REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
Quezon City

Special Second Division

STEFANINI PHILIPPINES, INC.,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NO. 11285

Members:

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

Promulgated:

JUN 11 2026

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DECISION

4:10 p.m.

RINGPIS-LIBAN, *J.*:

The *Petition for Review* filed on October 18, 2023, prays for the refund and/or issuance of tax credit certificate in the amount of ₱2,784,485.36, allegedly representing petitioner's unutilized input value-added tax (VAT) attributable to its zero-rated sales for the 2nd quarter of calendar year (CY) 2021 or covering the period April 1, 2021 to June 30, 2021.[1]

THE PARTIES

Petitioner Stefanini Philippines, Inc. is a corporation duly organized and existing under and by virtue of Philippine laws with registered office address at 3, 5 & 6/F iMET BPO Metrobank Ave., Metropolitan Park, Roxas Blvd., Pasay City 1300.[2] It is engaged in the Philippines in the business of providing business process outsource solutions and allied contact or call center services,

[1] Docket – Vol. I, p. 322, Summary of the Case, Pre-Trial Order dated May 17, 2024.
[2] *Id.*, p. 276, *Joint Stipulation of Facts and Issues* (JSFI), incorporated in the parties' *Compliance* dated March 22, 2024, Stipulation of Facts, par. 1.

both as principal and agent.[3] It is registered with the Bureau of Internal Revenue (BIR) as a VAT taxpayer, under Taxpayer Identification Number (TIN) 006-960-314-00000.[4]

Respondent is the duly appointed Commissioner of Internal Revenue empowered to perform the duties of his office, including among others, the duty to act upon and approve claims for refund or tax credit as provided by law, with office address at the 5th Floor, BIR National Office Building, Agham Road, Diliman, Quezon City.[5]

THE FACTS

On June 30, 2023, petitioner filed with the BIR its *Application for Tax Credits/Refunds* (BIR Form No. 1914),[6] with supporting documents, of its excess and unutilized input VAT for the 2nd quarter of CY 2021 in the amount of ₱2,784,485.36.[7]

Thereafter, on September 19, 2023, petitioner received the *VAT Refund Notice* dated August 29, 2023,[8] issued by respondent through Assistant Commissioner Maria Luisa I. Belen of the Assessment Service, stating that the total deductions exceeded the amount of input tax sought to be refunded, hence, denying petitioner's application for VAT refund.

As earlier stated, on October 18, 2023, petitioner filed the present *Petition for Review.*[9]

On December 27, 2023, respondent filed his *Answer (Re: Petition for Review dated 18 October 2023)*,[10] interposing the following special and affirmative defenses, to wit: (1) the instant claim should be denied for petitioner's failure to substantiate its claim for refund at the administrative level; (2) it is incumbent upon petitioner to prove that it is entitled to the refund sought because a claim for refund is not *ipso facto* granted upon filing of the claim; (3) tax refunds are subject to administrative routinary investigation; and (4) tax refunds are strictly construed against the taxpayer and in favor of the government.

Respondent then transmitted the *BIR Records* of the present case on February 7, 2024, consisting of 268 pages in one (1) folder.[11]

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[3] *Id.,* par. 1.1.
[4] Docket – Vol. II, pp. 427 to 428, Exhibits "P-4", "P-4-A", "P-5" and "P-5-A".
[5] *Id.* at Note 3, par. 2.
[6] *Id.* at Note 4, p. 531, Exhibits "P-54" and "P-54-A".
[7] *Id.* at Note 1, pp. 9 and 216, par. 8, *Petition for Review*, vis-à-vis par. 2, *Answer (Re: Petition for Review dated 18 October 2023)*, respectively.
[8] *Id.*, pp. 55 to 59, Exhibits "P-57" and "P-57-A"; BIR Records (Exhibit "R-5"), pp. 261 to 267, Exhibit "R-4".
[9] *Id.*, pp. 7 to 31.
[10] *Id.*, pp. 216 to 226.
[11] *Id.*, pp. 231 to 233, *Compliance* dated February 7, 2024.

The Pre-Trial Conference was set and held on February 22, 2024.[12] Prior thereto, the *Respondent's Pre-Trial Brief* was filed on February 13, 2024,[13] while petitioner's *Pre-Trial Brief* was submitted on February 16, 2024.[14]

On March 22, 2024, the parties filed their *Compliance,* incorporating therein their *Joint Stipulation of Facts and Issues*,[15] which was noted and approved by the Court in its Resolution dated April 11, 2024,[16] thereby deeming the termination of the Pre-Trial. The Pre-Trial Order dated May 17, 2024 was then issued.[17]

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

Petitioner offered the testimonies of the following individuals, namely: (1) Ms. Jeanina B. Pepito,[18] petitioner's Finance Manager; and (2) Ms. Neil U. Sison,[19] the Court-commissioned Independent Certified Public Accountant (ICPA).[20]

The *Report* of the ICPA was submitted on June 27, 2024.[21]

On August 6, 2024, petitioner filed its *Formal Offer of Evidence*,[22] to which respondent filed his *Comment (Re: Formal Offer of Evidence dated 06 August 2024)* on August 7, 2024.[23] In the Resolution dated October 22, 2024,[24] the Court admitted petitioner's offered exhibits, *except* Exhibits "P-90-3", "P-90-4", "P-90-5", "P-90-6", "P- 90-7", "P-90-8", "P-90-9", "P-90-10", "P-90-11", "P-90-12", "P-90-13", "P-90-14", "P-97-6", "P-97-7", and' "P-106-1", for not being found in the records of the case.

[12] *Id.*, pp. 228 to 229, Notice of Pre-Trial Conference dated January 5, 2024; pp. 272 to 275, Minutes of the hearing held on, and Order dated, February 22, 2024.
[13] *Id.*, pp. 247 to 250.
[14] *Id.*, pp. 253 to 270.
[15] *Id.*, pp. 276 to 291.
[16] *Id.*, p. 310.
[17] *Id.*, pp. 322 to 328.
[18] *Id.*, pp. 60 to 85, Exhibit "P-58"; pp. 331 to 334, Minutes of the hearing held on, and Order dated, May 28, 2024, respectively.
[19] *Id.*, pp. 366 to 381, Exhibit "P-136"; p. 382, Minutes of the hearing held on, and Order dated, July 23, 2024; *id.* at Note 4, pp. 382 to 382, respectively.
[20] *Id.* at Note 1, p. 332, *Oath of Commission* dated May 27, 2024; pp. 331 to 334, Minutes of the hearing held on, and Order dated, May 28, 2024.
[21] *Id.*, pp. 331 to 354, Exhibit "P-133".
[22] *Id.* at Note 4, pp. 383 to 413.
[23] *Id.*, pp. 611 to 613.
[24] *Id.*, pp. 616 to 618.

Thereafter, petitioner filed its *Omnibus Motion: (1) For Partial Reconsideration of the Resolution dated October 22, 2024; (2) To Replace Markings and/or Substitute Exhibits; and (3) To Admit Exhibits* on November 5, 2024,[25] while respondent filed his *Comment (Re: Petitioner's Omnibus Motion dated 05 November 2024)* on January 10, 2025.[26] In the Resolution dated April 15, 2025,[27] the Court granted petitioner's *Omnibus Motion,* admitting Exhibits "P-90-3", "P-90-4", "P-90-5", "P-90-6", "P- 90-7", "P-90-8", "P-90-9", "P-90-10", "P-90-11", "P-90-12", "P-90-13", "P-90-14", "P-97-6", and "P-97-7", while the previously admitted Exhibits "P-89", "P-89-1", "P-89-2", "P-90", "P-117", and "P-121" were deemed replaced and/or substituted with the exhibits having the same markings found in the USB attached to the *Submission/Letter* dated October 28, 2024.[28]

For his part, respondent presented the testimony of Revenue Officer Kevin L. Fernandez.[29]

On October 28, 2024, respondent filed his *Formal Offer of Evidence*,[30] to which petitioner filed its *Comment/Opposition (to Respondent's Formal Offer of Evidence)* on November 8, 2024.[31] In the Resolution dated April 15, 2025,[32] the Court admitted all of respondent's offered exhibits.

Respondent filed his *Manifestation* on May 16, 2025,[33] stating that he is adopting the arguments he raised in his *Answer* dated December 19, 2023 as his *Memorandum*, while petitioner filed its *Memorandum* on June 13, 2025.[34]

The present case was considered submitted for decision on June 18, 2025.[35]

THE STIPULATED ISSUE

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

> "Whether or not petitioner is entitled to its claim for refund or issuance of tax credit certificate in the total amount of

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[25] *Id.*, pp. 631 to 638.
[26] *Id.*, pp. 652 to 654.
[27] *Id.*, pp. 658 to 663.
[28] *Id.*, pp. 639 to 641.
[29] *Id.* at Note 1, pp. 240 to 246, Exhibit "R-6"; *id.* at Note 4, pp. 619 and 621, Minutes of the hearing held on, and Order dated, October 22, 2024, respectively.
[30] *Id.* at Note 4, pp. 624 to 627.
[31] *Id.*, pp. 644 to 648.
[32] *Id.*, pp. 658 to 663.
[33] *Id.*, pp. 665 to 667.
[34] *Id.*, pp. 671 to 703.
[35] *Id.,* Minute Resolution dated June 18, 2025.

P2,784,485.36 representing unutilized input taxes on zero-rated sales covering the period 01 April 2021 to 30 June 2021."[36]

THE ARGUMENTS OF THE PARTIES

Petitioner argues that it is entitled to refund or issuance of tax credit certificate on its input VAT; and cases filed before this Court are litigated *de novo*.

On the other hand, in his *Answer*, respondent contends that the instant claim should be denied for petitioner's failure to substantiate its claim for refund at the administrative level; that it is incumbent upon petitioner to prove that it is entitled to the refund sought because a claim for refund is not *ipso facto* granted upon filing of the claim; that tax refunds are subject to administrative routinary investigation; and that tax refunds are strictly construed against the taxpayer and in favor of the government.

THE RULING OF THE COURT

The present *Petition for Review* must be denied for lack of merit.

Requisites for the grant of the refund or issuance of a tax credit certificate under the law.

Section 112 of the National Internal Revenue Code (NIRC) of 1997, as last amended by Republic Act (RA) No. 10963,[37] provides, in part, as follows:

> "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

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[36] Stipulation of Issues, JSFI, incorporated in the parties' *Compliance* dated March 22, 2024, Docket – Vol. I, p. 277.

[37] AN ACT AMENDING SECTIONS 5, 6, 24, 25, 27, 31, 32, 33, 34, 51, 52, 56, 57, 58, 74, 79, 84, 86, 90, 91, 97, 99, 100, 101, 106, 107, 108, 109, 110, 112, 114, 116, 127, 128, 129, 145, 148, 149, 151, 155, 171, 174, 175, 177, 178, 179, 180, 181, 182, 183, 186, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 232, 236, 237, 249, 254, 264, 269, AND 288; CREATING NEW SECTIONS 51-A, 148-A, 150-A, 150-B, 237-A, 264-A, 264-B, AND 265-A; AND REPEALING SECTIONS 35, 62, AND 89; ALL UNDER REPUBLIC ACT NO. 8424, OTHERWISE KNOWN AS THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES.

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.

xxx xxx xxx

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

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

Based on the foregoing provision, jurisprudence has laid down certain requisites which the taxpayer-applicant must comply with to successfully obtain a credit/refund of input VAT. Said requisites are classified into certain categories, to wit:

<u>As to the timeliness of the filing of the administrative and judicial claims:</u>

1. the refund claim is filed with the BIR within two (2) years after the close of the taxable quarter when the sales were made;[38]

[38] Intel Technology Philippines, Inc. vs. Commissioner of Internal Revenue, G.R. No. 166732, April 27, 2007; San Roque Power Corporation vs. Commissioner of Internal Revenue, G.R. No. 180345, November

2. in case of full or partial denial of the refund claim, or the failure on the part of the Commissioner to act on the said claim within a period of ninety (90) days, the judicial claim has been filed with this Court, within thirty (30) days from receipt of the decision or after the expiration of the said ninety (90)-day period;[39]

With reference to the taxpayer's registration with the BIR:

3. the taxpayer is a VAT-registered person;[40]

In relation to the taxpayer's output VAT:

4. the taxpayer is engaged in zero-rated or effectively zero-rated sales;[41]

5. for zero-rated sales under Section 106(A)(2)(a)(1), (2) and (b) and Section 108(B)(1) and (2),[42] the acceptable foreign currency exchange proceeds have been duly accounted for in accordance with the *Bangko Sentral ng Pilipinas* (BSP) rules and regulations;[43]

As regards the taxpayer's input VAT being refunded:

6. the input taxes are not transitional input taxes;[44]

7. the input taxes are due or paid;[45]

8. the input taxes have not been applied against output taxes during and in the succeeding quarters;[46] and

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25, 2009; and AT&T Communications Services Philippines, Inc. vs. Commissioner of Internal Revenue, G.R. No. 182364, August 3, 2010.

[39] Refer to *Energy Development Corporation vs. Commissioner of Internal Revenue*, G.R. No. 203367, March 17, 2021; *Commissioner of Internal Revenue vs. CE Casecnan Water and Energy Company, Inc.*, G.R. No. 212727, February 1, 2023; and *Commissioner of Internal Revenue vs. Vestas Services Philippines, Inc.*, G.R. No. 255085, March 29, 2023.

[40] *Intel Technology Philippines, Inc. vs. Commissioner of Internal Revenue*, supra; *San Roque Power Corporation vs. Commissioner of Internal Revenue*, supra; and *AT&T Communications Services Philippines, Inc. vs. Commissioner of Internal Revenue*, supra.

[41] *Id.*

[42] Under RA No. 10963, Section 106(A)(2)(a)**(2)** was renumbered to Section 106(A)(2)(a)**(3)** while Section 106(A)(2)**(b)** was deleted. However, there was no corresponding amendment to the subsections cited in Section 112(A) of the NIRC of 1997, as amended.

[43] *Intel Technology Philippines, Inc. vs. Commissioner of Internal Revenue*, supra; *San Roque Power Corporation vs. Commissioner of Internal Revenue*, supra; and *AT&T Communications Services Philippines, Inc. vs. Commissioner of Internal Revenue*, supra.

[44] *Id.*

[45] *Id.*

[46] *Id.*

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.[47]

In addition, in claims for VAT refund/credit, applicants must satisfy the substantiation and invoicing requirements under the NIRC and other implementing rules and regulations.[48] Thus, petitioner's compliance with all the VAT invoicing requirements is required to be able to file a claim for input taxes attributable to zero-rated sales.[49] The invoicing and substantiation requirements should be followed because it is the only way to determine the veracity of the taxpayer's claims.[50] Moreover, it must be pointed out that compliance with all the VAT invoicing requirements provided by tax laws and regulations is mandatory.[51]

To be clear, Section 113 of the Tax Code, as amended by RA No. 9337,[52] provides the VAT invoicing requirements under the law, to wit:

"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);

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[47] *Intel Technology Philippines, Inc. vs. Commissioner of Internal Revenue*, supra; and *San Roque Power Corporation vs. Commissioner of Internal Revenue*, supra.

[48] *Team Energy Corporation vs. Commissioner of Internal Revenue, et seq.*, G.R. Nos. 197663 and 197770, March 14, 2018.

[49] *J.R.A. Philippines, Inc. vs. Commissioner of Internal Revenue*, G.R. No. 171307, August 28, 2013.

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

[51] *Eastern Telecommunications Philippines, Inc. vs. Commissioner of Internal Revenue*, G.R. No. 183531, March 25, 2015.

[52] AN ACT AMENDING SECTIONS 27, 28, 34, 106, 107, 108, 109, 110, 111, 112, 113, 114, 116, 117, 119, 121, 148, 151, 236, 237 AND 288 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND FOR OTHER PURPOSES.

(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:

(a) The amount of the tax shall be shown as a separate item in the invoice or receipt;

(b) If the sale is exempt from value-added tax, the term **'VAT-exempt sale'** shall be written or printed prominently on the invoice or receipt;

(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 involves 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 shown on the 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.

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Implementing the foregoing provision, Section 4.113-1 of Revenue Regulations (RR) No. 16-2005[53] provides as follows:

"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

[53] SUBJECT: Consolidated Value-Added Tax Regulations of 2005.

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

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

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

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

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

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

(a) The amount of tax shall be shown as a separate item in the invoice or receipt;

(b) If the sale is exempt from VAT, the term 'VAT-exempt sale' shall be written or printed prominently on the invoice or receipt;

(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;

(d) If the sale involves 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 VAT on each portion of the sale shall be shown on the invoice or receipt. The seller has the option to issue separate invoices or receipts for the taxable, exempt, and zero-rated components of the sale.

(3) In the case of sales in the amount of one thousand peso (P1,000.00) or more where the sale or transfer is made to a VAT-

registered person, the name, business style, if any, address and TIN of the purchaser, customer or client, shall be indicated in addition to the information required in (1) and (2) of this Section."

In addition to the above requirements, sales invoices (SIs) and official receipts (ORs) must be duly registered with the BIR as prescribed under Section 237, in relation to Section 238, of the NIRC of 1997, as amended by RA No. No. 10963, to wit:

"SEC. 237. *Issuance of Receipts or Sales or Commercial Invoices.* —

(A) *Issuance.* — All persons subject to an internal revenue tax shall, at the point of each sale and transfer of merchandise or for services rendered valued at One hundred pesos (P100) or more, **issue duly registered receipts or sale or commercial invoices, 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, compensation or 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.

xxx xxx xxx" *(Emphasis added)*

"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.

xxx xxx xxx."

Strict compliance with substantiation and invoicing requirements is necessary considering VAT's nature and VAT system's tax credit method, where tax payments are based on output and input taxes and where the seller's output tax becomes the buyer's input tax that is available as tax credit or refund in the same transaction. It ensures the proper collection of taxes at all stages of distribution, facilitates computation of tax credits, and provides accurate audit trail or evidence for BIR monitoring purposes.[54]

Furthermore, it must be emphasized that in cases filed before this Court, which are litigated *de novo*, party-litigants must prove every minute aspect of their case.[55] Thus, it behooves petitioner to show compliance with each of the foregoing requisites and invoicing requirements.

Petitioner's administrative and judicial claims were timely filed.

The *first* requisite pertains to the filing of tax refund or tax credit of input VAT before the BIR, within two (2) years from the close of the taxable quarter when the zero-rated or effectively zero-rated sales were made.

The present claim covers the 2nd quarter of CY 2021. Counting two (2) years from the close of the said quarter, the last day to file an administrative claim for refund of excess or unutilized input VAT is June 30, 2023. Thus, the filing of petitioner's *Application for Tax Credits/Refunds*[56] of input tax for the 2nd quarter of CY 2021 on June 30, 2023 was timely made within the two (2)-year prescriptive period.

As for the *second* requisite, the same necessitates that the judicial claim must have been filed within thirty (30) days from receipt of respondent's decision or after the expiration of the ninety (90)-day period under Section 112(C) of the NIRC of 1997, as amended. Thus, from the filing of petitioner's administrative claim on June 30, 2023, respondent had ninety (90) days or until September 28, 2023, to act on the said claim. Thus, the *VAT Refund Notice* dated August 29, 2023,[57] informing petitioner that its VAT refund was denied, was issued within the ninety (90)-day period.

Petitioner received the said *VAT Refund Notice* on September 19, 2023.[58] Counting thirty (30) days from September 19, 2023, petitioner had until October 19, 2023, within which to file its judicial claim for refund. Considering

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[54] *Team Energy Corporation vs. Commissioner of Internal Revenue, et seq.*, supra.

[55] *Edison (Bataan) Cogeneration Corporation vs. Commissioner of Internal Revenue, et seq.*, G.R. Nos. 201665 and 201668, August 30, 2017; *Commissioner of Internal Revenue vs. Philippine National Bank*, G.R. No. 180290, September 29, 2014; *Commissioner of Internal Revenue vs. United Salvage and Towage (Phils.), Inc.*, G.R. No. 197515, July 2, 2014; *Dizon vs. Court of Tax Appeals, et al.*, G.R. No. 140944, April 30, 2008; *Atlas Consolidated Mining and Development Corporation vs. Commissioner of Internal Revenue*, G.R. No. 145526, March 16, 2007; and *Commissioner of Internal Revenue vs. Manila Mining Corporation*, G.R. No. 153204, August 31, 2005.

[56] *Id.* at Note 4, p. 531, Exhibits "P-54" and "P-54-A".

[57] *Id.* at Note 1, pp. 55 to 59, Exhibit "P-57".

[58] *Id.*, p. 55, Exhibit "P-57-A".

that petitioner filed the present *Petition for Review* on October 18, 2023,[59] the judicial claim was timely filed.

Such being the case, the Court finds that petitioner complied with the above-stated *first* and *second* requisites.

Petitioner is a VAT-registered entity.

It is undisputed that petitioner also satisfied the *third* requisite since it is duly registered with the BIR as a VAT taxpayer with TIN 006-960-314-00000.[60] Thus, there is no question that petitioner showed compliance with the said requisite.

Petitioner failed to establish that it was engaged in zero-rated sales or effectively zero-rated sales for the 2nd quarter of CY 2021.

The *fourth* and *fifth* requisites mandate that the taxpayer is engaged in zero-rated or effectively zero-rated sales, and for zero-rated sales under Sections 106(A)(2)(a)(1), (2) and (b),[61] and 108(B)(1) and (2) of the NIRC of 1997, as amended, and that the acceptable foreign currency exchange proceeds thereof have been duly accounted for in accordance with BSP rules and regulations.

In its amended *Quarterly Value-Added Tax Return* (BIR Form No. 2550-Q) for the 2nd quarter of CY 2021,[62] petitioner declared total sales/receipts in the amount of ₱264,367,205.50, which included zero-rated sales/receipts in the amount of ₱254,434,115.99, as follows:

Vatable Sales/Receipts	₱ 9,933,089.51
Zero-Rated Sales/Receipts	254,434,115.99
Total Sales/Receipts	**₱ 264,367,205.50**

Mr. Neil U. Sison, the Court-commissioned ICPA, categorized petitioner's zero-rated sales/receipts of ₱254,434,115.99 with the foregoing entities as follows:[63]

[59] *Id.*, pp. 7 to 31.
[60] *Id.* at Note 4, pp. 427 to 428, Exhibits "P-4", "P-4-A", "P-5" and "P-5-A".
[61] Under RA No. 10963, Section 106(A)(2)(a)**(2)** was renumbered to Section 106(A)(2)(a)**(3)** while Section 106(A)(2)**(b)** was deleted. However, there was no corresponding amendment to the subsections cited in Section 112(A) of the NIRC of 1997, as amended.
[62] *Id.* at Note 4, pp. 519 to 520, Exhibit "P-47".
[63] *Id.* at Note 1, p. 340, Exhibit "P-133", Review of Petitioner's Sales Transactions, par. 5.

Customer	Amount
Non-Resident Foreign Corporations	₱ 254,311,199.03
PEZA Registered Entity	122,916.96
Total	**₱254,434,115.99**

Sales of services to PEZA-registered entity - ₱122,916.96

In its *Memorandum*, petitioner claims that during the 2nd quarter of CY 2021, its sales of services to Covance Scientific Services and Solutions, Inc., an entity registered with the Philippine Economic Zone Authority (PEZA), whose exemption under special laws or international agreements to which the Philippines is a signatory effectively subject the supply of such services to zero percent (0%) rate, qualifies for VAT zero-rating, pursuant to Section 108(B)(3) of the NIRC of 1997, as amended.[64]

Petitioner submitted PEZA *Certification* PEZA-ERD Form No. 97-01, Certificate No. 2021-2154 dated September 2, 2021,[65] to prove that Covance Scientific Services and Solutions, Inc. is registered with PEZA and is entitled to VAT zero-rating on its purchases from local suppliers of goods and services for the year 2021.

In order for sales to Covance Scientific Services and Solutions, Inc. to qualify as effectively zero-rated, and in addition to the essential element that the sale was made by a VAT-registered person, it is imperative that the seller must prove that its customers are entities whose exemption is under special laws or international agreements to which the Philippines is a signatory effectively subject the supply of services to these entities to zero percent (0%) rate, *e.g.*, entities registered with PEZA, Authority of Freeport Area of Bataan, Subic Bay Metropolitan Authority, Clark Development Corporation, or Board of Investments.

Upon scrutiny and verification of the submitted PEZA *Certification*[66], the Court noted that the validity of the certification is only for the period of "01 July 1 to 31 December 2021", unless otherwise revoked or suspended by PEZA prior to expiration of said period. Notably, however, the period subject of this case is for the 2nd quarter of CY 2021 or from April 1, 2021 to June 30, 2021. Hence, petitioner's alleged sales to Covance Scientific Services and Solutions, Inc., a PEZA-registered entity, in the total amount of ₱122,916.96, without a valid certification from PEZA covering the period of claim, cannot be considered zero-rated sales in the claim for refund or issuance of tax credit certificate, as follows:

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[64] *Id.* at Note 4, pp. 691 to 692, petitioner's *Memorandum*, pars. 62, and 64 to 66.
[65] *Id.*, p. 516, Exhibit "P-45".
[66] *Id.*

Exhibit[67]	OR Date (month/day/year)	OR No.	Billing Statement No.	Amount
"P-86-1"	04/05/2021	234	523	₱ 40,972.32
"P-86-2"	04/16/2021	236	535	40,972.32
"P-86-3"	05/28/2021	241	545	40,972.32
			Total	**₱122,916.96**

Sales of Services to Non-Resident Foreign Corporations (NRFCs) - ₱254,311,199.03

Petitioner also claims that it renders business process outsource solutions and allied contact or call center services in the Philippines to its affiliate entities which are NRFCs or entities engaged in business conducted outside the Philippines; and that the services are paid in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP. Thus, according to petitioner, its sale of services to said affiliate entities is subject to zero percent (0%) VAT,[68] pursuant to Section 108(B)(2) of the NIRC of 1997, as amended,[69] which reads as follows:

> "SEC. 108. *Value-added Tax on Sale of Services and Use or Lease of Properties.* –
>
> xxx xxx xxx
>
> (B) *Transactions Subject to Zero Percent (0%) Rate.* – The following **services performed in the Philippines** by VAT-registered persons shall be subject to zero percent (0%) rate:
>
> (1) Processing, manufacturing or repacking goods for other persons doing business outside the Philippines which goods are subsequently exported, where the services are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP);
>
> (2) **Services other than those mentioned in the preceding paragraph rendered to a person engaged in business conducted outside the Philippines or to a nonresident person not engaged in business who is outside the Philippines when the services are performed, the consideration for which is paid for in acceptable foreign**

[67] USB (Exhibit "P-134").
[68] *Id.* at Note 1, p. 69, Q&A No. 24, Exhibit "P-58".
[69] *Id.* at Note 4, p. 679, petitioner's *Memorandum*, par. 35.

currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP);" *(Emphases added)*

Based on the foregoing provision, certain essential elements must be complied with for a sale or supply of services to be subject to the VAT rate of zero percent (0%), to wit:

1. The recipient of the services is a foreign corporation, and the said corporation is doing business *outside* the Philippines, or is a non-resident person not engaged in business who is *outside* the Philippines when the services were performed;[70]

2. The services fall under any of the categories under Section 108(B)(2),[71] or simply, the services rendered should be other than *"processing, manufacturing or repacking goods"*;[72]

3. The service must be performed in the Philippines[73] by a VAT-registered person; and

4. The payment for such services should be in acceptable foreign currency accounted for in accordance with BSP rules.[74]

Anent the *first* essential element, in order to be considered as an NRFC doing business outside the Philippines, each entity must be supported, at the very least, by **both** a *Certification of Non-Registration of Company* issued by the Philippine Securities and Exchange Commission (SEC), **and** proof of incorporation/registration in a foreign country (*e.g., Articles/Certificate of Incorporation/Registration* and/or *Tax Residence Certificate*). The former document establishes that the recipient of the service has no registered business in the Philippines, and that it is not engaged in trade or business within the Philippines; while the latter document proves that the said recipient of the service is indeed foreign. The said documents have been consistently required by this Court for purposes of the said *first* essential element. In fact, in *Commissioner of Internal Revenue vs. Deutsche Knowledge Services Pte. Ltd.*,[75] the Supreme Court affirmed the necessity of presenting the said documents in this wise:

[70] *Sitel Philippines Corporation (Formerly Clientlogic Phils. Inc.) vs. Commissioner of Internal Revenue*, G.R. No. 201326, February 8, 2017; *Commissioner of Internal Revenue vs. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*, G.R. No. 153205, January 22, 2007; *Accenture, Inc. vs. Commissioner of Internal Revenue*, G.R. No. 190102, July 11, 2012.

[71] *Commissioner of Internal Revenue vs. American Express International, Inc. (Philippine Branch)*, G.R. No. 152609, June 29, 2005.

[72] *Commissioner of Internal Revenue vs. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*, supra.

[73] *Commissioner of Internal Revenue vs. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*, supra; *Commissioner of Internal Revenue vs. American Express International, Inc. (Philippine Branch)*, supra.

[74] *Id.*

[75] G.R. No. 234445, July 15, 2020.

"**For purposes of zero-rating under Section 108(B)(2) of the Tax Code, the claimant must establish the two components of a client's NRFC status, *viz.*: (1) that their client was established under the laws of a country not the Philippines or, simply, is not a domestic corporation; and (2) that it is not engaged in trade or business in the Philippines. To be sure, there must be sufficient proof of *both* of these components: showing not only that the clients are foreign corporations, but also are not doing business in the Philippines.**

xxx xxx xxx

To recall, the CTA found that the SEC Certification of Non-Registration of Company and Authenticated Articles of Association and/or Certificates of Registration/Good Standing/Incorporation sufficiently established the NRFC status of 11 of DKS's affiliates clients.

The Court upholds these findings.

The Court accords the CTA's factual findings with utmost respect, if not finality, because the Court recognizes that it has necessarily developed an expertise on tax matters. Significantly, both the CTA Division and CTA *En Banc* gave credence to the aforementioned documents as sufficient proof of NRFC status. The Court shall not disturb its findings without any showing of grave abuse of discretion considering that the members of the tax court are in the best position to analyze the documents presented by the parties.

In any case, after a judicious review of the records, the Court still do not find any reason to deviate from the court *a quo*'s findings. **To the Court's mind, the SEC Certifications of Non-Registration show that these affiliates are foreign corporations. On the other hand, the articles of association/certificates of incorporation stating that these affiliates are registered to operate in their respective home countries, outside the Philippines are *prima facie* evidence that their clients are not engaged in trade or business in the Philippines.**" *(Emphases added)*

The foregoing ruling is echoed in the case of *Commissioner of Internal Revenue vs. BW Shipping Philippines, Inc.*[76] in this wise:

[76] G.R. No. 261171, October 4, 2023.

"In *Commissioner of Internal Revenue v. Deutsche Knowledge Services Pte. Ltd.*, the Court, through Associate Justice Henri Jean Paul B. Inting, held that in order for sales to a non-resident foreign corporation to qualify for zero-rating under Section 108(B)(2) of the NIRC, the claimant must be able to prove '(1) that their client was established under the laws of a country not the Philippines or, simply, is not a domestic corporation; and (2) that it is not engaged in trade or business in the Philippines. To be sure, there must be sufficient proof of both of these components: showing not only that the clients are foreign corporations, but also are not doing business in the Philippines.' Accordingly, the Court likewise ruled that 'the SEC Certifications of Non-Registration show that [clients] are foreign corporations. On the other hand, the articles of association/certificates of incorporation stating that these [clients] are registered to operate in their respective home countries, outside the Philippines are *prima facie* evidence that their clients are not engaged in trade or business in the Philippines."

In the present case, petitioner satisfied the *first* essential element as it proved that its clients for the subject period of claim are NRFCs doing business outside the Philippines, as evidenced by the following documents:

Company Name	**Certification of Non-Registration of Company issued by the SEC** (Exhibit No.)	**Proof of incorporation/ registration in a foreign country** (Exhibit No.)
1. Stefanini, Inc.	"P-31"[77]	"P-35" to "P-35-A";[78] "P-36" to "P-36-B"[79]
2. Stefanini NV/SA	"P-32"[80]	"P-37" to "P-37-A";[81]
3. Stefanini Australia Pty Ltd	"P-33"[82]	"P-38" to "P-38-A"[83]
4. Stefanini Hungary Kft.	"P-34"[84]	"P-39" to "P-39-A";[85] "P-40" to "P-40-A";[86] "P-41" to "P-41-A"[87]

With regard to the *second* essential element, petitioner submitted the following agreements, indicating therein the services to be provided, *i.e.*,

[77] *Id.* at Note 4, p. 474.
[78] *Id.*, pp. 478 to 479.
[79] *Id.*, pp. 480 to 483.
[80] *Id.*, p. 475.
[81] *Id.*, pp. 484 to 487.
[82] *Id.*, p. 476.
[83] *Id.*, pp. 488 to 489.
[84] *Id.*, p. 477.
[85] *Id.*, pp. 490 to 498.
[86] *Id.*, pp. 499 to 504.
[87] *Id.*, pp. 505 to 511.

"outsourced processing services to support [its clients'] internal operations and external customer contracts":

1. *Agreement for Services* between Stefanini, Inc. and petitioner effective May 1, 2020 to April 30, 2022;[88]

2. *Agreement for Services* between Stefanini NV/SA and petitioner effective May 1, 2020 to April 30, 2022;[89]

3. *Agreement for Services* between Stefanini Australia Pty Ltd and petitioner effective May 1, 2020 to April 30, 2022;[90] and

4. *Agreement for Services* between Stefanini Hungary KFT and petitioner effective July 1, 2020 to June 30, 2022.[91]

The services provided by petitioner clearly fall within the scope of *"services other than processing, manufacturing or repacking goods"*, hence, petitioner satisfactorily complied with the *second* essential element.

Anent the *third* essential element, *i.e.,* the services must be performed in the Philippines by a VAT-registered person, the articles/clauses of the *Agreements for Services*[92] between petitioner and its clients, Stefanini Inc., Stefanini NV/SA, Stefanini Australia Pty Ltd, and Stefanini Hungary KFT, specifically paragraph 1.3, Article 1 (Right, Obligations and Services to be provided) reveal that the same categorically state that the contracted services shall be performed, provided, and rendered by the petitioner in the Philippines. Thus, there being no indication that the services were not performed in the Philippines, petitioner complied with the said *third* essential element relative to the above agreements.

With respect to the *fourth* essential element, and in relation to the *fifth* requisite, petitioner presented the *Certificate of Inward Remittance*[93] issued by Bank of America, which shows the remittances of its NRFC clients for the 2nd quarter of CY 2021, and attests to payment in acceptable foreign currency accounted for in accordance with the BSP's rules and regulations.

Petitioner's zero-rated sales to NRFCs in the total amount of ₱254,311,199.03 for the 2nd quarter of CY 2021 are broken down as follows:[94]

Exhibit No.[95]	Date (month/day/year)	OR No.	Customer	Amount in US$	Amount in Php

[88] *Id.,* pp. 429 to 434, Exhibits "P-6", "P-6-A", and "P-6-B".
[89] *Id.,* pp. 435 to 440, Exhibits "P-7", "P-7-A", and "P-7-B".
[90] *Id.,* pp. 441 to 446, Exhibits "P-8", "P-8-A", and "P-8-B".
[91] *Id.,* pp. 447 to 452, Exhibits "P-9", "P-9-A", and "P-9-B".
[92] *Id.,* pp. 429 to 452, Exhibits "P-6", "P-7", "P-8", and "P-9".
[93] *Id.,* pp. 512 to 513, Exhibit "P-42".
[94] Exhibit "P-109-1", USB (Exhibit "P-134").
[95] USB (Exhibit "P-134").

"P-87-1"	04/06/2021	441	Stefanini Inc.	500,000.00	24,215,000.00
"P-87-2"	04/15/2021	442	Stefanini Inc.	75,000.00	3,624,000.00
"P-86-4"	04/20/2021	443	Stefanini Inc.	525,000.00	25,278,750.00
"P-86-5"	04/22/2021	444	Stefanini Inc.	50,000.00	2,412,500.00
"P-86-6"	04/29/2021	445	Stefanini Inc.	150,000.00	7,242,000.00
"P-86-7"	05/04/2021	446	Stefanini Inc.	1,200,000.00	57,468,000.00
"P-86-8"	05/04/2021	447	Stefanini Australia Pty Ltd	9,956.88	369,997.66
"P-86-9"	05/05/2021	448	Stefanini NV/SA	16,066.09	923,478.85
"P-86-10"	05/14/2021	449	Stefanini Inc.	50,000.00	2,383,750.00
"P-86-11"	05/18/2021	450	Stefanini Inc.	25,000.00	1,191,250.00
"P-86-12"	05/19/2021	451	Stefanini Inc.	625,000.00	29,787,500.00
"P-86-13"	06/02/2021	452	Stefanini Inc.	650,000.00	30,959,500.00
"P-86-14"	06/08/2021	453	Stefanini Inc.	75,000.00	3,561,750.00
"P-86-15"	06/11/2021	454	Stefanini Hungary Kft.	50,095.40	2,380,847.52
"P-86-16"	06/15/2021	455	Stefanini Inc.	575,000.00	27,459,125.00
"P-87-3"	06/29/2021	456	Stefanini Inc.	725,000.00	35,053,750.00
				Total	**254,311,199.03**

Upon scrutiny of the ORs,[96] We find that petitioner failed to meet the invoicing requirement, particularly its failure to indicate the nature of services it performed in the supporting ORs.

To recall, under Section 113(B)(3) of the NIRC of 1997, as amended, the following information, among others, are **required** to be indicated in the VAT invoice or VAT OR, to wit:

a. Date of transaction;
b. Quantity;
c. Unit cost; and
d. Description of the goods or properties or **nature of the service**.

However, the Court observed that petitioner did not indicate in particularity the nature of the service(s) in the ORs,[97] but only the billing statement number. Moreover, petitioner either did not submit in evidence the said billing statements or the corresponding billing statements indicate "Services rendered for the month of…" only. The law is clearly worded in stating that the "nature of service", among others, is required to be indicated in the duly registered VAT OR. Consequently, the Court cannot ascertain whether the payments received are indeed for the services claimed to have been rendered by petitioner.

Apropos, the importance of complying with the substantiation and invoicing requirements of the law is hereby reiterated. It also bears stressing

[96] Exhibits "P-86-4" to "P-86-16" and "P-87-1" to "P-87-3", USB (Exhibit "P-134").
[97] Exhibits "P-86-4" to "P-86-16" and "P-87-1" to "P-87-3", USB (Exhibit "P-134").

that in *Coca-Cola Bottlers Philippines, Inc. vs. Commissioner of Internal Revenue*,[98] the Supreme Court said:

> "On a final note, the Court reiterates its consistent ruling that actions for tax refund or credit, as in the instant case, are in the nature of a claim for exemption and the law is not only construed in *strictissimi juris* against the taxpayer, but also **the pieces of evidence presented entitling a taxpayer to an exemption is *strictissimi* scrutinized and must be duly proven. The burden is on the taxpayer to show that he [or she] has strictly complied with the conditions for the grant of the tax refund or credit.** Since taxes are the lifeblood of the government, tax laws must be faithfully and strictly implemented as they are not intended to be liberally construed." *(Emphasis added)*

An applicant for a claim for tax refund or tax credit must not only prove entitlement to the claim but also compliance with all the documentary and evidentiary requirements.[99]

Unfortunately, petitioner failed to prove that its sales of services in the entire amount of ₱254,434,115.99 are subject to the zero percent (0%) VAT rate, pursuant to Sections 108(B)(2) and (3), in relation to Section 113(A)(2), (B)(1), (2)(c) and (3), of the NIRC of 1997, as amended, hence, petitioner's claim for refund or issuance of tax credit certificate of the unutilized input VAT should not be granted.

As such, it is no longer necessary to further discuss or determine petitioner's compliance with the other remaining requisites to successfully obtain a credit/refund of input VAT.

WHEREFORE, in light of the foregoing considerations, the present *Petition for Review* is **DENIED** for lack of merit.

SO ORDERED.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

WE CONCUR:

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[98] G.R. No. 222428, February 19, 2018.
[99] *Eastern Telecommunications Philippines, Inc. vs. Commissioner of Internal Revenue*, supra.

MARIA ROWENA MODESTO-SAN PEDRO
Associate 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