REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

VILLAGE-GREEN HOG FARM, INC.,
Petitioner,

-versus-

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NO. 8375

Members:
CASTAÑEDA, JR., *Chairperson*
CASANOVA, and
COTANGCO-MANALASTAS, *JJ.*

Promulgated:
AUG 0 1 2014
4:29 p.m.

x- x

DECISION

COTANGCO-MANALASTAS, *J.*:

STATEMENT OF THE CASE

This case involves a Petition for Review[1] filed by petitioner Village-Green Hog Farm, Inc., on November 11, 2011 pursuant to Section 228 of the National Internal Revenue Code of 1997 (1997 NIRC), as amended, in relation to Section 7(a)(1) of Republic Act (RA) No. 1125, as amended by RA No. 9282, and Section 3(a)(1) of Rule 4 of the Revised Rules of the Court of Tax Appeals.

Petitioner appeals the decision of the respondent Commissioner of Internal Revenue denying petitioner's protest of the Formal Letter of Demand[2] and Assessment Notices,[3] all dated May 21, 2010, which assessed petitioner for deficiency income tax and expanded withholding tax (EWT) for the taxable year 2007 amounting to SEVEN MILLION EIGHTY-ONE THOUSAND ONE HUNDRED THIRTY-SEVEN AND 00/100 (P7,081,137.00), inclusive of interests.

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[1] *Docket*, pp. 10-35.
[2] Exhibit "BB".
[3] Exhibits "BB-8" & "BB-10"

STATEMENT OF FACTS

Petitioner Village-Green Hog Farm, Inc. (VGHFI) is a corporation organized and existing under Philippine laws with address at 12 Samar Avenue, South Triangle, Diliman, Quezon City.[4]

Respondent is the duly appointed Commissioner of Internal Revenue vested with authority to exercise the functions of said office, including *inter alia*, the power to abate or cancel a tax liability when the tax or any portion thereof appears to be unjustly or excessively assessed, and holding office at the BIR National Office Building, Diliman, Quezon City.[5]

On July 21, 2008, a Letter of Authority[6] (LOA) No. 00039501 dated July 18, 2008 was received by petitioner authorizing revenue officers to examine petitioner's books of accounts and other accounting records for taxable year 2007. Along with the LOA is a First Request for Presentation of Records[7] dated July 21, 2008 (hereinafter, collectively referred to as "LOA").

In a letter[8] dated July 23, 2008, petitioner acknowledged the LOA but did not heed respondent's request for presentation of records, arguing that their 2006 ongoing audit has not been completed.

On August 15, 2008, petitioner received a Second Request for Presentation of Records[9] dated August 12, 2008. Petitioner acknowledged the second request and reiterated that the company's 2006 audit is on-going.[10]

On September 1, 2008, petitioner received a Final Request for Presentation of Records[11] dated August 28, 2008. Petitioner reiterated in its letter dated September 2, 2008 that petitioner's 2006 audit is yet to be concluded, but nevertheless undertook to perform partial compliance on October 2008.

[4] Par. 1, Joint Stipulation of Facts and Simplification of Issues (JSFSI), docket, p. 200.
[5] Par. 2, JSFSI, docket, p. 201.
[6] Exhibit "D".
[7] Exhibit "E".
[8] Exhibit "F".
[9] Exhibit "G".
[10] Exhibit "H"
[11] Exhibit "I"

In a letter[12] dated October 27, 2008, petitioner submitted photocopies of some of the documents in partial compliance to respondent's request for documents, and assured that other required documents will be submitted as soon as the ongoing 2006 audit is completed.

Respondent issued a *Subpoena Duces Tecum*[13] on March 3, 2009 commanding petitioner to appear on March 23, 2009, and to bring and submit books of accounts and other accounting records for 2007, *i.e.*, General Special Journals, General Subsidiary Ledgers, Sales Invoices & Official Receipts, Expense Vouchers & Purchase Invoices.

On March 23, 2009, petitioner's representative appeared without the subpoenaed documents before Atty. Geraldine Llaguno of the Legal Division of Revenue Region No. 7, Bureau of Internal Revenue (BIR), Quezon City, explaining that petitioner had been submitting documents to the BIR and have undertaken to make full compliance upon completion of the 2006 audit; petitioner's representative likewise explained that the books and records are available for inspection in their office upon at least a day's notice. Atty. Llaguno granted petitioner until March 24, 2009 to bring the subpoenaed documents.

Petitioner claims to have submitted for inspection the subpoenaed documents, except for the Expense Vouchers and Purchase Invoices, during the meeting on March 24, 2009. Petitioner declared that it did not leave any of the subpoenaed documents in BIR's custody; this is due to a prior occurrence where petitioner's records were allegedly lost by the BIR. However, the transmittal letter[14] dated March 24, 2009, which contains the list of documents for inspection, was not received by the respondent, petitioner claims that Atty. Llaguno refused to receive the said letter.

A letter dated April 2, 2009 was posted by petitioner to the Chief of the Legal Division for BIR Quezon City stating its invitation to the BIR to examine petitioner's books anytime during office hours from Monday to Friday.

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[12] Exhibit "K".
[13] Exhibit "L".
[14] Exhibit "O".

BIR filed a criminal complaint against petitioner for failure to obey summons, in violation of Sections 5 and 14, penalized under Section 266, in relation to Sections 253 and 256 of the1997 NIRC.[15]

A Post Reporting Notice[16] dated June 2, 2009 was issued by the BIR inviting petitioner to an informal conference where petitioner may present its objections and submit other documentary evidence in support of its claims.

The informal conference was held on June 25, 2009. Petitioner mentioned that the 2006 audit is still ongoing; that it had been communicating with the BIR and complying with the request for documents. Respondent's revenue officer, Mr. Cesar Cabrera, manifested his willingness to visit the company to inspect petitioner's books of accounts as soon as the hearings on the criminal complaint were concluded.[17]

In the meantime, on August 10, 2009 a Resolution[18] was issued by the City Prosecutor of Quezon City recommending the dismissal of the criminal complaint filed by respondent against petitioner due to insufficiency of evidence.

On April 27, 2010, petitioner received a Preliminary Assessment Notice (PAN)[19] dated April 20, 2010, assessing petitioner for deficiency income tax and expanded withholding tax for the calendar year December 31, 2007. Petitioner protested the PAN through a letter[20] dated May 13, 2010.

On June 1, 2010, petitioner received a Formal Letter of Demand[21] dated May 21, 2010 with the attached copies of Details of Discrepancies[22] and Assessment Notices (Demand No. 39-B-25-07) for deficiency income tax amounting to P7,039,866.37,[23] and for deficiency expanded withholding tax amounting to P41,270.63,[24] all dated May 21, 2010 covering taxable year 2007 (hereinafter collectively referred to as "FAN").

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15 Exhibit "S" and "T".
16 Exhibit "U".
17 Memorandum of Petitioner pars. 2.15-2.16, *docket*, p. 880.
18 Exhibit "Y".
19 Exhibit "Z".
20 Exhibit "AA".
21 Exhibit "BB".
22 Exhibit "BB-4".
23 Exhibit "BB-8".
24 Exhibit "BB-10".

On June 9, 2010, petitioner filed its protest letter[25] dated June 4, 2010 against the assessments issued by respondent and requested for the cancellation of the assessments.

A Tax Verification Notice (TVN) No. 00198789[26] was issued on July 21, 2010 authorizing Revenue Officer Warren Cris Mores to conduct a reinvestigation relative to petitioner's protest of the FAN.

Revenue Officer Mores notified petitioner, through a letter[27] dated November 8, 2010, that he will be conducting an audit investigation on November 17, 2010 and advised petitioner to prepare all the listed documentary requirements to facilitate his investigation.

On November 17, 2010 and January 6, 2011, Revenue Officer Mores appeared at petitioner's office to conduct examination of books of accounts and other accounting records of petitioner pursuant to TVN No. 00198789.[28]

On October 12, 2011, petitioner received the FINAL DECISION[29] of the respondent on its protest, reiterating the assessments issued against petitioner for their alleged failure to submit documents in support of their protest. This prompted petitioner to file the subject Petition for Review before this Court on November 11, 2011.

In her Answer[30] filed on January 2, 2012, respondent interposed the special and affirmative defenses, the relevant portions of which are quoted below:

> "5. The assessments for calendar year 2007 in the amounts of P7,039,866.37 and P41,270.63 for deficiency income and expanded withholding taxes, respectively, were issued in compliance with the provisions of Section 228 of the National Internal Revenue Code (NIRC) and in accordance with existing Revenue Rules and Regulations relative to the right of the petitioner to be informed of the factual and legal bases upon which the assessments were made. The factual and legal bases of the assessments are stated in the accompanying Schedule "1" or Detail of Discrepancies;

[25] Exhibit "CC".
[26] Exhibit "EE".
[27] Exhibit "16".
[28] Memorandum of Petitioner pars. 2.29 2.30, *docket*, p. 883.
[29] Exhibit "HH".
[30] *Docket*, pp. 41 44.

6. The disallowance of various business expenses is due to the fact that petitioner failed to produce the required books of accounts and other accounting records thereby failing to substantiate with sufficient evidence the amount of expenses being claimed and their direct connection or relation to the development, management, operation and/or conduct of the trade and business of the taxpayer;

7. For the reason that petitioner did not comply with the mandate of the *Subpoena Duces Tecum* validly issued against it, Respondent was constrained to resort to the Best Evidence Obtainable Rule pursuant to Revenue Memorandum Circular No. 23-2000, under which 50% of petitioner's claimed deductions was disallowed;

8. Tax assessments by tax examiners are presumed correct and made in good faith. xxx".

On January 3, 2012, the Court issued a Notice of Pre-Trial Conference setting the case for pre-trial conference on February 2, 2012.[31]

Respondent filed her Pre-Trial Brief[32] on January 30, 2012; while petitioner filed its Pre-Trial Brief[33] on January 31, 2012.

During the pre-trial proceedings held on March 14, 2012, the parties were ordered to file their Joint Stipulation of Facts and Issues within a period of 15 days.[34]

On March 29, 2012, the parties filed their Joint Stipulation of Facts and Simplification of Issues[35], which was later approved in a Resolution[36] dated April 3, 2012. In the same resolution, the pre-trial was considered terminated.

Thereafter, trial proceeded, giving both parties the opportunity to present and formally offer their respective documentary and testimonial evidence in support of their claims and contentions.

[31] *Docket*, p. 45
[32] Docket, pp. 46-48.
[33] Docket, pp. 49-58.
[34] *Docket*, p. 66.
[35] *Docket*, pp. 200 211.
[36] *Docket*, p. 212.

The case was submitted for decision on August 13, 2013, taking into consideration petitioner's Memorandum[37] submitted on August 1, 2013 and respondent's Memorandum[38] filed on August 5, 2013.

STATEMENT OF ISSUES

The parties submitted the following issues[39] for this Court's determination:

> "1. Whether the FAN issued by Respondent to Petitioner together with the attached Details of Discrepancies and Assessment Notices (Demand No. 39-B-25-07), all dated 21 May 2010, is void for failure of Respondent to comply with the due process requirements provided under Section 228 of the NIRC and Revenue Regulations No. 12-99.
>
> 2. Whether the FAN issued by Respondent to Petitioner together with the attached Details of Discrepancies and Assessment Notices (Demand No. 39-B-25-07), all dated 21 May 2010, is void for having been issued without any basis in fact or in law.
>
> 3. Whether the application by Respondent of the so-called "Best Evidence Rule" under Section 6(b) of the National Internal Revenue Code, as amended was valid under the circumstances.
>
> 4. Whether Petitioner is liable for alleged deficiency income tax for taxable year 2007 amounting to Php7,039,866.37 inclusive of interest.
>
> 5. Whether Petitioner is liable for alleged deficiency expanded withholding tax for taxable year 2007 amounting to Php41,270.63 inclusive of interest."

RULING OF THE COURT

Compliance with the procedural due process requirements;

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[37] *Docket*, pp. 875-894.
[38] *Docket*, pp. 896-909.
[39] JSFSI, docket, pp. 209-210.

factual and legal basis of the assessments;

Germane to the disposition of the issue on factual and legal basis of the assessment is Section 228 of the NIRC of 1997, as amended, which provides that "taxpayers shall be informed in writing of the law and the facts on which the assessment is made; otherwise, the assessment shall be void."

The Court finds that the "Details of Discrepancies attached to the FAN sufficiently complied with Section 228 of the 1997 NIRC.

Pertinent portions of the "Details of Discrepancies" are quoted hereunder:

I. DEFICIENCY INCOME TAX

a. **Income payments not subjected to withholding tax (P1,388,111.00)** - Verification disclosed that you failed to subject your Income payments for repairs and maintenance to withholding tax as required under Revenue Regulations No. 2-98, as amended, thus, disallowed as deduction from your gross income pursuant to Section 34 (K) of the Tax Code of 1997, as amended. Xxx

b. **Disallowed expenses (50% rule) (P12,525,469.00)**-In view of your continued and unjustifiable refusal to prove with documentary evidence the correctness of your tax return for the calendar year ending December 31, 2007, this Office has been constrained to resort to the Best Evidence Rule in determining your income tax liability pursuant to Revenue Memorandum Circular No. 23-2000. Applying the 50% rule of approximation as enunciated the Court in the case of Mariano Zamora, the following expenses were disallowed as deductions from your income, xxx.

c. **Unaccounted source of cash (P86,372.19)**-Verification disclosed that your income payments subject to expanded withholding tax were not reported in the financial statements, as per analysis hereunder, wherein the total difference was considered as unaccounted source of cash which led to the inference that part of your income have not been declared as enunciated by the Court in the case of Perez vs. CTA & CIR L-10507 dated May 30,

> 1958. Therefore, the amount is added in your reported taxable income pursuant to Section 31 of the Tax Code of 1997, as amended. xxx
>
> II. DEFICIENCY EXPANDED WITHHOLDING TAX
>
> Verification disclosed that income payments for repairs and maintenance was not subjected to expanded withholding tax, hence, assessed pursuant to the provision of the Revenue Regulations No. 2-98, as amended. xxx

A perusal of the contents of the "Details of Discrepancies" show the factual basis for assessing petitioner for deficiency income tax and EWT, *i.e.*, petitioner's alleged failure to subject its income payments for repairs and maintenance to withholding tax; alleged refusal/failure to prove with documentary evidence the correctness of tax return; alleged failure to report in the financial statements those income payments subject to expanded withholding tax. While the legal basis for assessing the taxpayer were Section 34 (K) of the 1997 NIRC, Revenue Regulation (RR) No. 2-98, Revenue Memorandum Circular (RMC) No. 23-2000, Section 31 of the 1997 NIRC, and the case of Perez vs. CTA & CIR, L-10507 dated May 30, 1958.

As can be gleaned from the foregoing, petitioner is considered to have been properly apprised of the factual and legal bases of the subject assessment for deficiency income tax, and deficiency EWT all for taxable year 2007. Thus, the subject assessment sufficiently complies with Section 228 of the 1997 NIRC necessitating the taxpayers to be informed of the law and the facts upon which an assessment is based. Further, the fact that petitioner duly protested the assessment clearly bolsters the fact that it was informed of the reasons supporting respondent's findings on its alleged 2007 income tax and expanded withholding tax liabilities.

In varying but consistent language, the Supreme Court has ruled that the requirement of the law to inform the taxpayer of the basis of the assessment does not necessarily mean that it be a full narration of the facts and laws on which the assessment is based. The purpose of the assessment is to enable the taxpayer to know the law and the facts on which the assessment is made, and to afford him his right to due process once it is served and received. Thus, so long as the parties are notified and given the opportunity to explain their side, the requirements of due process are satisfactorily complied with.[40]

Anent the issue on procedural due process requirements referred to in Section 228 of the 1997 NIRC, RR No. 12-99 was issued to implement the same; enshrined in Section 3 of the said regulation reflects the due process requirements in the issuance of a deficiency tax assessment, *to wit*: (1) a notice for informal conference, (2) a preliminary assessment notice, and (3) a formal letter of demand and assessment notice sent to the taxpayer.

The records of this case reveal that, petitioner received the PAN dated April 20, 2010 on April 27, 2010. Petitioner expressed its opposition to the PAN through a letter dated May 13, 2010. On June 1, 2010, petitioner received the FAN dated May 21, 2010. Thereafter, petitioner filed its protest to the FAN on June 9, 2010, which respondent denied in the Final Decision dated September 26, 2011 and received by petitioner on October 12, 2011.

Undoubtedly, petitioner was notified and given wide latitude to exercise its option to present its case in the administrative level as it was able to intelligently protest or dispute the subject assessment issued by the respondent. Hence, the Court is convinced that respondent has substantially complied with the requirements of due process, and petitioner was not denied due process or the opportunity to be heard.

It has been held time and again that the "essence of due process is found in the reasonable opportunity to be heard and submit any evidence one may have in support of one's defense. What the law proscribes is the lack of opportunity to be heard. As long as a party is given the opportunity to defend his interests in due course, he would have no reason to complain, for it is this opportunity to be heard that makes up the essence of due process."[41]

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[40] Calma, et al. vs. Court of Appeals, et al., G.R. No. 122787, February 9, 1999.
[41] Estares, et al. vs. Court of Appeals, et al., G.R. No. 144755, June 8, 2005.

Propriety of respondent's use of the best evidence obtainable rule.

Petitioner challenges the use of the Best Evidence Obtainable Rule in determining its deficiency internal revenue tax liability. Petitioner contends that there is no reason for respondent to apply the Best Evidence Obtainable Rule when the documents required were submitted and made available to the BIR.

Respondent posits that she was constrained to resort to the Best Evidence Obtainable Rule in view of petitioner's alleged refusal and failure to submit documentary evidence to prove the correctness of its tax return, despite receipt of the *subpoena duces tecum*; thus, 50% of petitioner's expenses as indicated in its Annual Income Tax Return (ITR) for taxable year 2007 were disallowed by respondent. Simply put, the expenses of petitioner were disallowed due to petitioner's failure to substantiate the amount of said expenses.

The disallowance of 50% of the expenses of petitioner was based on Section 6(B) of the NIRC of 1997, as amended, as implemented by RMC 23-2000, specifically Sections 2.3 and 2.4(c) thereof, *viz*:

Republic Act No. 8424

AN ACT AMENDING THE NATIONAL INTERNAL REVENUE CODE, AS AMENDED, AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

Section 1. *Short Title.* – This Act shall be cited as the *"Tax Reform Act of 1997".*

xxx xxx xxx

Section 6. *Power of the Commissioner to Make assessments and Prescribe additional Requirements for Tax Administration and Enforcement. –*

xxx xxx xxx

(B) *Failure to Submit Required Returns, Statements, Reports and other Documents.* – When a report required by law as a basis for the assessment of any national internal revenue tax shall not be forthcoming within the time fixed by laws or rules and regulations or when there is reason to believe that any such report is false, incomplete or erroneous, the Commissioner shall assess the proper tax on the best evidence obtainable.

In case a person fails to file a required return or other document at the time prescribed by law, or willfully or otherwise files a false or fraudulent return or other document, the Commissioner shall make or amend the return from his own knowledge and from such information as he can obtain through testimony or otherwise, which shall be prima facie correct and sufficient for all legal purposes.

REVENUE MEMORANDUM CIRCULAR NO. 23-00

SUBJECT : Existing Revenue Procedures on the Assessment of Deficiency Internal Revenue Taxes Based on the "Best Evidence Obtainable"

TO : All Internal Revenue Officers and Others Concerned

xxx xxx xxx

SECTION 2. Prescribed Revenue Procedures. —

2.3 *Assessment Based on Best Evidence Obtainable. — An assessment based on best evidence obtainable is justified when any of the grounds provided by law is clearly established viz:*

1. The report or records requested from the taxpayer are not forthcoming i.e. the records are lost; refusal of the taxpayer to submit such records;

2. The reports submitted are false, incomplete or erroneous.

In every case where a taxpayer is ordered to be examined and he refuses or fails to submit his records giving rise to the issuance of a subpoena duces tecum pursuant to RMO No. 35-90, the assessment shall only be issued after a criminal case has been instituted for failure to obey summons.

After filing of the complaint against the taxpayer for violation of the Subpoena Duces Tecum, the Legal

> Division/Prosecution Division shall immediately return the docket of the case to the concerned Revenue Officer. The Revenue Officer shall, upon receipt of the docket, immediately proceed to determine the taxpayer's deficiency internal revenue tax liability in accordance with the "Best Evidence Obtainable."
>
> 2.4 *Existing Revenue Procedures and Jurisprudence Governing Assessment Based on the Best Evidence Obtainable.* — Provided hereunder are the existing revenue procedures and jurisprudence governing issuance of a deficiency tax assessment based on the best evidence obtainable:
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> xxx
>
> (c) *Assessment Based on Estimate; 50% Rule, in the Absence of Receipts to Prove Actual Amount of Expense Deduction.* — The Court held in the Mariano Zamora case that, if there is a showing that expenses have been incurred but the exact amount thereof cannot be ascertained due to absence of documentary evidence, it is the duty of the BIR to make an estimate of the deduction that may be allowable in computing the taxpayer's taxable income, bearing heavily against the taxpayer whose inexactitude is of his own making. That disallowance of 50% of the taxpayer's claimed deduction is valid.

In this regard, Section 34 (A) (1) (b) of the NIRC of 1997, as amended, provides that one of the requirements for the deductibility of an expense is:

> "SEC. 34. Deductions from Gross Income. — . . .
>
> (A) Expenses. —
>
> (1) Ordinary and Necessary Trade, Business or Professional Expenses. —
>
> (b) Substantiation Requirements. — No deduction from gross income shall be allowed under Subsection (A) hereof unless the taxpayer shall substantiate with sufficient evidence, such as official receipts or other adequate records: (i) the amount of the expense being deducted, and (ii) the direct connection or relation of the expense being deducted to the development, management, operation and/or conduct of the trade, business or profession of the taxpayer."

For an expense to be deductible, it must be substantiated by official receipts or adequate records; that generally, the BIR only accepts the original copy of the receipt/s, which a taxpayer presents to substantiate deductible expense; nevertheless, the absence of original receipts or records does not prevent a taxpayer from proving by other evidence that the claimed deduction was really paid or incurred.[42]

In this case, however, a scrutiny of the evidence on record reveals that petitioner failed to present to respondent any supporting evidence to substantiate the amount of the expenses that have been incurred and the direct connection to petitioner's trade or business of said expenses.

Record shows that respondent repeatedly requested petitioner to present its books of accounts and other accounting records to substantiate the aforesaid expenses. In fact as early as July 21, 2008, LOA[43] No. 00039501 was received by petitioner authorizing revenue officers to examine petitioner's books of accounts and other accounting records for taxable year 2007. Along with the LOA is a First Request for Presentation of Records[44] dated July 21, 2008. In a letter[45] dated July 23, 2008, petitioner merely acknowledged the LOA but did not heed respondent's request for presentation of records, arguing that their 2006 ongoing audit has not been completed.

Thereafter, on August 15, 2008, petitioner received a Second Request for Presentation of Records[46] dated August 12, 2008. However, despite the second request, petitioner again simply acknowledged the second request and reiterated that the company's 2006 audit is on-going.[47]

Hence, on September 1, 2008, petitioner received a Final Request for Presentation of Records[48] dated August 28, 2008. Petitioner reiterated in its letter dated September 2, 2008 that petitioner's 2006 audit is yet to be concluded, but nevertheless undertook to perform partial compliance on October 2008. In

[42] BIR Ruling No. 027 01 dated June 20, 2001, citing the cases of Zamora vs. Collector (8 SCRA 163) and Visayan Cebu Terminal Co., Inc. vs. Collector (180 Phil. 320) expressly provides that
[43] Exhibit "D".
[44] Exhibit "E".
[45] Exhibit "F".
[46] Exhibit "G".
[47] Exhibit "H"
[48] Exhibit "I"

a letter[49] dated October 27, 2008, petitioner submitted photocopies of some of the documents in partial compliance to respondent's request for documents. The Court notes, however, that the expense vouchers, purchase invoices and other adequate records that could substantiate the amount of the expenses that have been incurred and the direct connection to petitioner's trade or business of said expenses, were not included among the submitted documents.

Finally, respondent issued a Subpoena Duces Tecum[50] on March 3, 2009 commanding petitioner to appear on March 23, 2009, and to bring and submit books of accounts and other accounting records for 2007, *i.e.*, General Special Journals, General Subsidiary Ledgers, Sales Invoices & Official Receipts, Expense Vouchers & Purchase Invoices.

Notwithstanding the issuance of the subpoena, petitioner's representative appeared without the subpoenaed documents on March 23, 2009 before Atty. Geraldine Llaguno from the Legal Division of Revenue Region No. 7, Bureau of Internal Revenue (BIR), Quezon City. Atty. Llaguno granted petitioner until March 24, 2009 to bring the subpoenaed documents.

During the meeting on March 24, 2009, petitioner claims to have submitted for inspection the subpoenaed documents, except for the Expense Vouchers and Purchase Invoices, however, petitioner admits that it did not leave any of the subpoenaed documents in BIR's custody due to a prior occurrence where petitioner's records were allegedly lost by a BIR personnel. The transmittal letter[51] dated March 24, 2009, which indicates the list of documents for inspection, was not received by the respondent, petitioner claims that Atty. Llaguno refused to receive the said letter.

In the above scenario, even if the allegations of petitioner were true, the Court once again notes that the expense vouchers, purchase invoices and other adequate records that could substantiate the amount of the expenses that have been incurred and the direct connection to petitioner's trade or business of said expenses, were not included among the submitted documents to respondent.

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[49] Exhibit "K".
[50] Exhibit "L".
[51] Exhibit "O".

The Court does not subscribe to petitioner's defense that it has invited the BIR to examine petitioner's books and that its books are open for examination by BIR officers in its office during office hours. A subpoena duces tecum had already been issued, and the instruction in the said process is clear, *i.e.*, **to bring with you and submit books of accounts and other accounting records** for **2007** consisting of the following: General Special Journals, General Subsidiary Ledgers, Sales Invoices & Official Receipts, Expense Vouchers & Purchase Invoices.

Subsequently PAN and FAN were issued against petitioner. In the course of the reinvestigation, which was granted when petitioner protested the FAN, RO Mores notified petitioner, through a letter[52] dated November 8, 2010, that he will be conducting an audit investigation on November 17, 2010 and advised petitioner to prepare all the listed documentary requirements to facilitate his investigation, *i.e.*, general ledger, sales and purchases books, subsidiary sales and purchases books, sales invoices and/or official receipts, check and journal vouchers, other documents necessary for the audit.

During the audit investigation conducted at petitioner's place of business, when RO Mores requested for the summary of operating expenses, petitioner's representative did not provide the said document and simply responded that its summary of operating expenses was already submitted to the BIR. Petitioner's claim that RO Mores did not ask to look at petitioner's check vouchers supporting the expenses is unavailing. RO Mores conducted the audit investigation pursuant to petitioner's request by means of a protest, thus, these documents should have been prepared and provided outright, RO Mores need not ask to look at the said documents. Furthermore, petitioner was already notified thru a letter dated November 8, 2010 to prepare the documents itemized in said letter to facilitate the investigation.

Clearly, there was utter refusal and failure on the part of the petitioner to submit to respondent adequate records that could substantiate the amount of the expenses for taxable year 2007. Anyone, who traces the series of events and chain of communications by and between the parties, will certainly notice this one glaring fact, *i.e.*, **the documents/records**

[52] Exhibit "16".

***(expense vouchers, purchase invoices and other adequate records)*, that could substantiate the amount of the expenses that have been incurred for taxable year 2007 and the direct connection of the said expenses to petitioner's trade or business, <u>were not included among the submitted documents</u> during the entire administrative proceedings; either before or after the issuance of the PAN, FAN, and Final Decision on petitioner's protest.**

On the basis of the foregoing facts and circumstances, the Court is convinced that, during the entire administrative proceedings, petitioner did not and was not able to substantiate the claimed expenses in its 2007 Annual ITR.

Hence, resort to the Best Evidence Obtainable in assessing petitioner for deficiency income tax by disallowing 50% of petitioner's expenses is justified and in full accord with Section 6(B) of the NIRC of 1997, as amended, as implemented by RMC 23-2000, specifically Sections 2.3 and 2.4(c) thereof.

This Court shall now proceed to resolve the remaining issues as to whether petitioner is liable for deficiency income tax and expanded withholding tax.

Whether petitioner is liable for deficiency income tax and expanded withholding tax

Just like other assessment cases, the timeliness of the filing of the Petition for Review must first be ascertained.

Relevant to the determination of the timeliness of the instant Petition for Review is Section 228 of the National Internal Revenue Code (NIRC), as amended, *viz*:

> "SEC. 228. Protesting of Assessment. — When the Commissioner or his duly authorized representative finds that proper taxes should be assessed, he shall first notify the taxpayer of his findings: . . .
>
> The taxpayers shall be informed in writing of the law and the facts on which the assessment is made; otherwise, the assessment shall be void.
>
> Within a period to be prescribed by implementing rules and regulations, the taxpayer shall be required to respond to said

notice. If the taxpayer fails to respond, the Commissioner or his duly authorized representative shall issue an assessment based on his findings.

Such assessment may be **protested administratively by filing a request for reconsideration or reinvestigation within thirty (30) days from receipt of the assessment** in such form and manner as may be prescribed by implementing rules and regulations. **Within sixty (60) days from filing of the protest, all relevant supporting documents shall have been submitted; otherwise; otherwise, the assessment shall become final.**

If the protest is denied in whole or in part, or is not acted upon within one hundred eighty (180) days from submission of documents, the taxpayer adversely affected by the decision or inaction may appeal to the Court of Tax Appeals within thirty (30) days from receipt of the said decision, or from the lapse of the one hundred eighty (180)-day period; otherwise, the decision shall become final, executory and demandable."

In the case at bar petitioner received on June 1, 2010 the FAN (Formal Letter of Demand[53] with the attached copies of Details of Discrepancies[54] and Assessment Notices). Thereafter, petitioner seasonably filed its protest with the BIR on June 9, 2010, or within thirty (30) days from such receipt pursuant to the above provision, therefore, it has sixty (60) days, until August 8, 2010, within which to submit the relevant supporting documents.

Records of this case show that petitioner did not submit additional relevant supporting documents within the sixty (60)-day period from the filing of its protest. It bears to stress that "the requirement on the submission of all the relevant supporting documents within the 60-day period from filing protest is merely directory."[55] Also, it is well to remember that "where the taxpayer failed to submit relevant supporting documents within the sixty (60) day period from filing of the protest, and in case of inaction by the respondent and the taxpayer chooses to appeal to the Court of Tax Appeals, the same must be made within thirty (30) days from the lapse of the one-hundred eighty (180) day period, the one-hundred eighty (180) day period must be reckoned from the date the protest was filed. The sixty (60) day period shall not be added

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[53] Exhibit "BB".
[54] Exhibit "BB-1".
[55] *CIR vs. La Suerte Cigar and Cigarette Factory, et al.*, CTA EB No. 820, June 11, 2012.

to the computation of the one-hundred eighty (180) days because from the wordings of the law, in case the taxpayer fails to submit relevant supporting documents, the assessment becomes final. The one hundred eighty (180) day period, therefore, commenced to run from the date protest was filed. xxx xxx."[56] Hence, consistent with the foregoing pronouncements of the Court *En Banc* in *CIR vs. La Suerte Cigar and Cigarette Factory, et al.*[57], and *Oceanic Wireless Network, Inc. vs. CIR*[58], the 180-day period, should be reckoned from the filing of the protest on June 9, 2010, which ended on December 6, 2010.

Now, in this case, records disclose that respondent failed to act on petitioner's protest within the 180-day period, *i.e.,* on or before December 6, 2010; and petitioner did not appeal said inaction within the 30-day period from December 6, 2010, which ended on January 5, 2011; petitioner opted to wait for the final decision of the BIR on the disputed assessment before filing its appeal to this Court. On October 12, 2011, petitioner received the FINAL DECISION[59] of the respondent on its protest, thereafter, petitioner had 30 days, or until November 11, 2011, within which to appeal to the CTA. Evidently, the instant Petition for Review was timely filed with the Court on November 11, 2011.

The option to wait for the final decision of the BIR on the disputed assessment before appealing to this Court is sanctioned both by the Tax Code[60] and jurisprudence. The Supreme Court has held in *Lascona Land, Co., Inc. vs. CIR* that "in case the Commissioner failed to act on the disputed assessment within the 180-day period from date of submission of documents, a taxpayer can either: (1) file a petition for review with the Court of Tax Appeals within 30 days after the expiration of the 180-day period; or (2) await the final decision of the Commissioner on the disputed assessments and appeal such final decision to the Court of Tax Appeals within 30 days after receipt of a copy of such decision."[61]

[56] *Oceanic Wireless Network, Inc. vs. Commissioner of Internal Revenue,* CTA EB No. 76, June 22, 2006; also cited in *Fil-Hispano Holdings Corporation vs. Commissioner of Internal Revenue,* CTA EB No. 343, June 12, 2008.
[57] *Supra,* Note 55.
[58] *Supra,* Note 56.
[59] Exhibit "HH".
[60] Section 228 of the 1997 NIRC.
[61] *Lascona Land, Co., Inc. vs. CIR,* G.R. No. 171251, March 5, 2012 citing *RCBC vs. CIR,* G.R. No. 168498, April 24, 2007, 522 SCRA 144.

After having established petitioner's compliance with the timeliness requirement in disputing an assessment pursuant to Section 228 of the 1997 NIRC, the Court shall now determine the merits of the alleged deficiency income tax and deficiency expanded withholding tax for taxable year 2007.

A. DEFICIENCY INCOME TAX - ₱7,039,866.37

The alleged deficiency income tax amounting to ₱7,039,866.37 resulted from (1) income payments not subjected to withholding tax, (2) disallowed expenses (50% rule), and (3) unaccounted source of cash. Below is the respondent's detailed computation of the alleged deficiency income tax[62]:

Taxable Income per ITR			₱120,375.00
Add:	Adjustments per Investigation		
	Income payment not subjected to withholding tax	₱ 1,388,111.00	
	Disallowed expenses (50%)	12,525,469.00	
	Unaccounted source of cash	86,372.19	13,999,952.19
Taxable Income per investigation			₱ 14,120,327.19

Income Tax due thereon		₱ 4,942,114.52
Less:	Allowable tax credits/payments:	
	Payments	42,131.25
Deficiency Income Tax		4,899,983.27
Add:	20% Interest p.a. (04.16.08 to 06.21.10)	2,139,883.10
TOTAL AMOUNT DUE		**₱7,039,866.37**

A.1 Income Payments Not Subjected to Withholding Tax - ₱1,388,111.00

Respondent's verification disclosed that petitioner failed to subject its income payments for repairs and maintenance to withholding tax as required under Revenue Regulations (RR) No. 02-98, as amended, thus, disallowed as deduction from gross income pursuant to Section 34(K) of the NIRC of 1997, as amended.[63]

As a testament of respondent's arbitrary measures in disallowing repairs and maintenance, petitioner argues that the Details of Discrepancies did not even provide enough

[62] Par. 15, Joint Stipulation of Facts and Simplification of Issues, Docket Vol. I, p. 206; Exhibit "BB-2".
[63] Par. a, Exhibit "BB-1".

details to enable petitioner to verify the accuracy of said assessment. Respondent failed to indicate the payees as well as the periods or dates when these income payments were made. Thus, it could be possible that petitioner withheld the tax but used a different withholding tax rate or these are exempt under the circumstances. The only information stated in the Details of Discrepancies was[64]:

	Per Financial Statements	Per returns / alpha list	Difference
Repairs and maintenance	₱1,388,111.00	-	₱1,388,111.00
Income payments not subjected to withholding tax			**₱1,388,111.00**

Further, in its Protest Letter[65] dated June 4, 2010, petitioner asserted that repairs and maintenance of ₱1,388,111.00 included labor and materials used in the maintenance and repairs of buildings, equipments, tools, water system and autos. Amounts paid to labor are within the minimum wages that are exempt from withholding tax.

As stated in his Judicial Affidavit[66], the Court-commissioned Independent Certified Public Accountant (ICPA), Mr. Arden D. Retales, after the examination and verification of petitioner's voluminous documents, found and concluded that:

> "(a) The disallowed Repairs and Maintenance Expense in the schedule of discrepancies for the calendar year ending 31 December 2007 attached to the Formal Letter of Demand dated 21 May 2010 issued by respondent to petitioner amounting to ₱1,388,111.00 is not subject to withholding tax, is properly substantiated, is a valid business expense of petitioner and an allowable deduction from petitioner's taxable income for 2007."

However, the Court disagrees with the findings of the ICPA.

Based on Section 34(K) of the NIRC of 1997, as amended, an expense/cost shall be allowed as deduction from gross income only if it is shown that the tax required to be deducted and withheld therefrom has been paid to the BIR. For easy reference, Section 34(K) is quoted hereinbelow:

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[64] Par. 3.14, Petitioner's Memorandum, Docket Vol. III, p. 889.
[65] Exhibit "CC", p. 2.
[66] Exhibit "MM", Q&A no. 18, Docket Vol. II, p. 411.

"(K) *Additional Requirements for Deductibility of Certain Payments.* — Any amount paid or payable which is otherwise deductible from, or taken into account in computing gross income or for which depreciation or amortization may be allowed under this Section, shall be allowed as a deduction only if it is shown that the tax required to be deducted and withheld therefrom has been paid to the Bureau of Internal Revenue in accordance with this Section, Sections 58 and 81 of this Code."

Relative thereto, Section 2.57.2(E) and (M) of RR No. 02-98, as amended by RR Nos. 06-01, 14-02, 17-03 and 30-03, mandates the withholding of 2% creditable income tax on income payments to certain contractors and on purchases of services by top 10,000 corporations, respectively, to wit:

Sec. 2.57.2. Income Payment Subject to Creditable Withholding Tax and Rates Prescribed Thereon. — Except as herein otherwise provided, there shall be withheld a creditable income tax at the rates herein specified for each class of payee from the following items of income payments to persons residing in the Philippines:

xxx xxx xxx

E) *Income payments to certain contractors* — On gross payments to the following contractors, whether individual or corporate — Two percent (2%)

(1) General engineering contractors — Those whose principal contracting business in connection with fixed works requiring specialized engineering knowledge and skill, including the following divisions or subjects:

(a) Reclamation works;
(b) Railroads;
(c) Highways, streets and roads;
(d) Tunnels;
(e) Airports and airways;
(f) Waste reduction plants;
(g) Bridges, overpasses, underpasses and other similar works;
(h) Pipelines and other systems for the transmission of petroleum and other liquid or gaseous substances;
(i) Land leveling;
(j) Excavating;
(k) Trenching;
(l) Paving; and
(m) Surfacing work.

(2) General building contractors — Those whose principal contracting business is in connection with any structure built, for the support, shelter and enclosure of persons, animals, chattels, or movable property of any kind, requiring in its construction the use of more than two unrelated building trades or crafts, or to do or superintend

the whole or any part thereto. Such structure includes sewers and sewerage disposal plants and systems, parks, playgrounds, and other recreational works, refineries, chemical plants and similar industrial plants requiring specialized engineering knowledge and skills, powerhouse, power plants and other utility plants and installation, mines and metallurgical plants, cement and concrete works in connection with the above-mentioned fixed works.

(3) Specialty Contractors — Those whose operations pertain to the performance of construction work requiring special skill and whose principal contracting business involves the use of specialized building trades or crafts.

(4) Other contractors —

(a) Filling, demolition and salvage work contractors and operators of mine drilling apparatus;

(b) Operators of dockyards;

(c) Persons engaged in the installation of water system, and gas or electric light, heat or power;

(d) Operators of stevedoring, warehousing or forwarding establishments;

(e) Transportation contractors which include common carriers for the carriage of goods and merchandise of whatever kind by land, air or water, where the gross payments by the payor to the same payee amounts to at least two thousand pesos (P2,000) per month, regardless of the number of shipments during the month;

(f) Printers, bookbinders, lithographers and publishers except those principally engaged in the publication or printing of any newspaper, magazine, review or bulletin which appears at regular intervals, with fixed prices for subscription and sale;

(g) Messengerial, janitorial, private detective and/or security agencies, credit and/or collection agencies and other business agencies;

(h) Advertising agencies, exclusive of gross payments to media;

(i) Independent producers of television, radio and stage performances or shows;

(j) Independent producers of "jingles";

(k) Labor recruiting agencies and/or "labor-only" contractors. For this purpose, any person who undertakes to supply workers to an employer shall be deemed to be engaged in "labor-only" contracting where such person does not have substantial capital or investment in the form of tools, equipment, machineries, work premises and other materials and the workers recruited and placed by such person are performing activities which are directly related to the principal business or operations of the employer which the workers are habitually employed;

(l) Persons engaged in the installation of elevators, central air conditioning units, computer machines and other equipment and machineries and the maintenance services thereon;

(m) Persons engaged in the sale of computer services, computer programmers, software program developer/designer, internet service providers, web page designing, computer data processing, conversion or base services and other computer related activities;

(n) Persons engaged in landscaping services;

(o) Persons engaged in the collection and disposal of garbage;

(p) TV and radio station operators on sale of TV and radio airtime; and

(q) TV and radio blocktimers on sale of TV and radio commercial spots.

xxx xxx xxx

(M) *Income payments made by the top ten thousand (10,000) private corporations to their local/resident supplier of goods and local/resident supplier of services other than those covered by other rates of withholding tax.* — Income payments made by any of the top ten thousand (10,000) private corporations, as determined by the Commissioner, to their local/resident supplier of goods and local/resident supplier of services, including non-resident alien engaged in trade or business in the Philippines

Supplier of goods — One percent (1%)
Supplier of services — Two percent (2%)

As aptly found by the ICPA, petitioner is not required to withhold 2% EWT as imposed under Section 2.57.2(M) of RR No. 02-98, as amended by RR No. 17-03, on income payments made by top ten thousand (10,000) private corporations to their local suppliers of services since petitioner has not been classified and duly notified by the BIR as belonging to the top 10,000 corporations.

However, petitioner must prove that its claimed deduction for repairs and maintenance does not fall in any of the aforequoted transactions subject to 2% EWT under Section 2.57.2(E) of RR No. 2-98, as amended.

A thorough examination of the documents submitted by petitioner disclosed that repairs and maintenance amounting only to ₱231,409.24[67] was duly substantiated in accordance with Section 34(A)(1)(b) of NIRC of 1997, as amended, which provides:

"Sec. 34. *Deductions from Gross Income. xxx*

(A) *Expenses.*

(1) *Ordinary and Necessary Trade, Business or Professional Expenses.*

[67] See Annex A (1) of this Decision.

xxx xxx xxx

(b) *Substantiation Requirements.* - No deduction from gross income shall be allowed under Subsection (A) hereof unless the taxpayer shall **substantiate with sufficient evidence, such as official receipts or other adequate records**: (i) the amount of the expense being deducted, and (ii) the direct connection or relation of the expense being deducted to the development, management, operation and/or conduct of the trade, business or profession of the taxpayer."*(Emphasis supplied)*

Based on the summary schedule[68] prepared by the ICPA, all items listed therein have cash or check vouchers[69]. However, these vouchers are self-serving as they were prepared by petitioner's own accountant and if not corroborated by invoices or official receipts have no evidentiary weight because this Court cannot ascertain that expenses were actually incurred or paid and the true nature of the expenses.

In the case of ***Da Jose vs. Angeles***[70], the Supreme Court had the occasion to rule in this wise:

"We thus agree with the RTC's ruling that said **cash vouchers** though admitted in evidence, whether objected to or not, **have no probative value for being hearsay**."

Also, the delivery receipts attached to the cash or check vouchers deserve scant consideration. Being a document that merely confirms delivery of an item, a delivery receipt cannot be a valid proof of purchase or payment of an item.

Likewise, some of the items cannot be verified either, because the receipts and/or invoices were unreadable, or because the item cannot be clearly classified as repairs and maintenance.

Further, the verified amount of ₱231,409.24 for repairs and maintenance was correctly not subjected to EWT as this does not fall within the purview of Section 2.57.2(E) of RR No. 2-98, as amended.

68 Exhibit "LLLLLLLLLLLLLLLLLLLL".
69 Exhibits "MMMMMMMMMMMMMMMMMMM" to "ZZZZZZZZZZZZZZZZZZZZZ"; "WWWWWWWWWWWWWWWWWWWWWWWWWW" "WWWWWWWWWWWWWWWWWWWWWWWWWWWW".
70 G.R. No. 187899, October 23, 2013.

Nonetheless, since the remaining claimed deduction for repairs and maintenance in the amount of ₱1,156,701.76 (₱1,388,111.00 less ₱231,409.24) is not duly substantiated, the same shall be considered as subject to 2% EWT as prescribed under Section 2.57.2(E) of RR 2-98, as amended, in line with the rule that tax assessments by tax examiners are presumed correct and made in good faith, with the taxpayer having the burden of proving otherwise. Failure to present proof of error in the assessment will justify the judicial affirmance of said assessment.[71]

Therefore, respondent's disallowance of the amount of ₱1,156,701.76 as deduction from petitioner's taxable gross income for taxable year 2007 is upheld. Accordingly, petitioner's repairs and maintenance amounting to ₱1,156,701.76 shall be subject to income tax:

Disallowed Repairs and Maintenance Expense Per Assessment	₱1,388,111.00
Less: Duly Substantiated Repairs and Maintenance found to be not subject to 2% EWT *(Annex A, 1)*	231,409.24
Should-be Disallowed Repairs and Maintenance	**₱ 1,156,701.76**

A.2 Disallowed Expenses (50% rule) - ₱12,525,469.00

In disallowing the amount of ₱12,525,469.00, representing 50% of petitioner's claimed deductions for various expenses, respondent stated in the Detail of Discrepancies[72] attached to the Formal Assessment Notice sent to petitioner that[73]:

> "xxx – In view of your continued and unjustifiable refusal to prove with documentary evidence the correctness of your tax return for the calendar year ending December 31, 2007, this Office has been constrained to resort to the Best Evidence Rule in determining your income tax liability pursuant to Revenue Memorandum Circular No. 23-2000. Applying the 50% rule of approximation as enunciated [sic] the Court in the case of Mariano Zamora, the following expenses were disallowed as deductions from your income, to wit:

Cost of sales:		Claimed Deductions	50% Disallowance
Inventory-beginning	₱18,506,363.00		
Direct farm inputs			

[71]Marcos II vs. Court of Appeals, et at.,G.R. No. 120880, June 5, 1997.
[72] "Exhibit "BB-4".
[73] "Exhibit "BB".

	27,404,323.00		
Total	45,910,686.00		
Less: Inventory-end	24,053,669.00	₱21,857,017.00	
Salaries and wages		1,887,568.00	
Power / gasoline		571,568.00	
Taxes and licenses		267,144.00	
Representation		137,697.00	
Office supplies / miscellaneous		211,945.00	
Insurance/fees and other charges		117,999.00	
Total		25,050,938.00	12,525,469.00
Disallowed expenses			₱12,525,469.00"

This, however, was refuted by petitioner through a letter[74] dated May 31, 2010, setting forth the following defenses against the deficiency tax assessment:

> "**Salaries and Wages.**Salaries and wages, including 13th month pay, SSS, Pag-Ibig and Philhealth premiums, are paid to our 13 farm hands and farm manager. Our employees take care of the breeding, assist sows during the birthing, feeding, vaccinating and medicating. They clean the pens and buildings using pressure washers and disinfectants. We also have three (3) of our employees operate our own feed mill to grind ingredients such as yellow corn and mix according to required formulations. For maintenance, we have two (2) full time employees.
>
> **Power/Gasoline.**Electricity is used for the two submersible pumps that supply water for the pigs and for cleaning of the pig pens. We also operate two booster pumps, three high pressure washers and two power sprayers. We use brooders lights for our newly born pigs up to nursery. We operate our own feed mill with a hammer mill and a mixer. For our maintenance and repair, we have three welding machines, cut-off saws, bench drills and portable equipments such as drills and angle grinders. For manure treatment, we operate sludge pumps and manure separators.
>
> For gasoline and diesel, we have two diesel-powered generators which we operate during power brownouts. Our farm vehicle is an Isuzu Elf which we used to purchase feed, ingredients and supplies.
>
> **Repairs and Maintenance.**We have the following buildings for our operation:
>
> - Breeding Buildings 3
>   8.0mx15.0m

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[74] Exhibit "AA", pp. 1-3.

• Gestating Buildings 8.0mx22.0m	4
• Farrowing Buildings 8.0mx11.5m	8
• Gilt Building 8.0mx8.0m	1
• Weaning/Nursery Bldgs. 8.0mx15.0m	7
• Growing Buidlings 8.0mx30.0m	3
• Finishing Buildings 8.0mx30.0m	4
• Feed Mill & Warehouse 16.0mx18.0m	1
• Maintenance Building 8.0mx16.0m	1
• Farm Office & Storeroom 5.0mx15.0m	1

To maintain these buildings, we undertake repairs on daily basis. We also do periodic repairs on the roof, curtains, on the elevated plastic/cast iron floorings, on the concrete floorings and walls which are damaged by pig manure and urine.

Depreciation. The depreciation refers to the annual depreciation of the above listed buildings and also for the previously mentioned pumps, equipments and feed mill machineries. The depreciable assets are all used in production.

Taxes and Licenses. The taxes and licenses are for the Mayor's Permit and other City fees and charges. Fees are also paid to the Barangay office for Barangay Clearance. Real Estate taxes paid are for the farm lot and for the buildings.

Representation and Donation. These expenses are incurred in the normal pig production operations. The farm is located within the Barangay of Balintawak III, Lipa City. Part of the responsibility of the farm is to participate in community affairs such as sponsoring the celebration of masses and miscellaneous affairs particularly during barrio fiesta.

Office Supplies and Miscellaneous. Office supplies include the pre-printed production report forms submitted by the farmhands on a daily, weekly and monthly basis. Production reports include breeding and gestating, farrowing, weaning and nursery, etc. Reports on feed consumption, medicine and vaccines, mortalities, maintenance, farm gate weights, etc.

Accounting forms such as Cash Vouchers, Check Vouchers, Payable Vouchers, etc. BIR mandated forms such as Invoices and Official Receipts, Miscellaneous office supplies such as ball pens, chalks, paper clips, staplers.

Insurance/Fees and Other Charges. Insurance/fees and other charges include fees and insurance of motor vehicles, fire insurance, veterinary consultants' fees, audit fees, hog raisers' association fees and dues.

Farming including hog breeding and raising are fundamentally and purely production operations. This is particularly true in our instance since we do not engage in marketing. We sell our produce as live animals. Our buyers use their own trucks to pick-up the market hogs in our farm. All of our employers are involved in production."

To ascertain that the disallowed cost of sales/expenses are valid business expenses of petitioner and should not be disallowed by the respondent, the ICPA performed the following procedures, viz[75]:

"(a) xxx obtained, traced and checked the petitioner's original Check Vouchers including its supporting documents such as Supplier's Invoices, Supplier's Official Receipts and liquidation;

(2) xxx summarized the petitioner's allowable expenses based on submitted original Check Vouchers with supporting documents;

(3) xxx traced the Check Vouchers with the petitioner's 2007 Audited Financial Statements."

Having performed all the procedures abovementioned, the ICPA came up with the following conclusions[76]:

"1. xxx, we have verified that ₱26,439,049.00 Cost of Sales (repairs and maintenance ₱1,388,111.00 plus total cost of sales ₱25,050,938.00) was properly substantiated. Check vouchers supports the disbursements; and the disbursements were evidenced by supplier's invoices and related receipts.

2. We have determined that petitioner's Cost of Sales is an allowable expense and a valid deduction from petitioner's Taxable Income."

The Court finds the ICPA findings not in order.

Upon careful examination of petitioner's supporting documents, the Court noted the following: /

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[75] Exhibit "MM", Docket Vol. I, p. 414; Exhibit "NN", p. 387.
[76] Exhibit "NN", Docket Vol. I, p. 389.

1. **Cost of Sales**

Petitioner's cost of sales in the amount of ₱21,857,017.00 was computed as follows[77]:

Inventory, beginning	₱ 18,506,363.00
Add: Direct Farm Inputs	27,404,323.00
Total	₱ 45,910,686.00
Less: Inventory, end	24,053,669.00
Cost of Sales	**₱ 21,857,017.00**

The beginning and ending inventories in the respective amounts of ₱18,506,363.00 and ₱24,053,669.00 tally with the figures reflected in petitioner's Audited Income Statements[78] for the years ended December 31, 2007 and December 31, 2006. However, as regards petitioner's Direct Farm Inputs in the amount of ₱27,404,323.00, only the amount of ₱8,083,971.81[79]was duly accounted for.

Using the amount of ₱8,083,971.81 for Direct Farm Inputs, petitioner's substantiated cost of sales amounted only to ₱2,536,665.81, as shown below:

Inventory, beginning	₱ 18,506,363.00
Add: Direct Farm Inputs	8,083,971.81
Total	₱ 26,590,334.81
Less: Inventory, end	24,053,669.00
Substantiated Cost of Sales	**₱ 2,536,665.81**

2. **Salaries and Wages**

Petitioner's claimed Salaries and Wages in the amount of ₱1,887,568.00 consisted of the following[80]:

Salaries & Wages	₱ 1,586,631.84
13th Month Pay	138,205.00
Employees Welfare	42,211.91
SSS Contribution	86,365.40
Philhealth Contribution	15,750.00
Pag-Ibig Fund Contribution	18,404.00
Total	**₱ 1,887,568.15**

[77] Exhibit "BB 4".
[78]Exhibit "10", BIR Records, p. 46.
[79]See details per Annex A of this Decision.
[80]BIR Records, pp. 64-66.

With respect to the claimed Employees Welfare of ₱42,211.91, SSS Contribution of ₱86,365.40, Philhealth Contribution of ₱15,750.00 and Pag-Ibig Fund Contribution of ₱18,404.00, the Court cannot verify the actual remittance thereof because petitioner merely presented its check vouchers[81] without the related payment receipts issued by the SSS, Philhealth and Pag-Ibig.

Regarding the Salaries & Wages in the amount of ₱1,586,631.84 and 13th Month Pay in the amount of ₱138,205.00 totalling ₱1,724,839.84, petitioner submitted check vouchers[82], payslips/payroll computation[83], Annual Information Return of Income Taxes Withheld on Compensation and Final Withholding Taxes (BIR Form No. 1604-CF) and Monthly Remittance Returns of Income Taxes Withheld on Compensation (BIR Forms No. 1601-C) with attached UCPB BTR-BIR Deposit Slips for taxable year 2007[84].

As indicated in the aforesaid BIR Forms Nos. 1604-CF and 1601-C, petitioner paid a total amount of ₱1,623,960.00 taxable compensation income on which it withheld and remitted to the BIR a total amount of ₱145,728.00 creditable withholding taxes for taxable year 2007. However, absent of the petitioner's alphalist of employees for taxable year 2007, the Court cannot determine the accuracy of the amount of ₱145,728.00 taxes withheld on its employees' compensation income of ₱1,623,960.00.

It bears stressing that an expense, to be validly deducted from the taxpayer's gross income, must not only be substantiated by sufficient evidence such as official receipts or adequate records in accordance with Section 34(A)(1)(b) of the NIRC of 1997, as amended, but also it must be shown that the tax required to be deducted or withheld therefrom has been paid to the BIR pursuant to Section 34(K) of the same Code.

3. **Power/Gasoline, Taxes and Licenses, Representation, Office Supplies/Miscellaneous, Insurance/Fees and Other Charges**

[81] Exhibits "VVVVVVVVVVVVVVVV" to "SSSSSSSSSSSSSSSS"; "XXXXXXXXXXXXXXXXXXXXXXXXXXX" to "VVVVVVVVVVVVVVVVVVVVVVVVVVV".
[82] Exhibits "VVVVVVVVVVVVVVVV" to "SSSSSSSSSSSSSSSS"; "XXXXXXXXXXXXXXXXXXXXXXXXXXX" to "VVVVVVVVVVVVVVVVVVVVVVVVVVV".
[83] Exhibits "XXXXXXXXXXXXXXXX-1" to "SSSSSSSSSSSSSSSSS-14"; "XXXXXXXXXXXXXXXXXXXXXXXXXXX-1" to "VVVVVVVVVVVVVVVVVVVVVVVVVVV-3".
[84] Exhibit "TTTTTTTTTTTTTTT".

A scrutiny of the documents supporting each of these accounts reveals that only the following amounts are properly substantiated:

Expense Account	**Properly Substantiated**
Power / Gasoline *(Annex A, 2)*	₱ 358,645.40
Taxes and Licenses *(Annex A, 3)*	10.00
Representation*(Annex A, 4)*	3,500.00
Office supplies/miscellaneous: *(Annex A, 5)*	19,465.27
Insurance/fees and other charges: *(Annex A, 6)*	55,250.00

In fine, petitioner was able to substantiate its claimed deductions only to the extent of ₱2,973,536.48 out of the total amount of ₱25,050,938.00, detailed as follows:

		Claimed Deduction	**Substantiated Deduction**	**% of Substantiated to Claimed Deduction**
Cost of sales:				
Inventory Beginning	₱18,506,363.00			
Direct Farm Inputs	27,404,323.00			
Total	45,910,686.00			
Less: Inventory End	24,053,669.00	₱21,857,017.00	₱2,536,665.81	12%
Salaries and Wages		1,887,568.00		0%
Power /Gasoline		571,568.00	358,645.40	63%
Taxes and Licenses		267,144.00	10.00	0%
Representation		137,697.00	3,500.00	3%
Office Supplies /Miscellaneous		211,945.00	19,465.27	9%
Insurance/Fees and Other Charges		117,999.00	55,250.00	47%
Total		₱25,050,938.00	₱2,973,536.48	12%

Considering that petitioner's claimed deductions were not adequately supported by documentary evidence as above-indicated, the Court deems it appropriate to uphold respondent's disallowances save for the Power/Gasoline account, applying the 50% rule of approximation provided under Section 2.4(c) of Revenue Memorandum Circular (RMC) 23-00, which cited the case of Mariano Zamora vs. Collector of Internal Revenue[85]. Quoted hereinbelow is the pertinent part of RMC 23-00:

[85] En banc, MARIANO ZAMORA, petitioner, vs. COLLECTOR OF INTERNAL REVENUE and COURT OF TAX APPEALS, respondents. (G.R. No. L 15290, May 31, 1963.) COLLECTOR OF INTERNAL REVENUE, petitioner, vs. MARIANO ZAMORA, respondent. (G.R. No. L-15280, May 31, 1963.); ESPERANZA A. ZAMORA, as special Administratrix of the Estate of FELICIDAD ZAMORA, petitioner, vs. COLLECTOR OF INTERNAL REVENUE and COURT OF TAX APPEALS, respondents. (G.R. No. L-15289,

(c) *Assessment Based on Estimate; 50% Rule, in the Absence of Receipts to Prove Actual Amount of Expense Deduction.* — The Court held in the Mariano Zamora case that, if there is a showing that expenses have been incurred but the exact amount thereof cannot be ascertained due to absence of documentary evidence, it is the duty of the BIR to make an estimate of the deduction that may be allowable in computing the taxpayer's taxable income, bearing heavily against the taxpayer whose inexactitude is of his own making. That disallowance of 50% of the taxpayer's claimed deduction is valid.

xxx xxx xxx

"Section 30 of the Tax Code provides that in computing net income, there shall be allowed as deductions all the ordinary and necessary expenses paid or incurred during the taxable year, in carrying on any trade or business (Vol. 4, Mertens, Law of Federal Income Taxation, sec. 25.03, p.307). Since promotion expenses constitute one of the deductions in conducting a business, same must satisfy these requirements. Claims for the deduction of promotion expenses or entertainment expenses must also be substantiated or supported by record showing in detail the amount and nature of the expense incurred (N.H. Van Sicklen, Jr. vs. Comm. of Int. Rev., 33 BTA 544). Considering, as heretofore stated, that the application of Mrs. Zamora for dollar allocation shows that she went abroad on a combined medical and business trip, not all of her expenses came under the category of ordinary and necessary expenses; part thereof constituted her personal expenses. There having been no means by which to ascertain which expense was incurred by her in connection with the business of Mariano Zamora and which was incurred for her personal benefit, the Collector and the CTA in their decisions, considered 50% of the said amount of P20,957.00 as business expense and the other 50%, as her personal expense. We hold that said allocation is very fair to Mariano Zamora, there having been no receipt whatsoever, submitted to explain the alleged business expenses, or proof of the connection which said expenses had to the business or the reasonableness of the said amount of P20,957.00. While in situations like the present, absolute certainty is usually not possible, the CTA should make as close an approximate as it can, bearing heavily, if it chooses,

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May 21, 1963.); COLLECTOR OF INTERNAL REVENUE, petitioner, vs. ESPERANZA A. ZAMORA, as Special Administratrix, etc., respondent, (G.R. No. L-15281, May 31, 1963).

upon the taxpayer whose inexactness is of his own making."

Accordingly, petitioner's claimed deductions from its taxable gross income for the year 2007 in the amount of ₱12,452,607.60 shall be disallowed, broken down as follows:

	Claimed Deduction	**50% Disallowance**
Cost of sales:		
Inventory-beginning		
Direct farm inputs		
Total		
Less: Inventory-end	₱ 21,857,017.00	₱ 10,928,508.50
Salaries and wages	1,887,568.00	943,784.00
Power / gasoline	571,568.00	212,922.60[86]
Taxes and licenses	267,144.00	133,572.00
Representation	137,697.00	68,848.50
Office supplies / miscellaneous	211,945.00	105,972.50
Insurance/fees and other charges	117,999.00	58,999.50
Total	**₱25,050,938.00**	**₱ 12,452,607.60**

A.3 Unaccounted Source of Cash - ₱86,372.19

Respondent imputed against petitioner an undeclared income in the amount of ₱86,372.19 based on the following finding:[87]

> "Unaccounted source of cash (₱86,372.19) – Verification disclosed that your income payments subject to expanded withholding tax were not reported in the financial statements, as per analysis hereunder, wherein the total difference was considered as unaccounted source of cash which led to the inference that part of your income have not been declared as enunciated by the Court in the case of Perez v. CTA & CIR L-10507 dated May 30, 1958. Therefore, the amount is added in your reported taxable income pursuant to Section 31 of the Tax Code of 1997, as amended."

	Per returns / alpha list	Per Financial Statements	Difference
Security services	₱58,472.19	-	₱ 58,472.19

[86] Claimed Deduction ₱571,568.00
Less: Amount Duly Substantiated 358,645.40
Disallowance ₱212,922.60

[87] Par. c, Exhibit "BB-4".

Other services	7,500.00	-	7,500.00
Professional fees	20,400.00	-	20,400.00
Unaccounted source of cash			₱86,372.19"

In its letter dated June 4, 2010, petitioner controverted the alleged unsupported source of cash, particularly[88]:

> "**PROTEST NO. 2-** Unaccounted Source of Cash:
>
> Security Services of ₱58,472.19 were subject to 2% expanded withholding tax. This is under the Account Title INSURANCE/FEES AND OTHER CHARGES in our Income Statement. Other Services of ₱7,500.00 are those paid to liason person that we paid only when there are documentations needed to be done outside and not on a regular basis. This is not subject to 10% Expanded Withholding Tax. This is also under the Account Title INSURANCE/FEES AND OTHER CHARGES in our Income Statement. Professional Fees of ₱20,400.00 were subject to 10% Expanded Withholding Tax. This is included under the Account Title OFFICE/SUPPLIES/MISCELLANEOUS in our Income Statement. These are all accounted for in our Financial Statements."

The petitioner's protest above quoted is in accord with the Judicial Affidavit[89] of Mr. Arden Retales, ICPA. The pertinent portion of the latter's testimony is set forth hereunder:

> "25.Q: xxx What is your basis for saying that the alleged unaccounted source of cash amounting to Php86,372.19 are valid business expenses and reclassified in the 2007 Audited Financial Statements?
>
> A: Based on the procedures I performed, I ascertained that the alleged unaccounted source of cash amounting to Php86,372.19 consists of valid business expenses that are properly substantiated. This alleged unaccounted source of cash amounting to Php86,372.19 are duly supported by Suppliers' Invoices and Suppliers' Official Receipts. Further, I have checked that this alleged unaccounted source of cash are in fact expenses by the petitioner reclassified in the 2007 Audited Financial Statements under **Insurance Fees and Other Charges** for Security Services and Other Services and **Office Supplies/Miscellaneous** for Professional Fees. xxx

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[88] Exhibit "CC".
[89] Exhibit "MM", Docket Vol. II, p. 415.

26.Q: Why do you say that the alleged unaccounted source of cash amounting to Php86,372.19 are valid business expenses?

A: The unaccounted source of cash amounting to Php86,372.19 was traced to Check Vouchers with valid supporting documents as follows:

(a) Security Services of Php58,472.19 which was subject to 2% expanded withholding tax and is accounted for as part of account title *Insurance Fees and Other Charges* of the 2007 Audited Financial Statements;

(b) Other Services of Php7,500.00 is accounted for as part of account title *Insurance Fees and Other Charges* of the 2007 Audited Financial Statements;

(c) Professional Fees of Php20,400.00 was subject to 10% expanded withholding tax and is accounted for as part of account title *Office Supplies/Miscellaneous* of the 2007 Audited Financial Statements."

The Court finds respondent's assessment devoid of merit.

Since the expenses reflected per petitioner's alphalist were higher than the amounts reported in its financial statements, respondent concluded that the difference pertains to petitioner's undeclared income. By doing so, respondent merely relied on assumptions without obtaining any evidence corroborating such findings. This is contrary to the doctrine laid down by the Supreme Court in **Collector of Internal Revenue vs. Benipayo**[90], wherein it was held that:

> "xxx An assessment fixes and determines the tax liability of a taxpayer. As soon as it is served, an obligation arises on the part of the taxpayer concerned to pay the amount assessed and demanded. Hence, assessments should not be based on mere presumptions no matter how reasonable or logical said presumptions may be xxx.
>
> In order to stand the test of judicial scrutiny, the assessment must be based on actual facts. The presumption of correctness of assessment being a mere presumption cannot be made to rest on another presumption xxx"

Even if these alleged unaccounted income payments are to be treated as income, the same shall be offset by reporting the equivalent payments as expenses. Hence, no taxable

[90] G.R. No. L-13656, January 31, 1962.

income will result from the said transactions, as illustrated below:

Undeclared income from unaccounted income payments:		
Security services	₱ 58,472.19	
Other services	7,500.00	
Professional fees	20,400.00	₱ 86,372.19
Less: Undeclared expenses		
Security services	₱ 58,472.19	
Other services	7,500.00	
Professional fees	20,400.00	86,372.19
Taxable Income		**₱ -**

For lack of factual basis, the deficiency income tax assessment pertaining to the alleged undeclared income from unaccounted income payments of ₱86,372.19 is hereby cancelled.

In sum, petitioner is liable for basic deficiency income tax for taxable year 2007 in the amount of ₱4,763,258.28, computed as follows:

Taxable Income per ITR			₱ 120,375.00
Add:	Adjustments per investigation		
	Income payments not subjected to withholding tax	₱ 1,156,701.76	
	Disallowed expenses	12,452,607.60	13,609,309.36
Taxable Income per investigation			**₱13,729,684.36**
Income tax due thereon			₱ 4,805,389.53
Less:	Payments		42,131.25
Deficiency Income Tax			**₱4,763,258.28**

B. DEFICIENCY EXPANDED WITHHOLDING TAX - ₱41,270.63

Based on the finding that petitioner failed to withhold and remit 2% EWT on its income payments for repairs and maintenance in the amount of ₱1,388,111.00 pursuant to RR No. 02-98, as amended, as discussed under the deficiency income tax assessment (see discussion in item A.1 above), respondent assessed petitioner of deficiency 2% EWT in the amount of ₱41,270.63[91], computed as follows:

[91] Exhibit "BB", p. 2.

	Amount	EWT Rate	EWT Due
Repairs and Maintenance	₱1,388,111.00	2%	₱27,762.22
Deficiency Expanded Withholding Tax			₱27,762.22
Add: 20% interest p.a. (01.16.08 to 06.21.10)			13,508.41
TOTAL AMOUNT DUE			**₱41,270.63**

As discussed earlier, petitioner failed to show that its claimed repairs and maintenance expense in the amount of ₱1,156,701.76 is not subject to 2% EWT or that the prescribed EWT thereon has been duly withheld and remitted to the BIR pursuant to RR No. 02-98, as amended, hence, petitioner shall be held liable to pay basic deficiency EWT in the amount of ₱23,134.04, computed as follows:

Repairs and Maintenance Expense	₱1,156,701.76
EWT Rate	2%
Basic Deficiency Expanded Withholding Tax	**₱ 23,134.04**

WHEREFORE, in view of the foregoing, the assessments issued by respondent against petitioner covering deficiency income tax and EWT for taxable year 2007 is hereby **AFFIRMED** with some modifications. Accordingly, petitioner **ORDERED TO PAY** respondent the amount of **P5,982,990.40** representing deficiency income tax and EWT for taxable year 2007, inclusive of the 25% surcharge imposed under Section 248(3) of the NIRC of 1997, computed as follows:

	Basic Tax	**25% Surcharge**	**Total**
Deficiency Income Tax	₱ 4,763,258.28	₱ 1,190,814.57	₱ 5,954,072.85
Deficiency EWT	23,134.04	5,783.51	28,917.55
Total	**₱4,786,392.32**	**₱1,196,598.08**	**₱5,982,990.40**

In addition, petitioner is **ORDERED TO PAY** the following:

a) Deficiency interest at the rate of 20% per annum on the basic deficiency income tax of ₱4,763,258.28 computed from April 15, 2008 and on the basic deficiency EWT of ₱23,134.04 computed from January 15, 2008 until full payment thereof pursuant to Section 249(B) of the NIRC of 1997, as amended;

b) Delinquency interest at the rate of 20% per annum on the total amount of ₱5,982,990.40 and on the 20%

deficiency interest which have accrued as aforestated in (a), computed from June 21, 2010 until full payment thereof pursuant to Section 249 (C) of the NIRC of 1997, as amended.

SO ORDERED.

AMELIA R. COTANGCO-MANALASTAS
Associate Justice

WE CONCUR:

JUANITO C. CASTAÑEDA, JR.
Associate Justice

CAESAR A. CASANOVA
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

CERTIFICATION

Pursuant to Section 13, Article VIII 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.

ROMAN G. DEL ROSARIO
Presiding Justice

CTA Case No. 8375
Village Green Hog Farm, Inc. vs. CIR

ANNEX A

Duly Substantiated Expenses

1. Repairs and Maintenance

Exhibit	Date	O.R. / Invoice No.	Payee	Particulars	Amount
"MMMMMMMMMMMMMMMMMM-2" "MMMMMMMMMMMMMMMMMM-1"	13-Jan-07	A 031698; 03815	Isuzu - INTECO	vehicle repair	688.80
"WWWWWWWWWWWWWWWWWWW-2" "WWWWWWWWWWWWWWWWWWW 1"	22 Jan 07	10026; 58154	Jeida Farm Supply Corp	materials for warehouse repair	1,100.00
"AAAAAAAAAAAAAAAAAAAAAAAAA-9"	27-Jan-07	25248	Junction Jr. Corp.	carwash	340.00
"HHHHHHHHHHHHHHHHHHHHHHHHHHH 4"	31 Jan 07	190114	Lito's Builder & Construction Supply	purchase of tubular	904.00
"NNNNNNNNNNNNNNNNN-1"	8-Feb-07	7378	Emil Auto Parts & Electrical Supply	water pump cleaning, capacitor check-up	1,200.00
"RRRRRRRRRRRRRRRRRRR 1"	27 Feb 07	2186	Datacon Management Service Center, Inc.	subscription dues	2,750.00
"HHHHHHHHHHHHHHHHHHHHHHHHHHH-4"	8-Mar-07	1303	Jacala Metal Works Corporation	2 units concrete buggy	7,600.00
"UUUUUUUUUUUUUUUUU 2" "UUUUUUUUUUUUUUUUU-1"	19 Mar 07	5142; 12883	Indola Intl Phils., Inc.	5 units heavy industrial fans	55,000.00
"HHHHHHHHHHHHHHHHHHHHHHHHHHHH-4"	20-Apr-07	11528	Fortune Kings Hardware & Const. Supply Corp.	1 roll barbed wire	975.00
"JJJJJJJJJJJJJJJJJJJJJJJJJ 4"	3 May 07	37577	YS Hardware	1 gallon paint thinner	195.00
"JJJJJJJJJJJJJJJJJJJJJJJJJ 4"	4 May 07	066	R&B Trading	electrolytes	150.00
"CCCCCCCCCCCCCCCCCCC-2" "CCCCCCCCCCCCCCCCCCC-1"	7-May-07	1123; 1124	Pump up Trading	materials for water system repair	6,739.00
"JJJJJJJJJJJJJJJJJJJJJJJJJ 4"	8 May 07	2291	Nina Virginia Hardware and Const. Supply	Construction material	42.50
"DDDDDDDDDDDDDDDDDDD-4" "DDDDDDDDDDDDDDDDDDD 2" "DDDDDDDDDDDDDDDDDDD 1"	15-May-07	59626; 73608; 73609	Clindisco Phil. Inc.	repair of water pump, purchase of thru bolt,gasket, ball bearing	2,262.40
"FFFFFFFFFFFFFFFFFF 1"	4 Jun 07	73651	Clindisco Phil. Inc.	Sta rite shallow well jet pump	16,540.00
"MMMMMMMMMMMMMMMMMMMMMMMMMMM 3"	21 Jun 07	53391	Hong Shun Hardware & Construction Supply	deformed bar	7,430.00
"JJJJJJJJJJJJJJJJJJJ-2"	21-Jun-07	470	J.C. Arivara Auto Electrical Services	rewind of Goulds pump	1,600.00
"MMMMMMMMMMMMMMMMMMMMMM5MMMMMM 3"	26 Jun 07	54976	Hong Shun Hardware & Construction Supply	ground bar, deformed bar	4,470.00
"MMMMMMMMMMMMMMMMMMMMMMMMMMMM-3"	29-Jun-07	4003	***	deformed bar	6,150.00
	Jul 07	4790	Nina Virginia Hardware and Const. Supply	Construction material	185.00
	3-Jul-07	62701	Tri-Mark Construction Supply	Vulca Seal	98.00
	3-Jul-07	62700	Tri-Mark Construction Supply	Vulca Seal	98.00
	4 Jul 07	4288	Prime House Hardware & Const. Supply	black sand	8,500.00
	4-Jul-07	4158	***	deformed bar	3,160.00
"RRRRRRRRRRRRRRRRRRRR 3" "RRRRRRRRRRRRRRRRRRRR 1"	5 Jul 07	444673 A; 268038	Ingasco, Inc.	LPG	4,800.00
"OOOOOOOOOOOOOOOOOOOOOOOOO-5"	6-Jul-07	4480	***	Fortune cement	7,005.00
	9 Jul 07	15147	Prime House Hardware & Const. Supply	Fortune cement	4,350.00
	9-Jul-07	15086	Prime House Hardware & Const. Supply	deformed bar	8,480.00
"OOOOOOOOOOOOOOOOOOOOOOOOO 3"	24 Jul 07	7587	Emil Auto Parts and Electrical Supply	repair of submersible pump	3,500.00
"PPPPPPPPPPPPPPPPPPPPPPPPP 3"	31 Jul 07	131613	Our Pentagon Allied Commercial	various	3,224.00

ANNEX A

			Corporation	construction materials	
"LLLLLLLLLLLLLLLLLLLLL-3" "LLLLLLLLLLLLLLLLLLLLL-1" "LLLLLLLLLLLLLLLLLLLLL-2"	3 Aug 07	A 037917; 06826; 023847	Industrial & Transport Equipment, Inc.	Vehicle repair	3,696.51
"PPPPPPPPPPPPPPPPPPPPPPPPPPP-3"	4-Aug-07	132412	Our Pentagon Allied Commercial Corporation	various construction materials	1,143.75
"PPPPPPPPPPPPPPPPPPPPPPPPPPP-3"	10-Aug-07	7237	FJH Hardware & Electrical Supplies	Construction material	950.00
"NNNNNNNNNNNNNNNNNNNNN-1"	11 Aug 07	7614	Emil Auto Parts & Electric Supply (Emiliano Ang)	Auto parts, electrical supply	3,500.00
"OOOOOOOOOOOOOOOOOOOO-1"	3-Sep-07	6042	JB Hi Tech, Inc.	Repair-power washer	6,550.00
	10-Sep-07	0010	Data Serve Management Int'l Corporation	subscription dues	2,750.00
	15 Sep 07	180629; 246477	Timog Tirehaus	Vehicle maintenance	50.00
	18-Sep-07	51559	Libman Electrical Services	Electrical services	3,870.00
"SSSSSSSSSSSSSSSSSSSSS-1"	24 Sep 07	1697	Four L's Corporation	car battery	5,400.00
	26-Sep-07	1219	Ozone Line Hardware & Construction Supply	Construction materials	264.00
"UUUUUUUUUUUUUUUUUUUUUUUUUUU-4"	2 Oct 07	1304	Ozone Line Hardware & Construction Supply	Construction materials	116.00
	3-Oct-07	26683	Carman Electrical Shop	Electrical supplies	643.00
	5 Oct 07	0187	D.A.R. Mufflers	Vehicle maintenance	350.00
"TTTTTTTTTTTTTTTTTTTTTTT-2" "TTTTTTTTTTTTTTTTTTTTTTT-1"	6-Oct-07	1467; 1557	Jacala Metal Works Corporation	One unit concrete buggy	3,700.00
	6-Oct-07	204456	Lito's Builder & Construction Supply	deformed bar	1,956.00
	6 Oct 07	204459	Lito's Builder & Construction Supply	Sand	7,300.00
	19-Oct-07	1146	Masagana Auto Supply	Vehicle repair	785.00
"UUUUUUUUUUUUUUUUUUUUUUUUUUU-4"	22 Oct 07	7699	Emil Auto Parts and Electrical Supply	Submersible pump	3,600.00
"UUUUUUUUUUUUUUUUUUUUUUUUUUU-4"	25-Oct-07	7703	Emil Auto Parts and Electrical Supply	Submersible pump	1,700.00
"UUUUUUUUUUUUUUUUUUUUUUUUUUU-4"	27 Oct 07	71602	Tri Mark Construction Supply	Construction material	36.00
"UUUUUUUUUUUUUUUUUUUUUUUUUUU-4"	6 Nov 07	0198	D.A.R. Mufflers	Car repair	350.00
"UUUUUUUUUUUUUUUUUUUUUUUUUUU-4"	6-Nov-07	11314	Galaxy Steel Const. Supply	Construction material	100.00
	13 Nov 07	184288	Timog Tirehaus	Vehicle maintenance	45.00
"WWWWWWWWWWWWWWWWWWWWWWWWWWW-3"	14-Nov-07	1963	Ozone Line Hardware & Construction Supply	Construction materials	716.00
"VVVVVVVVVVVVVVVVVVVVVV-1" "VVVVVVVVVVVVVVVVVVVVVV-1" "VVVVVVVVVVVVVVVVVVVVVV-2" "VVVVVVVVVVVVVVVVVVVVVV-3"	14 Nov 07	A 042180; 026768; 026769; 11317	INTECO	Vehicle repair	17,021.28
"WWWWWWWWWWWWWWWWWWWWWWWWWWW-3"	15 Nov 07	25718	Lito's Builder & Construction Supply	Cement	3,500.00
"WWWWWWWWWWWWWWWWWWWWWWWWWWW-3"	22-Nov-07	2102	Ozone Line Hardware & Construction Supply	Construction materials	580.00
"YYYYYYYYYYYYYYYYYYYYYY-2"	31 Dec 07	5371	TUF PARTS TRADING	Materials for repair of electirc motor for power sprayer	1,200.00
Total					**₱231,409.24**

2. Power/Gasoline

Exhibit	Date	OR/Invoice No.	Payee	Amount
Power				
"BBBBBBBBBBBBBBBBBBBBBBBBBBB-4"	22-Feb-07	060427	Batangas II Electric Cooperative, Inc.	₱ 1,062.15

"DDDDDDDDDDDDDDDDDDDDDDDDDD 2"	16 Mar 07	064718*	Batangas II Electric Cooperative, Inc.	985.95
"FFFFFFFFFFFFFFFFFFFFFFFFFF 2"	18 Apr 07	0685776	Batangas II Electric Cooperative, Inc.	1,218.50
"HHHHHHHHHHHHHHHHHHHHHHHHHHH-2"	15-May-07	0760*2	Batangas II Electric Cooperative, Inc.	1,288.05
"XXXXXXXXXXXXXXXX 1"	23 May 07	0758412	Batangas II Electric Cooperative, Inc.	51,073.90
"YYYYYYYYYYYYYYYYY-1"	29-Jun-07	0798874	Batangas II Electric Cooperative, Inc.	49,746.00
"KKKKKKKKKKKKKKKKKKKKKKKKK 2"	30 Jun 07	0765632	Batangas II Electric Cooperative, Inc.	1,075.85
"AAAAAAAAAAAAAAAAAA-1"	5-Jul-07	0808160	Batangas II Electric Cooperative, Inc.	4,263.90
"BBBBBBBBBBBBBBBBBB-1"	19-Jul-07	0839615	Batangas II Electric Cooperative, Inc.	41,723.15
"CCCCCCCCCCCCCCCCCC 1"	31 Jul 07	0847639	Batangas II Electric Cooperative, Inc.	9,156.70
"DDDDDDDDDDDDDDDDDD-1"	21-Aug-07	0880973	Batangas II Electric Cooperative, Inc.	42,181.05
"EEEEEEEEEEEEEEEEEE 1"	31 Aug 07	0888180	Batangas II Electric Cooperative, Inc.	10,465.40
"FFFFFFFFFFFFFFFFFF-1"	20-Sep-07	0921977	Batangas II Electric Cooperative, Inc.	45,173.85
"GGGGGGGGGGGGGGGGGG 1"	29 Sep 07	0930713	Batangas II Electric Cooperative, Inc.	4,583.05
"UUUUUUUUUUUUUUUUUUUUUUUUUU 2"	19 Nov 07	0972059	Batangas II Electric Cooperative, Inc.	1,886.80
"IIIIIIIIIIIIIIIII-1	20-Nov-07	*******	Batangas II Electric Cooperative, Inc.	42,689.00
"JJJJJJJJJJJJJJJJJJ 1"	20 Dec 07	1046630	Batangas II Electric Cooperative, Inc.	45,902.10
Subtotal				**₱354,475.40**
Gasoline				
"TTTTTTTTTTTTTTTTTTTTTTTTTTT 3"	26 Sep 07	42722	Rico Shell	₱ 454.00
"TTTTTTTTTTTTTTTTTTTTTTTTTTT-3"	27-Sep-07	42723	Rico Shell	1,716.00
"WWWWWWWWWWWWWWWWWWWWWWWWWWWWW 2"	15 Nov 07	65125	Petron Corporation	1,000.00
"WWWWWWWWWWWWWWWWWWWWWWWWWWWWW-2"	21-Nov-07	65667	Petron Corporation	1,000.00
Subtotal				**₱ 4,170.00**
Total				**₱358,645.40**

3. Taxes and Licenses

Exhibit	Date	OR No.	Payee	Amount
"JJJJJJJJJJJJJJJJJJJJJJJJJJ-5"	15-Jun-07	0462364	Lipa City Treasurer's Office	₱ 10.00
Total				**₱ 10.00**

4. Representation

Exhibit	Date	OR No.	Payee	Amount
"KKKKKKKKKKKKKKKKKKKKKK 1"	7 Feb 07	A 004993	Mt. Malarayat Golf & Country Club, Inc.	₱ 3,500.00
Total				**₱ 3,500.00**

5. Office Supplies/Miscellaneous

Exhibit	Date	OR/Invoice No.	Payee	Amount
Office Supplies				
"ZZZZZZZZZZZZZZZZZZZZZZZZZ 7"	10 Jan 07	15655	NS Ocana, Inc.	
"ZZZZZZZZZZZZZZZZZZZZZZZZZ-7"	11-Jan-07	15711	NS Ocana, Inc.	5.75
"AAAAAAAAAAAAAAAAAAAAAAAAA 8"	2 Feb 07	16510	NS Ocana, Inc.	78.00
"CCCCCCCCCCCCCCCCCCCCCCCCCC-6"	9-Mar-07	17922	NS Ocana, Inc.	101.25
"EEEEEEEEEEEEEEEEEEEEEEEEEE 8"	24 Mar 07	00751853	YKL Photo Center	546.00
"EEEEEEEEEEEEEEEEEEEEEEEEEE-8"	24-Mar-07	3639	National Bookstore	585.50
"EEEEEEEEEEEEEEEEEEEEEEEEEE-3"	24-Mar-07	16366	Silicon Valley	920.00

ANNEX A

"EEEEEEEEEEEEEEEEEEEEEEEEEE 3"	15 Mar 07	13159	CD R King	100.00
"EEEEEEEEEEEEEEEEEEEEEEEEEE 8"	17 Mar 07	1080	National Bookstore	52.00
"EEEEEEEEEEEEEEEEEEEEEEEEEE-10"	13-Mar-0/	14955	Patricia Jewels Collection Store	2/.00
"GGGGGGGGGGGGGGGGGGGGGGGGG 7"	7 Apr 07	7263	National Bookstore	46.25
"GGGGGGGGGGGGGGGGGGGGGGGGG-/"	/-May-0/	19850	NS Ocana, Inc.	11.00
"IIIIIIIIIIIIIIIIIIIIIIIII 6"	11 May 07	20093	NS Ocana, Inc.	300.00
"LLLLLLLLLLLLLLLLLLLLLLLLL-4"	18-May-0/	2026/	NS Ocana, Inc.	8.00
"LLLLLLLLLLLLLLLLLLLLLLLLL-4"	22-May-0/	203**	NS Ocana, Inc.	15.00
"LLLLLLLLLLLLLLLLLLLLLLLLL 4"	26 May 07	20532	NS Ocana, Inc.	10.75
"LLLLLLLLLLLLLLLLLLLLLLLLL-4"	26-May-0/	2053*	NS Ocana, Inc.	4.50
"LLLLLLLLLLLLLLLLLLLLLLLLL 4"	21 Apr 07	19365	NS Ocana, Inc.	5.00
"LLLLLLLLLLLLLLLLLLLLLLLLL-4"	1/-Apr-0/	19***	NS Ocana, Inc.	152.00
"LLLLLLLLLLLLLLLLLLLLLLLLL 4"	28 Jun 07	21714	NS Ocana, Inc.	6.25
"LLLLLLLLLLLLLLLLLLLLLLLLL 4"	21 Jun 07	214**	NS Ocana, Inc.	33.75
"LLLLLLLLLLLLLLLLLLLLLLLLL-4"	21-Jun-0/	21463	NS Ocana, Inc.	31.25
"LLLLLLLLLLLLLLLLLLLLLLLLL 4"	25 Jun 07	215**	NS Ocana, Inc.	12.77
"LLLLLLLLLLLLLLLLLLLLLLLLL-4"	23-Jun-0/	21536	NS Ocana, Inc.	4.00
"NNNNNNNNNNNNNNNNNNNNNNNNNN 7"	9 Jul 07	22091	NS Ocana, Inc.	11.75
"NNNNNNNNNNNNNNNNNNNNNNNNNN-/"	20-Jul-0/	22631	NS Ocana, Inc.	18./5
"NNNNNNNNNNNNNNNNNNNNNNNNNN-/"	20-Jul-0/	22628	NS Ocana, Inc.	23.50
"NNNNNNNNNNNNNNNNNNNNNNNNNN 7"	16 Jul 07	22423	NS Ocana, Inc.	8.00
"NNNNNNNNNNNNNNNNNNNNNNNNNN-/"	24-Jul-0/	223/5	NS Ocana, Inc.	10.50
"NNNNNNNNNNNNNNNNNNNNNNNNNN 7"	21 Jun 07	0073	Gilid ng Eskwela Gen. Mdse.	184.00
"NNNNNNNNNNNNNNNNNNNNNNNNNN-/"	25-Jul-0/	22801	NS Ocana, Inc.	150.00
"NNNNNNNNNNNNNNNNNNNNNNNNNN 7"	27 Jul 07	22898	NS Ocana, Inc.	226.50
"NNNNNNNNNNNNNNNNNNNNNNNNNN 7"	9 Aug 07	0996	*** & Shen Xerox Copyer & Gen. Mdse.	18.00
"NNNNNNNNNNNNNNNNNNNNNNNNNN-/"	9-Aug-0/	9965	National Bookstore	14./5
"NNNNNNNNNNNNNNNNNNNNNNNNNN 7"	17 Jul 07	0458	Gilid ng Eskwela Gen. Mdse.	120.00
	25-Aug-0/	23/25	NS Ocana, Inc.	249.00
	30 Aug 07	24026	NS Ocana, Inc.	3.75
	1-Sep-0/	241026	NS Ocana, Inc.	/.50
	Sep-0/	2469	National Bookstore	428.50
	13 Aug 07	****	Gilid ng Eskwela Gen. Mdse.	107.00
"SSSSSSSSSSSSSSSSSSSSSSSSSS-6"	/-Sep-0/	24465	NS Ocana, Inc.	42.50
"SSSSSSSSSSSSSSSSSSSSSSSSSS 6"	25 Sep 07	24865	NS Ocana, Inc.	15.25
"SSSSSSSSSSSSSSSSSSSSSSSSSS-6"	1/-Aug-0/	23695	NS Ocana, Inc.	/.50
"SSSSSSSSSSSSSSSSSSSSSSSSSS 6"	24 Sep 07	24886	NS Ocana, Inc.	66.00
"SSSSSSSSSSSSSSSSSSSSSSSSSS 6"	1 Oct 07	25187	NS Ocana, Inc.	4.50
"SSSSSSSSSSSSSSSSSSSSSSSSSS-6"	2-Oct-0/	9810	National Bookstore	351.25
"SSSSSSSSSSSSSSSSSSSSSSSSSS 6"	21 Sep 07	24796	NS Ocana, Inc.	427.50
	18-Sep-0/	398253	NS Ocana, Inc.	435.00
	22 Sep 07	101313 A	First Macro Trading, Inc.	150.00
"SSSSSSSSSSSSSSSSSSSSSSSSSS-6"	1-Oct-0/	25161	NS Ocana, Inc.	9/.50
"VVVVVVVVVVVVVVVVVVVVVVVVV-5"	30-Nov-0/	4596	National Bookstore	388.00
	9 Nov 07	26503	NS Ocana, Inc.	11.75
	1/-Nov-0/	26//2	NS Ocana, Inc.	2.50
Subtotal				**₱ 6,646.27**
Communication				
"ZZZZZZZZZZZZZZZZZZZZZZZZ 8"	6 Jan 07	4013	***Lein Electronics Corp.	₱ 855.00

"EEEEEEEEEEEEEEEEEEEEEEEEEE 9"	28 Mar 07	019	Mari's Loading 'N Celfone Accessories Center	295.00
"LLLLLLLLLLLLLLLLLLLLLLLLL-5"	29 May 07	1740	Zaide Trading	290.00
"LLLLLLLLLLLLLLLLLLLLLLLLL-5"	15-Jun-07	14928	***	295.00
Subtotal				**₱ 1,735.00**
Transportation				
"SS-2"	23-Feb-07	0851	Jhon & Jhon Farms	₱ 3,000.00
"EEEEEEEEEEEEEEEEEEEEEEEEEE-10"	12-Mar-07	740288	Joyselle Express, Inc.	10.00
"EEEEEEEEEEEEEEEEEEEEEEEEEE 10"	12 Mar 07	740289	Joyselle Express, Inc.	10.00
"GGGGGGGGGGGGGGGGGGGGGGGGGG-8"	19-Apr-07	060714	***	1.00
"GGGGGGGGGGGGGGGGGGGGGGGGGG 8"	19 Apr 07	253218	Cher Transport	9.00
"GGGGGGGGGGGGGGGGGGGGGGGGGG-8"	19-Apr-07	609376	Mayamy Transport	10.00
	6 Jul 07	275999	Marlea Transport	4.00
	6 Jul 07	2756000	Marlea Transport	4.00
	6-Jul-07	275998	Marlea Transport	4.00
	6 Jul 07	751622	MLI	10.00
	16-Aug-07	039062	***	6.00
	16 Aug 07	845236	P.C.L. Transport	10.00
	16-Aug-07	039061	***	6.00
Subtotal				**₱ 3,084.00**
Miscellaneous				
"BBBBBBBBBBBBBBBBBBBBBBBBBB 5"	30 Jan 07	464755	PNCC Skyway Corporation	₱ 2,000.00
	17-May-07	543065	PNCC Skyway Corporation	2,000.00
	5 Jul 07	575961	PNCC Skyway Corporation	2,000.00
	16 Aug 07	604675	PNCC Skyway Corporation	2,000.00
Subtotal				**₱ 8,000.00**
Total				**₱19,465.27**

6. Insurance/Fees/Other Charges

Exhibit	Date	OR No.	Payee	Amount
Other Charges				
"IIIIIIIIIIIIIIIIIIIIIIIII 2"	8 Aug 07	4244	Ugnayan Security Agency, Inc.	₱ 10,000.00
"LLLLLLLLLLLLLLLLLLLLLLLLL 2"	14 Sep 07	4337	Ugnayan Security Agency, Inc.	10,000.00
"MMMMMMMMMMMMMMMMMMMMMMMMM-2"	30-Aug-07	4298	Ugnayan Security Agency, Inc.	10,000.00
"OOOOOOOOOOOOOOOOOOOOOOOOO 2"	26 Sep 07	4390	Ugnayan Security Agency, Inc.	9,250.00
"RRRRRRRRRRRRRRRRRRRRRRRRR-1"	17-Oct-07	4436	Ugnayan Security Agency, Inc.	6,000.00
"SSSSSSSSSSSSSSSSSSSSSSSS 1"	28 Nov 07	4594	Ugnayan Security Agency, Inc.	10,000.00
Total				**₱ 55,250.00**

7. Purchases (Direct Farm Inputs)

	Sales Invoice/ Official Receipt			
Exhibit	**Date**	**Number**	**Supplier**	**Amount**
"SS-2"	2/23/07	0851	JHON & JHON FARMS INC.	₱ 100,000.00
"TT-1"	3/13/07	13715	PHILIPPINE ASSOCIATION OF HOG RAISERS	26,250.00
"UU-2"	1/8/07	28084	LA FILIPINA UYGONGCO CORP	391,510.00

"WW-1"	1/4/07	2896	CASTLE MARKETING	2,596.00
"XX 1"	1/4/07	20718	MAYERVET DISTRIBUTION	4,022.60
"YY 1"	1/3/07	0753	TRI GEM MARKETING	28,400.00
"YY-1"	1/3/07	0753	TRI-GEM MARKETING	7,200.00
"AAA 3"	3/12/07	47218	PHILIPPINE SUPER FEED CORP.	297,262.00
"EEE-1"	1/10/07	2911	CASTLE MARKETING	7,940.00
"EEE-2"	1/11/07	2913	CASTLE MARKETING	12,699.00
"EEE 2"	1/11/07	2913	CASTLE MARKETING	26,000.00
"FFF-1"	1/10/07	0757	TRI-GEM MARKETING	10,850.00
"NNN 1"	1/17/07	0760	TRI GEM MARKETING	28,400.00
"NNN 1"	1/17/07	0760	TRI GEM MARKETING	7,200.00
"QQQ-2"	3/26/07	47458	PHILIPPINE SUPER FEED CORP.	423,677.00
"RRR 1"	1/29/07	6061	RNT ENTERPRISES, INC.	4,250.00
"VVV-1"	1/24/07	0767	TRI-GEM MARKETING	7,100.00
"VVV-1"	1/24/07	0767	TRI-GEM MARKETING	6,200.00
"VVV 2"	1/25/07	0769	TRI GEM MARKETING	7,100.00
"VVV-2"	1/25/07	0769	TRI-GEM MARKETING	7,200.00
"VVV 3"	1/26/07	0772	TRI GEM MARKETING	14,200.00
"VVV 3"	1/26/07	0772	TRI GEM MARKETING	6,200.00
"VVV-3"	1/26/07	0772	TRI-GEM MARKETING	7,200.00
"YYY 1"	2/2/07	0774	TRI GEM MARKETING	62,000.00
"AAAA-1"	1/31/07	2943	CASTLE MARKETING	2,596.00
"BBBB-1"	1/26/07	163425	J.M. MENDOZA ENTERPRISES	2,295.22
"FFFF 1"	2/5/07	58491	JEIDI FARM SUPPLY CORPORATION	8,250.00
"FFFF-2"	4/24/07	10570		
"HHHH 1"	2/5/07	0776	TRI GEM MARKETING	17,750.00
"HHHH 1"	2/5/07	0776	TRI GEM MARKETING	18,000.00
"HHHH-2"	2/9/07	0778	TRI-GEM MARKETING	28,400.00
"JJJJ 1"	2/6/07	2960	CASTLE MARKETING	7,500.00
"JJJJ-1"	2/6/07	2960	CASTLE MARKETING	3,000.00
"LLLL-2"	4/16/07	13724	PHILIPPINE ASSOCIATION OF HOG RAISERS, INC.	26,250.00
"OOO 1"	2/15/07	00127	VET PROGEN CORPORATION	3,600.00
"RRRR-1"	2/27/07	238557	INGASCO, INC.	560.00
"RRRR 3"	5/2/07	438948		
"TTTT 1"	2/22/07	0786	TRI GEM MARKETING	4,000.00
"TTTT-2"	2/22/07	0785	TRI-GEM MARKETING	3,600.00
"TTTT 2"	2/22/07	0785	TRI GEM MARKETING	8,875.00
"TTTT-3"	2/23/07	0788	TRI-GEM MARKETING	8,875.00
"TTTT-3"	2/23/07	0788	TRI-GEM MARKETING	14,400.00
"UUUU 1"	2/16/07	2982	CASTLE MARKETING	3,970.00
"UUUU-2"	2/20/07	2987	CASTLE MARKETING	7,940.00
"UUUU 3"	2/21/07	2992	CASTLE MARKETING	7,500.00
"UUUU-3"	2/21/07	2992	CASTLE MARKETING	2,900.00
"YYYY-2"	2/27/07	58967	JEIDI FARM SUPPLY CORPORATION	3,000.00
"YYYY 1"	5/8/07	10580		
"ZZZZ-1"	5/2/07	0791	TRI-GEM MARKETING	17,750.00
"CCCCC 1"	3/1/07	6381	RNT ENTERPRISES, INC.	4,250.00
"EEEEE 1"	2/27/07	3053	CASTLE MARKETING	2,596.00
"EEEEE-1"	2/27/07	3053	CASTLE MARKETING	3,000.00

ANNEX A

"HHHHH-1"	5/7/07	0792	TRI-GEM MARKETING	17,750.00
"HHHHH-1"	5/7/07	0792	TRI GEM MARKETING	9,000.00
"KKKKK 1"	3/9/07	3069	CASTLE MARKETING	12,699.00
"KKKKK-2"	3/9/07	3070	CASTLE MARKETING	2,900.00
"KKKKK 2"	3/9/07	3070	CASTLE MARKETING	3,970.00
"NNNNN-1"	3/15/07	0797	TRI-GEM MARKETING	17,750.00
"NNNNN-1"	3/15/07	0797	TRI-GEM MARKETING	12,600.00
"OOOOO 1"	3/3/07	163905	J.M. MENDOZA ENTERPRISES	2,295.22
"PPPPP-1"	3/11/07	6706	JAPS VETERINARY CLINIC & VETERINARY SUPPLY	2,000.00
"QQQQQ 1"	3/13/07	3074	CASTLE MARKETING	3,000.00
"QQQQQ 1"	3/13/07	3074	CASTLE MARKETING	7,500.00
"SSSSS-2"	5/21/07	13731	PHLIPPINE ASSOCIATION OF HOG RAISERS, INC.	26,250.00
"VVVVV 1"	3/20/07	00956	VET PROGEN CORPORATION	3,600.00
"YYYYY-1"	3/15/07	0794	TRI-GEM MARKETING	45,000.00
"YYYYY-2"	3/22/07	0801	TRI-GEM MARKETING	14,400.00
"ZZZZZ 1"	3/19/07	3089	CASTLE MARKETING	7,940.00
"ZZZZZ-2"	3/22/07	3094	CASTLE MARKETING	26,000.00
"ZZZZZ 3"	3/23/07	3101	CASTLE MARKETING	3,750.00
"ZZZZZ 3"	3/23/07	3101	CASTLE MARKETING	2,900.00
"CCCCCC-1"	3/26/07	59611	JEIDI FARM SUPPLY CORPORATION	1,000.00
"CCCCCC 2"	6/8/07	10777		
"EEEEEE-1"	4/4/07	6723	RNT ENTERPRISES, INC.	4,250.00
"FFFFFF-1"	4/4/07	3128	CASTLE MARKETING	14,690.00
"HHHHHH 1"	4/4/07	0808	TRI GEM MARKETING	7,600.00
"JJJJJJ-1"	3/30/07	3120	CASTLE MARKETING	4,164.00
"LLLLLL 1"	4/12/07	3142	CASTLE MARKETING	2,900.00
"LLLLLL 2"	4/17/07	3145	CASTLE MARKETING	3,300.00
"LLLLLL-3"	4/18/07	3148	CASTLE MARKETING	38,699.00
"NNNNNN 2"	4/11/07	241201	INGASCO, INC.	5,360.00
"NNNNNN-3"	4/11/07	241200		
"NNNNNN-1"	7/6/07	441231		
"OOOOOO 1"	4/10/07	0813	TRI GEM MARKETING	10,800.00
"OOOOOO-2"	4/13/07	0816	TRI-GEM MARKETING	45,000.00
"QQQQQQ 2"	6/28/07	48627	PHILIPPINE SUPER FEED CORP.	391,366.00
"SSSSSS 1"	6/18/07	0598	JHON & JHON FARMS INC.	100,000.00
"UUUUUU-2"	7/2/07	13742	PHILIPPINE ASSOCIATION OF HOG RAISERS, INC.	35,000.00
"WWWWWW 1"	4/26/07	6878	RNT ENTERPRISES, INC.	4,250.00
"XXXXXX-1"	4/4/07	00986	VET PROGEN CORPORATION	3,600.00
"YYYYYY-1"	4/23/07	0819	TRI-GEM MARKETING	59,400.00
"AAAAAAA 1"	4/25/07	3165	CASTLE MARKETING	16,120.00
"DDDDDDD-1"	5/8/07	33455	LA FILIPINA UYGONGCO CORP	88,650.00
"FFFFFFF 1"	5/2/07	3183	CASTLE MARKETING	2,900.00
"HHHHHHH 1"	5/8/07	33456	LA FILIPINA UYGONGCO CORP	392,360.00
"KKKKKKK-1"	5/8/07	101	R & B TRADING	3,600.00
"KKKKKKK 2"	5/10/07	077	R & B TRADING	450.00
"LLLLLLL-1"	5/8/07	3193	CASTLE MARKETING	8,370.00
"NNNNNNN-1"	5/7/07	60446	JEIDI FARM SUPPLY CORPORATION	500.00
"NNNNNNN 2"	7/19/07	11120		
"TTTTTTT-1"	5/9/07	0825	TRI-GEM MARKETING	55,800.00

ANNEX A

"VVVVVVV-1"	5/15/07	3207	CASTLE MARKETING	10,700.00
"CCCCCCCC 1"	5/22/07	3219	CASTLE MARKETING	49,319.00
"DDDDDDDD 1"	6/21/07	01009	VET PROGEN CORPORATION	3,600.00
"EEEEEEEE-1"	5/18/07	164384	J.M. MENDOZA ENTERPRISES	2,295.22
"GGGGGGGG 1"	5/23/07	096	R & B TRADING	3,600.00
"HHHHHHHH-1"	5/18/07	0830	TRI-GEM MARKETING	10,400.00
"MMMMMMMM-1"	5/29/07	3230	CASTLE MARKETING	6,800.00
"NNNNNNNN 1"	5/17/07	0831	TRI-GEM MARKETING	54,400.00
"NNNNNNNN-2"	6/1/07	0837		
"PPPPPPPP 1"	6/5/07	4494	BROADCHEM CORPORATION	24,500.00
"RRRRRRRR=1"	6/2/07	0839	TRI GEM MARKETING	52,275.00
"TTTTTTTT-1"	6/22/07	35701	LA FILIPINA UYGONGCO CORP	389,810.00
"UUUUUUUU 1"	8/24/07	13752	PHILIPPINE ASSOCIATION OF HOG RAISERS, INC.	35,000.00
"WWWWWWWW-1"	6/12/07	0845	TRI-GEM MARKETING	14,400.00
"YYYYYYYY-1"	6/9/07	7303	RNT ENTERPRISES, INC.	4,250.00
"ZZZZZZZZ 1"	6/5/07	3251	CASTLE MARKETING	15,384.00
"CCCCCCCCC-2"	6/12/07	4707	BROADCHEM CORPORATION	17,500.00
"DDDDDDDDD 1"	6/25/07	164756	J.M. MENDOZA ENTERPRISES	2,295.22
"EEEEEEEEE 1"	6/25/07	3266	CASTLE MARKETING	14,200.00
"FFFFFFFFF-1"	6/23/07	0835	TRI-GEM MARKETING	30,744.00
"GGGGGGGGG 1"	6/12/07	01456	NUTRITECH VENTURES, INC.	117,500.00
"HHHHHHHHH-1"	6/19/07	4621	BROADCHEM CORPORATION	24,500.00
"IIIIIIIII-1"	6/15/07	0847	TRI-GEM MARKETING	36,000.00
"KKKKKKKKK 1"	6/13/07	3252	CASTLE MARKETING	10,396.00
"MMMMMMMMM-1"	7/13/07	36894	LA FILIPINA UYGONGCO CORP	23,400.00
"QQQQQQQQQ 1"	7/7/07	0907	TRI GEM MARKETING	3,675.00
"TTTTTTTTT 2"	10/9/07	13763	PHILIPPINE ASSOCIATION OF HOG RAISERS, INC.	35,000.00
"TTTTTTTTT-1"	10/9/07	21863	PHILIPPINE ASSOCIATION OF HOG RAISERS, INC.	272.00
"VVVVVVVVV 1"	7/5/07	157	R & B TRADING	3,600.00
"WWWWWWWWW-1"	7/3/07	3279	CASTLE MARKETING	8,120.00
"XXXXXXXXX-1"	6/22/07	01574	NUTRITECH VENTURES, INC.	56,250.00
"AAAAAAAAAA 1"	7/20/07	01859	NUTRITECH VENTURES, INC.	49,650.00
"CCCCCCCCCC-1"	7/31/07	165089	J.M. MENDOZA ENTERPRISES	2,250.00
"DDDDDDDDDD 1"	7/13/07	0910	TRI GEM MARKETING	36,000.00
"FFFFFFFFFF 1"	11/3/07	08686	LA FILIPINA UYGONGCO CORP	401,450.00
"HHHHHHHHHH-1"	7/19/07	62049	JEIDI FARM SUPPLY CORPORATION	10,475.00
"HHHHHHHHHH 2"	10/23/07	11938		
"JJJJJJJJJJ-1"	7/12/07	6730	JAPS VETERINARY CLINIC & VETERINARY SUPPLY	2,000.00
"LLLLLLLLLL-1"	7/6/07	163	R & B TRADING	2,220.00
"OOOOOOOOOO 1"	7/3/07	0905	TRI GEM MARKETING	36,000.00
"PPPPPPPPPP-1"	7/3/07	3285	CASTLE MARKETING	38,699.00
"UUUUUUUUUU 1"	7/27/07	01936	NUTRITECH VENTURES, INC.	5,000.00
"VVVVVVVVVV 1"	7/27/07	11204	DICONEX PHILS INC	7,250.00
"WWWWWWWWWW-1"	7/16/07	3318	CASTLE MARKETING	12,110.00
"WWWWWWWWWW 2"	7/24/07	3335	CASTLE MARKETING	10,916.00
"WWWWWWWWWW-3"	7/30/07	3347	CASTLE MARKETING	2,900.00
"XXXXXXXXXX-1"	7/3/07	4784	BROADCHEM CORPORATION	17,500.00
"YYYYYYYYYY 1"	7/11/07	7586	RNT ENTERPRISES, INC.	4,250.00
"AAAAAAAAAAA-1"	7/10/07	3303	CASTLE MARKETING	8,320.00

ANNEX A

"FFFFFFFFFFF-1"	7/11/07	4860	BROADCHEM CORPORATION	10,500.00
"GGGGGGGGGGG 1"	9/18/07	242083	PREMIUM AGRO VET PRODUCTS INC.	13,750.00
"LLLLLLLLLLL 1"	7/25/07	5516	BROADCHEM CORPORATION	10,500.00
"MMMMMMMMMMM-1"	7/24/07	0914	TRI-GEM MARKETING	36,000.00
"PPPPPPPPPPP 1"	8/23/07	62838	JEIDI FARM SUPPLY CORPORATION	1,150.00
"PPPPPPPPPPP-2"	12/7/07	12254		
"QQQQQQQQQQQ-1"	8/13/07	0885	BIOSAFE MARKETING	5,400.00
"RRRRRRRRRRR 1"	7/30/07	0916	TRI GEM MARKETING	4,000.00
"VVVVVVVVVVV-1"	8/7/07	197	R & B TRADING	6,720.00
"XXXXXXXXXXX 1"	8/21/07	228	R & B TRADING	2,880.00
"YYYYYYYYYYY 1"	8/19/07	6742	JAPS VETERINARY CLINIC & VETERINARY SUPPLY	950.00
"ZZZZZZZZZZZ-1"	8/17/07	02218	NUTRITECH VENTURES, INC.	45,000.00
"AAAAAAAAAAAA 1"	8/3/07	0918	TRI GEM MARKETING	36,000.00
"BBBBBBBBBBBB-1"	8/14/07	3373	CASTLE MARKETING	6,220.00
"CCCCCCCCCCCC-1"	9/20/07	41712	LA FILIPINA UYGONGCO CORP	401,975.00
"FFFFFFFFFFFF 2"	12/17/07	13771	PHILIPPINE ASSOCIATION OF HOG RAISERS, INC.	26,250.00
"HHHHHHHHHHHH-1"	8/14/07	0932	TRI-GEM MARKETING	36,000.00
"IIIIIIIIIIII 1"	8/9/07	5085	BROADCHEM CORPORATION	7,000.00
"JJJJJJJJJJJJ 1"	8/22/07	3393	CASTLE MARKETING	8,320.00
"MMMMMMMMMMMMM-1"	9/29/07	25835	ROMAR FEED SUPPLY CORPORATION	14,000.00
"OOOOOOOOOOOO 1"	8/23/07	0936	TRI GEM MARKETING	21,675.00
"PPPPPPPPPPPP-1"	8/22/07	7989	RNT ENTERPRISES, INC.	4,250.00
"QQQQQQQQQQQQ-1"	8/24/07	3399	CASTLE MARKETING	38,699.00
"TTTTTTTTTTTT 1"	8/31/07	3331	PNEUMOVAC TRADING	3,600.00
"UUUUUUUUUUUU-1"	8/28/07	3405	CASTLE MARKETING	6,658.00
"YYYYYYYYYYYY 1"	9/25/07	271	R & B TRADING	6,960.00
"ZZZZZZZZZZZZ 1"	8/4/07	3420	CASTLE MARKETING	11,960.00
"EEEEEEEEEEEEE-1"	9/4/07	0951	TRI-GEM MARKETING	36,000.00
"FFFFFFFFFFFFF 1"	12/4/07	INV7 68	CAC TECHNOLOGY CORPORATION	1,980.00
"FFFFFFFFFFFFF-2"	1/10/08	0948		
"GGGGGGGGGGGGG-1"	9/29/07	63656	JEIDI FARM SUPPLY CORPORATION	3,450.00
"JJJJJJJJJJJJJ 1"	11/7/07	11082	DICONEX PHILS INC	5,625.00
"MMMMMMMMMMMMMM-1"	11/5/07	01614	LA FILIPINA UYGONGCO CORP	445,185.00
"OOOOOOOOOOOOO 1"	11/8/07	26130	ROMAR FEED SUPPLY CORPORATION	7,000.00
"PPPPPPPPPPPPP 1"	9/11/07	3437	CASTLE MARKETING	5,198.00
"PPPPPPPPPPPPP-2"	9/18/07	3450	CASTLE MARKETING	10,140.00
"QQQQQQQQQQQQQ 1"	9/4/07	5296	BROADCHEM CORPORATION	7,000.00
"RRRRRRRRRRRRR-1"	9/11/07	0955	TRI-GEM MARKETING	72,000.00
"SSSSSSSSSSSSS-1"	9/26/07	02607	NUTRITECH VENTURES, INC.	16,250.00
"TTTTTTTTTTTTT 1"	9/27/07	242392	PREMIUM AGRO VET PRODUCTS INC.	48,000.00
"VVVVVVVVVVVVV-1"	11/4/07	51642	PHILIPPINE SUPER FEED CORP.	542,640.00
"XXXXXXXXXXXXX 1"	9/23/07	271143	INGASCO, INC.	4,800.00
"XXXXXXXXXXXXX 3"	9/24/07	251623	INGASCO, INC.	560.00
"DDDDDDDDDDDDDD-1"	10/4/07	242462	PREMIUM AGRO VET PRODUCTS INC.	11,375.00
"HHHHHHHHHHHHHH 1"	9/24/07	3469	CASTLE MARKETING	3,638.00
"KKKKKKKKKKKKKK-1"	10/8/07	02720	NUTRITECH VENTURES, INC.	22,375.00
"MMMMMMMMMMMMMMM-1"	11/21/07	02245	LA FILIPINA UYGONGCO CORP	469,757.50
"MMMMMMMMMMMMMMM 3"	11/20/07	23253		
"MMMMMMMMMMMMMMM-4"	11/21/07	5664		

"PPPPPPPPPPPPPP-1"	11/15/07	11689	DICONEX PHILS INC	5,800.00
"QQQQQQQQQQQQQQ 1"	10/2/07	3479	CASTLE MARKETING	9,358.00
"RRRRRRRRRRRRRR 1"	10/15/07	02794	NUTRITECH VENTURES, INC.	91,875.00
"SSSSSSSSSSSSSS-1"	10/9/07	3458	PNEUMOVAC TRADING	97,000.00
"VVVVVVVVVVVVVV 1"	10/12/07	3469	PNEUMOVAC TRADING	47,390.00
"VVVVVVVVVVVVVV-2"	10/13/07	3471	PNEUMOVAC TRADING	1,110.00
"ZZZZZZZZZZZZZZ-1"	10/9/07	3492	CASTLE MARKETING	2,560.00
"EEEEEEEEEEEEEEE 1"	10/26/07	3529	PNEUMOVAC TRADING	7,200.00
""GGGGGGGGGGGGGGG-1"	10/22/07	3518	CASTLE MARKETING	12,918.00
"HHHHHHHHHHHHHHH 1"	10/17/07	0989	TRI GEM MARKETING	2,125.00
"HHHHHHHHHHHHHHH 2"	10/15/07	0986	TRI GEM MARKETING	39,000.00
"IIIIIIIIIIIIII-1"	11/6/07	312	R & B TRADING	2,220.00
"KKKKKKKKKKKKKKK 1"	10/30/07	3540	CASTLE MARKETING	2,900.00
"KKKKKKKKKKKKKKK-2"	10/6/07	3547	CASTLE MARKETING	8,320.00
"LLLLLLLLLLLLLL-1"	11/2/07	0998	TRI-GEM MARKETING	39,000.00
"MMMMMMMMMMMMMMM 1"	10/31/07	3549	PNEUMOVAC TRADING	1,070.00
"MMMMMMMMMMMMMMM-2"	11/7/07	3579	PNEUMOVAC TRADING	2,880.00
"NNNNNNNNNNNNNN 1"	12/20/07	65361	JEIDI FARM SUPPLY CORPORATION	1,800.00
"NNNNNNNNNNNNNN 2"	2/18/08	12744		
"QQQQQQQQQQQQQQQ-1"	11/7/07	165930	J.M. MENDOZA ENTERPRISES	3,442.83
"RRRRRRRRRRRRRRR 2"	11/9/07	254725	INGASCO, INC.	560.00
"RRRRRRRRRRRRRRR-3"	11/9/07	254726	INGASCO, INC.	4,800.00
"SSSSSSSSSSSSSSS-1"	12/7/07	26375	ROMAR FEED SUPPLY CORPORATION	7,000.00
"UUUUUUUUUUUUUUU 1"	11/14/07	3618	CASTLE MARKETING	2,618.00
"UUUUUUUUUUUUUUU-2"	11/20/07	3630	CASTLE MARKETING	3,618.00
"ZZZZZZZZZZZZZZZ 2"	12/19/07	11884	DICONEX PHILS INC	4,500.00
"ZZZZZZZZZZZZZZZ 3"	12/7/07	11817	DICONEX PHILS INC	5,800.00
"ZZZZZZZZZZZZZZZ-4"	12/13/07	11850	DICONEX PHILS INC	11,775.00
"AAAAAAAAAAAAAAA 1"	12/7/07	1027	TRI GEM MARKETING	43,000.00
"AAAAAAAAAAAAAAA-2"	11/19/07	1009	TRI-GEM MARKETING	39,000.00
"AAAAAAAAAAAAAAA-3"	12/4/07	1023	TRI-GEM MARKETING	2,000.00
"BBBBBBBBBBBBBBB 1"	11/28/07	3644	CASTLE MARKETING	8,320.00
"BBBBBBBBBBBBBBB-2"	12/4/07	3661	CASTLE MARKETING	5,968.00
"BBBBBBBBBBBBBBB 3"	12/12/07	3682	CASTLE MARKETING	8,346.00
"EEEEEEEEEEEEEEE 1"	12/4/07	3677	PNEUMOVAC TRADING	5,700.00
"HHHHHHHHHHHHHHHH-1"	12/12/07	360	R & B TRADING	3,840.00
"IIIIIIIIIIIIII 1"	12/14/07	1032	TRI GEM MARKETING	10,000.00
"IIIIIIIIIIIIII-2"	12/18/07	1034	TRI-GEM MARKETING	39,000.00
"JJJJJJJJJJJJJJJ-1"	12/17/07	03393	NUTRITECH VENTURES, INC.	5,250.00
"NNNNNNNNNNNNNNN 1"	12/20/07	3710	CASTLE MARKETING	12,570.00
"OOOOOOOOOOOOOOO-1"	12/26/07	29218	ELITE ENTERPRISES	450.00
"RRRRRRRRRRRRRRR 2"	11/14/07	03077	NUTRITECH VENTURES, INC.	67,625.00
Total				**₱8,083,971.81**