REPUBLIC OF THE PHILIPPINES
Court of Tax Appeals
QUEZON CITY

Special Second Division

MD ISALON ORGANIC BANANA AGRI-VENTURES, INC.	**CTA CASE NO. 11246**
Petitioner,	Members: **RINGPIS-LIBAN,** *Chairperson,* **MODESTO-SAN PEDRO,** *and* **FERRER-FLORES,** *JJ.*
-versus-	
COMMISSIONER OF INTERNAL REVENUE,	Promulgated:
Respondent.	JUL 20 2026

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DECISION

MODESTO-SAN PEDRO, J.:

The Case

Before the Court is a Petition for Review,[1] posted on August 3, 2023, and received by the Court on August 8, 2023, pursuant to *Section (7)(a)(1) of Republic Act ("RA") No. 1125,*[2] *as amended by RA No. 9282,*[3] praying for the Court to issue a decision to reverse and set aside respondent's Value Added Tax ("VAT") Refund Notice, dated May 31, 2023, and to grant the same refund application in the amount of ₱5,082,473.73 representing petitioner's alleged excess and unutilized input VAT for the period covering taxable year ("TY") 2021.[4]

The Parties

Petitioner MD Isalon Organic Banana Agri-Ventures, Inc. ("MD Isalon" or "petitioner") is a corporation duly organized and existing under the laws of the Philippines,[5] with principal office address at Brgy. Bongabong,

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[1] Docket Vol. 1, pp. 6-38.
[2] An Act Creating the Court of Tax Appeals, June 16, 1954.
[3] An Act Expanding the Jurisdiction of the Court of Tax Appeals (CTA), Elevating Its Rank to the Level of a Collegiate Court with Special Jurisdiction and Enlarging Its Membership, Amending for the Purpose Certain Sections or Republic Act No. 1125, As Amended, Otherwise Known as the Law Creating the Court of Tax Appeals, and for Other Purposes; March 30, 2004.
[4] Prayer, Petition for Review, Docket Vol. 1, p. 37.
[5] Certificate of Incorporation, Exhibit "P-2", *id.* at 90.

Pantukan, Compostela Valley Province.[6] It is engaged in developing, managing, owning, leasing, and operating agricultural lands, farms, pasture lands, and ranches; and in planting and cultivation of organic cavendish bananas and other farm products, among others.[7]

Petitioner is registered with the Board of Investments ("BOI") as an existing export producer of cavendish banana with BOI Registration No. ("RN") 2019-265.[8] It is also a registered with the Bureau of Customs ("BOC") as an exporter, as evidenced by Certificate of Renewal of Export License with CCN EX000067978, dated July 18, 2023.[9]

On the other hand, respondent Commissioner of Internal Revenue ("CIR" or "respondent") is the public officer duly authorized to assess and collect all national internal revenue taxes, fees and charges, and enforce all forfeitures, penalties and fines connected therewith. He may be served with summons and other Court processes through the Bureau of Internal Revenue ("BIR") Litigation Division at Room 703 Litigation Division, BIR National Office Building, BIR Road, Diliman, Quezon City.[10]

The Facts

On March 31, 2023, petitioner filed with the BIR VAT Credit Audit Division an application for refund of the alleged utilized and excess creditable input VAT for a total amount of ₱5,082,473.73 attributable to its zero-rated sales for TY 2021.[11]

Pursuant to such application, respondent issued VAT Refund Notice dated May 31, 2023,[12] received by petitioner on July 4, 2023, denying the entire amount of claim, citing the following reasons:

> 1. Deductions from the claim, per verification, in the amount of **Php2,323,833.89** (Annex A).
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> 2. Scrutiny of the sales made by the claimant together with the supporting documents revealed the following:
>
>   a. Disallowed zero-rated sales of goods of Php34,068,418.12 for reasons indicated in Annex "B",

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[6] Certificate of Filing of Amended Articles of Incorporation with attached Amended Articles of Incorporation, Exhibits "P-13" to "P-14", *id.*, at 131-138.
[7] *Id.*
[8] BOI Certificate of Registration, Exhibit "P-5", Docket Vol. 1, p. 103.
[9] BOC Certificate of Renewal of Export License, Exhibit "P-4", Docket Vol. 2, p. 571.
[10] See Joint Stipulation of Facts and Issues ("JSFI"), Docket Vol. 1, pp. 422-423.
[11] Application for Tax Credits/Refunds (BIR Form No. 1914), Exhibit "P-17", Docket Vol. 2, p. 581.
[12] VAT Refund Notice, Exhibit "P-1", Docket Vol. 1, p. 84-89, with annexes.

b. Disallowed zero-rated sales of services to MARSMAN DRYSDALE PTE, LIMITED amounting to Php2,121,602.26 due to unsubstantial Official Receipts detailed in Annex "C"
c. Output tax of Php22,774.20 was assessed on the discrepancy in the amount of exempt sales declared per VAT Returns against tha amount of exempt sales per Schedule (Annex "D")

3. Inconsistency of the approved CAS format of sales invoices against the actual invoices issued:

- You were issued a Permit to Use (PTU) Computerized Accounting System (CAS) No. **1810_0112_PTU_CAS_000349** approved on October 10, 2018.
- The said permit covers your complete CAS, computerized books of accounts and the use/printing of system-generated accounting records which include, among others, the issuance of **"CHARGE INVOICE" with serial range from 3100000279 to 319999999.**
- You issued **"Charge Sales Invoice/Commercial Invoice"** for the taxable year 2021 for its zero-rated sale of goods.
- The notification to **Revenue District Office 112-Tagum City, Davao Del Norte (RDO)** for the enhancement/modification to your CAS was dated on **January 28, 2012.**

Based on the existing records of the Bureau for the period of the claim, you were only authorized to issue invoices bearing the header **"CHARGE INVOICE".** The "Charge Sales Invoice/Commercial invoices" issued is still not covered by the BIR approved CAS Permit since the notification to the RDO for the enhancement/modification was only made on **January 28, 2022**, which was beyond the period of the claim.

Section 238 of the NIRC of 1997, as amended, requires that all persons who are engaged in business shall secure from the BIR an authority to print receipts or sales or commercial invoices before a printer can print the same. **Without this proof, the invoices or receipts would have no probative value for the purpose of refund.**

Hence, you were not able to comply with one of the requisites in establishing VAT zero-rated sales, which is the issuance of a valid Sales Invoices for its alleged zero-rated sale of goods.

In this regard, you were not able to prove your zero-rated sales amounting to Php295,361,580.16.
(Emphasis in the original)

Aggrieved, petitioner elevated an appeal with this Court through the instant Petition for Review posted on August 3, 2023.[13] Respondent, on the other hand, filed his Answer[14] on November 6, 2023, after being granted an extension of time to file the same.[15]

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[13] *Supra* note 1.
[14] Answer, Docket Vol. 1, pp. 305-320.
[15] See Motion for Extension of Time to file Answer, *id.* at 298-302; see also Order dated October 23, 2023, *id.* at 304

Thereafter, respondent[16] and petitioner[17] submitted their respective pre-trial briefs on February 29, 2024 and March 1, 2024, respectively.

The pre-trial conference ensued on March 5, 2024.[18]

On April 4, 2024, petitioner filed a Motion to Commission Independent Certified Public Accountant ("ICPA") praying for the appointment of Tibayan Santos Magpantay and Company, represented by Peter Raymond T. Santos, as ICPA in the instant case.[19] The motion was granted during the hearing held on June 11, 2024.[20]

Meantime, the parties submitted their Joint Stipulation of Facts and Issues on April 4, 2024.[21] In this regard, the Court issued its pre-trial order[22] on May 17, 2024.

During trial, petitioner presented its witnesses Joseph Basquina,[23] and Marlon Dumail[24] who testified through their separate judicial affidavits and appeared before the Court on July 11, 2024[25] and August 6, 2024,[26] respectively.

In addition, petitioner offered the testimony of ICPA Santos who submitted his report[27] on July 11, 2024. He provided his direct testimony through judicial affidavit, dated July 22, 2024,[28] and appeared before the Court on August 1, 2024.[29]

On August 27, 2024, petitioner submitted its Formal Offer of Evidence ("FOE"),[30] to which respondent filed its Comment[31] on September 12, 2024. Pursuant to such FOE, the Court admitted all offered evidence, save for Exhibit "P-6" for failure to correspondent with the document actually marked, on November 15, 2024.[32]

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16 Respondent's Pre-Trial Brief, *id.* at 329-333.
17 Pre-Trial Brief for Petitioner, *id.* at 360-389.
18 See Minutes of hearing dated March 5, 2024, *id.* at 391.
19 Motion to Commission Independent Certified Public Accountant, *id.* at 395-406, with annexes.
20 See Minutes of hearing dated June 11, 2024, *id.* at 465.
21 Joint Stipulation of Facts and Issues, *id.* at 422-429.
22 Pre-Trial Order, *id.* at 446-453.
23 Judicial Affidavit of Joseph P. Basquina, dated August 2, 2023, *id.* at 61-73.
24 Judicial Affidavit of Marlon D. Dumail, dated August 2, 2023, *id.* at 74-83.
25 See Minutes of hearing dated July 11, 2024, Docket Vol. 2, p. 468.
26 See Minutes of hearing dated August 6, 2024, *id.* at 544.
27 ICPA Report, dated July 8, 2024, Exhibit "P-54".
28 Judicial Affidavit of Peter Raymond T. Santos, dated July 22, 2024, Docket Vol. 2, pp. 472-488.
29 See Minutes of hearing dated August 1, 2024, Docket Vol. 2, p. 542.
30 Formal Offer of Evidence, *id.* at 546-569.
31 Comment (on Petitioner's Formal Offer of Evidence), *id.* at 584-586.
32 See Resolution dated November 15, 2024, *id.* at 593-596.

On the other hand, respondent offered the testimony of his lone witness of Revenue Officer ("RO") Hanz Kiefer T. Tan who testified via a judicial affidavit dated February 29, 2024,[33] and appeared before the Court on February 13, 2025.[34]

Respondent then submitted his FOE[35] on February 21, 2025, to which petitioner filed its Comment[36] on March 11, 2025. All evidence were admitted by the Court on June 10, 2025.[37]

Petitioner thereafter submitted its Memorandum on July 28, 2015.[38] Respondent, however, manifested that he would adopt the arguments raised in his Answer dated November 6, 2023.[39]

After noting the foregoing, the instant Petition for Review was submitted for decision on September 18, 2025.

The Issues

The issues, as stipulated by the parties, are as follows:

> WHETHER PETITIONER IS ENTITLED TO THE REFUND OF THE ALLEGED EXCESS AND UNUTILIZED INPUT VAT IN THE AMOUNT OF ₱5,082,473.73 COVERING THE PERIOD JANUARY 1, 2021 TO DECEMBER 31, 2021; and
>
> WHETHER THE BIR'S DECISION ON THE ADMINISTRATIVE CLAIM DENYING PETITIONER'S CLAIM FOR VAT REFUND BASED ON THE EVIDENCE SUBMITTED WAS CORRECT.[40]

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33 See Judicial Affidavit of Revenue Officer Hanz Keifer T. Tan, Exhibit "R-7", Docket Vol. 1, pp. 341-347.
34 See Minutes of hearing dated February 13, 2025, Docket Vol. 2, p. 666.
35 Respondent's Formal Offer of Evidence, *id.* at 669-673.
36 Comment (to Respondent's Formal Offer of Evidence), *id.* at 677-681.
37 Resolution dated June 10, 2025, *id.* at 686-687.
38 Memorandum dated July 28, 2025, *id.* at 689-736.
39 *Supra* note 14.
40 See Pre-Trial Order, Docket Vol. 1 at 447.

Arguments of the Parties

Petitioner's Arguments[41]

Petitioner insists that it is entitled to a VAT refund for TY 2021 in the amount of ₱5,082,473.73. Specifically, it argues that: (1) it complied with all the requisites of a valid refund; (2) it submitted all the required documents to support its application for refund; (3) it issued valid invoices for its zero-rated transactions pursuant to a valid Permit to Use Computer Accounting System ("PTUCAS") in compliance with *Section 237 and 238 of the National Internal Revenue Code, as amended ("Tax Code")*; (4) the modification of the header of the system-generated sales invoice from "Charge Sales Invoice" to "Charge Sales Invoice/Commercial Invoice" does not constitute a system enhancement that resulted in the change in the system's release and/or version number; hence, the automatic revocation of petitioner's PTUCAS has no basis in law; and (5) petitioner was able to substantiate its entitlement to a tax refund in the amount of ₱5,082,473.73.

As such, petitioner advances that the BIR erred in denying its administrative claim for VAT refund.

Respondent's Counter-Arguments[42]

Respondent, on the other hand, counters that the instant Petition must fail due to petitioner's failure to substantiate its administrative claim for refund. He insists that since a decision has been rendered at the administrative level, the Court's jurisdiction becomes strictly appellate in nature. Thus, according to respondent, the Court should confine itself to the issue of whether the findings of respondent are consistent with the law.

Furthermore, respondent highlights that petitioner is not entitled to its claim for refund of alleged excess and unutilized input VAT. In particular, he alleges that present claim was not fully substantiated by proper documents due to petitioner's issuance of "Charge Sales/Commercial Invoice" instead of "Charge Invoice" as indicated in the approved CAS. According to respondent, this also proves non-compliance with the requirements of *Section 237 and 238 of the Tax Code*.

Lastly, respondent submits that taxes collected are presumed to be in accordance with laws and regulations. Therefore, according to respondent, any doubt should be resolved in favor of the power of taxations

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[41] See Memorandum dated July 28, 2025, Docket Vol. 2, pp. 700-734.
[42] See Answer, Docket Vol.1, pp. 306-317.

The Ruling of the Court

Requisites for a successful claim for VAT refund or issuance of a tax credit certificate

Sections 112(A) and (C) of the Tax Code, as implemented by *Section 4.112.1 of the Revenue Regulations (RR) No. 16-2005*,[43] as amended by *RR No. 13-18*,[44] primarily govern claims for refund or issuance of tax credit certificate of excess or unutilized creditable input VAT attributable to zero-rated sales, like the case at hand. These provisions respectively state:

> 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.
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> . . .
>
> (C) Period within which Refund or Tax Credit of Input Taxes shall be Made. – In proper cases, ***the Commissioner shall grant a refund or issue the tax credit certificate for creditable input taxes within one hundred twenty (120) [now 90]***[45] ***days from the date of submission of complete documents in support of the application filed in accordance with Subsection (A) hereof.***
>
> In case of ***full or partial denial of the claim for tax refund or tax credit, or the failure on the part of the Commissioner to act on the application within the period prescribed above, the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the claim***

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[43] Consolidated Value-Added Tax Regulations of 2005, September 1, 2005.

[44] Regulations Implementing the Value-Added Tax Provisions under the Republic Act (RA) No. 10963, or the "Tax Reform for Acceleration and Inclusion (TRAIN)," Further Amending Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), as Amended, March 15, 2018.

[45] As amended under Section 36 of Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Law, effective January 1, 2018.

> ***or after the expiration of the one hundred twenty-day period, appeal the decision or the unacted claim with the Court of Tax Appeals.***
>
> . . .
>
> SEC. 4.112-1. *Claims for Refund/Credit of Input Tax.* –
>
> (a) Zero-rated and Effectively Zero-rated Sales of Goods, Properties or Services
>
> A VAT-registered person whose sales of goods, properties or services are zero-rated or effectively zero-rated may apply for the issuance of a tax refund of input tax attributable to such sales. The input tax that may be subject of the claim shall exclude the portion of input tax that has been applied against the output tax. The ***application should be filed within two (2) years after the close of the taxable quarter when such sales were made.***
>
> In case of zero-rated sales under Secs. 106(A)(2)(a)(1) and (3), Secs. 108(B)(1) and (2) of the Tax Code, the payments for the sales must have been made in ***acceptable foreign currency duly accounted for in accordance with the BSP rules and regulations.***
>
> Where the taxpayer is engaged in both zero-rated or effectively zero-rated sales and in taxable (including sales subject to final withholding VAT) or exempt sales of goods, 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, only the proportionate share of input taxes allocated to zero-rated or effectively zero-rated sales can be claimed for refund or issuance of a tax credit certificate.
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> In the case of a person engaged in the transport of passenger and cargo by air or sea vessels from the Philippines to a foreign country, the input taxes shall be allocated ratably between his zero-rated sales and non-zero-rated sales (sales subject to regular rate, subject to final VAT withholding and VAT-exempt sales).
> (Emphasis and italics supplied)

Applying the foregoing, jurisprudence has laid down the requirements which taxpayer-applicants must satisfy to successfully obtain a credit/refund of input VAT. These requisites are categorized as follows:

> *As to the timeliness of the filing of the administrative and judicial claims*:
>
> 1. the administrative claim with the BIR should be filed within two years after the close of the taxable quarter when the pertinent zero-rated sales were made;[46]

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[46] *Nippon Express (Philippines) Corporation v. Commissioner of Internal Revenue*, G.R. No. 191495, July 23, 2018.

2. that in case of full or partial denial of the refund claim, the judicial claim should be filed with this Court, within 30 days from receipt of the decision;[47]

As to the taxpayer's registration with the BIR:

3. the taxpayer is a VAT-registered person;[48]

In relation to the taxpayer's output VAT:

4. the taxpayer is engaged in zero-rated or effectively zero-rated sales;[49]
5. for zero-rated sales under *Sections 106(A)(2)(a)(1), (2), and (b) and 108(B)(1) and (2)*, the acceptable foreign currency exchange proceeds have been duly accounted for in accordance with BSP rules and regulations;[50]

As regards the taxpayer's input VAT being refunded:

6. the input taxes are not transitional input taxes;[51]
7. the input taxes are due or paid;[52]
8. the input taxes have not been applied against output taxes during and in the succeeding quarters;[53] and
9. the input taxes claimed are attributable to zero-rated or effectively zero-rated sales. However, where there are both zero-rated or effectively zero-rated sales and taxable or exempt sales and the input taxes cannot be directly and entirely attributable to any of these sales, the input taxes shall be proportionately allocated on the basis of sales volume.[54]

Relative to the above requirements, and contrary to respondent's claim, the Court is not limited to the evidence presented by a taxpayer in the administrative claim for refund, and the Court's jurisdiction does not necessarily shift from trial court to appellate tribunal. Cases filed before the Court are litigated *de novo* wherein taxpayer-claimants must prove every minute aspect of their case.[55] Thus, petitioner must rightfully show

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47 *Id.*

48 *Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue*, G.R. No. 166732, April 27, 2007; *Southern Philippines Power Corporation v. Commissioner of Internal Rev*enue, G.R. No. 179632, October 19, 2011; *San Roque Power Corporation v. Commissioner of Internal Revenue*, G.R. No. 180345, November 25, 2009.

49 *Id.*

50 *Id.*

51 *Id.*

52 *Id.*

53 *Id.*

54 *Id.*

55 *Commissioner of Internal Revenue vs. CE Casecnan Water and Energy Company*, Inc, G.R. No. 212727, February 1, 2023; *Commissioner of Internal Revenue vs. Univation Motor Philippines, Inc. (formerly Nissan Motor Philippines, Inc.)*, G.R. No. 231581, April 10, 2019.

compliance with the abovementioned requisites. The absence of any of the requirements constitutes a valid ground for the denial of the claim.

This has been clearly enunciated by the Supreme Court in the case of *Commissioner of Internal Revenue vs. CE Casecnan Water and Energy Company, Inc.*[56] citing *Commissioner of Internal Revenue vs. Univation Motor Philippines, Inc. (formerly Nissan Motor Philippines, Inc.)*,[57] where it was held that:

> The law creating the CTA specifically provides that proceedings before it shall not be governed strictly by the technical rules of evidence. The paramount consideration remains the ascertainment of truth. Thus, *the CTA is not limited by the evidence presented in the administrative claim in the Bureau of Internal Revenue. The claimant may present new and additional evidence to the CTA to support its case for tax refund.*
>
> ***Cases filed in the CTA are litigated de novo*** as such, respondent "should prove every minute aspect of its case by presenting, formally offering and submitting. . . to the Court of Tax Appeals all evidence. . . required for the successful prosecution of its administrative claim." ***Consequently, the CTA may give credence to all evidence presented by respondent, including those that may not have been submitted to the CIR as the case is being essentially decided in the first instance.*** (Emphasis and italics supplied)

The Court thus disagrees with the respondent's myopic view that since an unfavorable decision has already been rendered at the administrative level, petitioner cannot present before the Court documents not submitted at the administrative level and that the Court must be confined to a limited issue of whether the BIR's denial of the refund claim is warranted.

We reiterate that as a court of record, the CTA has the authority to determine issues raised by the parties even if these were not raised in the administrative level. Similarly, it has the authority to accept evidence offered by the taxpayer-claimant to the Court, regardless of whether these were submitted at the administrative level.

That said, upon review of the evidence offered by the parties to the Court, We find that petitioner failed to comply with these requisites and is, thus, deemed not entitled to the refund of input VAT.

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[56] G.R. No. 212727, February 1, 2023.
[57] G.R. No. 231581, April 10, 2019.

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

As regards the *first* and *second* requisites in refund applications in relation to the timeliness of the administrative and judicial claims, the respective applicable periods are expressly provided in *Section 112 (A) and (C) of the Tax Code,* as quoted above.

For this purpose, the Court finds guidance from the ruling of the Supreme Court in case of *Nippon Express (Philippines) Corporation v. Commissioner of Internal Revenue,*[58] which states:

> . . . a VAT-registered taxpayer who has excess and unutilized creditable input VAT attributable to zero-rated sales may file an application for cash refund or issuance of TCC (administrative claim) before the CIR who has primary jurisdiction to decide such application. *The period within which to file the administrative claim is two (2) years reckoned from the close of the taxable quarter when the pertinent zero-rated sales were made.*
>
> From the submission of complete documents to support the administrative claim, *the CIR is given a 120-day period to decide.* In case of whole or partial denial of or inaction on the administrative claim, the taxpayer may bring his judicial claim, through a petition for review, before the CTA who has exclusive and appellate jurisdiction. *The period to appeal is thirty (30) days counted from the receipt of the decision or inaction by the CIR.*
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> . . .
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> In the seminal cases of *Commissioner of Internal Revenue (Commissioner) v. Aichi Forging Company of Asia, Inc.* and *Commissioner v. San Roque Power Corporation/Taganito Mining Corporation v. Commissioner/Philex Mining Corporation v. Commissioner (San Roque),* the Court interpreted the 30-day period of appeal as mandatory and jurisdictional. Thus, noncompliance with the mandatory 30-day period renders the petition before the CTA void. The ruling in said cases as to the mandatory and jurisdictional character of the 30-day period of appeal was reiterated in a litany of cases thereafter.
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> Pertinently, the CTA law expressly provides that when the CIR fails to take action on the administrative claim, the "inaction shall be deemed a denial" of the application for tax refund or credit. The taxpayer-claimant must strictly comply with the mandatory period by filing an appeal with the CTA within thirty days from such inaction, otherwise, the court cannot validly acquire jurisdiction over it.
> (Italics supplied)

[58] G.R. No. 191495, July 23, 2018.

Gleaning from the foregoing, there are three relevant periods governing claims for refund of input VAT attributable to zero-rated or effectively zero-rated sales:

1. The administrative claim for refund or issuance of tax credit certificate must be filed by the VAT-registered taxpayer within two years from the close of the taxable quarter when the sales were made;
2. The CIR has 90 days[59] to grant or deny the claim for refund from the date of submission of complete documents in support of the administrative application; and
3. The judicial appeal must be filed by the claimant within 30 days from the receipt of the decision denying the claim.[60]

In relation to the period granted to the CIR to review the application, the running of the same shall be triggered by the simultaneous submission by the taxpayer-applicant of the tax refund claim together with the complete supporting documents, as prescribed in *Revenue Memorandum Circular ("RMC") No. 54-2014*,[61] in accordance with the pronouncement of the Supreme Court in *Pilipinas Total Gas, Inc., v. Commissioner of Internal Revenue,*[62] to wit:

> To summarize, for the just disposition of the subject controversy, the rule is that from the date an administrative claim for excess unutilized VAT is filed, a taxpayer has thirty (30) days within which to submit the documentary requirements sufficient to support his claim, unless given further extension by the CIR. Then, upon filing by the taxpayer of his complete documents to support his application, or expiration of the period given, the CIR has 120 days within which to decide the claim for tax credit or refund. Should the taxpayer, on the date of his filing, manifest that he no longer wishes to submit any other addition documents to complete his administrative claim, the 120 day period allowed to the CIR begins to run from the date of filing.
>
> In all cases, whatever documents a taxpayer intends to file to support his claim must be completed within the two-year period under Section 112(A) of the NIRC. The 30-day period from denial of the claim or from the expiration of the 120-day period within which to appeal the denial or inaction of the CIR to the CTA must also be respected.
>
> It bears mentioning at this point that the foregoing summation of the rules should only be made applicable to those claims for tax credit or refund filed prior to June 11, 2014, such as the claim at bench. *As it now stands, RMC 54-2014 dated June 11, 2014 mandates that:*

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[59] As amended by *Section 36 of the Tax Reform for Acceleration and Inclusion (TRAIN) Law.*

[60] *Commissioner of Internal Revenue vs. CE Casecnan Water and Energy Company, Inc.*, G.R. No. 212727, February 1, 2023.

[61] Clarifies the issues relative to the application for Value-Added Tax (VAT) refund/credit under Section 112 of the Tax Code, as amended, dated June 17, 2014.

[62] G.R. No. 207112, December 8, 2015.

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

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

Further, in the case of *Commissioner of Internal Revenue v. Dohle Shipmanagement Philippines Corp.*,[63] the Supreme Court had the occasion of applying amendments introduced by *RA No. 10963, or the Tax Reform for Acceleration and Inclusion ("TRAIN") Law*, adjusting the previously prescribed 120-day to 90-day period:

> For administrative claims for VAT refund filed beginning January 1, 2018:
>
> 1. The filing of the administrative claim with supporting documents must be done within two years from the close of the taxable quarter pursuant to Section 112 (A) of the 1997 Tax Code or issuance of tax clearance by the BIR in case of cancellation of registration or cessation of business under Section 106 (C) of the Tax Code.
>
> 2. The 90-day processing period is reckoned from the submission of the official receipts or invoices and other documents in support of the application for VAT refund.
>
> 3. Pursuant to RMC 47-2019, once an administrative claim for VAT refund is filed and duly received by the BIR, no additional document/s shall be subsequently requested/required from the taxpayer. Failure on the part of

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[63] G.R. No. 246379, August 19, 2024.

> the taxpayer-claimant to submit the complete documents in support of the claim shall result in non-acceptance of the applications. Any unsupported claim shall be outrightly disallowed, resulting in full/partial denial of the claim.

In the case at hand, petitioner's claim covers all the taxable quarters of TY 2021. Based on the duly stamped received BIR Form No. 1914,[64] the administrative claim for these periods was filed on March 31, 2023. Considering the two-year prescriptive period to file, the administrative claim was thus timely filed.

As for the judicial claim, the VAT Refund Notice stating the BIR's decision on the refund application was received by petitioner on July 4, 2023.[65] Counting 30 days therefrom, petitioner had until August 3, 2023 within which to file a judicial appeal; hence, the instant Petition was timely posted on even date,[66] as shown in the table below:

Period Covered by the Refund Claim	Deadline of Filing Administrative Claim	Date of Filing of Administrative Claim	Date of Receipt of VAT Refund Notice	Date of Filing of the Petition for Review
January to March 2021	March 31, 2023	March 31, 2023	July 4, 2023	August 3, 2023
April to June 2021	June 30, 2023	March 31, 2023	July 4, 2023	August 3, 2023
July to September 2021	September 30, 2023	March 31, 2023	July 4, 2023	August 3, 2023
October to December 2021	December 31, 2023	March 31, 2023	July 4, 2023	August 3, 2023

Petitioner is a VAT-registered entity.

Petitioner's BIR Certificate of Registration,[67] with OCN No. 2RC0001113619 and TIN 005-210-935-000, listed VAT as one of its registered tax types. Accordingly, it is deemed to be compliant with the *third* requisite.

[64] *Supra* note 11
[65] *Supra* note 12.
[66] *Supra* note 1.
[67] BIR Certificate of Registration, Docket Vol. 2, p. 572.

Petitioner failed to establish that it performed zero-rated sales under Section 106(A)(2)(a)(1) of the Tax Code

Relative to the *fourth* requisite, a taxpayer-applicant is mandated to prove that it is engaged in zero-rated or effectively zero-rated sales. In the case of *Coca-Cola Bottlers Philippines, Inc. v. Commissioner of Internal Revenue*,[68] the Supreme Court unequivocally held that it is only when these types of sales transactions were duly proven that the taxpayer may have the option of applying for tax refund or credit, to wit:

> A plain and simple reading of the aforequoted provisions reveals that if and when the input tax exceeds the output tax, the excess shall be carried over to the succeeding quarter or quarters. ***It is only when the sales of a VAT-registered person are zero-rated or effectively zero-rated that he may have the option of applying for the issuance of a tax credit certificate or refund of creditable input tax due or paid attributable to such sales.*** Such is the clear import of the Court's ruling in San Roque, to wit:
>
> > *Under Section 110(B), a taxpayer can apply his input VAT only against his output VAT. The only exception is when the taxpayer is expressly "zero-rated or effectively zero-rated" under the law,* like companies generating power through renewable sources of energy. . . .
>
> (Emphasis and italics supplied)

Moreover, as for the *fifth* requirement, the *Tax Code* requires that those zero-rated sales falling under *Sections 106 (A)(2)(a)(1) and (2), and 108 (B)(1) and (2)* thereof must be paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP.

Based on MD Isalon's VAT returns for the 1st to 4th quarters of TY 2021, and as summarized by ICPA Santos in his Report,[69] it reported total sales of ₱298,215,630.13, including zero-rated sales amounting to ₱296,361,580.42, broken down as follows:

Taxable Quarter	VATable	Zero-rated	Exempt	Total
1st[70]	₱ 181,612.50	₱ 63,150,662.12	₱ 236.58	₱ 63,332,511.20
2nd[71]	867,582.08	79,981,350.62	289.33	80,849,222.03
3rd[72]	399,045.75	70,635,333.14	121,245.23	71,155,624.12
4th[73]	216,024.42	82,594,234.54	68,013.82	82,878,272.78

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68 G.R. No. 222428, February 19, 2018.
69 Summary of VAT Returns, Exhibit "P-55-1", ICPA Report.
70 Exhibit "P-18", BIR Records, p. 38.
71 Exhibit "P-18-1", *id.* at 37.
72 Exhibit "P-18-2", *id.* at 36.
73 Exhibit "P-18-3", *id.* at 35.

	₱1,664,264.75	**₱ 296,361,580.42**	**₱ 189,784.96**	**₱ 298,215,630.13**

Petitioner claims that its zero-rated transactions were actual export sales covered by *Section 106(A)(2)(a)(1)*,[74] as amended, which provides that:

> 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. — 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).*
> (Italics supplied)

Thus, in order for the exportation of goods to be considered subject to 0% VAT, the following elements must be complied with:

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.

i. *First element: Petitioner is a VAT registered taxpayer.*

As for the *first* element, it has already been established that petitioner is a VAT-registered person based on its BIR Certificate of Registration.[75]

ii. *Second element: The commercial invoices issued by petitioner to its clients remain valid notwithstanding the modification made in the header from "Charge Sales Invoice" to "Charge Sales Invoice / Commercial Invoice."*

[74] See Memorandum dated July 28, 2025, Docket Vol. 2, p. 706.
[75] *Supra* note 67.

Relative to the *second* element, any VAT registered person claiming VAT zero-rating on its direct export sale of goods must present the following documents:

1. The sales invoice as proof of sale of goods; and
2. The bill of lading or airway bill as proof of actual shipment of good from the Philippines to a foreign country.

For purposes of checking the first item above, We refer to *Section 113(A)(1),(B)(1), and (2)(c) of the Tax Code,* as amended, and *Section 4.113.1(A)(1), (B)(1), and (2)(c) of RR No. 16-2005,*[76] which discuss substantiation and invoicing requirements, thus:

Section 113(A)(1),(B)(1) and (2)(c) of the Tax Code:

SEC. 113. Invoicing and Accounting Requirements for VAT-Registered Persons. -

(A) Invoicing Requirements. - A VAT-registered person shall issue:

(1) A VAT invoice for every sale, barter or exchange of goods or properties; and

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

(B) Information Contained in the VAT Invoice or VAT Official Receipt. - The following information shall be indicated in the VAT invoice or VAT official receipt:

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

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

. . .

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

(d) If the sale involved goods, properties or services some of which are subject to and some of which are VAT zero-rated or VAT exempt, the invoice or receipt shall clearly indicate the break-down of the sale price between its taxable, exempt and zero-rated components, and the calculation of the value-added tax on each portion of the sale shall be known on the

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[76] Subject: Consolidated Value-Added Tax Regulations of 2005, September 1, 2005.

invoice or receipt: Provided, That the seller may issue separate invoices or receipts for the taxable, exempt, and zero-rated components of the sale.

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

(4) In the case of sales in the amount of One thousand pesos (P1,000) or more where the sale or transfer is made to a VAT-registered person, the name, business style, if any, address and Taxpayer Identification Number (TIN) of the purchaser, customer or client.
(Italics supplied)

Section 4.113.1(A)(1), (B)(1) and (2)(c) of RR No. 16-2005

SEC. 4.113-1. *Invoicing Requirements.-*

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

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

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

VAT invoice/official receipt shall be prepared at least in duplicate, the original to be given to the buyer and the duplicate to be retained by the seller as part of his accounting records.

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

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

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

. . .

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

It bears emphasis that the BIR's denial of the administrative claim is mostly due to a finding of non-compliance with the foregoing invoicing requirements, in relation to *Sections 237 and 238 of the Tax Code.* These provisions require that sales invoices supporting the export sales must be duly registered with the BIR, thus:

> SEC. 237. ***Issuance of Receipts or Sales or Commercial Invoices***. - All persons subject to an internal revenue tax shall, for each sale or transfer of merchandise or for services rendered valued at Twenty-five pesos (P25.00) or more, ***issue duly registered receipts or sales or commercial invoices,*** prepared at least in duplicate, showing the date of transaction, quantity, unit cost and description of merchandise or nature of service: Provided, however, That where the receipt is issued to cover payment made as rentals, commissions, compensations, fees, receipts or invoices shall be issued which shall show the name, business style, if any, and address of the purchaser, customer or client: Provided, further, That where the purchaser is a VAT-registered person, in addition to the information herein required, the invoice or receipt shall further show the Taxpayer Identification Number (TIN) of the purchaser. . . .
>
> SEC. 238. ***Printing of Receipts or Sales or Commercial Invoices***. - All persons who are engaged in business shall secure from the Bureau of Internal Revenue an ***authority to print receipts or sales or commercial invoices before a printer can print the same.***
>
> No authority to print receipts or sales or commercial invoices shall be granted unless the receipts or invoices to be printed are serially numbered and shall show, among other things, *the name, business style, Taxpayer Identification Number (TIN) and business address of the person or entity to use the same, and such other information that may be required by rules and regulations to be promulgated by the Secretary of Finance, upon recommendation of the Commissioner*. . . .
> (Emphasis and italics supplied)

To recall, respondent recognizes that petitioner was issued CAS No. 1810_0112_PTU_CAS_000349 approved on October 10, 2018.[77] An examination of the same PTUCAS, specifically the Summary of System Description attached thereto, yielded to the following:

> Part V: List of System-generated Accountable Forms/Documents with Approved Serial Numbers and/or Manually Issued Receipts/Invoices
>
> A. System-Generated Forms/Documents
>
> Main Software/Core System
>
> . . .

Name of Form/ Document	Prefix/Suffic	Range of Serial Nos.		Internal/External Document	With Printable Form? (Yes/No)	Module Used to Generate
		From	To			
Charge Invoice	31	0000001	9999999	External	Yes	Sales A/R

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[77] Exhibit "P-10", Docket Vol. 1, p. 120-126.

However, to support its TY 2021 sales transactions, petitioner issued documents with the header "Charge Sales Invoice/Commercial Invoice." For respondent, petitioner has therefore used invoices not covered by the BIR approved CAS permit, as well as an authority to print ("ATP"), violating the above-quoted *Sections 237 and 238 of the Tax Code*.

Respondent's argument must fail.

For the period subject of the instant claim (TY 2021), the applicable regulation is *RMC No. 05-2021*,[78] dated December 28, 2020, promulgated January 8, 2021, which amended certain provisions of *Revenue Memorandum Order No. 29-2002*.[79]

RMO No. 05-2021 enumerates the instances when PTUCAS shall no longer be considered valid, as well as the occurrences considered major enhancement, necessitating a new application for registration, to wit:

> 5. All taxpayers with existing Permit to Use (PTU) CAS, CBA and/or its Components shall NOT be required to apply for registration. The approved PTU previously issued by the Bureau shall still be valid, except for the following circumstances:
>
> a. ***PTU was revoked upon discovery of its non-compliance with existing revenue issuances*** during the conduct of authorized audit activity, Tax Compliance Verification Drive (TCVD) or Post-Evaluation.
>
> b. ***Existence of major system enhancement or upgrade,*** which will require the filing of *new application* for registration of the "System".
>
> 6. Taxpayer must submit a new application for registration in case of ***major enhancement***, such as but not limited to any of the following:
>
> a. ***Change in the functionalities of the system particularly on enhancements that will have a direct effect on the financial aspect*** of the system that includes modified computations and other financial-related issued that were considered;
>
> b. ***Addition or removal of modules or submodules within the system that will have a direct impact on the financial aspect*** of the system;

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[78] Simplified Policies on the Application for Registration of Computerized Accounting System (CAS), Computerized Books of Accounts (CBA) and/or its Components, including the Electronic Storage System (ESS), Middleware and Other Similar Systems, dated December 28, 2020.

[79] Revised Procedures in the Processing and Approval of Applications for Permit to Adopt Computerized Accounting System (CAS) or Components Thereof Amending RMO 21-2000, dated September 16, 2002.

> c. ***Change in the system/software Version or Release Number*** that will have enhancement on the financial aspect of the system; and
>
> d. All other enhancements that will be deemed as ***major system enhancement based on the recommendation of the technical evaluators*** after the comparative functionalities of the old and upgraded "system" were presented by the taxpayer.
>
> In case a taxpayer is found to have used an ***enhanced/upgraded system/software/application without registering with BIR prior to the use of such enhanced "system", the PTU originally issued shall be automatically revoked or registration shall have no effect from the time the enhanced/upgraded system/software/application is adopted*** by the taxpayer and may still be subjected to applicable penalty under existing revenue issuances.
>
> 7. In case of any ***minor system enhancement***, e.g. user interface modification, bug fixes, performance improvements, etc., the taxpayer must submit a ***written notification to their registered RDO/LT Office*** stating the specific minor enhancements on the system.
> (Emphasis and italics supplied)

Petitioner now claims that a side-by-side comparison of the "Charge Sales Invoice" as submitted for approval during its CAS application and the "Charge Sales Invoice/Commercial Invoice" eventually issued to its clients would show that both are the same on all material aspects, except for the updated header.

According to petitioner, the change in header was implemented pursuant to the mandate of the BOC, in March 2018, to submit Commercial Invoices to support its export sales. Petitioner claims that by this time, the application for PTUCAS had already been submitted, sans approval. Thus, to implement the BOC mandate, petitioner instead applied for ATP to print and issue Commercial Sales Invoices. Such ATP was granted on April 20, 2018.[80]

After being issued the PTUCAS on October 10, 2018,[81] and in order to reflect the 2018 ATP to issue Commercial Sales Invoice, petitioner updated the header of the computer-generated sales invoice from "Charge Invoice" to "Charge Sales Invoice/Commercial Invoice."

It does not escape our attention, however, that the sample Charge Invoice submitted to the Court as Exhibit "P-51"[82] (Charge Sales Invoice submitted by petitioner during CAS application), reflects the name of MD Davao Agri-Ventures, Inc. which appears to be an affiliate of petitioner. With this alone, We are unable to verify petitioner's position regarding the sole

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[80] Authority to Print OCN 2AU0001949726, dated April 20, 2018, valid until August 19, 2023, Exhibit "P-9", Docket Vol. 2, p. 691.
[81] *Supra* note 77.
[82] Docket Vol. 2, p. 582.

modification on the header allegedly made in the invoices. Nevertheless, considering the testimonies of the parties' witnesses, and the other documents presented to the Court, We still deem it proper to rule on the foregoing matter.

Under *RMC No. 05-2021*, an existing PTUCAS shall be considered valid except: (i) if the PTU was revoked upon discovery of non-compliance with existing rules; and (ii) if there exists major system enhancement or upgrade which will require the filing of a new application.

Here, there was no prior express revocation of the PTU. Thus, what remains to be evaluated is whether there was a major enhancement in petitioner's system. For this purpose, the same RMC enumerates the following instances which are considered major system enhancements:

> 1. Change in the functionalities of the system particularly on enhancements that will have a direct effect on the financial aspect of the system;
> 2. Addition or removal of modules or submodules within the system that will have a direct impact on the financial aspect of the system;
> 3. Change in the system/software Version or Release Number that will have enhancement on the financial aspect of the system; and
> 4. All other enhancements that will be deemed as major system enhancement based on the recommendation of the technical evaluators.

Our review of the records shows that none of the abovementioned instances would indicate that a major system enhancement occurred.

First, in the Judicial Affidavit of witness Dumail, Manager of the Information and Communication Technology ("ICT") Department assigned to petitioner, the following questions were propounded by the counsel and answered by the witness accordingly:

> Q9: You mentioned that the basis of the BIR's denial consisted of a technical issue, what do you mean by this?
>
> A9: In the BIR's VVAT Refund Notice, it was mentioned that Petitioner issued "Charge Sales Invoice/Commercial Invoice" which is not covered by its PTUCAS which only covers the issuance of Charge Invoice with serial range from 310000279 to 319999999. The BIR explained that the actual invoices issued by Petitioner is inconsistent with the approved format of sales invoices.
>
> Q10: You mentioned earlier that you were consulted to assist the Accounting Manager regarding said technical issue. What actions, if any, did you take to provide such assistance?

y

A10: To assist the Accounting Department, I, together with one ICT Staff, prepared a "Computerized Accounting System (CAS) No Enhancement Narrative Report" ("Report"). In the Report, we explained that the sales invoices issued by Petitioner are valid having been issued pursuant to its existing PTU CAS No. 1810_0112_PTU_CAS_000349. We further explained that the change in the header will not qualify as a system enhancement.

We likewise explained that ***the change in the header is not a major enhancement such that a new application is necessary, to wit:***

1. ***The change in header name of the system generated report has no effect in how the entry for sales transaction is made;***
2. ***No module was either removed or added in the system;***
3. ***There is no material effect on the system release and/or financial aspect of the CAS.***

As such, the invoices issued by Petitioner with the header "Charge Sales Invoice/Commercial Invoice" is essentially the same as the approved format based on the PTUCAS.

Q14: You mentioned in the Report that changing the header of Petitioner's system-generated sales invoices does not constitute a system enhancement on Petitioner's CAS, what do you mean by this?

A14: System enhancement is defined in Section II.AA of RMO No. 29-2002 as "any change or modification in the system software or architecture components of a computerized application system that will add value or further improve the system."

In the case of Petitioner's CAS, changing the header name of the system-generated sales invoices does not add value nor improve the Petitioner's CAS.

To elaborate, all data entry changes in the financial system are covered by the audit trail log. This audit trail log is illustrated at the Annex C of the Report. On the other hand, the change in header of the sales invoices from "Charge Sales Invoice" to "Charge Sales Invoice/Commercial Invoice" is "coded" in the programming "stored procedure programmability" and used at program runtime. This "stored procedure programmability" can be seen at Annex D of the Report. *The "store procedure programmability" only defines the display or presentation of the "table" of contents on the user's interface, which includes the form headers and print layout. Hence,* ***changes in the header of the system-generated sales invoices will not affect the contents of the underlying modules and sub modules with the accounting system****. Further,* ***this will not also affect the integral recognition and computation of all financial transactions.***

> Put simply, changing the header of the system-generated sales invoice from "Charge Sales Invoice" to "Charge Sales Invoice/Commercial Invoice" is simply a nominal or formal change which ***adds no value nor improvement in the system.***[83] (Emphasis and italics supplied)

Second, during the cross-examination of respondent's witness on February 13, 2025, RO Tan confirmed that the only noted change in the invoices issued by petitioner is the header, and that all other items in the invoice are the same, to wit:

Atty. Tan:	Would you agree that aside from the zero rated not qualified for zero-rating adjustments or disallowance in the amount of Thirty Four Million Sixty Eight Thousand Four Hundred Eighteen point Twelve Pesos (₱34,068,418.12), the only basis for the denial of petitioner's VAT refund application is the change of the header of the invoice from Charge Invoice to Charge Sale Invoice/Commercial Invoice.
Witness (RO Tan):	Yes.
Atty. Tan:	Would you agree that the only change in the invoice is the header from Charge Invoice to Charge Sales Invoice/Commercial Invoice?
Witness (RO Tan):	Yes, attorney.
	...
Atty. Tan:	Would you also agree that all the other items in the invoice are the same?
Witness (RO Tan):	Yes, attorney. The header is different.
	...
Atty. Tan:	... Did you find any enhancements that resulted in change in systems release or version number in petitioner's system?
Witness (RO Tan):	No.
Atty. Tan:	Did you find any modification in the system software of (architectural) components of petitioner's (computerized) application system that added value or further improve the system?

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[83] Judicial Affidavit of Marlon Dumail, Docket Vol. 1, pp. 78-80.

Witness
(RO Tan): Yes, attorney, the header.

Atty. : What is your basis in saying that the change in header added value or further (improved) the systems?

Witness
(RO Tan): Since the document is not the same as the one registered with the BIR, the supporting document.[84]

It must be highlighted from the foregoing that while RO Tan expressed an opinion during cross-examination that there was a finding of system improvement or added value, there was no mention or discussion on how this was derived. Instead, RO Tan merely reiterated the fact of change in header.

Third, the PTUCAS[85] issued to petitioner states the following details on the approved system:

Main Software/Core System:

Software Name:	SAP Business One
Version Number:	Version 9.2 PL07
Release No. and/or Date:	2017

Notwithstanding the change in header name, the same version and release number remain in use by petitioner, as observed by the Court in the screenshot of the running software submitted by petitioner.[86]

It is thus clear from the foregoing that there is substantial support to petitioner's claim that the modification made to the invoices merely pertain to the header and no other fields of such form were altered, substantial or otherwise. Such modified header can hardly qualify under any of the instances considered as major enhancement, as enumerated above. To be specific, there was no change in functionalities of the system, no addition or removal of modules, and no any change in the system/software version or release number, which would have an impact on financial aspect of the system. In addition, respondent failed to show that a technical evaluator has deemed the enhancement a "major" one.

Meanwhile, respondent also argues that the change of header qualifies as a minor enhancement which necessitates a written notification to the respective Revenue District Office ("RDO"). Thus, according to respondent, the belated filing of notice on January 28, 2022 would mean that the issuance of "Charge Sales Invoice/Commercial Invoice" is still not covered by the PTUCAS.

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[84] Transcript of Stenographic Notes ("TSN") dated February 13, 2025, pp. 7-10.
[85] *Supra* note 77.
[86] CAS No Enhancement Narrative Report, Exhibit "P-52", Docket Vol. 1, p. 287.

We disagree. While it is true that *RMC No. 05-2021* requires a taxpayer to submit a written notification to the RDO in case of any minor system enhancement, the same issuance provides for the invalidation of the PTUCAS only for failure to register with the BIR those upgrades which fall under paragraph six thereof – the same provision which discusses "major system enhancement." No similar effect (i.e. invalidation) is prescribed for minor enhancements and/or any failure to notify the BIR of the same.

Accordingly, the Court holds that the change in header name from "Charge Sales Invoice" to "Charge Sales Invoice/Commercial Invoice" does not constitute a system enhancement that would invalidate the existing PTUCAS and necessitate a new CAS Permit from the BIR. Thus, the invoices issued by petitioner to its clients remain valid and have probative value for purposes of proving petitioner's zero-rated sales.

Despite this, however, We still find insufficiency in the documents submitted by petitioner to prove the proper zero-rating of its sales transactions.

iii. Third element: Petitioner failed to prove that the payments for the alleged zero-rated sales were accounted for in accordance with the rules and regulations of the BSP.

Under *Section 106 (A)(2)(a)(1)*, the *third* element of a valid zero-rated export sale, in relation to the *fifth* requirement to successfully claim input VAT refund, mandates that the alleged zero-rated sales must be paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP. To demonstrate compliance, petitioner submitted the following:

Exhibit No.	Description	Purpose
P-35[87]	Metrobank Certification of Inward Remittances dated January 4, 2023	To prove: a. That petitioner submitted all documents in compliance with the mandatory requirements enumerated under BIR rules and regulations for claims for VAT refund;
P-35-1[88]	Metrobank Certification of Inward Remittances dated February 23, 2023	
P-36[89]	Security Bank Certification of Inward Remittances dated December 16, 2022	

f

[87] BIR Records, p. 112-113.
[88] *Id.* at 110-111.
[89] *Id.* at 114-115.

P-37[90]	PNB Certification of Remittances dated March 8, 2023	b. Petitioner's VAT zero-rated export sales; and c. That the foreign currency exchange has been accounted for in accordance with the rules and regulations of the BSP.

Upon checking the above certifications, the respective banks listed the inward remittances with corresponding date of remittance, name of remitter, remitting bank, amount remitted, amount credited, and remittance reference numbers. Notably, however, the amounts listed therein are made in lump sum, based on the date of remittance made by remitter. With such limited information, the certificates themselves fail to show to the Court whether the amounts reflected therein correspond to the zero-rated sales subject of the instant claim.

Meanwhile, upon the Court's reference to the ICPA Report, it was narrated therein that the procedures performed included a review of the proof of inward remittances, to wit:

> C. For VAT zero-rated sales and receipts, propriety of treatment as zero-rated transaction as follows:
>
> (1) Examine proof of exportation (of) goods for zero-rated sales.
> (2) ***Reviewed proof of inward remittances of foreign currency representing proceeds arising from zero-rated sales.***
> (3) In cases where the supporting documents are stated in United States Dollar (USD), *we determined that the foreign currency exchange rate used to convert the same to Philippine Peso are based on the prevailing reference rates from the Banko Sentral ng Pilipinas.*[91]
>
> (Emphasis and italics supplied)

However, while the Schedule of Zero-Rated Sale of Goods and Services[92] prepared by the ICPA indicates the date of remittance, amount credited in both foreign currency and Philippine peso, and the accredited bank, among others, it failed to make reference to the corresponding bank certificate which proves the inward remittance. There is also nothing in the ICPA Report which shows a breakdown of the remittances indicated in the bank certificates.

As the amount in the four remittance certificates were not itemized and ICPA Santos failed to show if the client's payments were traced to any of these certificates, the next logical way available to the Court is to add all the

[90] *Id.* at 116-117.
[91] Exhibit "P-54", ICPA Report, p.2-3.
[92] Exhibit "P-54-3", ICPA Report.

amounts listed under the "Amount Remitted (in Foreign Currency)" column, in the Schedule of Zero-Rated Sale of Goods and Services,[93] on a per date of remittance and per bank basis, then compare the derived sum to the amount listed by the banks.

The amounts, however, do not match.

Further, in an attempt to persuade the Court that remittances were duly accounted for, petitioner highlighted in its Memorandum the working papers prepared by the BIR during the evaluation of the administrative claim. Specifically, one of the schedules therein purportedly shows a reconciliation of petitioner's alleged zero-rated sales *vis-à-vis* the dollar remittances per bank certificates submitted:[94]

		Zero-Rated Sales		Remittance	Variance
		(a)	(b)	(c)	(d) = b-c
January 1, 2021 to December 31, 2021		PHP 294,043,172.39	USD 5,963,990.92	USD 5,730,829.18	USD 233,161.74
Reconciliation:					
	Bank charges				USD 331.00
	Various credit note				(134,448.00)
	Excess remittance pertains to other period sales				(246,757.04)
	Total				USD 380,874.04
	Unremitted zero-rated sales (subjected to allocation)				USD 614,035.78

Petitioner also prepared a separate reconciliation schedule in its Memorandum, substantially reproduced below:[95]

Bank	Amount per Bank Certificate (January 1, 2021 to March 31, 2022) in USD	2020 Invoiced Sales	2022 Invoiced Sales	Assumed 2021 Invoiced Sales	Schedule of Zero-rated sale of goods – Banana – TOTAL	Service Fee	(Over Remittance) / Under Remittance in USD	Bank Charge in USD
SBC	947,598.38		88,569.20	859,029.18	859,199.18			170.00
PNB	2,880,603.25	47,654.96	510,307.92	2,322,640.37	2,302,964.96	39,568.61	19,587.20	306.00
MBTC	2,647,495.61	35,861.56	453,905.96	2,157,728.09	2,136,968.05	1,462.50	(19,587.54)	290.00
MBTC Airport View	160,774.00	15,385.00		145,389.00	145,684.00			295.00
TOTAL DIRECT EXPORT	**6,636,471.24**	**98,901.52**	**1,052,783.08**	**5,484,786.64**	**5,444,816.19**	**41,031.11**	**(0.34)**	**1,061.00**
INDIRECT EXPORT					502,601.90			
TOTAL					**5,947,418.09**			

[93] *Id.*
[94] See Schedule 7 – Reconciliation of Zero-rated Sales vs. Inward Remittance, Working Paper – Export Sales and Dollar Remittances, BIR Records, p.259.
[95] See Par. 59.6.3, Memorandum dated July 28, 2025, Docket Vol. 2, p. 708.

Schedule of Sales per P-51-C			5,947,418.09			

We, however, find that these schedules deserve scant consideration.

First, it is unclear to the Court how the BIR arrived at USD5,730,829.18 amount of remittance. Based on Our own calculations, the foreign currency remittance per bank certificates totaled USD6,636,471.24, consistent with the reconciliation schedule provided by petitioner in its Memorandum. It cannot therefore be concluded that the BIR has completely accounted for the dollar remittances per bank certificates.

Second, after taking into account the reconciling items, the BIR's working paper shows a remaining variance of USD614,035.78. This amount was labeled by the BIR as "unremitted zero-rated sales" and thus clearly proves non-compliance with the *third* element of a valid zero-rated export sale (i.e., that the sale was *paid for* in acceptable foreign currency)

Third, the reconciling items lack due explanation and supporting documents. Petitioner cannot merely claim the pertinent amounts relate to bank charges, various credit notes, excess remittances, sales invoiced in other years, or over / under remittances, but not provide documents to corroborate such assertions.

Fourth, the reconciling items for both schedules do not match. Particularly, the alleged bank charges per BIR's working paper, amounting to USD331.00, do not equal the bank charges per petitioner's schedule, amounting to USD1,061.00. The alleged "excess remittance pertaining to other period sales" in the BIR working paper, amounting to USD246,757.04, likewise does not match the "2020 Invoiced Sales" and "2022 Invoiced Sales" per petitioner's schedule, with the total of USD1,151,684.60.[96] The inconsistencies in these amounts cast doubt on the truthfulness and propriety of claiming them as reconciling items.

In the absence of an itemized list or even an identification of the corresponding remittance numbers in the schedule of zero-rated sales (with proper reconciliation for any noted discrepancies in amounts), as well as supporting documents to corroborate petitioner's alleged reconciling items, there is no way for the Court to determine whether the payment for the zero-rated sales were indeed "accounted for in accordance with the rules and regulations of the BSP."

Petitioner therefore failed to prove compliance with the *fifth* requisite for the successful prosecution of the instant refund claim.

[96] 2020 Invoiced Sales of USD98,901.52 plus 2022 Invoiced Sales of USD1,052,783.08.

At this juncture, petitioner must be reminded that in cases filed before this Court, which are *litigated de novo*, party-litigants must prove every minute aspect of their case.[97] It is well-settled that tax refunds are in the nature of a claim for exemption and, therefore, the law is construed in *strictissimi juris* against the taxpayer. Accordingly, the pieces of evidence presented entitling a taxpayer to an exemption must also *strictissimi* scrutinized and must be duly proven.[98] In this case, petitioner was not able to prove with competent evidence its entitlement to a refund or issuance of a tax credit certificate.

It is now unnecessary to determine whether petitioner fulfilled the remaining requisites for granting a refund of input VAT for TY 2021, considering the above.

ACCORDINGLY, premises considered, the instant Petition for Review is hereby **DENIED** for lack of merit.

SO ORDERED.

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

WE CONCUR:

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

CORAZON G. FERRER-FLORES
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

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[97] *Supra* note 55.
[98] Atlas Consolidated Mining and Development Corporation v. CIR, G.R. No. 159490, February 18, 2008.