REPUBLIC OF THE PHILIPPINES
Court of Tax Appeals
QUEZON CITY

Third Division

GIC PRIVATE LIMITED (FORMERLY, GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION PRIVATE LIMITED),
Petitioner,

CTA CASE NO. 8965

-versus-

Members:

BAUTISTA, *Chairperson*
FABON-VICTORINO, and
RINGPIS-LIBAN, *JJ.*

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

Promulgated:

JUN 2 2 2017
4:30 p.m.

x- -x

DECISION

RINGPIS-LIBAN, *J.*:

Before this Court is a Petition for Review[1] filed by GIC Private Limited (Formerly, Government of Singapore Investment Corporation Private Limited)[2] to seek the refund of or issuance of a tax credit certificate (TCC) in the amount of ₱127,673,786.53, allegedly representing the final withholding taxes (FWT) erroneously withheld on the interest income derived by it during the period covering January 2013 to July 2014 on its investments in Philippine Treasury Bonds (T-Bonds).

---

[1] Docket, vol. 1, pp. 6-14.
[2] Exhibit "P-1-a", docket, vol. 1, p. 392.

The Facts

Petitioner GIC Private Limited (Formerly, Government of Singapore Investment Corporation Private Limited) is a non-resident foreign corporation duly organized and existing under the laws of the Republic of Singapore, with principal place of business at 168 Robinson Road, #37-01 Capital Tower, Singapore 068912.[3] It is wholly owned by the Government of Singapore. Petitioner is not registered as a corporation or partnership with the Philippine Securities and Exchange Commission (SEC) and is not engaged in trade or business in the Philippines.[4]

Petitioner's principal objective is to preserve and enhance the international purchasing power of Singapore's reserves; and it is authorized and mandated to open and operate such custody and current accounts as may be necessary for the safekeeping of assets and cash under its management. The funds managed by petitioner which are invested in the Philippines are beneficially owned by the Republic of Singapore.[5]

On the other hand, respondent is the duly appointed Commissioner of the Bureau of Internal Revenue (BIR) who has the power to decide disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties imposed in relation thereto or other matters arising under the Tax Code or other laws or portions thereof administered by the BIR. He holds office at 5th Floor, BIR National Office Building, Agham Road, Diliman, Quezon City.

On May 20, 1999, petitioner entered into a Direct Custodial Services Agreement (DCSA) with Citibank, N.A., Subsidiaries and Affiliates ("Citibank" for brevity).[6] Under the DCSA, petitioner appointed the designated subsidiaries and affiliates of Citibank as its custodian, thereby authorizing Citibank to hold certain assets of petitioner pursuant to the terms and conditions of the DCSA, as well as to open and maintain custody accounts and cash accounts for the purpose of holding the properties and funds from time to time received by Citibank for the account of petitioner.

On March 23, 2009, petitioner and Citibank, acting through its Singapore Branch, executed a Global Custodial Services Schedule (GCSS) as a supplement to the DCSA.[7] Based on the GCSS, petitioner authorized Citibank to open sub-custody accounts with other Citibank subsidiaries and affiliates as "foreign sub-custodians" for the purpose of holding the securities issued by foreign

---

[3] Exhibit "P-1", docket, vol. 1, pp. 391-412.
[4] Par. 3, Admitted Facts, Joint Stipulation of Facts and Issues (JSFI), docket, vol. 1, p. 329.
[5] Exhibit "P-2", docket, vol. 1, p. 415.
[6] Exhibits "P-7-a", "P-7-b", and "P-7-c", docket, vol. 1, pp. 442-462, 463-466, and 467-468.
[7] Exhibit "P-8", docket, vol. 1, pp. 469-473.

governments or foreign companies whose principal trading market is located outside of Singapore. On the basis of the GCSS, Citibank, acting through its Singapore Branch, opened a sub-custody account for petitioner with Citibank, N.A, Philippine Branch (hereinafter referred to as "Citibank-Philippines").

Pursuant to the DCSA and GCSS, petitioner opened three (3) safekeeping accounts with Citibank-Philippines, designated as "CBSG-GIC B-FI," "CBSG-GIC C-FI," and "CBSG-GIC H-FI." Each of these safekeeping accounts has its own securities account where the interest is credited.[8]

As custodian, Citibank-Philippines is responsible for the safekeeping of petitioner's securities and other properties that are held by it in Citibank-Philippines' account with depositaries and the Bureau of Treasury (BTr). Part of Citibank-Philippines' responsibilities is to collect/receive dividends and interest income arising from petitioner's securities investments.[9] It is also responsible for the collection of interest or coupons on petitioner's T-Bond holdings and receive the coupon payments for and on behalf of petitioner.[10]

During the period covering January 2013 to July 2014, petitioner derived interest income from its investments in T-Bonds amounting to ₱638,368,932.68, which was subjected to FWT at the rate of twenty percent (20%), equivalent to a total amount of ₱127,673,786.53, broken down as follows:[11]

ISIN/ SECURITY ID	Face Value/ Holdings	Gross Annual Interest Rate	Payout	Coupon Date	Coupon/Interest		
					Gross Amount	Tax Withheld	Net Amount
		(%)	(%)		(Php)	(Php)	(Php)
PHY6972FKN96/ PIBD0313A199	3,200,000,000	0.105	0.05250	Jan-7-13	84,000,000.00	16,800,000.00	67,200,000.00
PHY6972FJC50/ PIBD0514A673	11,270,000,000	0.125	0.06250	Jan-28-13	352,187,500.00	70,437,500.00	281,750,000.00
PHY6972FFF28/ PIBD1018A451	84,500,000	0.1175	0.05875	Jan-31-13	2,482,187.50	496,437.50	1,985,750.00
PHY6972FHT04/ PIBD1019B485	950,000,000	0.1575	0.07875	Feb-19-13	37,406,250.00	7,481,250.00	29,925,000.00
PHY6972FMZ09/ PIBD1020L525	1,559,250,300	0.1175	0.05875	Jun-17-13	45,802,977.56	9,160,595.51	36,642,382.05
PHY6972FFF28/ PIBD1018A451	84,500,000	0.1175	0.05875	Jul-31-13	2,482,187.50	496,437.50	1,985,750.00
PHY6972FHT04/ PIBD1019B485	950,000,000	0.1575	0.07875	Aug-22-13	37,406,250.00	7,481,250.00	29,925,000.00
PHY6972FMZ09/ PIBD1020L525	1,259,250,300	0.1175	0.05875	Dec-16-13	36,990,477.56	7,398,095.51	29,592,382.05
PHY6972FFF28/ PIBD1018A451	84,500,000	0.1175	0.05875	Feb-3-14	2,482,187.50	496,437.50	1,985,750.00
PHY6972FHT04/ PIBD1019B485	950,000,000	0.1575	0.07875	Aug-22-13	37,406,250.00	7,481,250.00	29,925,000.00
PHY6972FMZ09/ PIBD1020L525	1,259,250,300	0.1175	0.05875	Dec-16-13	36,990,477.56	7,398,095.51	29,592,382.05
PHY6972FFF28/ PIBD1018A451	84,500,000	0.1175	0.05875	Feb-3-14	2,482,187.50	496,437.50	1,985,750.00

[8] Exhibit "P-27", docket, vol. 1, p. 512.
[9] Exhibit "P-32", Sworn Statement of Mr. Norman M. Lapid, docket, vol. 1, p. 143.
[10] Exhibit "P-32", Sworn Statement of Mr. Norman M. Lapid, docket, vol. 1, p. 146.
[11] Exhibit "P-9", docket vol. 1, p. 474; Exhibits "P-15" to "P-26", docket, vol. 1, pp. 500-511.

PHY6972FHT04/ PIBD1019B485	500,000,000	0.1575	0.07875	Feb-19-14	19,687,500.00	3,937,500.00	15,750,000.00
PHY6972FMZ09/ PIBD1020L525	509,250,300	0.1175	0.05875	Jun16-14	14,959,227.56	2,991,845.51	11,967,382.05
PHY6972FFF28/ PIBD1018A451	84,500,000	0.1175	0.05875	Jul-31-14	2,482,187.50	496,437.50	1,985,750.00
Total					**638,368,932.68**	**127,673,786.53**	**510,695,146.15**

The BTr withheld a 20% FWT on petitioner's coupons/interest income for the period January 2013 to July 2014 amounting to ₱127,673,786.53 and remitted the same to the BIR.

On December 9, 2014, petitioner filed with the BIR an administrative claim for refund of or issuance of TCC in the amount of ₱127,673,786.53, representing the FWT withheld on the interest income derived by petitioner during the period January 2013 to July 2014 on its investments in T-Bonds.[12]

Due to the inaction of respondent to resolve its administrative claim for refund, petitioner filed the instant Petition for Review[13] on January 7, 2015, well within the two-year prescriptive period to file a judicial claim for refund under Section 229 of the National Internal Revenue Code (NIRC) of 1997, as amended.

Within the extended time granted by the Court,[14] respondent filed his Answer (To the Petition for Review dated 29 December 2014)[15] on March 5, 2015, interposing the following special and affirmative defenses:

> **"SPECIAL AND AFFIRMATIVE DEFENSES**
>
> 4. Respondent hereby reiterates and repleads the preceding paragraphs of this answer as part of her Special and Affirmative Defenses.
>
> 5. Taxes collected are presumed to be in accordance with laws and regulations.
>
> 6. Petitioner's alleged claim for refund is subject to administrative routinary investigation/examination by the Bureau of Internal Revenue. A claim for refund is not *ipso facto* granted because respondent still has to investigate and ascertain the validity of the claim.

---

[12] Par. 4, Admitted Facts, JSFSI, docket, vol. 1, p. 329; Exhibit "P-28", docket, vol. 1, pp. 513-525.
[13] Docket, vol. 1, pp. 6-14.
[14] Resolution dated February 9, 2015, docket, vol. 1, p. 70.
[15] Docket, vol. 1, pp. 71-75.

7. In *(sic)* the case of *Commissioner of Internal Revenue vs. Solidbank Corporation* made it explicit that taxes are essential to government's very existence, hence, the dictum that 'taxes are the lifeblood of the government'.

8. Taxation cannot easily be surrendered. Hence, statutes granting tax exemptions are considered as a derogation of the sovereign authority. Refunds are in the nature of tax exemptions which would result to loss of revenue on the government. As such, there must be a categorical and express provision of law allowing tax refund. Otherwise, tax refund should not be permitted.

9. Since tax refunds are regarded as tax exemptions, therefore, these are to be construed ***strictissimi juris*** against the person or entity claiming the exemption.

10. In an action for refund, the burden of proof is on the taxpayer who claims the exemption and he must justify his claim by the clearest grant under the Constitutional or statutory law and cannot be permitted by vague implications. The taxpayer is charged with the heavy burden of proving that he has complied with and satisfied all the statutory and administrative requirements to be entitled to the tax refund.

11. The BIR Ruling DA C-196 504-09 cited by petitioner is peculiar only to the requesting party. It is binding and applicable only between the BIR and the requesting party. Furthermore, a BIR Ruling is not a law and is more of an opinion given upon a taxpayer's request that may later on be revoked should the facts represented upon application prove to be contrary later on. The revocable character of a BIR Ruling is manifestly indicated in the usual *caveat* thereon, to wit:

> 'This ruling is being issued on the basis of the foregoing facts as represented. However, if upon investigation, it will be disclosed that the facts are different, then this ruling shall be considered null and void.'

12. There must be proof of compliance with the rules on tax recovery under Section 204(c) and Section 229 of the NIRC of 1997. Petitioner must file its administrative and judicial claims for

refund or issuance of tax credit certificate within two (2) years from the date of payment of the tax.

13. Following the premise above mentioned, petitioner has the burden of proving that the right to such tax refund indubitably exists and well-founded doubt is fatal to the claim."

The Pre-Trial Conference was set on April 28, 2015.[16] Respondent's Pre-Trial Brief[17] was filed on April 22, 2015.

Upon petitioner's motion[18], the Pre-Trial Conference was moved to June 9, 2015.[19] However, petitioner's counsel failed to appear during the Pre-Trial Conference. Thus, for failure of petitioner's counsel to appear during the scheduled hearing and for failure to submit the required Pre-Trial Brief, the Court dismissed the case without prejudice upon the motion of respondent.[20]

On July 8, 2015, petitioner filed an Omnibus Motion (I) For Reconsideration (Re: Resolution dated June 18, 2015); (II) For Leave of Court to Admit Attached Pre-Trial Brief; and (III) To Set Case for Pre-Trial.[21] This was granted by the Court in the Resolution[22] dated September 2, 2015 and the Petitioner's Pre-Trial Brief[23] was admitted into record and the Pre-Trial was set on October 13, 2015.

On October 23, 2015, the parties filed their Joint Stipulation of Facts and Issues[24]. This was adopted by the Court in the Pre-Trial Order[25] dated December 7, 2015, which also terminated the Pre-Trial.

During trial, petitioner presented the following witnesses: Mr. Norman M. Lapid[26], Head of Securities Services Operations of Citibank-Philippines; and Atty. Mardomeo N. Raymundo, Jr.[27], a Senior Associate at Salvador Llanillo & Bernardo, the counsel of petitioner.

---

[16] Notice of Pre-Trial Conference, docket, vol. 1, p. 77.
[17] Docket, vol. 1, pp. 81-85.
[18] Motion to Defer Pre-Trial Conference, docket, vol. 1, pp. 88-91.
[19] Order dated April 27, 2015, docket, vol. 1, p. 92.
[20] Resolution dated June 18, 2015, docket, vol. 1, p. 100.
[21] Docket, vol. 1, pp. 101-107.
[22] Docket, vol. 1, pp. 136-137.
[23] Docket, vol. 1, pp. 110-124.
[24] Docket, vol. 1, pp. 328-335.
[25] Docket, vol. 1, pp. 337-343.
[26] Minutes of the Hearing dated February 1, 2016, docket, vol. 1, p. 358; docket, vol. 1, pp. 142-169.
[27] Minutes of the Hearing dated March 7, 2016, docket vol. 1, p. 359; docket, vol. 1, pp. 170-179.

Petitioner filed its Formal Offer of Evidence[28] on March 17, 2016. In the Resolution[29] dated April 29, 2016, the Court admitted petitioner's Exhibits "P-1", "P-1-a", "P-2", "P-3", "P-3-a", "P-4-a", "P-4-a-1", "P-4-a-2", "P-4-a-3", "P4-a-4", "P-4-a-5", "P-4-a-6", "P-4-a-7", "P-4-a-8", "P-4-b", "P-4-b-9", "P-4-b-10", "P-4-c", "P-4-c-11", "P-4-C-12", "P-5-a", "P-5-b", "P-5-c", "P-5-d", "P-5-e", "P-5-f", "P-5-g", "P-5-h", "P-5-i", "P-5-j", "P-5-k", "P-6-a", "P-6-b", "P-6-c", "P-7-a", "P-7-b", "P-7-c", "P-8", "P-9", "P-10", "P-10-a", "P-10-b", "P-11-a", "P-11-b", "P-11-c", "P-11-d", "P-11-e", "P-11-f", "P-11-g", "P-11-h", "P-11-i", "P-12", "P-13-a", "P-13-b", "P-13-c", "P-14", "P-15", "P-16", "P17", "P-18", "P-19", "P-20", "P-21", "P-22", "P-23", "P-24", "P-25", "P-26", "P-27", "P-28", "P-29", "P-30", "P-31", "P-31-a", "P-32", and "P-32-a".

During the hearing for the initial presentation of evidence for respondent, counsel for respondent manifested that no Report of Investigation was submitted by Revenue Officers; hence, he would not present evidence for respondent.[30]

Thereafter, on July 7, 2016, respondent filed a Manifestation that he is adopting the arguments he raised in his Answer as his Memorandum.[31] On the other hand, petitioner filed its Memorandum[32] on July 26, 2016. Thus, in the Resolution[33] dated July 28, 2016, the instant Petition for Review was declared submitted for decision.

The Issue

The parties agreed that the main issue to be resolved by this Court is:[34]

> "Whether or not petitioner is entitled to the refund of or issuance of TCC in the amount of ₱127,673,786.53, representing the FWT withheld on the interest income derived by petitioner during the period January 2013 to July 2014 from its investments in T-Bonds."

[28] Docket, vol. 1, pp. 363-388.
[29] Docket, vol. 2, pp. 542-543.
[30] Resolution dated June 17, 2016, docket, vol. 2, p. 550.
[31] Docket, vol. 2, pp. 551-553.
[32] Docket, vol. 2, pp. 560-588.
[33] Docket, vol. 2, p. 591.
[34] Stipulated Issue for Resolution, JSFI, docket, vol. 1, p. 329.

The Court's Ruling

The provisions of the National Internal Revenue Code of 1997, as amended, pertinent to claiming a refund of erroneously paid tax are Sections 204(C) and 229, which read as follows:

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

Pursuant to the afore-quoted provisions, to be entitled to a refund of erroneously or illegally collected tax, the following requisites must be complied with: (a) that the tax has been erroneously or illegally collected, or the penalty has been collected without authority, and/or any sum has been excessively or in any manner wrongfully collected; and (b) that the claim for refund or credit has been filed within two (2) years from the date of payment of tax, or penalty, regardless of any supervening cause that may arise after payment.

First Requisite: The tax has been erroneously or illegally collected

Petitioner contends that it is a financial institution wholly owned and controlled by the Government of Singapore. As a financial institution wholly owned and controlled by the Government of Singapore, petitioner asserts that any income derived from its investments in Philippine T-Bonds is exempt from income tax pursuant to Section 32(B)(7)(a) of the NIRC of 1997, as amended. In relation thereto, petitioner argues that the income received from its investments in Philippine T-Bonds is likewise exempt from FWT.

At the outset, Section 32(B)(7)(a) of the NIRC of 1997, as amended, provides that for the interest income received by petitioner from its investments in T-Bonds to be exempt from income tax and consequently, from FWT, petitioner must either be (1) a foreign government, or (2) a financing institution owned, controlled, or enjoying refinancing from foreign governments, or (3) an international or regional financial institution established by foreign governments.

To prove that it is a financial institution wholly owned by the Government of Singapore, petitioner submitted a notarized and authenticated copy of Certification[35] issued by the Ministry of Finance of the Government of Singapore dated January 2, 2015, signed by Mr. Derrick Wan, Director for Reserves and Investment of Singapore. It certified that petitioner is wholly owned by the Government of the Republic of Singapore and was incorporated under the Singapore Companies Act (Cap. 50) on May 2, 1981, whose principal objective is to preserve and enhance the international purchasing power of the Republic of Singapore's reserves and that the funds managed by petitioner which are invested in the Philippines are beneficially owned by the Republic of Singapore.

As held by the Supreme Court in the case of *Angelita Lopez vs. Court of Appeals, et. al.*[36], a document executed in a foreign country cannot be admitted in evidence unless it is certified by a secretary of embassy or legation, consul-general, consul, vice-consul or consular agent or by any officer in the foreign

[35] Exhibit "P-2", docket, vol. 1, pp. 413-415.
[36] G.R. No. 77008, December 29, 1987.

service of the Philippines stationed in the foreign country in which the record is kept of said public document and authenticated by the seal of his office.

Evidently, the Certificate of Authentication issued by the Philippine Consul in Singapore, Mr. J. Anthony A. Reyes, proves the due execution and genuineness of the document submitted.

It must be noted that in a number of cases[37] involving the same parties as the instant case, it had already been settled that petitioner is a financial institution wholly owned and controlled by the Government of Singapore.

Considering that petitioner was able to prove that it is a financial institution wholly owned and controlled by the Government of Singapore, it is therefore exempt from payment of income tax and consequently from FWT on income derived from its investments in Philippine T-Bonds, pursuant to Section 32(B)(7)(a) of the NIRC of 1997, as amended, which provides:

> "SEC. 32. *Gross Income.* –
>
> xxx xxx xxx
>
> (B) *Exclusions from Gross Income.* – The following items shall not be included in gross income and shall be exempt from taxation under this Title:
>
> xxx xxx xxx
>
> (7) *Miscellaneous Items.* –
>
> (a) *Income Derived by Foreign Government.* – Income derived from investments in the Philippines in loans, stocks, bonds or other domestic securities, or from interest on deposits in banks in the Philippines by (i) foreign governments, (ii) financing institutions owned, controlled, or enjoying refinancing from foreign

---

[37] *GIC Private Limited (Formerly, Government of Singapore Investment Corporation Private Limited) vs. Commissioner of Internal Revenue,* CTA Case No. 8749, March 17, 2016; *Government of Singapore Investment Corporation Pte. Ltd. vs. Commissioner of Internal Revenue,* CTA Case No. 8437, August 27, 2015; *Commissioner of Internal Revenue vs. Government of Singapore Investment Corporation Pte. Ltd.,* CTA EB No. 958, March 31, 2014; *Commissioner of Internal Revenue vs. Government of Singapore Investment Corporation Pte. Ltd.,* CTA EB No. 689, June 10, 2011; *Government of Singapore Investment Corporation Pte. Ltd. vs. Commissioner of Internal Revenue,* CTA Case No. 6745, June 6, 2008.

governments, and (iii) international or regional financial institutions established by foreign governments."

Accordingly, the 20% final tax withheld from the interest income earned by petitioner was erroneously or illegally collected.

On May 20, 1999, petitioner entered into a Direct Custodial Services Agreement[38] with Citibank N.A., Subsidiaries and Affiliates, and executed Amendment Agreements[39] in connection thereto, whereby petitioner appointed the designated subsidiaries and affiliates of Citibank as its custodian, authorizing them to hold certain assets of petitioner, as well as to open and maintain custody/safekeeping accounts and cash accounts for the purpose of holding the properties and funds from time to time received by the relevant Citibank entities for the account of petitioner.

On March 23, 2009, petitioner and Citibank, acting through its Singapore Branch, executed a Global Custodial Services Schedule[40] as a supplement to the DCSA, authorizing Citibank to open sub-custody accounts with other Citibank subsidiaries and affiliates as "foreign sub-custodians" for the purpose of holding the securities issued by foreign governments or foreign companies whose principal trading market is located outside of Singapore. Thus, Citibank N.A., Singapore Branch opened a sub-custody account for petitioner with Citibank N.A., Philippine Branch.[41]

Pursuant to the DCSA and GCSS, petitioner opened three (3) safekeeping accounts[42] with Citibank-Philippines, where its properties such as T-Bonds and other securities are lodged. Each of these safekeeping accounts has its own cash account where the interest on the properties is credited.[43]

Petitioner submitted the Confirmations of Sale/Trade Confirmations[44] and relevant Bond Exchange Offer[45] issued by various banks as proof of its Philippine T-Bond Holdings.

For the period covering January 2013 to July 2014, petitioner derived interest income from its investments in Philippine T-Bonds in the aggregate amount of ₱638,368,932.68, which was subjected to 20% FWT in the amount of

---

[38] Exhibit "P-7-a", docket, vol. 1, pp. 442-462.
[39] Exhibits "P-7-b" and "P-7-c", docket, vol. 1, pp. 463-468.
[40] Exhibit "P-8", docket, vol. 1, pp. 469-473.
[41] Exhibit "P-32", Q & A No. 12, docket, vol. 1, pp. 144-145.
[42] Exhibit "P-27", docket, vol. 1, p. 512.
[43] Exhibit "P-32", Q & A No. 58, docket, vol. 1, p. 167.
[44] Exhibits "P-10-a" to "P-13-c", docket, vol. 1, pp. 475-490.
[45] Exhibit "P-14", docket, vol. 1, pp. 491-499.

₱127,673,786.53, as evidenced by the Entitlement Report[46] and Swift MT566 Confirmation Advices[47] issued by its custodian, Citibank-Philippines. Below is the detailed breakdown of the amount of ₱510,695,146.15 interest payments received by petitioner, net of the 20% FWT of ₱127,673,786.53:

ISIN	Local ISIN	Coupon Date	Exhibit No.	Interest		
				Gross Amount	20% FWT	Net Amount
PHY6972FKN96	PIBD0313A199	7-Jan-13	P-15	₱ 84,000,000.00	₱ 16,800,000.00	₱ 67,200,000.00
PHY6972FJC50	PIBD0514A673	28-Jan-13	P-16	352,187,500.00	70,437,500.00	281,750,000.00
PHY6972FFF28	PIBD1018A451	31-Jan-13	P-17	2,482,187.50	496,437.50	1,985,750.00
PHY6972FHT04	PIBD1019B485	19-Feb-13	P-18	37,406,250.00	7,481,250.00	29,925,000.00
PHY6972FMZ09	PIBD1020L525	17-Jun-13	P-19	45,802,977.56	9,160,595.51	36,642,382.05
PHY6972FFF28	PIBD1018A451	31-Jul-13	P-20	2,482,187.50	496,437.50	1,985,750.00
PHY6972FHT04	PIBD1019B485	22-Aug-13	P-21	37,406,250.00	7,481,250.00	29,925,000.00
PHY6972FMZ09	PIBD1020L525	16-Dec-13	P-22	36,990,477.56	7,398,095.51	29,592,382.05
PHY6972FFF28	PIBD1018A451	3-Feb-14	P-23	2,482,187.50	496,437.50	1,985,750.00
PHY6972FHT04	PIBD1019B485	19-Feb-14	P-24	19,687,500.00	3,937,500.00	15,750,000.00
PHY6972FMZ09	PIBD1020L525	16-Jun-14	P-25	14,959,227.56	2,991,845.51	11,967,382.05
PHY6972FFF28	PIBD1018A451	31-Jul-14	P-26	2,482,187.50	496,437.50	1,985,750.00
Total				**₱638,368,932.68**	**₱127,673,786.53**	**₱510,695,146.15**

In his Judicial Affidavit[48], Mr. Norman M. Lapid, Head of Securities Services Operations of Citibank-Philippines, explained that the T-Bonds are scripless securities represented by units of participation in the electronic records of the Bureau of Treasury, otherwise known as the Registry of Scripless Securities (ROSS). As a custodian, Citibank-Philippines maintains an omnibus account with ROSS, under which all of the T-Bills and T-Bond holdings of its clients, including petitioner, are recorded.

On coupon payment date, the Bureau of Treasury automatically withholds a 20% final tax on all of its coupon payments, regardless of the status of the T-Bond holder. The Bureau of Treasury remits the FWT to the Bureau of Internal Revenue and remits the balance or the net interest payments due on the government securities to Citibank's Demand Deposit Account, which are later on distributed by Citibank to the accounts of its clients.

Hence, the Bureau of Treasury, which is the withholding agent for the FWT due on interest income derived by petitioner from the T-Bonds, considers Citibank as payee of the interest due on such securities.

To prove the fact of withholding and remittance of the ₱127,673,786.53 FWT, petitioner presented the following documents:

[46] Exhibit "P-9", docket, vol. 1, p. 474.
[47] Exhibits "P-15" to "P-26", docket, vol. 1, pp. 500-511.
[48] Exhibit "P-32", Q & A Nos. 15, 37, and 38, docket, vol. 1, pp. 145-146 and 155-156.

1. Bureau of Treasury's Statements of Taxes Withheld on the Coupon Due on the T-Bond Holdings of Citibank as Custodian for the period January 1, 2013 to July 31, 2014.[49]

2. Bureau of Treasury Journal Entry Vouchers (JEVs) covering the remittance of the FWTs to the BIR.[50]

3. Certificates of Final Tax Withheld (BIR Forms No. 2306) issued by the Bureau of Treasury in favor of Citibank covering FWT for the period January 1, 2013 to July 31, 2014.[51]

4. BIR Revenue Accounting Division (RAD) Certification No. RAD-15-06-139-Cert. dated June 16, 2015 confirming receipt of the FWTs on the Bureau of Treasury's coupon payments to Citibank's ROSS Custodian Account for the period January 2013 to July 2014.[52]

The Statements of Taxes Withheld[53] and BIR Forms No. 2306[54] issued by the Bureau of Treasury show the amounts of FWT on the interest due on the government securities recorded under the banks' custody accounts, to wit:

Period	Final Taxes Withheld
January 1, 2013 to December 31, 2013	₱ 643,360,620.66
January 1, 2014 to March 31, 2014	210,340,452.49
April 1, 2014 to July 31, 2014	166,118,539.47
Total	**₱1,019,819,612.62**

The amount of ₱1,019,819,612.62 represents the entire taxes withheld by the Bureau of Treasury on coupon interest payments of various clients under the Citibank's custody account, including petitioner's holdings. Verily, the International Security Identification Numbers (ISINs) of petitioner's investments in T-Bonds under the custody account of Citibank were included in the list of securities from which the Bureau of Treasury withheld the said FWTs. The withheld taxes of these ISINs were recorded by the Bureau of Treasury with the corresponding Bureau of Treasury JEV Nos., as summarized below:

[49] Exhibits "P-4-a" to "P-4-c", inclusive of sub-markings, docket, vol. 1. pp. 418-427.
[50] Exhibits "P-5-a" to "P-5-k", docket, vol. 1, pp. 428-438.
[51] Exhibits "P-6-a" to "P-6-c", docket, vol. 1, pp. 439-441.
[52] Exhibit "P-29", docket, vol. 1, p. 526.
[53] Exhibits "P-4-a" to "P-4-c", inclusive of sub-markings, docket, vol. 1. pp. 418-427.
[54] Exhibits "P-6-a" to "P-6-c", docket, vol. 1, pp. 439-441.

Exhibit ref. per Statement of Taxes Withheld[55]	Local ISIN	Coupon Date	BTR JEV	
			Exhibit[56]	No.
P-4-a-1	PIBD0313A199	7-Jan-13	P-5-a	13-01-00279
P-4-a-2	PIBD0514A673	28-Jan-13	P-5-b	13-01-01096
P-4-a-3	PIBD1018A451	31-Jan-13	P-5-b	13-01-01096
P-4-a-4	PIBD1019B485	19-Feb-13	P-5-c	13-02-01796
P-4-a-5	PIBD1020L525	17-Jun-13	P-5-d	13-06-05679
P-4-a-6	PIBD1018A451	31-Jul-13	P-5-e	13-07-07029
P-4-a-7	PIBD1019B485	22-Aug-13	P-5-f	13-08-07744
P-4-a-8	PIBD1020L525	16-Dec-13	P-5-g	13-12-10730
P-4-a-9	PIBD1018A451	3-Feb-14	P-5-h	14-02-01112
P-4-a-10	PIBD1019B485	19-Feb-14	P-5-i	14-02-01361
P-4-a-11	PIBD1020L525	16-Jun-14	P-5-j	14-06-05227
P-4-a-12	PIBD1018A451	31-Jul-14	P-5-k	14-07-06610

Hence, the ₱127,673,786.53 FWT on petitioner's income derived from such securities formed part of the amount withheld by the Bureau of Treasury and subsequently remitted to the BIR.

The BIR, through its RAD, issued a Certification[57] confirming that the following ISINs of petitioner's securities were verified from its records:

ISIN	BTR JEV NO.	DATE	BIR JEV NO.	DATE
PIBD0313A199	13-01-00279	01-10-13	2013-01-000201	01-31-13
PIBD0514A673	13-01-01096	01-31-13	2013-01-000201	01-31-13
PIBD1018A451	13-01-01096	01-31-13	2013-01-000201	01-31-13
PIBD1019B485	13-02-01796	02-20-13	2013-02-000434	02-28-13
PIBD1020L525	13-06-05679	06-20-13	2013-06-001396	06-28-13
PIBD1018A451	13-07-07029	07-31-13	2013-07-001612	07-31-13
PIBD1019B485	13-08-07744	08-30-13	2013-08-001832	08-31-13
PIBD1020L525	13-12-10730	12-20-13	2013-12-002787	12-27-13
PIBD1018A451	14-02-01112	02-10-14	2014-02-000340	02-28-14
PIBD1019B485	14-02-01361	02-20-14	2014-02-000340	02-28-14
PIBD1020L525	14-06-05227	06-20-14	2014-06-001394	6-30-14
PIBD1018A451	14-07-06610	07-31-14	2014-07-001494	07-31-14

In sum, the amount of ₱127,673,786.53 representing 20% FWT on the interest income earned by petitioner from January 2013 to July 2014 on its investments in Philippine T-Bonds was erroneously collected, petitioner being exempt from paying income tax and consequently from FWT thereon pursuant to Section 32(B)(7)(a) of the NIRC of 1997, as amended.

[55] Docket, vol.1, pp. 419-421, 424, and 426.
[56] Docket, vol. 1, pp. 428-438.
[57] Exhibit "P-29", docket, vol. 1, p. 526.

Second Requisite: The claim for refund was filed within two years from date of payment of tax

The Supreme Court has consistently ruled that a claim for refund or credit with the BIR and the subsequent appeal to this Court must be filed within two (2) years from the date of payment of the tax.[58]

Recently, in the case of *Commissioner of Internal Revenue vs. Goodyear Philippines, Inc.*[59], the Supreme Court held that Section 229 of the NIRC of 1997, as amended, states that judicial claims for refund must be filed within two (2) years from the date of payment of the tax or penalty, providing further that the same may not be maintained until a claim for refund or credit has been duly filed with the Commissioner of Internal Revenue.

Based on the records of the case, the Bureau of Treasury paid and remitted to the BIR the FWT on the first coupon payment on January 31, 2013[60]. Hence, counting two years from such date, petitioner had until February 2, 2015[61] within which to file its claim both in the administrative and judicial levels. Clearly, petitioner's administrative claim[62] filed on December 9, 2014 and the subsequent appeal before this Court on January 7, 2015 were well within the two-year period prescribed by law.

In recapitulation, the Court finds that petitioner has sufficiently established its entitlement to a refund/tax credit of its erroneously withheld FWT in the amount of ₱127,673,786.53.

WHEREFORE, premises considered, the instant Petition for Review is **GRANTED**. Accordingly, respondent is hereby **ORDERED TO REFUND or TO ISSUE A TAX CREDIT CERTIFICATE** in favor of petitioner, the amount of **₱127,673,786.53** representing 20% FWT erroneously collected on the interest income earned by petitioner on its investments in Philippine T-Bonds for the period January 2013 to July 2014.

---

[58] *Commissioner of Internal Revenue vs. Victorias Milling Co., Inc. and The Court of Tax Appeals*, G.R. No. L-24108, January 3, 1968; *Collector of Internal Revenue vs. J. N. Sweeney, A. O. Baigrie, and Ramon Burgos*, G.R. No. L-12178, August 21, 1959; *P.J. Kiener Company, Ltd. vs. Saturnino David*, G.R. No. L-5163, April 23, 1953.

[59] G.R. No. 216130, August 3, 2016.

[60] Exhibit "P-29", docket, vol. 1, p. 526.

[61] January 31, 2015 fell on a Saturday.

[62] Exhibit "P-28", docket, vol. 1, pp. 513-519.

SO ORDERED.

Ma. Belen S.L.

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

WE CONCUR:

LOVELL R. BAUTISTA
Associate Justice

ESPERANZA R. FABON-VICTORINO
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.

LOVELL R. BAUTISTA
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Section 13 of Article VIII of the Constitution, and the Division's 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.

ROMAN G. DEL ROSARIO
Presiding Justice