REPUBLIC OF THE PHILIPPINES
Court of Tax Appeals
QUEZON CITY

En Banc

COMMISSIONER OF INTERNAL REVENUE, *Petitioner,*	**CTA *EB* NO. 3099** (CTA Case No. 10496)
	Present:
-versus-	**RINGPIS-LIBAN,** *P.J.,* **BACORRO-VILLENA, MODESTO-SAN PEDRO, REYES-FAJARDO, CUI-DAVID, FERRER-FLORES,** *and* **ANGELES,** *JJ.*
AYALA CORPORATION, *Respondent.*	Promulgated: MAR 23 2026 4:2[illegible]

x --- x

DECISION

MODESTO-SAN PEDRO, J.:

The Case

Before the Court is a Petition for Review filed on February 28, 2025,[1] with the Court of Tax Appeals *En Banc* assailing the Decision promulgated June 19, 2024 (*Assailed Decision*), and Resolution, dated February 3, 2025 (*Assailed Resolution*), both rendered by this Court's Third Division (Court in Division), which partially granted herein respondent's Petition for Review, dated May 17, 2021,[2] before the Court in Division.

1 EB Docket, pp.1-17.
2 Division Docket, Vol. I, pp. 6-15, with annexes.

The Parties[3]

Petitioner is the duly appointed Commissioner of Internal Revenue (CIR) vested with the authority to act as such, including the power to decide, approve, and grant claims for refund or issuance of Tax Credit Certificate (TCC) pertaining to any excess or overpaid internal revenue taxes under the National Internal Revenue Code, as amended (*NIRC*).

Respondent is a domestic corporation duly organized and existing under Philippine laws with principal place of business at 33rd Floor, Tower One Exchange Plaza, Ayala Triangle, Ayala Avenue, Makati City.

The Facts

The subject of the instant case is a claim for a TCC amounting to Three Hundred Eight Million Six Hundred Twelve Thousand and Six Hundred Ninety-Nine Pesos (₱308,612,699.00) of excess or unutilized Creditable Withholding Tax (CWT) for CY 2018 and 2019.

On April 4, 2019, respondent filed its Annual Income Tax Return (AITR) for CY 2018 showing unutilized CWT in the amount of ₱101,529,907.00.[4] In said document, respondent opted for the issuance of a TCC.

The following year, or on April 5, 2020, respondent filed its AITR for CY 2019 showing unutilized CWT in the amount of ₱207,082,762.00.[5] Here, respondent once again opted for the issuance of a TCC.

Allegedly, therefore, respondent has an aggregate amount of ₱308,612,669.00 worth of excess or unutilized CWT.

Through a letter dated March 17, 2021,[6] respondent filed an application with the Bureau of Internal Revenue (BIR) requesting for the issuance of a TCC representing its unutilized CWTs for CYs 2018 and 2019.

Mindful of the imminent expiration of the two-year prescriptive period provided under *Section 229 of the NIRC*, respondent filed a Petition for Review before the Court in Division on May 17, 2021[7] to safeguard its right

---

3 Division Docket, Vol. III, pp. 1137-1144.
4 Division Docket, Vol. I, p. 24-31.
5 *Id*. p. 44-53.
6 Division Docket, Vol. II, pp. 952-957.
7 Division Docket, Vol. I, p. 6-15.

to judicial relief pending any final action or constructive denial by petitioner regarding the administrative claim for TCC.

Pre-Trial then ensued on March 31, 2022.[8] Afterwards, both parties submitted their Joint Stipulation of Facts and Issues[9] which was eventually approved through a Resolution dated May 5, 2022.[10]

On May 25, 2022, the Court issued a Pre-Trial Order, thereby concluding Pre-Trial.[11]

While petitioner manifested that no evidence would be presented on their part, respondent filed its Formal Offer of Evidence on September 12, 2022,[12] all of which were eventually admitted through a Resolution dated April 20, 2023.[13]

Respondent filed its Memorandum on June 6, 2023,[14] while petitioner had previously filed its respective Memorandum on December 19, 2022.[15]

Given the foregoing, the Court issued a Resolution dated June 20, 2023,[16] submitting the case for decision.

Upon resolving the case, the Court in Division partially granted the Petition for Review via the Assailed Decision on June 19, 2024.[17] The dispositive portion of which reads:

> **WHEREFORE,** the *Petition for Review* filed by petitioner Ayala Corporation on May 17. 2021 is **PARTIALLY GRANTED**. Accordingly, respondent Commissioner of Internal Revenue is **ORDERED** to **ISSUE A TAX CREDIT CERTIFICATE** in favor of petitioner Ayala Corporation in the reduced amount of **₱308,235,301.61**, representing excess and unutilized creditable withholding taxes for the calendar years 2018 and 2019.
>
> **SO ORDERED.**

---

[8] Division Docket, Vol. III, pp. 1065-1066.
[9] *Id.* pp. 1120-1126.
[10] *Id.* p. 1129.
[11] *Id.* pp. 1137-1144.
[12] *Id.* pp. 1313-1352.
[13] Division Docket, Vol. IV, pp. 1400-1404.
[14] *Id.* pp. 1444-1466.
[15] Division Docket, Vol. III, pp. 1369-1375.
[16] Division Docket, Vol. IV, p. 1467.
[17] EB Docket, pp. 19-38.

In the Assailed Decision, the Court in Division partially granted respondent's Petition for Review primarily in view of respondent's compliance with the requisites for the issuance of a TCC for excess or unutilized CWT set forth by *Section 229 of the NIRC*, albeit in a reduced amount due to oversights in its computation.

Petitioner sought to challenge the Assailed Decision through a Motion for Partial Reconsideration, filed on July 29, 2024.[18] On February 3, 2025, the Court in Division issued the Assailed Resolution[19] denying petitioner's Motion for Partial Reconsideration on the same grounds.

The Court stated through the Assailed Resolution that the issues raised in the Motion for Reconsideration had already been passed upon by the Court in Division where it was established that respondent had diligently complied with the requirements for the issuance of a TCC under *Section 229 of the NIRC*.

Aggrieved, petitioner thus filed a Petition for Review on February 28, 2025,[20] praying that the Court *En Banc* reverse and set aside both the Assailed Decision and Assailed Resolution, and issue another one denying the entire claim for refund.

Respondent thereafter filed a Comment to the Petition for Review,[21] arguing, among others, that petitioner has raised no new compelling arguments worthy of consideration. Hence, all issues have been covered by the Court in Division.

Hence, this Decision.

The Arguments

Petitioner raises the following arguments:[22]

(a) The amount of ₱308,235,301.61 allegedly representing excess and unutilized CWT for CYs 2018 and 2019 were not properly documented;

(b) Respondent failed to comply with RMO No. 53-98, which identified the documents required from a taxpayer during audit

---

[18] Division Docket, Vol. IV, p. 1490-1498.
[19] EB Docket, pp. 40-42.
[20] *Supra* note 1.
[21] EB Docket, pp. 71-79.
[22] *Supra* note 1.

of the application for refund, thereby depriving petitioner of the opportunity to study respondent's claim for refund;

(c) It is incumbent upon the claimant to prove actual remittance of withheld taxes to the BIR; and

(d) Tax refunds are in the nature of tax exceptions which must be construed in *strictissimi juris* against the taxpayer.

Respondent opposes the above with the following contentions:[23]

(a) Respondent successfully complied with the documentary requirements on the filing of administrative claim for refund;

(b) Respondent complied with the requirements under Revenue Memorandum Order (RMO) No. 53-98 and Revenue Regulation (RR) No. 2-2006; and

(c) Proof of actual remittance of taxes withheld to the BIR is not required for a claim for refund to prosper.

The Ruling of the Court

The instant Petition for Review must be denied for lack of merit. Herein respondent has sufficiently proved its entitlement to the issuance of a TCC representing unutilized CWT for CYs 2018 and 2019.

The Court En Banc has jurisdiction over the instant case

Under *Rule 8, Section 4(b) of the Revised Rules of the Court of Tax Appeals, as amended (RRCTA)*, the procedure for appealing a ruling of the Court in Division before the Court *En Banc* follows that laid down by Rule 43 of the Rules of Court:

---

[23] *Supra* note 21.

> SEC. 4. *Where to appeal; mode of appeal* —
>
> . . . .
>
> (b) An appeal from a decision or resolution of the Court in Division on a motion for reconsideration or new trial shall be taken to the Court by petition for review provided in Rule 43 of the Rules of Court. The Court *en banc* shall act on the appeal. *(n)*
>
> . . . .

Worthy of note here is *Rule 43, Section 4 of the Rules of Court*, which governs the period for filing applicable appeals:

> SEC. 4. Period of appeal. — *The appeal shall be taken within fifteen (15) days from notice of* the judgment. final order or resolution, or from the date of its last publication, if publication is required by law for its effectivity, or of *the denial of petitioner's motion for new trial or reconsideration* duly filed in accordance with the governing law of the court or agency a quo. Only one (1) motion for reconsideration shall be allowed. Upon proper motion and the payment of the full amount of docket fee before the expiration of the reglementary period, *the Court of Appeals [or Court of Tax Appeals En Banc] may grant an additional period of* ***fifteen (15) days only*** *within which to file the petition for review. No further extension shall be granted except for the most compelling reason and in no case to exceed fifteen (15) days.*
> (Emphasis and italics supplied.)

A perusal of the records reveals that the Assailed Resolution was rendered on February 3, 2025 and was received by petitioner ten days later, or on February 13, 2025. Thus, petitioner had until February 28, 2025 to timely file a Petition for Review.

On February 28, 2025, petitioner filed the instant Petition for Review, seeking the appellate jurisdiction of the Court *En Banc* in challenging the Assailed Decision and Assailed Resolution on the final day of the 15-day period allowed by law.

Accordingly, the matter was properly lodged before the Court, establishing jurisdiction over the instant case.

r

The Court in Division correctly found that respondent has complied with the requisites for the issuance of a TCC for excess and unutilized CWTs.

As correctly found by the Court in Division, respondent opted for the "[t]o be issued a Tax Credit Certificate (TCC)" option in its AITR for CYs 2018[24] and 2019,[25] which is one of the requisites for the issuance of a TCC for excess and unutilized CWTs.

Section 76 of the NIRC states that:

> SEC. 76. *Final Adjustment Return.* - Every corporation liable to tax under Section 27 shall file a final adjustment return covering the total taxable income for the preceding calendar or fiscal year. If the sum of the quarterly tax payments made during the said taxable year is not equal to the total tax due on the entire taxable income of that year, the corporation shall either:
>
> (A) Pay the balance of tax still due; or
> (B) Carry-over the excess credit; or
> *(C) Be credited or refunded with the excess amount paid, as the case may be.*
>
> In case the corporation is entitled to a tax credit or refund of the excess estimated quarterly income taxes paid, the excess amount shown on its final adjustment return may be carried over and credited against the estimated quarterly income tax liabilities for the taxable quarters of the succeeding taxable years. Once the option to carry-over and apply the excess quarterly income tax against income tax due for the taxable quarters of the succeeding taxable years has been made, such option shall be considered irrevocable for that taxable period and no application for cash refund or issuance of a tax credit certificate shall be allowed therefor.
> (Italics supplied.)

Thus, the above provision provides that when a corporation's total quarterly income tax payments exceed its total tax due for the taxable year, the taxpayer is granted two mutually exclusive remedies: (a) to file a claim for a cash refund or Tax Credit Certificate; or (b) to carry over the excess credit to be applied against the income tax liabilities of the succeeding taxable quarters. Once the taxpayer selects an option, that choice becomes final and binding for that taxable period. Consequently, the taxpayer is thereafter legally barred from switching options.

r

---

24 *Supra* note 4.
25 *Supra* note 5.

Additionally, following the ruling in the case of *CIR* v. *Team (Philippines) Operations Corp.*,[26] which was reiterated in *CIR* v. *Univation Motor Philippines, Inc.*,[27] this Court *En banc* finds that respondent has satisfied the mandatory requisites for a tax claim, as it provides:

> In *Banco Filipino Savings and Mortgage Bank v. Court of Appeals*, this Court had previously articulated that **there are three essential conditions for the grant of a claim for refund of creditable withholding income tax, to wit: (1) the claim is filed with the Commissioner of Internal Revenue within the two-year period from the date of payment of the tax; (2) it is shown on the return of the recipient that the income payment received was declared as part of the gross income; and (3) the fact of withholding is established by a copy of a statement duly issued by the payor to the payee showing the amount paid and the amount of the tax withheld therefrom.**
>
> The *first* condition is pursuant to Sections 204(C) and 229 of the NIRC of 1997, as amended, *viz.*:
>
>> SEC. 204. *Authority of the Commissioner to Compromise, Abate and Refund or Credit Taxes.* — The Commissioner may —
>>
>> xxx xxx xxx
>>
>> (C) Credit or refund taxes erroneously or illegally received or penalties imposed without authority, refund the value of internal revenue stamps when they are returned in good condition by the purchaser, and, in his discretion, redeem or change unused stamps that have been rendered unfit for use and refund their value upon proof of destruction.
>>
>> No credit or refund of taxes or penalties shall be allowed unless the taxpayer files in writing with the Commissioner a claim for credit or refund within two (2) years after the payment of the tax or penalty: *Provided, however*, That a return filed showing an overpayment shall be considered as a written claim for credit or refund. (Emphasis supplied)
>>
>> xxx xxx xxx
>>
>> SEC. 229. *Recovery of Tax Erroneously or Illegally Collected.* — No suit or proceeding shall be maintained in any court for the recovery of any national internal revenue tax hereafter alleged to have been erroneously or illegally assessed or collected, or of any penalty claimed to have been collected without authority, or of any sum alleged to have been excessively or in any manner wrongfully collected, until a claim for refund or credit has been duly filed with the Commissioner; but such suit or proceeding may be

[26] GR No. 179260, April 2, 2014.
[27] GR No. 231581, April 10, 2019.

> maintained, whether or not such tax, penalty, or sum has been paid under protest or duress.
>
> In any case, no such suit or proceeding shall be filed after the expiration of two (2) years from the date of payment of the tax or penalty regardless of any supervening cause that may arise after payment: *Provided, however*, That the Commissioner may, even without a written claim therefor, refund or credit any tax, where on the face of the return upon which payment was made, such payment appears clearly to have been erroneously paid.

The *second* and *third* conditions are anchored on Section 2.58.3 (B) of Revenue Regulations No. 2-98, which states:

> *Sec. 2.58.3. Claim for Tax Credit or Refund.* —
>
> xxx xxx xxx
>
> (B) Claims for tax credit or refund of any creditable income tax which was deducted and withheld on income payments shall be given due course only when it is shown that the income payment has been declared as part of the gross income and the fact of withholding is established by a copy of the withholding tax statement duly issued by the payor to the payee showing the amount paid and the amount of tax withheld therefrom.

(Emphasis supplied)

First, in applying the foregoing, the records of the instant case shows that respondent electronically filed its AITR for CY 2018 on April 4, 2019,[28] while the AITR for CY 2019 was electronically filed on April 5, 2020.[29] Both administrative claims with the BIR were thereafter filed by respondent on March 18, 2021, and the judicial claim before the Court sitting in Division were filed on May 17, 2021.

The following, which properly tracks the relevant dates, was displayed in the *Assailed Decision* in tabular form:

Period: CY 2018				
Date when respondent electronically filed its AITR	Last day for filing the administrative and judicial claim	Date when respondent filed its administrative claim	Date when respondent filed its judicial claim	Remarks
April 4, 2019	April 4, 2021	March 18, 2021	May 17, 2021	Timely filed[30]

---

[28] *Supra* note 4.
[29] *Supra* note 5.
[30] As explained by the Court in Division, the deadline for filing a judicial claim was extended to May 24, 2021 due to the COVID-19 pandemic and the Supreme Court's responses to the same. *See* Decision, page 8, *Rollo*, p. 26.

Period: CY 2019				
Date when respondent electronically filed its AITR	Last day for filing the administrative and judicial claim	Date when respondent filed its administrative claim	Date when respondent filed its judicial claim	Remarks
April 5, 2020	April 5, 2022	March 18, 2021	May 17, 2021	Timely filed

Thus, based on the foregoing, both administrative and judicial claims for the issuance of a TCC for excess and unutilized CWT were filed within the two-year prescriptive period mandated by *Sections 204 and 209 of the NIRC*, thereby satisfying the first condition laid down by jurisprudence.

Second, after a *de novo* review of respondent's AITR and its supporting documents, We find that the income from which the taxes were withheld were clearly included in respondent's gross income as a direct nexus exists between the withheld amounts and the revenue reported in the AITR, albeit a reduced amount in view of payments of ₱70,000.00 with an associated CWT claim of ₱5,000.00 which was found to be untraceable to the Summary of General Ledger and General Ledger provided by respondent.

This Court agrees with the finding of the Court in Division using the AITRs for the CYs 2018 and 2019 which reveal that respondent reported a total gross income in the aggregate sums of ₱1,258,139,527.00 and ₱1,532,633,823.00, respectively. These figures serve as the foundational evidentiary basis for establishing respondent's overall tax base for the periods under review.

Further, the subject income payments for CYs 2018 and 2019 which form the basis of the CWT herein claimed can be traced to and subsumed with the revenue streams provided by respondent, which are (1) Rental Income; (2) Director's Fees; (3) Other Income; and (4) Gain on Sale of Investment Properties. Said revenues were duly declared and integrated into respondent's AITR for the corresponding taxable years, thereby satisfying the requirement of income inclusion.

Third, to establish the fact of withholding for the claimed CWTs, respondent formally submitted into evidence its Schedule of Creditable Taxes Withheld for CYs 2018 and 2019, which are duly supported by corresponding Certificates of Creditable Tax Withheld at Source (BIR Form No. 2307). These documents serve as the primary evidentiary basis to prove that the taxes were withheld at the source by the respective payors.

Additionally, upon independent verification by the ICPA, Ms. Milagros F. Padernal, it was confirmed that the CWTs reported in the AITR for CYs 2018 and 2019 were generally aligned with respondent's records. The ICPA, however, identified a discrepancy of ₱248,688.77, alongside an additional amount of ₱120,120.00 pertaining to CY 2018, which was not supported by an original copy of BIR Form No. 2307.

Hence, in view of the aforementioned documentary gaps and variances, a downward adjustment to the original claim is legally warranted. Consequently, agreeing with the Court in Division, this Court *En Banc* finds that respondent has successfully substantiated the fact of withholding and satisfied the final requisite for the issuance of a tax credit, but only to the amount of ₱308,235,301.61.

Thus, of the total CWT claimed by respondent which the Court sitting in Division previously found to be supported by the requisite BIR Form No. 2307, only the amount of ₱308,235,301.61 is found to be eligible for refund. This adjudicated amount corresponds to the specific income payments that were successfully verified and cross-referenced as part of respondent's gross income declaration in its AITRs for CYs 2018 and 2019. The remaining balance must consequently be disallowed for failure to meet the strict requirement of verifiable income inclusion.

All told, this Court holds that petitioner has raised no novel or sufficiently compelling arguments worthy of consideration. Given that all issues have been ruled upon by the Court in Division, We see no cogent reason to cancel and set aside the Assailed Decision or the Assailed Resolution.

ACCORDINGLY, petitioner's Petition for Review, filed on February 28, 2025, is hereby **DENIED** for lack of merit. The Assailed Decision, dated June 19, 2024, and the Assailed Resolution, dated February 3, 2025, both rendered by the Court in Division in CTA Case No. 10496, are hereby **AFFIRMED**.

SO ORDERED.

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

WE CONCUR:

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

MARIAN IVY F. REYES-FAJARDO
Associate Justice

LANEE S. CUI-DAVID
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice

HENRY S. ANGELES
Associate Justice

CERTIFICATION

Pursuant to *Article VIII, Section 13 of the Constitution*, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice