



**REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY**

SPECIAL FIRST DIVISION

CTA CASE NO. 11110

**AYALA CORPORATION AND
HERMOSURA LIM ONGSIAKO &
SISON,**

Petitioner,

- versus -

NOTICE OF DECISION

**COMMISSIONER OF INTERNAL
REVENUE,**

Respondent.

To:

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

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

HERMOSURA LIM ONGSIAKO & SISON
4/F, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

GREETINGS:

You are hereby notified by these presents that on **August 28, 2026**, a Decision was rendered in the above-entitled case, copy of which is attached hereto.

Quezon City, Philippines, **September 2, 2026.**

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

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL FIRST DIVISION

AYALA CORPORATION,
Petitioner,

CTA CASE NO. 11110

Members:

- versus -

BACORRO-VILLENA, Acting Chairperson, and
CUI-DAVID, Jr.

COMMISSIONER OF
INTERNAL REVENUE,
Respondent.

Promulgated:
AUG 28 2026; 11:45 AM

X - - - - - X

DECISION

BACORRO-VILLENA, J.:

At bar is a Petition for Review¹ filed by petitioner Ayala Corporation (**petitioner**) against respondent Commissioner of Internal Revenue (**respondent/CIR**) pursuant to Section 3(a),² Rule 8 in relation to Section 3(a)(1),³ Rule 4 of the Revised Rules of the Court of Tax Appeals

¹ Filed through registered mail on 23 March 2023, Division Docket, Volume I, pp. 6-16.

² SEC. 3. *Who may appeal; period to file petition.* —

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

³ SEC. 3. *Cases within the jurisdiction of the Court in Division* — The Court in Division shall exercise:

(a) Exclusive original or appellate jurisdiction to review by appeal the following:

x ----- x

(RRCTA). It prays that judgment be rendered ordering respondent to refund to petitioner the amount of ₱151,700,025.00, representing the latter's excess and unutilized creditable withholding taxes (CWTs) for two (2) years, *i.e.*, the years ended 31 December 2020 and 31 December 2021 or calendar years (CYs) 2020 and 2021.⁴

PARTIES OF THE CASE

Petitioner is a domestic corporation duly organized and existing under Philippine laws, with principal office at 37 to 39 Floors, Ayala Triangle Gardens, Tower 2, Paseo De Roxas corner Makati Avenue, Salcedo Village, Bel-Air, Makati City.⁵ It is registered with the Bureau of Internal Revenue (BIR) with Tax Identification Number (TIN) 000-153-610-00000⁶ and is classified as a 'Large Taxpayer'.⁷

Respondent, on the other hand, is the duly appointed CIR tasked to perform the duties of his or her office, including, *inter alia*, the power to decide claims for tax refund or tax credit subject to the exclusive appellate jurisdiction of this Court, pursuant to Section 4⁸ of the National Internal Revenue Code (NIRC) of 1997, as amended, and Section 7⁹ of Republic Act (RA) No. 1125,¹⁰ as amended by RA 9282.¹¹ He 

(1) Decisions of the Commissioner of Internal Revenue in cases involving disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties in relation thereto, or other matters arising under the National Internal Revenue Code or other laws administered by the Bureau of Internal Revenue[.]

⁴ Prayer, Petition for Review, Division Docket, Volume I, po. 13.

⁵ Paragraph 1, Joint Stipulation of Facts, Joint Stipulation of Facts and Issues (JSFI), *id.*, p. 233.

⁶ Exhibit "P-1", *id.*, Volume II, pp. 529-530.

⁷ Exhibit "P-2", *id.*, p. 531.

⁸ **SEC. 4. Power of the Commissioner to Interpret Tax Laws and to Decide Tax Cases.** - The power to interpret the provisions of this Code and other tax laws shall be under the exclusive and original jurisdiction of the Commissioner, subject to review by the Secretary of Finance.

The power to decide disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties imposed in relation thereto, or other matters arising under this Code or other laws or portions thereof administered by the Bureau of Internal Revenue is vested in the Commissioner, subject to the exclusive appellate jurisdiction of the Court of Tax Appeals.

⁹ **Sec. 7. Jurisdiction.** - The Court of Tax Appeals shall exercise exclusive appellate jurisdiction to review by appeal, as herein provided.

(1) Decisions of the Collector of Internal Revenue in cases involving disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties imposed in relation thereto, or other matters arising under the National Internal Revenue Code or other law or part of law administered by the Bureau of Internal Revenue[.]

¹⁰ AN ACT CREATING THE COURT OF TAX APPEALS.

¹¹ 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 OF REPUBLIC ACT NO. 1125, AS AMENDED, OTHERWISE KNOWN AS THE LAW CREATING THE COURT OF TAX APPEALS, AND FOR OTHER PURPOSES.

or she may be served with summons, pleadings and other court processes, through the counsel at BIR Litigation Division, BIR Bldg., Diliman, Quezon City.¹²

FACTS OF THE CASE

On 24 March 2021, petitioner, through the electronic filing and payment system (eFPS), filed its *Annual Income Tax Return* (BIR Form No. 1702-RT) (**Annual ITR**) for CY 2020,¹³ which reflected the following Tax Credits/Payments, to wit:¹⁴

Schedule 7 – Tax Credits/Payments	
Prior Year’s Excess Credits Other Than Minimum Corporate Income Tax (MCIT)	₱64,240,857.00
Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	20,121,891.00
Creditable Tax Withheld per BIR Form No. 2307 for the 4 th Quarter	66,407,014.00
Total Tax Credits/Payments	₱150,769,762.00

Petitioner’s Annual ITR for CY 2020 also reflected an overpayment of ₱146,015,163.00, computed as follows:¹⁵

Part II – Total Tax Payable	
Total Income Tax Due (Overpayment)	₱4,754,599.00
Less: Total Tax Credits/Payments	150,769,762.00
Total Amount Payable (Overpayment)	₱(146,015,163.00)

In the said Annual ITR, petitioner marked the option “*To be issued a Tax Credit Certificate (TCC)*” for overpayment.¹⁶ Subsequently, or on 07 April 2021, petitioner manually filed the said Annual ITR with the BIR Large Taxpayer Service Office (LTSO), showing the same overpayment.¹⁷ However, with the passage of RA 11534¹⁸ (otherwise known as Corporate

¹² See respondent’s address on the last page of the Answer, Division Docket, Volume I, p. 162.
¹³ Exhibit “P-8”, id., Volume II, pp. 662-669.
¹⁴ Exhibit “P-8-11”, id., p. 667.
¹⁵ Exhibit “P-8”, Part II – Total Tax Payable, id., p. 662.
¹⁶ Exhibit “P-8-12”, id.
¹⁷ Exhibits “P-8-2” and “P-8-13”, id, pp. 662-663.
¹⁸ AN ACT REFORMING THE CORPORATE INCOME TAX AND INCENTIVES SYSTEM, AMENDING FOR THE PURPOSE SECTIONS 20, 22, 25, 27, 28, 29, 34, 40, 57, 109, 116, 204 AND 290 OF THE NATIONAL INTERNAL REVENUE CODE OF 1997, AS AMENDED, AND CREATING THEREIN NEW TITLE XIII, AND FOR OTHER PURPOSES.

Recovery and Tax Incentives for Enterprises Act or CREATE) which lowered the corporate income tax (CIT) rate to twenty-five percent (25%) and minimum CIT (MCIT) to one percent (1%) beginning 01 July 2020, petitioner, through eFPS, filed another Annual ITR for CY 2020 on 11 May 2021, showing an overpayment of IT due of ₱147,203,813.00, computed as follows:¹⁹

Part II – Total Tax Payable	
Total Income Tax Due (Overpayment)	₱3,565,949.00
Less: Total Tax Credits/Payments	150,769,762.00
Total Amount Payable (Overpayment)	₱(147,203,813.00)

Similarly, in the said Annual ITR, petitioner marked the option “To be issued a Tax Credit Certificate (TCC)” for overpayment.²⁰

Subsequently, on 30 March 2022, petitioner filed its Annual ITR (BIR Form No. 1702-RT) for CY 2021,²¹ which reflected the following Tax Credits/Payments, to wit:²²

44 Prior Year’s Excess Credits Other Than MCIT	₱60,674,908.00
48 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	22,621,600.00
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4 th Quarter	42,549,520.00
55 Total Tax Credits/Payments	₱125,846,028.00

Petitioner’s Annual ITR for CY 2021 also reflected an overpayment of ₱122,792,713.00, computed as follows:²³

Part II – Total Tax Payable	
Tax Due	₱3,053,315.00
Less: Total Tax Credits/Payments	125,846,028.00
Total Amount Payable (Overpayment)	₱(122,792,713.00)



¹⁹ Exhibits “P-8-14”, “P-8-15” and “P-8-16”, Division Docket, Volume II, pp. 703-707.
²⁰ See line 21 in Exhibits “P-8-14”, “P-8-15” and “P-8-16”, id.
²¹ Exhibits “P-9” to “P-9-1”, id., pp. 808-812.
²² Exhibit “P-9-12”, id., p. 810.
²³ Exhibit “P-9”, Part II – Total Tax Payable, id., p. 809.

In the said Annual ITR, petitioner marked the option “*To be issued a Tax Credit Certificate (TCC)*” for overpayment.²⁴ Petitioner manually filed the said Annual ITR on 05 April 2022.²⁵

Based on the Annual ITR for CY 2020, petitioner has an excess CWTs of **₱86,528,905.00**, consisting of **₱20,121,891.00** from the 1st to 3rd quarters, and **₱66,407,014.00** from the 4th quarter of the said year.²⁶ On the other hand, for the Annual ITR for CY 2021, petitioner has an excess CWTs of **₱65,171,120.00**, consisting of **₱22,621,600.00** from the 1st to 3rd quarters, and **₱42,549,520.00** from the 4th quarter of the said year.²⁷

With the excess CWTs, petitioner sought the refund of the withheld taxes for CYs 2020 and 2021. Thus, on 17 March 2023, it filed with the BIR LT Division two (2) letters of even date “*For Issuance of Tax Credit Certificate*”, together with the “*Applications for Tax Credits/Refunds (BIR Form No. 1914)*”,²⁸ the first, requesting for the refund of unutilized CWTs for CY 2020, in the amount of **₱86,528,905.00**, and the second, requesting for the refund of unutilized CWTs for CY 2021, in the amount of **₱65,171,120.00**, or in the aggregate amount of **₱151,700,025.00**.

The BIR, however, did not act on petitioner’s claim. Due to the BIR’s inaction, it filed before this Court the present petition on 23 March 2023.²⁹ The case was initially raffled to this Court’s Second Division.³⁰

PROCEEDINGS BEFORE THIS COURT

On 11 April 2023, the Court issued Summons³¹ on respondent. On 12 May 2023, the Answer³² was filed where respondent countered that petitioner failed to exhaust the administrative remedies considering that it filed the judicial claim for refund only within a few days after it filed its administrative claims. Thus, the BIR had yet to thresh out the factual

²⁴ Exhibit “P-9-13”, id.

²⁵ Exhibits “P-9-2” and “P-9-3”, id., pp. 808-809.

²⁶ Exhibit “P-8-11”, id., p. 667.

²⁷ See lines 48 and 49 of Exhibit “P-9”, id., p. 810.

²⁸ Exhibits “P-11” to “P-11-1” and “P-11-3” to “P-11-4”, id., Volume III, pp. 1017-1026.

²⁹ Supra at note 1.

³⁰ Composed of Associate Justice Erlinda P. Uy (Ret.), as Chairperson, Associate Justice Jean Marie A. Bacorro-Villena and Associate Justice Lane S. Cui-David, as Members.

³¹ Division Docket, Volume I, p. 144.

³² Id., pp. 153-162.

issues in the said administrative claims. Respondent also averred that petitioner failed to prove compliance with the requirements for CWT refund. According to respondent, it did not show that the subject CWTs were declared in the Annual ITRs and did not submit the complete supporting documents when it filed the administrative claims.

Subsequently, on 15 May 2023, respondent transmitted the BIR Records consisting of one (1) folder only.³³

Thereafter, the case was set for Pre-Trial Conference on 03 October 2023.³⁴ In the *interim*, the case was transferred to the First Division³⁵ pursuant to a reorganization based on Administrative Circular No. 01-2023.³⁶

On 20 June 2023, respondent filed his or her Pre-Trial Brief.³⁷ On the other hand, petitioner filed its Pre-Trial Brief³⁸ and a Motion for the Commissioning of Independent Certified Public Accountant³⁹ (ICPA) on 21 September 2023.

During the Pre-Trial Conference, the parties were directed to submit a Joint Stipulation of Facts and Issues (JSFI) within thirty (30) days from the hearing date. The Court also set the dates for the ICPA's commissioning, presentation of the parties' evidence and commissioner's hearing for the marking of exhibits.⁴⁰

On 25 October 2023, the parties filed their JSFI⁴¹, which the Court approved in its Resolution dated 10 November 2023.⁴² A Pre-Trial Order dated 16 January 2024⁴³ was thereafter issued.

³³ See "Compliance" dated 05 May 2023, *id.*, pp. 164-166.

³⁴ See Notice of Pre-Trial Conference dated 26 May 2023, *id.*, pp. 173-174.

³⁵ Composed of Presiding Justice Roman G. Del Rosario (Ret.) as Chairperson, Associate Justice Jean Marie A. Bacorro-Villena and Associate Justice Lanee S. Cui-David as Members.

³⁶ See Minute Resolution dated 29 May 2023, Division Docket, Volume I, p. 175.

³⁷ *Id.*, pp. 176-179.

³⁸ *Id.*, pp. 183-200.

³⁹ *Id.*, pp. 201-203.

⁴⁰ See Order dated 03 October 2023, *id.*, pp. 213-215.

⁴¹ *Id.*, pp. 233-240.

⁴² *Id.*, p. 243.

⁴³ *Id.*, pp. 294-314.

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Subsequently, as prayed for *via* petitioner's motion for commissioning, Ma. Milagros F. Padernal (**Padernal**) was appointed as the ICPA on 16 January 2024.⁴⁴ She was granted a period of forty-five (45) days to file the ICPA report. Within the said period, or on 01 March 2024, Padernal filed the ICPA Report,⁴⁵ together with the USB⁴⁶ containing the supporting documents.

In the trial that ensued later on, petitioner presented its witnesses, namely: (1) Victoria D. Frejas (**Frejas**), the Associate Director of petitioner's Corporate and Consolidation Accounting Division; and (2) ICPA Padernal.

On the witness stand, Frejas testified through her Judicial Affidavit⁴⁷ where she declared that: (1) in 1988, petitioner was classified as a 'Large Taxpayer' thus, is required to file the tax returns and pay the corresponding taxes through eFPS; (2) after petitioner files its Quarterly and Annual ITRs *via* eFPS, it would manually file the said returns with BIR LTSO; (3) for CY 2020, petitioner filed its Annual ITR which showed an overpayment of ₱146,015,163.00; (4) as petitioner sustained a tax loss position, it was liable to pay the MCIT of ₱4,754,599.00; (5) the said MCIT was deducted from the prior year's excess credits of ₱64,240,857.00, leaving a balance of ₱60,674,908.00; (6) the prior year's excess credit of ₱64,240,857.00 pertained to the unutilized CWTs carried over from previous years; (7) petitioner's CWT of ₱86,528,905.00 withheld from the four (4) quarters of CY 2020 remained unutilized; (8) the said CWTs are duly supported with Certificates of Creditable Tax Withheld at Source (BIR Form No. 2307) attached to the respective ITRs; (9) in the Annual ITR for CY 2020, petitioner indicated in line 21 thereof that if there was an overpayment and it opted to be issued a Tax Credit Certificate⁴⁸ (TCC) for the said amount; (10) after the BIR issued Revenue Memorandum Circular (RMC) No. 50-2021,⁴⁹ petitioner filed another Annual ITR to reflect the amended tax rates in the CREATE; (11) the MCIT for CY 2020 was reduced to ₱3,565,949.00, resulting in the increase of the overpayment amount to ₱147,203,813.00; (12) in similar vein, in line 21 of the new Annual ITR, petitioner indicated its intention to be issued with 

⁴⁴ See Order dated 16 January 2024, *id.*, pp. 316-318.

⁴⁵ Exhibit "P-40", *id.*, pp. 328-451.

⁴⁶ Exhibit "P-40-2", USB.

⁴⁷ Exhibit "P-14", Judicial Affidavit of Victoria D. Frejas, Division Docket, Volume I, pp. 78-142.

⁴⁸ Exhibit "P-8-12", *supra* at note 16.

⁴⁹ Guidelines in the Filing and Payment of Annual Income Tax Return by Non-Individual Taxpayers for the Taxable Years Ending July 31, 2020 to June 30, 2021.

TCC should there be an overpayment;⁵⁰ (13) for CY 2021, petitioner filed its Annual ITR which showed a MCIT liability of ₱3,053,315.00 which was applied to the remaining prior year's excess credits of ₱60,674,908.00; (14) in line 21 of the said Annual ITR, petitioner indicated its intention to be issued with TCC should there be an overpayment;⁵¹ (15) petitioner's CWTs of ₱65,171,120.00 withheld from the four (4) quarters of CY 2021 remained unutilized; (16) the CWTs arising from CYs 2020 and 2021 were not carried over to Annual ITR of CY 2022; and (17) with the unutilized CWTs, on 17 March 2023, petitioner filed two (2) separate administrative claims for refund before the BIR.⁵²

In her Supplemental Judicial Affidavit,⁵³ Frejas again declared that the CWTs from CYs 2020 and 2021 were not carried over to the Annual ITR of CY 2022. She also clarified that the excess credits carried over to CY 2022 amounted ₱56,432,944.00.

No cross-examination was conducted.⁵⁴

Next, Padernal assumed the witness stand where she identified her ICPA Report, the USB and her Judicial Affidavit,⁵⁵ adopting the latter as her direct testimony. In the Judicial Affidavit, she tackled the: (1) objectives of the audit that was conducted relative to the refund claims; (2) findings of her audit as contained in the ICPA Report that recommended the TCC's issuance in the total amount of ₱150,442,374.04; and (3) erroneous inclusion of output value-added tax (VAT) of 'Director Fees' and 'Other Income' as part of the income payment *per* BIR Form No. 2307 which has no effect on petitioner's claim for refund. Padernal also declared that she was able to verify and check the original copy of petitioner's Annual ITRs for CYs 2015 to 2022. Further, she averred that all documents supporting petitioner's claim for TCC are faithful reproductions of their originals. 

⁵⁰ Exhibit "P-8-16", Division Docket, Volume II, p. 704.

⁵¹ Exhibit "P-9-13", *supra* at note 24.

⁵² *Supra* at note 28.

⁵³ Exhibit "P-15", Supplemental Judicial Affidavit of Victoria D. Frejas, Division Docket, Volume I, pp. 259-264.

⁵⁴ TSN dated 28 November 2023, p. 13.

⁵⁵ Exhibit "P-17", Judicial Affidavit of Ma. Milagros F. Padernal, Division Docket, Volume I, pp. 458-465.

During her cross-examination, Padernal said that the downward adjustment of ₱1,257,650.96 that was disallowed from the claim of refund of ₱151,700,025.00 consists of CWTs that are not duly supported or substantiated with BIR Forms No. 2307 or the relevant official receipts (ORs).⁵⁶

No redirect examination was conducted.⁵⁷

With no other witnesses to present, petitioner was given ten (10) days to file its Formal Offer of Evidence (FOE). Upon receipt of the FOE, respondent was given the same period to comment thereon.⁵⁸ On 11 July 2024, petitioner filed its FOE.⁵⁹ With respondent's Comment filed 15 July 2024,⁶⁰ it was thereafter submitted for resolution.

Prior to the FOE's resolution, on 15 August 2024, respondent filed another 'Compliance' to transmit another folder of the BIR Records relevant to the subject case.⁶¹ Further, respondent manifested that he or she will not be presenting any witnesses.⁶²

Thereafter, in the Resolution dated 27 February 2025,⁶³ the Court admitted all of petitioner's offered exhibits. Additionally, the Court directed the parties to file their respective memoranda.⁶⁴ Accordingly, petitioner and respondent filed their corresponding Memoranda.⁶⁵ Later, or on 28 August 2025, the Court considered the case submitted for decision.⁶⁶

ISSUE

As the parties so stipulated, the following issue has been submitted for this Court's determination — 

⁵⁶ TSN dated 02 July 2024, p. 10.

⁵⁷ Id., p. 11.

⁵⁸ See Order dated 02 July 2024, Division Docket, Volume I, pp. 481-482.

⁵⁹ Id., Volume II, pp. 486-527.

⁶⁰ Comment (Re: Formal Offer of Evidence), id., Volume III, pp. 1230-1232.

⁶¹ Id., pp. 1239-1241.

⁶² See Manifestation filed on 21 October 2024, id., pp. 1256-1259.

⁶³ Id., pp. 1295-1298.

⁶⁴ See Minute Resolution dated 04 November 2024, id., pp. 1262-1263; see Resolution dated 27 February 2025, id., pp. 1295-1298.

⁶⁵ See Respondent's Memorandum filed on 26 November 2024, id., pp. 1278-1286; Petitioner's Memorandum filed on 26 March 2025, id., pp. 1314-1336.

⁶⁶ See Minute Resolution dated 28 August 2025, id., p. 1360.

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WHETHER PETITIONER AYALA CORPORATION IS ENTITLED TO ITS CLAIM FOR REFUND OR ISSUANCE OF TAX CREDIT CERTIFICATE (TCC) OF THE ALLEGEDLY EXCESS AND UNUTILIZED CREDITABLE WITHHOLDING TAXES (CWTs) FOR THE CALENDAR YEARS (CYs) 2020 AND 2021 IN THE AGGREGATE AMOUNT OF ₱151,700,025.00.⁶⁷

ARGUMENTS

In support of its petition, petitioner argues that it is entitled to the refund of the excess and unutilized CWTs earned in CYs 2020 and 2021 in the amount of ₱151,700,025.00 after it satisfied all the requisites for the grant of the same.

Citing Frejas' testimony and Padernal's ICPA Report, petitioner maintains that both the administrative and judicial claims for refund were filed within the two (2)-year prescriptive period. For CY 2020, it filed its Annual ITR via eFPS on 24 March 2021 and filed another Annual ITR on 11 May 2021 to reflect the reduced MCIT rate with the passage of CREATE. As for CY 2021, petitioner filed the Annual ITR on 30 March 2022. Counting two (2) years therefrom, petitioner had until 11 May 2023 to file the claims pursuant to Sections 76,⁶⁸ 204(C)⁶⁹ and 229⁷⁰ of the NIRC of 1997, as amended. As the administrative claims were filed on 17 March 2023 and the Petition for Review was filed on 23 March 2023, the same were timely filed.

Petitioner likewise maintains that the subject CWTs are duly substantiated with the corresponding BIR Forms No. 2307. It was able to present the previous Annual ITRs to establish that its tax liabilities were applied to the prior year's excess tax credits, and not to the CWTs that are subject for refund.

Lastly, petitioner avers that the income payments (from which the taxes were withheld) were duly reported as part of the gross income in its General Ledger, Annual ITRs and the Audited Financial Statements (AFS). It also stresses that respondent did not present any controverting

⁶⁷ See IV. Issue to be Tried or Resolved, Pre-Trial Order, id., Volume I, p. 310.

⁶⁸ SEC. 76. *Final Adjustment Return.*

⁶⁹ SEC. 204. *Authority of the Commissioner to Compromise, Abate and Refund or Credit Taxes.*

⁷⁰ SEC. 229. *Recovery of Tax Erroneously or Illegally Collected.*

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evidence to debunk its testimonial and documentary evidence in support of its claim for refund.

Respondent, on the other hand, counters that petitioner is not entitled to its refund claim. Reiterating the arguments in the Answer, respondent insists that petitioner did not submit the supporting documents during its administrative claims. Further, it did not present any evidence to prove that the withheld taxes were remitted to the BIR pursuant to Revenue Regulations (RR) No. 02-2006.⁷¹

In calling for the dismissal or the denial of the instant Petition for Review, respondent also contends that the judicial claim was filed within days when the administrative claims were filed. With such limited period, the BIR could not have been expected to act on the refund claims without a reasonable opportunity to do so. Hence, for petitioner's failure to exhaust the administrative remedies, this Court cannot acquire jurisdiction over petitioner's judicial claim for refund. Further, addressing the requirements for CWT refund, respondent alleges that petitioner failed to establish that the claims were filed within the two (2)-year prescriptive period and that the income payments from which the taxes were withheld were declared as part of the gross income in the Annual ITRs.

RULING OF THE COURT

After a careful review of the records and the evidence proffered by the parties, the Court finds partial merit in the petition.

The reasons are essayed below, *in seriatim*.

PETITIONER HAS COMPLIED WITH SECTION 76 OF THE NATIONAL INTERNAL REVENUE CODE (NIRC) OF 1997, AS AMENDED, AND HAS NOT CARRIED OVER THE EXCESS CREDITABLE WITHHOLDING TAXES (CWTs) BEING CLAIMED FOR A REFUND.

⁷¹

Mandatory Attachments of the Summary Alphalist of Withholding Agents of Income Payments Subjected to Tax Withheld at Source (SAWT) to Tax Returns With Claimed Tax Credits due to Creditable Tax Withheld At Source and of the Monthly Alphalist of Payees (MAP) Whose Income Received Have Been Subjected to Withholding Tax to the Withholding Tax Remittance Return Filed by the Withholding Agent/Payor of Income Payments.

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Section 76 of the NIRC of 1997, as amended, outlines the mechanisms and remedies that a corporate taxpayer may opt to exercise, viz:

...

SEC. 76. Final Adjustment Return. — Every corporation liable to tax under Section 27 shall file a final adjustment return covering the total taxable income for the preceding calendar or fiscal year. If the sum of the quarterly tax payments made during the said taxable year is not equal to the total tax due on the entire taxable income of that year, the corporation shall either:

- (A) Pay the balance of tax still due; or
- (B) Carry-over the excess credit; or
- (C) Be credited or refunded with the excess amount paid, as the case may be

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

...

The above provision discusses the two (2) options available to a corporate taxpayer when its total quarterly income tax payments for a given taxable year exceed its total income tax due. The taxpayer may either: (1) carry-over the excess amount to the succeeding taxable quarters or years until it is fully utilized, or (2) file a claim for a refund in the form of cash or a TCC. However, once the carry-over option is exercised, whether actually or constructively, it becomes irrevocable for that taxable period.⁷² The phrase 'for that taxable period' merely identifies the excess income tax, subject of the option, by referring to

⁷² *Rhombus Energy, Inc. v. Commissioner of Internal Revenue*, G.R. No. 206362, 01 August 2018, citing the case of *Republic of the Philippines, represented by the Commissioner of Internal Revenue v. Team (Phils.) Energy Corporation (formerly Mirant (Phils.) Energy Corporation)*, G.R. No. 188016, 14 January 2015; *Systra Philippine, Inc. v. Commissioner of Internal Revenue*, G.R. No. 176290 (Resolution), 21 September 2007; *Philam Asset Management, Inc. v. Commissioner of Internal Revenue*, G.R. Nos. 156637 & 162004, 14 December 2005.

x-----x

the taxable period when the taxpayer acquires it.⁷³ If the option is exercised, a corporate taxpayer must signify its choice in its annual corporate adjustment return (*by marking the option box provided in the BIR form*)—either to carry over the excess tax credit or to claim a refund. To facilitate tax collection, these options or remedies are in the alternative and the choice of one precludes the other.⁷⁴

A perusal of petitioner’s Annual ITRs for CYs 2020 and 2021 shows that petitioner had income tax credits in the total amount of ₱150,769,762.00⁷⁵ and ₱125,846,028.00,⁷⁶ respectively, consisting of the following details:

CY 2020		
Prior Year’s Excess Credits Other Than Minimum Corporate Income Tax (MCIT)		₱64,240,857.00
Add: Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	₱20,121,891.00	
Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	66,407,014.00	86,528,905.00
Total Tax Credits		₱150,769,762.00

CY 2021		
Prior Year’s Excess Credits Other Than MCIT		₱60,674,908.00
Add: Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	₱22,621,600.00	
Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	42,549,520.00	65,171,120.00
Total Tax Credits		₱125,846,028.00

For CY 2020, petitioner’s income tax due amounting to ₱3,565,949.00⁷⁷ was paid using its prior year’s excess credits of ₱64,240,857.00,⁷⁸ leaving the prior year’s excess tax credits balance in the amount of ₱60,674,908.00. On the other hand, the CWTs during CY

⁷³ Republic of the Philippines, represented by the Commissioner of Internal Revenue v. Team (Phils.) Energy Corporation (formerly Mirant (Phils.) Energy Corporation), id.; Commissioner of Internal Revenue v. Bank of the Philippine Islands, G.R. No. 178490, 07 July 2009 .

⁷⁴ Philippine Bank of Communications v. Commissioner of Internal Revenue, et al., G.R. No. 112024, 28 January 1999.

⁷⁵ Exhibit “P-8-14”, Line 55, Division Docket, Volume II, p. 705.

⁷⁶ Exhibit “P-9-12”, Line 55, id., p. 810.

⁷⁷ Exhibit “P-8-14”, Line 43, id., p. 705.

⁷⁸ Exhibit “P-8-14”, Line 44, id.

x-----x

2020 in the amount of ₱86,528,905.00, remained unutilized at the end of CY 2020. In sum, petitioner had a total unutilized tax credit of ₱147,203,813.00 at the end of 31 December 2020, as shown below:

Income Tax Due (MCIT)	₱3,565,949.00
Less: Prior Year's Excess Credits Other than MCIT	64,240,857.00
Balance of Prior Year's Excess Credits	₱60,674,908.00
Add: Creditable Withholding Taxes for CY 2020	86,528,905.00
Excess Creditable Withholding Taxes as of 31 December 2020	₱147,203,813.00

A scrutiny of petitioner's 2019 Annual ITR reveals that it had a "Prior Year's Excess Credits Other Than MCIT" of ₱79,542,661.00⁷⁹ and a "Total Income Tax Due" of ₱15,306,587.00⁸⁰ which resulted in the excess credits of ₱64,236,074.00.⁸¹ The said amount was then declared as prior year's excess credits in CY 2020.

For CY 2021, petitioner's income tax due amounting to ₱3,053,315.00⁸² was paid using its prior year's excess credits of ₱60,674,908.00,⁸³ leaving the prior year's excess tax credits balance for ₱57,621,593.00. On the other hand, the CWTs during CY 2021 for ₱65,171,120.00, remained unutilized at the end of CY 2021. In sum, petitioner had a total unutilized tax credit of ₱122,792,713.00 at the end of 31 December 2021, as shown below:

Income Tax Due (MCIT)	₱3,053,315.00
Less: Prior Year's Excess Credits Other than MCIT	60,674,908.00
Balance of Prior Year's Excess Credits	₱57,621,593.00
Add: Creditable Withholding Taxes for CY 2021	65,171,120.00
Excess Creditable Withholding Taxes as of 31 December 2021	₱122,792,713.00

⁷⁹ Exhibit "P-7-4", Line 1, id., p. 648. However, it should be ₱79,547,444.00, underdeclared by ₱4,783.00, as traced from the 2018 Annual ITR (Exhibit "P-6", id., pp. 620-627) for which it appears that the 2018 CWTs were not utilized (Prior Year's Excess Credits Other than MCIT of ₱90,310,956.00 less Income Tax Due of ₱10,763,512.00). Nonetheless, it was corrected in 2020 AITR "Prior Year's Excess Credits", thus, there is no effect in petitioner's claim for refund.

⁸⁰ Exhibit "P-7", Line 16, Division Docket, Volume II, p. 643.

⁸¹ It should be ₱64,240,857.00 as a result of the ₱4,783.00 under-declaration of tax carried over from CY 2018 reflected in AITR of CY 2019. However, it was corrected in 2020 AITR "Prior Year's Excess Credits", thus, there is no effect in petitioner's claim for refund.

⁸² Exhibit "P-9", Line 43, Division Docket, Volume II, p. 810.

⁸³ Exhibit "P-9-12", Line 44, id.

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As indicated on the face of its Annual ITR for CYs 2020⁸⁴ and 2021,⁸⁵ petitioner marked the box corresponding to the option "*To be issued a Tax Credit Certificate (TCC)*", clearly manifesting its intention to claim for the issuance of a TCC of its unutilized excess CWTs for the CYs 2020 and 2021. Furthermore, as can be gleaned from its Annual ITR for CY 2022, petitioner reflected only the amount of ₱57,621,594.00⁸⁶ as "Prior Year's Excess Credits Other Than MCIT". Correspondingly, the unutilized CWTs for CYs 2020 and 2021 for ₱86,528,905.00 and ₱65,171,120.00, respectively, or in the aggregate amount of ₱151,700,025.00 were *not* carried over in the succeeding taxable periods and, therefore, may be the subject of a tax credit or refund claim, under Section 76 of the NIRC of 1997, as amended.

In addition, pursuant to Section 2.58.3 of RR No. 02-98,⁸⁷ as amended, quoted below, the submission of petitioner's Annual ITR for CY 2019⁸⁸ is sufficient to prove petitioner's "Prior Year's Excess Credits Other Than MCIT" of ₱64,240,857.00 for CY 2020, viz:

...

Sec. 2.58.3. *Claim for Tax Credit or Refund.* —

...

(C) *Excess Credits.* – An individual or corporate taxpayer's excess expanded withholding tax credits for the taxable quarter/year shall **automatically be allowed as a credit** against his income tax due for the taxable quarters/years immediately succeeding the taxable quarters/years in which the excess credit arose, **provided he submits with his income tax return, a copy of the first page of his income tax return for the previous taxable period showing the amount of his excess withholding tax credits**, and on which return he has not opted for a cash refund or tax credit certificate.⁸⁹

...

Based on the above provision, the excess CWTs of a taxable year, which were opted to be carried over to the succeeding taxable year, are 

⁸⁴ Exhibit "P-8-12", id., p. 662; Exhibit "P-8-14", id., p. 704.

⁸⁵ Exhibit "P-9-13", id., p. 809.

⁸⁶ Exhibits "P-10-11", id., Volume III, p. 1014.

⁸⁷ Implementing Republic Act No. 8424, "An Act Amending the National Internal Revenue Code, as Amended" Relative to the Withholding on Income Subject to the Expanded Withholding Tax and Final Withholding Tax, Withholding of Income Tax on Compensation, Withholding of Creditable Value-Added Tax and Other Percentage Taxes.

⁸⁸ Exhibit "P-7", Division Docket, Volume II, pp. 643-649.

⁸⁹ Emphasis supplied and italics in the original text.

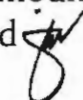
automatic credits against the income tax due of such succeeding taxable year, so long as the amount of excess CWTs are evidenced by the ITR for the taxable year when such excess credits arose.

Thus, the amount of ₱64,240,857.00 representing the balance of petitioner's total tax credits for CY 2019 may be carried over and applied against the income tax dues for CYs 2020 and 2021 in the respective amounts of ₱3,565,949.00⁹⁰ and ₱3,053,315.00.⁹¹

With the foregoing findings, this Court shall now proceed to determine petitioner's compliance with the requisites for claiming a tax credit or refund of excess and unutilized CWTs.

REQUISITES TO CLAIM A TAX CREDIT
OR REFUND OF EXCESS
AND UNUTILIZED CREDITABLE
WITHHOLDING TAX (CWT).

In addition to the requisites provided under Section 76⁹² of the NIRC of 1997, as amended, jurisprudence⁹³ and pertinent provisions of RR No. 02-98,⁹⁴ as amended, establish that, for a taxpayer to be entitled to a refund or the issuance of a TCC for excess and unutilized CWTs, the following three (3) requisites must also be satisfied:

1. The claim for refund must be filed within the two (2)-year prescriptive period as provided under Sections 204(C) and 229 of the NIRC of 1997, as amended;
2. The fact of withholding must be established by a copy of a statement duly issued by the payor (withholding agent) to the payee, showing the amount paid and the amount of tax withheld therefrom; and 

⁹⁰ Exhibit "P-8-14", Line 43, supra at note 77.

⁹¹ Exhibit "P-9", Line 43, supra at note 8.

⁹² Supra at p. 12.

⁹³ *Republic of the Philippines, represented by the Commissioner of Internal Revenue v. Team (Phils.) Energy Corporation (formerly Miran (Phils.) Energy Corporation)*, supra at note 72; *United International Pictures AB v. Commissioner of Internal Revenue*, G.R. No. 168331, 11 October 2012; *Citibank, N.A. v. Court of Appeals and Commissioner of Internal Revenue*, G.R. No. 107434, 10 October 1997; *ACCRA Investment Corporation v. The Honorable Court of Appeals, et al.*, G.R. No. 96322, 20 December 1991; Section 2.58, Revenue Regulations No. 02-98, as amended.

⁹⁴ Supra at note 87.

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

It behooves petitioner to establish the foregoing requisites.

PETITIONER'S ADMINISTRATIVE AND
JUDICIAL CLAIMS FOR REFUND OR
TAX CREDIT WERE TIMELY FILED.

Anent the **1st requisite**, Sections 204 and 229 of the NIRC of 1997, as amended, provide for the refund of erroneously or illegally collected taxes. Section 204 applies to administrative claims for refund, while Section 229 to judicial claims for refund.⁹⁵ Thus:

...

SEC. 204. *Authority of the Commissioner to Compromise, Abate and Refund or Credit Taxes.* — The Commissioner may —

...

(c) Credit or refund taxes erroneously or illegally received or penalties imposed without authority, refund the value of internal revenue stamps when they are returned in good condition by the purchaser, and, in his discretion, redeem or change unused stamps that have been rendered unfit for use and refund their value upon proof of destruction. **No credit or refund of taxes or penalties shall be allowed unless the taxpayer files in writing with the Commissioner a claim for credit or refund within two (2) years after the payment of the tax or penalty:** *Provided, however, that a return filed showing an overpayment shall be considered as a written claim for credit or refund.*⁹⁶

...

Relative thereto, Section 229 of the NIRC of 1997, as amended, provides:

...

SEC. 229. *Recovery of Tax Erroneously or Illegally Collected.* — No suit or proceeding shall be maintained in any court for the recovery of any national internal revenue tax hereafter alleged to have been erroneously or illegally assessed or collected, or of any penalty claimed



⁹⁵ *CBK Power Company Limited v. Commissioner of Internal Revenue*, G.R. Nos. 193383-84 & 193407-08, 14 January 2015.

⁹⁶ Italics in the original text, emphasis and underscoring supplied.

x-----x

to have been collected without authority, or of any sum alleged to have been excessively or in any manner wrongfully collected, until a claim for refund or credit has been duly filed with the Commissioner; but such suit or proceeding may be maintained, whether or not such tax, penalty or sum has been paid under protest or duress.

In any case, no such suit or proceeding shall be filed after the expiration of two (2) years from the date of payment of the tax or penalty regardless of any supervening cause that may arise after payment: *Provided, however,* That the Commissioner may, even without a written claim therefor, refund or credit any tax, where on the face of the return upon which payment was made, such payment appears clearly to have been erroneously paid.⁹⁷

...

The above-quoted provisions mandate that the administrative and judicial remedy of filing a claim for refund of erroneously or excessively paid tax must be done within two (2) years from the date of payment of the tax.

It is well-settled that the two (2)-year prescriptive period for claiming a refund of overpaid income tax or CWTs commences to run from the date of filing the Final Adjustment Return (FAR)⁹⁸ (or the Annual ITR). This rule applies because it is only upon filing of the FAR — which covers the entire taxable year — that the taxpayer can determine whether a tax is due or if a refund may be claimed based on adjusted and audited figures.⁹⁹ In other words, it is logical to compute the two (2)-year prescriptive period from the time the FAR or Annual ITR is filed, as only then can a corporate taxpayer ascertain whether it has paid an amount exceeding its annual income tax liability.¹⁰⁰

In the present case, petitioner filed its Annual ITRs on 11 May 2021,¹⁰¹ and 30 March 2022.¹⁰² Thus, counting from 11 May 2021, and 30 March 2022, petitioner had until **11 May 2023** within which to file both its administrative and judicial claims for CY 2020, and until

⁹⁷ Emphasis supplied and italics in the original text.

⁹⁸ *Commissioner of Internal Revenue v. The Philippine American Life Insurance Co., et al.*, G.R. No. 105208, 29 May 1995; *Commissioner of Internal Revenue v. TMX Sales, Inc. and The Court of Tax Appeals*, G.R. No. 83736, 15 January 1992; *ACCRA Investments Corporation v. The Honorable Court of Appeals, et al.*, supra at note 9.

⁹⁹ *Commissioner of Internal Revenue v. TMX Sales, Inc. and The Court of Tax Appeals*, id.

¹⁰⁰ *Metropolitan Bank & Trust Company v. The Commissioner of Internal Revenue*, G.R. No. 182582, 17 April 2017.

¹⁰¹ Exhibits "P-8-14", "P-8-15" and "P-8-6", supra at note 19.

¹⁰² Exhibits "P-9" to "P-9-1", supra at note 21.

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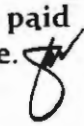
30 March 2024 within which to file both its administrative and judicial claims for CY 2021.

Considering that petitioner filed its administrative claims for refund or issuance of tax credit certificate with the BIR on **17 March 2023**,¹⁰³ and the present judicial claim was filed on **23 March 2023**,¹⁰⁴ both claims for refund or issuance of TCC of unutilized/excess CWTs were seasonably filed within the two (2)-year prescriptive period.

In contrast, respondent bewails petitioner's failure to exhaust the administrative remedies when it filed the instant Petition for Review on 28 March 2023, or barely thirteen (13) days after it filed its administrative claim for refund on 15 March 2023. With a limited time to resolve petitioner's administrative refund claim, no fault should be attributed to him or her and, ultimately, petitioner could not be entitled to a refund of its CWTs.

We disagree with respondent.

In *CBK Power Company Limited v. Commissioner of Internal Revenue, et seq.*,¹⁰⁵ the Supreme Court emphasized that Section 229 of the NIRC of 1997, as amended, requires only the prior filing of an administrative claim to place respondent on notice that court action would ensue unless respondent refunds the tax or penalty alleged to have been erroneously or illegally collected, thus:

...
With respect to the remittance filed on March 10, 2003, the Court agrees with the ratiocination of the CTA *En Banc* in debunking the alleged failure to exhaust administrative remedies. **Had CBK Power awaited the action of the Commissioner on its claim for refund prior to taking court action knowing fully well that the prescriptive period was about to end, it would have lost not only its right to seek judicial recourse but its right to recover the final withholding taxes it erroneously paid to the government thereby suffering irreparable damage.** 

¹⁰³ Supra at note 28.

¹⁰⁴ Supra at note 1.

¹⁰⁵ Supra at note 95; Citations omitted, italics in the original text and emphasis supplied.

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Also, while it may be argued that, for the remittance filed on June 10, 2003 that was to prescribe on June 10, 2005, CBK Power could have waited for, at the most, three (3) months from the filing of the administrative claim on March 4, 2005 until the last day of the two-year prescriptive period ending June 10, 2005, that is, if only to give the BIR at the administrative level an opportunity to act on said claim, the Court cannot, on that basis alone, deny a legitimate claim that was, for all intents and purposes, timely filed in accordance with Section 229 of the NIRC. **There was no violation of Section 229 since the law, as worded, only requires that an administrative claim be priorly filed.**

In the foregoing instances, attention must be drawn to the Court's ruling in *P.J. Kiener Co., Ltd. v. David (Kiener)*, wherein it was held that in no wise does the law, i.e., Section 306 of the old Tax Code (now, Section 229 of the NIRC), imply that the Collector of Internal Revenue first act upon the taxpayer's claim, and that the taxpayer shall not go to court before he is notified of the Collector's action. In *Kiener*, the Court went on to say that the claim with the Collector of Internal Revenue was intended primarily as a notice of warning that unless the tax or penalty alleged to have been collected erroneously or illegally is refunded, court action will follow[.]

...

The Supreme Court, in *Commissioner of Internal Revenue v. Goodyear Philippines, Inc.*,¹⁰⁶ also considered a judicial claim filed only 13 days after the filing of the administrative claim as still timely, viz:

...

Verily, the primary purpose of filing an administrative claim was to serve as a notice of warning to the CIR that court action would follow unless the tax or penalty alleged to have been collected erroneously or illegally is refunded. To clarify, Section 229 of the Tax Code — [then Section 306 of the old Tax Code] — **however does not mean that the taxpayer must await the final resolution of its administrative claim for refund, since doing so would be tantamount to the taxpayer's forfeiture of its right to seek judicial recourse should the two (2)-year prescriptive period expire without the appropriate judicial claim being filed. ...**

...

In the case at bar, records show that both the administrative and judicial claims for refund of repaid for its erroneous withholding and remittance of FWT were indubitably filed within the two-year prescriptive period. Notably, Section 229 of the Tax Code, as worded, only required that an administrative claim should first be filed. It bears

x-----x

stressing that respondent could not be faulted for resorting to court action, considering that the prescriptive period stated therein was about to expire. Had respondent awaited the action of petitioner knowing fully well that the prescriptive period was about to lapse, it would have resultantly forfeited its right to seek a judicial review of its claim, thereby suffering irreparable damage.

Thus, in view of the aforesaid circumstances, **respondent correctly and timely sought judicial redress, notwithstanding that its administrative and judicial claims were filed only 13 days apart.**

...

To further emphasize that the length of time between the filing of the administrative and judicial claims does not affect timeliness, the Supreme Court, in *Commissioner of Internal Revenue v. Estate of Mr. Charles Marvin Romig, Represented by its Sole Heir Mrs. Maricel Narciso Romig*¹⁰⁷ (**Romig**), ruled as follows:

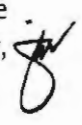
...

Sections 204 and 229 of the 1997 NIRC provide for the refund of erroneously or illegally collected taxes. **Section 204 applies to administrative claims for refund, while Section 229 to judicial claims for refund.** Said provision state:

...

Based on the above-quoted provisions, it is manifestly clear that an administrative claim for refund must precede the filing of a judicial claim and that both claims must be filed within the two years from the payment of the tax. **In the instant case, the two-year period to file a claim for refund is reckoned from June 30, 2015, the date respondent paid the estate tax amounting to PHP 4,565,439.07. Since the Estate first filed its administrative claim at 8:00 a.m. on June 28, 2017, and thereafter its judicial claim at 4:47 p.m. on even date, both claims were filed on time or within the two-year prescriptive period provided by law.**

It is of no moment that there is only a short interval between the filing of the two claims. The law merely requires that both claims are filed within the two-year period. In *Commissioner of Internal Revenue v. Carrier Air Conditioning Philippines, Inc.*, where therein petitioner similarly argued that the judicial claim for refund, which was filed barely 10 days from the filing of the administrative claim, was premature and violative of the doctrine of exhaustion of administrative remedies, this Court held that, "from the plain language of the law,



¹⁰⁷

G.R. No. 262092, 09 October 2024; Citations omitted, italics in the original text, emphasis and underscoring supplied.

it does not matter how far apart the administrative and judicial claims were filed, or whether the [CIR] was actually able to rule on the administrative claim, so long as both claims were filed within the two-year prescriptive period."

Moreover, the Court agrees with the finding of the CTA Second Division and CTA *En Banc* that the Estate's immediate resort to court action was justified, considering that the prescriptive period was about to expire. Under the circumstances, if the Estate had waited for the CIR to act on its administrative claim knowing fully well that the two-year period was about to lapse, it would have resultantly forfeited its right to seek judicial recourse, thereby suffering irreparable damage. Hence, respondent cannot be faulted for acting in such a manner to protect its interest and right to recover the taxes it erroneously paid to the government.

While the Court recognizes that the CIR may not have had the proper chance to act on the matter within their jurisdiction because of the short period of time between the filing of the two claims, the silence or insufficiency in the law on what is to be considered a reasonable period for the CIR to resolve a claim for refund of taxes is one that can be addressed not by judicial pronouncement, but by appropriate legislation.

...

The above jurisprudential pronouncements reinforce that the law merely requires the filing of both the administrative and judicial claims within the two (2)-year reglementary period. Thus, so long as petitioner files both claims within such period, this Court may take cognizance of the same. This rule applies even when petitioner files the administrative and judicial claims only hours apart, as in *Romig*.

Since the two (2)-year prescriptive period was about to lapse, petitioner acted properly in filing the judicial claim without awaiting respondent's decision in order to protect its interest. Petitioner need not await the final resolution of the administrative claims for refund, as doing so would effectively forfeit petitioner's right to seek judicial recourse should the two (2)-year prescriptive period expire without a timely judicial filing. Accordingly, petitioner's judicial claim, filed within the two (2)-year prescriptive period, stands as proper and may not be dismissed on the ground of failure to exhaust administrative remedies.



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PETITIONER ESTABLISHED THE FACT
OF WITHHOLDING IN THE AMOUNT
OF ₱149,098,968.34.

As regards the 2nd and 3rd *requisites*, Section 2.58.3(B) of RR
No. 02-98,¹⁰⁸ as amended, provides:

...
SEC. 2.58.3. *Claim for Tax Credit or Refund.* —
...

(B) Claims for tax credit or refund of any creditable income tax
which was deducted and withheld on income payments shall be given
due course **only when it is shown that the income payment has
been declared as part of the gross income and the fact of
withholding is established by a copy of the withholding tax
statement duly issued by the payor to the payee showing the
amount paid and the amount of tax withheld therefrom.**¹⁰⁹

...

The 2nd *requisite* requires petitioner to establish the fact of
withholding for the claimed CWTs by presenting a copy of the
withholding tax statement duly issued by the payor (withholding agent)
to the payee. This statement must clearly indicate the names of the
payor and payee, the income payment amount, and the corresponding
tax withheld.

In *Commissioner of Internal Revenue v. Philippine National Bank*¹¹⁰
(PNB), the Supreme Court ruled that a Certificate of Creditable Tax
Withheld at Source or BIR Form No. 2307, when complete with all
relevant details, constitutes competent proof to establish that taxes
were withheld, to wit:

...
The certificate of creditable tax withheld at source is the
competent proof to establish the fact that taxes are withheld. It
is not necessary for the person who executed and prepared the
certificate of creditable tax withheld at source to be presented
and to testify personally to prove the authenticity of the
certificates.

¹⁰⁸ Supra at note 87.

¹⁰⁹ Emphasis supplied and italics in the original text.

¹¹⁰ G.R. No. 180290, 29 September 2014; Citations omitted, emphasis and italics supplied.

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In *Banco Filipino Savings and Mortgage Bank v. Court of Appeals*, this court declared that a certificate is complete in the relevant details that would aid the courts in the evaluation of any claim for refund of excess creditable withholding taxes:

...

Moreover, as correctly held by the Court of Tax Appeals En Banc, the figures appearing in the withholding tax certificates can be taken at face value since these documents were executed under the penalties of perjury, pursuant to Section 267 of the 1997 National Internal Revenue Code, as amended, which reads:

...

Thus, upon presentation of a withholding tax certificate complete in its relevant details and with a written statement that it was made under the penalties of perjury, the burden of evidence then shifts to the Commissioner of Internal Revenue to prove that (1) the certificate is not complete; (2) it is false; or (3) it was not issued regularly.

...

As so held in *PNB*, it becomes undeniable that the fact of withholding may be established through the presentation of BIR Form No. 2307, provided that it is complete with all relevant details. However, respondent argues that proof of actual remittance of the withheld taxes to the BIR is indispensable for a claim seeking a refund of excess and unutilized CWTs.

Respondent's argument is untenable.

In *PNB*, the Supreme Court contradicts respondent's similar contention in this wise:

...

Petitioner's posture that respondent is required to establish actual remittance to the Bureau of Internal Revenue deserves scant consideration. Proof of actual remittance is not a condition to claim for a refund of unutilized tax credits. Under Sections 57 and 58 of the 1997 National Internal Revenue Code, as amended, it is the payor-withholding agent, and not the payee-refund claimant such as respondent, who is vested with the responsibility of withholding and remitting income taxes.



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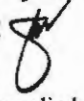
This court's ruling in *Commissioner of Internal Revenue v. Asian Transmission Corporation*, citing the Court of Tax Appeals' explanation, is instructive:

[P]roof of actual remittance by the respondent is not needed in order to prove withholding and remittance of taxes to petitioner. Section 2.58.3 (B) of Revenue Regulation No. 2-98 clearly provides that proof of remittance is the responsibility of the withholding agent and not of the taxpayer-refund claimant. It should be borne in mind by the petitioner that payors of withholding taxes are by themselves constituted as withholding agents of the BIR. The taxes they withhold are held in trust for the government. In the event that the withholding agents commit fraud against the government by not remitting the taxes so withheld, such act should not prejudice herein respondent who has been duly withheld taxes by the withholding agents acting under government authority. Moreover, pursuant to Sections 57 and 58 of the NIRC of 1997, as amended, the withholding of income tax and the remittance thereof to the BIR is the responsibility of the payor and not the payee. Therefore, respondent . . . has no control over the remittance of the taxes withheld from its income by the withholding agent or payor who is the agent of the petitioner. The Certificates of Creditable Tax Withheld at Source issued by the withholding agents of the government are *prima facie* proof of actual payment by herein respondent-payee to the government itself through said agents.¹¹¹

...

Clearly, respondent's assertion that proof of actual remittance of the withheld taxes to the BIR is indispensable has no leg to stand on.

To establish compliance with the 2nd *requisite*, petitioner presented its *Schedule and Summary of Creditable Taxes Withheld* for CYs 2020¹¹² and 2021¹¹³, as well as the related *Certificates of Creditable Tax Withheld at Source* (BIR Forms No. 2307).¹¹⁴

Upon verification of these documents, ICPA Padernal found that the total amount of CWTs *per* Schedule for CYs 2020 and 2021 agrees with the total amount reported in the Annual ITR for the CYs 2020 and 2021, except for the difference of ₱615,268.86, as shown below, viz: 

¹¹¹ Supra at note 110; Citations omitted, italics in the original text, emphasis and underscoring supplied.

¹¹² Exhibits "P-20" and "P-22", USB (Exhibit "P-40-2").

¹¹³ Exhibit "P-21" and "P-23", USB (Exhibit "P-40-2").

¹¹⁴ Exhibits "P-22-1" to "P-22-295"; "P-23-1" to "P-23-275", USB (Exhibit "P-40-2").

Particulars	CY 2020	CY 2021	Total
Per Annual ITR ("P-8-14" and "P-9")	₱86,528,905.00	₱65,171,120.00	₱151,700,025.00
Per Schedule ("P-20" and "P-21")	86,479,029.74	64,605,726.40	151,084,756.14
Difference	₱49,875.26	₱565,393.60	₱615,268.86

The difference pertains to the amount of unsupported CWTs, which shall require a downward adjustment to petitioner's claim.

Moreover, upon examination of the submitted *Certificates*, the ICPA also found that the additional CWTs in the total amount of ₱202,087.95, as shown below, are not supported by any BIR Form No. 2307. Thus, the ICPA recommended an additional downward adjustment to the petitioner's claim, to wit:

Particulars	CY 2020	CY 2021	Total
Per Schedule ("P-20" and "P-21")	₱86,479,029.74	₱64,605,726.40	₱151,084,756.14
Per Summary ("P-22" and "P-23")	86,293,628.73	64,589,039.46	150,882,668.19
Difference	₱185,401.01	₱16,686.94	₱202,087.95

In addition to the ICPA's findings, We find that the CWTs in the aggregate amount of ₱1,783,699.85 should also be disallowed for the reasons herein stated, viz:

Exhibit No.	Payor's Name	Income Payment	Tax Withheld
CY 2020			
Incorrect/Without Address of the Petitioner			
"P-22-88"	Isuzu Cebu Inc. Mandaue Branch	₱350,060.85	₱17,503.04
"P-22-94"	Phoenix Southern Petroleum Corporation	6,321,428.57	316,071.43
"P-22-95"	Phoenix Southern Petroleum Corporation	4,653,789.00	232,689.45
"P-22-106"	Premier Petrol Distributors Inc.	2,346,572.20	117,328.61
"P-22-107"	Premier Petrol Distributors Inc.	335,224.40	16,761.22
"P-22-108"	Premier Petrol Distributors Inc.	335,224.40	16,761.22
"P-22-109"	Premier Petrol Distributors Inc.	335,224.40	16,761.22
"P-22-110"	Premier Petrol Distributors Inc.	335,224.40	16,761.22
"P-22-111"	Premier Petrol Distributors Inc.	351,985.80	17,599.29
"P-22-112"	Premier Petrol Distributors Inc.	351,985.80	17,599.29
"P-22-113"	Premier Petrol Distributors Inc.	351,985.80	17,599.29



"P-22-114"	Premier Petrol Distributors Inc.	351,985.80	17,599.29
"P-22-115"	Premier Petrol Distributors Inc.	351,985.80	17,599.29
"P-22-116"	Premier Petrol Distributors Inc.	351,985.80	17,599.29
"P-22-117"	Premier Petrol Distributors Inc.	351,985.80	17,599.29
"P-22-290"	Merlin Solar Technologies Phils. Inc.	939,763.35	140,964.50
Sub-total – CY 2020		P18,416,412.17	P1,014,796.94
CY 2021			
Incorrect Address of the Petitioner			
"P-23-79"	Isuzu Automotive Dealership, Inc.	P1,405,687.50	P70,284.38
"P-23-80"	Isuzu Automotive Dealership, Inc.	1,405,687.50	70,284.38
"P-23-110"	Premier Petrol Distributors Inc.	351,985.80	17,599.29
"P-23-111"	Premier Petrol Distributors Inc.	351,985.80	17,599.29
"P-23-112"	Premier Petrol Distributors Inc.	351,985.80	17,599.29
"P-23-113"	Premier Petrol Distributors Inc.	351,985.80	17,599.29
"P-23-114"	Premier Petrol Distributors Inc.	351,985.80	18,479.25
"P-23-115"	Premier Petrol Distributors Inc.	351,985.80	18,479.25
"P-23-116"	Premier Petrol Distributors Inc.	351,985.80	18,479.25
"P-23-117"	Premier Petrol Distributors Inc.	351,985.80	18,479.25
"P-23-118"	Premier Petrol Distributors Inc.	351,985.80	18,479.25
"P-23-119"	Premier Petrol Distributors Inc.	351,985.80	18,479.25
"P-23-120"	Premier Petrol Distributors Inc.	351,985.80	18,479.25
Without TIN of the Petitioner			
"P-23-265"	KTM Asia Motorcycle Manufacturing, Inc.	2,857,214.93	428,582.24
Sub-total – CY 2021		P9,540,433.73	P768,902.91
TOTAL		P27,956,845.90	P1,783,699.85

Accordingly, petitioner was able to establish the fact of withholding of its claimed CWTs for CYs 2020 and 2021 and satisfy the 2nd requisite but only in the amount of P149,098,968.34, as computed below:

CWTs Claimed for Refund		P151,700,025.00
Less: Disallowances		
Unsupported CWTs	P615,268.86	
CWTs not supported by any Certificate	202,087.95	
Per this Court's Further Verification	1,783,699.85	2,601,056.66
Substantiated CWTs		P149,098,968.34



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THE INCOME UPON WHICH THE TAXES WERE WITHHELD WAS DECLARED AS PART OF PETITIONER'S GROSS INCOME IN ITS ANNUAL INCOME TAX RETURNS (ITRs).

As regards the 3rd *requisite*, petitioner must prove that the income payments from which the substantiated CWTs of ₱149,098,968.34 were withheld are declared as part of petitioner's gross income in its Annual ITRs.

The *Summary of Certificate of Creditable Taxes Withheld* for CYs 2020¹¹⁵ and 2021¹¹⁶ show that the duly supported CWTs were withheld on the respective income payments of ₱691,202,088.39 and ₱540,724,057.21, to wit:

Description	CY 2020	CY 2021
Rental Income	₱132,301,359.63	₱123,537,623.32
Director's Fee	55,583,261.50	38,969,788.65
Other Income	503,317,467.26	378,216,645.24
Total	₱691,202,088.39	₱540,724,057.21

As can be gleaned from petitioner's Annual ITR for CYs 2020 and 2021, petitioner has total gross income in the respective amounts of ₱983,010,262.00 and ₱858,235,297.00, viz:

Description	CY 2020	CY 2021
Sales/Revenues/Receipts/Fees ¹¹⁷	₱900,180,048.00	₱775,030,335.00
Other Taxable Income Not Subjected to Final Tax ¹¹⁸	82,830,214.00	83,204,962.00
Total Income	₱983,010,262.00	₱858,235,297.00

Based on the *Schedule of Computation of Taxable Income* for CYs 2020¹¹⁹ and 2021,¹²⁰ the foregoing income consisted of the following:

115 Exhibit "P-22", USB (Exhibit "P-40-2").
116 Exhibit "P-23", USB (Exhibit "P-40-2").
117 Exhibits "P-8-14" and "P-9-14", Line 27, Division Docket, Volume II, pp. 705 and 810.
118 Exhibits "P-8-14" and "P-9-14", Line 32, id.
119 Exhibit "P-36", USB (Exhibit "P-40-2").
120 Exhibit "P-37", USB (Exhibit "P-40-2").

Particulars	Per Schedule of Computation of Taxable Income (CY 2020)	Per Schedule of Computation of Taxable Income (CY 2021)
<i>Sales/Revenues/Receipts/Fees</i>		
(1)Rental	P 134,991,616.01	P 153,069,286.15
(2)Director's Fee	59,635,985.92	47,233,267.74
Gain on Return of capital		171,158.42
Gain on Sale of shares		-56,466,802.16
Net Proceeds from Sale of Land	1,480,621.08	
Net Proceeds from Sale of Other Assets	3,066,654.60	2,213,312.08
Toll Revenue	168,285,118.74	215,431,708.93
(3)Other Income	532,720,051.64	413,378,404.13
Total	P 900,180,047.99	P 775,030,335.29
<i>Other Taxable Income Not Subjected to Final Tax</i>		
Realized Gain on Forex transactions	5,599,037.13	11,206,844.19
Interest Income	77,231,176.17	71,998,117.48
Total	82,830,213.30	83,204,961.67
Total Income	P 983,010,261.29	P 858,235,296.96

The income payments for CYs 2020 and 2021 in the amounts of P691,202,088.39 and P540,724,057.21 related to the claimed CWTs are allegedly part of the revenues from (1) Rental; (2) Director's Fee; and (3) Other Income declared by petitioner in its Annual ITRs for CYs 2020 and 2021.

To prove that the income payments related to the claimed CWTs were indeed part of the gross income declared in the Annual ITRs for the subject period of claim, petitioner submitted its *Summary of General Ledger - Rental Income (CY 2020)*; ¹²¹ *General Ledger – Rental Income (CY 2020)*; ¹²² *Summary of General Ledger - Directors' Fees (CY 2020)*; ¹²³ *General Ledger – Directors' Fees (CY 2020)*; ¹²⁴ *Summary of General Ledger - Other Income (CY 2020)*; ¹²⁵ *General Ledger – Other Income (CY 2020)*; ¹²⁶ *Summary of General Ledger - Rental Income (CY 2021)*; ¹²⁷ *General Ledger – Rental Income (CY 2021)*; ¹²⁸ *Summary of General Ledger - Directors' Fees*

¹²¹ Exhibit "P-24", USB (Exhibit "P-40-2").
¹²² Exhibit "P-24-1", USB (Exhibit "P-40-2").
¹²³ Exhibit "P-25", USB (Exhibit "P-40-2").
¹²⁴ Exhibit "P-25-1", USB (Exhibit "P-40-2").
¹²⁵ Exhibit "P-26", USB (Exhibit "P-40-2").
¹²⁶ Exhibit "P-26-1", USB (Exhibit "P-40-2").
¹²⁷ Exhibit "P-27", USB (Exhibit "P-40-2").
¹²⁸ Exhibit "P-27-1", USB (Exhibit "P-40-2").

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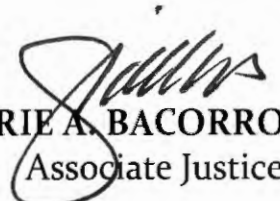
(CY 2021);¹²⁹ *General Ledger – Directors’ Fees (CY 2021)*;¹³⁰ *Summary of General Ledger - Other Income (CY 2021)*;¹³¹ *General Ledger – Other Income (CY 2021)*.¹³²

Upon evaluation of the aforementioned documents and the examination/procedures performed by the ICPA,¹³³ We find that petitioner sufficiently showed that the income payments upon which the claimed CWTs were based were reported as part of the gross income in its Annual ITRs for the subject periods of claim. Thus, petitioner, was able to show compliance with the 3rd *requisite*.

In sum, petitioner has sufficiently proven that it is entitled to the issuance of a TCC in the amount of **₱149,098,968.34**, representing its unutilized CWTs for CYs 2020 and 2021, pursuant to Section 76 in relation to Sections 204(C) and 229 of the NIRC of 1997, as amended.

WHEREFORE, the foregoing premises considered, the Petition for Review filed by petitioner Ayala Corporation on 23 March 2023 is hereby **PARTIALLY GRANTED**. Accordingly, respondent Commissioner of Internal Revenue is hereby **ORDERED TO ISSUE A TAX CREDIT CERTIFICATE** in favor of petitioner Ayala Corporation in the amount of **₱149,098,968.34**, representing unutilized creditable withholding taxes (CWTs) for calendar years (CYs) 2020 and 2021.

SO ORDERED.


JUAN MARIE A. BACORRO-VILLENA
Associate Justice

¹²⁹ Exhibit “P-28”, USB (Exhibit “P-40-2”).

¹³⁰ Exhibit “P-28-1”, USB (Exhibit “P-40-2”).

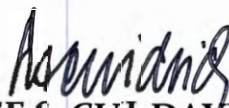
¹³¹ Exhibit “P-29”, USB (Exhibit “P-40-2”).

¹³² Exhibit “P-29-1”, USB (Exhibit “P-40-2”).

¹³³ See Exhibit “P-40”, pp. 12 to 14 for the detailed procedures performed (ICPA Report), USB (Exhibit “P-40-2”).

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I CONCUR:


LANEE S. CUI-DAVID
Associate Justice

ATTESTATION

I attest that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


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

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, and the Special 1st Division Acting Chairperson's Attestation, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.


M.A. BELEN M. RINGPIS-LIBAN
Presiding Justice