CTA Form No. 8

22-000371-0062

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL FIRST DIVISION

CTA CASE NO. 10941

FRANKLIN BAKER COMPANY OF THE PHILIPPINES,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

NOTICE OF DECISION

To:

OFFICE OF THE SOLICITOR GENERAL
134 Amorsolo Street, Legazpi Village
Makati City

ATTY. SYLVIA R. ALMA JOSE
ATTY. CLARISSA J. VIRTUDES-BABARAN
Bureau of Internal Revenue
Room 703, Litigation Divison, BIR National Office Building
Sen. Miriam P. Defensor-Santiago Avenue
Diliman, Quezon City

AGAN MONTENEGRO MALASAGA & CO.
7th Floor, Electra House Building
115-117 Esteban St., Legazpi Village
Makati City 1229

GREETINGS:

You are hereby notified by these presents that on **July 9, 2026,** a Decision was rendered in the above-entitled case, copy of which is attached hereto.

Quezon City, Philippines, **July 13, 2026.**

Atty. Maria Johoanna F. Chan-Te
Executive Clerk of Court III

REPUBLIC OF THE PHILIPPINES
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SPECIAL FIRST DIVISION

FRANKLIN BAKER COMPANY OF THE PHILIPPINES,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA Case No. **10941**

Members:

BACORRO-VILLENA, *Acting Chairperson, and*
CUI-DAVID, *JJ.*

Promulgated:
JUL 09 2026 3:55 PM

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DECISION

BACORRO-VILLENA, J.:

At bar is a Petition for Review[1] filed by petitioner Franklin Baker Company of the Philippines (**petitioner**) on 28 July 2022, pursuant to Section 3(a),[2] Rule 8, in relation to Section 3(a)(1),[3] Rule 4 of the Revised

[1] Division Docket, pp. 6-19.

[2] **SEC. 3.** *Who may appeal; period to file petition.* —
(a) A party adversely affected by a decision, ruling or the inaction of the Commissioner of Internal Revenue on disputed assessments or claims for refund of internal revenue taxes, or by a decision or ruling of the Commissioner of Customs, the Secretary of Finance, the Secretary of Trade and Industry, the Secretary of Agriculture, or a Regional Trial Court in the exercise of its original jurisdiction may appeal to the Court by petition for review filed within thirty days after receipt of a copy of such decision or ruling, or expiration of the period fixed by law for the Commissioner of Internal Revenue to act on the disputed assessments. In case of inaction of the Commissioner of Internal Revenue on claims for refund of internal revenue taxes erroneously or illegally collected, the taxpayer must file a petition for review within the two-year period prescribed by law from payment or collection of the taxes.

[3] **SEC. 3.** *Cases within the jurisdiction of the Court in Division.* – The Court in Division shall exercise:
(a) Exclusive original over or appellate jurisdiction to review by appeal the following:
(1) Decisions of the Commissioner of Internal Revenue in cases involving disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties in relation thereto, or other matters arising under the National Internal Revenue Code or other laws administered by the Bureau of Internal Revenue[.]

Rules of the Court of Tax Appeals (**RRCTA**), seeking to appeal respondent Commissioner of Internal Revenue's (**respondent**'s/**CIR**'s) partial denial of its administrative claim for refund or issuance of tax credit certificate (**TCC**) in the amount of ₱86,392,554.34. The amount claimed represents excess and unutilized input value-added tax (**VAT**) on purchases of goods and services attributable to zero-rated sales for the first (1st), second (2nd), third (3rd) and fourth (4th) quarters of calendar year (**CY**) 2020.

PARTIES OF THE CASE

Petitioner is a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 4th Floor, Phinma Plaza, 39 Plaza Drive, Rockwell Center, Makati City.[4] It is a VAT-registered taxpayer bearing Tax Identification Number (**TIN**) 000-421-318-000, engaged primarily in the manufacture and export of coconut products, including desiccated coconut and coconut oil.[5]

Respondent, on the other hand, is the duly appointed CIR empowered to perform the duties of his or her office, including, among others, the duty to act upon and approve claims for refund or tax credit as provided by law, with office address at the Litigation Division, Room 703, Bureau of Internal Revenue (**BIR**) National Office Building, BIR Road, Diliman, Quezon City, where he or she may be served summons and other legal processes of the Court.[6]

FACTS OF THE CASE

For the 1st to 4th quarters of CY 2020, petitioner filed its Amended Quarterly VAT Returns (**BIR Form No. 2550-Q**) through the BIR's Electronic Filing and Payment System (**eFPS**) facility on the following dates:[7]

Quarter	Period Covered	Date Filed
1st	January to March 2020	04 May 2021
2nd	April to June 2020	05 May 2021

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4 Exhibit "P-6", Division Docket, p. 304.
5 Exhibit "P-5", id., p. 301.
6 Par. 1, Facts Admitted, JSFI, id., p. 117.
7 Exhibits "P-1" to "P-4", id., pp. 292-299.

3rd	July to September 2020	05 May 2021
4th	October to December 2020	06 May 2021

There it declared total sales of ₱3,840,312,807.83, broken down as follows:

Vatable Sales	Zero-rated Sales	Exempt Sales	Total Sales
₱47,277,575.50	₱724,895,565.03	₱28,617,172.60	₱800,790,313.13
61,794,903.92	701,499,917.95	27,026,926.25	790,321,748.12
82,732,844.83	858,801,877.25	38,014,736.10	979,549,458.18
107,417,187.99	1,117,216,480.21	45,017,620.20	1,269,651,288.40
₱299,222,512.24	**₱3,402,413,840.44**	**₱138,676,455.15**	**₱3,840,312,807.83**

For CY 2020, petitioner claimed to have accumulated excess input VAT in the total amount of ₱132,721,695.44 from its current domestic purchases of goods and services, importations and amortized input VAT on purchases of capital goods from previous quarters, as shown in the following tabulation:

Source of Input VAT	1st Quarter[8]	2nd Quarter[9]	3rd Quarter[10]	4th Quarter[11]	CY 2020
Current input VAT					
Domestic Purchases of Goods Other than Capital Goods	₱7,252,464.95	₱6,029,832.27	₱11,008,645.51	₱16,169,270.95	₱40,460,213.68
Importation of Goods Other than Capital Goods	960.00	468,782.00	-	5,430,898.77	5,900,640.77
Domestic Purchases of Services	20,819,477.13	16,283,453.56	23,653,198.70	23,248,153.61	84,004,283.00
Subtotal	***28,072,902.08***	***22,782,067.83***	***34,661,844.21***	***44,848,323.33***	***130,365,137.45***
Deferred input VAT amortized for the period					
Input Tax Deferred on Capital Goods Exceeding P1Million from Previous Quarter	6,759,146.99	6,113,574.20	5,523,080.00	4,950,647.19	6,759,146.99
Less: Input Tax on Purchases of Capital Goods exceeding P1Million deferred for the succeeding period	6,113,574.20	5,523,080.00	4,950,647.19	4,402,589.00	4,402,589.00
Subtotal	***645,572.79***	***590,494.20***	***572,432.81***	***548,058.19***	***2,356,557.99***
TOTAL INPUT VAT	**₱28,718,474.87**	**₱23,372,562.03**	**₱35,234,277.02**	**₱45,396,381.52**	**₱132,721,695.44**

8 Exhibit "P-1", id., pp. 292-293.
9 Exhibit "P-2", id., pp. 294-295.
10 Exhibit "P-3", id., pp. 296-297.
11 Exhibit "P-4", id., pp. 298-299.

On 31 March 2022, petitioner filed with respondent an Application for Tax Credits/Refunds (**BIR Form No. 1914**).[12] In its application, petitioner sought the refund or issuance of a tax credit certificate (**TCC**) for its excess and unutilized creditable input VAT for the 1st to 4th quarters of CY 2020, allegedly attributable to zero-rated sales, in the aggregate amount of ₱94,458,435.98.

On 28 June 2022, petitioner received the VAT Refund Notice dated 07 June 2022[13] (**Refund Notice**) issued by Deputy Commissioner for Operations Group (**DepCom**) Arnel SD. Guballa (**Guballa**). Respondent approved the refund only in the reduced amount of ₱8,065,881.64 and correspondingly denied the remaining balance of ₱86,392,554.34 based on the following grounds:[14]

Claim *per* Application (BIR Form No. 1914)		**₱94,458,435.98**
Deductions from Claim:		
Disallowed input VAT due to non-compliance with invoicing requirements pursuant to Sec. 113 of the [National Internal Revenue Code (**NIRC**) of 1997, as amended] (Annex A.1)	₱(21,253,895.03)	
Disallowed input VAT on importation (Annex A.2)	(961,603.66)	
Disallowed input VAT on Big-ticket purchases (Annex A.3)	(8,883,413.16)	
Deferred input tax (Annex A.4)	(346,746.32)	
Overclaimed/Unsupported input tax (Annex A.5)	(32,356,145.47)	
Discrepancy in vatable sales (subject to 12% VAT) (Annex A.5)	(12,117.94)	
Output tax on disposal of an asset (Annex A.5)	(245,918.88)	
Output tax on unsupported adjustments in taxable sales (Annex A.6)	(113,278.62)	
Adjustment on input tax attributable to exempt sales (Annex A.7)	811,449.84	
Input tax attributable to sales not qualified as VAT zero-rated (Annex A.7)	(23,030,885.10)	₱(86,392,554.34)
Net Allowable for VAT Refund		**₱8,065,881.64**

Aggrieved by the partial denial of its administrative claim, petitioner elevated the matter to this Court by filing its Petition for

12 Exhibit "P-7", id., p. 314.
13 Exhibits "P-9" / "R-4", id., pp. 316-317.
14 Id.

Review on 28 July 2022.[15] Initially, the case was raffled to the Court's Second Division.[16]

PROCEEDINGS BEFORE THE COURT

In its petition before Us, petitioner asserted its entitlement to the remaining ₱86,392,554.34, representing its excess and/or unutilized input VAT attributable to its alleged zero-rated sales for the 1st to 4th quarters of CY 2020, claiming that all the requisites for a successful claim for VAT refund have been duly satisfied, and alleging that: (1) it is a VAT-registered taxpayer; (2) its sales of ₱3,402,413,840.44 are valid zero-rated sales; (3) the excess and/or unutilized input VAT are attributable to its valid zero-rated sales; (4) it has excess input VAT that was not applied against any output VAT liability; (5) it timely filed its administrative and judicial claims for VAT refund; and (6) the excess and/or unutilized input VAT were properly supported by suppliers' invoices, official receipts (**ORs**) and other related supporting documents.

On 03 August 2022, the Court issued Summons[17] to respondent. However, on 07 September 2022, respondent filed a "Motion for Extension of Time to File Answer"[18] *via* registered mail. In its Order dated 12 September 2022,[19] the Court granted the said motion and thereby extended respondent's deadline to file an Answer until 08 October 2022. In compliance therewith, respondent filed his or her Answer[20] through registered mail on 16 September 2022.

In his or her Answer, respondent merely reiterated the grounds upon which the administrative denial was predicated and urged the Court to confine the resolution of the case to a more limited issue of whether the denial was proper given the evidence submitted at the administrative level.

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15 Supra at note 1.
16 Composed of Associate Justice Erlinda P. Uy (Ret.), as Chairperson, Associate Justice Jean Marie A. Bacorro-Villena and Associate Justice Lanee S. Cui-David as Members.
17 Division Docket, p. 63.
18 Id., p. 65.
19 Id., p. 69.
20 Id., pp. 70-78.

The case was thereafter set for pre-trial conference on 26 January 2023.[21] Prior thereto, respondent filed his or her Pre-Trial Brief on 17 October 2022.[22] On the other hand, petitioner submitted its Pre-Trial Brief on 20 January 2023.[23]

In the meantime, respondent filed his or her "Compliance" and transmitted the BIR records, consisting of 653 pages, on 03 October 2022.[24]

On 27 February 2023, the parties filed their Joint Stipulation of Facts and Issues (**JSFI**),[25] which the Court admitted and approved in its Resolution dated 02 March 2023,[26] thereby terminating the pre-trial proceedings. A Pre-Trial Order was issued on 14 March 2023.[27]

In the *interim*, on 27 February 2023, petitioner filed a "Motion to Commission an Independent Certified Public Accountant [**ICPA**]"[28] (**Motion to Commission ICPA**).

Pursuant to Administrative Circular No. 01-2023 (Reorganizing the Divisions of the Court) dated 23 May 2023, the case was transferred to this Court's First Division on 29 May 2023.[29]

During the 27 September 2023 hearing, the Court granted petitioner's Motion to Commission ICPA and consequently, ICPA Enrico T. Pizarro (**Pizarro**) took his oath and was given forty-five (45) days, or until 13 November 2023,[30] to submit his ICPA Report.[31] Thereafter, petitioner presented its second witness, Jannette N. Pel (**Pel**), who testified using her Judicial Affidavit (**JA**) dated 27 July 2022 and Supplemental JA dated 21 September 2023.[32]

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21 See Notice of Pre-Trial Conference dated 20 September 2022, id., pp. 95-96.
22 Id., pp. 102-106
23 Id., pp. 107-112.
24 Id., pp. 97-99.
25 Id., pp. 117-124.
26 Id., p. 132.
27 Id., pp. 143-147.
28 Id., pp. 125-127.
29 Id., p. 154.
30 The 45th day, *i.e.*, 11 November 2023, being a Saturday,
31 See Order dated 27 September 2023, Division Docket, pp. 169-171.
32 Id.

On the witness stand, Pel, petitioner's Finance Manager for Statutory Tax Planning and Compliance, testified that: (1) in the ordinary course of petitioner's business as a manufacturer of coconut food products, petitioner sold the bulk of its manufactured output through export, transactions qualifying as zero-rated sales; (2) on 31 March 2022 , petitioner lodged with respondent an administrative claim for the refund or issuance of a TCC for its excess and unutilized creditable input VAT attributable to zero-rated sales for all four (4) quarters of CY 2020, in the total amount of ₱94,458,435.98; (3) following that submission, the BIR issued Tax Verification Notice (**TVN**) No. TVN201800190825,[33] likewise dated 31 March 2022, initiating the formal verification of petitioner; and (4) on 28 June 2022, petitioner received a Refund Notice, awarding petitioner a refund of only ₱8,065,881.64.[34]

In her cross-examination, Pel clarified that the original copy of the Secretary's Certificate authorizing Atty. Al Bonghanoy (**Atty. Bonghanoy**) to represent petitioner before the BIR in the filing of the administrative claim for refund is in the BIR Records.[35]

No redirect examination followed.[36]

On 13 November 2023, ICPA Pizarro filed his ICPA Report,[37] which the Court noted on 23 November 2023.[38]

During the hearing on 29 November 2023, petitioner presented ICPA Pizarro, who testified by way of his JA dated 22 November 2023.[39]

On the witness stand, ICPA Pizarro testified that he examined petitioner's sales and receipt transactions as well as the input VAT paid or incurred during the period covered. With respect to the former, he confirmed petitioner's VAT-registered status, verified that its sales invoices bore the term "zero-rated" printed prominently thereon, reconciled sales invoices against collection receipts and proof of

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33 Exhibit "P-8", id., p. 315.

34 See Judicial Affidavit (JA) dated 27 July 2022, Exhibit "P-16", id., pp. 45-54; See Supplemental JA dated 21 September 2023, Exhibit "P-24", id., pp. 160-163.

35 TSN dated 27 September 2023, p. 36.

36 Id., p. 37.

37 Exhibit "P-76", Division Docket, pp. 186-217.

38 See Notice of Resolution dated 23 November 2023, id., p. 224.

39 See Order dated 29 November 2023, id., pp. 253-253-A.

remittances, and found that petitioner's zero-rated sales constituted 88.60% of its total sales of ₱3,840,312,537.83. As to the said zero-rated sales, he examined available original copies of suppliers' VAT invoices and official receipts relating to input VAT paid or incurred amounting to ₱88,913,935.22. He excluded therefrom all purchase transactions that failed to satisfy the substantiation requirements on account of incorrect amounts, incorrect VATable classification, supplier non-VAT-registration, or missing supporting documents, and apportioned the remaining allowable input VAT among zero-rated, exempt and VATable sales in accordance with the applicable ratio — ultimately concluding that the total unutilized excess input VAT on zero-rated sales transactions refundable to petitioner amounts to ₱78,653,510.61, representing 83% of petitioner's total claim of ₱94,458,435.98.[40]

During his cross-examination, ICPA Pizarro confirmed that based on the procedures he followed, he found that out of petitioner's total claim of ₱94,458,435.98, the amount that passed substantiation requirements, *i.e.*, the input VAT supported by proper and compliant documentation, stood at approximately ₱85 million. However, he explained that this figure was not yet the final refundable amount, as it still required further allocation to account for petitioner's exempt sales transactions. Because petitioner's sales for CY 2020 included both zero-rated and exempt transactions, the allowable input VAT had to be apportioned in accordance with the ratio of zero-rated to VATable and exempt sales. Further, that it was only after applying this apportionment — isolating the portion of allowable input VAT attributable exclusively to zero-rated sales — that the net refundable amount of ₱78,653,510.61 was derived, representing the share of substantiated input VAT properly allocable to zero-rated sales transactions.[41]

No redirect examination followed.[42]

As there were no other witnesses to be presented, petitioner was given ten (10) days, or until 11 December 2023, to file its Formal Offer of Evidence (**FOE**). Respondent was given five (5) days from receipt thereof to file comment, after which petitioner's FOE would be submitted for

[40] See JA of ICPA Enrico T. Pizarro dated 22 November 2023, Exhibit "P-75", id., pp. 227-251.
[41] TSN dated 29 November 2023, pp. 7-9.
[42] Id., p. 9.

resolution.[43] Respondent's presentation of evidence was set on 15 February 2024[44] and later reset to 21 January 2025[45] for the testimony of Revenue Officer (**RO**) Jan Kevin S. Bautista (**Bautista**).

On 01 December 2023, petitioner filed an "Urgent Motion to Remark Evidence and Defer Submission of [FOE]"[46] (**Urgent Motion**), without respondent's comment despite notice.[47] Acting thereon, the Court granted the same and gave petitioner until 15 March 2024 to file its FOE.[48] In compliance therewith, on 14 March 2024, petitioner filed its FOE.[49]

In a Resolution dated 26 June 2024,[50] the Court, acting on petitioner's FOE, admitted petitioner's exhibits, *except* for Exhibits "**P-11**",[51] for failure to present the original for comparison; "**P-31.489**" for being blurred; "**P-34-1.1**" to "**P-34-1.524**" and "**P-67-1187**" to "**P-67-1214**",[52] for not being found in the case records; and "**P-73**",[53] for failure of the exhibit formally offered and identified to correspond with the document actually marked.

On 17 July 2024, petitioner filed a "Motion for Reconsideration"[54] (**MR**).

43 See Order dated 29 November 2023, Division Docket, pp. 253-253-A.
44 Id.
45 See Notice of Resetting dated 18 November 2024, id., p. 427.
46 Id., pp. 254-257.
47 See Records Verification dated 22 January 2024, id., p. 260.
48 See Notice of Resolution dated 15 February 2024, id., p. 263.
49 Id., pp. 265-291.
50 Id., pp. 405-408.
51

Exhibit No.	Description
"P-11"	Cancelled Check No. 0001046970 drawn in favor of the Petitioner by the BIR for the amount of PhP8,065,881.64.

52

Exhibit No.	Description
"P-34-1.1" to "P-34-1.524"	Source documents used as basis for the Summary of Petitioner's Collection Receipts (Exh. P-34) — VAT zero-rated sales.
"P-67-1187" to "P-67-1214"	Official Receipts used as basis for Summary of Petitioner's Domestic Purchases of Goods with Proper Supporting Documents.

53

Exhibit No.	Description
"P-73"	Summary of Petitioner's Domestic Purchases of Services where the Suppliers are not VAT-registered.

54 Division Docket, pp. 409-412.

On 06 November 2024, the Court denied the prayer for the admission of the excluded Exhibits "**P-11**" and "**P-34-1.51**" to "**P-34-1.100**" and "**P-67-1187**" to "**P-67-1214**", but granted the admission of Exhibits "**P-31.489**", "**P-34-1.1**" to "**P-34-1.50**", "**P-34-1.101**" to "**P-34-1.524**" and "**P-73**".[55]

During the 21 January 2025 hearing, respondent thereafter presented his or her witness, RO Bautista, who testified by way of his JA dated 16 September 2022.[56]

On the witness stand, RO Bautista testified to the results of his examination as embodied in his Memorandum dated 07 June 2022[57] (**Memorandum**): ***first***, the disallowance of input VAT amounting to ₱4,978,716.00 on purchases from big-ticket suppliers for non-compliance with the invoicing requirements under Annex E[58] of RMO No. 47-2020[59] in relation to Section 113 of the National Internal Revenue Code (**NIRC**) of 1997, as amended; and ***second***, the deferment of input VAT amounting to ₱346,746.32 on imported capital goods exceeding the ₱1,000,000.00 monthly threshold under Section 4.110-3 of Revenue Regulations (**RR**) No. 13-2018 in relation to Section 110(A)(2) of the NIRC of 1997, as amended. According to him, these findings reduced the VAT Credit Audit Division (**VCAD**)-recommended refund of ₱8,425,067.59 by ₱359,185.95, leaving the allowable amount of ₱8,065,881.64, computed from the original claim of ₱94,458,435.98 after total deductions of ₱86,033,368.39 on account of, *inter alia*, disallowed input VAT under Section 113 of the NIRC of 1997, as amended (₱21,253,895.03), unsupported input tax (₱32,356,145.47), input tax attributable to exempt sales (₱3,939,580.84), and input tax attributable to sales not qualified for zero-rating (₱23,246,130.79). He attested that petitioner was formally notified of these results through the Refund Notice.[60]

Upon cross-examination, RO Bautista further clarified that: (1) the names appearing in the TVN[61] belonged to the ROs assigned to the VCAD — the processing division — and not to the Tax Audit Review

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55 See Resolution dated 06 November 2024, id., pp. 422-426.
56 See Order dated 21 January 2025, id., pp. 429-430.
57 Exhibit "R-3", BIR Records, pp. 642-644.
58 Verification of Purchases and Input Tax.
59 Consolidated and Updated Guidelines and Procedures on the Processing of Claims for Value-Added Tax Credit/Refund Except Those under the Authority and Jurisdiction of the Legal Group.
60 Exhibit "R-4", supra at note 13; JA of Jan Kevin S. Bautista dated 16 September 2022, Exhibit "R-6", Division Docket, pp. 82-86.
61 Exhibit "P-8", supra at note 33.

Division (**TARD**), to which he belongs; and (2) his name, therefore, could not and would not appear on the TVN's face, as his participation in the proceedings arose not at the stage of initial processing but at the subsequent stage of review. He further explained that the TARD's institutional function is precisely to review the cases already processed by VCAD and that it was in the discharge of this reviewing function that he came to prepare the Memorandum. Additionally, he expounded that the deductions he mentioned were made not against the total input VAT petitioner declared in its quarterly VAT returns for CY 2020 — which he acknowledged was a figure higher than the amount actually claimed — but exclusively against the input VAT petitioner claimed and filed in its VAT Refund Application.[62]

No redirect examination was conducted.[63]

Respondent was then given five (5) days, or until 27 January 2025, to file his or her FOE.[64] In compliance, on 22 January 2025, respondent filed his or her FOE.[65] On 24 January 2025, petitioner filed a "[Comment] On Respondent's [FOE]."[66]

In a Resolution dated 25 April 2025,[67] the Court, acting on respondent's FOE, admitted respondent's exhibits. Accordingly, the parties were granted thirty (30) days from notice to file their respective memoranda, after which the case would be submitted for decision.[68]

On 02 May 2025, respondent filed his or her Memorandum.[69] Following that, petitioner filed its Memorandum on 29 May 2025.[70]

In a Resolution dated 09 July 2025,[71] the Court submitted the case for decision.

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62 TSN dated 21 January 2025, pp. 8-11.
63 Id., p. 11.
64 See Order dated 21 January 2025, supra at note 56.
65 Division Docket, pp. 432-435.
66 Id., pp. 439-442.
67 Id., pp. 448-449.
68 Id.
69 Id., pp. 450-459.
70 Id., pp. 463-499.
71 Id., p. 501.

ISSUE

As can be gleaned from the parties' JSFI,[72] the sole issue for this Court's resolution is –

> WHETHER PETITIONER FRANKLIN BAKER COMPANY OF THE PHILIPPINES IS ENTITLED TO ITS CLAIM FOR REFUND OF ITS ALLEGED UNUTILIZED INPUT VALUE-ADDED TAX (VAT) INCURRED DURING THE FIRST (1^{ST}), SECOND (2^{ND}), THIRD (3^{RD}) AND FOURTH (4^{TH}) QUARTERS OF CALENDAR YEAR 2020 IN THE AMOUNT OF ₱86,392,554.34.

ARGUMENTS

Petitioner anchors its claim upon four (4) cardinal propositions, each of which it submits has been established by competent and unrebutted evidence of record that: (1) its administrative and judicial claims for refund were timely filed within the period prescribed by law; (2) it is a duly VAT-registered entity possessed of the legal capacity to claim a refund of unutilized input VAT; (3) it engaged in zero-rated sales during the four (4) quarters of CY 2020, generating creditable input VAT that remains unutilized; and (4) the amount properly refundable to it is ₱78,653,510.61.

On the substantive merits of its claim, petitioner invokes Section 106(A)(2)(a)[73] of the NIRC of 1997, as amended. Under the said provision, the sale and actual shipment of goods from the Philippines to a foreign country — paid for in acceptable foreign currency duly accounted for in accordance with BSP rules and regulations — constitutes an export sale subject to 0% VAT. According to petitioner, it declared total zero-rated sales amounting to ₱4,061,200,813.55 in its VAT returns for the four (4) quarters of CY 2020, constituting 88.60% of its total sales for the period covered, against which it incurred input VAT from current transactions totaling ₱132,775,695.44, of which — after deducting utilized input VAT and input VAT allocated to exempt sales

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72 See supra at note 25.

73 **SEC. 106.** *Value-Added Tax on Sale of Goods or Properties.*
(A) Rate and Base of Tax. – . . .
. . .
(2) The following sales by VAT-registered persons shall be subject to zero percent (0%) rate:
(a) Export Sales. – . . .

— and sought a refund of ₱94,458,435.98 through its VAT Refund Application. Further, no portion thereof was applied against any output VAT liability in the succeeding taxable quarters.

In support of the proper refundable amount, petitioner relies upon the findings of ICPA Pizarro, who upon his independent examination of its voluminous documentary evidence, determined that after allocating the allowable input VAT properly substantiated in accordance with the ratio of zero-rated sales to total sales *per* quarter, the total unutilized excess input VAT on zero-rated sales transactions properly allocable and refundable to petitioner amounts to ₱78,653,510.61 (out of total allowable input VAT of ₱88,913,795.34, representing 83% of petitioner's total claim of ₱94,458,435.98).

Respondent, for his or her part, opposes the present Petition for Review upon the foundational proposition that petitioner has failed to discharge its burden of substantiating its administrative claim for refund and that, since a decision has already been rendered at the administrative level partially denying said claim (*i.e.*, Refund Notice), the jurisdiction of this Court is strictly appellate in nature — confined not to the conduct of an original trial *de novo* but to the narrower inquiry of whether respondent's findings and denial are consistent with law.

Invoking the ruling of the Supreme Court in *Pilipinas Total Gas, Inc. v. Commissioner of Internal Revenue*,[74] respondent submits that a distinction must be drawn between administrative claims appealed on account of inaction and those denied for the taxpayer's failure to submit complete supporting documents despite notice and request. For where, as here, respondent has rendered a decision on the administrative claim, petitioner bears the burden not merely of proving its entitlement to a refund before this Court, but of demonstrating that its administrative claim should have been granted in the first instance — a burden it cannot discharge by tendering before this Court documents it failed to submit at the administrative level. Quoting the Supreme Court, respondent asserts that "a taxpayer cannot cure its failure to submit a document requested by the BIR at the administrative level by filing the said document before the CTA."

[74] G.R. No. 207112, 08 December 2015.

Respondent further urges this Court to accord great weight and even finality to his or her administrative findings under the doctrine of conclusiveness of administrative findings of fact. Owing to the administrative bodies' special knowledge and expertise they are entitled to great respect and are binding upon the courts absent any clear showing of abuse, arbitrariness, or capriciousness. Respondent likewise invokes the settled principle that claims for tax refund, partaking of the nature of tax exemptions, are construed *strictissimi juris* against the claimant and liberally in favor of the taxing authority, regarded as in derogation of sovereign authority, and cannot be allowed unless granted in the most explicit and categorical language — a standard petitioner has manifestly failed to satisfy with respect to the disallowed portions of its claim.

RULING OF THE COURT

After a careful and thorough evaluation of the parties' respective evidence and the applicable laws, rules and regulations, the Court finds the instant petition bereft of merit.

Petitioner anchors its claim on Sections 110(B)[75], 112(A) and (C) of the NIRC of 1997, as amended by Republic Act (**RA**) No. 10963 or Tax Reform for Acceleration and Inclusion (**TRAIN**), which are quoted hereunder:

> ...
> **SEC. 110**. *Tax Credits*. —
> ...
>
> (B) *Excess Output or Input Tax*. — If at the end of any taxable quarter the output tax exceeds the input tax, the excess shall be paid by the VAT-registered person. If the input tax exceeds the output tax, the excess shall be carried over to the succeeding quarter or quarters: *Provided, however*, That any input tax attributable to zero-rated sales by a VAT-registered person may at his option be refunded or credited against other internal revenue taxes, subject to the provisions of Section 112.
> ...

[75] As amended by Republic Act No. 9361, "AN ACT AMENDING SECTION 110(B) OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES".

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 or 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.

...

(C) *Period within which Refund of Input Taxes shall be Made.* — In proper cases, the Commissioner shall grant a refund for creditable input taxes within ninety (90) days **from the date of submission of the official receipts or invoices and other documents in support of the application** filed in accordance with Subsections (A) and (B) hereof: *Provided,* That should the Commissioner find that the grant of refund is not proper, the Commissioner must state in writing the legal and factual basis for the denial.

In case of full or partial denial of the claim for tax refund, the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the claim, appeal the decision with the Court of Tax Appeals: *Provided, however,* That failure on the part of any official, agent, or employee of the BIR to act on the application within the ninety (90)-day period shall be punishable under Section 269 of this Code.[76]

...

In *Commissioner of Internal Revenue v. Deutsche Knowledge Services Pte. Ltd.*[77] (**Deutsche Knowledge Services**), the Supreme Court laid down the requisites for the entitlement to tax refund or credit of excess input VAT attributable to zero-rated sales, to wit:

---

[76] Emphasis supplied and italics in the original text.

[77] G.R. No. 234445, 15 July 2020; Citations omitted.

> ...
> Under Section 4.112-1(a) of Revenue Regulations No. (RR) 16-05, otherwise known as the Consolidated VAT Regulations of 2005, in relation to Section 112 of the Tax Code, a claimant's entitlement to a tax refund or credit of excess input VAT attributable to zero-rated sales hinges upon the following requisites: "(1) the taxpayer must be VAT-registered; (2) the taxpayer must be engaged in sales which are zero-rated or effectively zero-rated; (3) the claim must be filed within two years after the close of the taxable quarter when such sales were made; and (4) the creditable input tax due or paid must be attributable to such sales, except the transitional input tax, to the extent that such input tax has not been applied against the output tax."
> ...

Applying the foregoing legal framework, the Court proceeds to determine whether petitioner complied with each of the aforementioned requisites. For an orderly discussion, the Court shall begin with the *3rd requisite* and followed by the *1st* and *2nd requisites*.

THIRD (3RD) REQUISITE:
THE CLAIM MUST BE FILED WITHIN TWO (2) YEARS AFTER THE CLOSE OF THE TAXABLE QUARTER WHEN SUCH SALES ARE MADE.

Under Section 112(A) and (C)[78] of the NIRC of 1997, as amended by TRAIN, the administrative claim for refund of unutilized 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 are made. Following the expiration of respondent's ninety (90)-day period to act on the administrative claim, the taxpayer has 30 days within which to elevate the matter to this Court.

Petitioner's present claim covers the 1st to 4th quarters of CY 2020. Counting two (2) years from the close of the respective taxable quarters, petitioner had until the following dates to file its administrative claim:

Period Covered	Close of the Taxable Quarter	Last Day to File Administrative Claim
1st quarter (01 January to 31 March 2020)	31 March 2020	31 March 2022

[78] Supra at p. 15.

2nd quarter (01 April to 30 June 2020)	30 June 2020	30 June 2022
3rd quarter (01 July to 30 September 2020)	30 September 2020	30 September 2022
4th quarter (01 October to 31 December 2020)	31 December 2020	31 December 2022

The records show that petitioner filed its administrative claim for VAT refund on 31 March 2022[79] — well within the two (2)-year prescriptive period for all four (4) quarters of CY 2020. The administrative claim was, accordingly, timely filed.

As to petitioner's judicial claim, respondent had 90 days from the submission of the administrative claim — or until 29 June 2022 — within which to act. Petitioner received the Refund Notice on 28 June 2022[80] and had 30 days from that date to file the instant Petition for Review. On 28 July 2022,[81] petitioner filed the present petition thus falls squarely within the 30-day period. Accordingly, the judicial claim was therefore timely filed.

The Court accordingly finds that petitioner satisfied the *3rd requisite.*

FIRST (1ST) REQUISITE:
PETITIONER MUST BE VALUE-ADDED TAX (VAT)-REGISTERED.

The records leave no room for dispute on this point. Petitioner is a VAT-registered taxpayer with TIN 000-421-318-000, as evidenced by its BIR Certificate of Registration (**COR**) No. xRC0000995351E.[82] Petitioner thus complied with the *1st requisite.*

SECOND (2ND) REQUISITE:
PETITIONER MUST BE ENGAGED IN SALES WHICH ARE ZERO-RATED OR EFFECTIVELY ZERO-RATED.

79 Supra at note 12.
80 Supra at note 13.
81 Supra at note 1.
82 Exhibit "P-5", supra at note 5.

The 2nd *requisite* demands that the taxpayer be engaged in zero-rated or effectively zero-rated sales. Petitioner reports total zero-rated sales for CY 2020 in the amount of ₱3,402,413,840.44, consisting of two (2) broad categories: (1) sales to entities registered with the Philippine Economic Zone Authority (**PEZA**) or the Board of Investments (**BOI**) – Renewable Energy (**RE**), in the amount of ₱105,622,368.31; and (2) direct export sales to nonresident foreign corporations (**NRFCs**), in the amount of ₱3,296,791,472.13, as shown in the following tabulation:[83]

I. Sales registered with PEZA, and BOI-RE				
Customer		Country of Destination	Registration Type	Amount
1	BIOENERGY 8 CORPORATION	Philippines	BOI-RE	₱70,251,832.40
2	ECONERGY CORPORATION		BOI-RE	3,445,470.00
3	FRANKLIN BAKER, INCORPORATED		PEZA	31,093,116.28
4	PUREBEV INTERNATIONAL CORPORATION		-	831,949.63
Total Sales				***₱105,622,368.31***

II. Sales to NRFCs (Direct export sales)			
Customer		Country of Destination	Amount
1	AB BODEN & LINDEBERG	Sweden	₱4,459,267.12
2	AGROIMPEX LTD.	Georgia	13,278,407.10
3	AIC INGREDIENTS SDN BHD	Malaysia	31,621,639.23
4	AIN FOODS CO. LTD.	Japan	7,674,821.90
5	ALL MARKET SINGAPORE PTE LTD.	Singapore	72,490,045.20
6	ALMOND LABORATORIOS	Spain	5,897,435.52
7	ALVAS IR KO	Lithuania	708,596.05
8	ARASCO FOOD B.V.	Romania	74,280,233.81
9	ASIAN SEA CORPORATION PUBLIC COMPANY LIMITED	Thailand	6,455,197.20
10	ATKINSON CANDY CO.	United States	2,525,142.40
11	AUGUST TOPFER & CO.	Germany	6,667,332.15
12	BA SPORTS NUTRITION, LLC	United States	196,920.49
13	BAGLEY ARGENTINA S.A.	Argentina	3,184,056.15
14	BAGLEY CHILE S.A.	Chile	1,675,723.41
15	BAKERS CHOICE PREMIUMS SDN. BHD.	Malaysia	13,142,596.80
16	BARISTIRAN BAHARAT VE KIMYEVI MADDELER TIC A.S.	Turkey	86,359,048.11
17	BASE AND MIX GENERAL TRADING LLC	United Arab Emirates	1,412,344.56
18	BATORY FOODS	United States	7,855,516.76
19	BAVOSI S.A.	Argentina	20,195,911.25
20	BLAS CO SRL	Paraguay	567,951.00
21	BOUNTIFUL VENTURESSDN BHD	Malaysia	133,544.64
22	BROOKE HOLDINGS LTD.	New Zealand	568,883.67
23	BROOKLYN BANANA	United States	21,350,151.92

83 Exhibit "P-31", USB (Exhibit "P-77").

24	CADBURY CONFECTIONERY MALAYSIA SDN BHD	Malaysia	439,412.23
25	CALDIC CANADA INC.	Canada	20,792,770.23
26	CAMBRIDGE COMMODITIES, INC.	United States	2,345,579.25
27	CARRINGTON FARMS	United States	4,499,550.72
28	CATZ INTERNATIONAL B.V.	Netherlands	30,270,263.30
29	CHOCOLATES GAROTO LTDA	Brazil	54,163,559.34
30	CNS CONFECTIONERY PRODUCTS, LLC	United States	11,776,081.82
31	COPRA INDUSTRIA ALIMENTICIA LTDA	Brazil	11,399,892.40
32	DIMERCO COMERCIAL S.A.	Chile	6,908,663.84
33	DO-IT BV	Netherlands	32,036,907.04
34	DONG AM CORPORATION	Korea, Republic of	4,441,947.13
35	DUCOCO ALIMENTOS SA	Brazil	11,046,188.16
36	ED & COMPANY LTD.	Korea, Republic of	672,803.10
37	EKOPIRK	Lithuania	2,450,412.64
38	ELEVEN & SUN GMBH	Iran (Islamic Republic of)	3,507,050.62
39	EMPRESAS CAROZZI S.A.	Chile	1,483,000.55
40	ETG S.A.	Paraguay	4,896,398.00
41	EURO CHEMO-PHARMA SDN BHD	Malaysia	214,449.21
42	EXCLUSIVE FOODS INTERNATIONAL L.P.	United States	15,797,444.79
43	FAIRTECK HOLDING PTE LTD.	United Kingdom	235,984,744.45
44	FOOD COATINGS INTERNATIONAL LIMITED	Thailand	668,481.95
45	FRUTOS Y ESPECIAS SAC	Peru	1,586,676.00
46	FXM INTERNATIONAL, LLC	Mexico	10,753,557.75
47	GIUSTO FARAVELLI	Italy	9,825,616.18
48	GOOD-FOOD POSTAVKA, LLC	Russian Federation	2,135,112.00
49	GRUPO INDUSTRIAL ALIMENTICIO S.A.	Guatemala	8,368,901.04
50	GUVI FOODS SA DE CV	Mexico	5,921,343.80
51	HANCOLE INDUSTRIES LIMITED	Hong Kong	921,668.44
52	HELIOS INGREDIENTS LTD.	United Kingdom	81,363,166.58
53	HENDAMI TRADING EST	Saudi Arabia	14,091,378.42
54	HERSHEY TRADING GmbH	Switzerland	200,379,749.01
55	HJ LANGDON & CO. (NZ) LTD.	New Zealand	2,168,088.12
56	INABATA KORYO CO. LTD.	Japan	288,480.00
57	INES GLOBAL CO. LTD.	Korea, Democratic People's Republic	519,438.18
58	INTERNATIONAL CENTER GROUP FOR FOOD STUFF CO.	Kuwait	1,395,662.40
59	INTERNATIONAL COCONUT CRP	United States	37,309,317.88
60	IPRODESA SAS	Colombia	8,812,878.16
61	ISHIHARA CO. LTD.	Japan	4,030,538.52
62	ITI TROPICALS	Singapore	53,852,442.63
63	JENALI TRADING PTY LTD.	Australia	3,682,322.41
64	KAURI ANZ LTD.	Australia	6,827,200.93
65	KAURI NEW ZEALAND LIMITED	New Zealand	2,988,524.49
66	LA TOURANGELLE ARTISAN OILS	United States	18,899,362.20
67	LANGDON INGREDIENTS	Australia	1,045,485.55
68	LODISER SA	Argentina	6,276,458.24
69	LOIRET & HAENTJENS S.A.	France	98,326,627.39
70	MARX BROTHERS, INC.	United States	99,453,982.97

71	MATIAS ARIEL OTERO	Argentina	1,280,885.86
72	MELAR S.A.	Argentina	3,043,211.22
73	MOLITALIA S.A. (CAROZZI)	Peru	1,218,561.18
74	MONDELEZ KINH DO VIETNAM JOINT STOCK COMPANY	Vietnam	2,192,099.24
75	MULTITARGET S.A.	Uruguay	20,612,945.06
76	NATIONAL BISCUIT INDUSTRIES LTD SAOG	Oman	3,100,880.46
77	NATURAL RAW C PTY LTD.	Australia	4,737,013.33
78	NESTLE BRASIL LTDA	Brazil	1,764,904.28
79	NESTLE CHILE SA	Chile	8,268,208.10
80	NESTLE DE COLOMBIA S.A.	Colombia	7,740,387.00
81	NESTLE DUBAI MANUFACTURING LLC	United Arab Emirates	59,741.10
82	NESTLE VENEZUELA S.A.	Venezuela	2,671,058.73
83	NEWLY WEDS FOODS (THAILAND) LIMITED	Thailand	14,608,412.11
84	NEWLY WEDS FOODS INDIA PVT. LTD.	India	8,503.58
85	NHONG SHIM KELLOGG CO., LTD.	Korea, Republic of	1,290,379.18
86	NUTIVA	United States	3,341,670.00
87	NUTRAKEM SDN. BHD.	Malaysia	81,019.10
88	NUTRICION Y ALIMENTOS S.A.	Chile	5,418,122.58
89	OMAR BURGOS ESTEBAN	Colombia	13,763,498.93
90	ONE TIME CUSTOMER	Japan	2,820.98
91	ORGANIC PARTNERS INT'L, LLC	United States	1,586,640.00
92	PALETERIA LA MICHOACANA	United States	3,386,944.00
93	PATEN INGREDIENTS PTE LTD.	South Africa	212,149,187.92
94	PHOON HUAT PTE LTD.	Singapore	598,658.25
95	PT BUMI MENARA INTERNUSA	Indonesia	8,957,802.97
96	PT. HON CHUAN INDONESIA	Indonesia	66,176.98
97	PURE SALES INC.	United States	5,183,123.60
98	PURITY ORGANIC, LLC	United States	10,677,832.23
99	R & B FOOD SUPPLY CO. LTD.	Thailand	119,893.80
100	R & B FOOD SUPPLY PUBLIC CO LIMITED	Thailand	734,953.93
101	RUKA PAINE S.R.L.3	Argentina	3,088,688.91
102	SANFRUT LTD.	Switzerland	6,498,435.71
103	SCALZO FOOD INDUSTRIES	New Zealand	89,913,655.31
104	SEAGULL TRADING COMPANY LTD.	China	77,388,470.27
105	SEVILLE PRODUCTS LIMITED	United Arab Emirates	1,918,030.08
106	SHINN CHERNG CO.	Taiwan	1,983,826.04
107	SILCOM S.A.	Uruguay	2,390,099.40
108	SMIRKS LTD.	United States	33,457,313.76
109	SOCOCO S.A. IND. ALIMENTICIAS	Brazil	20,140,220.00
110	SOLDO HNOS. SA	Uruguay	2,483,215.15
111	SORPOL LTD.	Israel	23,741,615.22
112	SUNCO FOODS, INC.	Canada	14,486,215.70
113	SUPER DE ALIMENTOS S.A.S	Colombia	8,754,218.55
114	TABATA INC.	Japan	1,700,638.64
115	TAIKA SEAFOOD CORPORATION	Vietnam	268,031.84
116	TECHNO CHEM TRADING	Bahrain	1,408,264.14
117	TECNISPICE, S.A.	El Salvador	1,152,808.56

118	THAI COCONUT PUBLIC COMPANY LIMITED	Thailand	34,680,913.99
119	THAI ROYAL FROZEN FOOD CO. LTD.	Thailand	4,783,534.76
120	THE HONEST KITCHEN	United States	7,741,624.35
121	TRAILBLAZER FOODS	United States	10,969,782.72
122	UFM FOOD CENTRE CO. LTD.	Thailand	2,902,242.00
123	UNIPEX DAIRY PRODUCTS CO LTD (FOODSTUFFS BRANCH	United Arab Emirates	3,374,205.88
124	URC (THAILAND) CO. LTD.	Thailand	2,117,968.28
125	Varistor AG	Switzerland	6,146,555.76
126	VERDE INTERNATIONAL TRADING LTD.	Hong Kong	1,011,020,277.46
127	VOICEVALE GMBH	Germany	29,042,315.58
128	VOORTMAN COOKIES LTD.	Canada	2,687,924.25
129	YME KUIPER BV	Netherlands	3,830,616.17
130	YOURHARVEST AG	Switzerland	1,491,773.40
131	RED V FOODS CORP.	Philippines[84]	26,842,108.00
Total Direct Export Sales			***₱3,296,791,472.08***
TOTAL ZERO-RATED SALES			**₱3,402,413,840.39**[85]

An examination of each category will be in order.

I. SALES TO PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA)/ BOARD OF INVESTMENTS (BOI)-REGISTERED ENTITIES.

A. Sales to Franklin Baker, Incorporated

Petitioner avers that its sales to Franklin Baker, Incorporated (**FBI**), a purportedly PEZA-registered enterprise, in the amount of ₱31,093,116.28, qualify for VAT zero-rating pursuant to Sections 106(A)(2)(a)(5) and 108(B)(3) of the NIRC of 1997, as amended by TRAIN, which read:

> ...
>
> **SEC. 106.** *Value-added Tax on Sale of Goods or Properties.* —
>
> (A) *Rate and Base of Tax.* - There shall be levied, assessed and collected on every sale, barter or exchange of goods or properties, a value-added tax equivalent to twelve percent (12%) of the gross selling

84 Country of destination *per* sales invoice is USA but indicated as Philippines in the *summary of zero-rated sales* schedule of the ICPA.

85 With a ₱0.05 difference against the total zero-rated sales per VAT Returns.

price or gross value in money of the goods or properties sold, bartered or exchanged, such tax to be paid by the seller or transferor.

...

(2) The following sales by VAT-registered persons shall be subject to zero percent (0%) rate:

(a) *Export Sales.* - The term '*export sales*' means:

...

(5) Those **considered export sales** under Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, and **other special laws**[.]

...

SEC. 108. *Value-added Tax on Sale of Services and Use or Lease of Properties.* —

...

(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:

...

(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[.][86]

...

The special law applicable to this case is RA 7916,[87] as amended by RA 8748,[88] otherwise known as "The Special Economic Zone Act of 1995". Sections 8 and 24 thereof read:

...

SEC. 8. *ECOZONE to be Operated and Managed as Separate Customs Territory.* - **The ECOZONES 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

86 Emphasis supplied and italics in the original text.

87 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.

88 AN ACT AMENDING REPUBLIC ACT NO. 7916, OTHERWISE KNOWN AS THE "SPECIAL ECONOMIC ZONE ACT OF 1995".

pertinent regulations of the Department of Trade and Industry and/or the Department of Finance.

...

SEC. 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. In lieu thereof, five percent (5%) of the gross income earned by all business enterprises within the ECOZONE shall be paid and remitted** as follows:

(a) Three percent (3%) to the National Government;

(b) Two percent (2%) which shall be directly remitted by the business establishments to the treasurer's office of the municipality or city where the enterprise is located.[89]

...

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. In the case of *Commissioner of Internal Revenue v. Toshiba Information Equipment (Phils.), Inc.*,[90] the Supreme Court elucidated thusly —

...

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

... 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

[89] Emphasis supplied and italics in the original text.

[90] G.R. No. 150154, 09 August 2005; Citations omitted and emphasis supplied.

> 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?
>
> **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.[91]
>
> ...

The Cross-Border Doctrine mandates "that no VAT shall be imposed to form part of the cost of goods destined for consumption outside the territorial border of the taxing authority".[92] On the other hand, the Destination Principle requires that "goods and services are taxed only in the country where these are consumed".[93] Together, they compel the conclusion that a sale is zero-rated only when the goods are consumed, or the services rendered, within the ECOZONE — that fictional foreign territory carved out by law.

Based on the foregoing, in order for a sale of goods and services to PEZA-registered entities to qualify for VAT zero-rating under Sections

[91] Now at 12% Value-Added Tax (VAT) rate.
[92] *Commissioner of Internal Revenue v. Filminera Resources Corporation*, G.R. No. 236325, 16 September 2020.
[93] Id.

106(A)(2)(a)(5) and 108(B)(3) of the NIRC of 1997, as amended, the following essential elements must be present —

1. The sale was made by a VAT-registered person;
2. The sale of goods must be to a PEZA-registered entity; and
3. It must be shown that the goods were consumed, or the services were rendered in the ECOZONE.

As determined earlier, petitioner is a VAT-registered entity. Hence, the *first* essential element was already fulfilled.

Relative to the *second* essential element, petitioner did not formally offer in evidence FBI's PEZA registration or certification for CY 2020. While a thorough and meticulous examination of the BIR Records discloses that photocopies of FBI's PEZA Certifications, dated 20 March 2020[94] and 22 December 2020,[95] were incorporated therein, the Court cannot accord them evidentiary weight. The governing rule is categorical — Section 34, Rule 132 of the Revised Rules on Evidence (**RRE**), as amended, which provides that "[t]he court shall consider no evidence which has not been formally offered . . . [t]he purpose for which the evidence is offered must be specified." It is settled that the formal offer is not a procedural nicety to be dispensed with at the Court's convenience. It is intertwined with the constitutional guarantee of due process since the parties must be given the opportunity to review the evidence submitted against them and take the necessary actions to secure their case.[96] Likewise, it is the mechanism by which parties apprise the Court the purpose for which evidence is submitted.[97]

Even if the Court were to relax the formal offer requirement, the exception is narrow and demands the concurrent satisfaction of two stringent conditions: (1) the evidence must have been duly identified by testimony duly recorded in the proceedings; and (2) the same must have been incorporated in the records of the case.[98] While the photocopies may have found their way into the record, no witness specifically identified them during the proceedings. The first condition is, thus,

---

94 BIR Records (Exhibit "R-5"), p. 154.

95 Id., p. 153.

96 *Joenar Vargas Agravante v. Commission on Elections, et al.*, G.R. No. 264029, 08 August 2023.

97 See *Republic of the Philippines v. Fe Roa Gimenez and Ignacio B. Gimenez*, G.R. No. 174673, 11 January 2016.

98 *Commissioner of Internal Revenue v. Jerry Ocier*, G.R. No. 192023, 21 November 2018.

unmet and the relaxation of the formal offer rule is unavailable to petitioner.

Additionally, even on the assumption that We were to admit these certifications, petitioner's claim would still fail on the *third* essential element — which petitioner made no effort whatsoever to establish.

On the *third* element, the Court draws indispensable guidance from the Supreme Court's pronouncements in *Coral Bay Nickel Corporation v. Commissioner of Internal Revenue*[99] (**2016 Coral Bay**), where the High Court denied Coral Bay's appeal upon finding that the *locus* of the subject purchases of goods and services was **within the ECOZONE** and that such purchases were destined for consumption therein. Consequently, the transactions should have been zero-rated, and Coral Bay was not entitled to claim a refund for purchases already falling within the ambit of 0% VAT, to wit:

> ...
> The petitioner's principal office was located in Barangay Rio Tuba, Bataraza, Palawan. Its plant site was specifically located inside the Rio Tuba Export Processing Zone — a special economic zone (ECOZONE) created by Proclamation No. 304, Series of 2002, in relation to Republic Act No. 7916. As such, the purchases of goods and services by the petitioner that were destined for consumption within the ECOZONE should be free of VAT; hence, no input VAT should then be paid on such purchases, rendering the petitioner not entitled to claim a tax refund or credit. Verily, if the petitioner had paid the input VAT, the CTA was correct in holding that the petitioner's proper recourse was not against the Government but against the seller who had shifted to it the output VAT following RMC No. 42-03, which provides[.]
> ...

Apropos is the recent case of *Coral Bay Nickel Corporation v. Commissioner of Internal Revenue*[100] (**2025 Coral Bay**), the Supreme Court sustained Coral Bay's appeal, holding this time that Coral Bay had sufficiently established that the goods in question were consumed, and the services rendered, **outside the ECOZONE**, *viz*:

99 G.R. No. 190506, 13 June 2016; Citations omitted.
100 G.R. Nos. 251333-34, 05 March 2025; Citations omitted and emphasis supplied.

> ...
>
> **VAT is a tax on consumption**. As such, the cross-border doctrine and the destination principle apply. Indeed, the situs of VAT is determined by **where goods are consumed or where services are rendered**.
>
> ...
>
> Applied to the present case, the CTA *En Banc* erred in treating Coral Bay as an absolutely VAT-exempt entity and declaring that its purchase of services outside of the ecozone should likewise be subject to zero-rating.
>
> **Having been consumed outside of the ecozone, the cross-border doctrine finds no application**. The same could not have been deemed "exported" to Coral Bay. Having been rendered within the Philippines' customs territory, it is naturally subject to national internal revenue laws such as VAT.
>
> ...

What emerges unmistakably from both *Coral Bay* rulings is that the status of the buyer as a PEZA-registered entity does not, by itself and without more, *ipso facto* render the sale zero-rated. The VAT treatment turns decisively on the *locus* of consumption — where the goods were ultimately consumed or the services ultimately rendered. This is not a technicality; it is the very animating principle of the Cross-Border Doctrine and the Destination Principle.

In the present case, petitioner never specifically alleged, much less proved, that its sales to FBI were consumed within the ECOZONE. A careful and perspicacious review of petitioner's pleadings, judicial affidavits and pieces of evidence yields no averment to this effect — not so much as a passing assertion that the *desiccated coconut products* it sold to FBI were received, processed, or consumed within the confines of the relevant ECOZONE. The omission is not a mere oversight. It is a fatal gap in petitioner's evidentiary record. Petitioner's invoices[101] themselves are of no help — they describe the nature of the subject transactions simply as "*desiccated coconut*," without any indication of destination, delivery point, or place of consumption. Petitioner likewise

[101] Exhibits "P-31.45", "P-31.57", "P-31.61", "P-31.63", "P-31.75", "P-31.80", "P-31.91", "P-31.92", "P-31.93", "P-31.94", "P-31.95", "P-31.134", "P-31.402", "P-31.403", "P-31.401", "P-31.442", "P-31.443", "P-31.459", "P-31.460", "P-31.472", "P-31.473", "P-31.480", "P-31.481", "P-31.482", "P-31.509", "P-31.510", "P-31.511", "P-31.512", "P-31.513", "P-31.527", "P-31.526", "P-31.529", "P-31.536", "P-31.765", "P-31.895", "P-31.903", "P-31.923", "P-31.924", "P-31.972", "P-31.973", "P-31.981", "P-31.988", "P-31.1003", "P-31.1019", "P-31.1037", "P-31.1186", "P-31.1187", "P-31.1207", "P-31.1344", "P-31.1345", "P-31.1464" and "P-31 .1650", USB (Exhibit "P-77").

failed to present the relevant purchase orders, sales contracts, or delivery records that might have shed light on where the goods were ultimately consumed. In the absence of such foundational evidence, the Court is left without any reliable basis upon which to conclude that the *third* element has been satisfied.

Claims for tax refund or TCC occupy a unique and demanding position in our jurisprudence. They are scrutinized with exacting rigor — *strictissimi juris* — precisely because they partake of the nature of a claim for tax exemption and run counter to the State's inherent right to tax.[102] Petitioner's failure to discharge its burden of proof on all essential elements — and particularly on the element of *locus* — is fatal.

The sales to FBI, in the total amount of ₱31,093,116.28, therefore do not qualify for VAT zero-rating.

B. Sales to Bioenergy 8 Corporation, Econergy Corporation and Purebev International Corporation

Petitioner further contends that its sales to Bioenergy 8 Corporation (**Bioenergy**) and Econergy Corporation (**Econergy**), characterized as RE Developers, likewise qualify for VAT zero-rating pursuant to Section 15(g) of RA 9513, which reads:

> ...
>
> CHAPTER VII
> GENERAL INCENTIVES
>
> Section 15. *Incentives for Renewable Energy Projects and Activities.* - **RE developers of renewable energy facilities**, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, **as duly certified by the DOE, in consultation with the BOI, shall be entitled to the following incentives**:
>
> ...
>
> (g) Zero Percent Value-Added Tax Rate. - The sale of fuel or power generated from renewable sources of energy such as, but not limited to, biomass, solar, wind, hydropower, geothermal, ocean

[102] See *Coca-Cola Bottlers Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 222428, 19 February 2018, citing *Atlas Consolidated Mining and Development Corporation v. Commissioner of Internal Revenue*, G.R. No. 159490, 18 February 2008.

energy and other emerging energy sources using technologies such as fuel cells and hydrogen fuels, shall be subject to zero percent (0%) value-added tax (VAT), pursuant to the National Internal Revenue Code (NIRC) of 1997, as amended by Republic Act No. 9337.

All RE Developers shall be entitled to zero-rated value added tax on [their] purchases of local supply of goods, properties and **services needed for the development, construction and installation of its plant facilities.**

This provision shall also apply to the whole process of exploring and developing renewable energy sources up to its conversion into power, including but not limited to the services performed by subcontractors and/or contractors.[103]

...

Moreover, Section 13(G)(b)(c), Rule 5 of Department Circular No. DC2009-05-0008 dated 25 May 2009, or the Implementing Rules and Regulations (**IRR**) of RA 9513, provides:

...

SEC. 13. *Fiscal Incentives for Renewable Energy Projects and Activities*

DOE-certified existing and new RE Developers of RE facilities, including Hybrid Systems, in proportion to and to the extent of the RE component, for both Power and Non-Power Applications, shall be entitled to the following incentives:

...

G. Zero Percent Value-Added Tax Rate

The following transactions/activities shall be subject to zero percent (0%) value-added tax (VAT), pursuant to the National Internal Revenue Code (NIRC) of 1997, as amended by Republic Act No. 9337:

...

(b) Purchase of local goods, properties and **services needed for the development, construction, and installation of the plant facilities of RE Developers**; and

(c) Whole process of exploration and development of RE sources up to its conversion into power, including, but not limited to, the services performed by subcontractors and/or contractors.[104]

...

[103] Italics in the original text and emphasis supplied.
[104] Italics in the original text and emphasis supplied.

Based on the foregoing provisions, all RE Developers are entitled to zero-rated VAT *on its purchases* of local supply of goods, properties and *services needed for the development, construction and installation of plant facilities*. Furthermore, the law declares that the VAT zero-rating applies to the whole process of exploring and developing renewable energy sources up to its conversion into power, including but not limited to the services performed by subcontractors and/or contractors.

Relative thereto, the same IRR of RA 9513 further states the conditions in availing the incentives and other privileges under the said law. Section 18(A) and (B) thereof reads:

> ...
>
> SEC. 18. *Conditions for Availment of Incentives and Other Privileges –*
>
> A. *Registration/Accreditation with the DOE*
>
> **For purposes of entitlement to the incentives and privileges under the Act, existing and new RE Developers**, and manufacturers, fabricators, and suppliers of locally-produced RE equipment **shall register with the DOE, through the Renewable Energy Management Bureau (REMB)**. The following certifications shall be issued:
>
> *(1) **DOE Certificate of Registration*** – **issued to an RE Developer holding a valid RE Service/Operating Contract.**
>
> For existing RE projects, the new RE Service/Operating Contract shall pre-terminate and replace the existing Service Contract that the RE Developer has executed with the DOE subject to the Transitory Provision in Rule 13, Section 39.
>
> The DOE Certificate of Registration shall be issued immediately upon award of an RE Service/Operating Contract covering an existing or new RE project or upon approval of additional investment.
>
> Any investment added to existing RE projects shall be subject to prior approval by the DOE.
>
> ...
>
> *B. Registration with the Board of Investments (BOI)*

The RE sector is hereby declared a priority investment sector that will regularly form part of the country's Investment Priority Plan (IPP), unless declared otherwise by law.

To qualify for the availment of the incentives under Sections 13 and 15 of this IRR, RE Developers and manufacturers, fabricators, and suppliers of locally-produced RE equipment, shall register with the BOI.

The registration with the BOI shall be carried out through an agreement and an administrative arrangement between the BOI and the DOE, with the end-view of facilitating the registration of qualified RE facilities. The applications for registration shall be favorably acted upon immediately by the BOI, on the basis of the certification issued by the DOE.[105]

...

As a corollary, Department Circular No. DC2021-12-0042,[106] amending Section 18(C) of the IRR of RA 9513, confirms that RE Developers are ***automatically*** qualified to avail of the incentives provided for in RA 9513 after securing a DOE COR, *viz*:

...

SEC. 18. Conditions for Availment of Incentives and Other Privileges. -

...

C. DOE ENDORSEMENT FOR AVAILMENT OF INCENTIVES AND DUTY-FREE IMPORTATIONS OF MACHINERY, EQUIPMENT, AND MATERIALS

RE Developers and manufacturers, fabricators, and suppliers of locally-produced RE equipment shall be AUTOMATICALLY qualified to avail of the incentives provided for in the Act, OTHER THAN THE INCENTIVE OF DUTY-FREE IMPORTATION OF QUALIFIED MACHINERY, EQUIPMENT, MATERIALS, PARTS AND COMPONENTS, after securing a Certificate of Registration from the DOE.[107]

...

[105] Italics in the original text, emphasis and underscoring supplied.

[106] PRESCRIBING AMENDMENTS TO SECTIONS 13(E) AND 18(C) OF DEPARTMENT CIRCULAR NO. DC2009-05-0008, ENTITLED RULES AND REGULATIONS IMPLEMENTING REPUBLIC ACT NO. 9513, OTHERWISE KNOWN AS "THE RENEWABLE ENERGY ACT OF 2008".

[107] Emphasis in the original text and underscoring supplied.

From these provisions, in order for the sales to an RE Developer to qualify for VAT zero-rating as contemplated under RA 9513 and its IRR, the following conditions must be present:

1) The RE developer must be registered with the DOE and the BOI; and
2) The local sales of goods, properties and services to the RE Developer are needed for the development, construction, and installation of the RE Developer's plant facilities and the whole process of exploration and development of RE sources up to its conversion into power.

As to the *first* condition, the Court observes a conspicuous absence of evidence. Petitioner did not formally offer any documentary evidence to prove that either Bioenergy or Econergy holds valid and subsisting DOE and BOI registrations during the claim period of CY 2020. Giving petitioner every reasonable benefit of the doubt, and even relaxing the formal offer requirement under Section 34, Rule 132 of the RRE, as amended, an exhaustive examination of the BIR Records yields only the following: (**a**) a BOI Certificate referencing an Income Tax Holiday (**ITH**) incentive for Bioenergy for CY 2019[108] — a period expressly outside the CY 2020 claim period at bar — together with a blurry and largely illegible DOE Accreditation[109] for the same entity; and (**b**) for Econergy, a BOI Certificate of Registration No. 2014-216 dated 09 December 2014[110] and a DOE Certificate of Registration.[111] While these records, if properly admitted, might notionally satisfy the *first* condition for Econergy, the analysis cannot end there.

Even crediting Econergy with valid DOE and BOI registration, petitioner's claim fails at the *second* condition — and it fails completely. The *second* condition is not a formality; it is a substantive restriction that confines the zero-rating benefit to a defined category of purchases — those tied to the development, construction, and installation of plant facilities, or to the exploration-to-conversion process. The law does not extend zero-rating to all purchases made by an RE Developer; it extends it only to those purchases that serve these specifically enumerated purposes.

108 BIR Records (Exhibit "R-5"), p. 149.
109 Id., p. 150.
110 Id., p. 151.
111 Id., p. 152.

In the present case, petitioner's transactions with Econergy consist of sales of "*coconut paring oil.*"[112] Petitioner offered no evidence — no technical description, no contract, no purchase order, no affidavit from Econergy, no DOE or BOI endorsement — to establish the *nexus* between the supply of coconut paring oil and the development, construction, or installation of Econergy's plant facilities, or to demonstrate that this commodity forms part of the exploration-to-conversion process for any RE source. The identity of the goods, standing alone, does not carry this burden. It is incumbent upon petitioner to establish, by competent and credible proof, how the specific goods sold fit within the purposes contemplated by RA 9513. That burden has not been discharged.

The Court further observes that petitioner's omissions are not confined to Bioenergy and Econergy. As to Purebev International Corporation (**Purebev**), the record is equally barren: no documentary evidence — whether formally offered before the Court or otherwise retrievable from the BIR Records — has been presented to establish Purebev's registration, DOE or BOI or otherwise, during the claim period.

Accordingly, petitioner's sales to Bioenergy, Econergy and Purebev likewise fail to qualify for VAT zero-rating. The total amount of ₱105,622,368.31 attributed to PEZA/BOI-RE Developers is disallowed.

II. DIRECT EXPORT SALES

Petitioner maintains that it generated direct export sales to foreign customers during the 1st through 4th quarters of CY 2020, paid for in acceptable foreign currency and accounted for in accordance with *Bangko Sentral ng Pilipinas* (**BSP**) rules and regulations, in the total amount of ₱3,296,791,472.13. Petitioner anchors this claim on Section 106(A)(2)(a)(1) of the NIRC of 1997, as amended, which defines export sales to include:

...

SEC. 106. *Value-Added Tax on Sale of Goods or Properties.* –

[112] Exhibits "P-31.90", "P-31.299", "P-31.300", and "P-31.315", USB (Exhibit "P-77").

(A) *Rate and Base of Tax.* – There shall be levied, assessed and collected on every sale, barter or exchange of goods or properties, a value-added tax equivalent to twelve percent (12%) of the gross selling price or gross value in money of the goods or properties sold, bartered or exchanged, such tax to be paid by the seller or transferor.

...

(2) The following sales by VAT-registered persons shall be subject to zero percent (0%) rate:

(a) *Export Sales.* - The term '*export sales*' means:

(1) The sale and actual shipment of goods from the Philippines to a foreign country, irrespective of any shipping arrangement that may be agreed upon which may influence or determine the transfer of ownership of the goods so exported and paid for in acceptable foreign currency or its equivalent in goods or services, and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP);

...

From the foregoing, three (3) essential elements must be proven to the Court's satisfaction:

1. The sale was made by a VAT-registered person;
2. There was a sale and actual shipment of goods from the Philippines to a foreign country; and,
3. The sale was paid for in acceptable foreign currency accounted for in accordance with the rules and regulations of the BSP.

The *first* essential element is undisputed.

As to the *second* essential element, the Court notes that petitioner presented sales invoices covering its claimed direct export sales amounting to ₱3,296,791,472.08, which were examined by ICPA Pizarro and offered in evidence before the Court. However, petitioner failed entirely to submit the corresponding export documents, such as bills of lading (**BLs**), airway bills or equivalent shipping instruments — for the vast majority of these claimed sales. The law does not allow invoices alone to stand as proof of actual shipment. They evidence the sale;[113] they do not evidence the actual export.[114]

The sole exception pertains to two (2) sales invoices issued in favor of Verde International Trading Ltd., for which the corresponding BLs were duly presented and admitted, as follows:

Sales Invoice			Customer Name	Bill of Lading		Amount (in USD)	Amount (in PHP)
Exhibit No.[115]	Invoice No.	Invoice Date		Exhibit No.[116]	BL No.		
"P-31.337.1"	29205	3/16/2020	VERDE INTERNATIONAL TRADING LTD	"P-31.337.2"	DVO/LAX/00782	$117,860.34	₱5,952,772.20
"P-31.758.1"	30336	6/30/2020	VERDE INTERNATIONAL TRADING LTD	"P-31.337.2"	MFIIND-20-181N	56,928.77	2,840,973.34
					TOTAL	$174,789.11	₱8,793,745.54

For the remainder of the claimed export sales — amounting to ₱3,287,997,726.54 — no export documents were offered. This amount is accordingly disallowed, as petitioner has failed to carry its burden of proving the actual shipment of goods from the Philippines to a foreign country.

Having disallowed the bulk of petitioner's direct export sales for failure to prove actual shipment, the Court turns to the two (2) remaining invoices supported by BLs, totaling ₱8,793,745.54. Even as to these, the claim stumbles on the *third* essential element.

To establish that the subject sales were paid for in acceptable foreign currency in accordance with BSP rules, petitioner submitted certificates of inward remittance[117] and collection receipts,[118] which were likewise examined by ICPA Pizarro and formally offered in evidence, as shown in the following tabulation:

---

[113] See *Commissioner of Internal Revenue v. Manila Mining Corporation*, G.R. No.153204, 31 August 2005.
[114] See *Aniceto G. Saludo, Jr., et al. v. Hon. Court of Appeals, et al.*, G.R. No. 95536, 23 March 1992.
[115] USB (Exhibit P-77).
[116] Id.
[117] Exhibits "P-34.1" to "P-34.1238", id.
[118] Exhibits "P-35.1" to "P-35.273", id.

Customer Name	Invoice No.	Collection Receipt		Inward Remittance			
		Exhibit No.[119]	Date	Exhibit No.[120]	Remitter Name	Reference No.	Date of Remittance
VERDE INTERNATIONAL TRADING LTD	29205	"P-34.187"	03/10/2020	"P-35.273.3"	VERDE INTERNATIONAL TRADING LIMITED	0001-2000655FXTT	3/10/2020
VERDE INTERNATIONAL TRADING LTD	30336	"P-34.625"	06/19/2020	"P-35.273.4"	FRANKLIN BAKER CO OF THE	607GSRTCBD0146	5/28/2020

The Court has carefully reviewed these documents and finds them insufficient.

First, the Court takes note of a material discrepancy in the identity of the remitter. With respect to Invoice No. 30336, the certificate of inward remittance identifies the remitter as "Franklin Baker Co. of the [Philippines]," notwithstanding that the customer named in the invoice is Verde International Trading Ltd. These are plainly distinct entities. ICPA Pizarro sought to reconcile this discrepancy by reference to an organizational chart of the Franklin Baker Group of Companies,[121] explaining that remittances from principals were at times initially received by related group entities before being passed on to petitioner.[122] This explanation, however, while plausible, is uncorroborated. The organizational chart is not a substitute for a remittance instruction, an intercompany agreement, or any other instrument that would establish, with legal certainty, the chain of payment from the foreign buyer to petitioner.

Second, and of equal concern, are material discrepancies in the amounts. A comparison of the relevant documents reveals that the total invoiced amounts covered by the two (2) remittance references are as follows:

Remittance Reference No.	Registered Name of Buyer	Invoice No.	Date	Amount of Invoice	Total Amount of Invoice [A]	Amount Remitted [B]	Difference [A-B]
	VERDE INTERNATIONAL TRADING LTD	29120	03/10/2020	$35,880.00	$505,958.84	$850,000.00	$(344,041.16)

---

119 Id.
120 Id.
121 Exhibit "P-36", id.
122 Exhibit "P-76", supra at note 37, pp. 202-203.

0001-2000655FXTT	VERDE INTERNATIONAL TRADING LTD	29121	03/10/2020	35,113.00			
	VERDE INTERNATIONAL TRADING LTD	29165	03/10/2020	71,240.00			
	VERDE INTERNATIONAL TRADING LTD	29166	03/10/2020	86,144.50			
	VERDE INTERNATIONAL TRADING LTD	29167	03/10/2020	38,522.50			
	VERDE INTERNATIONAL TRADING LTD	29168	03/10/2020	36,958.50			
	VERDE INTERNATIONAL TRADING LTD	**29205**	**03/10/2020**	**117,860.34**			
	VERDE INTERNATIONAL TRADING LTD	29204	03/10/2020	84,240.00			
607GSRTCBD0146	VERDE INTERNATIONAL TRADING LTD	30312	06/01/2020	34,720.00	217,308.94	250,000.00	$(32,691.06)
	VERDE INTERNATIONAL TRADING LTD	30399	06/01/2020	34,866.00			
	VERDE INTERNATIONAL TRADING LTD	30337	06/01/2020	58,930.17			
	VERDE INTERNATIONAL TRADING LTD	**30336**	**06/01/2020**	**56,928.77**			
	VERDE INTERNATIONAL TRADING LTD	30366	06/01/2020	31,864.00			

These discrepancies were neither explained nor reconciled by petitioner. Without a reconciliation establishing that the specific export sales in question were precisely and fully accounted for within these remittances, and that no portion of the remittances corresponds to other, unrelated transactions, the Court cannot determine with adequate certainty that the proceeds of the subject sales were in fact received and accounted for in accordance with BSP rules and regulations.

The law requires more than approximate proof. The BSP-accounted-for requirement is a specific condition that demands specific compliance. Where, as here, the evidentiary record leaves the Court with unresolved discrepancies in identities and amounts, the *third* essential element must be treated as unproven.

Accordingly, the two (2) sales invoices to Verde International Trading Ltd., amounting to ₱8,793,745.54, are likewise disallowed.

Petitioner's direct export sales, in their entirety, fail to qualify for VAT zero-rating.

Accordingly, petitioner has failed to establish, by competent, credible, and sufficient evidence, that any of its claimed sales for CY 2020 — whether to PEZA/BOI-registered entities or to foreign customers — qualify for zero-rating under the applicable provisions of the NIRC of 1997, as amended, or under special laws such as RA 7916 and RA 9513.

The Court pauses to restate a foundational principle that should, by this point, need no further elaboration: claims for tax refund or TCC are actions in the nature of a claim for exemption.[123] They are resolved *strictissimi juris* against the taxpayer-claimant.[124] The law withholds the benefit unless the claimant proves every condition for its grant.[125] The Court neither presumes in favor of the claim nor permits the silence of the record to be treated as satisfactory proof. Leniency in this regard would not be equity — it would be a betrayal of the law's clear and deliberate command.

Petitioner, for all the effort reflected in the voluminous record before the Court, has not cleared this bar. Its evidence is marred by formal deficiencies, critical evidentiary gaps and unexplained discrepancies that the Court is not at liberty to overlook.

Having determined that petitioner has no valid zero-rated sales for CY 2020, the 2nd *requisite* for a VAT refund claim under Section 112(A) of the NIRC of 1997, as amended, remains unsatisfied. The failure to satisfy any one of the requisites is fatal to the entire claim. Accordingly, the Court finds it unnecessary to examine petitioner's compliance with the remaining requisites, as any such inquiry would neither cure the deficiency already established nor alter the ultimate disposition of this case.

WHEREFORE, premises considered, the instant Petition for Review filed on 28 July 2022 by petitioner Franklin Baker Company of the Philippines is hereby **DENIED** for lack of merit.

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123 *Coca-Cola Bottlers Philippines, Inc. v. Commissioner of Internal Revenue*, supra at note 102.
124 Id.
125 Id.

SO ORDERED.

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

I CONCUR:

LANEE S. CUI-DAVID
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.

JEAN MARIE A. BACORRO-VILLENA
Associate Justice
Special 1st Division Acting Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Special 1st Division Acting 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's Division.

MARIA ROWENA MODESTO-SAN PEDRO
Acting Presiding Justice