REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL FIRST DIVISION

MACQUARIE OFFSHORE SERVICES PTY. LTD.-PHILIPPINE BRANCH *Petitioner,*	CTA Case No. 9180 For: Refund Members:
-versus-	**DEL ROSARIO,** P.J.,*Chairperson,* **UY,** and **MINDARO-GRULLA,** *JJ.*
COMMISSIONER OF INTERNAL REVENUE, *Respondent.*	Promulgated: NOV 06 2018 9:10 am

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D E C I S I O N

MINDARO-GRULLA, J.:

This is a Petition for Review[1] filed by Macquarie Offshore Services Pty Ltd. - Philippine Branch, praying for the refund of or the issuance of a tax credit certificate (TCC) in the total amount of P68,311,847.13, allegedly representing excess and unutilized input value-added tax (VAT) directly attributable to its zero-rated sales for the four quarters of fiscal year (FY) ended March 31, 2014.

Petitioner Macquarie Offshore Services Pty Ltd. - Philippine Branch is a foreign corporation organized and existing under and by virtue of the laws of Australia. It is duly licensed to do business in the Philippines thru its Regional Operating Headquarters (ROHQ) in the Philippines by virtue of a License to Do Business issued by the Securities and Exchange Commission (SEC) on April 10, 2008.

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[1] CTA Docket, pp. 10-19.

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The office of petitioner is located at the 29th Floor, Tower 1, The Enterprise Center, Ayala Avenue, Makati City. Petitioner is also a VAT-registered entity as evidenced by its Bureau of Internal Revenue (BIR) Certificate of Registration No. OCN 9RC0000330527.[2]

Respondent, on the other hand, is the Commissioner of the Bureau of Internal Revenue duly appointed and empowered to perform the duties of his office, including, among others, the duty to act on and approve claims for refund or tax credit as provided by law. He holds office at the 5th Floor, BIR National Office Building, Agham Road, Diliman, Quezon City.

As an ROHQ, it is authorized to engage in general administration and planning; business planning and coordination; sourcing/procurement of raw materials and components; corporate finance advisory services; marketing control and sales promotion; training and personnel management; logistic services, research and development services and product development; technical support and maintenance; data processing and communication; and business development.[3]

Petitioner provides qualifying services to its affiliates and related parties in the Asia-Pacific Region and other foreign markets. These qualifying services include application testing and monitoring, technology infrastructure, application development and support, and financial administration.

In the instant petition, petitioner allegedly generated VAT zero-rated sales in the total amount P4,386,917,075.48 from its sole foreign non-resident client, Macquarie Financial Holdings Limited (MFHL), an entity incorporated, registered, and operating under the laws of Australia, broken down as follows:

FY 2014	VAT ZERO-RATED SALES
1st Quarter	P 885,752,256.26
2nd Quarter	1,448,664,049.63
3rd Quarter	752,109,656.90

[2] Exhibit "P-1-d", CTA Docket, vol. I, p. 389.
[3] Exhibit "P-1-c", CTA Docket, vol. I, p. 370.

4th Quarter	1,300,445,112.69
TOTAL	**P 4,386,917,075.48**

Petitioner claims that its sales of services were rendered exclusively to MFHL during FY 2014 pursuant to a Service Agreement[4] executed on April 1, 2009. Further, the services were rendered by petitioner in the Philippines, paid for in Australian Dollars (AUD), inwardly remitted to the Philippines and duly accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP).

During these quarters, petitioner incurred and paid input VAT arising from its domestic purchases of goods and services. The amounts of its domestic purchases and the corresponding amounts of input VAT were recorded in its quarterly[5] and monthly[6] summaries.

Considering that MFHL's sale for FY 2014 are mostly VAT zero-rated, it constantly carried over input VAT to the succeeding quarters. Consequently, it had accumulated a significant amount of excess input VAT from its domestic purchases, but with minimal output VAT to charge it against with, thus, it remained unutilized.

Petitioner's Quarterly VAT returns were filed as follows:

Quarter	Period Covered	Date Filed
1st	April 1 to June 30, 2013	July 25, 2013
2nd	July to September 30, 2013	October 24, 2013
3rd	October 1 to December 31, 2013	January 27, 2014
4th	January 1 to March 31, 2014	April 25, 2014

On June 26, 2015, petitioner filed an administrative application for issuance of a Tax Credit Certificate (TCC)/ Refund[7] of input VAT with BIR Revenue District Office (RDO) No. 47.

On October 5, 2015, petitioner received a letter from the BIR dated September 29, 2015 formally denying its administrative claim for refund.

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[4] Exhibit "P-41", CTA Docket, vol. II, p. 854-870.
[5] Exhibit "P-9" to "P-16", CTA Docket, vol. II, pp.
[6] Exhibit "P-5" to "P-8", CTA Docket, vol. II, pp.
[7] Exhibit "P-18", CTA Docket, vol. II, p.

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On November 3, 2015, petitioner filed the instant Petition for Review docketed as CTA Case No. 9180.

In his Answer[8], respondent argues that petitioner's sales of goods and services to its alleged client do not qualify as effectively zero-rated VAT transactions. Moreover, respondent avers that petitioner failed to comply with the substantiation requirements provided under Revenue Regulations (RR) No. 16-2005 in relation to Sections 113 and 237 of the NIRC, as well as the conditions prescribed under Section 112 (A)(C) and (D) of the NIRC of 1997, as amended. Lastly, the claims for refund/TCC are strictly construed against petitioner as it partakes the nature of an exemption.

Thereafter, in a Resolution dated January 28, 2016, the case was set for pre-trial on April 28, 2016.

The parties filed their Joint Stipulation of Facts and Issues[9] on July 15, 2016, and the Court issued a Pre-Trial Order[10] on September 21, 2016.

To substantiate petitioner's allegations, it presented as witnesses, Ms. Ailyn B. Perocho, petitioner's Head of Finance, and Ms. Katherine O. Constantino, the Independent Certified Public Accountant (ICPA) commissioned by the Court.

In Ms. Ailyn B. Perocho's Sworn Witness Statement[11], she testified that petititioner is an ROHQ, registered with the SEC and the BIR and licensed to provide services to affiliates and related parties in the Asia-Pacific Region and other foreign markets.

She also declared that petitioner generated zero-rated sales for the services it rendered for MFHL, which is a non-resident entity registered and doing business in Australia. For such services, petitioner was paid in AUD inwardly remitted in accordance with the rules and regulations of the BSP. All of petitioner's sales of services were made

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[8] CTA Division Docket, vol. I, pp. 293-296.
[9] CTA Division Docket, vol.II, pp. 1006-1018.
[10] CTA Division Docket, vol.II, pp. 1115-1142.
[11] CTA Division Docket, vol.I, 333-368.

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exclusively to MFHL, rendering the said sales of services subject to VAT zero-rating.

She also confirmed that for FY 2014, petitioner incurred and paid input VAT on its domestic purchases of goods, services, and capital goods in connection with its delivery of services to MFHL. These input VAT for the four quarters of FY 2011 were carried-over to the succeeding quarters but such remained unutilized.

After petitioner filed a claim for refund/TCC, the said amount was removed from the category of "VAT carried over". Petitioner thereafter filed a claim for refund of unutilized input VAT for FY 2014 with respondent, who denied the claim, prompting petitioner to elevate the matter to this Court.

The Court commissioned ICPA, Ms. Katherine O. Constantino testified that that she audited and evaluated petitioner's documents and records in support of its claim for VAT refund/ TCC for FY 2014, the result of which is contained in the ICPA Report[12] which was submitted to the Court on August 1, 2016.

Subsequently, on September 30, 2016, petitioner filed its Formal Offer of Evidence[13], consisting of **Exhibits "P-1" to "P-6020"**, inclusive of sub-markings.

With the admission of all the formally offered exhibits of petitioner, *except* for **Exhibits "P-33-a" and "P-2416"** in a Resolution[14] dated January 9, 2017, petitioner has been deemed to have rested its case.

In view of the denial of the admission in evidence of Exhibit "P-33-a", petitioner filed a Motion for Reconsideration (Re: Resolution dated 09 January 2017) January 25, 2017. Petitioner moved that it be allowed to recall witness, Ms. Ailyn B. Perocho, for purposes of presenting the exhibit's duplicate original, and clarifying the discrepancy of the date between the identified and marked exhibit and the document actually offered.

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[12] Exhibit "P-64", CTA Docket.
[13] CTA Docket, vol. II, pp. 1148-1168.
[14] CTA Docket, vol. III, pp. 1724-1726.

Acting on the motion, and without any objection on respondent's part despite notice, the Court admitted Exhibit "P-33-a" in an Order dated April 3, 2017.

Petitioner's admitted documentary exhibits are as follows:

Exhibit	Description
"P-1" to **"P-1-c"**	Certified true copy of petitioner's Certificate of Registration and License with Company Registration No. FS200805155 issued by the SEC on 10 April 2008
"P-1-d"	Certified true copy Petitioner's BIR Registration Certificate numbered OCN9RC0000330527 issued by Revenue District No. 047 on 02 June 2008
"P-2"	Petitioner's BIR Registration Payment Form for fiscal year 2014 (BIR Form 0605 - Annual VAT Registration) filed via eFPS on 04 January 2013
"P-3"	Petitioner's BIR Registration Payment Form for fiscal year 2015 (BIR Form 0605 - Annual VAT Registration) filed via eFPS on 08 January 2014
"P-4"	Petitioner's BIR Registration Payment Form for fiscal year 2016 (BIR Form 0605 - Annual VAT Registration) filed via eFPS on 07 January 2015
"P-5"	Certified true copy of petitioner's Quarterly VAT Return for the 1st Quarter FY 2014 (1 April to 30 June 2013) filed via eFPS on 25 July 2013
"P-6"	Certified true copy of petitioner's Quarterly VAT Return for the 2nd Quarter FY 2014 (1 July to 30 September 2013) filed via eFPS on 24 October 2013
"P-7"	Certified true copy of petitioner's Quarterly VAT Return for the 3rd Quarter FY 2014 (1 October to 31 December 2013) filed via eFPS on 27 January 2014
"P-8"	Certified true copy of petitioner's Quarterly VAT Return for the 4th Quarter FY 2014 (1 January to 31 March 2014) filed via eFPS on 25 April 2014
"P-9"	Certified true copy of petitioner's Monthly VAT Declaration for the month of April 2013, as filed via eFPS on 21 May 2013
"P-10"	Certified true copy of petitioner's Monthly VAT Declaration for the month of May 2013, as filed via eFPS on 21 June 2013
"P-11"	Certified true copy of petitioner's Monthly VAT Declaration for the month of July 2013, as filed via eFPS on 22 August 2013
"P-12"	Certified true copy of petitioner's Monthly VAT Declaration for the month of August 2013, as filed via eFPS on 23 September 2013
"P-13"	Certified true copy of petitioner's Monthly VAT Declaration for the month of October 2013, as filed via eFPS on 21 November 2013
"P-14"	Certified true copy of petitioner's Monthly VAT Declaration for the month of November 2013, as

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	filed via eFPS on 20 December 2013
"P-15"	Certified true copy of petitioner's Monthly VAT Declaration for the month of January 2014, as filed via eFPS on 21 February 2014
"P-16"	Certified true copy of petitioner's Monthly VAT Declaration for the month of February 2014, as filed via eFPS on 21 March 2014
"P-17"	Certified true copy of petitioner's Monthly VAT Declaration for May 2015, filed via eFPS on 19 June 2015
"P-18"	Administrative Application for Issuance of Tax Credit Certificate/Refund of input VAT dated 26 June 2015 and filed with BIR-RDO 47 on 26 June 2015
"P-18-a"	Stamp of the BIR RDO 47 as signed by Aida E. Paredo, indicating receipt of the Application referred to in Exhibit "P-18"on 26 June 2015
"P-18-b"	Names and signatures of Atty. Jose Leonilo V. Didulo and Atty. Leslie M. Pacheco of Nisce Mamuric Guinto Rivera and Alcantara Law Offices
"P-19"	Original copy of petitioner's Summary of Purchases with input VAT for the 1st Quarter FY 2014
"P-19-a"	Original copy of petitioner's Summary of Domestic Purchases – 1st Quarter of FY 2014 – Month of April
"P-19-b"	Original copy of petitioner's Summary of Domestic Purchases – 1st Quarter of FY 2014 – Month of May
"P-19-c"	Original copy of petitioner's Summary of Domestic Purchases – 1st Quarter of FY 2014 – Month of June
"P-20"	Original copy of petitioner's Summary of Purchases with input VAT for the 2nd Quarter FY 2014
"P-20-a"	Original copy of petitioner's Summary of Domestic Purchases – 2nd Quarter of FY 2014 – Month of July
"P-20-b"	Original copy of petitioner's Summary of Domestic Purchases – 2nd Quarter of FY 2014 – Month of August
"P-20-c"	Original copy of petitioner's Summary of Domestic Purchases – 2nd Quarter of FY 2014 – Month of September
"P-21"	Original copy of petitioner's Summary of Purchases with input VAT for the 3rd Quarter FY 2014
"P-21-a"	Original copy of petitioner's Summary of Domestic Purchases – 3rd Quarter of FY 2014 – Month of October
"P-21-b"	Original copy of petitioner's Summary of Domestic Purchases – 3rd Quarter of FY 2014 – Month of November
"P-21-c"	Original copy of petitioner's Summary of Domestic Purchases – 3rd Quarter of FY 2014 – Month of December
"P-22"	Original copy of petitioner's Summary of Purchases with input VAT for the 4th Quarter FY 2014
"P-22-a"	Original copy of petitioner's Summary of Domestic Purchases – 4th Quarter of FY 2014 – Month of January
"P-22-b"	Original copy of petitioner's Summary of Domestic

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	Purchases – 4th Quarter of FY 2014 – Month of February
"P-22-c"	Original copy of petitioner's Summary of Domestic Purchases – 4th Quarter of FY 2014 – Month of March
"P-23" and **"P-23-a"**	Original copy of petitioner's Schedule of zero-rated sales - 1st Quarter of Fiscal Year March 2014
"P-24"	Certified true copy of Official Receipt No. 000033 dated 28 April 2013 covering the payments made for VAT zero-rated sales made during the 1st Quarter FY 2014
"P-24-a"	Certified true copy of Official Receipt No. 000034 dated 21 June 2013 covering the payments made for VAT zero-rated sales made during the 1st Quarter FY 2014
"P-25"	Certified true copy of Service Invoice No. 000196 dated 31 January 2013
"P-25-a"	Certified true copy of Service Invoice No. 000197 dated 01 February 2013
"P-25-b"	Certified true copy of Service Invoice No. 000206 dated 28 February 2013
"P-25-c"	Certified true copy of Service Invoice No. 000207 dated 28 February 2013
"P-25-d"	Certified true copy of Service Invoice No. 000208 dated 28 February 2013
"P-25-e"	Certified true copy of Service Invoice No. 000209 dated 28 February 2013
"P-25-f"	Certified true copy of Service Invoice No. 000210 dated 28 February 2013
"P-25-g"	Certified true copy of Service Invoice No. 000211 dated 28 February 2013
"P-25-h"	Certified true copy of Service Invoice No. 000212 dated 28 February 2013
"P-25-i"	Certified true copy of Service Invoice No. 000213 dated 01 March 2013
"P-25-j"	Certified true copy of Service Invoice No. 000214 dated 28 March 2013
"P-25-k"	Certified true copy of Service Invoice No. 000215 dated 28 March 2013
"P-25-l"	Certified true copy of Service Invoice No. 000216 dated 28 March 2013
"P-25-m"	Certified true copy of Service Invoice No. 000217 dated 28 March 2013
"P-25-n"	Certified true copy of Service Invoice No. 000218 dated 28 March 2013
"P-25-o"	Certified true copy of Service Invoice No. 000219 dated 28 March 2013
"P-25-p"	Certified true copy of Service Invoice No. 000220 dated 28 March 2013
"P-25-q"	Certified true copy of Service Invoice No. 000221 dated 28 March 2013
"P-25-r"	Certified true copy of Service Invoice No. 000222 dated 28 March 2013
"P-25-s"	Certified true copy of Service Invoice No. 000223 dated 28 March 2013

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"P-25-t"	Certified true copy of Service Invoice No. 000224 dated 28 March 2013
"P-25-u"	Certified true copy of Service Invoice No. 000225 dated 28 March 2013
"P-25-v"	Certified true copy of Service Invoice No. 000226 dated 28 March 2013
"P-25-w"	Certified true copy of Service Invoice No. 000228 dated 28 March 2013
"P-25-x"	Certified true copy of Service Invoice No. 000229 dated 01 April 2013
"P-25-y"	Certified true copy of Service Invoice No. 000230 dated 01 April 2013
"P-25-z"	Certified true copy of Service Invoice No. 000231 dated 01 April 2013
"P-25-aa"	Certified true copy of Service Invoice No. 000232 dated 01 April 2013
"P-25-bb"	Certified true copy of Service Invoice No. 000233 dated 01 April 2013
"P-25-cc"	Certified true copy of Service Invoice No. 000234 dated 01 April 2013
"P-25-dd"	Certified true copy of Service Invoice No. 000235 dated 01 April 2013
"P-26" and **"P-26-a"**	Original copy of petitioner's Schedule of zero-rated sales - 2nd Quarter of Fiscal Year March 2014
"P-27"	Certified true copy of Official Receipt No. 001001 dated 30 July 2013 covering the payments made for VAT zero-rated sales made during the 2nd Quarter FY 2014
"P-27-a"	Certified true copy of Official Receipt No. 001002 dated 15 August 2013 covering the payments made for VAT zero-rated sales made during the 2nd Quarter FY 2014
"P-27-b"	Certified true copy of Official Receipt No. 001003 dated 25 September 2013 covering the payments made for VAT zero-rated sales made during the 2nd Quarter FY 2014
"P-28"	Certified true copy of Service Invoice No. 000236 dated 30 April 2013
"P-28-a"	Certified true copy of Service Invoice No. 000237 dated 30 April 2013
"P-28-b"	Certified true copy of Service Invoice No. 000238 dated 31 May 2013
"P-28-c"	Certified true copy of Service Invoice No. 000239 dated 31 May 2013
"P-28-d"	Certified true copy of Service Invoice No. 000240 dated 31 May 2013
"P-28-e"	Certified true copy of Service Invoice No. 000241 dated 31 May 2013

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"P-28-f"	Certified true copy of Service Invoice No. 000242 dated 31 May 2013
"P-28-g"	Certified true copy of Service Invoice No. 000243 dated 31 May 2013
"P-28-h"	Certified true copy of Service Invoice No. 000244 dated 31 May 2013
"P-28-i"	Certified true copy of Service Invoice No. 000245 dated 31 May 2013
"P-28-j"	Certified true copy of Service Invoice No. 000247 dated 31 May 2013
"P-28-k"	Certified true copy of Service Invoice No. 000248 dated 03 June 2013
"P-28-l"	Certified true copy of Service Invoice No. 000249 dated 31 May 2013
"P-28-m"	Certified true copy of Service Invoice No. 000250 dated 31 May 2013
"P-28-n"	Certified true copy of Service Invoice No. 000251 dated 31 May 2013
"P-28-o"	Certified true copy of Service Invoice No. 000252 dated 31 May 2013
"P-28-p"	Certified true copy of Service Invoice No. 000253 dated 31 May 2013
"P-28-q"	Certified true copy of Service Invoice No. 000254 dated 28 June 2013
"P-28-r"	Certified true copy of Service Invoice No. 000255 dated 28 June 2013
"P-28-s"	Certified true copy of Service Invoice No. 000257 dated 28 June 2013
"P-28-t"	Certified true copy of Service Invoice No. 000258 dated 28 June 2013
"P-28-u"	Certified true copy of Service Invoice No. 000259 dated 28 June 2013
"P-28-v"	Certified true copy of Service Invoice No. 000260 dated 28 June 2013
"P-28-w"	Certified true copy of Service Invoice No. 000261 dated 28 June 2013
"P-28-x"	Certified true copy of Service Invoice No. 000262 dated 28 June 2013
"P-28-y"	Certified true copy of Service Invoice No. 001001 dated 31 July 2013
"P-28-z"	Certified true copy of Service Invoice No. 001002 dated 31 July 2013
"P-28-aa"	Certified true copy of Service Invoice No. 001003 dated 31 July 2013
"P-28-bb"	Certified true copy of Service Invoice No. 001004 dated 31 July 2013

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"P-28-cc"	Certified true copy of Service Invoice No. 001005 dated 31 July 2013
"P-28-dd"	Certified true copy of Service Invoice No. 001006 dated 31 July 2013
"P-28-ee"	Certified true copy of Service Invoice No. 001007 dated 31 July 2013
"P-28-ff"	Certified true copy of Service Invoice No. 001008 dated 31 July 2013
"P-28-gg"	Certified true copy of Service Invoice No. 001009 dated 31 July 2013
"P-28-hh"	Certified true copy of Service Invoice No. 001010 dated 31 July 2013
"P-28-ii"	Certified true copy of Service Invoice No. 001011 dated 31 July 2013
"P-28-jj"	Certified true copy of Service Invoice No. 001012 dated 31 July 2013
"P-29" and **"P-29-a"**	Original copy of petitioner's Schedule of zero-rated sales – 3rd Quarter of Fiscal Year March 2014
"P-30"	Certified true copy of Official Receipt No. 001004 dated 24 October 2013 covering the payments made for VAT Zero-rated sales made during the 3rd Quarter FY 2014
"P-30-a"	Certified true copy of Official Receipt No. 001005 dated 18 November 2013 covering the payments made for VAT Zero-rated sales made during the 3rd Quarter FY 2014
"P-31"	Certified true copy of Service Invoice No. 001013 dated 30 August 2013
"P-31-a"	Certified true copy of Service Invoice No. 001014 dated 30 August 2013
"P-31-b"	Certified true copy of Service Invoice No. 001015 dated 30 August 2013
"P-31-c"	Certified true copy of Service Invoice No. 001016 dated 30 August 2013
"P-31-d"	Certified true copy of Service Invoice No. 001017 dated 30 August 2013
"P-31-e"	Certified true copy of Service Invoice No. 001018 dated 30 August 2013
"P-31-f"	Certified true copy of Service Invoice No. 001019 dated 30 August 2013
"P-31-g"	Certified true copy of Service Invoice No. 001020 dated 30 August 2013
"P-31-h"	Certified true copy of Service Invoice No. 001021 dated 30 August 2013
"P-31-i"	Certified true copy of Service Invoice No. 001022 dated 30 September 2013
"P-31-j"	Certified true copy of Service Invoice No. 001023 dated 30 September 2013
"P-31-k"	Certified true copy of Service Invoice No. 001024 dated 30 September 2013

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"P-31-l"	Certified true copy of Service Invoice No. 001025 dated 30 September 2013
"P-31-m"	Certified true copy of Service Invoice No. 001026 dated 30 September 2013
"P-31-n"	Certified true copy of Service Invoice No. 001027 dated 30 September 2013
"P-31-o"	Certified true copy of Service Invoice No. 001028 dated 01 October 2013
"P-31-p"	Certified true copy of Service Invoice No. 001029 dated 30 September 2013
"P-31-q"	Certified true copy of Service Invoice No. 001030 dated 30 September 2013
"P-32" and **"P-32-a"**	Original copy of petitioner's Schedule of zero-rated sales – 4th Quarter of Fiscal Year March 2014
"P-33"	Certified true copy of Official Receipt No. 001006 dated 10 January 2014 covering the payments made for VAT Zero-rated sales made during the 4th Quarter FY 2014
"P-33-a"	Certified true copy of Official Receipt No. 001007 dated 26 February 2014 covering the payments made for VAT Zero-rated sales made during the 4th Quarter FY 2014
"P-33-b"	Certified true copy of Official Receipt No. 001008 dated 25 March 2014 covering the payments made for VAT Zero-rated sales made during the 4th Quarter FY 2014
"P-33-c"	Certified true copy of Official Receipt No. 001009 dated 27 March 2014 covering the payments made for VAT Zero-rated sales made during the 4th Quarter FY 2014
"P-34" *through* **"P-34-gg"**	Certified true copy of Service Invoice No. 001031 dated 31 October 2013
"P-34-a"	Certified true copy of Service Invoice No. 001032 dated 31 October 2013
"P-34-b"	Certified true copy of Service Invoice No. 001034 dated 31 October 2013
"P-34-c"	Certified true copy of Service Invoice No. 001035 dated 31 October 2013
"P-34-d"	Certified true copy of Service Invoice No. 001036 dated 31 October 2013
"P-34-e"	Certified true copy of Service Invoice No. 001037 dated 31 October 2013
"P-34-f"	Certified true copy of Service Invoice No. 001038 dated 31 October 2013
"P-34-g"	Certified true copy of Service Invoice No. 001039 dated 31 October 2013
"P-34-h"	Certified true copy of Service Invoice No. 001040 dated 29 November 2013
"P-34-i"	Certified true copy of Service Invoice No. 001041 dated 29 November 2013
"P-34-j"	Certified true copy of Service Invoice No. 001042 dated 29 November 2013
"P-34-k"	Certified true copy of Service Invoice No. 001043 dated 29 November 2013

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"P-34-l"	Certified true copy of Service Invoice No. 001044 dated 29 November 2013
"P-34-m"	Certified true copy of Service Invoice No. 001045 dated 29 November 2013
"P-34-n"	Certified true copy of Service Invoice No. 001046 dated 29 November 2013
"P-34-o"	Certified true copy of Service Invoice No. 001047 dated 29 November 2013
"P-34-p"	Certified true copy of Service Invoice No. 001048 dated 31 December 2013
"P-34-q"	Certified true copy of Service Invoice No. 001049 dated 31 December 2013
"P-34-r"	Certified true copy of Service Invoice No. 001050 dated 31 December 2013
"P-34-s"	Certified true copy of Service Invoice No. 001051 dated 31 December 2013
"P-34-t"	Certified true copy of Service Invoice No. 001052 dated 31 December 2013
"P-34-u"	Certified true copy of Service Invoice No. 001053 dated 31 December 2013
"P-34-v"	Certified true copy of Service Invoice No. 001054 dated 31 December 2013
"P-34-w"	Certified true copy of Service Invoice No. 001055 dated 31 December 2013
"P-34-x"	Certified true copy of Service Invoice No. 001056 dated 31 December 2013
"P-34-y"	Certified true copy of Service Invoice No. 001057 dated 2 January 2014
"P-34-z"	Certified true copy of Service Invoice No. 001058 dated 31 January 2014
"P-34-aa"	Certified true copy of Service Invoice No. 001059 dated 31 January 2014
"P-34-bb"	Certified true copy of Service Invoice No. 001060 dated 31 January 2014
"P-34-cc"	Certified true copy of Service Invoice No. 001061 dated 31 January 2014
"P-34-dd"	Certified true copy of Service Invoice No. 001062 dated 31 January 2014
"P-34-ee"	Certified true copy of Service Invoice No. 001063 dated 31 January 2014
"P-34-ff"	Certified true copy of Service Invoice No. 001064 dated 31 January 2014
"P-34-gg"	Certified true copy of Service Invoice No. 001065 dated 31 January 2014
"P-35" and **"P-35-a"**	Original Copy of petitioner's Schedule of Taxable Sales for Fiscal year March 2014
"P-35-b"	Certified true copy of Original Receipt No. 1010 dated 25 March 2014
"P-36"	Certified true copy of petitioner's Audited Financial Statement for FY 2014, as duly received by the BIR RDO No. 047 on 14 July 2014
"P-36-a"	Stamp of BIR RDO 47 showing receipt of petitioner's AFS on 14 July 2014
"P-37"	Petitioner's Annual Income Tax Return for FY 2014

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	filed via eFPS on 11 July 2014
"P-38" and **"P-38-a"**	Original copy of the Sworn Certification by MOSL's representative, Ailyn Perocho, certifying: (i) the amount of zero-rated sales, taxable sales, and exempt sales for FY 2014; and (ii) that MOSL did not file any and/or will not file any similar claim with the Bureau of Internal Revenue, Bureau of Customs, and/or the Board of Investments for the period 1 April 2013 to 31 March 2014
"P-39" to **"P-39-a"**	Original copy of the certified list of petitioner's Foreign Client for fiscal year 2014
"P-39-b" to **"P-39-c"**	Original copy of the certified list of petitioner's Philippine Clients for Fiscal Year 2014
"P-40"	Original copy of the Certification of Non-Registration of Company issued by the SEC on 24 June 2015 in favor of Macquarie Financial Holdings Limited
"P-41"	Authenticated copy of the Services Agreement executed by and between petitioner and Macquarie Financial Holdings Limited (MFHL) dated 1 April 2009
"P-42"	Consularized Certificate of Registration on Change of Name" issued on 31 October 2007 in the name of Macquarie Financial Holdings Limited under Australian Company Number 124 071 398 issued by the ASIC.
"P-43"	Consularized Certificate of Registration issued on 21 February 2007 in the name of Macquarie Financial Group Holdings No. 2 Ltd ACN 124 071 398 issued by the ASIC.
"P-44"	Consularized Constitution of Macquarie Financial Holdings Limited ACN 124 071 398
"P-45"	Consularized copy of the ASIC Company Extract in the name of Macquarie Financial Holdings Limited
"P-46"	Screenshot of Extract from ASIC's online database for Macquarie Financial Holdings Limited, ACN 124 071 398, accessed on 16 March 2015 at AEST 14:08:17
"P-47"	Screenshot of Extract from ASIC's online database for Macquarie Financial Holdings Limited, ACN 118817440, accessed on 16 March 2015 at AEST 13:57:18
"P-48"	Original copy of the Certification issued by the Department of Finance that, as of 11 June 2015, petitioner has no similar and/or outstanding application for tax credit and duty drawback under the NIRC, the Omnibus Investments Code and the Tariff and Customs Code of the Philippines for the period 1 April 2013 to 31 March 2014
"P-49" to **"P-49-a"**	Original copy of the Schedule of Inward Remittances For the 1st Quarter of Fiscal year 2014
"P-50" to **"P-50-a"**	Original copy of the Schedule of Inward Remittances For the 2nd Quarter of Fiscal year 2014
"P-51" to **"P-51-a"**	Original copy of the Schedule of Inward Remittances For the 3rd Quarter of Fiscal year 2014

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"P-52" to **"P-52-a"**	Original copy of the Schedule of Inward Remittances For the 4th Quarter of Fiscal year 2014
"P-53"	Certification of Inward Remittance dated 2 June 2015, covering the period of 1 April to 30 June 2013, issued by The Hong Kong and Shanghai Banking Corporation Limited (HSBC), to prove inward receipt of foreign currency of export sales
"P-54"	Certification of Inward Remittance dated 7 August 2013, covering the period of 1 July to 30 September 2013, issued by The Hong Kong and Shanghai Banking Corporation Limited (HSBC), to prove inward receipt of foreign currency of export sales
"P-55"	Certification of Inward Remittance dated 6 November 2013, covering the period of 1 October to 31 December 2013, issued by The Hong Kong and Shanghai Banking Corporation Limited, to prove inward receipt of foreign currency of export sales
"P-56"	Certification of Inward Remittance dated 25 November 2013, covering the period of 1 October to 31 December 2013, issued by The Hong Kong and Shanghai Banking Corporation Limited (HSBC), to prove inward receipt of foreign currency of export sales
"P-57"	Certification of Inward Remittance dated 7 March 2014, covering the period of 1 January to 31 March 2014, issued by The Hong Kong and Shanghai Banking Corporation Limited (HSBC), to prove inward receipt of foreign currency of export sales
"P-58"	Certification of Inward Remittance dated 29 April 2014, covering the period of 1 January to 31 March 2014, issued by The Hong Kong and Shanghai Banking Corporation Limited, to prove inward receipt of foreign currency of export sales
"P-59" to **"P-59-a"**	Original copy of petitioner's Schedule of Bank Credit Memos – Fiscal Year march 2014
"P-60" to **"P-60-b"**	Original copy of the Organizational Chart of Macquarie Group Limited
"P-61"	Letter from BIR RDO 47 dated 29 September 2015
"P-62"	Letter from petitioner's counsel to BIR RDO 47 dated 14 October 2015
"P-63" and **"P-63-a"**	Sworn Witness Statement of Ailyn Perocho in lieu of Direct Testimony dated 19 April 2016
"P-64" and **"P-64-a"**	The two-part report of the court commissioned Independent CPA entitled "**MACQUARIE OFFSHORE SERVICES PTY LTD.-PHILIPPINE BRANCH** Independent CPA Report on Results of the Procedures Performed Relative to the Claim for Refund of Tax Credits Representing Excess and Unutilized Input Value Added Tax (VAT) Directly Attributable to Zero-Rated Sales for the Fiscal Year ended March 31, 2014; CTA Case No. 9180; First Division" dated 29 July 2016
"P-65" and **"P-65-a"**	Sworn Witness Statement of Ms. Katherine O. Constantino, the court-commissioned ICPA, dated 15 August 2016

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"P-66"	Certificate of Accreditation No. 0213 issued to Constantino Gaudalquiver & Co. by the Board of Accountancy of the Professional Regulation Commission on 27 September 2013
"P-66-a"	Certificate of Accreditation No. 0016-AR-3 issued to Katherine O. Constantino by the Securities and Exchange Commission on 17 December 2014
"P-66-b"	Certificate of Accreditation as Tax Practitioner No. 08-001507-5-2014 issued to Katherine O. Constantino by the Bureau of Internal Revenue on 5 January 2015
"P-66-c"	Certificate of Accreditation No. 0003-FR-3 issued to Constantino Guadalquiver & Co. by the Securities and Exchange Commission on 11 November 2014
"P-66-d"	Certificate of Accreditation as Tax Practitioner No. 08-001507-0-2014 issued to Constantino Guadalquiver & Co. by the Bureau of Internal Revenue on 5 January 2015
"P-67"	BIR Authority to Print issued on 09 June 2013
"P-68"	Journal Entries of Bank Charges
"P-69"	Petitioner's General Ledger of the Tax Transfer Pricing Allocation
"P-70"	Petitioner's Trial Balance for FY 2014
"P-71"	Reconciliation of the difference between Service Fee Income reported in petitioner's audited financial statement for FY 2014 and its quarterly VAT Returns for 2014
"P-72"	Schedule of New Capital goods purchases in FY 2014
"P-73"	PPE Lapsing Schedule for FY 2014
"P-74"	General Ledger of the property and equipment accounts such as Computer Equipment, Leasehold Improvement Cost, and Furniture and Fittings Cost
"P-75"	Petitioner's Journal Entries
"P-76"	General Ledger GL-VAT Recoverable other account (1033456302)
"P-77"	General Ledger GL - GST VAT Stax Indir Tax Recov (1033456210)
"P-78" to **"P-78-c"**	Quarterly VAT Returns filed for FY 2015
"P-79" to **"P-79-c"**	Quarterly VAT Returns filed for FY 2016
"P-80"	Quarter VAT Return filed for the 1st quarter of FY 2017
"P-81" to **"P-834"**	Sales invoices and/or original receipts supporting petitioner's input VAT on its purchases of services and goods other than capital goods for the 1st quarter of 2014
"P-835" to **"P-837"**	BIR Forms No. 1600 and payment confirmation forms supporting petitioner's input VAT for services rendered by non-residents for 1st quarter of FY 2014
"P-838" to **"P-1101"**	Sales invoices and/or original receipts supporting petitioner's input VAT on its purchases of services and goods other than capital goods for the 1st quarter of 2014
"P-1102" to	Sales invoices and/or original receipts supporting

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"P-2295"	petitioner's input VAT on its purchases of services and goods other than capital goods for the 2nd quarter of 2014
"P-2296" to **"P-2298"**	BIR Forms No. 1600 and payment confirmation forms supporting petitioner's input VAT for services rendered by non-residents for 2nd quarter of FY 2014
"P-2299" to **"P-2569"** (*except for "P-2416"*)	Sales invoices and/or original receipts supporting petitioner's input VAT on its purchases of services and goods other than capital goods for the 2nd quarter of 2014
"P-2570" to **"P-3717"**	Sales invoices and/or original receipts supporting petitioner's input VAT on its purchases of services and goods other than capital goods for the 3rd quarter of 2014
"P-3718" to **"P-3720"**	BIR Forms No. 1600 and payment confirmation forms supporting petitioner's input VAT for services rendered by non-residents for 3rd quarter of FY 2014
"P-3721" to **"P-3996"**	Sales invoices and/or original receipts supporting petitioner's input VAT on its purchases of services and goods other than capital goods for the 3rd quarter of 2014
"P-3997" to **"P-5254"**	Sales invoices and/or original receipts supporting petitioner's input VAT on its purchases of services and goods other than capital goods for the 4th quarter of 2014
"P-5255" to **"P-5257"**	BIR Forms No. 1600 and payment confirmation forms supporting petitioner's input VAT for services rendered by non-residents for 4th quarter of FY 2014
"P-5258" to **"P-5467"**	Sales invoices and/or original receipts supporting petitioner's input VAT on its purchases of services and goods other than capital goods for the 4th quarter of 2014
"P-5468" to **"P-5473"**	Supporting official receipts and invoices for the purchases of capital goods exceeding Php1 Million in FY 2014
"P-5474" to **"P-5474-e"**	Debit Notes for the 1st Quarter of FY 2014
"P-5475" to **"P-5475-f"**	Debit Notes for the 2nd Quarter of FY 2014
"P-5476" to **"P-5476-m"**	Debit Notes for the 3rd Quarter of FY 2014
"P-5477" to **"P-5477-y"**	Debit Notes for the 4th Quarter of FY 2014
"P-5478" to **"P-5628"**	Supporting official receipts and invoices for the purchases of capital goods exceeding Php1 Million in FY 2014
"P-5629" to **"P-6020"**	Supporting official receipts and invoices for the purchases of capital goods exceeding Php1 Million for previous quarters in 2009 until 2013.

For his part, respondent called his lone witness, Revenue Officer Madonna Angelli L. Marco, and who by way of her Judicial Affidavit[15], testified that she was part of a group which conducted the examination and evaluation of petitioner's documents in support of its claim for refund/TCC of input VAT for the 4 quarters of FY 2014. She also declared that after evaluation, the group finally concluded that petitioner is not entitled to claim for failure to comply with the documentary requirements provided under Revenue Memorandum Circular (RMC) 54-2014.

After being granted an extension of time by this Court in a Resolution dated April 10, 2017, respondent's Formal Offer of Evidence was submitted on April 24, 2017.

In a Resolution dated October 3, 2017, the Court admitted Exhibits **"R-1", "R-2", "R-3", "R-3-a", "R-3-b", "R-4", "R-4-a", "R-4-b", "R-5", "R-5-a" and "R-6-a"**.

Respondent's admitted documentary exhibits are as follows:

Exhibit	Description
R-1	BIR Records bearing the report of investigation on the claim for tax refund/credit of petitioner involving its alleged unutilized input VAT attributable to its zero-rated sales, for Fiscal Year ended March 31, 2014
R-2	BIR Electronic Letter of Authority No. eLA201100082881 dated July 7, 2015
R-3	Memorandum Report of Revenue Officer Madonna Angellli L. Marco
R-3-a	Name and specimen signature of Revenue Officer Madonna Angelli L. Marco
R-3-b	Name and specimen signature of Jonas DP. Amora, Regional Director of BIR RR8 – Makati City
R-4	BIR Letter dated September 29, 2015 addressed to petitioner
R-4-a	Name and specimen signature of Revenue District Officer Isabel A. Paulino, RDO 47-East Makati
R-4-b	Date of Receipt of petitioner of the said BIR Letter dated September 29, 2015
R-5	BIR Revenue Memorandum Circular (RMC) No. 54-2014
R-5-a	Checklist of mandatory requirements/documents to be submitted by petitioner in support of its claimed input VAT refund/credit, for Fiscal Year ended March 31, 2014
R-6	Sworn Judicial Affidavit dated June 14, 2016 of Revenue Officer Madonna Angelli L. Marco

[15] Exhibit "R-6", CTA Docket, vol. II, pp. 959-963.

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R-6-a	Name and specimen signature of Revenue Officer Madonna Angelli L. Marco

In the same Resolution, this Court required both parties to file their respective Memoranda. Petitioner filed its Memorandum on October 30, 2017, while respondent filed his Memorandum on November 3, 2017.

Thereafter, the Court declared the case submitted for decision in a Resolution dated November 21, 2017.

The Court shall determine the propriety of petitioner's entitlement to its claim for refund in the amount of P68,311,847.13, allegedly representing excess and unutilized input value-added tax (VAT) directly attributable to its zero-rated sales for the four quarters of fiscal year (FY) ended March 31, 2014.

In claims for refund, Sections 112(A) and (C) of the NIRC of 1997, as amended, relevantly provides:

> "SEC. 112. *Refunds or Tax Credits of Input Tax.* -
>
> (A) *Zero-rated or Effectively Zero-rated Sales.* - Any VAT-registered person, whose sales are zero-rated or effectively zero-rated may, within two (2) years after the close of the taxable quarter when the sales were made, apply for the issuance of a tax credit certificate or refund of creditable input tax due or paid attributable to such sales, except transitional input tax, to the extent that such input tax has not been applied against output tax: *Provided, however,* That in the case of zero-rated sales under Section 106(A)(2)(a)(1), (2) and (b) and Section 108(B)(1) and (2), the acceptable foreign currency exchange proceeds thereof had been duly accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP): *Provided, further,* That where the taxpayer is engaged in zero-rated or effectively zero-rated sales and also in taxable or exempt sale of goods or properties or

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services, and the amount of creditable input tax due or paid cannot be directly and entirely attributed to any one of the transactions, it shall be allocated proportionately on the basis of the volume of sales: *Provided, finally,* That for a person making sales that are zero-rated under Section 108(B)(6), the input taxes shall be allocated ratably between his zero-rated and non zero-rated sales."

xxx xxx xxx

(C) *Period within which Refund or Tax Credit of Input Taxes shall be Made.* - In proper cases, the Commissioner shall grant a refund or issue the tax credit certificate for creditable input taxes within one hundred twenty (120) days from the date of submission of complete documents in support of the application filed in accordance with Subsection (A) hereof.

In case of full or partial denial of the claim for tax refund or tax credit, or the failure on the part of the Commissioner to act on the application within the period prescribed above, the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the claim or after the expiration of the one hundred twenty day-period, appeal the decision or the unacted claim with the Court of Tax Appeals."

In sum, to be entitled to refund of unutilized input VAT attributable to zero-rated sales, the following requisites must concur:

1. That the taxpayer is VAT-registered;

2. That there must be zero-rated or effectively zero-rated sales;

3. That input taxes were incurred or paid;

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4. That input taxes claimed are attributable to zero-rated or effectively zero-rated sales;

5. That input taxes have not been applied against any output VAT liability; and

6. That the claim was filed within the prescribed periods both in the administrative and judicial levels.

In view of the foregoing, the timeliness of the filing of the Petition for Review is a primordial consideration on whether the Court has jurisdiction over the matter. This is necessary in order to determine the competence of this Court to rule on the issue at hand.

Pursuant to the afore-quoted Section 112(A) of NIRC of 1997, as amended, the administrative claim for the issuance of a TCC or refund of input VAT must be filed with the BIR within two (2) years after the close of the taxable quarter when the zero-rated or effectively zero-rated sales were made. Since the present claim covers the four quarters of FY ended March 31, 2014, the two-year prescriptive period started to run on June 30, 2013, on September 30, 2013, on December 31, 2013, and on March 31, 2014, and ended on June 30, 2015, on September 30, 2015, on December 31, 2016, and on March 31, 2016, respectively. Thus, petitioner's administrative claims for the said quarters were seasonably filed on June 26, 2015.

Anent the timeliness of petitioner's judicial appeal, Section 112(C) of the NIRC of 1997, as amended, states the prescriptive period for filing a judicial claim for the refund or tax credit of input VAT. The legal provision speaks of two periods namely: (1) the period of 120 days, which serves as a waiting period to give time for the BIR Commissioner to act on the administrative claim for a refund or credit; and (2) the period of 30 days, which refers to the period for filing a judicial claim with the Court of Tax Appeals (CTA)[16].

Notably, the 120-day period begins to run from the date of submission of complete documents supporting the

[16] Rohm Apollo Semiconductor Philippines vs. Commissioner ofInternal Revenue, G.R. No. 168950, January 14, 2015.

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administrative claim[17]. As to when should the submission of supporting documents be deemed "completed" for purposes of determining the running of the 120-day period, the pronouncement of the Supreme Court in the case of *Pilipinas Total Gas, Inc. vs. Commissioner of Internal Revenue*[18] is instructive, to wit:

> "To summarize, for the just disposition of the subject controversy, the rule is that from the date an administrative claim for excess unutilized VAT is filed, a taxpayer has thirty (30) days within which to submit the documentary requirements sufficient to support his claim, unless given further extension by the CIR. Then, upon filing by the taxpayer of his complete documents to support his application, or expiration of the period given, the CIR has 120 days within which to decide the claim for tax credit or refund. Should the taxpayer, on the date of his filing, manifest that he no longer wishes to submit any other addition documents to complete his administrative claim, the 120-day period allowed to the CIR begins to run from the date of filing.
>
> **In all cases, whatever documents a taxpayer intends to file to support his claim must be completed within the two-year period under Section 112(A) of the NIRC. The 30-day period from denial of the claim or from the expiration of the 120-day period within which to appeal the denial or inaction of the CIR to the CTA must also be respected**. (Emphasis supplied)

It bears mentioning at this point that the foregoing summation of the rules *<u>should only be made applicable to those claims for tax credit or refund filed prior to June 11, 2014</u>*, such as the claim at bench. As it now stands, RMC 54-2014 dated June 11, 2014 mandates that:

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[17] Silicon Philippines, Inc. (Formerly Intel Philippines Manufacturing, Inc.) vs. Commissioner of Internal Revenue, G.R. No. 182737, March 2, 2016.
[18] Pilipinas Total Gas, Inc. vs. Commissioner of Internal Revenue, G.R. No. 207112, December 8, 2015.

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> The application for VAT refund/tax credit must be accompanied by complete supporting documents as enumerated in Annex "A" hereof. In addition, the taxpayer shall attach a statement under oath Attesting to the completeness of the submitted documents (Annex B). The affidavit shall further state that the said documents are the only documents which the taxpayer will present to support the claim. If the taxpayer is a juridical person, there should be a sworn statement that the officer signing the affidavit (i.e., at the very least, the Chief Financial Officer) has been authorized by the Board of Directors of the company.
>
> Upon submission of the administrative claim and its supporting documents, the claim shall be processed and no other documents shall be accepted/required from the taxpayer in the course of its evaluation. A decision shall be rendered by the Commissioner based only on the documents submitted by the taxpayer. The application for tax refund/tax credit shall be denied where the taxpayer/claimant failed to submit the complete supporting documents. For this purpose, the concerned processing/investigating office shall prepare and issue the corresponding Denial Letter to the taxpayer/claimant.

Thus, under the current rule, the reckoning of the 120-day period has been withdrawn from the taxpayer by RMC 54-2014, since it requires him at the time he files his claim to complete his supporting documents and attest that he will no longer submit any other document to prove his claim. Further, the taxpayer is barred from submitting additional documents after he has filed his administrative claim."

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In the case at bar, upon the filing of its administrative claim for the four quarters of FY 2014 on June 26, 2015, petitioner simultaneously submitted the documents in support thereof. Since no written notice was sent by respondent requiring petitioner to submit additional documents, the 120-day period commenced from the filing of the administrative claim on June 26, 2015, giving respondent 120 days or until October 24, 2015 to act on the said claim.

For its part, petitioner had thirty (30) days from receipt of the BIR letter dated October 5, 2015 denying its claim for refund or until November 4, 2015 to appeal the decision of respondent to this Court. As such, the Petition for Review covering petitioner's claim for the four quarters of FY 2014 was seasonably filed. Thus, giving this Court jurisdiction over the matter.

The Court shall now proceed to determine petitioner's compliance with the remaining requisites for refund.

Based on records, petitioner complied with the first requisite considering that it is registered with the BIR as a VAT entity under BIR Certificate of Registration No. OCN 9RC0000330527 dated June 2, 2008 with Tax Identification No. 261-474-856-000 and registered office address of 29F Tower I, The Enterprise Center, Ayala Avenue, Makati City[19].

On the second requisite, petitioner avers that during FY 2014, its sales of services were rendered exclusively to MFHL and posits that such sales of services which were paid for in Australian Dollars (AUD) inwardly remitted and accounted for in accordance with the rules and regulations of the BSP are entitled to the benefit of VAT zero-rating under Section 108(B)(2) of the NIRC of 1997, as amended, which states:

> "SEC. 108. *Value-added Tax on Sale of Services and Use or Lease of Properties. –*
>
> xxx xxx xxx

[19] Exhibit "P-1-d", CTA Docket, vol.I, p.389.

(B) *Transactions Subject to Zero Percent (0%) Rate.* – The following services performed in the Philippines by VAT-registered persons shall be subject to zero percent (0%) rate:

xxx xxx xxx

(2) Services other than those mentioned in the preceding paragraph rendered to a person engaged in business conducted outside the Philippines or to a nonresident person not engaged in business who is outside the Philippines when the services are performed, the consideration for which is paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the *Bangko Sentral ng Pilipinas* (BSP)"

Accordingly, in the case of *Commissioner of Internal Revenue vs. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*[20], the Supreme Court laid down the requisites in order for the supply of services to be VAT zero-rated under Section 108(B)(2) of the NIRC of 1997, as amended, 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. The payment for such services must be in acceptable foreign currency accounted for in accordance with the BSP rules and regulations.

There is no doubt that petitioner has met the first requisite. Petitioner is licensed by the Securities and Exchange Commission per Company Reg. No. FS200805155 dated April 10, 2008, to transact business in the Philippines as a regional operating headquarters (ROHQ) authorized to engage in general administration and planning; business

[20] Commissioner of Internal Revenue vs. Burmeister and Wain Scandinavian Contractor Mindanao, Inc., G.R. No. 153205, January 22, 2007.

planning and coordination; sourcing/procurement of raw materials and components; corporate finance advisory services; marketing control and sales promotion training and personnel management; logistic services; research and development services and product development; technical support and maintenance; data processing and communication; and business development[21].

Further, pursuant to the Services Agreement[22] between petitioner and MFHL dated April 1, 2009, petitioner shall provide the services set out in Schedule 1 of the agreement such as:

(a) Application testing;

(b) Application monitoring;

(c) Technology infrastructure support;

(d) Application development;

(e) Application support;

(f) Financial administration; and

(g) Such other services as MFHL may require from time to time and that the petitioner is willing and able to provide. These services clearly fall within the scope of "services other than processing, manufacturing or repacking of goods" contemplated by the aforementioned provision.

In order to show compliance with the second requisite and to prove that MFHL is a non-resident foreign corporation doing business outside the Philippines, petitioner presented the following documents:

1. Certification of Non-Registration of Company issued by the SEC.[23]

2. Services Agreement[24];

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[21] Exhibit "P-1" to "P-1-c", CTA Docket, p. 370.
[22] Exhibit "P-41", CTA Docket, p. 1667.
[23] Exhibit "P-40", CTA Docket, p. 1654.
[24] Supra note 21, pp. 1657-1669.

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3. Certificate of Registration on Change of Name in the name of MFHL[25];

4. Certificate of Registration in the name of MFHL[26];

5. Constitution of MFHL[27];

6. Australian Securities and Investments Commission (ASIC) Company Extract in the name of MFHL[28]; and

7. ASIC's online database for MFHL[29].

Significantly, Sections 113(A)(1), (B)(1), (2)(c) and (3) of the NIRC of 1997, as amended, as implemented by Sections 4.113-1(A)(1), (B)(1) and (2)(c) of RR No. 16-2005, as amended, mandate that a VAT taxpayer, like petitioner, shall for every sale, barter, or exchange of goods or properties, issue a VAT invoice, which must contain the following information;

> "Section 113. *Invoicing and Accounting Requirements for VAT-Registered Persons.* -
>
> **(A)** ***Invoicing Requirements.*** - A VAT-registered person shall issue:
>
> xxx xxx xxx
>
> (2) A **VAT official receipt** for every lease of goods or properties, and **for every sale, barter or exchange of services.**
>
> xxx xxx xxx
>
> **(B)** ***Information Contained in the VAT Invoice or VAT Official Receipt.*** - The following information shall be indicated in the VAT invoice or VAT official receipt:

[25] Exhibit "P-42", CTA Docket, p.1670.
[26] Exhibit "P-43", CTA Docket, p. 1671.
[27] Exhibit "P-44", CTA Docket, pp. 1672-1688.
[28] Exhibit "P-45", CTA Docket, pp.1691-1694.
[29] Exhibit "P-46", CTA Docket, p. 1697.

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(1) A statement that the seller is a VAT-registered person, followed by his Taxpayer's Identification Number (TIN); and

(2) The total amount which the purchaser pays or is obligated to pay to the seller with the indication that such amount includes the value-added tax. Provided, That:

xxx xxx xxx

(c) If the sale is subject to zero percent (0%) value-added tax, the term **"zero-rated sale**" shall be written or printed prominently on the invoice or receipt.

xxx xxx xxx

(3) The date of transaction, quantity, unit cost and description of the goods or properties or nature of the service; and

xxx xxx xxx

"*Section. 4.113-**1. Invoicing Requirements***. -

(A) A VAT-registered person shall issue:-

xxx xxx xxx

(2) **A VAT official receipt** for every lease of goods or properties, and **for every sale, barter or exchange of services.**

Only VAT-registered persons are required to print their TIN followed by the word 'VAT' in their invoice or official receipts. Said documents shall be considered as a 'VAT invoice' or 'VAT Official Receipt.' All purchases covered by invoices/receipts other than VAT Invoice/VAT Official Receipt shall not give rise to any input tax.

VAT invoice/official receipt shall be prepared at least in duplicate, the original to be given to the

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buyer and the duplicate to be retained by the seller as part of his accounting records.

(B) Information contained in VAT invoice or VAT official receipt. - The following information shall be indicated in VAT invoice or VAT official receipt:

(1) A statement that the seller is a VAT-registered person, followed by his TIN;

(2) The total amount which the purchaser pays or is obligated to pay to the seller with the indication that such amount includes the VAT; Provided, That:

xxx xxx xxx

(c) If the sale is subject to zero percent (0%) VAT, the term **"zero-rated sale"** shall be written or printed prominently on the invoice or receipt;" (Emphasis supplied)

Under the premises, the foreign currency payments referred to under Section 108(B)(2) of the NIRC of 1997, as amended, must likewise be supported by VAT zero-rated official receipts.

In its Quarterly VAT Returns for the four quarters of FY 2014, petitioner declared a total amount of P4,386,971,075.48 zero-rated sales, broken down as follows:

FY 2014	VAT ZERO-RATED SALES
1st Quarter	P 885,752,256.26
2nd Quarter	1,448,664,049.63
3rd Quarter	752,109,656.90
4th Quarter	1,300,445,112.69
TOTAL	**P 4,386,971,075.48**

In support thereof, petitioner submitted various documents such as summaries of zero-rated sales[30], service invoices[31], official receipts[32], schedule of remittances[33], certifications of inward remittances from Hongkong and

[30] Exhibits "P-19" to "P-22".
[31] Exhibits "P-25" to "P-25-dd", "P-28" to "P-28-jj", "P-31" to "P-31-q", and "P-34" to "P-34-gg".

Shanghai Banking Corporation (HSBC)[34] and the report[35] of the Court-commissioned ICPA.

A comparison between the zero-rated sales reflected in petitioner's Quarterly VAT Returns and that shown in its VAT zero-rated OR's would reveal that there is a discrepancy amounting to P1,364,375,768.60.

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
	Amounts in Php				
Zero Rated Sales per Quarterly VAT Returns	P885,752,256.36	P1,448,664,049.68	P752,109,656.90	P1,300,445,112.70	**P4,386,971,075.64**
Zero Rated Sales per Official Receipts	624,591,889.22	863,783,190.69	563,722,318.68	970,497,908.45	**P3,022,595,307.04**
Discrepancy	**P261,160,367.14**	**P584,880,858.99**	**P188,387,338.22**	**P329,947,204.25**	**P1,364,375,768.60**

Nonetheless, the ICPA was able to account such discrepancy to the following:

a.) Debit Notes, which represent billings by MFHL for recoveries of ISD, human resources, business services, insurance, financial operations and other recoveries to petitioner, including cross border interest relative to advances made by petitioner to MFHL and reimbursement expenses paid by MFHL on behalf of petitioner;

b.) Revaluation of intercompany balances, which pertains to foreign currency differential from invoice date and estimated settlement date based on the internal rate being used by the group and petitioner; and

c.) Reconciling and rounding-off Difference.

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[32] Exhibits "P-24" to "P-24-a", "P-26" to "P-26-a", "P-27" to "P-27-b", "P-30" to "P-30-a", "P-33" to "P-33-c", and "P-35-b".
[33] Exhibits "P-49" to "P-52-a".
[34] Exhibits "P-53" to "P-58".
[35] Exhibits "P-64" to "P-64-a".

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To illustrate:

Particulars	1st Quarter[36]	2nd Quarter[37]	3rd Quarter[38]	4th Quarter[39]	Total
Debit Notes	Php256,540,567.74	Php552,719,450.21	Php193,896,688.63	Php342,406,504.37	Php1,345,563,210.95
Revaluation Intercompany Balances	4,616,591.78	32,161,408.99	(5,509,350.40)	(12,459,300.04)	18,809,350.33
Reconciling Difference	3,207.62	-	-	-	3,207.62[40]
Rounding-off Difference	-	(0.21)	(0.01)	(0.08)	(0.30)
TOTAL	**Php261,160,367.14**	**Php584,880,858.99**	**Php188,387,338.22**	**Php329,947,204.25**	**Php1,364,375,768.60**

Under the premises, petitioner was able to prove that it had zero-rated sales for the four quarters of FY ended March 31, 2014 in the total amount of P4,386,971,075.48. Thus, petitioner's sales to MFHL qualify for VAT zero-rating.

Consequently, this Court shall determine whether petitioner incurred input taxes in connection thereto and if such input taxes have been applied against any output VAT liability of the petitioner.

The total amount of input VAT claim that is reflected in petitioner's Quarterly VAT returns is P68,811,347.34 which arose from the amortization of input VAT on domestic purchases of goods other than capital goods, domestic purchases of services, importation of goods other than capital goods and services rendered by non-residents, detailed as follows:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	TOTAL
Input VAT:					
Goods Other Capital Goods	Php891,032.64	Php906,306.67	Php893,284.05	Php1,917,183.15	Php4,607,806.51
Importation	43,021.80	6,756.00	-	-	49,777.80
Services	9,244,294.68	12,731,567.67	15,558,232.65	15,320,546.35	52,854,641.35
Services Rendered by Non-Residents	469,691.72	447,263.85	425,397.51	682,712.09	2,025,065.17
TOTAL (a)	**Php10,648,040.84**	**Php14,091,894.19**	**Php16,876,914.21**	**Php17,920,441.59**	**Php59,537,290.83**
Input VAT:					
Capital Goods Exceeding 1Million	Php2,034,403.77	Php3,332,730.88	Php2,580,898.41	Php3,366,479.82	Php11,314,512.88
Add: Input tax deferred from previous quarter	16,219,315.08	15,911,389.33	16,800,379.00	16,767,559.57	65,698,642.98

[36] Exhibits "P-5474" to "P-5474-e"; Folder 31, Box 1.
[37] Exhibits "P-5475" to "P-5475-f"; Folder 31, Box 1.
[38] Exhibits "P-5476" to "P-5476-m"; Folder 31, Box 1.
[39] Exhibits "P-5477" to "P-5477-y"; Folder 31, Box 1.
[40] As represented by Mr. John Madamba, the difference is due to erroneous peso amount filled up in the invoice no. 197 amounting Php833,622.82.

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Less: Input tax deferred for the succeeding period	15,911,389.33	16,800,379.00	16,767,559.57	17,396,702.51	66,876,030.41
Amortization of input tax on cap. Goods exceeding 1M (b)	2,342,329.52	2,443,741.21	2,613,717.84	2,737,336.88	10,137,125.45
TOTAL INPUT TAX CREDIT (a+b)	**Php12,990,370.36**	**Php16,535,635.40**	**Php19,490,632.05**	**Php20,657,778.47**	**Php69,674,416.28**

The difference in the total allowable input tax of P68,811,347.34 pertains to the related output VAT for the 4th quarter of FY 2014 amounting to ₱863,068.94, to wit:

1st quarter	₱12,990,370.36
2nd quarter	16,535,635.40
3rd quarter	19,490,632.05
4th quarter	20,657,778.47
Total tax credits	₱ 69,674,416.28
Less:	
Output VAT	863,068.94
	₱ 68,811,347.34

To substantiate its claim, petitioner proffered as evidence the summary list of its Domestic Purchases with Input VAT, the corresponding suppliers' VAT invoices, VAT official receipts, and other documents, which were all examined by the ICPA.

A scrutiny of the ICPA Report together with the documents supporting the P59,537,290.83[41] input VAT claim on domestic purchases of goods other than capital goods, importation of goods other than capital goods, domestic purchases of services and purchases of services rendered by non-residents show that the input tax amounting to P8,391,851.02 should be disallowed for not being properly substantiated by VAT invoices and official receipts as prescribed under Sections 110(A) and 113(A) and (B), 237, and 238 of the NIRC of 1997, as amended, in relation to Sections 4.110-1,4.110-8, and 4.113-1 of RR No. 16-2005, as amended. The amount of P8,391,851.02 is detailed as follows:

41

Domestic Purchases of Goods Other than Capital Goods	P4,607,806.51
Importation of Goods other than Capital Goods	49,777.80
Domestic Purchase of Services	52,854,641.35
Services Rendered by Non-Residents	2,025,065.17
Total input Tax except amortization of capital goods exceeding P1 million	**P59,537,290.83**

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OTHER FINDINGS		Annex Reference	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	TOTAL
1	Domestic purchase of goods other than capital goods supported TIN No. Invoices	Annex 6-3Q-ag	-	-	107.04	-	107.04
2	Domestic purchase of goods other than capital goods supported by TIN No. VAT Invoices not dated within the quarter but within the period of claim with incomplete Petitioner's name	Annex 6-2Q-aa	-	4,607.14	-	-	4,607.14
3	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices not dated within the quarter but within the period of claim with the Petitioner's name unclear	Annex 6-4Q-p	-	-	-	34,298.36	34,298.36
4	Domestic purchase of goods other than capital goods supported by photocopied TIN NO. VAT Invoices	Annex 6-1Q-m	725.36	-	-	-	725.36
5	Domestic purchase of goods other than capital goods supported by photocopied VAT REG. TIN Invoices	Annex 6-2Q-ab	-	1,377.43	-	-	1,377.43
6	Domestic purchase of goods other than capital goods supported by photocopied VAT REG. TIN NO. Invoices not dated within the quarter but within the period of claim	Annex 6-2Q-ac	-	6,991.07	-	-	6,991.07
7	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices with altered date	Annex 6-2Q-ad	-	394.29	-	-	394.29
8	Domestic purchase of goods other than capital goods supported by TIN NO. VAT Invoices not within the year (or period of claim)	Annex 6-1Q-n	25,455.53	-	-	-	25,455.53
9	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices not within the year (or period of claim)	Annex 6-1Q-o	255,200.20	-	-	-	255,200.20
10	Domestic purchase of goods	Annex 6-1Q-p	1,758.73	-	-	-	1,758.73

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	other than capital goods supported by VAT REG. TIN NO. Invoices but with wrong TIN No. of Petitioner with overclaimed input VAT amount as independently computed						
11	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices with alteration on the VAT amount	Annex 6-1Q-q Annex 6-3Q-ai	135.96	-	1,859.52	-	1,995.48
12	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices not dated within the quarter but within the period of claim with alteration on the Petitioner's name and address and with underclaimed input VAT amount as independently computed	Annex 6-2Q-ae	-	26.79	-	-	26.79
13	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices not dated within the quarter but within the period of claim with incomplete Petitioner's name, inserted Petitioner's address and without BIR authority to print	Annex 6-2Q-af	-	790.72	-	-	790.72
14	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices not dated within the quarter but within the period of claim with incomplete Petitioner's name and without BIR authority to print	Annex 6-2Q-ag	-	790.73	-	-	790.73
15	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices not dated within the quarter but within the period of claim with incomplete Petitioner's name with inserted Petitioner's address and without BIR authority to print	Annex 6-2Q-ah	-	1,660.18	-	-	1,660.18
16	Domestic	Annex 6-2Q-ai					

	purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices not in the name of the petitioner		-	1,189.29	-	-	1,189.29
17	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices with altered Petitioner's name and address with countersign but without BIR authority to print	Annex 6-2Q-ag	-	790.73	-	-	790.73
18	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices with incomplete Petitioner's name and altered address with countersign and without BIR authority to print	Annex 6-2Q-ag	-	790.73	-	-	790.73
19	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices with inserted Petitioner's name and address with countersigns and without BIR authority to print	Annex 6-2Q-al	-	1,672.52	-	-	1,672.52
20	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices with inserted Petitioner's name with countersign and inserted Petitioner's address without countersign and without BIR authority to print	Annex 6-2Q-am	-	1,581.46	-	-	1,581.46
21	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices with inserted address with countersign and without BIR authority to print	Annex 6-2Q-an	-	2,328.21	-	-	2,328.21
22	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices with inserted address without countersign and without BIR authority to print	Annex 6-2Q-ao	-	746.79	-	-	746.79
23	Domestic purchase of goods	Annex 6-4Q-q	-	-	-	47,621.54	47,621.54

	other than capital goods supported by VAT REG. TIN NO. Invoices with the Petitioner's address in different writing and its BIR Permit and printing date are both not indicated						
24	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices and its BIR Permit and printing date are both not indicated	Annex 6-4Q-r	-	-	-	428.57	428.57
25	Domestic purchase of goods other than capital goods supported by VAT OR only.	Annex 6-3Q-aj Annex 6-4Q-t	-	-	56.79	979.29	1,036.07
26	Domestic purchase of goods other than capital goods with supports other than VAT invoice.	Annex 6-1Q-r Annex 6-2Q-ap Annex 6-3Q-ak Annex 6-4Q-u	26,839.56	83,691.21	96,645.40	15,566.73	222,742.90
27	Domestic purchase of goods other than capital goods without supporting documents at the time of verification	Annex 6-1Q-s Annex 6-3Q-al Annex 6-4Q-v	1,914.60	68,351.67	5,407.47	1,992.49	77,666.22
	TOTAL		**312,029.94**	**177,780.96**	**104,076.21**	**100,886.97**	**694,774.07**
Purchase of Services							
1	Domestic purchase of services supported by VAT stamped OR only	Annex 6-4Q-x	-	-	-	289.39	289.39
2	Domestic purchase of services supported by TIN NO. NV OR	Annex 6-4Q-y	-	-	-	1,416.34	1,416.34
3	Domestic purchase of services supported by VAT NO. OR	Annex 6-4Q-z	-	-	-	2,449.78	2,449.78
4	Domestic purchase of services supported by TIN No. OR	Annex 6-1Q-t Annex 6-2Q-ar Annex 6-4Q-aa	2,608.93	7,039.28	-	964.55	10,612.76
5	Domestic purchase of services properly supported by TIN No. Non-VAT OR	Annex 6-1Q-u Annex 6-2Q-as Annex 6-4Q-ac	1,293,245.18	1,286,459.33	-	2,254.48	2,581,958.99
6	Domestic purchase of services supported by Non-VAT Register TIN OR	Annex 6-1Q-v Annex 6-2Q-at Annex 6-4Q-ac	6,960.00	27,105.93	-	2,254.48	36,320.41
7	Domestic purchase of services supported by No.VAT OR	Annex 6-4Q-ae	-	-	-	1,318.70	1,318.70
8	Domestic purchase of services supported by VAT Reg. No. OR	Annex 6-1Q-w Annex 6-2Q-au Annex 6-3Q-am	1,681.28	11,316.01	11,987.84	-	24,985.13
9	Domestic	Annex 6-1Q-x					

	purchase of services supported by VAT REG. TIN NO. OR without Petitioner's address	Annex 6-4Q-af	1,795.16	-	-	2,655.67	4,450.83
10	Domestic purchase of services supported by VAT REG. TIN NO. OR with unclear address of the petitioner	Annex 6-1Q-y	211.61	-	-	-	211.61
11	Domestic purchase of services supported by VAT REG TIN NO. OR with inserted Petitioners address without countersign	Annex 6-3Q-an	-	-	34,281.61	-	34,281.61
12	Domestic purchase of services supported by VAT REG. TIN NO. OR with incomplete name and unclear address of the petitioner.	Annex 6-1Q-z	28,492.80	-	-	-	28,492.80
13	Domestic purchase of services supported by TIN NO. VAT OR with incomplete name of the Petitioner.	Annex 6-1Q-ab	26,187.75	-	-	-	26,187.75
14	Domestic purchase of services supported by Non-VAT Reg. TIN OR with wrong petitioner's TIN	Annex 6-1Q-ac	7,500.00	-	-	-	7,500.00
15	Domestic purchase of services supported by TIN NO. VAT OR not dated within the period of claim	Annex 6-1Q-ad	575.89	-	-	-	575.89
16	Domestic purchase of services supported by TIN NO. VAT OR with incomplete name of the petitioner and with alteration on the VAT amount	Annex 6-1Q-ae	3,415.18	-	-	-	3,415.18
17	Domestic purchase of services without supplier's TIN , not dated within the period of claim and without BIR Authority to print	Annex 6-1Q-af	1,608.48	-	-	-	1,608.48
18	Domestic purchase of services without supplier's TIN with alteration on the VAT amount	Annex 6-1Q-ag	512.68	-	-	-	512.68
19	Domestic purchase of services supported by VAT REG. TIN NO. OR where	Annex 6-1Q-ah	343.15	-	-	-	343.15

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	date in the OR is different from the schedule, with unclear Name, TIN and Address of the petitioner and with alteration on the VAT amount						
20	Domestic purchase of services supported by VAT REG. TIN No. OR not within the quarter but within the period of claim with unclear name, TIN and address of the petitioner.	Annex 6-1Q-ai	1,429.82	-	-	-	1,429.82
21	Domestic purchase of services supported by VAT REG. TIN NO. OR but not within the period of claim.	Annex 6-1Q-aj	3,359.17	-	-	-	3,359.17
22	Domestic purchase of services supported by VAT REG. TIN NO. OR but not within the period of claim and with underclaimed input VAT as amount independently computed	Annex 6-1Q-ak	1,149.00	-	-	-	1,149.00
23	Domestic purchase of services supported by VAT REG. TIN NO. OR without date	Annex 6-1Q-al Annex 6-2Q-aw Annex 6-3Q-ap Annex 6-4Q-ag	3,274.07	1,157.17	7,800.00	153,004.56	165,235.80
24	Domestic purchase of services supported by VAT REG. TIN NO. OR without date, with unclear Name and TIN of the Petitioner	Annex 6-1Q-am	200.46	-	-	-	200.46
25	Domestic purchase of services supported by VAT REG TIN NO. OR without date and with incomplete name of the Petitioner.	Annex 6-1Q-an	10,183.88	-	-	-	10,183.88
26	Domestic purchase of services supported by VAT REG. TIN NO. OR with unclear Name and TIN of the Petitioner.	Annex 6-1Q-ao Annex 6-2Q-ax Annex 6-4Q-ah	18,921.59	122.02	-	218.16	19,261.77
27	Domestic purchase of services supported by VAT REG. TIN NO. OR with unclear Name, TIN and Address of the petitioner.	Annex 6-1Q-ap Annex 6-3Q-aq Annex 6-4Q-ai	105,385.59	-	31,808.98	38,292.91	175,487.48
28	Domestic purchase of services supported by VAT REG. TIN NO. OR with	Annex 6-1Q-aq	5,219.98	-	-	-	5,219.98

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	unclear Name, TIN and Address of the petitioner and without showing the VAT Breakdown						
29	Domestic purchase of services supported by VAT REG TIN NO. OR with unclear Name, TIN and Address of the petitioner and with alteration on the VAT amount with countersign	Annex 6-1Q-ar	921.23	-	-	-	921.23
30	Domestic purchase of services supported by VAT REG TIN NO. OR with unclear Name, TIN and Address of the petitioner and with overclaimed input VAT as amount independently computed	Annex 6-1Q-as Annex 6-4Q-aj	385.72	-	-	339.43	725.15
31	Domestic purchase of services supported by VAT REG TIN NO. OR with unclear name and address of the petitioner.	Annex 6-1Q-at Annex 6-4Q-ak	815.63	-	-	173,333.10	174,148.73
32	Domestic purchase of services supported by VAT REG TIN NO. OR with incomplete name of the petitioner.	Annex 6-1Q-au Annex 6-2Q-ay Annex 6-3Q-ar Annex 6-4Q-al	73,806.78	1,379.88	72,261.36	3,747.96	151,195.98
33	Domestic purchase of services supported by VAT REG TIN NO. OR with incomplete name of the petitioner and without Petitioner's TIN.	Annex 6-1Q-av	1,076.67	-	-	-	1,076.67
34	Domestic purchase of services supported by VAT REG TIN NO. OR with incomplete name of the Petitioner and with wrong petitioner's TIN.	Annex 6-1Q-aw Annex 6-4Q-am	4,745.47	-	-	1,153.93	5,899.40
35	Domestic purchase of services supported by VAT REG TIN NO. OR with incomplete name and unclear address of the Petitioner with alteration on the VAT amount with countersign	Annex 6-1Q-ax	12,211.20	-	-	-	12,211.20
36	Domestic purchase of services supported by VAT REG TIN NO. OR with wrong Petitioner's	Annex 6-1Q-ay Annex 6-2Q-az Annex 6-4Q-an	10,018.80	43,756.80	-	2,314.50	56,090.10

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37	Domestic purchase of services supported by VAT REG TIN NO. OR with unclear TIN of the Petitioner	Annex 6-1Q-az Annex 6-2Q-ba Annex 6-4Q-ao	16,323.40	2,485.64	-	1,921.18	20,730.22
38	Domestic purchase of services supported by VAT REG TIN NO. OR with wrong Petitioner's TIN and with alteration on the VAT amount with countersign	Annex 6-1Q-ba	96.00	-	-	-	96.00
39	Domestic purchase of services supported by VAT REG TIN NO. OR with unclear address of the Petitioner with underclaimed input VAT as amount independently computed	Annex 6-1Q-bb	4,353.19	-	-	-	4,353.19
40	Domestic purchase of services supported by VAT REG TIN NO. OR with alteration on the VAT amount without countersign	Annex 6-1Q-bc Annex 6-2Q-bb Annex 6-3Q-as Annex 6-4Q-ap	63,438.24	26,914.39	32,033.48	15,645.58	138,031.70
41	Domestic purchase of services supported by VAT REG TIN NO. OR with alteration on the VAT amount without countersign with overclaimed input VAT as amount independently computed	Annex 6-1Q-bd	219.32	-	-	-	219.32
42	Domestic purchase of services supported by VAT Reg No. OR with incomplete Petitioner's name	Annex 6-3Q-au	-	-	1,659.00	-	1,659.00
43	Domestic purchase of services supported by VAT Reg No. OR with wrong Petitioner's TIN	Annex 6-3Q-av	-	-	260.79	-	260.79
44	Domestic purchase of services supported by VAT REG. TIN NO. OR not dated within the quarter but within the period of claim with altered Petitioner's name without countersign	Annex 6-3Q-aw	-	-	187.50	-	187.50
45	Domestic purchase of services supported by VAT REG. TIN	Annex 6-3Q-ax	-	-	170.36	-	170.36

	NO. OR not dated within the quarter but within the period of claim with incomplete Petitioner's name						
46	Domestic purchase of services supported by VAT REG. TIN NO. OR not dated within the quarter but within the period of claim,without Petitioner's TIN and address	Annex 6-3Q-ay	-	-	35.89	-	35.89
47	Domestic purchase of services supported by VAT REG TIN NO. OR without date, Petitioner's name,TIN and address	Annex 6-2Q-bd Annex 6-3Q-az	-	167.14	83.58	-	250.72
48	Domestic purchase of services supported by VAT REG. TIN NO. OR but with alteration on the date without countersign	Annex 6-2Q-be Annex 6-3Q-ba Annex 6-4Q-ar	-	14,687.51	346,787.19	42,846.84	404,321.54
49	Domestic purchase of services supported by VAT REG. TIN NO. OR but with alteration on the date without countersign with overclaimed input VAT as amount independently computed	Annex 6-3Q-bb	-	-	1,692.65	-	1,692.65
50	Domestic purchase of services supported by VAT REG. TIN NO. OR with unclear date and incorrrect Petitioner's TIN	Annex 6-3Q-bc	-	-	4,200.00	-	4,200.00
51	Domestic purchase of services supported by VAT REG. TIN NO. OR with unclear Petitioner's Name and TIN with underclaimed input VAT as amount independently computed	Annex 6-3Q-bd Annex 6-4Q-as	-	-	294.34	129.97	424.31
52	Domestic purchase of services supported by VAT REG TIN NO. OR but without Petitioner's name, TIN and address	Annex 6-3Q-be	-	-	5,214.43	-	5,214.43
53	Domestic purchase of services supported by VAT REG. TIN NO. OR without Petitioner's TIN with altered	Annex 6-3Q-bf	-	-	12,535.71	-	12,535.71

	Petitioner's address with countersign						
54	Domestic purchase of services supported by VAT REG. TIN NO. OR but with alteration on the Petitioner's TIN without countersign	Annex 6-2Q-bf Annex 6-3Q-bg Annex 6-4Q-at	-	10,875.49	325.17	967.18	12,167.84
55	Domestic purchase of services supported by VAT REG. TIN NO. OR with inserted Petitioner's TIN without countersign	Annex 6-3Q-bh	-	-	2,322.00	-	2,322.00
56	Domestic purchase of services supported by VAT REG TIN NO. OR with abbreviated address	Annex 6-3Q-bi	-	-	690.00	-	690.00
57	Domestic purchase of services supported by VAT REG TIN NO. OR but VAT amount was not shown separately	Annex 6-2Q-bg Annex 6-3Q-bj Annex 6-4Q-au	-	57,160.97	20,235.23	267.75	77,663.95
58	Domestic purchase of services properly supported by TIN No. OR with incomplete name	Annex 6-3Q-bk	-	-	10,670.40	-	10,670.40
59	Domestic purchase of services supported by certified true copy VAT REG TIN NO. OR where VAT amount was not shown separately	Annex 6-3Q-bm	-	-	1,200.00	-	1,200.00
60	Domestic purchase of services supported by photocopied VAT Invoice only	Annex 6-3Q-bn	-	-	82,901.05	-	82,901.05
61	Domestic purchase of services supported by photocopied VAT Reg. TIN NO. OR	Annex 6-3Q-bo	-	-	242.14	-	242.14
62	Domestic purchase of services supported by TIN NO. VAT OR and with overclaimed input VAT as amount independently computed	Annex 6-2Q-bi Annex 6-4Q-aw	-	64,022.40	-	13,070.75	77,093.15
63	Domestic purchase of services supported by VAT REG. TIN NO. OR without date, Petitioner's Name,address and TIN No. is not indicated	Annex 6-4Q-ax	-	-	-	83.58	83.58
64	Domestic purchase of	Annex 6-2Q-bj Annex 6-4Q-ay	-	42.86	-	214.29	257.14

	services supported by VAT REG. TIN NO. OR not dated within the quarter but within the period of claim and altered VAT amount without countersign						
65	Domestic purchase of services supported by VAT REG TIN NO. OR with Petitioner's Name is unclear	Annex 6-2Q-bk Annex 6-4Q-az	-	267.86	-	38,668.80	38,936.66
66	Domestic purchase of services supported by VAT REG. TIN NO. OR but wrong Petitioner's TIN NO.	Annex 6-4Q-ba	-	-	-	818,481.38	818,481.38
67	Domestic purchase of services supported by VAT REG. TIN NO. OR with inserted Petitioner's TIN and address without countersign	Annex 6-4Q-bb	-	-	-	11,184.00	11,184.00
68	Domestic purchase of services supported by VAT REG TIN NO. OR but without BIR authority to print	Annex 6-4Q-bc	-	-	-	30,000.00	30,000.00
69	Domestic purchase of services supported by VAT REG TIN NO. OR with alteration on VAT amount without countersign and with underclaimed input VAT as amount independently computed	Annex 6-4Q-bd	-	-	-	99.64	99.64
70	Domestic purchase of services supported by VAT Reg No. OR date not indicated	Annex 6-2Q-bl	-	33.60	-	-	33.60
71	Domestic purchase of services supported by VAT Reg No. OR but VAT amount not shown separately	Annex 6-2Q-bn	-	81.66	-	-	81.66
72	Domestic purchase of services supported by TIN NO. VAT OR not within the quarter but within the period of claim with Petitioner's name written in a printed OR and its address written on a computer printed OR without countersign and without BIR	Annex 6-2Q-bo	-	102.75	-	-	102.75

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	authority to print						
73	Domestic purchase of services supported by TIN NO. VAT OR but VAT amount was not shown separately	Annex 6-2Q-bp	-	5,057.14	-	-	5,057.14
74	Domestic purchase of services supported by TIN No. VAT Registered OR	Annex 6-2Q-bq	-	160.71	-	-	160.71
75	Domestic purchase of services supported by VAT REG. TIN NO. OR with altered OR date, with unclear Petitioner's name and TIN	Annex 6-2Q-br	-	255.35	-	-	255.35
76	Domestic purchase of services supported by VAT REG. TIN NO. OR with alteration on the date but with countersign and with with overclaimed input VAT as amount independently computed	Annex 6-2Q-bs	-	9,032.51	-	-	9,032.51
77	Domestic purchase of services supported by VAT REG. TIN NO. OR with alteration on the name of the Petitioner without countersign	Annex 6-2Q-bt	-	8,541.96	-	-	8,541.96
78	Domestic purchase of services supported by VAT REG. TIN NO. OR with alteration on the name, TIN No. OR and address of the Petitioner all without countersign	Annex 6-2Q-bu	-	5,783.64	-	-	5,783.64
79	Domestic purchase of services supported by VAT REG. TIN NO. OR with alteration on the name, TIN No. OR, address and VAT amount of the Petitioner all without countersign	Annex 6-2Q-bv	-	352.22	-	-	352.22
80	Domestic purchase of services supported by VAT REG. TIN NO. OR with alteration on the name, TIN No. OR and address of the Petitioner all without countersign and with overclaimed input VAT as amount	Annex 6-2Q-bw	-	746.32	-	-	746.32

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	independently computed						
81	Domestic purchase of services supported by VAT REG. TIN NO. OR with alteration on the name and VAT amount of the Petitioner both without countersign	Annex 6-2Q-bx	-	24,816.00	-	-	24,816.00
82	Domestic purchase of services supported by VAT REG. TIN NO. OR with incomplete name of the Petitioner and with alteration on the TIN No. and address of the Petitioner both without countersign	Annex 6-2Q-by	-	17,368.85	-	-	17,368.85
83	Domestic purchase of services supported by VAT REG. TIN NO. OR with unclear Petitioner's TIN and with underclaimed input VAT as amount independently computed	Annex 6-2Q-bz	-	362.59	-	-	362.59
84	Domestic purchase of services supported by VAT REG. TIN NO. OR but with TIN No., address and VAT amount of Petitioner all not indicated and without BIR authority to print	Annex 6-2Q-ca	-	43,199.99	-	-	43,199.99
85	Domestic purchase of services supported by TIN NO. OR but with the name, TIN No., address and VAT amount of the Petitioner all not indicated	Annex 6-2Q-cb	-	6.54	-	-	6.54
86	Domestic purchase of services supported by TIN NO. Non-VAT OR with underclaimed input VAT as amount independently computed	Annex 6-2Q-cc	-	93,433.61	-	-	93,433.61
87	Domestic purchase of services supported by OR with notation as not a valid source of input VAT	Annex 6-1Q-bf Annex 6-2Q-cd Annex 6-3Q-bp Annex 6-4Q-be	56,504.86	81,029.94	224,816.72	16,424.43	378,775.95
88	Domestic purchase of services without supporting documents at the	Annex 6-1Q-bg Annex 6-2Q-ce Annex 6-3Q-bq Annex 6-4Q-bf	73,357.19	754,579.17	417,414.47	402,895.22	1,648,246.06

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	time of verification						
89	Domestic purchase of services supported by VAT REG TIN NO. OR not dated within the quarter but within the period of claim with overclaimed input VAT as amount independently computed	Annex 6-3Q-g	-	-	1,912.86	-	1,912.86
90	Domestic purchase of services supported by VAT REG TIN NO. OR without date and with altered Petitioner's address with countersign	Annex 6-3Q-r	-	-	85.71	-	85.71
	Subtotal		**1,842,535.35**	**2,599,905.23**	**1,326,110.48**	**1,778,908.53**	**7,547,459.59**
Services Rendered to Non-Resident Citizens							
1	Services rendered to non-residents without supporting documents at the time of verification	Annex 6-1Q-bh Annex 6-2Q-cf	142,862.98	6,756.00	-	-	149,618.98
Subtotal			**142,862.98**	**6,756.00**	**-**	**-**	**149,618.98**
Importation of Goods other than Capital Goods							
1	Importation of goods without supporting documents at the time of verification	Annex 6-2Q-cg	-	56,311.00	-	-	56,311.00
Subtotal			**-**	**56,311.00**	**-**	**-**	**56,311.00**
Difference in schedule vs. VAT return			-	(56,310.89)	-	-	(56,310.89)
Rounding-off difference			(0.91)	0.11	0.03	(0.28)	(1.74)
TOTAL - OTHER FINDINGS-			**2,297,427.36**	**2,784,442.41**	**1,430,186.72**	**1,879,795.23**	**8,391,851.02**

Relative thereto, for further verification by this Court is the input VAT amount of P6,116,121.79. A scrutiny of the documents presented in support thereof would reveal the existence of alterations. While such alterations were countersigned, the Court cannot verify the authenticity of the signatures and authority of the signatories found therein. Thus, for failure to meet the substantiation requirements under the afore-mentioned VAT law and regulations, the amount of P6,116,121.79 is likewise disallowed.

		Annex Reference	**1ST QUARTER**	**2ND QUARTER**	**3RD QUARTER**	**4TH QUARTER**	**TOTAL**
	Purchase of Goods other than Capital Goods						
1	Domestic purchase of goods other than capital goods supported by VAT REG. TIN	Annex 6-2Q-k Annex 6-3Q-i	-	52,258.18	91,107.18	-	143,365.36

	NO. Invoice with inserted Petitioner's name with countersign						
2	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices with inserted Petitioner's address with countersign	Annex 6-3Q-j Annex 6-4Q-j	-	-	4,744.24	2,284.28	7,028.52
3	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices not dated within the quarter but within the period of claim with inserted Petitioner's address with countersign	Annex 6-3Q-k	-	-	790.71	-	790.71
4	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices not dated within the quarter but within the period of claim with alteration on the Petitioner's name with countersign	Annex 6-2Q-l	-	2,442.86	-	-	2,442.86
5	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices not dated within the quarter but within the period of claim with inserted petitioner's name with countersign	Annex 6-2Q-m Annex 6-3Q-l	-	118,769.64	91,537.57	-	210,307.21
6	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices not dated within the quarter but within the period of claim with altered petitioner's TIN with countersign	Annex 6-2Q-n	-	15,006.15	-	-	15,006.15
7	Domestic purchase of goods other than capital goods supported by VAT REG. TIN NO. Invoices with alteration on the VAT amount with countersign	Annex 6-1Q-k Annex 6-2Q-o Annex 6-3Q-m Annex 6-4Q-k	6,096.70	12,360.90	7,544.44	107.09	26,109.13
	Domestic purchase of						

8	goods other than capital goods supported by VAT REG. TIN NO. Invoices not dated within the quarter but within the period of claim with altered VAT amount with countersign	Annex 6-2Q-p Annex 6-4Q-l	-	1,841.78	-	2,110.07	3,951.85
9	Domestic purchase of goods other than capital goods supported by certified true copy VAT REG. TIN Invoices not dated within the quarter but within the period of claim with inserted Petitioner's name with countersign	Annex 6-3Q-ah	-	-	1,620.00	-	1,620.00
10	Domestic purchase of goods other than capital goods supported by TIN NO. invoices	Annex 6-4Q-o	-	-	-	806,185.46	806,185.46
	SUBTOTAL		**6,096.70**	**202,679.51**	**197,344.14**	**810,686.90**	**1,216,807.25**
Purchase of Services							
1	Domestic purchase of services supported by VAT REG TIN NO. OR with inserted Petitioner's address with countersign	Annex 6-2Q-q	-	249.11	-	-	249.11
2	Domestic purchase of services supported by VAT REG. TIN OR not dated within the quarter but within the period of claim with inserted adress with countersign	Annex 6-3Q-n	-	-	614.76	-	614.76
3	Domestic purchase of services supported by VAT REG. TIN NO. OR not dated within the quarter but within the period of claim with altered VAT amount with countersign	Annex 6-3Q-o	-	-	418.92	-	418.92
4	Domestic purchase of services supported by VAT REG. TIN NO. OR with alteration on the VAT amount with countersign	Annex 6-1Q-l Annex 6-2Q-r Annex 6-3Q-p Annex 6-4Q-m	126,264.66	237,177.56	46,049.70	98,794.11	508,286.03
	Domestic purchase of services supported by VAT REG TIN.						

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5	NO. OR with alteration on the Petitioner's name and address with countersign	Annex 6-3Q-q	-	-	1,756.73	-	1,756.73
6	Domestic purchase of services supported by VAT REG TIN NO. OR with altered invoice date with countersign	Annex 6-2Q-s Annex 6-3Q-s	-	6,650.02	153,617.07	-	160,267.09
7	Domestic purchase of services supported by VAT REG. TIN NO. OR with altered invoice date with countersign, with inserted Petitioner's name with countersign and with altered Petitioner's TIN with countersign	Annex 6-3Q-t	-	-	19,004.64	-	19,004.64
8	Domestic purchase of services supported by VAT REG. TIN NO. OR with altered date and Petitioner's address with countersign	Annex 6-3Q-u	-	-	7,350.00	-	7,350.00
9	Domestic purchase of services supported by VAT REG TIN NO. OR with altered date and VAT amount with countersign	Annex 6-3Q-v	-	-	550.80	-	550.80
10	Domestic purchase of services supported by VAT REG. TIN NO. OR with altered Petitioner's name with countersign	Annex 6-2Q-t Annex 6-3Q-w	-	9,012.33	22,454.73	-	31,467.05
11	Domestic purchase of services supported by VAT REG. TIN NO. OR with altered Petitioner's name, TIN and address with countersigns	Annex 6-3Q-x	-	-	5,760.00	-	5,760.00
12	Domestic purchase of services supported by VAT REG. TIN NO. OR with altered Petitioner's name and VAT with countersign	Annex 6-3Q-y	-	-	13,088.97	-	13,088.97
13	Domestic purchase of services supported by VAT REG TIN NO. OR with inserted	Annex 6-2Q-u Annex 6-3Q-z	-	219,776.30	447.21	-	220,223.51

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	Petitioner's name with countersign						
14	Domestic purchase of services supported by VAT REG TIN NO. OR with inserted Petitioner's name with countersign and with altered TIN with countersign	Annex 6-2Q-v Annex 6-3Q-aa	-	50,267.64	41,232.86	-	91,500.50
15	Domestic purchase of services supported by VAT REG TIN NO. OR with altered petitioner's TIN with countersign	Annex 6-3Q-ab	-	-	12,600.00	-	12,600.00
16	Domestic purchase of services supported by VAT REG TIN NO. OR with altered petitioner's TIN and address with countersign	Annex 6-3Q-ac	-	-	27,711.00	-	27,711.00
17	Domestic purchase of services supported by VAT REG. TIN NO. OR but with alteration on the Petitioner's address with countersign	Annex 6-2Q-w Annex 6-3Q-ad Annex 6-4Q-n	-	78,150.96	366,117.83	356,995.23	801,264.02
18	Domestic purchase of services supported by VAT REG. TIN NO. OR with altered Petitioner's TIN with countersign	Annex 6-3Q-ae	-	-	194,914.80	-	194,914.80
19	Domestic purchase of services supported by VAT REG TIN NO. OR with altered Petitioner's TIN and VAT with countersigns	Annex 6-3Q-af	-	-	17,234.40	-	17,234.40
20	Domestic purchase of services supported by VAT REG. TIN NO. OR not within the quarter but within the period of claim and with alteration on name and address of Petitioner but both are with countersign	Annex 6-2Q-x	-	106.07	-	-	106.07
21	Domestic purchase of services supported by VAT REG. TIN NO. OR with alteration on the name, TIN No. and address of	Annex 6-2Q-y	-	46.77	-	-	46.77

	the Petitioner with countersign						
22	Domestic purchase of services supported by VAT REG. TIN NO. OR with alteration on the name, address and VAT amount of the Petitioner with countersign	Annex 6-2Q-z	-	310,642.95	-	-	310,642.95
23	Domestic purchase of services supported by VAT REG. TIN NO. OR with overclaimed input VAT as amount independently computed	Annex 6-1Q-be Annex 6-2Q-bc Annex 6-3Q-at Annex 6-4Q-aq	2,707.71	95,162.20	357,489.19	7,073.76	462,432.86
24	Domestic purchase of services properly supported by TIN NO. OR with altered VAT amount with countersign	Annex 6-3Q-bl	-	-	1,194,880.91	-	1,194,880.91
25	Domestic purchase of services supported by TIN NO. VAT OR with alteration on VAT amount with countersign	Annex 6-2Q-bh Annex 6-4Q-av	-	803.58	-	806,976.17	807,779.75
26	Domestic purchase of services supported by VAT Reg No. OR with alteration on the TIN No. of Petitioner with countersign	Annex 6-2Q-bm	-	1,607.36	-	-	1,607.36
27	Domestic purchase of services supported by VAT Reg. No. OR with underclaimed input VAT as amount independently computed	Annex 6-1Q-aa Annex 6-2Q-av Annex 6-3Q-ao	3,153.00	956.84	2,239.93	-	6,349.77
28	Domestic purchase of services supported by TIN NO. V OR	Annex 6-4Q-w	-	-	-	530.54	530.54
29	Domestic purchase of services properly supported by VAT TIN NO. OR	Annex 6-4Q-ab	-	-	-	675.23	675.23
SUBTOTAL			**132,125.37**	**1,010,609.68**	**2,485,534.45**	**1,271,045.04**	**4,899,314.54**
TOTAL - FOR CONSIDERATION OF THE HONORABLE COURT			**138,222.07**	**1,213,289.19**	**2,682,878.59**	**2,081,731.94**	**6,116,121.79**

Based on the foregoing, out of the P59,537,290.83 reported input VAT on domestic purchases of goods not exceeding 1M, domestic purchases of goods other than capital goods, domestic purchases of services and purchases of services rendered by non-residents, only the amount of

P45,029,318.02 represents petitioner's valid input VAT, to illustrate:

Properly substantiated input VAT on Domestic Purchases of goods not exceeding 1M, Domestic Purchases of Goods other than Capital Goods, Domestic Purchases of Services and Services rendered by non-residents	**P59,537,290.83**
Less: Disallowances	
Per ICPA Report	**P8,391,851.02**
Per Court's further verification	**P6,116,121.79**
TOTAL	**P45,029,318.02**

We proceed with the substantiation made by petitioner of the P10,137,125.45 amortization of input VAT on purchases of capital goods exceeding P1Million which originated from the P16,219,315.08 input tax deferred on capital goods exceeding P1M from previous quarter and P11,314,512.88 input VAT on purchases of capital goods exceeding 1M for the four quarters of FY 2014, as shown below:

	Total
Input Tax Deferred on Capital Goods exceeding 1M from Previous Quarter	**P16,219,315.08**
Add: *Input tax on Capital Goods exceeding 1M purchased this Quarter*	**P11,314,512.88**
Total: Unamortized Input Tax on Capital Goods exceeding 1M	**P27,533,827.96**
Less: *Input Tax on Purchases of Capital Goods exceeding 1M deferred for the succeeding period.*	**P17,396,702.51**
Total: Amortization of Input Tax on Capital Goods exceeding 1M	**P10,137,125.45**

Upon perusal of the supporting documents and the ICPA Report, the Court finds that the total amount of **P2,496,408.88** [P1,861,962.44 input VAT for the previous years' amortization *plus* P634,446.44 input VAT for the current year's amortization] should be disallowed for not being substantiated by VAT invoices, to wit:

INPUT TAX DEFERRED ON CAPITAL GOODS EXCEEDING 1M FROM PREVIOUS QUARTER				
		Reference	**Input VAT**	**Allowable Input VAT**
Other Findings				
1	Domestic purchase of capital goods exceeding ₱ 1 million supported by computer printed TIN VAT invoice with inserted Petitioner's TIN with countersign	Annex 8-o	₱69,514.29	₱13,902.86
2	Domestic purchase of capital goods (services) exceeding ₱ 1 million supported by TIN VAT OR not dated within the quarter but within the year of claim	Annex 8-p	469,028.58	165,539.50

3	Domestic purchase of capital goods exceeding ₱ 1 million supported by computer printed VAT REG TIN invoice not dated within the quarter but within the year of claim with inserted Petitioner's with countersign, inserted insertions/alterations are substantiated by an OR	Annex 8-q	35,250.00	7,050.00
4	Domestic purchase of capital goods exceeding ₱ 1 million supported by computer printed VAT REG TIN invoice with inserted Petitioner's TIN with countersign and with alteration on the Petitioner's address with countersign	Annex 8-r	18,882.08	3,776.42
5	Domestic purchase of capital goods exceeding ₱ 1 million supported by VAT REG TIN Invoice with alteration on the VAT amount without countersign	Annex 8-s	14,207.14	3,664.82
6	Domestic purchase of capital goods exceeding ₱ 1 million supported by VAT REG TIN Invoices but not dated within the period of claim	Annex 8-t	186,520.00	83,965.19
7	Domestic purchase of capital goods exceeding ₱ 1 million supported by VAT REG TIN Invoices with alteration on the date without countersign	Annex 8-u	7,872.00	2,698.97
8	Domestic purchase of capital goods exceeding P 1 million supported by computer printed VAT REG TIN invoice with altered date without countersign, incomplete Petitioner's name, inserted TIN without countersign and with altered address of the Petitioner with countersign	Annex 8-v	P87,535.71	P18,757.65
9	Domestic purchase of capital goods exceeding P 1 million supported by VAT REG TIN Invoice with inserted Petitioner's name without countersign	Annex 8-w	4,937.14	987.43
10	Domestic purchase of capital goods exceeding P 1 million supported by photocopied VAT REG TIN Invoices	Annex 8-x	465,261.57	206,059.85
11	Domestic purchase of capital goods exceeding P 1 million supported by TIN VAT photocopied invoice not dated within the quarter but within the year of claim	Annex 8-y	19,785.93	10,145.46
12	Domestic purchase of capital goods exceeding P 1 million supported by TIN VAT invoice not dated within the period of claim	Annex 8-z	633,068.87	220,533.66
13	Domestic purchase of capital goods exceeding P 1 million supported by VAT REG TIN Invoices but not dated within the period of claim with alteration on the Petitioner's name and with inserted Petitioner's TIN without countersign	Annex 8-aa	20,666.07	7,085.51
14	Domestic purchase of capital goods exceeding P 1 million supported by VAT REG TIN Invoices but not dated within the period of claim with inserted Petitioner's name without countersign	Annex 8-ab	9,961.33	11,625.45
15	Domestic purchase of capital goods exceeding P 1 million supported by TIN VAT invoice with incomplete Petitioner's name (Macquarie Offshore Services Pty Ltd)	Annex 8-ac	387,225.79	43,025.09
16	Domestic purchase of capital goods exceeding P 1 million supported by TIN VAT invoice with inserted Petitioner's name without countersign	Annex 8-ad	7,201.06	1,440.21
17	Domestic purchase of capital goods exceeding ₱ 1 million supported by computer printed TIN VAT invoice with inserted name and TIN of the Petitioner without countersign and alteration on the Petitioner's address without countersign	Annex 8-ae	₱5,400.00	₱1,080.00
18	Domestic purchase of capital goods exceeding ₱ 1 million supported by photocopied TIN VAT invoice without Petitioner's TIN	Annex 8-af	2,556.53	511.31
19	Domestic purchase of capital goods exceeding ₱ 1 million supported by photocopied TIN VAT invoice with inserted Petitioner's TIN with countersign	Annex 8-ag	4,731.63	946.33
20	Domestic purchase of capital goods exceeding ₱ 1 million supported by photocopied TIN VAT invoice	Annex 8-ah	455,659.61	197,600.92
21	Domestic purchase of capital goods exceeding ₱ 1 million supported by Invoices not registered with the BIR	Annex 8-ai	115,082.14	7,672.14
22	Domestic purchase of capital goods (services) exceeding ₱ 1 million supported by photocopied VAT REG TIN Invoice not dated within the quarter but within the period of claim	Annex 8-aj	707,142.86	249,579.83
23	Domestic purchase of capital goods exceeding ₱ 1 million supported by VAT REG TIN Invoice not dated within the period of claim with alteration on the VAT amount with countersign	Annex 8-ak	4,500.00	1,588.24
24	Domestic purchase of capital goods exceeding	Annex 8-al	289,640.68	99,305.38

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	₱ 1 million supported by TIN VAT Invoice with alteration on the Petitioner's name and TIN without countersign			
25	The supporting documents not available at the time of verifications	Annex 8-am	1,956,104.07	584,782.05
26	Difference between independent computation and per schedule			(81,361.82)
Sub-Total			**₱5,977,735.08**	**₱1,861,962.44**
INPUT TAX ON PURCHASES OF CAPITAL GOODS EXCEEDING 1M DURING THE FOUR QUARTERS OF FY 2014				
1	Domestic purchase of capital goods exceeding ₱1 million supported by TIN VAT invoices but not dated within the period of claim	Annex 7-2Q-f	₱35,088.22	₱11,838.93
2	Domestic purchase of capital goods exceeding ₱1 million supported by TIN VAT invoices but not dated within the period of claim with inserted Petitioner's TIN with countersign	Annex 7-1Q-c	601,122.53	232,692.59
3	Domestic purchase of capital goods exceeding ₱1 million supported by invoices not valid for input tax	Annex 7-3Q-e	508,879.74	98,492.85
4	Domestic purchase of capital goods exceeding ₱1 million supported by TIN VAT invoices but not dated within the period of claim with alteration on the Petitioner's name and inserted TIN with countersign	Annex 7-3Q-f	7,593.75	3,796.88
5	Domestic purchase of capital goods exceeding ₱1 million with supports other than VAT Invoices	Annex 7-2Q-g Annex 7-3Q-g	304,268.57	60,524.94
6	Domestic purchase of capital goods exceeding ₱1 million without supporting documents available at the time of verifications	Annex 7-1Q-d Annex 7-2Q-h Annex 7-3Q-h Annex 7-4Q-e	3,438,51	765,333.05
7	Difference between independent computation and per schedule			(538,232.80)
Sub-Total			**₱4,895,467.17**	**P634,446.44**
TOTAL			**P10,873,202.25**	**P2,496,408.88**

In addition thereto, upon further consideration and verification of the documents supporting the amortization of the input VAT in the amount of P188,100.55 [P84,292.87 input VAT for the previous years' amortization *plus* P103,807.68 input VAT for current year's amortization], the Court finds that petitioner failed to fully substantiate its claim as provided under the law, hence, should also be disallowed.

In this regard, out of the P10,137,125.45 reported amortization of input VAT on purchase of capital goods exceeding 1M, only the amount of **P7,452,615.93** represents petitioner's valid claim. For reference:

Properly substantiated amortization of input VAT on purchases of capital goods exceeding P1Million	**P10,137,125.45**
Less: Disallowances	
Per ICPA Report	**P2,496,408.88**
Per Court's further verification	**P188,100.55**
TOTAL	**P7,452,616.02**

In sum, petitioner's total allowable input VAT amounted only to P52,481,934.04, computed as follows:

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Total Input VAT for the FY 2014		**P69,674,416.28**
Less: Disallowances		
I.CAPITAL GOODS AND SERVICES		
a. Per ICPA b. Per further Court verification	P8,391,851.02 P6,116,121.79	
Subtotal:	**P14,507,972.81**	
II. AMORTIZATION ON CAPITAL GOODS EXCEEDING 1M		
a. Per ICPA b. Per further Court Verification	P 2,496,408.88 P 188,100.55	
Subtotal:	**P2,684,509.43**	
Total Disallowances:	**P17,192,482.24**	
Properly substantiated Input VAT Claim	**P52,481,934.04**	

Lastly, considering that petitioner's reported sales for FY 2014 are 99.84% zero-rated, the substantiated input VAT in the amount of P52,481,934.04 attributable to its zero-rated sales was not applied against any output tax.

Even though the claimed input VAT was carried over by petitioner in its succeeding Quarterly VAT Returns, the same is not sufficient to cover the total output VAT during the year amounting to ₱863,068.94. Hence, preventing the carry over or application of the input VAT for the next taxable period.

In view of the foregoing, petitioner has sufficiently proven its entitlement to a refund or issuance of a tax credit certificate in the reduced amount of P51,536,274.92, representing unutilized input VAT attributable to its zero-rated sales to MFHL for the four quarters of FY ended March 31, 2014, computed as follows:

Substantiated Input VAT Claim	**P52,481,934.04**
Less: Output VAT	**P863,068.94**
Less: Percentage attributable to zero rated sales	**(99.84%)**
TOTAL	**PHP 51,536,274.92**

WHEREFORE, premises considered, the instant Petition for Review is hereby **PARTIALLY GRANTED**. Accordingly, respondent CIR is **ORDERED TO REFUND or ISSUE A TAX CREDIT CERTIFICATE** in the amount of **FIFTY-ONE MILLION FIVE HUNDRED THIRTY-SIX THOUSAND TWO HUNDRED SEVENTY-FOUR AND**

92/100 PESOS (P51,536,274.92), representing petitioner's unutilized input VAT attributable to its zero-rated sales for FY ended March 31, 2014.

SO ORDERED.

Cielito N. Mindaro-Grulla
CIELITO N. MINDARO-GRULLA
Associate Justice

WE CONCUR:

ROMAN G. DEL ROSARIO
Presiding Justice

ERLINDA P. UY
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's Division.

ROMAN G. DEL ROSARIO
Presiding Justice
Chairperson, Special First Division