decision.

ISSUES

As stipulated by the parties, the following are the issues for the consideration of the Court:

I

WHETHER OR NOT THE ADMINISTRATIVE AND JUDICIAL CLAIM FOR REFUND WERE FILED WITHIN THE STATUTORY PERIOD.

II

WHETHER OR NOT PETITIONER HAS UNAPPLIED OR UNUTILIZED CREDITABLE INPUT VAT FOR THE PERIOD FROM JULY 1, 2000 TO DECEMBER 31, 2001 ARISING FROM ITS DOMESTIC PURCHASES OF GOODS AND SERVICES AS WELL AS IMPORTATION OF CAPITAL GOODS WHICH CAN BE A PROPER SUBJECT OF A CLAIM FOR REFUND PURSUANT TO SECTION

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106(A)(2), 110(B) AND SECTION 112(A) AND (B) OF THE TAX CODE OF 1997.

III

WHETHER OR NOT THE UNAPPLIED OR UNUTILIZED CREDITABLE INPUT VAT TAXES OF PETITIONER FOR THE PERIOD COVERING JULY 1, 2000 TO DECEMBER 31, 2001 ARE SUBSTANTIATED BY DOCUMENTARY EVIDENCE IN THE FORM OF INVOICES AND OFFICIAL RECEIPTS THAT COMPLY WITH THE INVOICING AND ACCOUNTING REQUIREMENTS FOR VAT-REGISTERED PERSONS.

IV

WHETHER OR NOT THE AMOUNT P18,203,933.60 REPRESENTING PETITIONER'S ALLEGED UNUTILIZED INPUT VAT FOR THE PERIOD JULY 1, 2000 TO DECEMBER 31, 2001 PERTAINS TO INPUT VAT ON PURCHASES OF CAPITAL GOODS DIRECTLY AND ACTUALLY USED IN PETITIONER'S TRADE OR BUSINESS AND/OR INPUT VAT ON PURCHASES ATTRIBUTABLE TO ITS ZERO-RATED SALE TRANSACTIONS.

V

WHETHER THE UNUTILIZED AND UNAPPLIED CREDITABLE INPUT VAT FOR THE PERIOD COVERING JULY 1, 2000 TO DECEMBER 31, 2001 WERE NOT APPLIED AGAINST ANY OF THE OUTPUT VAT LIABILITY OF THE PETITIONER FOR THE SAID PERIOD OR CARRIED-OVER TO THE NEXT SUCCEEDING TAXABLE QUARTER/S.

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VI

WHETHER OR NOT PETITIONER HAS ZERO-RATED SALES FOR THE COVERED PERIOD PURSUANT TO SECTION 106(A)(2) OF THE TAX CODE, AS AMENDED, AND UNDER EXISTING REVENUE RULES AND REGULATIONS, WHICH WOULD ENTITLE THE PETITIONER THE RIGHT TO CLAIM FOR REFUND OF INPUT VAT ATTRIBUTABLE THERETO AND WHETHER THE SAID ZERO-RATED SALES CAN BE SUBSTANTIATED BY EVIDENCE.

VII

WHETHER OR NOT PETITIONER HAS SECURED FROM THE BIR THE NECESSARY APPROVAL FOR ZERO-RATING WITH RESPECT TO ITS TRANSACTIONS WITH BOI-REGISTERED MANUFACTURERS OR PRODUCERS BUT WHOSE PRODUCTS ARE NOT 100% EXPORTED.

Principal Issue

The foregoing issues raised by both parties boil down to the principal issue of whether or not petitioner is entitled to a refund or issuance of a tax credit certificate in the amount of P18,203,933.60, representing input taxes attributable to its zero-rated sales and input taxes on its purchases of capital goods during the third and fourth quarters of 2000 and the whole of taxable year 2001.

THE COURT'S RULING

The Petition is partly meritorious.

Petitioner's Quarterly VAT Returns for the third quarter of 2000 to the fourth quarter of 2001 reflect the following:

Exh.	Taxable Quarter	Zero-rated Sales	Taxable Sales	Total Sales	Output VAT
G, LLL-1	3rd Qtr 2000	P 129,541,928.36	P 7,733,998.16	P 137,275,926.52	P 773,399.82
K, LLL-2	4th Qtr 2000	116,332,545.18	5,159,033.33	121,491,578.51	515,903.33
N, LLL-3	1st Qtr 2001	103,720,326.85	6,475,328.52	110,195,655.37	647,532.85
LLL-4	2nd Qtr 2001	94,130,266.88	10,892,646.56	105,022,913.44	1,089,264.66
LLL-5	3rd Qtr 2001	121,128,590.04	10,935,126.53	132,063,716.57	1,093,512.65
W, LLL-6	4th Qtr 2001	113,944,874.59	9,209,550.48	123,154,425.07	920,955.05
	Total	**P 678,798,531.90**	**P 50,405,683.58**	**P729,204,215.48**	**P 5,040,568.36**

Taxable Quarter	Input VAT on other Goods/Services	Input Tax on importation of Goods	Total Input VAT
3rd Qtr 2000	P 1,565,063.33	P 1,572,727.00	P 3,137,790.33
4th Qtr 2000	1,465,436.29	1,076,435.00	2,541,871.29
1st Qtr 2001	1,617,454.42	3,772,176.00	5,389,630.42
2nd Qtr 2001	1,469,675.85	905,946.00	2,375,621.85
3rd Qtr 2001	1,463,825.13	619,281.00	2,083,106.13
4th Qtr 2001	1,925,032.52	1,780,064.00	3,705,096.52
Total	**P 9,506,487.54**	**P 9,726,629.00**	**P 19,233,116.54**

Out of P19,233,116.54 reported input VAT, only the amount of P18,203,933.60 is subject of the instant Petition, which allegedly consisted of the following:

Input VAT on Capital Goods	P 4,344,866.00
Input VAT Allocated to Zero-Rated Sales	13,859,067.60
Total Input VAT Claim	**P18,203,933.60**

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Petitioner anchors its claim on *Sections 110(B) and 112(A) and (B) of the NIRC of 1997*, which provide as follows:

> **"SEC. 110. Tax Credits. —**
>
> **(A) Creditable Input Tax. —**
>
> (1) Any input tax evidenced by a VAT invoice or official receipt issued in accordance with Section 113 hereof on the following transactions shall be creditable against the output tax:
>
> xxx xxx
>
> **(B) Excess Output or Input Tax. —** If at the end of any taxable quarter the output tax exceeds the input tax, the excess shall be paid by the VAT-registered person. If the input tax exceeds the output tax, the excess shall be carried over to the succeeding quarter or quarters. Any input tax attributable to the purchase of capital goods or to zero-rated sales by a VAT-registered person may at his option be refunded or credited against other internal revenue taxes, subject to the provisions of Section 112."
>
> **"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

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Section 108(B)(1) and (2), the acceptable foreign currency exchange proceeds thereof had been duly accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP): *Provided further*, That where the taxpayer is engaged in zero-rated or effectively zero-rated sale and also in taxable or exempt sale of goods or properties or services, and the amount of creditable input tax due or paid cannot be directly and entirely attributed to any one of the transactions, it shall be allocated proportionately on the basis of volume of sales.

(B) Capital Goods. – A VAT-registered person may apply for the issuance of a tax credit certificate or refund of input taxes paid on capital goods imported or locally purchased to the extent that such input taxes have not been applied against output taxes. The application may be made only within two (2) years after the close of the taxable quarter when the importation or purchase was made."

Petitioner's claim
In the amount of P4,344,866.00,
Representing Input VAT paid
On Capital Goods Purchased
For the Period Covering July 1, 2000
to December 31, 2001

The Court shall first discuss petitioner's claim in the amount of P4,344,866.00, representing input VAT paid on capital goods purchased for the period covering July 1, 2000 to December 31, 2001.

Pursuant to the afore-quoted provision of *Section 112(B) of the NIRC of 1997, as amended*, in order to be entitled to a refund or issuance of a tax

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credit certificate for input VAT paid on capital goods purchased, petitioner must prove:

1) that it is a VAT registered entity;
2) that input taxes were paid on capital goods
3) that such input taxes were not applied against any output VAT liability; and
4) that the claim for refund was filed within the two-year prescriptive period.

Petitioner has complied with the first requisite, there being no dispute that it is duly registered with the BIR as a VAT taxpayer.

As to the second requisite, petitioner submitted Bureau of Customs' (BOC) certifications, bank settlement advices/debit memos, Import Entry and Internal Revenue Declarations (IEIRDs), and official receipts from the BOC or the bank (*Exhibits "XX-31" to "XX-34", "XX-106", "ZZ-80" to "ZZ-85", "ZZ-134", "AAA-40" to "AAA-41", and "CCC-177" to CCC-178"*). Upon examination thereof, the Court-commissioned Independent Certified Public Accountant (ICPA) submitted the following findings (*Exhibit "DDD"*):

a.	Supported by Certification from BOC and settlement advice	P 3,544,935.00
b.	Supported by photocopied Import Entry Declaration but with debit memo and traced to bank settlement	668,415.00
c.	Supported by settlement advice but no Certification from BOC	95,086.00
d.	Supported by ORs only	36,430.00
	Total Input VAT Claim on Capital Goods Purchases	**P4,344,866.00**

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While the foregoing shows that petitioner incurred input taxes in the amount of P4,344,866.00, however, petitioner failed to prove that the related purchases fall within the definition of capital goods under *Section 4.106-1(b) of Revenue Regulations No. 7-95*, which provides:

> "Capital goods or properties" refer to goods or properties with estimated useful life greater than one year and which are treated as depreciable assets under Section 29(f), used directly or indirectly in the production or sale of taxable goods or services."

Petitioner failed to submit its financial statements and books of accounts to show that the goods purchased formed part of its Property, Plant and Equipment Account and that they were subjected to depreciation. Thus, petitioner failed to substantiate the second requisite. Accordingly, We find it unnecessary to discuss petitioner's compliance with the other remaining requisites.

Petitioner's Remaining Claim In the Amount of P13,859,067.60, Representing Input VAT Attributable To Zero-Rated Sales

As regards the remaining claim in the amount of P13,859,067.60, allegedly representing input VAT attributable to zero-rated sales, the

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aforecited *Section 112(A) of the NIRC of 1997, as amended,* allows the refund/tax credit of input VAT attributable to zero-rated or effectively zero-rated sales subject to the taxpayer's compliance with the following requisites:

1) there must be zero-rated or effectively zero-rated sales;
2) that input taxes were incurred or paid;
3) that such input VAT payments are directly attributable to zero-rated sales or effectively zero-rated sales;
4) that the input VAT payments were not applied against any output VAT liability; and
5) that the claim for refund was filed within the two-year prescriptive period.

Anent the first requisite, the ICPA noted that the amount of P678,798,531.90 treated by petitioner as zero-rated sales consisted of sales of goods to BOI-registered and PEZA-registered enterprises, broken down as follows (*Exhibit "DDD"*):

Sales to PEZA-registered enterprises	P 396,315,182.69
Sales to BOI-registered enterprises	282,483,349.21
TOTAL	**P 678,798,531.90**

Petitioner claims that its sales to PEZA-registered entities are zero-rated for VAT purposes, pursuant to *Revenue Memorandum Circular (RMC) No. 74-99*, which states:

"(3) In the final analysis, any sale of goods, property or services made by a VAT registered supplier from the Customs Territory to any registered enterprise operating in the ecozone, regardless of the class or type of the latter's PEZA registration, is actually qualified and thus legally entitled to the zero percent (0%) VAT. Accordingly, all sales of goods or property to such enterprise made by a VAT registered supplier from the Customs Territory shall be treated subject to 0% VAT, pursuant to Sec.106(A)(2)(a)(5), NIRC, in relation to ART.77(2) of the Omnibus Investments Code, while all sales of services to the said enterprises, made by VAT registered suppliers from the Customs Territory, shall be treated effectively subject to the 0% VAT, pursuant to Sec.108(B)(3), NIRC, in relation to the provisions of R.A.7916 and the 'Cross Border Doctrine' of the VAT system.

This Circular shall serve as a sufficient basis to entitle such supplier of goods, property or services to the benefit of the zero percent (0%) VAT for sales made to the aforementioned ECOZONE enterprises and shall serve as sufficient compliance to the requirement for prior approval of zero-rating imposed by Revenue Regulations No. 7-95 effective as of the date of issuance of this Circular."

We find merit in petitioner's contention.

The aforequoted RMC is in accordance with *Section 106(A)(2)(a)(5) of the NIRC of 1997, as amended,* which provides, as follows:

"SEC. 106. Value-added Tax on Sale of Goods or Properties. —

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(A) Rate and Base of Tax. — xxx

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(2) The following sales by VAT-registered persons shall be subject to zero percent (0%) rate:

(a) *Export Sales.* — The term 'export sales' means:

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(5) Those considered export sales under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, and other special laws."

Sales by a VAT taxpayer from the Customs Territory to a PEZA-registered entity are considered export sales under *Executive Order (E.O.) No. 226*, otherwise known as "The Omnibus Investments Code of 1987", pertinent portions of which read, as follows:

"ARTICLE 23. 'Export Sales' shall mean the Philippine port F.O.B. value, determined from invoices, bills of lading, inward letters of credit, landing certificates, and other commercial documents, of export products exported directly by a registered export producer or the net selling price of export product sold by a registered export producer to another export producer, or to an export trader that subsequently exports the same: Provided, That sales of export products to another producer or to an export trader shall only be deemed export sales when actually exported by the latter, as evidenced by landing certificates of similar commercial documents: Provided, further, That without actual exportation the following shall be considered 'constructively exported' for purposes of this provision: (1) sales to bonded manufacturing warehouses of export-oriented manufacturers; **(2) sales to export processing zones**; xxx" (*Emphasis supplied*)

"ARTICLE 77. Tax Treatment of Merchandise in the Zone.

(1) Except as otherwise provided in this Code, foreign and domestic merchandise, raw materials, supplies, articles, equipment, machineries, spare parts and wares of every description, except those prohibited by law, brought into the zone to be sold, stored, broken up, repacked, assembled, installed, sorted, cleaned, graded, or otherwise processed, manipulated, manufactured, mixed with foreign or domestic merchandise whether directly or indirectly related in such activity, shall not be subject to customs and internal revenue laws and regulations nor to local tax ordinances, the provisions of law to the contrary notwithstanding.

(2) **Merchandise purchased by a registered zone enterprise from the customs territory and subsequently brought into the zone, shall be considered as export sales and the exported thereof shall be entitled to the benefits allowed by law for such transaction.**" (*Emphasis supplied*)

In support of its zero-rated sales to PEZA-registered entities, petitioner presented various sales invoices, official receipts, delivery receipts, Applications for Permit to Carry Goods from Customs Territory into the Zone (APCGCTZ), Boat Notes (BN) (*Exhibits "XX-31" to "XX-34",* *"XX-106", "ZZ-80" to "ZZ-85", "ZZ-134", "AAA-40" to "AAA-41", and "CCC-177" to CCC-178"*), and PEZA certifications. These documents proved that for the subject period of claim, petitioner generated indirect export sales to PEZA-registered entities which qualify for VAT zero-rating under *Section 106(A)(2)(a)(5) of the NIRC of 1997, as amended.* However, out of the P396,315,182.69 reported sales to PEZA-registered entities, the amount of P5,667,201.83 (*Exhibit "DDD"*), which has no supporting documents shall be denied VAT zero-rating.

As to the alleged zero-rating of its domestic sales to BOI-registered entities in the amount of P282,483,349.21, petitioner invokes as legal basis *Section 2 of Revenue Memorandum Order (RMO) No. 9-2000*, which provides:

> "SEC. 2. *Rationale.* - In Revenue Memorandum Circular No. 74-99, promulgated on October 15, 1999, it has been clarified that sales of goods, property and services made by VAT-registered suppliers to PEZA-registered enterprises shall qualify for zero-rating pursuant to the provisions of Section 106(A)(2)(a)(5) of the National Internal Revenue Code of 1997, in relation to Section 23 of R A. No. 7916 (the PEZA Law) and Article 77(2) of Executive Order No. 226 (the Omnibus Investments Code of 1987). This treatment is anchored on the 'Cross Border Doctrine' of the VAT System, which in essence means that no value-added tax shall form part

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of the cost component of products which are destined for consumption outside of the territorial border of the Philippines. This principle is achieved through the application of VAT zero-rating products exported from the Philippines to foreign countries. Furthermore, Article 25 of the Omnibus Investments Code provides. among others, that products sold *'to bonded manufacturing warehouses of export-oriented manufacturers* shall be considered *'constructively exported'* while Section 106(A)(2)(a)(5) NIRC of 1997, provides for the application of zero rating to *'those considered export sales under Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, and other special laws.'*

The rationale of RMC 74-99 may also find application to sales made by VAT registered suppliers to BOI-registered enterprises whose manufactured products are 100% exported to foreign countries and therefore said sales can likewise be accorded automatic zero-rating treatment."

Clearly, sales to BOI-registered enterprises whose products are 100% exported qualify for VAT zero-rating, pursuant to *Section 106(A)(2)(a)(5) of the NIRC of 1997, as amended*, subject to compliance with the prescribed requirements under *Section 3 of RMO 9-2000*, to wit:

"SEC. 3. *Sales of goods, properties or services made by a VAT-registered supplier to a BOI-registered exporter shall be accorded automatic zero-rating, i.e., without necessity of applying for and securing approval of the application for zero-rating as provided in Revenue Regulations No. 7-95, subject to the following conditions*:

(1) The supplier must be VAT-registered;

(2) The BOI-registered buyer must likewise be VAT-registered;
(3) The buyer must be a BOI-registered manufacturer/producer whose products are 100% exported. For this purpose, a Certification to this effect must be issued by the Board of Investments (BOI) and which certification shall be good for one year unless subsequently re-issued by the BOI;
(4) The BOI-registered buyer shall furnish each of its suppliers with a copy of the aforementioned BOI Certification which shall serve as authority for the supplier to avail of the benefits of zero-rating for its sales to said BOI-registered buyers; and
(5) The VAT-registered supplier shall issue for each sale to BOI-registered manufacturer/exporters a duly registered VAT invoice with the words 'zero-rated' stamped thereon in compliance with Sec. 4.108-1(5) of Revenue Regulations No. 7-95. The supplier must likewise indicate in the VAT-invoice the name and BOI-registry number of the buyer."

In compliance with the third and fourth requisites under *Section 3 of RMO 9-2000*, petitioner presented a master list of VAT zero-rating indorsements containing the entries of Asian Transmission Corporation and Honda Philippines (*Exhibits "KKK-7" and "KKK-8"*). A perusal, however, of these documents shows that they are mere listings of companies, which cannot be considered as certifications duly issued by the BOI. Since these certifications were not certified, it necessarily follows that petitioner's sales to Asian Transmission Corporation and Honda Philippines in the amount of P282,483,349.21 cannot be considered for VAT zero-rating. Consequently, We find no need to examine and discuss whether the said sales are duly supported by the required sales invoices.

In sum, out of the P678,798,531.90 zero-rated sales reported by petitioner in its VAT Returns for the subject period of claim, only the sales to PEZA-registered entities in the amount of P390,647,980.86 shall be considered as valid zero-rated sales, computed as follows:

Total declared zero-rated sales		P 678,798,531.90
Less: disallowances		
Sales to BOI-registered enterprises	P 282,483,349.21	
Sales to PEZA-registered enterprises with no supporting documents	5,667,201.83	288,150,551.04
Substantiated zero-rated sales		**P 390,647,980.86**

The claimed input VAT shall be allocated to the substantiated zero-rated sales using the following ratio:

Substantiated zero-rated sales	P 390,647,980.86
Divided by total declared zero-rated sales	P 678,798,531.90
Ratio of substantiated zero-rated sales	**57.55%**

Petitioner's declared excess unutilized input VAT from domestic purchases of goods and services for the third quarter of 2000 to the fourth quarter of 2001 amounted to P19,233,116.54, broken down, as follows:

Exh.	Taxable Quarter	Input VAT on other Goods/Services	Input Tax on importation of Goods	Total Input VAT
G	3rd Qtr 2000	P 1,565,063.33	P 1,572,727.00	P 3,137,790.33
K	4th Qtr 2000	1,465,436.29	1,076,435.00	2,541,871.29
N	1st Qtr 2001	1,617,454.42	3,772,176.00	5,389,630.42
Q	2nd Qtr 2001	1,469,675.85	905,946.00	2,375,621.85
T	3rd Qtr 2001	1,463,825.13	619,281.00	2,083,106.13
W	4th Qtr 2001	1,925,032.52	1,780,064.00	3,705,096.52
	Total	**P 9,506,487.54**	**P 9,726,629.00**	**P 19,233,116.54**

In its computation, petitioner allocated the input VAT on domestic purchases and importation of goods and services, other than capital goods, in the following manner:

Period	Zero-rated Sales	Total Sales	Total Input VAT	Input VAT on capital goods	Input Tax Allocated to Zero-rated Sales
2000					
3rd Qtr	P 129,541,928.36	P 137,275,926.52	P 3,137,790.33	P 888,745.00	P 2,122,336.21
4th Qtr	116,332,545.18	121,491,578.51	2,541,871.29	-	2,433,932.95
2001					
1st Qtr	103,720,326.85	110,195,655.37	5,389,630.42	2,875,974.00	2,365,948.68
2nd Qtr	94,130,266.88	105,022,913.44	2,375,621.85	198,185.00	1,951,599.94
3rd Qtr	121,128,590.04	132,063,716.57	2,083,106.13	-	1,910,620.99
4th Qtr	113,944,874.59	123,154,425.07	3,705,096.52	381,962.00	3,074,628.83
TOTAL	**P678,798,531.90**	**P729,204,215.48**	**P 19,233,116.54**	**P 4,344,866.00**	**P13,859,067.60**

Based on the above computations, the input VAT of P14,888,250.54 (P19,233,116.54 less P4,344,866.00) was proportionately allocated between petitioner's taxable sales and zero-rated sales on the basis of the total sales, in the respective amounts of P1,029,182.94 and P13,859,067.60, as follows:

QW

Period	Total Input VAT	Input VAT on capital goods	Input VAT Balance	Input VAT Allocated to Zero-rated Sales	Input VAT Allocated to Taxable Sales
	(a)	(b)	(a) – (b)		
2000					
3rd Qtr	P 3,137,790.33	P 888,745.00	P 2,249,045.33	P 2,122,336.21	P 126,709.12
4th Qtr	2,541,871.29	-	2,541,871.29	2,433,932.95	107,938.34
2001					
1st Qtr	5,389,630.42	2,875,974.00	2,513,656.42	2,365,948.68	147,707.74
2nd Qtr	2,375,621.85	198,185.00	2,177,436.85	1,951,599.94	225,836.91
3rd Qtr	2,083,106.13	-	2,083,106.13	1,910,620.99	172,485.14
4th Qtr	3,705,096.52	381,962.00	3,323,134.52	3,074,628.83	248,505.69
TOTAL	**P19,233,116.54**	**P4,344,866.00**	**P14,888,250.54**	**P13,859,067.60**	**P1,029,182.94**

Upon examination and validation of petitioner's voluminous documents supporting the input VAT of P14,888,250.54, the ICPA made and reported the following findings (*Exhibit "DDD")*:

A. Domestic purchases of:	
1. Services supported by VAT Ors	P 5,324,344.42
2. Goods supported by VAT invoices	3,154,901.13
3. Services supported by documents other than Ors	25,362.72
4. Goods supported by documents other than invoices	4,335.36
5. Goods supported by cash register tapes	3,614.31
6. Services supported by ORs with no BIR authority to print indicated	5,657.00
7. Goods supported by invoices with no BIR authority to print indicated	28,753.18
8. Services supported by ORs with no date indicated	2,133.34
9. Goods supported by invoices with no date indicated	132.55
10. Services supported by ORs with printed "Non-VAT" or "NV"	1,462.68
11. Goods supported by invoices with printed "Non-VAT" or "NV"	3,534.55
12. Goods supported by invoices not in the name of the Company	310.45
13. Services supported by ORs with manually stamped "TIN VAT"	2,031.86
14. Goods supported by invoices with manually stamped "TIN VAT"	818.18
15. Services supported by ORs with printed "TAN" only	368,488.95
16. Services supported by ORs with manually stamped "VAT"	432.27
17. Goods supported by invoices with manually stamped "VAT"	46,959.34
18. Services supported by ORs with no "VAT" indicated	9,223.20
19. Goods supported by invoices with no "VAT" indicated	6,096.02
20. Services supported by ORs with stamp "TAN" instead of "TIN"	163,282.28
21. Services supported by ORs with "TIN" but no "VAT"	13,573.64

22. Without supporting documents	308,652.73
B. Importations – Others	
27. Supported by OR from BOC and withdrawal permit	437,798.46
28. Supported by withdrawal permit but no OR	26,268.54
29. Supported by Certification from BOC and settlement advice	1,582,960.10
30. Supported by stamp "Certified true xerox copy" of Import Entry Declaration and settlement advice	1,778,555.00
31. Supported by original Import Entry Declaration and settlement advice	799,225.00
32. Supported by settlement advice and photocopied Import Entry Declaration	703,219.17
33. Supported by photocopied Import Entry Declaration and no settlement advice	86,124.00
TOTAL	**P 14,888,250.43**

Based on the foregoing, input VAT amounts under numbers 3 to 22 and 28, amounting to P1,021,123.15, should be disallowed, for not being supported by the required evidence under *Sections 110(A) and 113(A) of the NIRC of 1997*, as implemented by *Sections 4.104-1, 4.104-5, and 4.108-1 of Revenue Regulations No. 7-95.* The same holds true as regards the input VAT of P812,937.59, broken down, as follows:

A. Domestic purchases of goods and services:	
1. Invoice or OR with TIN-V instead of TIN-VAT	P 199,547.46
2. Invoice or OR not duly registered with the BIR	58,316.97
3. Purchases not supported with valid VAT invoices or ORs	44,491.77
4. Invoice or OR dated outside the period of claim or undated or with incomplete date	35,211.02
5. Supported with invoices or ORs that are not legible or with stamped TIN-VAT	14,285.21
6. Supported with non-VAT invoice or OR	11,803.63
B. Importation of goods other than capital goods:	
7. No supporting documents	224,998.00
8. NO BOC or bank OR or settlement advice	109,284.00
9. Amount of VAT paid not clear/legible or not indicated in OR or IERD	76,734.00
10. Supported by undated BOC OR	1,421.00

11. Discrepancy between amount of input VAT claimed and supporting documents	36,844.53
TOTAL	**P 812,937.59**

(Details of the disallowed input VAT per classification above is made part and parcel of this Decision as Annexes "A" to "A-5".)

Thus, petitioner's valid input VAT is P13,054,189.80, computed as follows:

Period	Total Input VAT	Disallowances		Valid Input VAT
		Per ICPA	Per Court	
3rd Qtr-2000	P 2,249,045.33	P 211,129.00	P 74,232.30	P 1,963,684.03
4th Qtr-2000	2,541,871.29	300,228.48	154,657.08	2,086,985.73
1st Qtr-2001	2,513,656.42	138,527.94	112,469.39	2,262,659.09
2nd Qtr-2001	2,177,436.85	92,533.92	201,774.12	1,883,128.81
3rd Qtr-2001	2,083,106.13	109,050.08	87,985.09	1,886,070.96
4th Qtr-2001	3,323,134.52	169,653.73	181,819.61	2,971,661.18
TOTAL	**P14,888,250.54**	**P 1,021,123.15**	**P 812,937.59**	**P13,054,189.80**

Consequently, the input VAT allocated to petitioner's zero-rated sales amounted to P12,148,272.25, detailed as follows:

Period	Zero-rated Sales	Total Sales	Total Valid Input VAT	Input VAT Allocated to Taxable Sales	Valid Input Tax Allocated to Zero-rated Sales
3rd Qtr-2000	P 129,541,928.36	P 137,275,926.52	P 1,963,684.03	P 110,632.13	P 1,853,051.90
4th Qtr-2000	116,332,545.18	121,491,578.51	2,086,985.73	88,622.02	1,998,363.71
1st Qtr-2001	103,720,326.85	110,195,655.37	2,262,659.09	132,958.61	2,129,700.48
2nd Qtr-2001	94,130,266.88	105,022,913.44	1,883,128.81	195,312.20	1,687,816.61
3rd Qtr-2001	121,128,590.04	132,063,716.57	1,886,070.96	156,170.26	1,729,900.70
4th Qtr-2001	113,944,874.59	123,154,425.07	2,971,661.18	222,222.33	2,749,438.85
TOTAL	**P678,798,531.90**	**P729,204,215.48**	**P13,054,189.80**	**P 905,917.55**	**P12,148,272.25**

However, petitioner's substantiated zero-rated sales are only 57.55% of the declared zero-rated sales, hence the input VAT attributable to zero-rated sales is only P6,991,320.40, as shown below:

Valid input VAT allocated to zero-rated sales	P 12,148,272.25
Multiply by ratio of substantiated zero-rated sales to declared zero-rated sales	57.55%
Input VAT attributable to zero-rated sales available for refund	**P 6,991,320.40**

As regards the fourth requisite, the Court finds that for the third and fourth quarters of 2000 and the four quarters of 2001, petitioner has taxable sales amounting to P50,405,683.58, with corresponding output tax due of P5,040,568.36. In its Memorandum, petitioner claims that it has an existing unutilized input tax which was carried over to the third quarter of 2000 from the immediately preceding taxable period (*i.e.*, the second quarter of 2000) in the amount of P5,784,347.54, which may be continually forwarded to the succeeding quarters until the same is fully credited against output taxes. This amount plus the input tax allocated to taxable sales are more than sufficient to cover the output tax due on sales for the period covering July 1, 2000 to December 31, 2001.

A careful scrutiny of petitioner's Quarterly VAT Return for the third quarter of 2000 shows that it indeed reported P5,784,347.54, as "Input Tax Carried Over from Previous Quarter" (*Exhibit "G"*). Nevertheless, this cannot be used to cover the output tax due for the subject period of claim because petitioner failed to submit the VAT invoices or official receipts proving the existence thereof. Hence, the output tax due shall be offset against the input VAT allocated to taxable sales in the amount of P905,917.55. Since there still remains an output tax due of P4,134,650.81 (P5,040,568.36 – P905,917.55), the same shall be applied against the valid input VAT paid on importations in the amount of P4,344,866.00, leaving an unutilized input VAT of P210,215.19. Also, inasmuch as petitioner has sufficient tax credits to cover the output tax liability of P5,040,568.36, the entire input VAT allocated to zero-rated sales in the amount of P6,991,320.40 remained unutilized as of the fourth quarter of 2001. Moreover, petitioner did not carry-over the subject claim to the succeeding first quarter of 2002 (*Exhibit "FF"*).

As regards the requisite of whether the subject claim was filed within the two-year prescriptive period, We rule in the affirmative. Petitioner filed its claim for refund with the BIR on September 26, 2002, and the original Petition for Review on September 30, 2002. Both dates of filing are well within the two-year prescriptive period reckoned from September 30, 2000, December 31, 2000, March 31, 2001, June 30, 2001, September 30, 2001, and December 31, 2001, the close of each taxable quarter covering the period July 1, 2000 to December 31, 2001 (*Exhibit "GG"*).

WHEREFORE, premises considered, the Petition For Review is hereby **PARTIALLY GRANTED**. Accordingly, respondent Commissioner of Internal Revenue is hereby **ORDERED TO REFUND** or **TO ISSUE A TAX CREDIT CERTIFICATE** in favor of petitioner the reduced amount of **SIX MILLION NINE HUNDRED NINETY ONE THOUSAND THREE HUNDRED TWENTY and 40/100 PESOS** (P6,991,320.40), representing unutilized input VAT attributable to zero-rated sales for the period covering July 1, 2000 to December 31, 2001.

SO ORDERED.

OLGA PALANCA-ENRIQUEZ
Associate Justice

WE CONCUR:

Juanito C. Castañeda, Jr.
JUANITO C. CASTAÑEDA, JR.
Associate Justice

ERLINDA P. UY
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

Juanito C. Castañeda, Jr.
JUANITO C. CASTAÑEDA, JR.
Associate Justice
Chairperson, Second Division

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Division 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.

ERNESTO D. ACOSTA
Presiding Justice

ANNEX A

DISALLOWANCES PER COURT'S VERIFICATION

DOMESTIC PURCHASES OF GOODS AND SERVICES

Exh.	Date	Supplier	Input VAT	Total
1.) Invoice or OR with TIN-V instead of TIN-VAT				
3rd Qtr, 2000				
UU-163	8/8/2000	W.A. Raflores Trading & Construction	405.45	
UU-164	8/25/2000	W.A. Raflores Trading & Construction	4,032.00	
UU-439	7/11/2000	RC Engineering Industrial Services & Supply	295.45	
UU-440	7/28/2000	RC Engineering Industrial Services & Supply	2,123.84	
UU-441	8/21/2000	RC Engineering Industrial Services & Supply	2,370.27	
UU-442	9/1/2000	RC Engineering Industrial Services & Supply	1,158.38	
UU-443	9/13/2000	RC Engineering Industrial Services & Supply	4,740.55	
UU-444	9/20/2000	RC Engineering Industrial Services & Supply	1,405.45	16,531.39
4th Qtr, 2000				
UU-905	11/23/2000	Mega Protrade Phils.	540.91	
UU-906	12/9/2000	Mega Protrade Phils.	630.68	
UU-907	12/21/2000	Mega Protrade Phils.	540.91	
YY-16	10/2/2000	Mega Protrade Phils.	1,187.27	
YY-17	10/18/2000	Mega Protrade Phils.	540.91	
YY-18	11/8/2000	Mega Protrade Phils.	504.55	
YY-19	11/14/2000	Mega Protrade Phils.	540.91	
YY-20	11/23/2000	Mega Protrade Phils.	646.36	
YY-21	10/18/2000	Mega Protrade Phils.	504.55	
YY-24	3/14/2001	RC Engineering Industrial Services & Supply	41,983.36	47,620.41
1st Qtr, 2001				
UU-1272	1/16/2001	W.A. Raflores Trading & Construction	4,088.00	
UU-1273	2/9/2001	W.A. Raflores Trading & Construction	4,312.00	
UU-1274	3/9/2001	W.A. Raflores Trading & Construction	4,564.00	
UU-1434	1/11/2001	Mega Protrade Phils.	504.55	
UU-1435	1/24/2001	Mega Protrade Phils.	504.55	
UU-1436	1/24/2001	Mega Protrade Phils.	540.91	
UU-1437	2/12/2001	Mega Protrade Phils.	504.55	
UU-1438	2/12/2001	Mega Protrade Phils.	540.91	
UU-1439	2/14/2001	Mega Protrade Phils.	540.91	
UU-1440	2/27/2001	Mega Protrade Phils.	504.55	
UU-1441	2/27/2001	Mega Protrade Phils.	540.91	
UU-1442	3/15/2001	Mega Protrade Phils.	646.36	
UU-1443	3/15/2001	Mega Protrade Phils.	540.91	
UU-1494	2/19/2001	Phil-Process Lubrication Tech., Inc.	1,028.40	
UU-1495	2/21/2001	Phil-Process Lubrication Tech., Inc.	5,990.00	

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UU-1496	2/21/2001	Phil-Process Lubrication Tech., Inc.	1,337.60	
UU-1497	2/21/2001	Phil-Process Lubrication Tech., Inc.	1,836.00	
UU-1509	3/2/2001	RC Engineering Industrial Services & Supply	237.03	
UU-1510	3/6/2001	RC Engineering Industrial Services & Supply	4,503.52	
UU-1597	2/12/2001	Speedway Elect. & Office Supply	8,345.45	
UU-1598	2/14/2001	Speedway Elect. & Office Supply	4,436.36	
UU-1602	3/13/2001	Speedway Elect. & Office Supply	358.00	46,405.47
2nd Qtr, 2001				
UU-1847	4/27/2001	W.A. Raflores Trading & Construction	4,732.00	
UU-1848	6/15/2001	W.A. Raflores Trading & Construction	4,186.00	
UU-1849	6/29/2001	W.A. Raflores Trading & Construction	3,360.00	
UU-2056	4/2/2001	Mega Protrade Phils.	504.55	
UU-2057	4/26/2001	Mega Protrade Phils.	1,045.45	
UU-2058	5/17/2001	Mega Protrade Phils.	504.55	
UU-2059	5/17/2001	Mega Protrade Phils.	540.91	
UU-2060	6/3/2001	Mega Protrade Phils.	504.55	
UU-2061	6/3/2001	Mega Protrade Phils.	540.91	
UU-2062	6/19/2001	Mega Protrade Phils.	504.55	
UU-2114	4/20/2001	RC Engineering Industrial Services & Supply	2,370.27	
UU-2115	4/20/2001	RC Engineering Industrial Services & Supply	4,079.45	
UU-2196	5/4/2001	Speedway Elect. & Office Supply	5,454.55	
UU-2197	5/4/2001	Speedway Elect. & Office Supply	184.00	28,511.74
3rd Qtr, 2001				
UU-2455	8/10/2001	W.A. Raflores Trading & Construction	4,928.00	
UU-2456	9/28/2001	W.A. Raflores Trading & Construction	4,648.00	
UU-2709	7/8/2001	Mega Protrade Phils.	1,187.27	
UU-2710	7/25/2001	Mega Protrade Phils.	540.91	
UU-2711	7/25/2001	Mega Protrade Phils.	504.55	
UU-2712	8/14/2001	Mega Protrade Phils.	504.55	
UU-2713	8/23/2001	Mega Protrade Phils.	540.91	
UU-2714	8/23/2001	Mega Protrade Phils.	504.55	
UU-2715	9/12/2001	Mega Protrade Phils.	540.91	
UU-2716	9/12/2001	Mega Protrade Phils.	504.55	
UU-2769	7/3/2001	RC Engineering Industrial Services & Supply	643.75	
UU-2770	7/3/2001	RC Engineering Industrial Services & Supply	1,945.64	
UU-2771	7/6/2001	RC Engineering Industrial Services & Supply	2,847.27	
UU-2772	7/6/2001	RC Engineering Industrial Services & Supply	4,992.22	
UU-2773	8/21/2001	RC Engineering Industrial Services & Supply	3,111.76	
UU-2774	8/21/2001	RC Engineering Industrial Services & Supply	2,381.73	
UU-2775	8/28/2001	RC Engineering Industrial Services & Supply	6,223.52	36,550.09
4th Qtr, 2001				
UU-3110	11/23/2001	W.A. Raflores Trading & Construction	5,376.00	
UU-3111	12/14/2001	W.A. Raflores Trading & Construction	5,320.00	

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UU-3301	10/3/2001	Mega Protrade Phils.	1,045.45	
UU-3302	10/24/2001	Mega Protrade Phils.	1,187.27	
UU-3303	11/14/2001	Mega Protrade Phils.	1,045.45	
UU-3335	11/17/2001	RC Engineering Industrial Services & Supply	4,740.55	
CCC-63	12/1/2001	Don Bosco Seminary College	3,122.73	
CCC-82	12/1/2001	Mega Protrade Phils.	504.55	
CCC-83	12/1/2001	Mega Protrade Phils.	540.91	
CCC-84	12/18/2001	Mega Protrade Phils.	1,045.45	23,928.36
		Sub-total		*199,547.46*
2.) Invoice or OR not duly registered with the BIR				
3rd Qtr, 2000				
UU-390	7/7/2000	Mobil Philippines, Inc.	7,327.84	
UU-391	8/1/2000	Mobil Philippines, Inc.	9,159.80	16,487.64
4th Qtr, 2000				
YY-5	1/8/2001	Pacific Union Insurance Co.	3,074.40	3,074.40
2nd Qtr, 2001				
UU-1927	4/7/2001	Constant Power Industrial Sales	8,036.36	
UU-1928	4/7/2001	Constant Power Industrial Sales	1,459.11	
UU-1929	4/10/2001	Constant Power Industrial Sales	763.64	
UU-1930	5/31/2001	Constant Power Industrial Sales	440.91	
UU-1931	6/14/2001	Constant Power Industrial Sales	325.91	11,025.93
3rd Qtr, 2001				
UU-2895	7/6/2001	Velca Equipment & Eng Red Prods., Inc.	8,950.00	
UU-2896	8/7/2001	Velca Equipment & Eng Red Prods., Inc.	4,312.00	
UU-2897	8/20/2001	Velca Equipment & Eng Red Prods., Inc.	8,067.00	21,329.00
4th Qtr, 2001				
UU-3398	11/6/2001	Velca Equipment & Eng Red Prods., Inc.	6,400.00	6,400.00
		Sub-total		*58,316.97*
3.) Purchases not supported by valid VAT invoice or OR				
4th Qtr, 2001				
CCC-23		Unimachine Metal Fabrication, Inc.	19,003.09	
UU-3386		Tamaraw Security Service, Inc.	10,910.24	
UU-3387		Tamaraw Security Service, Inc.	10,228.35	
		Best Electrical Inc.	4,350.09	44,491.77
		Sub-total		*44,491.77*
4.) Invoice or OR dated outside the period of claim or undated or with incomplete date				
3rd Qtr, 2000				
UU-120		Puerto Azul Golf & Country Club	3,164.55	
XX-24	6/28/2000	Tiger Machinery	7,272.73	
XX-25	6/9/2000	Ultimate Energy Systems Trading	3,636.36	

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XX-26	6/9/2000	Ultimate Energy Systems Trading	4,545.45	
XX-27	5/25/2000	Unioil Petroleum Phils., Inc.	2,570.18	21,189.27
2nd Qtr, 2001				
UU-2222		Unimachine Metal Fabrication, Inc.	3,615.91	
AAA-4		Primetown Property Group, Inc.	1,636.36	
AAA-5		Primetown Property Group, Inc.	654.55	5,906.82
4th Qtr, 2001				
CCC-2	1/11/2002	Aztek Systems International Corp.	2,727.27	
CCC-4	1/7/2002	DHL Worldwide Express	339.69	
CCC-10		Ippon Yari House	178.45	
CCC-14	1/9/2002	Laguna Internet	287.70	
CCC-19	1/10/2002	Primetown Property Group, Inc.	4,581.82	8,114.93
		Sub-total		*35,211.02*
5.) Supported with invoices or ORs that are not legible or with stamped TIN-VAT				
4th Qtr, 2000				
UU-911	10/24/2000	MESCO, Inc.	145.45	
UU-912	10/27/2000	MESCO, Inc.	429.09	
UU-915	11/18/2000	MESCO, Inc.	932.73	
YY-22	11/7/2000	MESCO, Inc.	2,590.00	4,097.27
1st Qtr, 2001				
UU-1137	3/5/2001	FGU Insurance Corporation	5,133.39	5,133.39
4th Qtr, 2001				
UU-3237	11/22/2001	Linden Technologies Phils., Inc.	5,054.55	5,054.55
		Sub-total		*14,285.21*
6.) Supported with non-VAT invoice or OR				
2nd Qtr, 2001				
AAA-12	6/14/2001	A.L. De Leon Construction & Trading	6,636.36	
AAA-13	5/30/2001	A.L. De Leon Construction & Trading	1,940.00	
AAA-14	5/11/2001	A.L. De Leon Construction & Trading	3,227.27	11,803.63
		Sub-total		*11,803.63*
		TOTAL		**363,656.06**

ANNEX A-4

IMPORTATION OF GOODS OTHER THAN CAPITAL GOODS

Exh.	Date	BOC Serial No./Bank Ref. No./OR No.	Input VAT	Total
7.) No supporting documents				
4th Qtr, 2000				
	Dec-00	28972632	86,124.00	86,124.00
2nd Qtr, 2001				
	May-01	31400153	21,518.00	
	Jul-01	88375183	1,257.00	
	Jul-01	88503301	441.00	
	Jul-01	89311591	1,217.00	
	Jul-01	89311591	864.00	
	Jul-01	89311591	845.00	
	Jul-01	89311591	3,135.00	
	Jul-01	89311591	3,344.00	
	Jul-01	89311591	1,987.00	
	Jul-01	89311591	127.00	
	Jul-01	89311582	1,655.00	
	Jul-01	89311582	3,278.00	
	Jul-01	88445472	4,579.00	
	Jul-01	88445472	164.00	
	Jul-01	88445472	58.00	
	Jul-01	88445472	2,438.00	
	Apr-01	29493807	22.00	
	Jun-01	16063	1,817.00	48,746.00
3rd Qtr, 2001				
	Sep-01	31588444	1,946.00	
	Jul-01	31517876	8,314.00	10,260.00
4th Qtr, 2001				
	Oct-01	33750857	79,868.00	79,868.00
		Sub-total		*224,998.00*
8.) No BOC or bank OR or settlement advice				
2nd Qtr, 2001				
AAA-89	Apr-01	30273677	94,461.00	94,461.00
3rd Qtr, 2001				
BBB-115	Jul-01	32500045	14,823.00	14,823.00
		Sub-total		*109,284.00*

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9.) Amount of VAT paid not clear/legible or not indicated in OR or IERD

4th Qtr, 2000					
YY-83	Dec-00	28885096	13,741.00	13,741.00	
1st Qtr, 2001					
ZZ-120, ZZ-121	Jan-01	29865595	46,751.00		
ZZ-124, ZZ-125	Jan-01	20031084	9,900.00	56,651.00	
2nd Qtr, 2001					
AAA-47	Apr-01	30407562	1,319.00	1,319.00	
3rd Qtr, 2001					
BBB-117	Aug-01	32873741	5,023.00	5,023.00	
		Sub-total		*76,734.00*	

10.) Supported by undated BOC OR

1st Qtr, 2001					
ZZ-86	Jan-01	84883757	1,421.00	1,421.00	
		Sub-total		*1,421.00*	

11.) Discrepancy between amount of input VAT claimed and supoorting documents

		Amount Claimed	Input VAT	Difference	Total
3rd Qtr, 2000					
XX-90, XX-87	Oct-00	5,985.00	5,958.00	27.00	
XX-113, XX-114	Jul-00	33,930.00	13,933.00	19,997.00	20,024.00
1st Qtr, 2001					
ZZ-145, ZZ-146	Feb-01	34,712.00	31,853.47	2,858.53	2,858.53
4th Qtr, 2001					
CCC-184	Oct-01	41,261.00	27,299.00	13,962.00	13,962.00
		Sub-total			*36,844.53*
		TOTAL			**449,281.53**
TOTAL DISALLOWANCES PER COURT'S VERIFICATION					**812,937.59**

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