REPUBLIC OF THE PHILIPPINES
Court of Tax Appeals
QUEZON CITY

SPECIAL SECOND DIVISION

SONIC SALES & DISTRIBUTION, INC.,
Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NO. 10888

Present:

RINGPIS-LIBAN, *Chairperson*,
MODESTO-SAN PEDRO, and
FERRER-FLORES, *JJ.*

Promulgated:

FEB 18 2026
4:12 p.m.

x - x

DECISION

FERRER-FLORES, J.:

The **Petition for Review** prays for this Court to render judgment ordering respondent to issue a tax credit certificate in favor of petitioner in the amount of **₱17,396,459.00**, representing petitioner's excess and unutilized creditable withholding tax (CWT) for calendar year (CY) 2019.[1]

THE PARTIES

Petitioner **Sonic Sales & Distribution, Inc.** is a duly organized domestic corporation under Philippine laws primarily engaged in the distribution of consumer goods, with principal office at Dana Building, Ladislawa Drive, Barangay Buhangin, Buhangin District, Davao City.[2] It is registered as a taxpayer having been issued a Certificate of Registration OCN: xRC0000961170E dated April 21, 2017.[3]

---

1 Statement of the Case, Pre-Trial Order dated January 18, 2023, Docket – Vol. I, p. 223.

2 Par. 1, Stipulation of Facts, *Joint Stipulation of Facts and Issues* (JSFI), Docket – Vol. I, p. 212; Exhibit "P-1", Docket – Vol. I, pp. 615 to 626.

3 Exhibits "P-2", Docket – Vol. II, pp. 627 to 628.

Respondent is the duly appointed **Commissioner of Internal Revenue** (CIR) vested under the law with authority to carry out the functions, duties and responsibilities of said office, including, *inter alia*, the power to decide, approve, and grant refunds and/or tax credits of overpaid and erroneously paid or collected internal revenue taxes. He holds office at the Bureau of Internal Revenue (BIR), National Office's Litigation Division, located at Room 703, BIR National Office Building, BIR Road, Diliman, Quezon City.[4]

ANTECEDENTS (ADMINISTRATIVE LEVEL)

On June 13, 2020, petitioner filed via the BIR Electronic Filing and Payment System (eFPS), its Annual Income Tax Return (ITR) for CY 2019.[5]

Thereafter, on May 13, 2022, petitioner filed with the BIR, its "Request for Issuance of Tax Credit Certificate of the Unutilized and Excess Creditable Withholding Taxes (CWT) for 2019",[6] together with the Application for Tax Credits/Refunds (BIR Form No. 1914),[7] seeking the refund of its alleged excess and unutilized CWTs amounting to ₱17,396,459.00 based on Section 76 of the National Internal Revenue Code (NIRC) of 1997, as amended.

PROCEEDINGS BEFORE THIS COURT

Petitioner filed the present *Petition for Review* on June 13, 2022.[8]

Within the period granted by the Court,[9] respondent filed his *Answer* on September 5, 2022,[10] interposing the following special and affirmative defenses, to wit: (1) the instant petition must be dismissed for failure of petitioner to exhaust administrative remedies; (2) petitioner is not entitled to refund of the alleged excess and unutilized creditable withholding taxes for taxable year 2019 in the amount of ₱17,396,459.00; and, (3) claims for refund are construed strictly against the taxpayer and in favor of the government.

On October 12, 2022, respondent transmitted to this Court the *BIR Records* for this case, consisting of five folders, numbered as follows: Folder No. 1 (with pages 4815 to 5892), Folder No. 2 (with pages 3221 to 4814),

---

4 Par. 2, Stipulation of Facts, JSFI, Docket – Vol. I, p. 212.
5 Exhibit "P-3", Docket – Vol. II, pp. 629 to 636.
6 Exhibit "P-12", Docket – Vol. II, pp. 710 to 711.
7 Exhibit "P-12-1", Docket – Vol. II, p. 712.
8 Docket – Vol. I, pp. 6 to 25.
9 Respondent's *Motion for Extension of Time to File Answer* dated August 5, 2022, and Order dated August 15, 2022, Docket – Vol. I, pp. 134 to 136, and 158, respectively.
10 Docket – Vol. I, pp. 143 to 154.

Folder No. 3 (with pages 1520 to 3220), Folder No. 4 (with pages 1 to 1519), and Folder No. 5 (with pages 5893 to 6805).[11]

The Pre-Trial Conference was set and held on November 17, 2022.[12] Prior thereto, *Petitioner's Pre-Trial Brief* was filed on October 20, 2022;[13] while *Respondent's Pre-Trial Brief* was submitted on November 3, 2022.[14]

On December 16, 2022, the parties submitted their *Joint Stipulation of Facts and Issues*,[15] which was admitted and approved by the Court in its Resolution dated January 6, 2023,[16] thereby deeming the termination of the Pre-Trial. The Pre-Trial Order dated January 18, 2023 was then issued.[17]

Trial then ensued, with both parties presenting and offering their respective documentary and testimonial evidence.

Petitioner presented the testimonies of the following individuals, namely: (1) Mr. Ian Fernando Co,[18] petitioner's President and Chief Executive Officer; and, (2) Ms. Mae Cristina Martinez Galanza,[19] the Court-commissioned Independent Certified Public Accountant (ICPA).[20]

The initial *ICPA Report* was submitted on April 24, 2023,[21] and the final *ICPA Report* was filed through registered mail on July 18, 2023.[22]

On October 26, 2023, petitioner filed its *Formal Offer of Evidence*,[23] to which respondent filed his *Comment (on Petitioner's Formal Offer of Evidence with Manifestation)* on November 7, 2023.[24] In the Resolution dated March 27, 2024,[25] the Court admitted petitioner's offered exhibits, *except*

---

[11] *Compliance* dated October 6, 2022, Docket – Vol. I, pp. 162 to 164.
[12] Notice of Pre-Trial Conference dated September 7, 2022, Docket – Vol. I, pp. 160 to 161; and Minutes of the hearing held on, and Order dated, November 17, 2022, Docket – Vol. I, pp. 187, 189 to 190, respectively.
[13] Docket – Vol. I, pp. 167 to 178.
[14] Docket – Vol. I, pp. 180 to 183.
[15] Docket – Vol. I, pp. 212 to 220.
[16] Docket – Vol. I, pp. 197 to 198.
[17] Docket – Vol. I, pp. 223 to 229.
[18] Exhibit "P-13", Docket – Vol. I, pp. 26 to 38; Minutes of the Hearing held on, and Order dated, February 13, 2023, Docket – Vol. I, pp. 235 and 237, respectively.
[19] Exhibit "P-14", Docket – Vol. I, pp. 255 to 271; Exhibit "P-14-2", Docket – Vol. II, pp. 593 to 599; Minutes of the Hearing held on, and Order dated, October 5, 2023, Docket – Vol. II, pp. 602 to (unpaginated – after p. 603)
[20] *Oath of Commission* dated March 14, 2023, Docket – Vol. I, pp. 240; Minutes of the hearing held on March 14, 2023, Docket – Vol. I, pp. 238.
[21] Exhibit "P-15", Docket – Vol. I, pp. 273 to 579.
[22] Eight Binders.
[23] Docket – Vol. II, pp. 604 to 614.
[24] Docket – Vol. II, pp. 713 to 715.
[25] Docket – Vol. II, pp. 719 to 721.

Exhibits "P-2,583 to P-2,584" and "P-4,325 to P-4,326", for not being found in the records and Exhibit "P-21,656" for failure to identify.

Subsequently, on April 26, 2024, petitioner filed its *Omnibus Motion I. Motion for Reconsideration with Manifestation II. Motion for Leave of Court to Set Hearing for the Recall of a Witness; and III. Motion to Defer Filing of Petitioner's Memorandum.*[26] In the Resolution dated July 31, 2024,[27] the Court granted petitioner's *Motion for Leave of Court to Set Hearing for the Recall of a Witness.*

On November 4, 2024, petitioner filed its *Supplemental Formal Offer of Evidence*,[28] to which respondent filed his *Comment (on Petitioner's Supplemental Formal Offer of Evidence with Manifestation)* on November 8, 2024.[29] In the Resolution dated January 7, 2025,[30] the Court admitted Exhibits "P-14-3", "P-14-4" and "P-21-656", and noted respondent's manifestation that he will no longer present a witness but instead submitted his memorandum to support his defense.

Respondent filed his *Memorandum* on May 2, 2024,[31] while petitioner filed its *Memorandum* on February 13, 2025.[32]

This case was considered submitted for decision on February 18, 2025.[33]

THE ISSUE

As stipulated by the parties, the issue for this Court's resolution is as follows:

> Whether or not petitioner is entitled to its claim for refund or issuance of TCC for the amount of ₱17,396,459.00 representing its alleged excess and unutilized CWT for CY 2019.[34]

---

26 Docket – Vol. II, pp. 722 to 731.
27 Docket – Vol. II, pp. 762 to 731.
28 Docket – Vol. II, pp. 784 to 788.
29 Docket – Vol. II, pp. 791 to 793.
30 Docket – Vol. II, pp. 803 to 805.
31 Docket – Vol. II, pp. 732 to 745.
32 Docket – Vol. II, pp. 807 to 835.
33 Minute Resolution dated February 18, 2025, Docket – Vol. II, p. 836.
34 Stipulated Issue, JSFI, Docket – Vol. I, p. 213.

Petitioner's arguments:

Petitioner argues that its administrative and judicial claim was filed within the two-year period from the date of payment of the tax; that petitioner's ITR shows that the income received was declared as part of its gross income; and, that the fact of withholding was established by copies of statements duly issued by petitioner's payors showing the amount paid and the amount of tax withheld.

Respondent's counter-arguments:

Respondent contends that the present petition must be dismissed for failure of petitioner to exhaust administrative remedies; and, that petitioner is not entitled to refund of the alleged excess and unutilized CWTs for CY 2019 in the amount of ₱17,396,459.00.

THE COURT'S RULING

The present *Petition for Review* is partly meritorious.

Petitioner complied with Section 76 of the NIRC of 1997, as amended.

Pertinent to the resolution of the present case is Section 76 of the NIRC of 1997, as amended, which provides:

> SEC. 76. *Final Adjustment Return.* — Every corporation liable to tax under Section 27 shall file a final adjustment return covering the total taxable income for the preceding calendar or fiscal year. If the sum of the quarterly tax payments made during the said taxable year is not equal to the total tax due on the entire taxable income of that year, the corporation shall either:
>
> (A) Pay the balance of tax still due; or
> (B) Carry-over the excess credit; or
> (C) Be credited or refunded with the excess amount paid, as the case may be.
>
> In case the corporation is entitled to a tax credit or refund of the excess estimated quarterly income taxes paid, the excess amount shown on its final adjustment return may be carried over and credited against the estimated quarterly income tax liabilities for the taxable quarters of the succeeding taxable years. Once the option to carry-over and apply the excess quarterly income tax against income tax due for the taxable quarters of the succeeding taxable years has been made, such option shall be

considered irrevocable for that taxable period and no application for cash refund or issuance of a tax credit certificate shall be allowed therefor.

The above provision discusses the two options of a taxable corporation whose total quarterly income tax payments in a given taxable year exceed its total income tax due. The taxpayer may either: *(1)* carry-over the excess amount to the succeeding taxable quarters/years until it is fully utilized; or, *(2)* file a claim for refund in the form of cash or tax credit certificate. Note, however, that, once the carry-over option is taken actually or constructively, it becomes irrevocable for that taxable period.[35] The phrase *"for that taxable period"* refers to the taxable year when the excess income tax, subject of the option, was acquired by the taxpayer.[36]

In exercising its option, the corporation must signify in its annual corporate adjustment return (*by marking the option box provided in the BIR form*) its intention, either to carry over the excess credit or to claim a refund. To facilitate tax collection, these remedies are in the alternative and the choice of one precludes the other.[37]

A perusal of petitioner's Annual ITR for CY 2019[38] shows that petitioner had income tax credits in the total amount of ₱55,779,779.00, consisting of prior year's excess tax credits (PYEC) and CWTs accumulated during the four quarters of said CY, to wit:[39]

Prior Year's Excess Credits other than Minimum Corporate Income Tax (MCIT)		₱ 38,383,320.00
Add: Creditable Taxes Withheld – CY 2019		
Creditable Tax Withheld from Previous Quarter/s	₱12,393,099.00	
Creditable Tax Withheld for the 4th Quarter	5,003,360.00	17,396,459.00
Excess CWTs as of December 31, 2019		**₱ 55,779,779.00**

Petitioner claims that its income tax due for CY 2019 in the amount of ₱4,048,311.00[40] was paid using a portion of its PYEC of ₱38,383,320.00. This leaves a balance in the PYEC amounting to ₱34,335,009.00, and CWTs

[35] *Rhombus Energy, Inc. vs. Commissioner of Internal Revenue*, G.R. No. 206362, August 1, 2018, citing the case of *Republic of the Philippines, represented by the Commissioner of Internal Revenue vs. Team (Phils.) Energy Corporation (formerly Mirant (Phils.) Energy Corporation*, G.R. No. 188016, January 14, 2015; *Philam Asset Management, Inc. vs. Commissioner of Internal Revenue,* G.R. Nos. 156637 & 162004, December 14, 2005; *Systra Philippines, Inc vs. Commissioner of Internal Revenue,* G.R. No. 176290, September 21, 2007.

[36] *Republic of the Philippines, represented by the Commissioner of Internal Revenue vs. Team (Phils.) Energy Corporation (formerly Mirant (Phils.) Energy Corporation)*, G.R. No. 188016, January 14, 2015; *Commissioner of Internal Revenue vs. Bank of the Philippine Islands*, G.R. No. 178490, July 7, 2009.

[37] *Philippine Bank of Communications vs. Commissioner of Internal Revenue, et al.*, G.R. No. 112024, January 28, 1999.

[38] Exhibit "P-3", Docket – Vol. II, pp. 629 to 636.

[39] Schedule 7, Exhibit "P-3", Docket – Vol. II, p. 634.

[40] Line 44, Exhibit "P-3", Docket – Vol. II, p. 630.

during CY 2019 in the amount of ₱17,396,459.00, or a total of ₱51,731,468.00, unutilized as of December 31, 2019, as shown below:

PYEC other than MCIT	₱ 38,383,320.00
Less: Tax Due	4,048,311.00
Balance of Prior Year's Excess Credits	34,335,009.00
Add: Creditable Taxes Withheld – CY 2019	17,396,459.00
Excess CWTs as of December 31, 2019	**₱ 51,731,468.00**

Verily, pursuant to Section 2.58.3 of Revenue Regulations (RR) No. 2-98,[41] the submission of petitioner's Annual ITR for CY 2018[42] is sufficient to prove its *"Prior Year's Excess Credits other than MCIT"* in the amount of ₱38,383,320.00, marked as *"To be carried over as tax credit next year"*.

Considering that petitioner opted to claim a refund of its excess CWTs for CY 2019 by marking the option "*To be issued a Tax Credit Certificate*" in its Annual ITR for CY 2019,[43] and, that such CWTs were not carried over to the succeeding taxable periods (i.e., the amount carried over in its Annual ITR and 1st Quarterly ITR for CY 2020 is only the balance of the PYEC of ₱34,335,009.00),[44] the excess and unutilized CWTs during CY 2019 in the amount of ₱17,396,359.00 may therefore be a proper subject of a claim for credit or refund under Section 76 of the NIRC of 1997, as amended.

With the above findings, the Court shall now proceed to determine petitioner's compliance with the requisites for claiming a tax credit or refund of excess and unutilized CWTs.

Requisites to claim a tax credit or refund of excess and unutilized CWTs

In addition to the requisites provided under Section 76 of the NIRC of 1997, as amended, jurisprudence and pertinent RRs provide that, in order for a taxpayer to be entitled to a refund or an issuance of tax credit certificate for

---

41 Sec. 2.58.3. Claim for tax credit or refund. —

xxx xxx xxx

(C) Excess Credits. – An individual or corporate taxpayer's excess expanded withholding tax credits for the taxable quarter/year shall **automatically be allowed as a credit** against his income tax due for the taxable quarters/years immediately succeeding the taxable quarters/years in which the excess credit arose, **provided he submits with his income tax return, a copy of the first page of his income tax return for the previous taxable period showing the amount of his excess withholding tax credits**, and on which return he has not opted for a cash refund or tax credit certificate. *(Emphasis supplied)*

42 Part II-Line 16 to 21, Exhibit "P-29", USB dated September 26, 2023.

43 Line 21, Exhibit "P-3", Docket – Vol. II, p. 629.

44 Part IV-Line 44 and "P-8" Line 31A, Exhibits "P-11", Docket – Vol. II, pp. 704 and 699, respectively.

unutilized excess CWTs, the following three requisites must also be complied with:

1. The claim for refund must be filed within the two-year prescriptive period as provided under Sections 204(C) and 229 of the NIRC of 1997, as amended;

2. The fact of withholding must be established by a copy of a statement duly issued by the payor (withholding agent) to the payee, showing the amount paid and the amount of tax withheld therefrom; and,

3. The income upon which the taxes were withheld must be included in the return of the recipient.[45]

Thus, it is incumbent upon petitioner to establish the foregoing requisites.

First requisite: Petitioner's administrative and judicial claims for refund were timely filed.

As to the *first* requisite, that the claim for refund was filed within the two-year prescriptive period, the pertinent legal bases are Sections 204(C) and 229 of the NIRC of 1997, as amended, which read as follows:

> SEC. 204. *Authority of the Commissioner to Compromise, Abate and Refund or Credit Taxes.* – The Commissioner may –
>
> xxx xxx xxx
>
> (C) Credit or refund taxes erroneously or illegally received or penalties imposed without authority, refund the value of internal revenue stamps when they are returned in good condition by the purchaser, and, in his discretion, redeem or change unused stamps that have been rendered unfit for use and refund their value upon proof of destruction. **No credit or refund of taxes or penalties shall be allowed unless the taxpayer files in writing with the Commissioner a claim for credit or refund within two (2) years after the payment of the tax or penalty**: *Provided, however,* That a return filed showing an overpayment shall be considered as a written claim for credit or refund. M

---

[45] *Republic of the Philippines, represented by the Commissioner of Internal Revenue vs. Team (Phils.) Energy Corporation (formerly Mirant (Phils.) Energy Corporation)*, G.R. No. 188016, January 14, 2015; *United International Pictures AB vs. Commissioner of Internal Revenue*, G.R. No. 168331, October 11, 2012; *Citibank N.A. vs. Court of Appeals*, et al., G.R. No. 107434, October 10, 1997; *ACCRA Investments Corporation vs. The Honorable Court of Appeals, et al.*, G.R. No. 96322, December 20, 1991; Section 2.58, Revenue Regulations No. 2-98, as amended.

xxx xxx xxx

> SEC. 229. *Recovery of Tax Erroneously or Illegally Collected.* – No suit or proceeding shall be maintained in any court for the recovery of any national internal revenue tax hereafter alleged to have been erroneously or illegally assessed or collected, or of any penalty claimed to have been collected without authority, or of any sum alleged to have been excessively or in any manner wrongfully collected, until a claim for refund or credit has been duly filed with the Commissioner; but such suit or proceeding may be maintained, whether or not such tax, penalty, or sum has been paid under protest or duress.
>
> **In any case, no such suit or proceeding shall be filed after the expiration of two (2) years from the date of payment of the tax or penalty regardless of any supervening cause that may arise after payment**: *Provided, however*, That the Commissioner may, even without a written claim therefor, refund or credit any tax, where on the face of the return upon which payment was made, such payment appears clearly to have been erroneously paid. *(Emphasis supplied)*

The above-stated provisions mandate that the administrative and judicial claims for refund of erroneously or excessively paid tax must be done within two years from the date of payment of the tax.

It is well settled that the two-year prescriptive period for claiming a refund of overpaid income tax/CWTs commences to run from the date of filing of the Final Adjustment Return (FAR)[46] (or Annual ITR). This is so because it is only when the FAR covering the whole year is filed that the taxpayer would know whether a tax is still due or a refund can be claimed based on the adjusted and audited figures.[47] In other words, it is only logical to reckon the two-year prescriptive period from the time the FAR or the Annual ITR was filed, since it is only at that time that it would be possible to determine whether the corporate taxpayer paid an amount exceeding its annual income tax liability.[48]

Here, petitioner filed its Annual ITR for CY 2019 via the eFPS of the BIR on June 13, 2020.[49] Counting two years therefrom, petitioner had until **June 13, 2022**, within which to file both its administrative and judicial claims.

---

46 *ACCRA Investments Corporation vs. The Honorable Court of Appeals, et al.*, G.R. No. 96322, December 20, 1991; *Commissioner of Internal Revenue vs. TMX Sales, Inc. and the Court of Tax Appeals*, G.R. No. 83736, January 15, 1992; *Commissioner of Internal Revenue vs. The Philippine American Life Insurance Co., et al.*, G.R. No. 105208, May 29, 1995.

47 *Commissioner of Internal Revenue vs. TMX Sales Inc., et al.*, G.R. No. 83736, January 15, 1992.

48 *Metropolitan Bank & Trust Company vs. The Commissioner of Internal Revenue*, G.R. No. 182582, April 17, 2017.

49 Exhibit "P-3", Docket – Vol. II, pp. 629 to 636.

Considering that petitioner filed its administrative claim for refund with BIR on **May 13, 2022,**[50] while the present judicial claim was filed on **June 13, 2022,**[51] both claims for refund of unutilized/excess CWTs were seasonably filed within the two-year prescriptive period.

Respondent, nonetheless, argues that, since petitioner did not comply with the doctrine of exhaustion of administrative remedies, the judicial claim should be dismissed for failure to state cause of action and failure to comply with condition precedent.

Respondent's reasoning is specious.

Petitioner need not wait for the resolution on the administrative claim for refund before filing the judicial claim. In *Commissioner of Internal Revenue vs. Goodyear Philippines, Inc.*,[52] the Supreme Court ruled as follows:

> Verily, the primary purpose of filing an administrative claim was to serve as a notice of warning to the CIR that court action would follow unless the tax or penalty alleged to have been collected erroneously or illegally is refunded. To clarify, **Section 229 of the Tax Code** – [then Section 306 of the old Tax Code] – **however does not mean that the taxpayer must await the final resolution of its administrative claim for refund, since doing so would be tantamount to the taxpayer's forfeiture of its right to seek judicial recourse should the two (2)-year prescriptive period expire without the appropriate judicial claim being filed.** In *CBK Power Company, Ltd. v. CIR,*[53] the Court enunciated:
>
> > In the foregoing instances, attention must be drawn to the Court's ruling in *P.J. Kiener Co., Ltd. v. David (Kiener),* wherein it was held that in **no wise does the law,** *i.e.,* Section 306 of the old Tax Code (now, Section 229 of the NIRC), **imply that the Collector of Internal Revenue first act upon the taxpayer's claim, and that the taxpayer shall not go to court before he is notified of the Collector's action.** In *Kiener,* the Court went on to say that **the claim with the Collector of Internal Revenue was intended primarily as a notice of warning that unless the tax or penalty alleged to have been collected erroneously or illegally is refunded, court action will follow** xxx. (Emphases and underscoring supplied)
>
> In the case at bar, records show that both the administrative and judicial claims for refund of respondent for its erroneous withholding and remittance of FWT were indubitably filed within the two-year prescriptive period. Notably, **Section 229 of the Tax Code, as worded, only required**

[50] Exhibit "P-12", Docket – Vol. II, pp. 710 to 711.
[51] Docket – Vol. I, pp. 6 to 38.
[52] G.R. No. 216130, August 3, 2016.
[53] G.R. Nos. 193383-84 & 193407-08, January 14, 2015.

> **that an administrative claim should first be filed. It bears stressing that respondent could not be faulted for resorting to court action, considering that the prescriptive period stated therein was about to expire. Had respondent awaited the action of petitioner knowing fully well that the prescriptive period was about to lapse, it would have resultantly forfeited its right to seek a judicial review of its claim, thereby suffering irreparable damage.** *(Emphasis supplied)*

To be sure, if petitioner still waited for the resolution on its administrative claim even beyond the two-year prescriptive period, it could no longer validly seek judicial recourse after the expiration thereof. Hence, the filing of the judicial claim via the present *Petition for Review* on June 13, 2022 by petitioner is proper.

Clearly, the *first* requisite was fulfilled.

Second requisite: The fact of withholding is established by certificates of tax withheld at source (BIR Forms No. 2307).

With regard to the *second* requisite, the basis thereof is Section 2.58.3(B) of RR No. 2-98, as amended, which states:

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

The *second* requisite mandates petitioner to prove the fact of withholding of the claimed CWTs through a copy of the statement duly issued by the payor (withholding agent) to the payee showing the names of the payor and payee, the income payment and the amount of tax withheld therefrom.

BIR Form No. 2307 (Certificate of Creditable Tax Withheld At Source), or CWT certificate for brevity, is the competent proof to establish the fact that taxes are withheld.[54] It is a withholding statement duly issued by

[54] *Commissioner of Internal Revenue vs. Philippine National Bank*, G.R. No. 180290, September 29, 2014.

the payor to the payee showing the amount paid and the amount of tax withheld therefrom, as described in Section 2.58.3(B) of RR No. 2-98. Such being the case, it is undeniable that the fact of withholding may be established by presenting the pertinent CWT certificate complete in relevant details.

Thus, to prove compliance with the *second* requisite, petitioner presented/submitted various CWT certificates duly issued by its withholding agents for the said period, in the total amount of ₱17,396,458.85[55] with related income payments of ₱1,702,282,441.33, summarized as follows:

Period Covered	Income Payments	CWT (1% / 2%)	Annexed to ICPA Report[56]	Exhibit Nos.
First Quarter	₱ 212,202,116.32	₱ 2,213,113.27	Annex A-1	"P-30" to "P-877"
Second Quarter	392,228,814.58	4,038,083.09	Annex A-2	"P-878" to "P-2322
Third Quarter	603,745,476.91	6,141,903.04	Annex A-3	"P-2323" to "P-4299"
Fourth Quarter	494,106,033.52	5,003,359.45	Annex A-4	"P-4300" to "P-5963"
Total	**₱ 1,702,282,441.33**	**₱ 17,396,458.85**		

Upon further examination of petitioner's CWT certificates, the Court, however, finds that CWTs in the aggregate amount of ₱4,447.83, should be disallowed as the corresponding CWT certificates bear an incorrect or illegible TIN of the petitioner as payee, viz.:

Period	Exhibit No.	Client Name	Income Payment	Tax Withheld
1st Qtr.	"P-713"	LANSH ENTERPRISE	₱ 361,658.36	₱ 3,616.58
4th Qtr.	"P-4899"	ONE STOP MINIMART AND VARIETY STORE	83,125.25	831.25
Total Disallowance per Court Verification			**₱ 444,783.61**	**₱ 4,447.83**

In sum, petitioner was able to establish compliance with the *second* requisite, but only with respect to the CWT amount of ₱17,392,011.17, as shown below:

Amount of CWT claim per petitioner's 2019 Annual ITR/Petition for Review	₱ 17,396,459.00
Less: Disallowance per Court verification	(4,447.83)
CWT claim properly supported with CWT certificates	**₱ 17,392,011.17**

[55] With a difference of ₱0.15 from the CWT claim in the amount of ₱17,396,459.00.
[56] Exhibit "P-15-1" (Supplemental ICPA Report dated July 18, 2023).

Third requisite: The income payments upon which the excess CWTs were withheld were included in petitioner's Annual ITR.

As regards the *third* requisite, as provided under the previously quoted Section 2.58.3(B) of RR No. 2-98, petitioner must prove that the income payments from which the claimed CWTs of ₱17,396,459.00 were withheld and were reported as part of its gross income in its Annual ITR.

Relative thereto, petitioner submitted, among others, the following documents as evidence: (1) Annual ITR for CY 2019;[57] (2) Audited Financial Statements (AFS) for CY 2019;[58] (3) General Ledger (GL) Revenue from Distribution Operations for CY 2019;[59] (4) GL Revenue from Broiler Chicken Growing Operations for CY 2019;[60] (5) Subsidiary Ledger for Revenue from Distribution Operations with CWT for CY 2019;[61] (6) Subsidiary Ledger for Revenue from Broiler Chicken Growing Operations with CWT for CY 2019;[62] (7) Schedule of CWTs traced to revenues in CY 2019;[63] (8) Schedule of CWTs traced to revenues in CY 2018;[64] (9) AFS for CY 2018;[65] (10) GL Revenue from Distribution Operations for CY 2018;[66] (11) Annual ITR for CY 2018;[67] (12) GL Revenue from Trucking Services for CY 2019;[68] (13) GL Revenue from Rental Income for CY 2019;[69] and, (14) Invoices, Billing Statements, Fund Transfer Payment Confirmation and other relevant documents for sales in CY 2018 with CWT in CY 2019,[70] which were all examined by the Court-commissioned ICPA.

For CY 2019, petitioner reported total revenues of ₱2,624,699,968.00 from distribution operations, broiler chicken growing operations, trucking services, and rental income, as reflected in its Annual ITR[71] and AFS,[72] itemized as follows:[73]

57 Exhibit "P-3", Docket – Vol. II, pp. 629 to 636.
58 Exhibit "P-7", Docket – Vol. II, pp. 640 to 698.
59 Exhibit "P-22", USB (Exhibit "P-15-4").
60 Exhibit "P-23", USB (Exhibit "P-15-4").
61 Exhibit "P-22-1", USB (Exhibit "P-15-4").
62 Exhibit "P-21,655", USB (Exhibit "P-15-4").
63 Exhibit "P-25", USB (Exhibit "P-15-4").
64 Exhibit "P-26", USB (Exhibit "P-15-4").
65 Exhibit "P-27", USB (Exhibit "P-15-4").
66 Exhibit "P-28", USB (Exhibit "P-15-4").
67 Exhibit "P-29", USB (Exhibit "P-15-4").
68 Exhibit "P-21,649", USB (Exhibit "P-15-4").
69 Exhibit "P-21,650", USB (Exhibit "P-15-4").
70 Exhibit "P-21,651", USB (Exhibit "P-15-4").
71 Exhibit "P-3", Docket – Vol. II, pp. 630 to 631.
72 Exhibit "P-7", Docket – Vol. II, p. 646.
73 Part I. Item No. 1, Exhibit "P-15-1", p. 2.

Particulars	Amount
Distribution operations	₱ 2,575,045,635.00
Broiler chicken growing operations	38,994,139.00
Trucking services	9,216,066.00
Rental income	1,444,128.00
Total	**₱ 2,624,699,968.00**

According to the Court-commissioned ICPA,[74] the CWTs subject of the claim for the issuance of TCCs, in the aggregate amount of ₱2,614,039,774.00, were derived from revenues generated from distribution operations (subject to 1% CWT on goods) and broiler chicken growing operations (subject to 2% CWT on services/contractors). For income tax purposes, these revenues were reported under the accrual basis of accounting, and constitute the only revenue items subjected to CWT by petitioner's customers,[75] as follows:

Exhibit No.[76]	Account	Amount
Exhibit "P-22"	Revenues - distribution operations	₱ 2,575,045,635.00
Exhibit "P-23"	Revenues - broiler chicken growing operations	38,994,139.00
	Total	**₱ 2,614,039,774.00**

On the other hand, the remaining ₱10,660,194.00[77] of the total reported revenue of ₱2,624,699,968.00 pertains to income from trucking services and rentals for CY 2019, which is not subject to CWT.[78]

The ICPA then compared the total revenues from distribution operations and broiler chicken growing operations subject to CWT amounting to ₱2,614,039,774.00, with the income payments reported by petitioner in its Summary Alphalist of Withholding Tax at Source (SAWT) for CY 2019. Based on this comparison, the income payments reflected in the SAWT for the said period exceeded the revenues per annual ITR subject to CWT by ₱911,757,332.68,[79] as shown below:

[74] Part I. Item No. 1, Exhibit "P-15-1", p. 2.
[75] Part I, Item No. 3.1, Exhibit "P-15-1", pp. 4 to 5.
[76] USB (Exhibit "P-15-4").
[77] Total revenue reported per ITR and AFS of ₱2,624,699,968.00, less Revenue from distribution operations and broiler chicken growing operations of ₱2,575,045,635 and ₱38,994,139.00, respectively.
[78] Part I, Item No. 3.1, Exhibit "P-15-1", p. 5.
[79] Part I, Item No. 3.2, Exhibit "P-15-1", p. 5.

Particulars	Exh. No.	Amount
Revenues per Annual ITR (with CWT)	"P-3"[80]	**₱2,614,039,774.00**
Less: Income payments per SAWT		
a. First quarter	"P-17"[81]	212,202,116.32
b. Second quarter	"P-18"[82]	392,228,814.58
c. Third quarter	"P-19"[83]	603,745,476.91
d. Fourth quarter	"P-20"[84]	494,106,033.52
Total income payments per SAWT		**₱1,702,282,441.33**
Difference		**₱ 911,757,332.68**

The above-stated difference is attributable to revenues not subject to CWT, and to timing differences arising from the discrepancy between the billing date of sales revenues and the date of collection when the corresponding CWTs are received, as reconciled below:[85]

Particulars	Reference[86]	Amount
Difference between revenue with CWT per ITR vs. income payment per SAWT		₱ 911,757,332.68
Less: Reconciling items		
a. Revenues without CWT recorded under the following accounts		
1. Distribution operations	Annex B	₱ 983,040,393.52
2. Broiler chicken growing operations	Annex C	1,631,189.11
b. Revenues from distribution operations in CY 2018 with CWT upon collection in CY 2019	Exhibit "P-26"	(72,914,250.86)
Total		₱ 911,757,331.77
Unaccounted difference – due to rounding off tax base (immaterial)		(₱0.91)

The ICPA explained that the revenues without CWTs[87] in the amounts of ₱983,040,393.52 and ₱1,631,189.11 (item a in the above reconciliation) pertain to sales accounts for which the customers were not required to withhold CWT and/or from which no CWT was received or claimed. Consequently, since no CWT was withheld on these transactions, the said amounts were not reported as tax credits in the SAWT[88] for CY 2019.

On the other hand, with respect to the revenues from distribution operations for CY 2018 amounting to ₱72,914,250.86, on which CWT was withheld upon collection in CY 2019 (item b in the above reconciliation), the ICPA confirmed that these revenues from distribution operations recorded per

---

80 Docket – Vol. II, pp. 629 to 636.
81 USB (Exhibit "P-15-4").
82 USB (Exhibit "P-15-4").
83 USB (Exhibit "P-15-4").
84 USB (Exhibit "P-15-4").
85 Part I, Item No. 3.2, Exhibit "P-15-1", pp. 5 to 6.
86 USB (Exhibit "P-15-4").
87 Annexes B and C, USB (Exhibit "P-15-4").
88 Exhibits "P-17", "P-18", "P-19, "P-20", USB (Exhibit "P-15-4").

books were reported in the AFS and declared as taxable revenues in the ITR for CY 2018.[89]

Upon tracing the total income payments of ₱1,702,282,441.33, per BIR Forms No. 2307 for CY 2019, to petitioner's relevant GL accounts, the ICPA confirmed that ₱1,629,368,190.47 was recorded as revenues in the books/GL for CY 2019, while the remaining amount of ₱72,914,250.86 was traced to revenues per books/GL for CY 2018, as summarized below:[90]

Particulars	CWT per BIR Form No. 2307 dated 2019	Income Payment per BIR Form No. 2307 dated 2019	Year of reporting income payment as revenue in the books/AFS and ITR		
			CY 2018 [A]	CY 2019 [B]	Total [A+B]
Revenue from distribution operations	₱16,649,199.96	₱1,664,919,491.44	₱ 72,914,250.86[91]	₱ 1,592,005,240.58[92]	₱1,664,919,491.44
Revenue from broiler chicken growing operations	747,259.01	37,362,949.89	-	37,362,949.89[93]	37,362,949.89
Total	**₱17,396,458.97**	**₱1,702,282,441.33**	**₱ 72,914,250.86**	**₱ 1,629,368,190.47**	**₱1,702,282,441.33**

Upon examination of the submitted documents and verification of the ICPA findings, the Court, thus, finds that petitioner successfully established that the income payments from which the taxes were withheld, were duly reported and formed part of its gross income for CYs 2018 and 2019, thereby demonstrating compliance with the *third* requisite.

Considering that petitioner complied with all the requisites in order for a taxpayer to be entitled to a refund for unutilized excess CWT, petitioner's claim in the aggregate of ₱17,392,011.17 (extent of CWT duly substantiated by CWT certificates) should be granted.

ACCORDINGLY, the present **Petition for Review** is **PARTIALLY GRANTED.**

In view thereof, respondent is **ORDERED TO ISSUE** a tax credit certificate in favor of petitioner in the reduced amount of **₱17,392,011.17** representing petitioner's unutilized excess CWTs for CY 2019.

---

89 Part I, Item Nos. 3.2 and 5, Exhibit "P-15-1", pp. 6 to 8.
90 Part I, Exhibit "P-15-1", p. 2.
91 Annex D, Exhibit "P-15-1", USB (Exhibit "P-15-4").
92 Annex B, Exhibit "P-15-1", USB (Exhibit "P-15-4").
93 Annex C, Exhibit "P-15-1", USB (Exhibit "P-15-4").

SO ORDERED.

CORAZON G. FERRER-FLORES
Associate Justice

WE CONCUR:

On official business
MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

MARIA ROWENA MODESTO-SAN PEDRO
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.

MARIA ROWENA MODESTO-SAN PEDRO
Acting Presiding Justice