REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

HONDA CARS MAKATI, INC., Petitioner,	**CTA CASE NO. 8806**
- versus -	Members: **CASTAÑEDA, JR.,** *Chairperson,* **CASANOVA, and** **MANAHAN,** *JJ.*
COMMISSIONER OF INTERNAL REVENUE, Respondent.	Promulgated: JUN 27 2017 4:10 p.m.

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DECISION

CASTAÑEDA, JR., *J.*:

THE CASE

Before this Court is a Petition for Review[1] filed by Honda Cars Makati, Inc. on April 14, 2014, praying that judgment be rendered ordering the refund or issuance in its in favor of a tax credit certificate (TCC) in the amount of TWENTY-TWO MILLION FOUR HUNDRED FIFTEEN THOUSAND SEVEN HUNDRED TWENTY-THREE PESOS (₱22,415,723.00), allegedly representing its excess and unutilized creditable withholding taxes (CWT) for calendar year (CY) 2011.

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[1] Docket, pp. 14-24.

THE FACTS

Petitioner Honda Cars Makati, Inc. is a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal place of business at 1 Pres. Sergio Osmeña Highway, Magallanes, Makati City. It is engaged in the sale, distribution, service and repair of automobiles.[2] It is registered with the Bureau of Internal Revenue (BIR) with Taxpayer Identification Number (TIN) 000-220-239-000.[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 Tax Code or other laws or portions thereof administered by the BIR. He holds office at the 5th Floor, BIR National Office Building, Agham Road, Diliman, Quezon City.

On July 24, 2012, petitioner filed with the BIR an electronic copy of its Annual Income Tax Return for calendar year 2011, reporting, among others, gross sales/revenues in the amount of ₱4,693,023,533.00.[4]

On April 2, 2014, petitioner filed with the BIR Large Taxpayers Excise Audit Division II its administrative claim for refund of or issuance of TCC for its alleged excess and unutilized CWT for calendar year 2011 in the total amount of ₱22,415,723.00.[5]

Respondent failed to act on petitioner's administrative claim.[6] Accordingly, on April 14, 2014, petitioner filed the instant Petition for Review before this Court.[7] Respondent filed his Answer[8] on July 9, 2014.

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[2] Exhibit "P-1".
[3] Par. 3, Admitted Facts, Joint Stipulation of Facts and Issues (JSFI), docket, p. 287, Exhibit "P-2".
[4] Exhibit "P-7".
[5] Par. 4, Admitted Facts, JSFI, docket, p. 288.
[6] Par. 5, Admitted Facts, JSFI, docket, p. 288.
[7] Docket, pp. 14-24; Par. 6, Admitted Facts, JSFI, docket, p. 288.
[8] Docket, pp. 97-107.

The case was set for pre-trial conference on August 14, 2014.[9] Respondent and petitioner filed their respective Pre-Trial Briefs on August 8, 2014[10] and on September 8, 2014[11].

On October 1, 2014, the parties filed their Joint Stipulation of Facts and Issues[12], which was adopted by the Court in the Pre-Trial Order[13] dated October 10, 2014.

During trial, petitioner presented Ms. Ma. Milagros F. Padernal[14], the Court-commissioned Independent Certified Public Accountant (CPA), and Mr. Francis Dennis C. Lardizabal[15], as its witnesses. Petitioner also moved for the taking of judicial notice of evidence presented in CTA Case No. 8636[16], which was initially denied by the Court for lack of merit[17], but was eventually granted upon petitioner's motion for reconsideration.[18] It then formally offered its evidence on May 11, 2015.[19]

On the other hand, respondent manifested that he has not received any report of investigation and that he will no longer present any evidence.[20]

As directed by the Court, petitioner filed its Memorandum on July 4, 2016.[21] Meanwhile, respondent manifested that he is adopting his Answer filed on July 9, 2014 as his Memorandum.[22] Accordingly, the Court declared the case submitted for decision on July 7, 2016.[23]

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[9] Notice of Pre-Trial Conference, docket, p. 109.
[10] Respondent's Pre-Trial Brief, docket, p. 251.
[11] Petitioner's Pre-Trial Brief, docket, p. 257.
[12] Docket, pp. 287-290.
[13] Docket, pp. 292-296; Amended via Resolution dated November 6, 2014.
[14] Minutes of the Hearings held on October 23, 2014 and March 11, 2015, docket, pp. 298 and 384.
[15] Minutes of the Hearing held on October 29, 2014, docket, p. 307.
[16] Motion to Take Judicial Notice (of Evidence Presented in CTA Case No. 8636), docket, pp. 331-339.
[17] Resolution dated March 6, 2015, docket, pp. 360-363.
[18] Resolution dated April 22, 2015, docket, pp. 402-406.
[19] Formal Offer of Evidence, docket, pp. 407-442.
[20] Minutes of the Hearing dated May 18, 2016, docket, p. 664.
[21] Docket, pp. 674-697.
[22] Manifestation, docket, p. 667.
[23] Resolution, docket, p. 698.

THE ISSUE

The parties submitted the following issue[24] for this Court's disposition:

> "Whether or not petitioner is entitled to its claim for refund of or issuance of TCC for excess and unutilized CWT for CY 2011 in the amount of ₱22,415,723.00."

This issue may be broken down into the following sub-issues:

1. Whether or not petitioner's excess and unutilized CWT for CY 2011 in the amount of ₱22,415,723.00 are duly substantiated by documentary evidence.

2. Whether or not the income from which the CWTs being claimed for refund were withheld was reported as part of the revenues declared in petitioner's Annual ITR.

3. Whether or not petitioner exercised the option to carry over its excess and unutilized CWT for CY 2011 to the succeeding taxable periods.

4. Whether or not petitioner filed its administrative and judicial claims for refund of excess and unutilized CWT for CY 2011 within the two-year prescriptive period provided under Sections 204(C) and 229, Tax Code.

DISCUSSION/RULING

Petitioner avers that its administrative and judicial claims for refund were both filed within the two-year prescriptive period under Sections 204(C) and 229 of the National Internal Revenue Code (NIRC) of 1997, as amended. It also insists that the excess and unutilized CWT for calendar year 2011 is duly substantiated by documentary evidence. It asserts that the income upon which the CWTs being claimed for refund were withheld, was reported as part of the revenues

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[24] Issues, JSFI, docket, pp. 288-289.

declared in its Annual Income Tax Return. Moreover, petitioner claims that it did not carry over its excess and unutilized CWTs for calendar year 2011 to the succeeding taxable periods.

In his Answer filed on July 9, 2014, respondent contends that petitioner failed to exhaust administrative remedies prior to the filing of the Petition for Review. Respondent likewise avers that the claim for tax refund should be denied for petitioner's failure to submit complete documents in support of its administrative claim for refund. He further argues that claims for refund are construed strictly against the taxpayer and in favor of the government.

Petitioner anchors its claim on Sections 58(D) and 76 of the NIRC of 1997, as amended, which state:

> "SEC. 58. *Returns and Payment of Taxes Withheld at Source.* –
>
> xxx xxx xxx
>
> (D) *Income of Recipient.* – Income upon which any creditable tax is required to be withheld at source under Section 57 shall be included in the return of its recipient but the excess of the amount of tax so withheld over the tax due on his return shall be refunded to him subject to the provisions of Section 204; xxx."
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> "SEC. 76. *Final Adjustment Return.* – Every corporation liable to tax under Section 27 shall file a final adjustment return covering the total taxable income for the preceding calendar or fiscal year. If the sum of the quarterly tax payments made during the said taxable year is not equal to the total tax due on the entire taxable income of that year, the corporation shall either:
>
> (A) Pay the balance of tax still due; or
> (B) Carry-over the excess credit; or
> (C) Be credited or refunded with the excess amount paid, as the case may be.

> In case the corporation is entitled to a tax credit or refund of the excess estimated quarterly income taxes paid, the excess amount shown on its final adjustment return may be carried over and credited against the estimated quarterly income tax liabilities for the taxable quarters of the succeeding taxable years. Once the option to carry-over and apply the excess quarterly income tax against income tax due for the taxable quarters of the succeeding taxable years has been made, such option shall be considered irrevocable for that taxable period and no application for cash refund or issuance of tax credit certificate shall be allowed therefor."

Pursuant to the afore-quoted provisions, a corporation entitled to a tax credit or refund of the excess income taxes paid in a given taxable year has two options: (1) to carry over the excess credit or (2) to apply for the issuance of a tax credit certificate or to claim a cash refund. If the option to carry over the excess credit is exercised, the same shall be irrevocable for that taxable period and no application for cash refund or issuance of tax credit certificate shall be allowed therefor.[25]

In exercising its option, the corporation must signify in its annual corporate adjustment return (by marking the option box provided in the BIR form) its intention, whether to carry over the excess credit or to claim a refund. The two options are alternative and not cumulative in nature, that is, the choice of one precludes the other.[26]

In its Annual ITR[27] for CY 2011, petitioner had total tax credits of ₱50,382,601.00; which consisted of the prior year's excess credits in the amount of ₱27,966,878.00 and creditable taxes withheld during the year 2011 in the amount of ₱22,415,723.00 (₱5,880,292.00 plus ₱16,535,431.00).

Petitioner claims that its minimum corporate income tax (MCIT) due for CY 2011 in the amount of ₱10,427,682.00 was paid using a

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[25] *Systra Philippines, Inc. vs. Commissioner of Internal Revenue*, G.R. No. 176290, September 21, 2007.

[26] *Republic of the Philippines, represented by the Commissioner of Internal Revenue vs. Team (Phils.) Energy Corporation (formerly Mirant (Phils.) Energy Corporation)*, G.R. No. 188016, January 14, 2015.

[27] Exhibit "P-6" (manually filed); Exhibit "P-7" (through eFPS).

portion of its prior year's excess credits of ₱27,966,878.00. This leaves the prior year's excess credits in the amount of ₱17,539,196.00 and creditable taxes withheld during the year 2011 in the amount of ₱22,415,723.00 totaling ₱39,954,919.00 unutilized as of December 31, 2011, as shown below:

Prior Year's Excess Credits other than MCIT	₱ 27,966,878.00
Less: MCIT Due	10,427,682.00
Balance of Prior Year's Excess Credits	₱ 17,539,196.00
Add: Creditable Taxes Withheld – CY 2011	22,415,723.00
Excess Creditable Taxes Withheld as of December 31, 2011	**₱39,954,919.00**

Based on its 2009 and 2010 Annual ITRs[28], petitioner opted to be issued a TCC for its ₱22,063,883.43 and ₱25,812,793.00 creditable income taxes withheld during the respective years; thus, the prior year's excess credits of ₱27,966,878.00 reflected in its 2011 Annual ITR pertain to its excess tax credits of ₱40,604,540.00 as of December 31, 2008, diminished by the income taxes due for the taxable years 2009 and 2010 in the amounts of ₱10,184,335.30 and ₱2,453,330.70, respectively, thus:

Prior Year's Excess Credits other than MCIT as of December 31, 2008		₱ 40,604,540.00
Less: Tax Due (MCIT)		
CY 2009	₱10,184,335.30	
CY 2010	2,453,330.70	12,637,666.00
Balance of Prior Year's Excess Credits		**₱27,966,874.00**[29]

To substantiate its prior year's excess credits of ₱40,604,540.00, petitioner submitted its Annual ITRs and the related Certificates of Creditable Taxes Withheld at Source (BIR Forms No. 2307) for CYs 2004[30], 2005[31], 2006[32], 2007[33] and 2008[34]. However, only

[28] Exhibits "P-16-6(2/2)" and "P-16-7(2/3)", below line 33.
[29] With a discrepancy of ₱4.00 due to rounding off.
[30] Exhibits "P-16-1" and "P-17-1"; Exhibits "P-83-1" to "P-83-2983" as summarized in "P-83" and "P-84-1" to "P-84-14" as summarized in "P-84" in CTA Case No. 8638.
[31] Exhibits "P-16-2" and "P-17-2"; Exhibits "P-79-1" to "P-79-2618" as summarized in "P-79" and "P-80-1" to "P-80-13" as summarized in "P-80" in CTA Case No. 8638.
[32] Exhibits "P-16-3" and "P-17-3"; Exhibits "P-75-1" to "P-75-3474" as summarized in "P-75" and "P-76-1" to "P-76-28" as summarized in "P-76" in CTA Case No. 8638.
[33] Exhibits "P-16-4" and "P-17-4"; Exhibits "P-71-1" to "P-71-285", "P-71-287" to "P-71-3852" as summarized in "P-71" and "P-72-1" to "P-72-16" as summarized in "P-72" in CTA Case No. 8638.
[34] Exhibits "P-16-5" and "P-17-5"; Exhibits "P-56-1" to "P-56-4740" as summarized in "P-56" and "P-57-1" to "P-57-41" as summarized in "P-57" in CTA Case No. 8638.

₱20,689,694.27 of the prior year's excess tax credit was duly substantiated, as tabulated below:

Year	CWT		Less: Disallowances		Net Allowable CWT	Less: Income Tax Due	Excess CWT
	Prior year's excess	Current year	Per ICPA's findings[35]	Per this Court's further verification[36]			
2004	-	₱17,925,116.00	₱ 767,826.87	₱6,111,015.30	₱11,046,273.83	₱ 9,090,246.34	₱ 1,956,027.49
2005	₱ 1,956,027.49	14,015,616.00	468,476.59	821,867.04	14,681,299.86	8,799,185.94	5,882,113.92
2006	5,882,113.92	15,122,051.59	93,857.72	-	20,910,307.79	6,564,964.57	14,345,343.22
2007	14,345,343.22	24,108,906.11	3,158,833.72	397,165.97	34,898,249.64	25,499,714.94	9,398,534.70
2008	9,398,534.70	20,983,393.00	58,770.43	-	30,323,157.27	9,633,463.00	20,689,694.27

The substantiated prior year's excess credit in the amount of ₱20,689,694.27 is sufficient to cover petitioner's income tax liability for CYs 2009 and 2010 in the amounts of ₱10,184,335.30[37] and ₱2,453,330.70[38], respectively, thus, leaving the amount of ₱8,052,028.27 as excess credits to be carried over to CY 2011. However, the ₱8,052,028.27 prior year's excess credits as of CY 2010 is not enough to cover the ₱10,427,682.00 income tax due for CY 2011. As a result, petitioner has a remaining income tax liability of ₱2,375,653.73 (₱10,427,682.00 less ₱8,052,028.27), which shall be paid using a portion of the creditable taxes withheld during CY 2011.

In the instant case, petitioner marked the option "To be issued a Tax Credit Certificate"[39] in its Annual ITR for CY 2011 and carried over only the balance of its prior year's excess credits in its Quarterly ITRs[40] and Amended Annual ITR[41] for CY 2012. But since petitioner has a remaining tax liability of ₱2,375,653.73, only the excess of the ₱22,415,723.00 CWTs for CY 2011 may be a proper subject of a claim for TCC pursuant to Section 76 of the NIRC of 1997, as amended.

In addition to the requisites provided under Section 76 of the NIRC of 1997, as amended, jurisprudence and pertinent BIR Revenue Regulations provide that the following requisites must be further complied with in order that the subject claim may be granted:

[35] Exhibits "P-84" and "P-85" (CY 2004), "P-80" and "P-81" (CY 2005), "P-76" and "P-77" (CY 2006), P-72" and "P-73" (CY 2007), and "P-57" and "P-58" (CY 2008) in CTA Case No. 8638.
[36] Annex A of the Decision in CTA Case No. 8638.
[37] Exhibit "P-16-6(2/2)", line 29.
[38] Exhibit "P-16-7(2/3)", line 29.
[39] Exhibit "P-7-A".
[40] Exhibits "P-12", "P-13", and "P-14", line 31A, docket, vol. I, pp. 568, 570, and 574, respectively.
[41] Exhibit "P-11", line 33A, docket, vol. I, p. 559.

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

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

3. The income upon which the taxes were withheld must be included in the return of the recipient.[42]

Respondent argues that petitioner failed to submit the pertinent documents required under Revenue Memorandum Order (RMO) No. 53-98 and Revenue Regulations (RR) No. 2-2006 to give support to the validity of its claim for unutilized creditable withholding tax for calendar year 2011 and that petitioner failed to prove that it exhausted all the available administrative remedies before elevating the case to this Court.

The Court disagrees with respondent.

In the consolidated case of *CBK Power Company Limited vs. Commissioner of Internal Revenue*[43], involving the refund of excess final withholding taxes, the Supreme Court held that since the administrative and judicial claims for refund were filed within the two-year prescriptive period, there was exhaustion of administrative remedies.

Moreover, petitioner need not comply with all the documents prescribed in RMO No. 53-98 and RR No. 2-2006 before it can claim its

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[42] *Citibank N.A. vs. Court of Appeals, et al.*, G.R. No. 107434, October 10, 1997; *ACCRA Investments Corporation vs. The Honorable Court of Appeals, et al.*, G.R. No. 96322, December 20, 1991; *United International Pictures AB vs. Commissioner of Internal Revenue*, G.R. No. 168331, October 11, 2012; *Republic of the Philippines, represented by the Commissioner of Internal Revenue vs. Team (Phils.) Energy Corporation (formerly Mirant (Phils.) Energy Corporation)*, G.R. No. 188016, January 14, 2015; Section 2.58, Revenue Regulations No. 2-98, as amended.
[43] G.R. Nos. 193383-84 and G.R. Nos. 193407-08, January 14, 2015.

unutilized creditable withholding tax. It only needs to comply with the three conditions enumerated above.[44]

The Court now proceeds to determine petitioner's compliance with the three requisites for the grant of the subject claim.

Anent the first requisite, the pertinent provisions are Sections 204(C) and 229 of the NIRC of 1997, as amended, which read:

> "SEC. 204. *Authority of the Commissioner to Compromise, Abate and Refund or Credit Taxes.* – The Commissioner may -
>
> xxx xxx xxx
>
> (C) Credit or refund taxes erroneously or illegally received or penalties imposed without authority, refund the value of internal revenue stamps when they are returned in good condition by the purchaser, and, in his discretion, redeem or change unused stamps that have been rendered unfit for use and refund their value upon proof of destruction. **No credit or refund of taxes or penalties shall be allowed unless the taxpayer files in writing with the Commissioner a claim for credit or refund within two (2) years after the payment of the tax or penalty:** *Provided, however,* That a return filed showing an overpayment shall be considered as a written claim for credit or refund."
>
> "SEC. 229. *Recovery of Tax Erroneously or Illegally Collected.* – No suit or proceeding shall be maintained in any court for the recovery of any national internal revenue tax hereafter alleged to have been erroneously or illegally assessed or collected, or of any penalty claimed to have been collected without authority, or of any sum alleged to have been excessively or in any manner wrongfully collected, until a claim for refund or credit has been duly filed with the Commissioner; but such suit or proceeding

[44] *Jardine Lloyd Thompson Insurance Brokers, Inc. vs. Commissioner of Internal Revenue*, CTA Case No. 8471, April 14, 2015.

may be maintained, whether or not such tax, penalty, or sum has been paid under protest or duress.

In any case, no such suit or proceeding shall be filed after the expiration of two (2) years from the date of payment of the tax or penalty regardless of any supervening cause that may arise after payment: *Provided, however,* That the Commissioner may, even without claim therefor, refund or credit any tax, where on the face of the return upon which payment was made, such payment appears clearly to have been erroneously paid." *(Emphases supplied)*

It is well-settled in our jurisprudence that the reckoning of the two-year prescriptive period for the filing of a claim for refund/tax credit of excess income tax paid/withheld, both in the administrative and judicial levels, commences from the date of filing of the Final Adjustment Return.[45] It is only when the Final Adjustment Return covering the whole year is filed that the taxpayer would know whether a tax is still due or a refund can be claimed based on the adjusted and audited figures.[46]

In the instant case, records show that petitioner electronically filed its CY 2011 Annual ITR on July 24, 2012[47]. Counting from this date, petitioner had until July 24, 2014 within which to file its administrative claim as well as its judicial claim for the issuance of TCC. Thus, petitioner's administrative claim for refund filed on April 2, 2014[48] and the subsequent appeal via Petition for Review filed before this Court on April 14, 2014 are well within the two-year prescriptive period provided by law. Clearly, the first requisite has been satisfied.

In compliance with the second requisite, petitioner submitted a Schedule of Creditable Taxes Withheld for CY 2011[49] and various Certificates of Creditable Tax Withheld at Source (BIR Form No.

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[45] *ACCRA Investments Corporation vs. The Honorable Court of Appeals, et al.*, G.R. No. 96322, December 20, 1991; *Commissioner of Internal Revenue vs. TMX Sales, Inc. and the Court of Tax Appeals*, G.R. No. 83736, January 15, 1992; *Commissioner of Internal Revenue vs. The Philippine American Life Insurance Co., et al.*, G.R. No. 105208, May 29, 1995.
[46] *Commissioner of Internal Revenue vs. TMX Sales, Inc. and the Court of Tax Appeals*, G.R. No. 83736, January 15, 1992.
[47] Exhibit "P-7".
[48] Par. 4, Admitted Facts, JSFI, docket, p. 288; Exhibits "P-9" and "P-9-A".
[49] Exhibit "P-18".

2307)[50] to prove the fact of withholding of the subject claim in the amount of ₱22,415,723.00. The Court-commissioned Independent Certified Public Accountant, Ms. Ma. Milagros F. Padernal, examined the said documents and no exception was found, as noted in her Report dated December 8, 2014.[51]

However, upon further verification of the documents, the Court found that the CWTs in the amount of ₱55,072.35 should be disallowed for the following reasons:

Payor's Name	Exhibit No.	Income Payments	Taxes Withheld
CWTs supported by original BIR Forms No. 2307 issued in petitioner's name but with incorrect period			
Aderans Philippines, Inc.	P-19-42	₱ 5,800.20	₱ 116.00
Albert - Araneta Ent., Inc.	P-19-68	19,689.52	393.79
BPI Rental Corporation	P-19-515	1,347,321.43	13,473.21
BPI Rental Corporation	P-19-529	725,000.00	7,250.00
BPI Rental Corporation	P-19-530	669,642.86	6,696.43
BPI Rental Corporation	P-19-534	1,071,428.57	10,714.29
Subtotal		**₱ 3,838,882.58**	**₱ 38,643.72**
CWTs supported by original BIR Forms No. 2307 issued in petitioner's name but without the authorized signature of the issuer/payor			
SB Cards Corporation	P-19-5850	₱ 101,220.00	₱ 506.10
Mapfre Insular Insurance Corporation	P-19-5937	106,150.22	15,922.53
Subtotal		**₱ 207,370.22**	**₱ 16,428.63**
Total		**₱ 4,046,252.80**	**₱ 55,072.35**

In fine, petitioner was able to satisfy the second requisite but only to the extent of ₱22,360,650.65 (₱22,415,723.00 less ₱55,072.35).

Anent the third requisite, petitioner must prove that the income payments from which the substantiated CWTs of ₱22,360,650.65 were withheld were included in the reported amount of income in its Annual ITR for CY 2011.

As corroborated by the Independent CPA, the CWTs of ₱22,415,723.37 correspond to the total income payments of ₱1,633,588,778.07, which comprised of sales of goods and services to corporate customers, insurance companies and "pass through" transactions paid through credit cards in the total amount of

[50] Exhibits "P-19-1" to "P-19-6121".
[51] Par. 6, Exhibit "P-43", Part 1 of 10, p. 7 of 36.

₱1,587,360,565.53 and of other income, such as, rental, management fees, income as insurance agent and others-dealer's incentives in the total amount of ₱46,228,212.54.

Out of the ₱1,633,588,778.07 income payments, only the amount of ₱1,412,333,728.09, with the corresponding CWTs of ₱20,016,910.38, was traced to the general ledgers (GL) and/or invoices, journal vouchers (JV), official receipts (OR), production reports (PR) and check vouchers (CV) of petitioner for CYs 2010 and 2011, as summarized hereunder:[52]

Particulars	**Income Payments**	**Tax Withheld**	**Income Payments traced to GL and/or Invoices/JV/OR/PR/CV**				
			Exhibit No.	**CY 2010**	**CY 2011**	**Total**	**Equivalent Tax Withheld**
Sale of goods and services:							
Corporate customers	₱ 1,074,509,506.88	₱ 11,316,399.48	"P-25" (*Exh. "P-43", ICPA ICPA Report)*	₱ 30,007,567.77	₱ 976,317,483.39	₱ 1,006,325,051.16	₱ 10,550,548.27
Insurance companies	192,286,866.95	2,910,037.36	"P-26"*(Exh. "P-43", ICPA Report)*	-	₱ 156,778,734.30	₱ 156,778,734.30	₱ 2,373,445.87
"Pass Through" Transactions paid through credit cards	320,564,191.70	1,602,816.35	"P-28" *(Exh. "P-43", ICPA Report)*	-	₱ 100,469,340.49	₱ 100,469,340.49	₱ 502,343.02
			"P-41" *(Exh. "P-44", ICPA Report)*	-	107,571,128.95	107,571,128.95	537,859.32
					₱ 208,040,469.44	₱ 208,040,469.44	₱ 1,040,202.34
Subtotal	₱ 1,587,360,565.53	₱ 15,829,253.19		₱ 30,007,567.77	₱ 1,341,136,687.13	₱ 1,371,144,254.90	₱ 13,964,196.48
Other income:							
Rental income	₱ 1,374,748.48	₱ 68,738.92	"P-33" *(Exh. "P-43", ICPA Report)*	-	₱ 982,081.71	₱ 982,081.71	₱ 49,105.21
Management fees	12,202,355.24	1,830,353.28	"P-33" *(Exh. "P-43", ICPA Report)*	-	12,105,017.13	12,105,017.13	1,815,752.56
Income as insurance agent	32,101,108.82	4,632,377.98	"P-35" *(Exh. "P-43", ICPA Report)*	₱ 1,193,204.11	26,359,170.24	27,552,374.35	4,132,856.13
Others-dealer's incentive	550,000.00	55,000.00	"P-33" *(Exh. "P-43",ICPA Report)*	-	550,000.00	550,000.00	55,000.00
Subtotal	₱ 46,228,212.54	₱ 6,586,470.18		₱ 1,193,204.11	₱ 39,996,269.08	₱ 41,189,473.19	₱ 6,052,713.90
Total	**₱1,633,588,778.07**	**₱22,415,723.37**		**₱31,200,771.88**	**₱1,381,132,956.21**	**₱1,412,333,728.09**	**₱20,016,910.38**

However, the CWTs of ₱20,016,910.38 related to the verified income payments of ₱1,412,333,728.09 included the amount of ₱27,146.38[53] that was already disallowed for not being properly supported by BIR Form No. 2307. Consequently, the amount of ₱27,146.38 should be deducted from the total CWTs of ₱20,016,910.38 to arrive at petitioner's substantiated CWTs of ₱19,989,764.00.

[52] Exhibit "P-44", Part 1 of 2, pp. 3-4 of 8.

[53] Part of the total disallowed CWT of ₱55,072.35.

As discussed earlier, since the prior year's excess credits did not cover the entire income tax due for CY 2011, the substantiated CWTs of ₱19,989,764.00 shall be utilized to pay the remaining tax liability of ₱2,375,653.73. Thus, petitioner's substantiated unutilized excess CWTs for CY 2011 amounts to ₱17,614,110.27, as computed below:

	Income payments	**CWTs**
CWTs, the related income payments of which were traced to various documents	₱ 1,412,333,728.09	₱ 20,016,910.38
Less: Items already disallowed for not being properly supported by BIR Form No. 2307		
Exhs. "P-19-42"; "P-25", pp. 8 & 432	₱ 5,800.20	₱ 116.00
Exhs. "P-19-68"; "P-25", pp. 10 & 434	19,689.52	393.79
Exhs. "P-19-515"; "P-25", pp. 36 & 460	634,821.43	6,348.21
Exhs. "P-19-529"; "P-25", pp. 36 & 460	675,000.00	6,750.00
Exhs. "P-19-530"; "P-25", pp. 36 & 460	675,000.00	6,750.00
Exhs. "P-19-534"; "P-25", pp. 36 & 460	675,000.00	6,750.00
Exhs. "P-19-5850"; "P-28", pp. 223 & 450	7,676.29	38.38
Total	*₱ 2,692,987.44*	*₱ 27,146.38*
Substantiated CWTs	**₱1,409,640,740.65**	**₱19,989,764.00**
Less: Remaining tax liability		2,375,653.73
Substantiated unutilized excess CWTs		**₱17,614,110.27**

In sum, petitioner has sufficiently proven compliance with the three requisites for the refund of the unutilized CWTs, but only to the extent of ₱17,614,110.27 out of the total claimed CWTs of ₱22,415,723.00 for CY 2011.

WHEREFORE, premises considered, the instant Petition for Review filed by Honda Cars Makati, Inc. is **PARTIALLY GRANTED.** Accordingly, respondent is **ORDERED TO REFUND** or **TO ISSUE A TAX CREDIT CERTIFICATE** in favor of petitioner in the amount of ₱17,614,110.27, representing its excess and unutilized creditable withholding taxes for calendar year 2011.

SO ORDERED.

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

WE CONCUR:

(On leave)
CAESAR A. CASANOVA
Associate Justice

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.
Associate Justice
Chairperson

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