REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

ZMG WARD HOWELL, INC.,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA Case No. 9004

Members:

CASTAÑEDA, JR., *Chairperson,*
CASANOVA, and
MANAHAN, *JJ.*

Promulgated:
JUN 04 2018 4:15 PM

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RESOLUTION

CASTAÑEDA, JR., *J.:*

For resolution of this Court is petitioner's *Motion for Reconsideration (Re: Decision dated September 18, 2017) With Motion for Leave to Admit attached Supplemental Evidence*[1] filed on October 4, 2017 with respondent's *Comment/Opposition (To Petitioner's Motion for Reconsideration with Motion for Leave to Re-Open the Case for Presentation of Supplemental Evidence)*[2] filed via registered mail on November 7, 2017.

[1] Division Docket Vol. III, pp. 1171-1188.
[2] *Id.*, pp. 1196-1198.

Petitioner moves for reconsideration of the Decision dated September 18, 2017,[3] (the "Assailed Decision") of this Court denying its Petition for Review. The dispositive portion of the Assailed Decision reads:

> "**WHEREFORE**, the present Petition for Review is **DENIED.**
>
> **SO ORDERED.**"

In its Motion, petitioner moves for reconsideration of the Assailed Decision on the basis of the following grounds:[4]

1. Petitioner presented sufficient and uncontroverted evidence to prove that it is a VAT-registered entity; and

2. Petitioner's sales of services to enterprises registered with the Philippine Economic Zone Authority (PEZA) are effectively zero-rated sales pursuant to Section 108(B)(3), Tax Code.

Petitioner likewise moves for leave to submit supplemental evidence, particularly its Bureau of Internal Revenue (BIR) Certificate of Registration, to prove that it is a VAT-registered entity.[5] Petitioner submits that it did not offer in evidence its BIR Certificate of Registration because of its honest belief, on the basis of law and past decisions of this Court, that it is only required to submit its Amended Articles of Incorporation, Quarterly VAT Returns, PEZA Certifications on VAT zero-rating, and supporting ORs evidencing its sales in order to prove that its sales are VAT zero-rated.[6] It added that its failure to submit the said document could only have resulted from its good faith that the evidence submitted has already satisfied the quantum of evidence necessary to prove its case.[7] Otherwise, it would have readily submitted in evidence the BIR Certificate of Registration which was duly issued by and forms part of the public records of the BIR.[8]

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[3] *Id*, pp. 1144-1169.
[4] *Id.*, p. 1171.
[5] *Id.*, pp. 1176-1184.
[6] *Id.*
[7] *Id.*
[8] *Id.*

Respondent, on the other hand, in his *Comment/Opposition*, disagrees with petitioner's arguments for being erroneous, misplaced, misleading and bereft of factual and legal bases.[9] Respondent points out that petitioner is well-aware that the subject BIR Certificate of Registration allegedly showing that it is a VAT-registered entity which the latter intends to present is crucial in proving its case but it merely submitted as evidence its Amended Articles of Incorporation, Quarterly VAT Returns, PEZA Certifications on VAT zero-rating and Official Receipts.[10] Respondent posits that petitioner's intention to present the alleged BIR Certificate of Registration was a mere afterthought, intended to remedy the deficiency that became apparent only after this Court had promulgated the Assailed Decision.[11] Thus, the grant of a new trial is not proper as the alleged BIR Certificate of Registration which the petitioner seeks to present is not a newly discovered evidence but a mere forgotten evidence.[12] Respondent also contends that to allow petitioner to re-open the case for trial and to present additional evidence would violate the Pre-Trial Order dated August 20, 2015, as duly approved by this Court on the present case.[13]

In a Resolution dated January 30, 2018,[14] this Court set the present case for hearing for the presentation of the document mentioned and attached to petitioner's *Motion for Reconsideration*.

During the hearing dated February 12, 2018, petitioner recalled its witness, Mr. Hernan C. Saringan.[15] Upon motion, petitioner made an oral Formal Offer of Evidence of Exhibits "P-19", "P-20" and "P-20-1". Considering that respondent did not interpose any objection to the admission of the foregoing exhibits as to its existence as these are found in the BIR Records, this Court admitted Exhibits "P-19", "P-20" and "P-20-1" subject to this Court's final evaluation and/or appreciation as to its purposes, materiality, relevance, and probative value.[16] During the same hearing, respondent had manifested that he will no longer present any evidence.[17] Thus, this Court granted the parties a period of thirty (30) days from date of the said hearing within which to file their respective Memoranda.[18]

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[9] *Id.*, p. 1196.
[10] *Id.*, p. 1198.
[11] *Id.*
[12] *Id.*
[13] *Id.*, p. 1199.
[14] *Id.*, pp. 1204-1208.
[15] Minutes of the Hearing dated February 12, 2018, Docket, Vol. III, pp. 1217-1218; Order dated February 12, 2018, Docket, Vol. III, pp. 1219-1220.
[16] *Id.*
[17] *Id.*
[18] *Id.*

On March 14, 2018, petitioner filed a *Motion for Extension of Time to File Memorandum*[19] which this Court granted in an Order dated March 16, 2018.[20] Petitioner was granted an additional period of fifteen (15) days from March 14, 2018 or until March 29, 2018 within which to file its Memorandum.

On March 28, 2018, petitioner filed its *Memorandum*.[21] Respondent, on the other hand, failed to file his Memorandum as per the Records Verification dated April 4, 2018 issued by this Court's Judicial Records Division.[22]

On April 13, 2018, petitioner's *Motion for Reconsideration* was submitted for resolution.[23]

The Court shall now resolve the present *Motion for Reconsideration*.

As stated in the Final Decision on Disputed Assessment (FDDA),[24] the deficiency VAT in the total amount of ₱3,981,331.99, inclusive of interests and surcharge, was computed as follows:

VATable receipts per VAT returns			₱ 38,001,329.54
Add: Gross Receipts not subjected to VAT		₱ 2,252.29	
Unqualified Zero-Rated Sale of Services		21,764,368.89	21,766,621.18
Gross Receipts subject to VAT			₱ 59,767,950.72
Output Tax Due			₱ 7,172,154.09
Less: Creditable input tax			
Input tax on current purchases		₱ 2,754,636.46	
Input tax carried over from previous quarter		112,206.47	
Total Input tax claimed per VAT Returns		₱ 2,866,842.93	
Less: Overclaimed Input Tax	₱ 24,924.87		
Input Tax carried over to succeeding quarter	26,339.21	51,264.08	2,815,578.85
VAT Payable			₱ 4,356,575.24
Less: Tax payments			1,719,656.00
Basic tax due			₱ 2,636,919.24

Jc

19 Docket, Vol. III, pp. 1221-1223.
20 *Id.*, p. 1224.
21 *Id.*, pp. 1225-1239.
22 *Id.*, p. 1240.
23 *Id.*, p. 1241.
24 BIR Records, pp. 665-669; Exhibit "P-9", Docket, Vol. II, p. 981.

Less: Basic tax paid per reinvestigation			25,154.01
Remaining Basic VAT deficiency			₱ 2,611,765.23
Add: Interest (07.26.12 to 03.09.15)			1,369,566.76
Total Amount Due			**₱ 3,981,331.99**

Based on the foregoing, respondent's assessment hinges on the following items:

	Respondent's Finding	Amount
A	Gross Receipts not subjected to VAT	₱ 2,252.29
B	Unqualified Zero-Rated Sale of Services	21, 764,368.89
C	Overclaimed Input Tax	24,924.87
D	Input Tax carried over to succeeding quarter	26,339.21

A. Gross Receipts not subjected to VAT - ₱2,252.29

Initially, respondent's verification disclosed that there was an understatement of petitioner's receipts not subjected to VAT in the amount of ₱9,029,961.23 for the period January 1, 2012 to June 30, 2012 as reflected in the computerized matching conducted by respondent on information/data provided by petitioner's customers against the total receipts declared in its VAT Returns. Further reinvestigation revealed that there were discrepancies in the data extraction due to frequent updating/uploading of SLSP in the Data Warehouse Facilities as mentioned in the memorandum of ACIR-ISDS dated November 15, 2012. To further verify the correct amount of petitioner's collections from the listed customers, the BIR sent letters[25] to these customers to confirm the amounts of payments they made to petitioner during the period under audit. Some clients also reported purchases based on the date the billings were received and not on the date of payment.[26]

Hence, the remaining discrepancy amounting to ₱2,252.29, as computed below, was assessed in accordance with the provision of Title IV, Sections 105 and 108 of the NIRC of 1997, as amended:

Name of Customers	Per PAN P-3	Justified per Reinvestigation	Per FDDA P-9
ABS CBN Publishing Inc.	₱ 164,268.00	₱ 164,268.00	
Avon Cosmetics Inc.	2,515,048.00	2,515,048.00	

[25] BIR Records, pp.505-510, 512, 542, 545, and 548-549.
[26] Details of Discrepancies, Exhibit "P-9", Docket, Vol. II, p. 983.

Name of Customers	Per PAN P-3	Justified per Reinvestigation	Per FDDA P-9
Davies Energy Systems Inc.	30,000.00	30,000.00	
Fresh N Famous Foods Inc.	4,001,729.50	4,001,729.50	
GE Money Servicing Philippines Inc.	498,461.00	498,461.00	
GeiserMaclang Marketing Communications Inc.	262,721.42	262,378.58	₱ 342.84
INSTL Shareholder SVCS Inc. Fr the Proxy Monitor	101,375.86	101,375.86	
Kraft Foods Philippines Inc.	1,404,000.00	1,404,000.00	
Kraft Foods Philippines Inc.	(1,235,520.00)	(1,235,520.00)	
Loreal Philippines	234,000.00	234,000.00	
Merck Sharp Dohme LA	1,909.45		1,909.45
Pueblo de Oro Development Corp.	58,968.00	58,968.00	
Therma Luzon Inc.	525,000.00	525,000.00	
Trans-Asia Oil and Energy Development Corp.	468,000.00	468,000.00	
Total	**₱ 9,029,961.23**	**₱ 9,027,708.94**	**₱ 2,252.29**

The output VAT related to the gross receipts of ₱1,909.45 made to Merck Sharp Dohme LA had already been settled by petitioner on October 4, 2013, as evidenced by BIR Form 605[27] with total amount of ₱31,936.21, broken down as follows:

Sale to Merck Sharp Dohme LA	₱ 1,909.45	
x VAT Rate	12%	
Output VAT		₱ 229.13
Overclaimed Input VAT		
Assessment Analytics Inc.	₱ 72.00	
Brother's Venture Trading Corp.	852.87	
Saringan Hernan dela Cruz	24,000.00	24,924.87
Basic Tax		₱ 25,154.00
Interest		6,782.20
Total		**₱ 31,936.20**[28]

Petitioner was not able to reconcile the discrepancy of ₱342.84 pertaining to sale of services rendered to GeiserMaclang Marketing Communications, Inc., thus, the assessment thereon shall be sustained. *Jr*

[27] BIR Records, pp. 550-552.
[28] With discrepancy of ₱0.01.

B. Unqualified zero-rated sale of services - ₱21,764,368.89

In its Quarterly VAT Returns for the 1st and 2nd quarters of CY 2012, petitioner declared zero-rated receipts of ₱21,764,368.89, which respondent subjected to VAT at 12%, to wit:

Zero-rated Sale of Services per VAT Returns	
First Quarter	₱ 12,992,697.05
Second Quarter	8,771,671.84
Total Zero-rated Sale of Services	**₱ 21,764,368.89**

Based on the review conducted by respondent of the sample contract provided by petitioner, the former finds that petitioner, as an executive search firm engaged to search for senior and mid-level executives in various industries, conducts its applicant's testing and interviews within petitioner's premises and/or some private hotels and restaurants within Metro Manila and not within any ECOZONE. Accordingly, such services of petitioner are unqualified as zero-rated VAT, and thus, assessed and subjected to 12% VAT under Section 108(A) of the NIRC of 1997, as amended, following the BIR Ruling No. DA-202-08 dated March 28, 2008.[29]

In the assailed Decision, this Court ruled that the sale of services by VAT-registered person performed within the Philippines to PEZA-registered entities located and operating within an ECOZONE is subject to VAT at zero percent (0%).[30] The Court further held that there is no need to prove that the sale of services to PEZA-registered enterprises are directly connected to their registered activities. What is important is that the PEZA-registered enterprise availing the services is located and operating within the ECOZONE.[31]

Thus, to support its zero-rated sales of services for the period covered January 1, 2012 to June 30, 2012, petitioner presented the PEZA Certifications of its clients, Stellar Philippines, Inc. (SPI)[32] and JP Morgan Chase & Co. – Philippine Global Service Center[33].

[29] Par. 5(b), Special and Affirmative Defenses, Answer, Docket, Vol. I, pp. 85-86.
[30] Docket, Vol. II, p. 1165.
[31] Docket, Vol. III, pp. 1166-1167.
[32] Exhibit "P-12-2", Docket, Vol. II, p.994.
[33] Exhibit "P-12-3", Docket, Vol. II, p. 996.

Petitioner presented also the letter dated July 8, 2015[34] issued by PEZA confirming that it issued VAT zero-rating certifications to the following clients of petitioner:

1. Accenture, Inc.;
2. ADP (Philippines), Inc.;
3. ANZ Global Services and Operations (Manila), Inc.;
4. BA Continuum Philippines, Inc.;
5. Champ Cargo Systems Philippines, Inc.;
6. DPCData (Philippines), Inc.;
7. EXL Service Philippines, Inc.;
8. FIS Global Solutions Philippines, Inc.;
9. Fluor Daniel, Inc. - Philippines;
10. Ford Motor Company Philippines, Inc.;
11. Friendster Philippines, Inc.;
12. GE Money Servicing Philippines, Inc.;
13. Genpact Services LLC;
14. Hitachi Global Storage Technologies Philippines Corp. (Formerly Hitachi Computer Products (Asia) Corp.);
15. Infosys BPO Limited – Philippine Branch;
16. Maxim Philippines Operating Corporation;
17. PriceWaterhouseCoopers Service Delivery Centre (Manila) Limited;
18. Rapu-Rapu Processing, Inc.;
19. Shell Shared Services (Asia) B.V.;
20. Sitel Philippines Corporation (Formerly: ClientLogic Philippines, Inc.);
21. Telus International Philippines, Inc.;
22. Teletech Customer Care Management Philippines, Inc.;
23. Teletech Customer Care Management – Philippines Branch;
24. Transitions Optical Philippines, Inc.;
25. Veyance Technologies Global Business Services, Inc.; and
26. Wells Fargo Philippines Solutions, Inc.

In the same document, PEZA states that based on their records, Millennium Distributions Systems Inc., is not a PEZA-registered enterprise.[35]

[34] Exhibit "P-12-1", Docket, Vol. II, pp. 990-993.
[35] Exhibit "P-12-1", Docket, Vol. II, p. 993.

Moreover, petitioner submitted the Amended Articles of Incorporation of another client, De La Salle University, Inc.,[36] to prove that the latter is a private educational institution not subject to VAT.

To substantiate its zero-rated receipts of ₱21,764,368.89, petitioner submitted the official receipts it issued to its clients for the period covered of the assessment.

Upon verification, the undersigned finds that out of the claimed zero-rated receipts of ₱21,764,368.89, only the amount of ₱19,282,590.35 is duly supported by official receipts and issued to PEZA-registered entities, detailed as follows:

Client Name	Exhibit No.	O.R. Number	O.R. Date	O.R. Amount	Gross Amount
Fluor Daniel	P-15-1	569	1/6/2012	₱ 172,009.60	₱ 175,520.00
Ford Motor	P-15-2	575	1/5/2012	174,773.20	177,840.00
Wells Fargo	P-15-4	577	1/10/2012	1,225,333.20	1,250,340.00
Genpact LLC	P-15-5	578	1/13/2012	175,459.20	179,040.00
Genpact LLC	P-15-6	579	2/3/2012	1,282,898.40	1,309,080.00
Friendster Philippines, Inc.	P-15-7	580	1/13/2012	122,304.00	124,800.00
Rapu-Rapu Processing, Inc.	P-15-8	581	1/17/2012	366,912.00	374,400.00
JP Morgan	P-15-9	583	1/26/2012	614,718.72	627,264.00
Stellar	P-15-10	584	1/26/2012	281,534.40	287,280.00
Hitachi Global Storage	P-15-11	585	2/3/2012	174,718.91	178,284.60
Transitions Optical Philippines Inc	P-15-12	586	2/2/2012	112,112.00	114,400.00
BA Continuum	P-15-13	587	2/2/2012	367,500.00	375,000.60
Transitions Optical Philippines Inc	P-15-14	588	2/2/2012	343,980.00	351,000.00
ANZ Global Services & Operations	P-15-15	589	2/10/2012	150,214.40	153,280.00
JP Morgan Chase Bank NA Phil Global Service	P-15-16	590	2/14/2012	703,977.12	717,594.00
FIS Global Solutions Phils Inc	P-15-18	593	2/24/2012	881,170.85	899,153.93
PWC	P-15-19	594	2/17/2012	828,955.00	845,872.45
Genpact LLC	P-15-20	596	2/24/2012	646,800.00	660,000.00
Friendster Philippines, Inc.	P-15-21	598	3/2/2012	203,840.00	208,000.00
Infosys BPO Limited	P-15-22	599	2/22/2012	441,994.19	451,014.48
Accenture Inc.	P-15-23	600	3/2/2012	493,920.00	504,000.00
DPCDATA (Phils) Inc.	P-15-24	601	2/28/2012	34,398.00	35,100.00
Infosys BPO Limited	P-15-25	602	3/2/2012	282,535.41	288,301.44
Transitions Optical Philippines Inc	P-15-26	603	3/23/2012	147,784.00	150,800.00
DPCDATA (Phils) Inc.	P-15-27	604	3/8/2012	68,796.00	70,200.00
Wells Fargo	P-15-28	605	3/30/2012	201,546.80	205,660.00
GE Money Servicing Phils Inc.	P-15-29	606	3/9/2012	174,636.00	178,200.00
GE Money Servicing Phils Inc.	P-15-30	607	3/13/2012	211,680.00	216,000.00
FIS Global	P-15-31	608	3/16/2012	91,119.66	92,979.25
Shell Shared Services - BV -	P-15-32	609	3/16/2012	240,993.00	245,850.00

[36] Exhibit "P-14", Docket, Vol. II, p.1001.

Client Name	Exhibit No.	O.R. Number	O.R. Date	O.R. Amount	Gross Amount
Philippines					
EXL Services Phils Inc.	P-15-33	610	3/23/2012	406,425.60	414,720.00
Friendster Philippines, Inc.	P-15-34	611	3/30/2012	91,728.00	93,600.00
Telus International Philippines Inc	P-15-35	612	3/30/2012	381,626.11	389,414.40
Sitel Phils Corp.	P-15-36	613	3/30/2012	599,230.80	611,460.00
Genpact LLC	P-15-37	614	5/3/2012	259,660.80	264,960.00
ADP	P-15-38	615	4/12/2012	49,686.00	50,700.00
Champ Cargo Systems Phils Inc	P-15-39	616	4/11/2012	152,880.00	156,000.00
Price Waterhouse Coopers Service	P-15-41	618	4/27/2012	88,200.00	90,000.00
Accenture Inc.	P-15-42	619	5/7/2012	986,076.00	1,006,200.00
Maxim Philippine Operating Gateway	P-15-43	620	4/11/2012	199,801.99	201,921.20
BA Continuum Phils Inc.	P-15-44	621	5/6/2012	813,792.00	830,400.00
ADP (Philippines) Inc.	P-15-45	622	5/23/2012	179,379.20	183,040.00
Price Waterhouse Coopers Service	P-15-46	624	5/30/2012	375,104.80	382,760.00
EXL Services	P-15-47	625	6/1/2012	848,836.80	866,160.00
Accenture Inc.	P-15-49	628	6/18/2012	936,390.00	955,500.00
Accenture Inc.	P-15-50	629	6/18/2012	180,006.40	183,680.00
Teletech Customer Care Management	P-15-51	630	6/6/2012	49,703.60	50,820.00
Veyance Technologies	P-15-52	631	6/8/2012	1,105,000.00	1,105,000.00
TOTAL					**₱ 19,282,590.35**

The remaining ₱2,481,778.54, as determined below, shall not qualify for VAT zero-rating, and thus, be subjected to 12% VAT:

Client Name	Exhibit No.	O.R. Number	O.R. Date	O.R. Amount	Gross Amount
Sale to Non-PEZA-registered entity					
De La Salle University – Manila	P-15-3	576	1/5/2012	₱ 68,796.00	₱ 70,200.00
Ergo Asia Party Ltd.	P-15-17	592	2/14/2012	1,190,633.35	1,187,583.35
M + W High Tech Projects Taiwan	P-15-40	617	3/20/2012	64,404.00	64,101.00
Millennium Distribution	P-15-48	627	6/6/2012	1,121,508.32	1,144,396.24
Sub-total					***₱ 2,466,280.59***
Over-claimed zero-rated sales					
PWC (₱861,370.40 - ₱845,872.45)	P-15-19	594	2/17/2012		₱ 15,497.95
TOTAL					**₱ 2,481,778.54**

C. Overclaimed input tax - ₱24,924.87

Initially, respondent found that there was an overstatement of petitioner's purchases subject to VAT in the amount of ₱1,225,800.38 for the period January 1, 2012 to June 30, 2012 as reflected in the computerized matching conducted by the Bureau on information/data provided by petitioner's suppliers against the total purchases declared in petitioner's VAT returns. Hence, corresponding input tax from these purchases amounting to ₱147,096.05 were disallowed pursuant to the provision imposed under Section 110(A)(1) of the NIRC of 1997, as amended.

Then during reinvestigation, there were discrepancies in the data extraction due to frequent updating/ uploading of the SLSP in the Data Warehouse Facilities as mentioned in the memorandum of ACIR-ISDS dated November 15, 2012. Some of the sales made by the suppliers to the company were not included in the data extracted. To further verify the correct amount of petitioner's purchases from the listed suppliers, respondent sent letters to these suppliers to confirm the amounts of sales they made to petitioner during the period under audit. Some suppliers of services also reported their sales based on the date of billings and not on the date of payment. All overclaimed input VAT have been properly justified except for the following input VAT amounting to ₱24,924.87, which were disallowed pursuant to Section 110(A)(1) of the NIRC of 1997, as amended:[37]

Calendar Quarter	Name of Supplier	Overclaimed Purchases per PAN	Overclaimed Input VAT per PAN	Justified per Reinvestigation	Remaining Discrepancy
2012 Qtr 1	Assessment Analytics Inc.	₱ 600.00	₱ 72.00		₱ 72.00
2012 Qtr 2	Brothers Venture Trading Corp.	7,107.17	852.87	-	852.87
2012 Qtr 1	Integrated Computer Systems Inc.	64,968.21	7,796.18	₱ 7,796.18	-
2012 Qtr 1	Jobstreetcom Philippines Inc.	72,000.00	8,640.00	8,640.00	-
2012 Qtr 1	Lopez Vito Jose Rafael T.	865,000.00	103,800.00	103,800.00	
2012 Qtr 2	Saringan Hernan dela Cruz	200,000.00	24,000.00	-	24,000.00
2012 Qtr 2	Set Graphics and Printing Inc.	16,125.00	1,935.00	1,935.00	-
TOTAL		**₱ 1,225,800.38**	**₱ 147,096.05**	**₱ 122,171.18**	**₱ 24,924.87**

As already mentioned, petitioner partially settled its VAT deficiency on October 4, 2013 amounting to ₱31,936.20, which includes settlement of the overclaimed input VAT of ₱24,924.87. As such, this item of assessment shall be disregarded in computing the basic deficiency VAT due from petitioner.

D. Input tax carried over to succeeding quarter - ₱26,339.21

Respondent deducted from petitioner's input tax credits the amount of ₱26,339.21 representing excess input tax on purchases *jc*

[37] Details of Discrepancies, Exhibit "P-9", Docket, Vol. II, pp. 984-985.

exceeding ₱1 Million carried over to succeeding period/years since the same shall be carried over and credited against the output tax due of the succeeding quarters/years pursuant to Section 110(B) of the NIRC of 1997, as amended.

However, the undersigned finds it improper for respondent to disallow the said excess input tax because any tax benefit derived by petitioner from the carry-over of the said amount redounds to the succeeding quarter/s of CY 2012, which is beyond the scope of the present assessment. Since the tax benefit will be in the succeeding quarter/s, at most, petitioner may only be assessed in the said succeeding quarter/s. Thus, said amount should be removed from the computation of deficiency VAT.

In sum, petitioner shall be held liable for basic deficiency VAT in the amount of ₱271,515.18, computed as follows:

VATable receipts per VAT returns		₱ 38,001,329.54
Add: Gross Receipts not subjected to VAT	₱ 342.84	
Unqualified Zero-Rated Sale of Services	2,481,778.54	2,482,121.38
Gross Receipts subject to VAT		₱ 40,483,450.92
Output Tax Due		₱ 4,858,014.11
Less: Creditable input tax		
Input tax on current purchases	₱ 2,754,636.46	
Input tax carried over from previous quarter	112,206.47	2,866,842.93
VAT Payable		₱ 1,991,171.18
Less: Tax payments		1,719,656.00
Basic deficiency VAT		**₱ 271,515.18**

WHEREFORE, the deficiency VAT assessment issued by respondent against petitioner covering the 1st and 2nd quarters of CY 2012 is **AFFIRMED WITH MODIFICATIONS**. Petitioner is **ORDERED TO PAY** the aggregate amount of **₱992,239.37**, inclusive of the 25% surcharge imposed under Section 248(A)(3) of the NIRC of 1997, as amended, and deficiency and delinquency interests imposed under Sections 249(B) and (C) of the NIRC of 1997, as amended, until December 31, 2017, computed as follows:

Basic deficiency VAT	₱ 271,515.18
Add: 25% Surcharge	67,878.80
Sub-total	₱ 339,393.98
Add: Deficiency Interest (7/25/2012 to 12/31/2017)	
(₱271,515.18 x 20% x 1,985 days/365 days)	295,319.25

Sub-total	₱ 634,713.23
Add: Delinquency Interest (3/9/2015 to 12/31/2017)	
(₱634,713.23 x 20% x 1,028 days/365 days)	357,526.14
TOTAL	**₱ 992,239.37**

In addition, petitioner is **ORDERED TO PAY** delinquency interest at the rate of 12% on the total unpaid VAT of ₱634,713.23, representing basic deficiency tax, surcharge and deficiency interest, as determined above, computed from January 1, 2018 until full payment thereof pursuant to Section 249(C) of the NIRC of 1997, as amended by Republic Act No. 10963, also known as Tax Reform for Acceleration and Inclusion (TRAIN).[38]

SO ORDERED.

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

WE CONCUR:

CAESAR A. CASANOVA
Associate Justice

Catherine T. Manahan
CATHERINE T. MANAHAN
Associate Justice

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[38] *Alpha 245, Inc., (formerly ARC Worldwide Philippines Co., Inc.) vs. Commissioner of Internal Revenue,* CTA Case No. 9225, April 6, 2018.