REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL SECOND DIVISION

ONCHO PHILIPPINES INCORPORATED, Petitioner,	**CTA CASE NO. 9442**
	Members:
- versus -	**CASTAÑEDA, JR.**, Chairperson, and **MANAHAN, *JJ.***
COMMISSIONER OF INTERNAL REVENUE, Respondent.	Promulgated: JAN 14 2019 3:10 p.m.

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DECISION

CASTAÑEDA, JR., *J.*:

THE CASE

In this Petition for Review filed by Oncho Philippines Incorporated on August 25, 2016, petitioner prays for the refund of the amount of ₱7,486,676.34, allegedly representing its unutilized input value-added tax (VAT) on local purchases of goods other than capital goods, local purchases of services, and payment for services rendered by non-residents, attributable to its zero-rated sales for the period covering January 1, 2014 to December 31, 2014.[1]

THE FACTS

Petitioner Oncho Philippines Incorporated is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at 4th Floor G.A. Yupangco Building, 339 Gil Puyat Ave. corner N. Garcia St.,

[1] Summary of the Case, Pre-Trial Order, docket, vol. II, p. 860.

Makati City.[2] It is a VAT-registered entity with Taxpayer Identification No. 003-982-227-000, as evidenced by its Bureau of Internal Revenue (BIR) Certificate of Registration No. OCN9RC0000371397 dated July 22, 2013.[3]

On the other hand, respondent is the duly appointed Commissioner of the Bureau of Internal Revenue who has the power to decide disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties imposed in relation thereto or other matters arising under the National Internal Revenue Code (NIRC) or other laws or portions thereof administered by the BIR. He holds office at the BIR National Office Building, Agham Road, Diliman, Quezon City.

In its Amended Articles of Incorporation[4], petitioner's primary purposes are as follows:

> "To the extent permitted by law, to carry on and conduct general as well as specialty (including but not limited to air-condition, fire-protection, and plumbing systems) construction business except locally funded government projects, including the provision of structural mechanical, electrical and other construction, erection, installation, repair, and related services or otherwise engage in any related work or residential, industrial, and commercial buildings; to manufacture or otherwise acquire and furnish such buildings with tools and equipment connected therewith or required therefore; to manufacture, produce, adapt and prepare and deal in or with any materials, articles or things incidental to or required for or useful in connection with any of such activity; and generally to carry on any other business which can be advantageously pursued in conjunction with or incidental to any of the above purposes."

For calendar year (CY) 2014, petitioner filed with the BIR its Monthly VAT Declarations, as follows:[5] *fe*

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[2] Par. 1.b, Joint Stipulation of Facts and Issues (JSFI), docket, vol. II, p. 853.
[3] Exhibit "P-5", docket, vol. II, p. 523; Par. 1.e, JSFI, docket, vol. II, p. 854.
[4] Exhibit "P-2", docket, vol. II, pp. 488-499; Par. 1.d, JSFI, docket, vol. II, p. 854.
[5] Exhibits "P-6" to "P-17", docket, vol. III, pp. 1165-1194.

MONTHLY VAT DECLARATION (2014)	DATE FILED
January	February 12, 2014
February	March 13, 2014
March	April 15, 2014
April	May 15, 2014
May	June 16, 2014
June	July 14, 2014
July	August 14, 2014
August	September 17, 2014
September	October 15, 2014
October	November 17, 2014
November	December 17, 2014
December	January 26, 2015

Petitioner also filed its Quarterly and Annual Income Tax Returns for CY 2014 with the BIR on the following dates:[6]

QUARTERLY VAT RETURN (2014)	DATE FILED
First Quarter	July 18, 2014 (Amended)
Second Quarter	August 29, 2014
Third Quarter	March 20, 2015 (Amended)
Annual ITR	April 10, 2015

Petitioner's VAT Returns showed excess input VAT payments on its importation and domestic purchases of goods and services in the aggregate amount of ₱7,486,676.34.[7]

Petitioner filed its administrative claim for refund, together with all the supporting documents, with the BIR Revenue District Office No. 49 on March 31, 2016.[8]

Subsequently, petitioner filed the instant Petition for Review[9] before this Court on August 25, 2016.

In the Answer[10] filed on October 28, 2016, respondent alleged the following special and affirmative defenses:

[6] Exhibits "P-18" to "P-21", docket, vol. III, pp. 1195-1213.
[7] Petitioner's Memorandum, docket, vol. III, p. 1281.
[8] Exhibit "P-3", docket, vol. II, pp. 503-519.
[9] Docket, vol. I, pp. 12-30.
[10] Docket, vol. I, pp. 397-399.

"xxx xxx xxx

2. Taxes paid and collected are presumed to be made in accordance with the laws and regulations, hence, not refundable;

3. It is incumbent upon the Petitioner to show that it has complied with the provision of Section 204(C) in relation to Section 229 of the 1997 Tax Code, as amended;

4. Petitioner's claim for refund or issuance of tax credit certificate in the amount of Php7,486,676.34 as alleged unutilized input VAT paid on purchases of goods and services attributable to its zero-rated sales for the taxable year 2014 was not fully substantiated by proper documents, such as sales invoices, official receipts and others.

5. In an action for tax credit or refund, the burden is upon the taxpayer to prove that he is entitled thereto, and failure to discharge the said burden is fatal to the claim *(Emmanuel & Zenaida Aguilar v. Commissioner, CA-GR No. Sp. 16432, March 30, 1990 cited in Aban, Law of Basic Taxation in the Philippines, 1st Edition, p. 206.);*

6. Claims for refund are construed strictly against the claimant, the same partake the nature of exemption from taxation *(Commissioner of Internal Revenue vs. Ledesma, 31 SCRA 95)* and as such, they are looked upon with disfavor. *(Western Minolco Corp. vs. Commissioner of Internal Revenue, 124 SCRA 121).*"

On November 16, 2016, petitioner filed its Reply[11] to respondent's Answer stating, among others, that contrary to respondent's allegations, it has clearly complied with the pertinent provisions of the Tax Code and applicable revenue regulations.

[11] Docket, vol. I, pp. 401-405.

Petitioner filed its Pre-Trial Brief[12] on January 13, 2017, while respondent filed his Pre-Trial Brief[13] on January 4, 2017. The parties filed their Joint Stipulation of Facts and Issues[14] on March 8, 2017. Afterwards, the Court issued a Pre-Trial Order on March 15, 2017[15] and terminated the pre-trial.

During trial, petitioner presented Ms. Flordeliza J. Bondad and Mr. Michael L. Aguirre, the Independent Certified Public Accountant (CPA) for the case, as its witnesses.

Subsequently, petitioner formally offered its documentary and testimonial evidence. On September 15, 2017[16] and on November 24, 2017,[17] respectively, the Court issued its Resolutions admitting petitioner's evidence, except for Exhibit "P-38" for failure to submit the duly marked document.

On the other hand, respondent, through counsel, manifested that he has no witness to present.[18]

After the filing of petitioner's Memorandum[19] on October 18, 2017 and of respondent's Memorandum[20] on December 27, 2017, this case was deemed submitted for decision on January 22, 2018.[21]

THE ISSUE

The parties submitted the following issue:[22]

> "Whether or not the Petitioner is entitled to the issuance of cash refund/tax refund in the amount of Php7,486,676.34, representing its alleged unutilized excess input VAT on its local purchases of goods and services attributable to zero-rated sales, for the period January 1, 2014 to December 31, 2014."

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[12] Docket, vol. I, pp. 408-423.
[13] Docket, vol. I, pp. 430-432.
[14] Docket, vol. II, pp. 853-858.
[15] Docket, vol. II, pp. 860-865.
[16] Docket, vol. III, pp. 1152-1153.
[17] Docket, vol. III, pp. 1302-1304.
[18] Docket, vol. III, p. 1154.
[19] Docket, vol. III, pp. 1278-1295.
[20] Docket, vol. III, pp. 1305-1308.
[21] Docket, vol. III, p. 1310.
[22] Par. 2, JSFI, docket, vol. II, p. 854.

THE RULING

Section 112(A) and (C) of the NIRC of 1997, as amended, 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 sale and also in taxable or exempt sale of goods of properties or 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."

Thus, in order to be entitled to a refund or tax credit of unutilized input VAT attributable to zero-rated or effectively zero-rated sales, it is imperative to prove the following:

1. that the taxpayer is VAT-registered;
2. that the claim for refund was filed within the prescriptive period both in the administrative and judicial levels;
3. that there must be zero-rated or effectively zero-rated sales;
4. that input taxes were incurred or paid;
5. that the input taxes due or paid were attributable to zero-rated sales or effectively zero-rated sales; and
6. that the input taxes were not applied against any output VAT liability.

Petitioner complied with the first requisite as it is duly registered with the BIR as a VAT taxpayer, as evidenced by its Certificate of Registration No. OCN9RC0000371397 dated July 22, 2013 with Tax Identification No. 003-982-227-000.[23]

As to the timeliness of petitioner's administrative claim, which 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, the following periods are relevant:

Period covered (CY 2014)	**Last day of the Two-year period**
January to March 2014 (1st Quarter)	March 31, 2016

[23] Exhibit "P-5", docket, vol. II, p. 523; Par. 1.e., JSFI, docket, vol. II, p. 854.

April to June 2014 (2nd Quarter)	June 30, 2016
July to September 2014 (3rd Quarter)	September 30, 2016
October to December 2014 (4th Quarter)	December 31, 2016

Clearly, petitioner's administrative claim[24] was timely filed on March 31, 2016.

As to the timeliness of petitioner's judicial claim, Section 112(C) of the NIRC of 1997, as amended, provides that the BIR Commissioner has one hundred twenty (120) days from the date of submission of the complete documents in support of the application for refund or tax credit within which to grant or deny the claim. In case of full or partial denial by the BIR Commissioner, the taxpayer's recourse is to file an appeal before the Court of Tax Appeals within 30 days from receipt of the decision of the BIR Commissioner. However, if after the 120-day period, the BIR Commissioner fails to act on the application for refund/tax credit, the remedy of the taxpayer is to appeal the inaction of the BIR Commissioner to the CTA within 30 days from the expiration of the said period.

Accordingly, from the filing of petitioner's administrative claim, together with the supporting documents, on March 31, 2016, respondent had one hundred twenty (120) days or until July 29, 2016 to act on the said claim. Considering that respondent did not act on petitioner's claim on or before July 29, 2016, the latter had until August 28, 2016, the last day of the 30-day period, within which to file its appeal before this Court. Evidently, petitioner's judicial claim filed on August 25, 2016 is well within the period prescribed by law.

As to the third requisite, petitioner claims that it rendered services to entities which have exemption under special laws, such as Philippine Economic Zone Authority (PEZA)-registered entities, wherein such services are subject to zero-percent (0%) VAT pursuant to Section 108(B)(3) of the NIRC of 1997, as amended, which states:

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

[24] Exhibits "P-3" to "P-4", docket, vol. II, pp. 503 to 522.

(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

(3) Services rendered to persons or entities whose exemption under special laws or international agreements to which the Philippines is a signatory effectively subjects the supply of such services to zero percent (0%) rate;"

Section 4.108-5(b)(3) of Revenue Regulations (RR) No. 16-2005, which implements the foregoing, provides:

"SEC. 4.108-5. *Zero-Rated Sale of Services.* –

xxx xxx xxx

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

xxx xxx xxx

(3) Services rendered to persons or entities whose exemption under special laws or international agreements to which the Philippines is a signatory effectively subjects the supply of such services to zero percent (0%) rate;"

The special law specific pertinent to this case is Republic Act (RA) No. 7916, as amended, otherwise known as "The Special Economic Zone Act of 1995". The relevant portions of the said law are quoted hereunder:

"REPUBLIC ACT NO. 7916
(as amended by Republic Act No. 8748)

AN ACT PROVIDING FOR THE LEGAL FRAMEWORK AND MECHANISMS FOR THE CREATION, OPERATION, ADMINISTRATION, AND COORDINATION OF SPECIAL ECONOMIC ZONES IN THE PHILIPPINES, CREATING FOR THIS PURPOSE, THE PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA) AND FOR OTHER PURPOSES.

xxx xxx xxx

SECTION 8. *ECOZONE to be Operated and Managed as Separate Customs Territory.* – The ECOZONE shall be managed and operated by the PEZA as separate customs territory.

The PEZA is hereby vested with the authority to issue certificates of origin for products manufactured or processed in each ECOZONE in accordance with the prevailing rules of origin, and the pertinent regulations of the Department of Trade and Industry and/or the Department of Finance.

xxx xxx xxx

SECTION 24. *Exemption from National and Local Taxes.* – Except for real property taxes on land owned by developers, no taxes, local and national, shall be imposed on business establishments operating within the ECOZONE. xxx"

Since the Ecozone is viewed as a foreign territory by legal fiction, sales of goods and services made by a VAT-registered person in the Philippine customs territory to an entity registered and operating within the Ecozone are considered exports to a foreign country subject to 0% VAT. This was elucidated by the Supreme Court in the case of *Commissioner of Internal Revenue vs. Toshiba Information Equipment (Phils.), Inc.*[25], to wit:

"This Court agrees, however, **that PEZA-registered enterprises, which would necessarily be located within ECOZONES, are VAT-exempt** 9r

[25] G.R. No. 150154, August 9, 2005.

entities, not because of Section 24 of Rep. Act No. 7916, as amended, which imposes the five percent (5%) preferential tax rate on gross income of PEZA-registered enterprises, in lieu of all taxes; but, rather, **because of Section 8 of the same statute which establishes the fiction that ECOZONES are foreign territory**.

xxx An ECOZONE or a Special Economic Zone has been described as —

> ... [S]elected areas with highly developed or which have the potential to be developed into agro-industrial, industrial, tourist, recreational, commercial, banking, investment and financial centers whose metes and bounds are fixed or delimited by Presidential Proclamations. An ECOZONE may contain any or all of the following: industrial estates (IEs), export processing zones (EPZs), free trade zones and tourist/recreational centers.

The national territory of the Philippines outside of the proclaimed borders of the ECOZONE shall be referred to as the Customs Territory.

Section 8 of Rep. Act No. 7916, as amended, mandates that the PEZA shall manage and operate the ECOZONES as a separate customs territory; thus, creating the fiction that the ECOZONE is a foreign territory. As a result, sales made by a supplier in the Customs Territory to a purchaser in the ECOZONE shall be treated as an exportation from the Customs Territory. Conversely, sales made by a supplier from the ECOZONE to a purchaser in the Customs Territory shall be considered as an importation into the Customs Territory.

Given the preceding discussion, what would be the VAT implication of sales made by a supplier from the Customs Territory to an ECOZONE enterprise? ℊ

> **The Philippine VAT system adheres to the Cross Border Doctrine, according to which, no VAT shall be imposed to form part of the cost of goods destined for consumption outside of the territorial border of the taxing authority. Hence, actual export of** goods and **services from the Philippines to a foreign country must be free of VAT**; while, those destined for use or consumption within the Philippines shall be imposed with ten percent (10%) VAT[26]." (*Emphasis supplied*)

Evidently, sales of services by petitioner to entities located in Ecozones are subject to zero percent (0%) VAT rate pursuant to Section 108(B)(3) of the NIRC of 1997, as amended, and as implemented by Section 4.108-5(b)(3) of Revenue Regulations No. 16-05.

Petitioner submitted the following PEZA Certificates of Registration of its clients to prove that the said clients are duly registered with the PEZA:

Client	PEZA Certificate No.	Exhibit Reference
BeltonTotoku Philippines, Inc. (formerly Totoku Philippines, Inc.)	2014-0037	Exhibit "P-7-A-ICPA"
Canon Business Machine (Philippines), Inc.	2014-0089	Exhibit "P-26-A"[27]; "P-7-B-ICPA"
Epson Precision (Philippines), Inc.	2014-0665	Exhibit "P-26-B"[28]; "P-7-C-ICPA"
Gotoh Philippines Corporation	2014-0216	Exhibit "P-26-C"[29]; "P-7-D-ICPA"
Hadoron Studio, Inc	2014-1204	Exhibit "P-7-E-ICPA";
MSpecialty Printing Philippines, Inc.	2014-1632	Exhibit "P-26"[30]; "P-7-F-ICPA"
OB Kogyo (Philippines), Inc.	2014-1301	Exhibit "P-26-D"[31]; "P-7-G.1-ICPA" TO "P-7-G.2-ICPA"
Shindengen Philippines Corporation	2014-0835	Exhibit "P-26-F"[32]; "P-7-H.1-ICPA" TO "P-7-H.3-ICPA"
SIIX EMS Philippines, Inc.	2014-0341	Exhibit "P-26-E"[33]; "P-7-I.1-ICPA" TO "P-7-H.3-ICPA"

Accordingly, the sales made to the above-enumerated entities during the four quarters of CY 2014 qualify for VAT zero-rating pursuant to Section 108(B)(3) of the NIRC of 1997, as amended, *jc*

[26] Now at 12% VAT rate.
[27] Docket, vol. III, p. 1225.
[28] Docket, vol. III, p. 1226.
[29] Docket, vol. III, p. 1227.
[30] Docket, vol. III, p. 1224.
[31] Docket, vol. III, p. 1229.
[32] Docket, vol. III, pp. 1233-1236.
[33] Docket, vol. III, pp. 1230-1232.

provided that the same comply with the invoicing requirements under Sections 113(A)(2), (B)(1), (2)(c) and (3) of the NIRC of 1997, as amended, as implemented by Sections 4.113-1(A)(2), (B)(1) and (2)(c) of RR No. 16-05, which are all quoted hereunder for easy reference:

> "SEC. 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**.
>
> (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:
>
> (1) A statement that the seller is a VAT-registered person, followed by his Taxpayer's Identification Number (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 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" *(Emphasis supplied)*

"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 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)*

In its Original and Amended Quarterly VAT Returns for CY 2014, petitioner declared zero-rated sales in the total amount of ₱104,689,860.42, broken down as follows:

Exhibit	**Taxable Period (2014)**	**Zero-Rated Sales**
P-8	1st Quarter	₱ 18,452,148.23
P-11	2nd Quarter	32,296,906.79
P-14	3rd Quarter	22,743,789.95
P-17	4th Quarter	31,197,015.45
TOTAL		**₱104,689,860.42**

In support of the foregoing, petitioner presented its Schedule of Zero-rated Receipts[34] together with the purported official receipts[35].

Upon verification of the official receipts supporting petitioner's zero-rated sales, the Court finds the amount of ₱4,970,051.04 should be denied VAT zero-rating for the reasons stated hereunder:

Findings	**Reference Exhibit**	**Amount**
The purported supporting official receipt does not tally with the claimed amount of zero-rated sales		
Canon Business Machines (Philippines), Inc.	Exhibit P-8.1-AS-ICPA	₱ 1,238,899.20
The purported supporting official receipts are unreadable		
Canon Business Machines (Philippines), Inc.	Exhibit P-8.1-AV-ICPA	603,500.00
Belton Totoku Philippines Inc.	Exhibit P-8.1-AU-ICPA	1,580,000.00
Supported by official receipt with incomplete date		
OB Kogyo (Philippines) Inc.	Exhibit P-8.1-AY-ICPA	1,200,000.00
Overclaimed zero-rated sales		
Hadoron Studion, Inc.	Exhibit P-8.1-BB-ICPA	
	Per schedule ₱510,000.00	10,000.00
	Per supporting OR ₱500,000.00	
Epson Precision (Philippines), Inc.	Exhibit P-8.1-BF-ICPA	
	Per schedule ₱648,000.00	12,960.00

[34] Annex A.1 of Exhibit "P-47" (Independent CPA Report).
[35] Exhibits "P-8.1-A-ICPA" to "P-8.2-BT-ICPA".

	Per supporting OR ₱635,040.00	
The official receipt issued does not indicate that the payment pertains to zero-rated sales		
Gotoh Philippines Corporation	Exhibit P-8.1-BS-ICPA	324,691.84
TOTAL		**₱4,970,051.04**

Hence, out of the total reported zero-rated sales of ₱104,689,860.42, only the amount of ₱99,719,809.38 (₱104,689,860.42 less ₱4,970,051.04) represents petitioner's valid zero-rated sales.

Having resolved that petitioner had valid VAT zero-rated sales of ₱99,719,809.38 for CY 2014, the Court will now determine the amount of input VAT attributable thereto.

In its Original and Amended Quarterly VAT Returns for calendar year 2014, petitioner declared input VAT in the total amount of ₱12,756,884.44, broken down as follows:

Exhibit	Period Covered	Domestic Purchases of Goods other than Capital Goods	Domestic Purchases of Services	Total
P-8	1st Quarter	₱ 1,329,020.39	₱ 1,479,825.22	₱ 2,808,845.61
P-11	2nd Quarter	2,502,244.67	2,068,155.31	4,570,399.98
P-14	3rd Quarter	972,146.14	1,171,187.56	2,143,333.70
P-17	4th Quarter	1,682,993.48	1,551,311.67	3,234,305.15
	Total	**₱6,486,404.68**	**₱6,270,479.76**	**₱12,756,884.44**

To substantiate the foregoing, petitioner presented in evidence the official receipts and invoices issued by its suppliers.

Upon examination, the Independent CPA, Mr. Michael L. Aguirre, noted the following exceptions in his Report:[36]

Particulars	Input VAT	Reference Annex	Reference Exhibit
Lack of information/noncompliance with invoicing requirements of Official Receipt			
i. Quantity and unit cost not indicated	₱ 4,499.17	Annex C.1-ICPA	Exhibit P-10-A to P-10-S-ICPA
ii. VAT not separately indicated	472.61	Annex C.1-ICPA	Exhibit P-10-T to P-10-Z-ICPA

[36] Exhibit "P-47", Independent CPA Report, p. 8.

No Authority to Print	212.19	Annex C.2-ICPA	
Not a valid source of input VAT	169,102.85	Annex C.3-ICPA	
Out of period documents	105,863.36	Annex C.4-ICPA	
Unreadable entries in the documents	170,626.14	Annex C.5-ICPA	
Amount per source document not tally with schedule	56,738.52	Annex C.6-ICPA	Exhibit P-10-AA to P-10-AS-ICPA
Unsupported purchases	1,795,418.90	Annex C.7-ICPA	
Total	**₱2,302,933.74**		

The Court finds the foregoing exceptions in order. Thus, the amount of ₱2,302,933.74 shall be disallowed for petitioner's failure to meet the substantiation requirements under Sections 110(A), 113(A) and (B), in relation to Sections 237 and 238 of the NIRC of 1997, as amended, and as implemented by Sections 4.110-1, 4.110-2, 4.110-8, and 4.113-1 of RR No. 16-05, as amended.

Further verification of the Independent CPA Report and the supporting documents reveals that the additional input VAT of ₱2,491,962.22 shall likewise be disallowed for the reasons stated below:

Findings	Input vat	Reference
1. Purchases of services supported by documents other than VAT official receipts		
A.B. Franco Builders and Development Corp.	₱ 8,678.57	Exhibit P-9-B-ICPA
Zygnus Sign Services	535.71	Exhibit P-9-BF-ICPA
Zygnus Sign Services	160.71	Exhibit P-9-BG-ICPA
Lon Works Enterprises	5,560.71	Exhibit P-9-CH-ICPA
A.B. Franco Builders and Development Corp.	4,821.43	Exhibit P-9-CJ-ICPA
Lon Works Enterprises	38,571.43	Exhibit P-9-CO-ICPA
Fuji Xerox Philippines, Inc.	203.40	Exhibit P-9-NH-ICPA
Lon Works Enterprises	32,904.87	Exhibit P-9-ADA-ICPA
Firethunder Inc.	15,331.72	Exhibit P-9-ADB-ICPA
Lon Works Enterprises	2,571.43	Exhibit P-9-ADH-ICPA
Firethunder Inc.	43,218.85	Exhibit P-9-AGE-ICPA
Lon Works Enterprises	10,703.57	Exhibit P-9-ALO-ICPA
Lon Works Enterprises	6,000.00	Exhibit P-9-ALP-ICPA
Lon Works Enterprises	3,214.29	Exhibit P-9-ALQ-ICPA
Fluid Systems & Design, Inc.	11,785.71	Exhibit P-9-ARZ-ICPA
Lon Works Enterprises	5,400.00	Exhibit P-9-ATD-ICPA
Lon Works Enterprises	14,700.00	Exhibit P-9-ATE-ICPA
Ruthland Trading & Construction	20,892.86	Exhibit P-9-AUO-ICPA
Lon Works Enterprises	5,357.14	Exhibit P-9-AZX-ICPA
Lon Works Enterprises	2,464.29	Exhibit P-9-AZY-ICPA
Firethunder Inc.	5,357.14	Exhibit P-9-BEL-ICPA
Firethunder Inc.	7,500.00	Exhibit P-9-BKF-ICPA
Niagara Industrial Equipment Corporation	4,821.43	Exhibit P-9-BLW-ICPA
GNR Industrial Services	2,785.71	Exhibit P-9-BNE-ICPA
Four Corners Construction & Development Services	65,505.21	Exhibit P-9-BRX-ICPA
Equiplinknet Trade & Services	17,785.71	Exhibit P-9-BSG-ICPA

Sub-total	***₱ 336,831.89***	
2. Purchases of goods supported by documents other than VAT invoices		
Oriental Photographix & Equipment Company	₱ 3.75	Exhibit P-9-EB-ICPA
Bagong Calzada Enterprises	12,375.00	Exhibit P-9-MB-ICPA
Sub-total	***₱ 12,378.75***	
3. Input VAT on purchases of goods/services supported by computer-generated VAT invoices/official receipts with alterations/insertions of petitioner's TIN and/or address/VAT amount but without countersignature of the issuer		
Canon Marketing (Philippines), Inc.	₱ 921.43	Exhibit P-9-N-ICPA
Canon Marketing (Philippines), Inc.	1,200.00	Exhibit P-9-O-ICPA
Innove Communications, Inc.	245.89	Exhibit P-9-AH-ICPA
Innove Communications, Inc.	1,329.49	Exhibit P-9-AI-ICPA
Sta. Elena Properties Inc	428.57	Exhibit P-9-AZ-ICPA
Litekon Buildtek Corporation	160.71	Exhibit P-9-CL-ICPA
Castech Ind'l Sales, Inc.	2,100.00	Exhibit P-9-DA-ICPA
Greenmetal Electric Manufacturing Corp.	40,178.57	Exhibit P-9-DH-ICPA
Canon Marketing (Philippines), Inc.	1,200.00	Exhibit P-9-DM-ICPA
Innove Communications, Inc.	245.89	Exhibit P-9-FE-ICPA
A.B. Franco Builders and Development Corp.	4,435.71	Exhibit P-9-FG-ICPA
A.B. Franco Builders and Development Corp.	4,917.86	Exhibit P-9-FH-ICPA
A.B. Franco Builders and Development Corp.	1,285.71	Exhibit P-9-FI-ICPA
A.B. Franco Builders and Development Corp.	11,250.00	Exhibit P-9-FJ-ICPA
A.B. Franco Builders and Development Corp.	108,000.00	Exhibit P-9-FK-ICPA
A.B. Franco Builders and Development Corp.	8,871.43	Exhibit P-9-FL-ICPA
Canon Marketing (Philippines), Inc.	921.43	Exhibit P-9-GR-ICPA
Canon Marketing (Philippines), Inc.	717.86	Exhibit P-9-GS-ICPA
Castech Ind'l Sales, Inc.	2,100.00	Exhibit P-9-GV-ICPA
Innove Communications, Inc.	245.89	Exhibit P-9-IF-ICPA
Innove Communications, Inc.	1,292.82	Exhibit P-9-IG-ICPA
Canon Marketing (Philippines), Inc.	910.71	Exhibit P-9-MK-ICPA
Greenmetal Electric Manufacturing Corp.	80,357.14	Exhibit P-9-NX-ICPA
McGraw Engineering	22,500.00	Exhibit P-9-PC-ICPA
Anako Philippines Corp.	13,392.86	Exhibit P-9-TA-ICPA
Anako Philippines Corp.	58,928.57	Exhibit P-9-TB-ICPA
Daikin Airconditioning Philippines Inc.	582,857.14	Exhibit P-9-TO-ICPA
Litekon Buildtek Corporation	1,731.43	Exhibit P-9-WO-ICPA
Litekon Buildtek Corporation	10,388.57	Exhibit P-9-WP-ICPA
Litekon Buildtek Corporation	8,035.71	Exhibit P-9-WQ-ICPA
Meridien Business Leader, Inc	64.18	Exhibit P-9-WW-ICPA
Punongbayan & Araullo	13,200.00	Exhibit P-9-YS-ICPA
Puyat Steel Corp.	3,857.14	Exhibit P-9-YT-ICPA
Weathertech Refrigeration & Aircon Co.	12,535.71	Exhibit P-9-AAQ-ICPA
RTL Industries	4,500.00	Exhibit P-9-ABC-ICPA
FPIP Utilities, Inc.	4,800.00	Exhibit P-9-ABF-ICPA
Canon Marketing (Philippines), Inc.	680.36	Exhibit P-9-ABN-ICPA
Canon Marketing (Philippines), Inc.	1,141.67	Exhibit P-9-ABO.1 to P-9-ABO.2-ICPA
Punongbayan & Araullo	11,880.00	Exhibit P-9-ABR-ICPA
Greenmetal Electric Manufacturing Corp.	375.00	Exhibit P-9-ACB-ICPA
Sherwood Hills Golf Club, Inc.	535.71	Exhibit P-9-ACV-ICPA
Power 08 Transport Service	471.43	Exhibit P-9-ACW-ICPA
Daikin Airconditioning Philippines Inc.	96,428.57	Exhibit P-9-ADG.1 to P-

		9-ADG.2-ICPA
Anako Philippines Corp.	2,357.14	Exhibit P-9-ADI-ICPA
FPIP Utilities, Inc.	1,232.92	Exhibit P-9-ADJ-ICPA
Canon Marketing (Philippines), Inc.	557.14	Exhibit P-9-AEG-ICPA
Delta Star Power Mfg. Corp.	69,642.86	Exhibit P-9-AEJ-ICPA
Unitec Pipe Manufacturing Corporation	2,357.14	Exhibit P-9-AFL-ICPA
Unitec Pipe Manufacturing Corporation	2,089.29	Exhibit P-9-AFM.1 to P-9-AFM.2-ICPA
ACW CompuADD, Inc.	1,821.43	Exhibit P-9-AFN-ICPA
Ace Hardware Philippines Inc	9.59	Exhibit P-9-AHH-ICPA
Anako Philippines Corp.	642.86	Exhibit P-9-AII-ICPA
Anako Philippines Corp.	642.86	Exhibit P-9-AIJ-ICPA
Anako Philippines Corp.	1,767.86	Exhibit P-9-AIK-ICPA
Anako Philippines Corp.	6,964.29	Exhibit P-9-AIL-ICPA
Canon Marketing (Philippines), Inc.	516.43	Exhibit P-9-AIQ-ICPA
Canon Marketing (Philippines), Inc.	876.43	Exhibit P-9-AIR-ICPA
Electroworld Inc	162.86	Exhibit P-9-AJA-ICPA
Litekon Buildtek Corporation	9,642.86	Exhibit P-9-ALM-ICPA
Unitec Pipe Manufacturing Corporation	3,107.14	Exhibit P-9-AQL-ICPA
Anako Philippines Corp.	4,285.71	Exhibit P-9-ARK-ICPA
Daikin Airconditioning Philippines Inc.	4,285.71	Exhibit P-9-ARU-ICPA
Greenmetal Electric Manufacturing Corp.	3,000.00	Exhibit P-9-ASK-ICPA
Greenmetal Electric Manufacturing Corp.	13,392.86	Exhibit P-9-ASL-ICPA
JNJKONS ENTERPRISE	819.65	Exhibit P-9-ASQ-ICPA
Anako Philippines Corp.	10,500.00	Exhibit P-9-AVX-ICPA
Anako Philippines Corp.	1,392.86	Exhibit P-9-AVY-ICPA
Anako Philippines Corp.	321.43	Exhibit P-9-AWM-ICPA
Anako Philippines Corp.	1,285.71	Exhibit P-9-AWN-ICPA
Greenmetal Electric Manufacturing Corp.	300.00	Exhibit P-9-AWQ-ICPA
Greenmetal Electric Manufacturing Corp.	6,428.57	Exhibit P-9-AWR-ICPA
Litekon Buildtek Corporation	257.14	Exhibit P-9-AXJ-ICPA
Canon Marketing (Philippines), Inc.	557.14	Exhibit P-9-AXX-ICPA
Daikin Airconditioning Philippines Inc.	278,571.42	Exhibit P-9-AZT.1 to P-9-AZT.2-ICPA
Inbilla Trading	855.00	Exhibit P-9-BBM-ICPA
Canon Marketing (Philippines), Inc.	642.86	Exhibit P-9-BDE-ICPA
Adi-Asianic Distributors, Inc	74.89	Exhibit P-9-BEX-ICPA
Kultura Store, Inc.	112.42	Exhibit P-9-BFU-ICPA
FPIP Utilities, Inc.	1,200.00	Exhibit P-9-BIZ-ICPA
Philippine Insulation Co., Inc	31,629.77	Exhibit P-9-BLJ-ICPA
Anako Philippines Corp.	3,277.50	Exhibit P-9-BMA-ICPA
Litekon Buildtek Corporation	5,194.29	Exhibit P-9-BPN-ICPA
Mantrade Development Corp.	875.11	Exhibit P-9-BPR-ICPA
FPIP Utilities, Inc.	4,200.00	Exhibit P-9-BPS-ICPA
Greenmetal Electric Manufacturing Corp.	7,767.86	Exhibit P-9-BRT-ICPA
Unitec Pipe Manufacturing Corporation	964.29	Exhibit P-9-BVC-ICPA
Daikin Airconditioning Philippines Inc.	4,178.57	Exhibit P-9-BVN-ICPA
Daikin Airconditioning Philippines Inc.	4,392.86	Exhibit P-9-BVO-ICPA
MRV Refrigeration & Air Conditioning Parts & Supplies	11,640.54	Exhibit P-9-BVX.1 to 9-BVX.4-ICPA
Litekon Buildtek Corporation	22,500.00	Exhibit P-9-BXG.1 to 9-BXG.2-ICPA

Daikin Airconditioning Philippines Inc.	107,035.71	Exhibit P-9-BYI-ICPA
Daikin Airconditioning Philippines Inc.	32,142.86	Exhibit P-9-BYJ-ICPA
Greenmetal Electric Manufacturing Corp.	1,339.29	Exhibit P-9-BYK-ICPA
Weathertech Refrigeration & Aircon Co.	2,785.71	Exhibit P-9-BYU-ICPA
Weathertech Refrigeration & Aircon Co.	36,717.86	Exhibit P-9-BYV.1 to 9-BYV.2-ICPA
Weathertech Refrigeration & Aircon Co.	5,357.14	Exhibit P-9-BYW-ICPA
Daikin Airconditioning Philippines Inc.	2,464.29	Exhibit P-9-BYX-ICPA
Sub-total	***₱1,838,759.28***	
4. Input VAT on purchases of goods/services supported by VAT invoices/official receipts with incorrect/without TIN of petitioner/with correction on TIN but without countersignature of the issuer		
ACW CompuADD, Inc.	₱ 1,982.14	Exhibit P-9-D-ICPA
Alphabuilt Mercantile Corp.	15,410.36	Exhibit P-9-FV.2-ICPA
ACW CompuADD, Inc.	750.00	Exhibit P-9-FM-ICPA
Alphabuilt Mercantile Corp.	41,250.00	Exhibit P-9-GB-ICPA
Alphabuilt Mercantile Corp.	4,071.43	Exhibit P-9-GC-ICPA
Chow Rite Foods, Inc.	37.93	Exhibit P-9-GY-ICPA
Circulated Electrical Supply	81.43	Exhibit P-9-GZ-ICPA
F Jord International Corporation	31.07	Exhibit P-9-HM-ICPA
Fresh N Famous Foods Inc	50.57	Exhibit P-9-HR-ICPA
Fresh N Famous Foods Inc	48.86	Exhibit P-9-HS-ICPA
Fresh N Famous Foods Inc	50.57	Exhibit P-9-HT-ICPA
Hapee's Sizzling Foods	37.82	Exhibit P-9-IA-ICPA
Hapee's Sizzling Foods	12.86	Exhibit P-9-IB-ICPA
Oriental Photographix & Equipment Company	4.28	Exhibit P-9-JM-ICPA
Oriental Photographix & Equipment Company	2.14	Exhibit P-9-JN-ICPA
Peterson Enterprises Corp.	21.42	Exhibit P-9-JR-ICPA
Smart Communications, Inc	375.00	Exhibit P-9-KP-ICPA
Smart Communications, Inc	504.48	Exhibit P-9-KQ-ICPA
Tropical Hut Food Market, Inc	36.96	Exhibit P-9-LD-ICPA
ACW CompuADD, Inc.	535.71	Exhibit P-9-LN-ICPA
ACW CompuADD, Inc.	535.71	Exhibit P-9-LO-ICPA
Andenson Enterprises	10.71	Exhibit P-9-TC-ICPA
Charle's Cellzone	53.57	Exhibit P-9-TL-ICPA
Jollibee Foods Corporation	40.72	Exhibit P-9-VG-ICPA
Jollibee Foods Corporation	41.79	Exhibit P-9-VH-ICPA
Jollibee Foods Corporation	27.86	Exhibit P-9-VI-ICPA
Jollibee Foods Corporation	40.18	Exhibit P-9-VK-ICPA
Jollibee Foods Corporation	27.32	Exhibit P-9-VL-ICPA
Jollibee Foods Corporation	40.39	Exhibit P-9-VM-ICPA
Jollibee Foods Corporation	51.64	Exhibit P-9-VN-ICPA
Jollibee Foods Corporation	40.71	Exhibit P-9-VO-ICPA
Kimly Enterprises	24.11	Exhibit P-9-VR-ICPA
Luckwealth Trading	20.36	Exhibit P-9-WR-ICPA
Mang Inasal	48.64	Exhibit P-9-WS-ICPA
Orisun Enterprises Construction Supply/Hand and Power Tools	31.61	Exhibit P-9-XU-ICPA
Paciano Metro Calamba Star Foods Inc	13.82	Exhibit P-9-XV-ICPA
Robinsons Handyman Inc.	62.09	Exhibit P-9-YV-ICPA
Screwtech Bolts & Nuts	35.79	Exhibit P-9-YY-ICPA
XYZ Hardware and Construction Supply	75.54	Exhibit P-9-AAR-ICPA

XYZ Hardware and Construction Supply	13.93	Exhibit P-9-AAS-ICPA
XYZ Hardware and Construction Supply	32.14	Exhibit P-9-AAT-ICPA
XYZ Hardware and Construction Supply	100.71	Exhibit P-9-AAU-ICPA
XYZ Hardware and Construction Supply	55.71	Exhibit P-9-AAV-ICPA
XYZ Hardware and Construction Supply	8.57	Exhibit P-9-ABB-ICPA
ACW CompuADD, Inc.	1,821.43	Exhibit P-9-AFN-ICPA
ACW CompuADD, Inc.	750.00	Exhibit P-9-AHL-ICPA
Fresh N Famous Foods Inc	49.07	Exhibit P-9-AJN-ICPA
ACW CompuADD, Inc.	1,071.43	Exhibit P-9-AQW-ICPA
ACW CompuADD, Inc.	1,446.43	Exhibit P-9-AZC-ICPA
XYZ Hardware and Construction Supply	131.25	Exhibit P-9-BAS-ICPA
ACW CompuADD, Inc.	2,142.86	Exhibit P-9-BBI-ICPA
Azami Restaurant	928.24	Exhibit P-9-BBS-ICPA
ACW CompuADD, Inc.	375.00	Exhibit P-9-BDL-ICPA
ACW CompuADD, Inc.	375.00	Exhibit P-9-BDQ-ICPA
Four Corners Construction & Development Services	5,142.86	Exhibit P-9-BEA-ICPA
New Alfred Merchandising Corp.	9.64	Exhibit P-9-BGW-ICPA
New Alfred Merchandising Corp.	62.14	Exhibit P-9-BGX-ICPA
Newtex Commercial Center	19.29	Exhibit P-9-BHG-ICPA
Sheraton Plumbing & Construction Supply	32.61	Exhibit P-9-BHR-ICPA
Sin Jiang Trading Corporation	7.28	Exhibit P-9-BHV-ICPA
Charle's Cellzone	52.50	Exhibit P-9-BLR-ICPA
New Ez Kleen Portalet Corporation	910.71	Exhibit P-9-BLY-ICPA
Cerplas Enterprises	32.14	Exhibit P-9-BME-ICPA
ACW Compu ADD, Incorporated	1,607.14	Exhibit P-9-BPT-ICPA
Abenson Ventures Inc	176.36	Exhibit P-9-BQM-ICPA
Alphabuilt Mercantile Corp.	3,851.78	Exhibit P-9-BTC.1 to 9-BTC.3-ICPA
Alphabuilt Mercantile Corp.	24,471.43	Exhibit P-9-BXB.1 to 9-BXB.2-ICPA
Pressure Enthalpy Management System Corp.	26,400.00	Exhibit P-9-BXM-ICPA
Alphabuilt Mercantile Corp.	2,142.86	Exhibit P-9-CAB-ICPA
Sub-total	***₱ 140,738.10***	
5. Input VAT on purchases of goods/services supported by VAT invoices/official receipts issued not in the name of petitioner		
Appetreats & More Convenience Store	₱ 14.03	Exhibit P-9-GE-ICPA
Appetreats & More Convenience Store	8.36	Exhibit P-9-GF-ICPA
Appetreats & More Convenience Store	11.79	Exhibit P-9-GG-ICPA
Batangas II Electric Cooperative, Inc	90.80	Exhibit P-9-GO-ICPA
Meridien Business Leader, Inc	64.26	Exhibit P-9-JA-ICPA
Meridien Business Leader, Inc	64.26	Exhibit P-9-JB-ICPA
Meridien Business Leader, Inc	80.33	Exhibit P-9-JC-ICPA
Meridien Business Leader, Inc	26.76	Exhibit P-9-JD-ICPA
Omegared Petroleum Service Station	53.57	Exhibit P-9-JK-ICPA
Omegared Petroleum Service Station	53.57	Exhibit P-9-JL-ICPA
Professional Parking Management Corp	4.82	Exhibit P-9-KE-ICPA
Proton Microsystems Inc	105.54	Exhibit P-9-KF-ICPA
Super Shopping Market Inc	429.46	Exhibit P-9-KY-ICPA
WPCS (Phils.) Inc.	77.28	Exhibit P-9-LI-ICPA
Appetreats & More Convenience Store	17.04	Exhibit P-9-LK-ICPA
Appetreats & More Convenience Store	12.75	Exhibit P-9-LU-ICPA
Appetreats & More Convenience Store	12.75	Exhibit P-9-LV-ICPA

Citi Hardware Gensan Inc.	25.85	Exhibit P-9-MP-ICPA
Citi Hardware Gensan Inc.	80.97	Exhibit P-9-MQ-ICPA
Ichi Mart	4.23	Exhibit P-9-NY-ICPA
Ichi Mart	45.75	Exhibit P-9-NZ-ICPA
Ichi Mart	9.70	Exhibit P-9-OA-ICPA
Manila International Airport Authority	4.29	Exhibit P-9-OZ-ICPA
Meridien Business Leader, Inc	10.71	Exhibit P-9-PD-ICPA
Office Warehouse Inc.	81.43	Exhibit P-9-PN-ICPA
Omegared Petroleum Service Station	85.71	Exhibit P-9-PO-ICPA
O'Well Corporation	53.57	Exhibit P-9-PP-ICPA
Proton Microsystems Inc	74.46	Exhibit P-9-QO-ICPA
WPCS (Phils.) Inc.	48.21	Exhibit P-9-RO-ICPA
509 Motorist Srvc Cntr Inc.	32.14	Exhibit P-9-RR-ICPA
Abacus Book & Card Corp.	13.88	Exhibit P-9-RY-ICPA
Ace Hardware Philippines Inc	31.58	Exhibit P-9-RZ-ICPA
Alvelson Enterprises	17.68	Exhibit P-9-SY-ICPA
Appetreats & More Convenience Store	13.39	Exhibit P-9-TD-ICPA
Construction Depot Corporation	10.71	Exhibit P-9-TN-ICPA
Danny and Mel Gen Mdse	17.14	Exhibit P-9-TP-ICPA
Ichi Mart	14.57	Exhibit P-9-UW-ICPA
Manila International Airport Authority	4.29	Exhibit P-9-WT-ICPA
Meralco	69.73	Exhibit P-9-WV-ICPA
Park Square Car Park	4.29	Exhibit P-9-XX-ICPA
Super Shopping Market Inc	45.85	Exhibit P-9-ZZ-ICPA
Tokagawa Global Corporation (TGC-Mapma)	3.22	Exhibit P-9-AAG-ICPA
Tokagawa Global Corporation (TGC-Mapma)	3.21	Exhibit P-9-AAH-ICPA
Tokagawa Global Corporation (TGC-Mapma)	3.21	Exhibit P-9-AAI-ICPA
Waltermart Supermarket Inc	52.50	Exhibit P-9-AAP-ICPA
Africa Enterprises	21.43	Exhibit P-9-AFU-ICPA
Abacus Book & Card Corp.	26.22	Exhibit P-9-AHF-ICPA
Ichi Mart	28.29	Exhibit P-9-AKK-ICPA
Meralco	96.47	Exhibit P-9-ALX-ICPA
Mercury Drug Corp	9.75	Exhibit P-9-ALY-ICPA
Mercury Drug Corp	17.04	Exhibit P-9-ALZ-ICPA
Meridien Business Leader, Inc	53.58	Exhibit P-9-AMA-ICPA
PLDT	302.27	Exhibit P-9-ANS-ICPA
WPCS (Phils.) Inc.	66.75	Exhibit P-9-AQR-ICPA
Philippine Postal Corporation	21.43	Exhibit P-9-AXM-ICPA
XYZ Hardware and Construction Supply	50.89	Exhibit P-9-BCV-ICPA
SM Dev't Corp	8.57	Exhibit P-9-BKX-ICPA
SM Dev't Corp	4.29	Exhibit P-9-BKY-ICPA
SM Dev't Corp	4.29	Exhibit P-9-BKZ-ICPA
SM Dev't Corp	4.29	Exhibit P-9-BLA-ICPA
SM Dev't Corp	15.00	Exhibit P-9-BML-ICPA
Waltermart Handyman Inc	11.12	Exhibit P-9-BMS-ICPA
Meralco	76.04	Exhibit P-9-BNG-ICPA
Titanium Star Foods Corporation	64.50	Exhibit P-9-BNM-ICPA
Citi Hardware Gensan Inc.	35.44	Exhibit P-9-BNN-ICPA
Alvelson Enterprises	18.11	Exhibit P-9-BNR-ICPA
CONSOLIDATED GLOBAL IMPORTS INC.	14.14	Exhibit P-9-BNT-ICPA
CONSOLIDATED GLOBAL IMPORTS INC.	5.82	Exhibit P-9-BNU-ICPA

DC Uson Jr Service Station	53.57	Exhibit P-9-BNV-ICPA
Abacus Book & Card Corp.	46.23	Exhibit P-9-BOM-ICPA
Citi Hardware Gensan Inc.	24.32	Exhibit P-9-BON-ICPA
Citi Hardware Gensan Inc.	7.63	Exhibit P-9-BOO-ICPA
Citi Hardware Gensan Inc.	66.94	Exhibit P-9-BOP-ICPA
Meridien Business Leader Inc. (MBL)	0.54	Exhibit P-9-BOR-ICPA
South Luzon Tollway Corporation	11.35	Exhibit P-9-BOS-ICPA
Star Infrastructure Dev't Corp.	2.46	Exhibit P-9-BOT-ICPA
Abacus Book & Card Corp.	14.28	Exhibit P-9-BOV-ICPA
National Book Store	32.30	Exhibit P-9-BOW-ICPA
WPCS (Phils.) Inc.	5.87	Exhibit P-9-BPO-ICPA
Sub-total	***₱ 3,210.86***	
6. Input VAT on purchases of goods/services supported by VAT invoices/official receipts but the VAT amount was not separately indicated therein		
Philippine Pizza, Inc.	₱ 87.64	Exhibit P-9-JV-ICPA
Globe Telecom, Inc.	303.20	Exhibit P-9-NJ-ICPA
Lon Works Enterprises	44,237.98	Exhibit P-9-OV-ICPA
Lon Works Enterprises	6,300.00	Exhibit P-9-OW-ICPA
Lon Works Enterprises	11,121.43	Exhibit P-9-OX-ICPA
Lon Works Enterprises	2,314.29	Exhibit P-9-OY-ICPA
Tuaños Manpower & General Services Inc.	535.71	Exhibit P-9-ACA-ICPA
G.A. Yupangco & Co. Inc.	6,977.06	Exhibit P-9-AVB-ICPA
G.A. Yupangco & Co. Inc.	7,330.30	Exhibit P-9-AVC-ICPA
G.A. Yupangco & Co. Inc.	6,601.54	Exhibit P-9-AZI-ICPA
Sanden Hardware	114.64	Exhibit P-9-BQN-ICPA
Jollibee Foods Corporation	24.22	Exhibit P-9-BQW-ICPA
Lon Works Enterprises	12,107.14	Exhibit P-9-BWX.1 to 9-BWX.2-ICPA
Sub-total	***₱ 98,055.15***	
7. Input VAT on purchases of goods and services supported by invalid sales invoices/official receipts (the ATP of the principal invoices/receipts were issued prior to January 18, 2013)		
Kabisig Engineering	₱ 1,585.71	Exhibit P-9-AN-ICPA
Peter O. Sanchez	5,213.00	Exhibit P-9-AO-ICPA
Peter O. Sanchez	1,285.71	Exhibit P-9-AP-ICPA
Peter O. Sanchez	342.86	Exhibit P-9-AQ-ICPA
Kabisig Engineering	803.57	Exhibit P-9-BK-ICPA
Peter O. Sanchez	3,857.14	Exhibit P-9-CE-ICPA
Peter O. Sanchez/ Kabisig Engineering	535.71	Exhibit P-9-CM-ICPA
Peter O. Sanchez	1,176.47	Exhibit P-9-EA-ICPA
Peter Sanchez	482.14	Exhibit P-9-JO-ICPA
Peter Sanchez	2,647.06	Exhibit P-9-JP-ICPA
Peter Sanchez	1,235.29	Exhibit P-9-PS-ICPA
Peter Sanchez	1,764.71	Exhibit P-9-AFQ-ICPA
Peter Sanchez	4,352.94	Exhibit P-9-ANN-ICPA
Peter Sanchez	1,294.12	Exhibit P-9-ANO-ICPA
Peter Sanchez	24,117.65	Exhibit P-9-ATK-ICPA
Peter Sanchez	1,294.12	Exhibit P-9-ATL-ICPA
Peter Sanchez	1,882.35	Exhibit P-9-ATM-ICPA
Peter Sanchez	705.88	Exhibit P-9-AYV-ICPA
Peter Sanchez	2,000.00	Exhibit P-9-BBF-ICPA
Peter Sanchez	2,705.88	Exhibit P-9-BIS-ICPA

Peter Sanchez	1,529.41	Exhibit P-9-BLN-ICPA
Peter O. Sanchez	1,176.47	Exhibit P-9-BSR-ICPA
Sub-total	***₱ 61,988.19***	
GRAND TOTAL	**₱2,491,962.22**	

Thus, out of petitioner's total reported input VAT on current purchases of ₱12,756,884.44 for the four quarters of CY 2014, only the amount of ₱7,961,988.48 represents its valid input VAT, as follows:

Total Input VAT on Current Purchases per Returns		₱ 12,756,884.44
Less: Disallowances		
Per ICPA Report	₱2,302,933.74	
Per Court's further verification	₱2,491,962.22	4,794,895.96
Valid Input VAT		**₱7,961,988.48**

Consequently, a portion of petitioner's valid input VAT of ₱7,961,988.48 shall be applied against the output VAT liability for the four quarters of CY 2014 in the aggregate amount of ₱5,270,208.10. Hence, only the remaining input VAT of ₱2,691,780.38 can be attributed to the declared zero-rated sales of ₱104,689,860.42, and only the input VAT of ₱2,563,990.68 is attributable to the valid zero-rated sales of ₱99,719,809.38, computed as follows:

Valid Input VAT		₱ 7,961,988.48
Less: Output VAT liability		
1st Quarter	₱ 649,280.14	
2nd Quarter	1,675,064.52	
3rd Quarter	1,823,041.14	
4th Quarter	₱1,122,822.30	5,270,208.10
Excess Input VAT		**₱2,691,780.38**
Divide by Declared Zero-Rated Sales		104,689,860.42
Multiply by Valid Zero-Rated Sales		99,719,809.38
Excess Input VAT attributable to Valid Zero-Rated Sales		**₱2,563,990.68**

Further, petitioner was able to prove that the claimed input VAT of ₱7,486,676.34 for the four quarters of CY 2014 was not applied against any output VAT in the succeeding quarters and the same remained unutilized as the said amount was deducted as "VAT Refund/TCC claimed" in its Amended Quarterly VAT Return for the first[37] quarter of CY 2016. Apparently, the subject claim no longer formed part of the excess input VAT of ₱18,240,651.06[38] as of the fr

[37] Line 23D of Exhibit "P-24", docket, vol. III, p. 1221.
[38] Line 29 of Exhibit "P-24, docket, vol. III, p. 1221.

end of the first quarter of CY 2016 that was to be carried over or applied to the succeeding quarters. As such, it eliminates the possibility that the present claim would be applied to future output VAT liability.

WHEREFORE, premises considered, the instant Petition for Review is **PARTIALLY GRANTED**. Accordingly, respondent is **ORDERED TO REFUND** to petitioner the amount of **₱2,563,990.68**, representing its excess and unutilized input VAT attributable to zero-rated sales for the four quarters of CY 2014.

SO ORDERED.

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

I CONCUR:

Catherine T. Manahan
CATHERINE T. MANAHAN
Associate Justice

ATTESTATION

I attest 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.

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

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Division Chairperson's Attestation, 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.

ROMAN G. DEL ROSARIO
Presiding Justice