REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL SECOND DIVISION

CHARTIS TECHNOLOGY & OPERATIONS MANAGEMENT CORPORATION (PHILIPPINES),
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NOS. 8432, 8498, 8534 & 8581

Members:

CASTAÑEDA, JR., *and*
CASANOVA.

Promulgated:

FEB 2 2 2017

10:40 a.m.

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AMENDED DECISION

CASANOVA, *J.*:

For resolution is petitioner's **Motion for Reconsideration with Motion for New Trial**[1], filed on November 24, 2015, without respondent's comment despite notice per Records Verification[2] dated January 12, 2016.

Petitioner seeks reconsideration of this Court's Decision[3], promulgated on November 6, 2015, which dismissed petitioner's claim for refund or issuance of tax credit certificates (TCC) of its alleged excess and unutilized Input Value Added Tax (VAT) in the total amount of ₱56,815,398.78 for fiscal year (FY) 2010 ended November 30, 2010.

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[1] CTA Case No. 8432, Docket (Vol. V), pp. 2350-2360.
[2] CTA Case No. 8432, Docket (Vol. V), p. 2527.
[3] CTA Case No. 8432, Docket (Vol. V), pp. 2318-2349.

In the assailed Decision, the Court denied petitioner's claim for VAT refund for its failure to submit sufficient documents to prove that its clients are non-resident foreign corporations doing business outside the Philippines.

In the Motion for Reconsideration with Motion for New Trial, petitioner manifests that it has fifty-one (51) non-resident foreign clients for FY ended November 30, 2010 in different territories scattered around the world. Petitioner requested its clients to furnish it with their consularized copies of incorporation documents, but the requests went unheeded. Petitioner was allegedly constrained to finish the presentation of its documentary and testimonial evidence without relevant incorporation documents.

Petitioner avers that despite reasonable diligence and repeated reminders to its foreign clients, petitioner failed to receive the consularized copies of their incorporation papers. Moreover, petitioner does not have absolute control over these foreign affiliates, at most, it can only request, but it does not have the authority to procure the documents from its source.

Since the consularized documents remain unavailable, petitioner has gathered printed screenshots of the official online websites of the foreign government company registries, which are attached to its motion. Petitioner learned that, in recent cases, this Court has accepted printed screenshots as evidence to prove the fact that a non-resident foreign corporation is doing business outside the Philippines.

Petitioner argues that the said printed screenshots are akin to newly discovered evidence that shall materially alter the outcome of the case. Thus, petitioner prays that the Court grant its Motion for New Trial and admit these documents into evidence so that petitioner's claim for VAT refund may be granted in its entirety.

In the Resolution[4] dated February 12, 2016, the Court granted petitioner's Motion for New Trial and held in abeyance the resolution of petitioner's Motion for Reconsideration.

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[4] CTA Case No. 8432, Docket (Vol. V.), pp. 2529-2531.

Consequently, petitioner recalled its witness, Ms. Mary Cris Barayuga, petitioner's Senior Manager for Finance and Accounting.[5] Thereafter, petitioner filed its Supplemental Formal Offer of Evidence[6] on August 1, 2016. In the Resolution[7] dated September 20, 2016, the Court admitted as evidence Exhibits **"M-1-a", "M-2-a", "M-3-a", "M-4-a", "M-6-a", "M-6-b", "M-7-a", "M-8-a", "M-8-b", "M-8-c", "M-9-a", "M-9-b", "M-9-c", "M-9-d", "M-10-a", "M-11-a", "M-11-b", "M-12-a", "M-12-b", "M-13-a", "M-14-b", "M-15-a", "M-16-a", "M-17-a", "M-17-b", "M-17-c", "M-18-a", "M-18-b", "M-18-c", "M-18-d", "M-20-a", "M-20-b", "M-21-a", "M-21-b", "M-21-c", "M-23-a", "M-23-b", "M-23-c", "M-24-a", "M-24-b", "M-24-c", "M-24-d", "M-24-e", "M-25-a", "M-26-a", "M-27-a", "M-29-a", "M-31-a", "M-31-b", "M-31-c", "M-32-a", "M-32-b", "M-33-a", "M-33-b", "M-33-c", "M-34-a", "M-35-b", "M-36-a", "M-37-a", "M-38-a", "M-39-a", "M-40-a", "M-41-a", "M-43-a", "M-44-a", "M-44-b", "M-47-a", "M-48-a", "M-49-a", "M-50-a", "M-51-a", "M-60", "M-61"**, and **"M-61-a"**.

Petitioner filed the Supplemental Memorandum (in support of Petitioner's Motion for Reconsideration dated 23 November 2015)[8] on October 27, 2016, while respondent failed to file his supplemental memorandum despite notice per Records Verification[9] dated November 21, 2016.

In the Supplemental Memorandum, petitioner asserts that its witness, Ms. Barayuga reiterated that petitioner's clients are foreign corporations existing, operating and doing business in foreign countries. In support of her testimony, Ms. Barayuga presented the consularized Certificates and Articles of Incorporation and similar documents, as well as printouts of the websites of various foreign government registries, showing that petitioner's clients are existing, operating and doing business in foreign countries.

Petitioner maintains that it duly substantiated its claim for refund. Thus, taking into account the additional evidence presented, petitioner submits that it is entitled to the refund or issuance of a tax

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[5] Minutes of the Hearing dated July 20, 2016, CTA Case No. 8432, Docket (Vol. V), p. 2607; Exhibit "M-61"
[6] CTA Case No. 8432, Docket (Vol. V), pp. 2610-2628.
[7] CTA Case No. 8432, Docket (Vol. VI), pp. 3083-3084.
[8] CTA Case No. 8432, Docket (Vol. VI), pp. 3085-3099.
[9] CTA Case No. 8432, Docket (Vol. VI), p. 3100.

credit certificate for its unutilized/excess input VAT for the 1st to 4th quarters of FY 2010 amounting to ₱56,815,398.78.

To reiterate, the denial of the claim was mainly due to petitioner's failure to prove that it rendered zero-rated sales of services in accordance with Section 108(B)(2) of the National Internal Revenue Code (NIRC) of 1997, as amended. More particularly, petitioner failed to present proof of its foreign clients' incorporation, association or registration in a foreign country which should have satisfied the 2nd requisite to establish that the supply of services are considered VAT zero-rated as laid down in *Commissioner of Internal Revenue vs. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*[10] These requisites are as follows:

1. the services must be other than processing, manufacturing or repacking of goods;

2. the recipient of such services is doing business outside the Philippines; and

3. payment for such services must be in acceptable foreign currency accounted for in accordance with the BSP rules and regulations.

Hence, in the Supplemental Formal Offer of Evidence, petitioner presented consularized foreign incorporation/registration documents and/or screenshots from various foreign government websites to prove its clients' foreign incorporation or registration.[11]

With the admission of these documents[12], the Court will now proceed in verifying petitioner's refundable claim.

As stated in the assailed Decision, in order to be entitled to a refund or issuance of a tax credit certificate of input VAT paid, petitioner must prove the following:

1. the taxpayer is VAT registered;

[10] G.R. No. 153205, January 22, 2007.
[11] Exhibits "M-1-a" to "M-61-a"
[12] Resolution dated September 20, 2016, CTA Case No. 8432, Docket (Vol. VI), pp. 3083-3084.

2. the taxpayer is engaged in zero-rated or effectively zero-rated sales;

3. the input taxes are due or paid;

4. the input taxes are not transitional input taxes;

5. the input taxes have not been applied against output taxes during and in the succeeding quarters;

6. the input taxes claimed are attributable to zero-rated or effectively zero-rated sales;

7. for zero-rated sales under Section 106(A)(2)(1) and (2); 106(B); and 108(B)(1) and (2), the acceptable foreign currency exchange proceeds have been duly accounted for in accordance with BSP rules and regulations;

8. where there are both zero-rated or effectively zero-rated sales and taxable or exempt sales, and the input taxes cannot be directly and entirely attributable to any of these sales, the input taxes shall be proportionately allocated on the basis of sales volume; and

9. the claim is filed within two years after the close of the taxable quarter when such sales were made.[13]

The first and ninth requisites were already passed upon in the Decision dated November 6, 2015. [14] We now proceed with the re-evaluation of the remaining requisites.

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

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[13] *San Roque Power Corporation vs. Commissioner of Internal Revenue*, G.R. No. 180345, November 25, 2009.

[14] Decision dated November 6, 2015, CTA Case No. 8432, Docket (Vol. V), pp. 2342-2344.

For the fiscal year 2010, petitioner allegedly rendered services to the following non-resident foreign corporations which are either covered with individual Master Service Agreements or included in an Intercompany Service Agreement as listed by Ms. Maria Juvy M. Vargas and Ms. Mary Cris Barayuga, petitioner's Chief Financial Officer and Senior Manager for Finance and Accounting, respectively, in their Sworn Statements dated September 11, 2013[15] and June 15, 2016[16], respectively:

1	AIG Global Reinsurance Division
2	AIG Kazakhstan
3	AIG Travel Assist, Inc.
4	AIU Insurance Company – Japan
5	American Home Assurance Australia
6	American Home Assurance Company Australia
7	American Home Assurance Company UAE
8	American Home Assurance Korea
9	American Home Assurance Singapore
10	Chartis Azerbaijan Insurance Co.
11	Chartis Chile Compania Seguros Generales S.A.
12	Chartis China
13	Chartis Claims
14	Chartis Europe S.A.
15	Chartis Europe S.A. Branch Office of Hungary
16	Chartis Europe S.A. Bulgaria Branch
17	Chartis Europe S.A. Czech Republic Branch
18	Chartis Europe S.A. Finland Branch
19	Chartis Europe S.A. Georgia Branch
20	Chartis Europe S.A. Poland Branch Office
21	Chartis Europe S.A. Slovak Republic Branch
22	Chartis Insurance Claims
23	Chartis Insurance Hong Kong
24	Chartis Insurance Indonesia
25	Chartis Insurance Ireland Limited
26	Chartis Insurance UK Ltd.
27	Chartis International O and S HO
28	Chartis Intl F&A
29	Chartis Malaysia Insurance Berhad
30	Chartis Romania Insurance Company SA
31	Chartis Southeast Asia Limited
32	Chartis Taiwan Insurance, Co. Ltd.
33	Chartis Technology and Operations Management (M) SDN BHD
34	Chartis Technology and Operations Management - Ireland
35	Chartis UK Services, Ltd.

[15] CTA Case No. 8432, Docket (Vol. III), pp. 1282-1283.
[16] Exhibit "M-61"

36	Chartis Ukraine Insurance Company CJSC
37	Chartis Uzbekistan
38	Chartis Vietnam Insurance Company Limited
39	CJSC Chartis
40	Direct DME Inc.
41	Guam Insurance Adjusters, Inc.
42	Intercompany Clearing House NY - Chartis Intl F&A
43	Lexington
44	New Hampshire Insurance Thailand
45	UBB Chartis Insurance Company Bulgaria
46	Alico AIG GID
47	Chartis MEMSA Insurance Co. - Oman Branch
48	Chartis MEMSA Insurance Company Limited
49	Chartis South Africa Ltd.
50	Health Direct, Inc.
51	Tata AIG Gen Insurance Co. Ltd. - India

Petitioner presented SEC Certifications of Non-Registration of Company[17], Master Agreements for Professional Services[18], Intercompany Services Agreement[19] and consularized foreign incorporation/registration documents and/or screenshots from various foreign government websites[20] to prove that its clients are non-resident foreign corporations doing business outside the Philippines.

In *Deutsche Knowledge Services, Pte Ltd. vs. Commissioner of Internal Revenue*[21], this Court discussed the documentary requirements to prove that the recipients of services are non-resident foreign corporations doing business outside of the Philippines, to wit:

> "To prove that its clients are non-resident foreign corporations doing business outside the Philippines, petitioner presented the following documents:
>
> 1. SEC Certifications of Non-Registration of Company;
> 2. Certifications from different government agencies in the country of origin of petitioner's clients, all

[17] Exhibits "L-1" to "L-51"
[18] Exhibits "M-2" to "M-58".
[19] Exhibit "M-59".
[20] Exhibits "M-1-a" to "M-61-a"
[21] CTA Case No. 7808, December 16, 2014.

duly authenticated by the nearest consulate of the Philippines;
3. Intragroup Service Agreements; and,
4. Duetsche Bank List of Shareholdings 2008

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

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

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

As to the validity of screenshots of foreign government websites, this Court ruled in *Chevron Holdings, Inc. [formerly Caltex (Asia) Limited] vs. Commissioner of Internal Revenue*[22] that "[B]eing official government registry of corporations, the Court is inclined to accept the printed screenshots of the official websites of other

[22] CTA Case No. 8241, August 11, 2015.

foreign government's registry of companies as sufficient proof in lieu of the Certificates/Articles of Foreign Incorporation/Association."

After a thorough examination of these documents presented, the Court finds that out of petitioner's 51 foreign clients, only the following entities can be considered non-resident foreign corporations doing business outside the Philippines:

1	AIG Kazakhstan
2	AIG Travel Assist, Inc.
3	American Home Assurance Company UAE
4	Chartis Chile Compania Seguros Generales S.A.
5	Chartis Claims
6	Chartis Europe S.A.
7	Chartis Europe S.A. Branch Office of Hungary
8	Chartis Europe S.A. Bulgaria Branch
9	Chartis Europe S.A. Czech Republic Branch
10	Chartis Europe S.A. Finland Branch
11	Chartis Europe S.A. Poland Branch Office
12	Chartis Europe S.A. Slovak Republic Branch
13	Chartis Insurance Ireland Limited
14	Chartis Malaysia Insurance Berhad
15	Chartis Southeast Asia Limited
16	Chartis Technology and Operations (M) SDN BHD
17	Chartis UK Services, Ltd.
18	Chartis Ukraine Insurance Company CJSC
19	Chartis Uzbekistan
20	Direct DME Inc.
21	Guam Insurance Adjusters, Inc.
22	New Hampshire Insurance Thailand
23	Chartis South Africa Ltd.
24	Health Direct, Inc.
25	Tata AIG Gen Insurance Co. Ltd. - India

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

In its amended Quarterly VAT Returns[23] for the FY 2010, petitioner reported an amount of ₱1,356,544,794.50 total sales, where ₱1,326,963,237.76 pertains to zero-rated sales, to wit:

[23] Exhibits "F-1", "F-3", "F-7" and "F-8".

Quarter	VATable	Zero-Rated	TOTAL
1st	₱ 7,276,101.73	₱ 402,399,346.27	₱ 409,675,448.00
2nd	7,153,406.38	214,520,912.15	221,674,318.53
3rd	7,548,669.02	389,793,750.70	397,342,419.72
4th	7,603,379.61	320,249,228.64	327,852,608.25
TOTAL	**₱29,581,556.74**	**₱1,326,963,237.76**	**₱1,356,544,794.50**

Petitioner submitted its VAT official receipts and sales invoices[24] to support its zero-rated sales which were scrutinized by the Court-commissioned Independent Certified Public Accountant (ICPA), Ms. Mary Ann Capuchino.

The Court finds it proper to disallow zero-rated sales amounting to ₱640,937,776.58 due to the following findings by the ICPA, as summarized in her report[25]:

ICPA Report Annex Reference	Findings	Amount
D	Export sales pertaining to ICH IT transactions supported by **VAT OR issued in the name of Chartis Int'l F&A** stamped with zero-rated sales and with Certificate of Inward Remittance	₱ 589,846,852.10
D	Adjustments made to export sales with Chartis Int'l F&A	(8,440,887.79)
E	Export sales pertaining to ICH IT transactions supported by **VAT ORs issued in the name of Chartis Int'l F&A** stamped with zero-rated sales and with Certificate of Inward Remittance with noted difference in the amount per invoice and per schedule of collection report	21,652,333.73
E	Adjustments made to export sales with Chartis Int'l F&A with noted difference in the amount per invoice and per schedule of collection report	(518,892.61)
F	Export sales not properly supported by VAT OR stamped with zero-rated sale but supported with Certificate of Inward Remittance	21,809,283.34
G	Export sales supported by VAT OR with no CAS permit number indicated but supported with Certificate of Inward Remittance	8,323,122.78
H	Export sales properly supported bby VAT OR stamped with zero-rated sale but not supported with original Certificate of Inward Remittance	6,552,908.05
I	Export sales pertaining to ICH IT transactions supported by **VAT OR issued in the name of Chartis Int'l F&A** and with Certificate of Inward Remittances but not supported by VAT invoices	7,291,152.22
	Other adjustments	(5,578,095.24)
	TOTAL	**₱640,937,776.58**

[24] Exhibit "P-3", with submarkings.
[25] Exhibit "P-1", Part 1 of 2, pp. 11-12.

In addition to the ICPA's findings, the Court finds that ₱454,989,141.77 of petitioner's zero-rated sales must likewise be disallowed due to the following:

ICPA Report Annex Reference	Exh. No.	Client	OR No.	Date	Amount in USD	Amount in PHP
Sales supported by VAT zero-rated OR without date and without Certificate of Inward Remittance						
C	P-3-0142	Chartis Europe SA, Branch Office of Hungary	259		***$19,231.96***	***₱907,844.63***
Sales supported by VAT zero-rated OR but without Certificate of Inward Remittance						
B	P-3-0010	Guam Insurance Adjusters Inc.	257	12/1/2009	3,114.55	147,000.53
B	P-3-0012	New Hampshire Insurance Thailand	271	12/1/2009	89,948.96	4,246,040.66
B	P-3-0017	Chartis Europe SA, Bulgaria Branch	283	2/25/2010	15,471.26	719,568.31
B	P-3-0020	Chartis Europe SA, Czech Republic Branch	286	2/25/2010	46,001.06	2,137,648.90
B	P-3-0021	Chartis Europe SA, Finland Branch	288	2/25/2010	88,224.97	4,097,762.14
B	P-3-0023	Chartis Insurance Hongkong	290	2/25/2010	164,686.86	7,612,120.54
B	P-3-0024	Chartis Europe SA, Branch Office of Hungary	291	2/25/2010	34,411.12	1,594,880.00
B	P-3-0028	Chartis Malaysia Insurance Berhad	296	2/25/2010	173,711.47	8,051,607.01
B	P-3-0029	Chartis Europe SA, Poland Branch	298	2/25/2010	47,663.88	2,211,265.86
B	P-3-0031	Chartis Europe SA, Slovak Republic Branch	301	2/25/2010	38,022.04	1,768,405.09
B	P-3-0032	New Hampshire Insurance Thailand	303	2/25/2010	32,082.10	1,480,685.15
B	P-3-0033	AIG Travel Assist, Inc.	304	2/25/2010	111,609.09	5,190,938.78
B	P-3-0051	Direct DME, Inc.	0000051	6/15/2010	10,552.00	487,502.40
B	P-3-0056	Chartis Claims	0000062	7/5/2010	476,821.50	22,029,153.30
B	P-3-0061	Direct DME, Inc.	0000068	7/12/2010	10,552.00	489,190.72
B	P-3-0066	Chatis Claims	0000079	7/30/2010	5,276.00	244,595.36
B	P-3-0069	Chartis Claims	0000082	8/6/2010	494,193.46	22,500,628.23
B	P-3-0072	Chartis Claims	0000085	8/19/2010	5,276.00	240,216.28
B	P-3-0073	Chartis Claims	0000088	8/20/2010	502,870.43	22,895,690.68
B	P-3-0075	Direct DME, Inc.	0000093	8/25/2010	18,089.29	828,724.64
B	P-3-0086	American Home Assurance Company, UAE	0000586	8/27/2010	254,865.88	11,604,043.54
B	P-3-0091	Chartis Europe SA	0000102	9/2/2010	6,934.08	314,668.55
B	P-3-0123	Chartis Technology and Operations (M) SDN BHD	0000167	11/24/2010	3,500.00	154,255.50
C	P-3-0139	Chartis Europe SA, Bulgaria Branch	254	12/1/2009	1,971.91	93,084.01
C	P-3-0146	Chartis Malaysia Insurance Berhad	264	12/1/2009	135,613.70	6,401,644.72
C	P-3-0150	Chartis Europe SA, Slovak Republic Branch	269	12/1/2009	11,412.50	538,727.06
				SUBTOTAL	***2,782,876.11***	***128,080,047.96***
Sales supported by VAT zero-rated OR but petitioner failed to prove that client is a non-resident foreign corporation not doing business in the Philippines						
B	P-3-0003	Chartis Insurance UK Ltd	312	2/4/2010	3,886.44	180,758.32
B	P-3-0005	Chartis Insurance UK Ltd	314	2/18/2010	45,600.00	2,120,856.00
B	P-3-0008	Chartis Insurance UK Ltd	317	2/25/2010	45,600.00	2,120,856.00
B	P-3-0009	Chartis Azerbaijan Insurance Co.	253	12/1/2009	9,387.37	443,131.26
B	P-3-0011	American Home Assurance Korea	263	12/1/2009	124,024.10	5,854,557.64
B	P-3-0013	Chartis International O&S HO	272	12/1/2009	410,760.63	19,389,955.55
B	P-3-0014	AIG Global Reinsurance Division	274	12/1/2009	1,672.85	78,946.96
B	P-3-0015	Chartis Vietnam Insurance Company Limited	280	1/22/2010	7,440.91	342,467.88
B	P-3-0018	Chartis International O&S HO	284	2/25/2010	573,180.15	26,658,608.80
B	P-3-0019	Chartis China	285	2/25/2010	102,985.99	4,789,878.39
B	P-3-0022	Chartis Europe SA, Gerogia Branch	289	2/25/2010	12,325.82	573,273.90
B	P-3-0025	Chartis Insurance Indonesia	292	2/25/2010	66,575.92	3,096,446.04
B	P-3-0026	AIU Insurance Company - Japan	293	2/25/2010	25,616.50	1,191,423.41
B	P-3-0027	American Home Assurance Korea	295	2/25/2010	227,147.14	10,564,613.49

B	P-3-0030	Chartis Romania Insurance Company SA	299	2/25/2010	39,944.52	1,857,819.63
B	P-3-0031	Chartis Taiwan Insurance Co. Ltd.	302	2/25/2010	247,861.54	11,321,494.28
B	P-3-0034	AIG Global Reinsurance Division	305	2/25/2010	8,430.63	392,108.60
B	P-3-0035	Chartis Vietnam Insurance Company Limited	309	2/25/2010	3,480.76	161,013.00
B	P-3-0036	Lexington	0000034	4/28/2010	39,819.74	1,799,454.05
B	P-3-0039	Chartis Insurance UK Ltd	0000037	5/7/2010	45,600.00	2,027,376.00
B	P-3-0040	Chartis Insurance UK Ltd	0000040	5/14/2010	2,041.08	90,746.42
B	P-3-0042	Lexington	0000043	5/18/2010	39,438.68	1,753,443.71
B	P-3-0046	CJSC Chartis	0000419	3/31/2010	20,538.67	928,758.66
B	P-3-0047	Chartis Vietnam Insurance Company Limited	0000420	3/31/2010	9,490.00	429,137.80
B	P-3-0049	Chartis Vietnam Insurance Company Limited	0000476	5/31/2010	5,544.36	246,502.24
B	P-3-0050	Chartis Vietnam Insurance Company Limited	0000478	5/31/2010	13,898.71	617,936.64
B	P-3-0052	Chartis Insurance UK Ltd	0000052	6/15/2010	45,600.00	2,106,720.00
B	P-3-0053	Lexington	0000054	6/18/2010	35,771.70	1,652,652.54
B	P-3-0054	Chartis Insurance UK Ltd	0000056	6/24/2010	42,120.00	1,945,944.00
B	P-3-0055	AIG Global Services Malaysia	0000057	6/9/2010	25,269.59	1,062,325.11
B	P-3-0058	Chartis Insurance UK Ltd	0000065	7/8/2010	2,013.12	93,328.24
B	P-3-0060	Chartis Insurance UK Ltd	0000067	7/13/2010	2,097.00	97,216.92
B	P-3-0062	AIG Global Services Malaysia	0000069	7/14/2010	3,500.00	162,260.00
B	P-3-0063	AIG Global Services Malaysia	0000070	7/14/2010	2,663.00	123,456.68
B	P-3-0064	Chartis Insurance UK Ltd	0000073	7/20/2010	45,600.00	2,114,016.00
B	P-3-0065	Lexington	0000074	7/22/2010	40,592.00	1,881,845.12
B	P-3-0068	Chartis Insurance UK Ltd	0000081	7/27/2010	1,230.24	57,033.93
B	P-3-0070	AIG Global Services Malaysia	0000083	8/16/2010	2,663.00	121,246.39
B	P-3-0071	AIG Global Services Malaysia	0000084	8/16/2010	3,500.00	159,355.00
B	P-3-0076	Chartis Insurance UK Ltd	0000094	8/25/2010	45,600.00	2,076,168.00
B	P-3-0077	Lexington	0000095	8/26/2010	40,592.00	1,848,153.76
B	P-3-0079	Chartis Vietnam Insurance Company Limited	0000495	6/17/2010	17,648.14	815,344.07
B	P-3-0082	Chartis Vietnam Insurance Company Limited	0000516	6/29/2010	18,843.22	870,556.76
B	P-3-0083	Chartis Vietnam Insurance Company Limited	0000549	7/30/2010	5,142.53	238,407.69
B	P-3-0084	CJSC Chartis	0000550	7/30/2010	71,900.66	3,333,314.59
B	P-3-0088	CJSC Chartis	0000591	8/31/2010	29,377.40	1,337,553.03
B	P-3-0089	UBB Chartis Insurance Company, Bulgaria	0000592	8/31/2010	198.90	8,986.10
B	P-3-0090	Chartis Insurance UK Ltd	0000101	9/2/2010	1,453.92	65,978.89
B	P-3-0095	Lexington	0000109	9/17/2010	40,592.00	1,842,064.96
B	P-3-0097	Chartis Insurance UK Ltd	0000111	9/21/2010	1,118.40	50,752.99
B	P-3-0100	Lexington	0000122	10/13/2010	40,229.56	1,765,273.09
B	P-3-0107	Chartis Insurance UK Ltd	0000131	10/19/2010	1,202.28	52,756.05
B	P-3-0122	Chartis Insurance UK Ltd	0000166	11/23/2010	1,537.80	66,156.16
B	P-3-0124	Alico AIG Cid	0000616	9/22/2010	14,462.50	656,308.25
B	P-3-0130	Chartis Vietnam Insurance Company Limited	0000666	10/29/2010	17,078.88	749,421.25
B	P-3-0131	CJSC Chartis	0000706	11/30/2010	25,753.00	1,107,894.06
B	P-3-0132	CJSC Chartis	0000711	11/30/2010	42,762.20	1,839,629.85
B	P-3-0133	CJSC Chartis	0000714	11/30/2010	24,807.64	1,067,224.67
B	P-3-0135	UBB Chartis Insurance Company, Bulgaria	0000673	10/31/2010	312.00	13,690.56
B	P-3-0136	CJSC Chartis	0000716	11/30/2010	3,747.90	161,234.66
C	P-3-0138	Chartis Insurance Australia	248	12/1/2009	1,307,721.08	61,730,973.60
C	P-3-0140	Chartis China	255	12/1/2009	20,497.50	967,584.49
C	P-3-0141	Chartis Insurance Hongkong	258	12/1/2009	176,701.96	8,341,216.02
C	P-3-0143	Chartis Insurance Indonesia	260	12/1/2009	35,933.45	1,696,238.51
C	P-3-0144	AIU Insurance Company - Japan	261	12/1/2009	11,674.00	551,071.17
C	P-3-0145	Chartis Kazakhstan Insurance Co. JSC	262	12/1/2009	142.67	6,734.74

C	P-3-0147	Chartis New Zealand (RO030)	265	12/1/2009	2,372.50	111,993.86
C	P-3-0148	Chartis Romania Insurance Company SA	266	12/1/2009	88,380.17	4,171,985.90
C	P-3-0149	Chartis Singapore Insurance PTE LTD	268	12/1/2009	247,645.75	11,690,117.65
C	P-3-0151	Chartis Taiwan Insurance Co. Ltd.	270	12/1/2009	101,020.60	4,768,677.43
C	P-3-0152	Chartis International O&S HO 2	273	12/1/2009	112,940.13	5,331,338.84
C	P-3-0153	Chartis Technology & Operations Management - Ireland	256	12/1/2009	268,816.63	12,689,489.03
C	P-3-0155	Chartis Vietnam Insurance Company Limited	250	12/14/2009	9,220.84	435,269.76
C	P-3-0157	Chartis Vietnam Insurance Company Limited	278	12/31/2009	2,869.14	135,437.76
C	P-3-0158	CJSC Chartis	277	12/31/2009	286,747.57	13,535,919.07
C	P-3-0159	Chartis Insurance Australia	282	2/25/2010	386,405.83	17,971,735.15
C	P-3-0160	Chartis Technology & Operations Management - Ireland	287	2/25/2010	704,027.42	32,744,315.29
C	P-3-0161	Chartis Kazakhstan Insurance Co. JSC	294	2/25/2010	2,173.60	101,094.15
C	P-3-0162	Chartis New Zealand (RO030)	297	2/25/2010	104.00	4,837.04
C	P-3-0163	Chartis Singapore Insurance PTE LTD	300	2/25/2010	125,489.21	5,836,503.16
				SUBTOTAL	***6,720,157.14***	***313,398,366.66***
Sales supported by VAT zero-rated OR but issued to International Banking & Finance Center						
C	P-3-0154	Chartis Uzbekistan	275	12/1/2009	3,902.29	184,207.60
C	P-3-0164	Chartis Uzbekistan	306	2/25/2010	3,468.10	161,301.34
				SUBTOTAL	***7,370.39***	***345,508.94***
Sales supported by VAT zero-rated OR but issued to AIU Searo						
C	P-3-0156	Chartis Southeast Asia Limited	251	12/29/2009	***262,788.26***	***12,257,373.58***
			GRAND TOTAL		**$9,792,423.86**	**₱454,989,141.77**

To summarize, out of the total ₱1,326,963,237.76 zero-rated sales declared by petitioner in its amended Quarterly VAT Returns, only ₱231,036,319.41, as computed below, can be considered as valid zero-rated sales:

Total declared zero-rated sales		₱ 1,326,963,237.76
Less: Disallowances		
Per ICPA report	₱640,937,776.58	
Per the Court's further verification	454,989,141.77	1,095,926,918.35
Valid zero-rated sales for refund/issuance of TCC purposes		**₱231,036,319.41**

Third and Fourth Requisites:
Input taxes were incurred or paid and were not transitional input taxes.

For FY 2010, petitioner incurred a total of ₱61,686,917.40 input taxes, broken down in each quarter[26] as follows:

[26] Exhibits "F-1", "F-3", "F-7" and "F-8".

	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
Purchase of capital goods not exceeding 1M	₱ 282,015.99	₱ 417,350.00	₱ 626,004.36	₱ 364,275.98	₱ 1,689,646.33
Purchase of capital goods exceeding 1M	-	-	121,050.52	226,234.88	347,285.40
Domestic purchases of goods other than capital goods	891,712.42	1,749,426.26	2,957,929.30	2,656,960.13	8,256,028.11
Importation of goods other than capital goods	-	-	-	-	-
Domestic purchase of services	12,550,606.39	10,556,192.89	12,574,935.56	15,712,222.72	51,393,957.56
Services rendered by non-residents	-	-	-	-	-
Total available current input tax	**₱13,724,334.80**	**₱12,722,969.15**	**₱16,279,919.74**	**₱18,959,693.71**	**₱61,686,917.40**

However, petitioner only prayed for a refund/issuance of TCC on unutilized input VAT attributable to zero-rated sales amounting to ₱56,815,398.78. This amount is lower than the total declared current input VAT by ₱4,871,518.62 (₱61,686,917.40 – 56,815,398.78).

The difference can be accounted for as follows[27]:

Period Covered	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Input VAT credited to Output VAT for the Period	***₱ 873,132.21***	***₱ 858,408.77***	***₱ 905,840.28***	***₱ 912,405.55***	***₱3,549,786.81***
Total local sales	7,276,101.73	7,153,406.38	7,548,669.02	7,603,379.61	
÷) Total declared sales	409,675,448.00	221,674,318.53	397,342,419.72	327,852,608.25	
x) Excess input VAT					
(P13,724,334.80 - 873,132.21)	12,851,202.59				
(P12,722,969.15 - 858,408.77)		11,864,560.38			
(P16,279,919.74 - 905,840.28)			15,374,079.46		
(P18,959,693.71 - 912,405.55)				18,047,288.16	
Input VAT allocated to Local Sales	***₱ 228,245.70***	***₱ 382,868.09***	***₱ 292,075.13***	***₱ 418,542.90***	***₱1,321,731.81***
Input VAT not available for refund/issuance of TCC	**₱1,101,377.90**	**₱1,241,276.85**	**₱1,197,915.41**	**₱1,330,948.46**	**₱4,871,518.62**

Petitioner submitted various suppliers' official receipts and invoices to substantiate the amount of ₱61,686,917.40 input VAT declared in its Quarterly VAT Returns.

Upon scrutiny of the ICPA Report[28] and the related supporting documents, the Court finds that the input taxes in the amount of

[27] Exhibit "P-1", Part 1 of 2, p. 8.

₱22,127,813.82 should be disallowed for non-compliance with the substantiation requirements under Sections 110(A) and 113(A) and (B) of the NIRC of 1997, as amended, in relation to Sections 4.110-2, 4.110-3, 4.110-8 and 4.113-1 of Revenue Regulations (RR) No. 16-05. Below is the detailed breakdown of the disallowed input VAT of ₱22,127,813.82:

ICPA Report Annex Reference	Findings	Amount
U	Domestic purchases of services properly supported with original VAT ORs but do not bear company's TIN	₱ 51,493.34
V	Domestic purchases of goods properly supported with original VAT invoice but the amount of input VAT claimed was not separately indicated	75,522.83
W	Domestic purchases of services properly supported with original VAT ORs but the amount of input VAT claimed was not separately indicated	14,059,593.90
X	Overclaimed input VAT from domestic purchases of goods supported with original VAT invoices	145,071.43
Y	Overclaimed input VAT from domestic purchases of services supported with original VAT ORs	128,388.84
Z	Domestic purchases of goods supported only with photocopies of VAT invoices	339,721.78
AA	Domestic purchases of goods supported by original VAT invoices but have no Authority to Print	1,137.60
BB	Domestic purchases of goods not supported with VAT invoices but supported with VAT ORs	91,318.39
CC	Domestic purchases of services not supported with VAT ORs but supported only with original VAT invoices	183,429.86
DD	Domestic purchases of services supported with original VAT invoices/ORs but not in the name of company	10,189.77
EE	Domestic purchases of services supported with original VAT ORs but no dates were indicated	789,540.51
FF	Domestic purchases of goods supported with VAT ORs not dated within the quarter	35,133.51
HH	Domestic purchases of goods and services supported with VAT invoices and VAT ORs not dated within the quarter and not within the taxable year	3,367,287.75
II	Domestic purchases of services supported with acknowledgment receipt	3,214.29
JJ	Domestic purchases of services supported only with "zero-rated" official Receipts	11,459.91
KK	Domestic purchases of goods supported with original VAT invoices with imprinted "not a valid source of input tax"	394,922.40
LL	Domestic purchases of services supported with receipts with imprinted "not a valid source of input tax"	84,346.52
MM	Domestic purchases of goods and services supported only with Non-VAT sales invoices and ORs	61,329.37
PP	Domestic purchases of capital goods exceeding P1 million supported with VAT invoices not dated within the quarter	53,789.65
QQ	Domestic purchases of capital goods exceeding P1 million supported only with photocopies of original VAT official invoice	126,300.52
RR	Domestic purchases of capital goods exceeding P1 million properly supported with original VAT invoice but the amount of input VAT claimed was not shown separately	17,541.97
SS	Domestic purchases of capital goods exceeding P1 million supported with	103,835.96

[28] Exhibit "P-1", Part 1 of 2, pp. 24-26.

	invoices imprinted "Not a Valid Source of Input Tax"	
TT	Unsupported domestic purchases of goods and services	1,993,243.72
	TOTAL	**₱22,127,813.82**

In addition, petitioner's claimed input VAT incurred on domestic purchases of goods and services totaling ₱5,791,198.01, as detailed below, should also be disallowed for non-compliance with the substantiation requirements under the VAT law and regulations:

ICPA Report Annex Ref.	Exh. No.	Client	Invoice/OR No.	Date	Amount in PHP
Exhibit denied admission by the Court					
Q	P-6-0175	MEDEXPRESS	17397	1/9/2010	***₱ 345.01***
Purchase of capital goods exceeding P1M supported with VAT invoice but amount of input VAT was not separately indicated					
NN	P-6-3224	INTEGRATED COMPUTER SYSTEMS INC	210039536	3/31/2010	65,939.42
NN	P-6-3225	INTEGRATED COMPUTER SYSTEMS INC	210039537	3/31/2010	121,501.56
				SUBTOTAL	***187,440.98***
Purchase of goods supported with VAT invoice but amount of input VAT was not separately indicated					
GG	P-6-2789	FILES SYSTEMS MANUFACTURING & SUPPLY CORP	55213	5/21/2010	2,208.75
GG	P-6-2805	ROBINSON HANDYMAN INC	8414	5/26/2010	748.66
Q	P-6-0199	ACE HARDWARE PHILS INC	2903	4/6/2010	4,959.43
Q	P-6-0230	HALCYON INCORPORATED	659	4/17/2010	3,264.00
Q	P-6-0345	ROBINSON HANDYMAN INC	8452	6/8/2010	320.09
				SUBTOTAL	***11,500.93***
Purchase of goods supported with VAT invoice with alteration on petitioner's name but the countersignor's authority cannot be ascertained					
Q	P-6-0262 to 0263	PURPLE TAG INC	2168/2167	4/22/2010	***16,232.15***
Purchase of goods supported with VAT invoice with alteration on the input VAT amount but the countersignor was different from the preparer					
Q	P-6-0252	JJED PHILIPPINES INC	87201	4/13/2010	***307.50***
Purchase of goods supported with VAT invoice with alteration on the input VAT amount but the countersignor's authority cannot be ascertained					
Q	P-6-0206	AMERICAN TECHNOLOGIES INC	82806	3/16/2010	***771.43***
Purchase of goods supported with VAT invoice with alteration on the input VAT amount without authorized countersignature					
Q	P-6-0302	GEM STATIONERY INC	218528	6/23/2010	***2,667.86***
Purchase of services supported with CAS-generated VAT OR but no imprinted CAS or POS Permit No. or supporting BIR CAS Permit of supplier					
Y	P-6-2421	PLDT	PKPOR000424315	3/26/2010	11,137.25
Y	P-6-2422	PLDT	PKPOR000441158	5/7/2010	11,164.46
Y	P-6-2433	PLDT	PKPOR000468292	7/14/2010	11,137.25
Y	P-6-2434	PLDT	PKPOR000475211	7/30/2010	11,137.25
Y	P-6-2447	PLDT	PWKOR001051169	10/5/2010	11,137.20
Y	P-6-2448	PLDT	PKPOR000516899	11/9/2010	11,137.20
Y	P-6-2449	PLDT	PKPOR000516884	11/9/2010	156.54
Y	P-6-2450	PLDT	PWKOR001049120	9/30/2010	11,137.20
GG	P-6-2631	PLDT	PWKOR00133540	9/8/2010	26,878.53
GG	P-6-2675 to 2707	PLDT	various receipts	3/31/2010	50,676.07
GG	P-6-2774	PLDT	PQGOR008864819	6/2/2010	10,497.94
GG	P-6-2838 to 2886	PLDT	various receipts	9/6/2010	43,736.97
R	P-6-0679 to 0769	PLDT	various receipts		31,524.18
R	P-6-0838 to 0915	PLDT	various receipts		26,457.91
R	P-6-0911 to 0924, 1021 to 1033, 1044 to 1180	PLDT	various receipts		52,625.74

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				SUBTOTAL	***320,541.69***
Purchase of services supported with VAT OR but amount of input VAT was not separately indicated					
Y	P-6-2423	SKYHAWK SECURITY FORCE AND ALLIED SERVICE	13980	5/28/2010	1,777.92
Y	P-6-2428	TOWER CLUB	93284	5/24/2010	294.64
Y	P-6-2451	SYSTEMS GENERATORS PHILIPPINES, INC.	1171	9/17/2010	8,629.94
GG	P-6-2559	ANSCOR CASTO TRAVEL CORPORATION	40188	3/4/2010	334.02
GG	P-6-2576	DATACRAFT PHILIPPINES INC	1695	3/10/2010	293,868.28
GG	P-6-2579	FIRE SOLUTIONS INC	1256	4/21/2010	5,885.41
GG	P-6-2594	SQME PROFESSIONALS INC	934	6/11/2010	55,129.83
GG	P-6-2603	KFORCE GLOBAL SOLUTIONS INC	1571	9/3/2010	1,801,390.31
GG	P-6-2615	KING OF TRAVEL INC	109457	9/3/2010	97.34
GG	P-6-2632	FIRE SOLUTIONS INC	128	1/5/2010	4,071.56
GG	P-6-2637	CASA MEDICA INC	267565	3/19/2010	75.00
GG	P-6-2639	CASA MEDICA INC	267566	3/19/2010	750.00
GG	P-6-2641	CORPORATE EXECUTIVE SEARCH INC	34158	3/19/2010	24,925.51
GG	P-6-2645	CORPORATE EXECUTIVE SEARCH INC	34157	3/19/2010	2,323.16
GG	P-6-2647	FUJI XEROX PHILIPPINES INC	107293	4/23/2010	12,455.48
GG	P-6-2666	INFORMATION PROFESSIONALS INC	17093	3/4/2010	16,710.37
GG	P-6-2667	INTEGRATED COMPUTER SYSTEMS INC	423027	3/12/2010	180.00
GG	P-6-2669	JAGUAR SECURITY AND INVESTIGATION AGENCY	40205	4/18/2010	24,201.26
GG	P-6-2671	JAGUAR SECURITY AND INVESTIGATION AGENCY	40305	4/28/2010	24,980.04
GG	P-6-2708	PRIME TECHNOLOGY SPECIALISTS INC	3500	3/5/2010	4,488.45
GG	P-6-2713	PUNONGBAYAN & ARAULLO	114020	3/24/2010	6,908.40
GG	P-6-2715	RCG INFORMATION TECHNOLOGY INC	3090	3/5/2010	838,229.28
GG	P-6-2722	SPECIALIZED CLEANING SERVICES 2000 INC	2547	3/19/2010	12,228.67
GG	P-6-2727	SUPERIOR MAINTENANCE SERVICES INC	187429	3/26/2010	12,554.81
GG	P-6-2729	SUPERIOR MAINTENANCE SERVICES INC	187430	3/26/2010	11,996.82
GG	P-6-2731	SYSTEMS GENERATORS PHILIPPINES, INC.	3484	3/2/2010	9,780.68
GG	P-6-2738	SYSTEMS GENERATORS PHILIPPINES, INC.	3498	3/12/2010	9,782.67
GG	P-6-2745 to 2746	TOWER CLUB	90496/60568	3/9/2010	214.29
GG	P-6-2751	INFORMATION PROFESSIONALS INC	17399	6/1/2010	13,675.76
GG	P-6-2778	PUNONGBAYAN & ARAULLO	116104	6/21/2010	7,167.60
GG	P-6-2782	SPECIALIZED CLEANING SERVICES 2000 INC	2975	7/30/2010	2,221.80
GG	P-6-2783	SPECIALIZED CLEANING SERVICES 2000 INC	3052	7/30/2010	964.29
GG	P-6-2785	SUPERIOR MAINTENANCE SERVICES INC	188907	6/10/2010	11,990.04
GG	P-6-2808	ANCILLA ENTERPRISE DEVELOPMENT CONSULTING INC	7160	9/3/2010	15,360.00
GG	P-6-2811	ANCILLA ENTERPRISE DEVELOPMENT CONSULTING INC	7161	9/3/2010	6,034.29
GG	P-6-2815	ARKIGRAFIX CORPORATION	3332	10/7/2010	3,750.00
GG	P-6-2817	CASA MEDICA INC	279973	9/9/2010	5,550.00
GG	P-6-2819	CORPORATE EXECUTIVE SEARCH INC	34654	9/17/2010	3,999.20
GG	P-6-2822	CORPORATE EXECUTIVE SEARCH INC	34653	9/17/2010	2,268.30
GG	P-6-2826	HYU BUILDERS	232	11/4/2010	1,795.29
GG	P-6-2828	INFORMATION PROFESSIONALS INC	17764	9/3/2010	15,462.18
GG	P-6-2832	KREATIVO KONCEPTO INC	370	9/24/2010	10,368.00
GG	P-6-2834	MANDARIN ORIENTAL MANILA	29477	9/3/2010	9,654.75
GG	P-6-2836	MANILA PENINSULA HOTEL INC	32992	10/14/2010	3,420.00
GG	P-6-2887	REYNALDO MASTER KEY & LOCK SERVICE	10696	9/3/2010	235.18
GG	P-6-2889	RICHVILLE HOTEL MANAGEMENT INC	106784	10/8/2010	51,150.00
GG	P-6-2892	SPECIALIZED CLEANING SERVICES	3132	10/1/2010	2,729.06

		2000 INC			
GG	P-6-2895	SPECIALIZED CLEANING SERVICES 2000 INC	3180	10/22/2010	1,446.43
GG	P-6-2898	SYSTEMS GENERATORS PHILIPPINES, INC.	1150	9/3/2010	11,250.57
GG	P-6-2906	TOWER CLUB	97026	9/14/2010	294.64
GG	P-6-2913	VALLEY SPORTS CORPORATION	44584	9/4/2010	281.25
GG	P-6-2928	MGE UPS SYSTEM	20831	10/29/2010	548.46
Q	P-6-0197 to 0198	WINNER ADVERTISING	3154	12/18/2009	5,850.00
Q	P-6-0273	SEAGULL GLASS WORKS INC	15693	4/23/2010	2,266.93
Q	P-6-0380	COLORLUX PHILIPPINES INC	189	9/21/2010	3,766.44
Q	P-6-0383	COLORLUX PHILIPPINES INC	196	11/9/2010	3,766.44
Q	P-6-0440	SYSTEMS CONNECTIVITY SOLUTION INC	492	11/9/2010	3,589.29
R	P-6-0602	METRO PARKING MANAGEMENT (PHILIPPINES) INC	0007	2/10/2010	7,885.71
R	P-6-0613	SOFTWARE LABORATORIES INC	11702	1/22/2010	25,707.43
R	P-6-0835	MARK'S FITNESS PLACE INC	47719	7/25/2010	997.50
R	P-6-0974	FUNCTIONAL INC	146936	10/1/2010	2,830.71
R	P-6-0983	HYU BUILDERS	234	11/12/2010	1,556,810.59
R	P-6-1005	MR. SUN KIDDIEPARTYCOM INC	2092	10/22/2010	3,732.00
				SUBTOTAL	***4,983,084.27***
Purchase of Services supported with VAT OR but dated outside the period of claim					
Q	P-6-0381	COLORLUX PHILIPPINES INC	198	12/1/2010	***3,766.44***
Purchase of Services supported with VAT OR but not in the name of petitioner					
R	P-6-0598	MAYNILAD	902334351	3/8/2010	285.64
R	P-6-0600	MAYNILAD	900935526	1/5/2010	237.78
R	P-6-0641	MAYNILAD	903730910	5/14/2010	195.38
R	P-6-0673	MAYNILAD	904223845	6/3/2010	89.08
R	P-6-0675	MAYNILAD	903042471	4/13/2010	201.90
				SUBTOTAL	***1,009.78***
Purchase of Services supported with VAT OR but total amount paid only pertains to E-VAT but the true nature of payment cannot be ascertained due to lack of supporting documents					
R	P-6-0595	JE BURTON PROPERTIES INC	0018	12/11/2009	***197,052.63***
Purchase of services supported with VAT OR with alteration on the input VAT amount without authorized countersignature					
R	P-6-0951	SYSTEM GENERATORS PHILIPPINES INC	1123	8/6/2010	***10,028.91***
Purchase of services without supporting VAT OR					
Q	P-6-0188 to 0189	NEW RIALTO PHOTO & OPTICAL SUPPLY	139488	1/11/2010	1,590.75
R	P-6-0967	CHARTIS PHILIPPINES INSURANCE INC	A100000246	10/11/2010	2,404.00
				SUBTOTAL	***3,994.75***
Supporting documents not found in the records					
OO		INTEGRATED COMPUTER SYSTEMS INC	210040657	5/13/2010	6,374.57
OO		INTEGRATED COMPUTER SYSTEMS INC	210040658	5/13/2010	6,375.04
OO		INTEGRATED COMPUTER SYSTEMS INC	210040659	5/13/2010	6,374.57
OO		INTEGRATED COMPUTER SYSTEMS INC	210040660	5/13/2010	6,374.57
R		FUJI XEROX PHILIPPINES INC	117709	8/27/2010	11,648.91
R		FUJI XEROX PHILIPPINES INC	112650	6/22/2010	15,306.02
				SUBTOTAL	***52,453.68***
				TOTAL	**₱5,791,198.01**

Further, as noted by the ICPA, petitioner did not amortize its incurred input VAT from its domestic purchases of capital goods exceeding ₱1 million in accordance with Section 110[29] of the NIRC of

[29] SEC. 110. *Tax Credits*. –

(A) *Creditable Input Tax*. –
x x x

1997, as amended, and as implemented by Section 4.110-3[30] of RR No. 16-05, as amended. As such, the Court deems it proper to disallow the unamortized portion of the valid input VAT from these type of purchases amounting to ₱3,508,915.12, as detailed and computed below:

> *Provided*, That the input tax on goods purchased or imported in a calendar month for use in trade or business for which deduction for depreciation is allowed under this Code, shall be spread evenly over the month of acquisition and the fifty-nine (59) succeeding months if the aggregate acquisition cost for such goods, excluding the VAT component thereof, exceeds One million pesos (P1,000,000): *Provided, however*, That if the estimated useful life of the capital good is less than five (5) years, as used for depreciation purposes, then the input VAT shall be spread over such a shorter period: *Provided, finally*, that in the case of purchase of services, lease or use of properties, the input tax shall be creditable to the purchaser, lessee or licensee upon payment of the compensation, rental, royalty or fee.

[30] SECTION 4.110-3. *Claim for Input Tax on Depreciable Goods.* — Where a VAT-registered person purchases or imports capital goods, which are depreciable assets for income tax purposes, the aggregate acquisition cost of which (exclusive of VAT) in a calendar month exceeds One Million pesos (P1,000,000.00), regardless of the acquisition cost of each capital good, shall be claimed as credit against output tax in the following manner:

(a) If the estimated useful life of a capital good is five (5) years or more — The input tax shall be spread evenly over a period of sixty (60) months and the claim for input tax credit will commence in the calendar month when the capital good is acquired. The total input taxes on purchases or importations of this type of capital goods shall be divided by 60 and the quotient will be the amount to be claimed monthly.

(b) If the estimated useful life of a capital good is less than five (5) years — The input tax shall be spread evenly on a monthly basis by dividing the input tax by the actual number of months comprising the estimated useful life of the capital good. The claim for input tax credit shall commence in the calendar month that the capital goods were acquired.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed One million pesos (P 1,000,000.00), the total input taxes will be allowable as credit against output tax in the month of acquisition. xxx xxx xxx

xxx xxx xxx

Capital goods or properties refers to goods or properties with estimated useful life greater than one (1) year and which are treated as depreciable assets under Sec. 34(F) of the Tax Code, used directly or indirectly in the production or sale of taxable goods or services.

The aggregate acquisition cost of depreciable assets in any calendar month refers to the total price, excluding the VAT, agreed upon for one or more assets acquired and not on the payments actually made during the calendar month. Thus, an asset acquired on installment for an acquisition cost of more than P1,000,000.00, excluding the VAT, will be subject to the amortization of input tax despite the fact that the monthly payments/installments may not exceed P1,000,000.00.

xxx xxx xxx

ICPA Report Annex Ref.	Exh. No.	Client	Invoice	Date	Total Input VAT	Input VAT Amortization per Month (60mos)	No. of Months Lapsed during Period of Claim	Input VAT Amortization for the Period of Claim	Unamortized Input VAT
NN	P-6-3213 to 3217	INTEGRATED COMPUTER SYSTEMS INC	310085879/ 210037038/ 210037288/ 210037289/ 210037287	12/29/2009 12/11/2009 12/22/2009 12/22/2009 12/22/2009	₱117,072.09	₱1,951.20	12	₱23,414.42	₱93,657.67
NN	P-6-3219	INTEGRATED COMPUTER SYSTEMS INC	210039237	3/22/2010	70,798.24	1,179.97	9	10,619.74	60,178.50
NN	P-6-3220	INTEGRATED COMPUTER SYSTEMS INC	210039528	3/31/2010	15,331.20	255.52	9	2,299.68	13,031.52
NN	P-6-3221	INTEGRATED COMPUTER SYSTEMS INC	210038228	2/9/2010	12,243.17	204.05	10	2,040.53	10,202.64
NN	P-6-3223	INTEGRATED COMPUTER SYSTEMS INC	210039941	4/16/2010	42,637.98	710.63	8	5,685.06	36,952.92
NN	P-6-3226	INTEGRATED COMPUTER SYSTEMS INC	210040241	4/27/2010	82,355.20	1,372.59	8	10,980.69	71,374.51
NN	P-6-3228	INTEGRATED COMPUTER SYSTEMS INC	310089766	3/4/2010	1,306.79	21.78	9	196.02	1,110.77
NN	P-6-3229	INTEGRATED COMPUTER SYSTEMS INC	210038781	3/3/2010	5,393.88	89.90	9	809.08	4,584.80
NN	P-6-3231	NEXUS TECHNOLOGIES INC	52671	4/12/2010	46,017.70	766.96	8	6,135.69	39,882.01
NN	P-6-3232	COMPUTER NETWORK SYSTEMS CORP	4021	6/1/2010	24,148.22	402.47	6	2,414.82	21,733.40
NN	P-6-3234	COMPUTER NETWORK SYSTEMS CORP	4068	7/15/2010	13,016.62	216.94	5	1,084.72	11,931.90
NN	P-6-3236	INFORMATION WORKTOOLS CORP	4487	6/15/2010	8,434.90	140.58	6	843.49	7,591.41
NN	P-6-3237	INFORMATION WORKTOOLS CORP	4499	6/17/2010	4,006.75	66.78	6	400.68	3,606.08
NN	P-6-3239	INTEGRATED COMPUTER SYSTEMS INC	210041954	7/5/2010	8,816.14	146.94	5	734.68	8,081.46
NN	P-6-3240	INTEGRATED COMPUTER SYSTEMS INC	210041370	6/11/2010	25,384.67	423.08	6	2,538.47	22,846.20
NN	P-6-3241	INTEGRATED COMPUTER SYSTEMS INC	210041369	6/11/2010	25,384.67	423.08	6	2,538.47	22,846.20
NN	P-6-3243	INTEGRATED COMPUTER SYSTEMS INC	310100170	8/23/2010	9,197.09	153.28	4	613.14	8,583.95
NN	P-6-3244	INTEGRATED COMPUTER SYSTEMS INC	210041955	7/5/2010	28,123.92	468.73	5	2,343.66	25,780.26
NN	P-6-3245	INTEGRATED COMPUTER SYSTEMS INC	210041956	7/20/2010	106,532.98	1,775.55	5	8,877.75	97,655.23
NN	P-6-3247 to 3248	INTEGRATED COMPUTER SYSTEMS INC	210041966	7/6/2010	95,465.48	1,591.09	5	7,955.46	87,510.02
NN	P-6-3249	INTEGRATED COMPUTER SYSTEMS INC	210042953	8/19/2010	37,971.14	632.85	4	2,531.41	35,439.73
NN	P-6-3250	NEXUS TECHNOLOGIES INC	53319	6/1/2010	31,253.66	520.89	6	3,125.37	28,128.29

NN	P-6-3252	NEXUS TECHNOLOGIES INC	53452	6/17/2010	17,702.00	295.03	6	1,770.20	15,931.80
NN	P-6-3253	NEXUS TECHNOLOGIES INC	53784	7/16/2010	39,019.30	650.32	5	3,251.61	35,767.69
NN	P-6-3254	NEXUS TECHNOLOGIES INC	53794	7/16/2010	1,582.91	26.38	5	131.91	1,451.00
NN	P-6-3255	NEXUS TECHNOLOGIES INC	53679	7/5/2010	120,603.54	2,010.06	5	10,050.30	110,553.25
NN	P-6-3256	NEXUS TECHNOLOGIES INC	53678	7/5/2010	120,647.36	2,010.79	5	10,053.95	110,593.41
NN	P-6-3257	NEXUS TECHNOLOGIES INC	54166	8/19/2010	52,769.98	879.50	4	3,518.00	49,251.98
NN	P-6-3258	NEXUS TECHNOLOGIES INC	53490	6/21/2010	53,430.50	890.51	6	5,343.05	48,087.45
NN	P-6-3259	NEXUS TECHNOLOGIES INC	54189	8/20/2010	40,972.38	682.87	4	2,731.49	38,240.89
NN	P-6-3260	NEXUS TECHNOLOGIES INC	54188	8/20/2010	102,281.64	1,704.69	4	6,818.78	95,462.86
NN	P-6-3261	NEXUS TECHNOLOGIES INC	54187	8/20/2010	102,281.64	1,704.69	4	6,818.78	95,462.86
NN	P-6-3262	NEXUS TECHNOLOGIES INC	53680	7/5/2010	29,382.61	489.71	5	2,448.55	26,934.06
NN	P-6-3264	COMPUTER NETWORK SYSTEMS CORP	4202	10/4/2010	358,439.95	5,974.00	2	11,948.00	346,491.95
NN	P-6-3266	CREATIVE TECHNOLOGIES INC	59881	11/3/2010	36,541.42	609.02	1	609.02	35,932.40
NN	P-6-3267	CREATIVE TECHNOLOGIES INC	59869	11/2/2010	22,531.47	375.52	1	375.52	22,155.95
NN	P-6-3269	INFORMATION WORKTOOLS CORP	4587	9/17/2010	2,655.87	44.26	3	132.79	2,523.08
NN	P-6-3270	INTEGRATED COMPUTER SYSTEMS INC	210044138	10/4/2010	63,488.82	1,058.15	2	2,116.29	61,372.53
NN	P-6-3272	INTEGRATED COMPUTER SYSTEMS INC	210044497	10/26/2010	7,855.70	130.93	2	261.86	7,593.84
NN	P-6-3273	INTEGRATED COMPUTER SYSTEMS INC	210044511	10/26/2010	62,465.49	1,041.09	2	2,082.18	60,383.31
NN	P-6-3274	INTEGRATED COMPUTER SYSTEMS INC	210044512	10/26/2010	62,465.49	1,041.09	2	2,082.18	60,383.31
NN	P-6-3276	INTEGRATED COMPUTER SYSTEMS INC	210043266	9/2/2010	7,682.94	128.05	3	384.15	7,298.79
NN	P-6-3278	INTEGRATED COMPUTER SYSTEMS INC	210043447	9/8/2010	14,922.09	248.70	3	746.10	14,175.99
NN	P-6-3279	INTEGRATED COMPUTER SYSTEMS INC	210043701	9/21/2010	226,234.86	3,770.58	3	11,311.74	214,923.12
NN	P-6-3281	NEXUS TECHNOLOGIES INC	55130	11/15/2010	116,232.74	1,937.21	1	1,937.21	114,295.53
NN	P-6-3282	NEXUS TECHNOLOGIES INC	54508	9/23/2010	2,361.49	39.36	3	118.07	2,243.42
NN	P-6-3283	NEXUS TECHNOLOGIES INC	54507	9/23/2010	2,361.49	39.36	3	118.07	2,243.42

NN	P-6-3285	ABENSON VENTURES INC	6780181	4/14/2010	4,583.57	76.39	8	611.14	3,972.43
NN	P-6-3287	CARLGIN ENTERPRISES	10341	3/12/2010	187.50	3.13	9	28.13	159.38
NN	P-6-3288	EXPERT INTERIOR PRODUCTS INC	1939	4/5/2010	6,090.00	101.50	8	812.00	5,278.00
NN	P-6-3290	ICON INTERIORS INC	2998	3/4/2010	10,454.40	174.24	9	1,568.16	8,886.24
NN	P-6-3291	ICON INTERIORS INC	2997	3/4/2010	982.14	16.37	9	147.32	834.82
NN	P-6-3292	ICON INTERIORS INC	3122	5/19/2010	7,020.00	117.00	7	819.00	6,201.00
NN	P-6-3294	ACE HARDWARE PHILS. INC	2945	7/27/2010	535.69	8.93	5	44.64	491.05
NN	P-6-3296	CITIMEX INC	30513	7/21/2010	21,750.00	362.50	5	1,812.50	19,937.50
NN	P-6-3298	COSMOTECH PHILIPPINES INC	12604	8/6/2010	5,250.00	87.50	4	350.00	4,900.00
NN	P-6-3300	ABENSON VENTURES INC	1727200	9/20/2010	726.43	12.11	3	36.32	690.11
NN	P-6-3302	ACE HARDWARE PHILS. INC	3831	11/16/2010	1,424.62	23.74	1	23.74	1,400.88
NN	P-6-3304	CITIMEX INC	30877	10/19/2010	46,553.57	775.89	2	1,551.79	45,001.78
NN	P-6-3305	CITIMEX INC	30878	10/19/2010	55,071.43	917.86	2	1,835.71	53,235.72
OO	P-6-3307	INTEGRATED COMPUTER SYSTEMS INC	310088720	2/17/2010	52,992.48	883.21	10	8,832.08	44,160.40
OO	P-6-3308	INTEGRATED COMPUTER SYSTEMS INC	210038039	2/1/2010	18,786.40	313.11	10	3,131.07	15,655.33
OO	P-6-3309	NEXUS TECHNOLOGIES INC	52214	2/25/2010	45,154.25	752.57	10	7,525.71	37,628.54
OO	P-6-3310	NEXUS TECHNOLOGIES INC	52220	2/25/2010	16,386.81	273.11	10	2,731.14	13,655.68
OO	P-6-3311	NEXUS TECHNOLOGIES INC	52215	2/25/2010	138,970.98	2,316.18	10	23,161.83	115,809.15
OO	P-6-3312	NEXUS TECHNOLOGIES INC	52219	2/25/2010	74,022.67	1,233.71	10	12,337.11	61,685.56
OO	P-6-3313	NEXUS TECHNOLOGIES INC	52218	2/25/2010	25,368.46	422.81	10	4,228.08	21,140.38
OO	P-6-3314	NEXUS TECHNOLOGIES INC	52217	2/25/2010	18,120.59	302.01	10	3,020.10	15,100.49
OO	P-6-3315	NEXUS TECHNOLOGIES INC	52196	2/24/2010	22,903.32	381.72	10	3,817.22	19,086.10
OO	P-6-3317	COMPUTER NETWORK SYSTEMS CORP	4005	5/14/2010	36,112.69	601.88	7	4,213.15	31,899.54
OO	P-6-3318	COMPUTER NETWORK SYSTEMS CORP	4007	5/14/2010	36,112.69	601.88	7	4,213.15	31,899.54
OO	P-6-3319	COMPUTER NETWORK SYSTEMS CORP	4006	5/14/2010	36,112.69	601.88	7	4,213.15	31,899.54
OO	P-6-3320	COMPUTER NETWORK SYSTEMS CORP	4015	5/26/2010	20,770.81	346.18	7	2,423.26	18,347.55
OO	P-6-3322	INFORMATION WORKTOOLS CORP	4457	5/26/2010	7,128.17	118.80	7	831.62	6,296.55
OO	P-6-3324	INTEGRATED COMPUTER SYSTEMS INC	210039535	3/31/2010	43,184.34	719.74	9	6,477.65	36,706.69
OO	P-6-3325	INTEGRATED COMPUTER SYSTEMS INC	210038613	2/25/2010	102,658.84	1,710.98	10	17,109.81	85,549.03
OO	P-6-3326	INTEGRATED COMPUTER	210039529	3/31/2010	16,068.85	267.81	9	2,410.33	13,658.52

		SYSTEMS INC							
OO	P-6-3328	INTEGRATED COMPUTER SYSTEMS INC	210040653	5/13/2010	31,873.32	531.22	7	3,718.55	28,154.77
OO	P-6-3329	INTEGRATED COMPUTER SYSTEMS INC	210040654	5/13/2010	31,873.32	531.22	7	3,718.55	28,154.77
OO	P-6-3330	INTEGRATED COMPUTER SYSTEMS INC	210040656	5/13/2010	6,374.57	106.24	7	743.70	5,630.87
OO	P-6-3331	INTEGRATED COMPUTER SYSTEMS INC	210040652	5/13/2010	31,873.32	531.22	7	3,718.55	28,154.77
OO	P-6-3332	INTEGRATED COMPUTER SYSTEMS INC	210040655	5/13/2010	31,873.32	531.22	7	3,718.55	28,154.77
OO	P-6-3334	INTEGRATED COMPUTER SYSTEMS INC	210040591	5/12/2010	17,851.71	297.53	7	2,082.70	15,769.01
OO	P-6-3335	INTEGRATED COMPUTER SYSTEMS INC	210040804	5/20/2010	12,803.45	213.39	7	1,493.74	11,309.71
OO	P-6-3336	INTEGRATED COMPUTER SYSTEMS INC	210040349	4/29/2010	20,827.07	347.12	8	2,776.94	18,050.13
OO	P-6-3338 to 3339	INTEGRATED COMPUTER SYSTEMS INC	210040421	5/20/2010	16,019.85	267.00	7	1,868.98	14,150.87
OO	P-6-3340 to 3341	INTEGRATED COMPUTER SYSTEMS INC	210040240	5/20/2010	33,035.63	550.59	7	3,854.16	29,181.47
OO	P-6-3343	INTEGRATED COMPUTER SYSTEMS INC	210040977	5/27/2010	8,848.47	147.47	7	1,032.32	7,816.15
OO	P-6-3344	NEXUS TECHNOLOGIES INC	53062	5/14/2010	18,609.08	310.15	7	2,171.06	16,438.02
OO	P-6-3346	NEXUS TECHNOLOGIES INC	53228	5/27/2010	7,934.80	132.25	7	925.73	7,009.07
OO	P-6-3347	NEXUS TECHNOLOGIES INC	53234	5/27/2010	1,628.44	27.14	7	189.98	1,438.46
OO	P-6-3348	COMPUTER NETWORK SYSTEMS CORP	4046	6/21/2010	21,606.39	360.11	6	2,160.64	19,445.75
OO	P-6-3350	INTEGRATED COMPUTER SYSTEMS INC	499413	7/20/2010	2,808.84	46.81	5	234.07	2,574.77
OO	P-6-3352	INTEGRATED COMPUTER SYSTEMS INC	210042152	7/20/2010	7,583.81	126.40	5	631.98	6,951.83
OO	P-6-3353	INTEGRATED COMPUTER SYSTEMS INC	210041670	6/24/2010	114,513.25	1,908.55	6	11,451.33	103,061.93
OO	P-6-3355	INTEGRATED COMPUTER SYSTEMS INC	210040800	8/27/2010	25,865.33	431.09	4	1,724.36	24,140.97
OO	P-6-3356	ICON INTERIORS INC	2953	2/12/2010	1,964.29	32.74	10	327.38	1,636.91
OO	P-6-3358	ICON INTERIORS INC	2938	2/8/2010	17,424.00	290.40	10	2,904.00	14,520.00
OO	P-6-3360	ICON INTERIORS INC	2880	1/19/2010	11,785.72	196.43	11	2,160.72	9,625.00
OO	P-6-3361	CITIMEX INC	30245	5/25/2010	49,714.29	828.57	7	5,800.00	43,914.29
				TOTAL	**₱3,873,982.83**			**₱365,067.71**	**₱3,508,915.12**

In sum, out of the ₱61,686,917.40 reported input VAT for FY 2010, only the amount of ₱30,258,990.45 represents petitioner's valid input VAT, computed as follows:

Total declared input VAT		₱ 61,686,917.40
Less: Disallowances		
Per ICPA report	₱22,127,813.82	
Per the Court's further verification:		
Domestic purchases of goods and services	5,791,198.01	
Unamortized input VAT from purchases of capital goods exceeding ₱1M	3,508,915.12	31,427,926.95
Valid input VAT		**₱30,258,990.45**

Fifth, Sixth and Eighth Requisites: Petitioner's claimed input taxes remained unutilized but were not properly allocated to its zero-rated sales.

The input VAT claimed herein for refund/issuance of TCC amounting to ₱56,815,398.78 was the subject of separate administrative claims as follows:

Period	Exhibit No.	Amount of Claim
1st Quarter	E-1	₱ 12,622,956.90
2nd Quarter	E-2	11,481,692.29
3rd Quarter	E-3	15,082,004.33
4th Quarter	E-4	17,628,745.26
Total		**₱56,815,398.78**

These amounts were accordingly carried over to petitioner's subsequent VAT returns until they were separately deducted as VAT Refund/TCC Claimed as follows:

Period	Exhibit No.	VAT Refund/TCC
FY 2011 3rd Quarter VAT Return	F-15	₱ 12,622,956.90
FY 2012 1st Quarter VAT Return	F-18	26,563,696.63
FY 2012 2nd Quarter VAT Return	F-20	17,628,745.26
		₱56,815,398.79

Hence, it can be ascertained that the claimed amount of ₱56,815,398.78 will no longer be utilized as credit for any future VAT liability.

However, since petitioner also reported VATable sales in FY 2010, a proportionate allocation based on the volume of zero-rated and VATable sales must be made for the allowable unutilized input taxes. As such, only ₱4,650,314.29 unutilized excess input VAT can be allowed for refund/issuance of TCC, to wit:

Total valid zero-rated sales		₱231,036,319.41
÷ Total declared zero-rated sales		1,326,963,237.76
x Excess unutilized input VAT:		
Total valid input VAT	₱30,258,990.45	
Less: Output VAT liability for the period	3,549,786.81	26,709,203.64
Unutilized excess input VAT for refund/issuance of TCC		**₱4,650,314.29**

Based on the foregoing, petitioner's Motion for Reconsideration shall be partially granted in the reduced amount of **₱4,650,314.29,** representing petitioner's unutilized excess input taxes attributable to zero-rated sales for the FY 2010.

WHEREFORE, premises considered, petitioner's **Motion for Reconsideration** is **PARTIALLY GRANTED**. Accordingly, the dispositive portion of the Decision dated November 6, 2015 is modified to read as follows:

> **WHEREFORE**, the instant Petition for Review is **PARTIALLY GRANTED**. Accordingly, respondent is **ORDERED** to **REFUND** or to **ISSUE A TAX CREDIT CERTIFICATE** to petitioner in the reduced amount of **₱4,650,314.29** representing petitioner's unutilized excess input taxes attributable to its zero-rated sales for the FY 2010.
>
> **SO ORDERED.**

SO ORDERED.

CAESAR A. CASANOVA
Associate Justice

I CONCUR:

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

ATTESTATION

I attest that the conclusions in the above Amended 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 Amended 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