REPUBLIC OF THE PHILIPPINES
Court of Tax Appeals
QUEZON CITY

Second Division

STEFANINI PHILIPPINES, INC., *Petitioner,*	**CTA CASE NO. 11072**
	Members:
-*versus*-	**RINGPIS-LIBAN,** *Chairperson,* **MODESTO-SAN PEDRO,** *and* **FERRER-FLORES,** *JJ.*
COMMISSIONER OF INTERNAL REVENUE, *Respondent.*	Promulgated: AUG [illegible]

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4:10 p.m.

DECISION

MODESTO-SAN PEDRO, J.:

The Case

The instant case involves a claim for refund of petitioner's alleged excess and/or unutilized input value-added tax ("VAT") arising from its zero-rated sales during the 3rd quarter of the calendar year ("CY") 2020 in the total amount of Php1,906,372.76.[1]

The Parties

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

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1 See Statement of the Case, Pre-Trial Order, Records, Vol. 1, p. 306.

2 See Stipulation of Facts, Pre-Trial Order, *id.,* p. 306.

Meanwhile, respondent is the duly appointed Commissioner of Internal Revenue ("CIR") empowered to perform the duties of the said office, including, among others, the power and authority to decide, approve, and grant applications/claims for refund and/or issuance of tax credit certificate ("TCC") of erroneously paid or overpaid taxes, as provided by law, particularly the *National Internal Revenue Code, as amended ("NIRC").* He holds office at the BIR National Office Building, BIR Road, Diliman, Quezon City.[3]

The Facts

During the 3rd quarter of CY 2020, petitioner rendered outsourced business process services and contact or call center services in the Philippines[4] to the following non-resident affiliate entities which are engaged in business conducted outside the Philippines: a) Stefanini, Inc.,[5] b) Stefanini SARL,[6] c) Stefanini UK Ltd.,[7] and d) Stefanini Canada Ltd.[8]

Payments for the said services were made in acceptable foreign currency (USD, EUR, CAD and GBP) and in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas ("BSP").[9]

On May 14, 2021, petitioner filed through the Electronic Filing and Payment System ("eFPS"), an Amended Quarterly VAT Return for the 3rd quarter of CY 2020.[10] In the said VAT Return, petitioner reflected that it had accumulated excess input VAT in the amount of Php58,836,914.45.[11]

For the 3rd quarter of CY 2020, petitioner's zero-rated and VATable sales amounted to Php210,364,686.52 and Php8,425,092.27, respectively, while its total input VAT incurred for the quarter was Php4,807,503.93.[12]

On September 22, 2022, petitioner filed an Amended Quarterly VAT Return for the 2nd quarter of CY 2022 wherein it deducted Php3,568,357.72 from its accumulated and unutilized input VAT as an amount claimed for VAT refund.[13]

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3 See Stipulation of Facts, Pre-Trial Order, *id.*, p. 307.
4 Exhibits "P-2", "P-3", "P-6" to "P-9-B", "P-10" to "P-23", "P-25", "P-50", "P-70", "P-74", and "P-73-1" to "P-73-24".
5 *Ibid;* Exhibits "P-26", "P-30" and "P-30-A", and "P-31" to "P-31-B".
6 *Supra* footnote 4, Exhibits "P-27", "P-32" and "P-32-A", and "P-33" and "P-33-A".
7 *Supra* footnote 4; Exhibits "P-28", and "P-34" and "P-34-A".
8 *Supra* footnote 4; Exhibits "P-29", "P-35", "P-36", and "P-37".
9 Exhibits "P-38" and "P-38-A", "P-50", and "P-70".
10 Exhibit "P-41" and "P-50".
11 *Ibid.*
12 Exhibits "P-10" to "P-23", "P-38" and "P-38-A", "P-41", "P-50", "P-55", "P-56", "P-57", "P-58", "P-58-1" to "P-58-11", , and "P-73-1" to "P-73-24".
13 Exhibits "P-43", "P-50", and "P-70".

Petitioner's accumulated excess input tax attributable to zero-rated sales for the 3rd quarter of CY 2020 in the total amount of Php3,568,357.72, to date has remained unutilized and/or unapplied against petitioner's output tax liability.[14]

On September 29, 2022, petitioner filed with the BIR VAT Credit Audit Division ("VCAD") an Application for Tax Credits/ Refunds (BIR Form No. 1914) with supporting documents in relation to its claim for refund of its excess and unutilized input VAT for the 3rd quarter of CY 2020 in the amount of Php3,568,357.72.[15]

On December 21, 2022, petitioner received from the BIR a VAT Refund Notice, dated December 7, 2022, partially granting its administrative claim for refund to the extent of Php1,661,984.96 but denying the remaining Php1,906,372.76.[16]

Following such partial denial of its administrative claim, petitioner filed the instant Petition for Review ("Petition") before this Court on January 20, 2023.[17]

Summons were then issued by the Court on February 2, 2023.[18] On April 4, 2023, respondent filed his Answer.[19] Then, on April 13, 2023, a Notice of Pre-Trial Conference was issued setting the Pre-Trial Conference.[20] On June 19, 2023, respondent elevated the BIR Records.[21]

On June 21, 2023, respondent filed his Pre-Trial Brief.[22] On same date, respondent submitted the Judicial Affidavit of his witness, Revenue Officer Jelly Anne T. Mateo.[23]

Petitioner, on July 28, 2023, filed its Pre-Trial Brief.[24]

The Pre-Trial Conference ensued on August 3, 2023.[25]

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14 *Ibid;* Exhibits "P-44", "P-45", "P-52-12" and "P-52-13".
15 Exhibits "P-46" and "P-46-A", and "P-50".
16 Annex "F", Petition for Review; Exhibits "P-49" and "P-49-A", and "P-50".
17 Records, Vol. 1, pp. 6-183.
18 *Id.*, pp. 184-185.
19 *Id.*, pp. 193-206.
20 *Id.*, pp. 207-208.
21 *Id.*, pp. 216-219.
22 *Id.*, pp. 220-225.
23 *Id.*, pp. 226-235.
24 *Id.*, pp. 237-253.
25 *Id.*, pp. 254-256.

On August 23, 2023, petitioner filed a Motion to Commission and Appoint an Independent Certified Public Accountant ("ICPA").[26] On September 12, 2023, the proposed ICPA, Ms. Madonna Mia S. Dayego, was commissioned by the Court as the ICPA who will assist in the instant case.[27]

Prior to this, on September 4, 2023, the parties filed a Joint Stipulation of Facts and Issues.[28] Thus, this Court, on October 9, 2023, issued a Pre-Trial Order.[29]

Afterwards, on October 12, 2023, the ICPA Report summarizing the findings for the instant judicial claim for VAT refund was submitted.[30] Petitioner then submitted the Judicial Affidavit of Ms. Dayego in relation to the ICPA Report on November 28, 2023.[31] A supplemental ICPA Report was thereafter submitted on January 10, 2024 wherein additional pieces of evidence (*i.e.,* supporting schedules of the ICPA Report) which were not attached in the original ICPA Report were included. This Court admitted such Report. Ms. Dayego was then placed on the witness stand in relation to her testimony on the ICPA Report on January 16, 2024.[32]

Before the above proceedings, on October 17, 2023, petitioner presented its witness, Ms. Jeanina B. Pepito.[33]

On January 31, 2024, petitioner filed its Formal Offer of Evidence.[34] To which, respondent did not interpose any objections.[35] As such, in a Resolution, dated April 8, 2024, this Court admitted all of petitioner's Exhibits.[36]

On April 11, 2024, respondent presented his witness, Ms. Mateo, before the Court.[37] Respondent, then filed his Formal Offer of Evidence on April 16, 2024,[38] to which petitioner filed its comments/objections on April 29, 2024.[39] In a Resolution, dated June 20, 2024, this Court admitted all of respondent's Exhibits.[40]

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[26] *Id.*, pp. 257-275.
[27] *Id.*, pp. 292-295.
[28] *Id.*, pp. 276-289.
[29] *Id.*, pp. 305-314.
[30] *Id.*, pp. 315-318.
[31] *Id.*, pp. 322-345.
[32] *Id.*, pp. 346-365.
[33] *Id.*, pp. 320-321.
[34] *Id.*, pp. 366-598.
[35] Records, Vol. 2, pp. 599-602.
[36] *Id.*, pp. 609-611.
[37] *Id.*, p. 612.
[38] *Id.*, pp. 613-617.
[39] *Id.*, pp. 618-621.
[40] *Id.*, pp. 630-633.

On July 10, 2024, respondent manifested that he would adopt his arguments in the Answer as his Memorandum.[41] Meanwhile, petitioner filed its Memorandum on July 26, 2024.[42] Thus, in a Resolution, dated August 15, 2024, the instant case was submitted for Decision.[43]

Hence, this Decision.

The Issue[44]

> Whether or not petitioner is entitled to its claim for refund or issuance of a tax credit certificate in the amount of Php1,906,372.76 representing unutilized input taxes on zero-rated sales covering the period of July 1, 2020 to September 30, 2020.

Arguments of the Parties

Petitioner's Arguments[45]

Petitioner avers that it is entitled to a refund of excess and unutilized input VAT. Petitioner posits the following arguments:

Both administrative and judicial claims for refund were timely filed;

Petitioner is VAT-registered;

Petitioner had zero-rated sales during the 3rd quarter of CY 2020 which were paid for in acceptable foreign currency and accounted for in accordance with the rules of the BSP;

Petitioner incurred input VAT in the 3rd quarter of CY 2020 that were attributable to its zero-rated sales of services;

The claimed input taxes for the 3rd quarter of CY 2020 were not applied against any output VAT liability;

Petitioner's input taxes are not transitional input taxes;

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[41] *Id.*, pp. 626-629.
[42] *Id.*, pp. 635-667.
[43] Records, Vol. 2.
[44] See Issue, Pre-Trial Order, Records, Vol. 1, p. 307.
[45] Records, Vol. 2, pp. 642-665.

Input taxes claimed for refund have been proportionately allocated on the basis of sales volume; and

Cases filed before the Court of Tax Appeals ("CTA") are litigated *de novo.* Petitioner has proved every minute aspect of its claim for refund. Thus, it must be granted its claim for refund.

Respondent's Arguments[46]

In refutation, respondent alleges that the instant Petition must be denied for petitioner's failure to substantiate its claim for refund at the administrative level. Further, it is incumbent upon petitioner to prove that it is entitled to the refund sought because a claim for refund is not ipso facto granted upon filing of the claim. Tax refunds are subject to administrative routinary investigation. Tax refunds are strictly construed against the taxpayer and in favor of the government.

The Ruling of the Court

The instant Petition is **PARTIALLY GRANTED.**

Requisites for claiming unutilized input VAT attributable to zero-rated sales.

The provision that governs the present claim for refund of excess and/or unutilized input VAT attributable to zero-rated sales is *Section 112 (A) and (C) of the NIRC*, which reads:

> *SEC. 112. Refunds or Tax Credits of Input Tax. –*
>
> (A) Zero-rated or Effectively Zero-rated Sales. - Any VAT-registered person, whose sales are zero-rated or effectively zero-rated may, *within two (2) years after the close of the taxable quarter when the sales were made, apply for the issuance of a tax credit certificate or refund of creditable input tax due or paid attributable to such sales,* except transitional input tax, *to the extent that such input tax has not been applied against output tax*: Provided, however, That *in the case of zero-rated sales under* Section 106(A)(2)(a)(1), (2) and (b) and *Section 108 (B)*(1) and *(2), the acceptable foreign currency exchange proceeds thereof had been duly accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP)*: Provided, further, That where the taxpayer is engaged in zero-rated or effectively zero-rated sale and also in taxable or

[46] Records, Vol. 1, pp. 194-203.

exempt sale of goods of properties or services, and the amount of creditable input tax due or paid cannot be directly and entirely attributed to any one of the transactions, it shall be allocated proportionately on the basis of the volume of sales. Provided, finally, That for a person making sales that are zero-rated under Section 108(B) (6), the input taxes shall be allocated ratably between his zero-rated and non-zero-rated sales.

(B) …

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

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

Based on the foregoing provisions, jurisprudence has laid down the following requisites that must be complied with by the taxpayer-applicant to successfully obtain a tax refund/credit:

As to the timeliness of the filing of the administrative and judicial claims:

1. the refund claim is filed with the BIR within 2 years after the close of the taxable quarter when the sales were made;[47]

2. the judicial claim is filed with this Court within 30 days from receipt of an adverse decision (*i.e.,* partial or full denial of the administrative claim);[48]

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

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[47] Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue, G.R. No. 155732, 27 April 2007; San Roque Power Corporation v. Commissioner of Internal Revenue, G.R. No. 180345, 25 November 2009; AT&T Communications Services Philippines, Inc. v. Commissioner of Internal Revenue, G.R. No. 182364, 3 August 2010.

[48] Steag State Power, Inc. vs. Commissioner of Internal Revenue, G.R. No. 205282, 14 January 2019; Rohm Apollo Semiconductor Philippines vs. Commissioner of Internal Revenue, G.R. No. 168950, 14 January 2015.

3. the taxpayer is a VAT-registered person;[49]

In relation to the taxpayer's output VAT:

4. the taxpayer is engaged in zero-rated or effectively zero-rated sales;[50]

5. for zero-rated sales under *Section 106(A)(2)(1) and (2), 106(B), and 108(B)(1) and (2) of the NIRC,* the acceptable foreign currency exchange proceeds have been duly accounted for in accordance with BSP rules and regulations;[51]

As regards the taxpayer's input VAT being refunded:

6. the input taxes are not transitional input taxes;[52]

7. the input taxes are due or paid;[53]

8. the input taxes claimed are attributable to zero-rated or effectively zero-rated sales. However, where there are both zero-rated or effectively zero-rated sales and taxable or exempt sales, and the input taxes cannot be directly and entirely attributable to any of these sales, the input taxes shall be proportionately allocated on the basis of sales volume;[54] and

9. the input taxes have not been applied against output taxes during and in the succeeding quarters.[55]

At this juncture, it must be emphasized that cases filed before the CTA are litigated *de novo*.[56] Parties are thus expected to litigate and prove every minute aspect of their case anew by presenting, formally offering, and

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[49] Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue, G.R. No. 155732, 27 April 2007; San Roque Power Corporation v. Commissioner of Internal Revenue, G.R. No. 180345, 25 November 2009; AT&T Communications Services Philippines, Inc. v. Commissioner of Internal Revenue, G.R. No. 182364, 3 August 2010.
[50] *Ibid.*
[51] *Ibid.*
[52] *Ibid.*
[53] *Ibid.*
[54] Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue, G.R. No. 155732, 27 April 2007; San Roque Power Corporation v. Commissioner of Internal Revenue, G.R. No. 180345, 25 November 2009.
[55] Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue, G.R. No. 155732, 27 April 2007; San Roque Power Corporation v. Commissioner of Internal Revenue, G.R. No. 180345, 25 November 2009; AT&T Communications Services Philippines, Inc. v. Commissioner of Internal Revenue, G.R. No. 182364, 3 August 2010.
[56] Commissioner of Internal Revenue v. Univation Motor Philippines, Inc., G.R. No. 231581, 10 April 2019.

submitting to the CTA all evidence required for the successful prosecution of its claim.[57] Consequently, petitioner must competently establish its claim for refund or tax credit following the foregoing requisites.

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

Pursuant to *Sections 112 (A) and (C) of the NIRC*, the refund of unutilized input VAT attributable to zero-rated or effectively zero-rated sales must be administratively filed with the BIR within two years counted from the close of the taxable quarter when the relevant sales were made. Meanwhile, the judicial claim for refund must be filed in Court within 30 days from receipt of respondent's adverse decision. These comprise the *first and second requisites* for a successful VAT refund claim.

Applying the foregoing, the table below summarizes the relevant dates pertaining to the filing of the administrative and judicial claims for refund:

Period of claim	**Close of the taxable quarter**	**Last day for filing of the administrative claim**	**Date of filing of the administrative claim**	**Date of receipt of the CIR's denial of the administrative claim**	**Last day for filing of the judicial claim (30 days)**	**Date of filing of judicial claim**
3rd Quarter of CY 2020	September 30, 2020	September 30, 2022	September 29, 2022[58]	December 21, 2022[59]	January 20, 2023	January 20, 2023[60]

The present case covers the 3rd quarter of CY 2020. Counting two years from close of the 3rd quarter of CY 2020 on September 30, 2020, petitioner had until September 30, 2022 to file its administrative claim for VAT refund for the 3rd quarter of CY 2020.

Petitioner, in the instant case, filed its administrative claim for refund (*i.e.,* Application for Tax Credits/ Refunds (BIR Form No. 1914)) with the BIR's VCAD on September 29, 2022.[61] Thus, the same is timely filed.

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[57] *Id.;* Philippine Airlines, Inc. v. Commissioner of Internal Revenue, G.R. No. 206079-80 and 206309, 17 January 2018.
[58] Exhibits "P-46" and "P-46-A", "P-50", and "R-1".
[59] Annex "F", Petition for Review; Exhibits "P-49" and "P-49-A", and "P-50".
[60] Records, Vol. 1, pp. 6-183.
[61] Exhibits "P-46" and "P-46-A", and "P-50".

The same can equally be said with respect to the filing of the judicial claim. As found by this Court, petitioner received the CIR's partial denial of its administrative claim (*i.e.,* Vat Refund Notice) on December 21, 2022.[62] Counting 30 days from said date, petitioner had until January 20, 2023 within which to file a judicial claim before this Court. On January 20, 2023, on the last day allowed by law, petitioner filed the instant Petition questioning respondent's partial denial of its administrative claim before this Court. Thus, the judicial claim is timely filed.

Accordingly, the *first and second requisites* have been duly complied with by petitioner.

Petitioner is VAT-registered.

With respect to the compliance with the *third requisite,* petitioner is duly registered with the BIR as a VAT taxpayer with a tax identification number ("TIN") 006-960-314-000 as evidenced by petitioner's BIR Certificate of Registration, dated December 17, 2013 and January 18, 2018, wherein "Value Added Tax" is displayed prominently among the tax types.[63]

Petitioner was engaged in zero-rated or effectively zero-rated sales for the 3rd quarter of CY 2020

The *fourth and fifth requisites* require that the taxpayer be engaged in zero-rated or effectively zero-rated sales and that for zero-rated sales under *Sections 106(A)(2)(a)(l) and (3), and 108(B)(l) and (2) of the NIRC,* the acceptable foreign currency exchange proceeds thereof have been duly accounted for in accordance with BSP rules and regulations.

For the 3rd quarter of CY 2020, petitioner reported total sales of Php218,789,778.79 comprising of VATable sales in the amount of Php8,425,092.27 and zero-rated sales in the amount of Php210,364,686.52.[64]

The zero-rated sales are further broken down, as follows: r

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62 Annex "F", Petition for Review; Exhibits "P-49" and "P-49-A", and "P-50".
63 Exhibits "P-4" to "P-5-A" and "P-50".
64 Exhibits "P-41", "P-50" and "P-52-3".

Type of zero-rated sale	Amount
Sale to Non-Resident Foreign Affiliates	Php210,282,741.88
Sale to Philippine Economic Zone Authority ("PEZA")-registered Entities	Php81,944.64
Total Zero-Rated Sales	Php210,364,686.52

These amounts have been summarized by the ICPA in her ICPA Report after comparing the 3rd Quarter VAT returns[65] against the Schedule of Zero-Rated Sales of Services,[66] General Ledger Account Classification of Revenues for CY 2020[67] and Official Receipts ("ORs").[68] And these have been duly verified by this Court.

Based on the foregoing, petitioner's zero-rated sales were derived from the following types of sale of services to:

1) Foreign corporations which are not engaged in business in the Philippines and who were outside the Philippines when the services were performed; and

2) Entities registered with PEZA.

Petitioner claims that it is engaged in zero-rated or effectively zero-rated sale of services under *Section 108(B)(2) and (3) of the NIRC*:

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

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65 Table 10, Exhibit "P-70"; Exhibit "P-52-3".
66 Table 10, Exhibit "P-70"; Exhibit "P-53".
67 Table 10, Exhibit "P-70"; Exhibits "P-54" to "P-54-3".
68 Table 10, Exhibit "P-70"; Exhibits "P-10" to "P-23".

> *(3) Services rendered to persons or entities whose exemption under special laws or international agreements to which the Philippines is a signatory effectively subjects the supply of such services to zero percent (0%) rate;*
> (Italics, Ours)

The foregoing provision is implemented by *Section 4.108-5 (b) (2) and (3) of Revenue Regulations ("RR ") No. 16-2005, as amended by RR No. 13-18,* which provides that:

> SEC. 4.108-5. Zero Rated Sale of Services. –
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> . . . .
>
> (b) Transactions Subject to Zero Percent (0%) VAT Rate. -The following services performed in the Philippines by a VAT-registered person shall be subject to zero percent (0%) VAT rate:
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> . . . .
>
> (2) Services other than processing, manufacturing or repacking rendered to a person engaged in business conducted outside the Philippines or to a non-resident person not engaged in business who is outside the Philippines when the services are performed, the consideration for which is paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the BSP;
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> (3) Services rendered to persons or entities whose exemption under special laws or international agreements to which the Philippines is a signatory effectively subjects the supply of such services to zero percent (0%) rate;

With respect to the sale of services to be subject to the VAT rate of zero percent (0%) under *Section 108(B)(2) of the NIRC* certain essential elements must be present, to wit:

1. The services fall under any of the categories under S*ection 108(B)(2),* or simply, the services rendered should be "other than processing, manufacturing or repacking goods";[69]

2. The recipient of the services is a foreign corporation, and the said corporation is doing business outside the Philippines, or is a non-resident person not engaged in

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

business who is outside the Philippines when the services were performed;[70]

3. The services must be performed in the Philippines[71] by a VAT -registered person; and

4. The payment for such services should be in acceptable foreign currency accounted for in accordance with BSP rules.[72]

As claimed by petitioner, it rendered outsourced business process services and contact or call center services in the Philippines[73] to the following non-resident affiliate entities which are engaged in business conducted outside the Philippines: a) Stefanini, Inc.,[74] b) Stefanini SARL,[75] c) Stefanini UK Ltd.,[76] and d) Stefanini Canada Ltd.[77]

A perusal of the various Agreements for Services and Addenda entered into by petitioner with the non-resident foreign affiliates[78] will show that the services to be rendered by the latter to the former are outsourced business process solutions which include "assisting the Principal in the execution of implementation, transition and/or operational plans". Thus, the services rendered are other than processing, manufacturing, or repacking goods. Accordingly, there is compliance with the *first essential element.*

Moreover, the aforesaid Agreements for Services and Addenda clearly provides that the services will be performed by petitioner in the Philippines. Thus, there is compliance with the *third essential element.*

To prove compliance with the *second essential element,* petitioner must show that: (1) the client was established under the laws of a foreign country; and, (2) it is not engaged in trade or business in the Philippines. To be sure, there must be sufficient proof of both of these requirements to establish that

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

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

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

[73] Exhibits "P-2", "P-3", "P-6" to "P-9-B", "P-10" to "P-23", "P-25", "P-50", "P-70", "P-74", and "P-73-1" to "P-73-24".

[74] *Ibid;* Exhibits "P-26", "P-30" and "P-30-A", and "P-31" to "P-31-B".

[75] *Supra* footnote 4, Exhibits "P-27", "P-32" and "P-32-A", and "P-33" and "P-33-A".

[76] *Supra* footnote 4; Exhibits "P-28", and "P-34" and "P-34-A".

[77] *Supra* footnote 4; Exhibits "P-29", "P-35", "P-36", and "P-37".

[78] Exhibits "P-6", "P-7", "P-8" and "P-9".

the clients are foreign corporations and are not doing business in the Philippines.[79]

Thus, petitioner must submit for its non-resident affiliate clients, at the very least, both (1) the Philippine Securities and Exchange Commission ("SEC") Certificate of Non-Registration of Corporation/Partnership; and (2) Proof of Certificate/Articles of Foreign Incorporation/Association showing the state/province/country where the entity was organized. The SEC Certificate of Non-Registration shows that the foreign client is not engaged in trade or business in the Philippines. On the other hand, the Certificate/ Articles of Foreign Incorporation/ Association proves that the client was established under the laws of a foreign country. Together, these two (2) documents prove the two requisites necessary to establish the non-resident foreign corporation ("NRFC") status of a client.

Petitioner was able to overcome this burden of proof when it presented the various SEC Certificates of Non-Registration of Company of its non-resident affiliate clients,[80] and the various foreign corporate registration documents of its non-resident affiliate clients.[81] This showed that the non-resident foreign affiliates have been established in the laws of a foreign country (*i.e.,* United States of America, Switzerland, United Kingdom and Canada) and are not doing business in the country. Therefore, petitioner's non-resident affiliate clients are NRFCs. Compliance with the *second essential element* is therefore in order.

As regards the *fourth essential element,* petitioner must adduce proof that its zero-rated sales of services were paid for in acceptable foreign currency accounted for in accordance with BSP rules. On this note, petitioner presented its Certificate of Inward Remittance issued by the Bank of America covering foreign currency inward remittances from July 1, 2020 to September 30, 2020, dated January 24, 2022,[82] and a bank statement.[83] These showed that petitioner were paid in USD, EUR, CAD and GBP. Moreover, the amounts in these documents were traced by the ICPA to the services rendered by petitioner to its non-resident affiliate clients and summarized in the Validation of Inward Remittance per Schedule of Zero-Rated Sales of Services and Inward Remittances for the 3rd Quarter of CY 2020.[84]

Thus, there is full compliance with all the essential elements for VAT zero rating under *Section 108(B)(2) of the NIRC.* Accordingly, petitioner's sales to its non-resident affiliate clients are VAT zero-rated sales of services.

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79 Commissioner of Internal Revenue vs. Deutsche Knowledge Services Pte. Ltd., G.R. No. 234445, 15 July 2020.
80 Exhibits "P-26" to "P-29".
81 Exhibits "P-30" to "P-37".
82 Exhibit "P-38".
83 Exhibit "P-56-1".
84 Exhibit "P-56".

On the other hand, with respect to VAT zero rating of sales of services made to entities registered with PEZA under *Section 108(B)(3) of the NIRC,* petitioner must show compliance with the following essential elements: 1) the sale was made by a VAT registered person; and 2) the sale was made to persons or entities whose exemption under special laws or international agreements to which the Philippines is a signatory effectively subjects the supply of such services to zero percent (0%) rate.

The *first essential requisite* that petitioner must be a VAT-registered person was already established earlier. As for the *second essential requisite,* petitioner complied therewith by presenting the Certification of VAT Zero-Rating (*i.e.,* PEZA VAT Certificate [PEZA-ERD Form No. 97-01 Certificate No. 2020-2451 of Sciformix Philippines, Inc. valid during 2020) of its PEZA customer – Sciformix Philippines, Inc.,[85] thereby proving that its sales thereto indeed qualify for VAT zero rating under *Section 108(B)(3) of the NIRC.*

Further, in proving its zero-rated sales, petitioner must comply with the pertinent invoicing requirements, containing all the required information under *Section 113(A) and (B) of the NIRC,* to wit:

> SEC. 113. Invoicing and Accounting Requirements for VATregistered Persons. –
>
> (A) Invoicing Requirements. - A VAT -registered person shall Issue:
>
> (1) A VAT invoice for every sale, barter or exchange of goods or properties; and
>
> (2) A VAT official receipt for every lease of goods or properties, and for every sale, barter or exchange of services.
>
> (B) Information Contained in the VAT Invoice or VAT Official Receipt. -The following information shall be indicated in the VAT invoice or VAT official receipt:
>
> (1) A statement that the seller is a VAT -registered person, followed by his Taxpayer's Identification Number (TIN);
>
> (2) The total amount which the purchaser pays or is obligated to pay to the seller with the indication that such amount includes the value-added tax: Provided, That:
>
> (a) The amount of the tax shall be shown as a separate item in the invoice or receipt;
>
> (b) If the sale is exempt from value-added tax, the term 'VAT-exempt sale' shall be written or printed prominently on the invoice or receipt;

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[85] Exhibit "P-39"; Sciformix Philippines, Inc. changed its corporate name to Covance Scientific Services and Solutions, Inc., as evidenced by the Certificate of Filing of Amended Articles of Incorporation, dated January 15, 2020 (Exhibit "P-55-1") and Amended Articles of Incorporation (Exhibit "P-55-2").

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

(d) If the sale involves goods, properties or services some of which are subject to and some of which are VAT zero-rated or VAT exempt, the invoice or receipt shall clearly indicate the break-down of the sale price between its taxable, exempt and zero-rated components, and the calculation of the value-added tax on each portion of the sale shall be shown on the invoice or receipt: Provided, That the seller may issue separate invoices or receipts for the taxable, exempt, and zero-rated components of the sale.

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

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

These provisions of the *NIRC* are further implemented by *Section 4.113-1(A) and (B) of RR No. 16-05, as amended,* as follows:

SEC. 4.113-1. Invoicing Requirements.-

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

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

(2) A VAT official receipt for every lease of goods or properties, and for every sale, barter or exchange of services. Only VAT -registered persons are required to print their TIN followed by the word "VAT" in their invoice or official receipts. Said documents shall be considered as a "VAT Invoice" or "VAT official receipt". All purchases covered by invoices/receipts other than VAT Invoice/VAT Official Receipt shall not give rise to any input tax.

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

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

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

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

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

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

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

(d) If the sale involves goods, properties or services some of which are subject to and some of which are VAT zero-rated or VAT exempt, the invoice or receipt shall clearly indicate the break-down of the sale price between its taxable, exempt and zero-rated components, and the calculation of the VAT on each portion of the sale shall be shown on the invoice or receipt. The seller has the option to issue separate invoices or receipts for the taxable, exempt, and zero-rated components of the sale.

(3) In the case of sales in the amount of one thousand peso (P 1,000.00) or more where the sale or transfer is made to a VAT -registered person, the name, business style, if any, address and TIN of the purchaser, customer or client, shall be indicated in addition to the information required in (1) and (2) of this Section.

In addition to the above requirements, the sales invoices ("SIs") and ORs must be duly registered with the BIR as prescribed under *Section 237,* in relation to *Section 238, of the NIRC,* to wit:

SEC. 237. Issuance of Receipts or Sales or Commercial Invoices.- All persons subject to an internal revenue tax shall, for each sale or transfer of merchandise or for services rendered valued at Twenty-five pesos (P25.00) or more, issue duly registered receipts or sales or commercial invoices, prepared at least in duplicate, showing the date of transaction, quantity, unit cost and description of merchandise or nature of service.

SEC. 238. Printing of Receipts or Sales or Commercial Invoices. - All persons who are engaged in business shall secure from the Bureau of Internal Revenue an authority to print receipts or sales or commercial invoices before a printer can print the same No authority to print receipts or sales or commercial invoices shall be granted unless the receipts or invoices to be printed are serially numbered and shall show, among other things, the name, business style, Taxpayer Identification Number (TIN) and business address of the person or entity to use the same, and such other information that may be required by rules and regulations to be promulgated by the Secretary of Finance, upon recommendation of the Commissioner.

As verified by this Court, the ORs submitted by petitioner in relation to its zero-rates sales of services[86] are fully compliant with the above invoicing requirements.

Following this, petitioner has fully supported its claim that it had zero-rated sales of services during the 3rd quarter of CY 2020 in the amount of Php210,364,686.52.

[86] Exhibit "P-10" to "P-24".

Having found that petitioner had VAT zero-rated sales in the total amount of Php210,364,686.52 for the subject period of claim, the Court shall proceed to determine whether petitioner complied with the following remaining requisites:

a. *sixth requisite:* the input taxes are due or paid;

b. *seventh requisite:* the input taxes are not transitional input taxes;

c. *eighth requisite:* the input taxes claimed are attributable to zero-rated or effectively zero-rated sales. However, where there are both zero-rated or effectively zero-rated sales and taxable or exempt sales, and the input taxes cannot be directly and entirely attributed to any of these sales, the input taxes shall be proportionately allocated on the basis of sales volume; and

d. *ninth requisite:* the input taxes have not been applied against output taxes during and in the succeeding quarters

Petitioner's input VAT were due or paid, and were adequately substantiated.

In the case at bar, petitioner computed its total VAT refund claim as follows:[87]

Exhibit No. "P-52-3" Line No.	Particulars	Total Sales/Receipts
20B	Input tax deferred on capital goods exceeding Php1 Million from previous quarter	Php1,835,897.03
23A	Input tax on purchases of capital goods exceeding Php1 Million deferred for the succeeding period	(2,064,032.17)
	Amortized input tax on capital goods exceeding Php1 Million	Php(228,135.14)

[87] Table 7, Exhibit "P-70".

21D	Purchase of capital goods exceeding Php1 Million	Php621,423.00
21F	Domestic purchases of goods other than capital goods	816,742.57
21J	Domestic purchase of services	3,369,338.36
	Total Input tax for the current period (3rd quarter CY 2020)	Php4,807,503.93
19B	Output tax due	(1,011,011.07)
23A	VAT Refund Claimed in 2nd quarter of CY 2022	Php3,568,357.72

Anent the *sixth requisite* in claiming VAT refund, it is of critical importance for petitioner to provide supporting documents to prove the input taxes claimed during the 3rd quarter of CY 2020 are actually due or paid in accordance with *Section 110(A) of the NIRC,* which provides that:

> SEC. 110. Tax Credits.-
>
> (A) Creditable input Tax. –
>
> (1) Any input tax evidenced by a VAT invoice or official receipt issued in accordance with Section 113 hereof on the following transactions shall be creditable against the output tax:
>
> (a) Purchase or importation of goods:
>
> (i) For sale; or
>
> (ii) For conversion into or intended to form part of a finished product for sale including packaging materials; or
>
> (iii) For use as supplies in the course of business; or
>
> (iv) For use as materials supplied in the sale of service; or
>
> (v) For use in trade or business for which deduction for depreciation or amortization is allowed under this Code.
>
> (b) Purchase of services on which a value-added tax has actually been paid.
>
> (2) The input tax on domestic purchase or importation of goods or properties by a VAT-registered person shall be creditable:
>
> (a) To the purchaser upon consummation of sale and on importation of goods or properties; and

(b) To the importer upon payment of the value-added tax prior to the release of the goods from the custody of the Bureau of Customs.

Provided, That the input tax on goods purchased or imported in a calendar month for use in trade or business for which deduction for depreciation is allowed under this Code, shall be spread evenly over the month of acquisition and the fifty-nine (59) succeeding months if the aggregate acquisition cost for such goods, excluding the VAT component thereof, exceeds One million pesos (P1,000,000): Provided, however, That if the estimated useful life of the capital good is less than five (5) years, as used for depreciation purposes, then the input VAT shall be spread over such a shorter period: Provided, finally, That in the case of purchase of services, lease or use of properties, the input tax shall be creditable to the purchaser, lessee or licensee upon payment of the compensation, rental, royalty or fee.

The above provisions are implemented by *Sections 4.110-1 to 4.110-3 of RR No. 16-05,* which provide as follows:

SECTION 4.110-1. Credits For Input Tax. -"Input tax" means the VAT due on or paid by a VAT -registered person on importation of goods or local purchases of goods, properties, or services, including lease or use of properties, in the course of his trade or business. It shall also include the transitional input tax and the presumptive input tax determined in accordance with Sec. 111 of the Tax Code.

It includes input taxes which can be directly attributed to transactions subject to the VAT plus a ratable portion of any input tax which cannot be directly attributed to either the taxable or exempt activity.

Any input tax on the following transactions evidenced by a VAT invoice or official receipt issued by a VAT -registered person in accordance with Sees. 113 and 237 of the Tax Code shall be creditable against the output tax:

(a) Purchase or importation of goods

(1) For sale; or

(2) For conversion into or intended to form part of a finished product for sale, including packaging materials; or

(3) For use as supplies in the course of business; or

(4) For use as raw materials supplied in the sale of services; or

(5) For use in trade or business for which deduction for depreciation or amortization is allowed under the Tax Code,

(b) Purchase of real properties for which a VAT has actually been paid;

(c) Purchase of services in which a VAT has actually been paid;

(d) Transactions "deemed sale" under Sec. 106 (B) of the Tax Code;

(e) Transitional input tax allowed under Sec. 4.111 (a) of these Regulations;

(f) Presumptive input tax allowed under Sec. 4.111 (b) of these Regulations;

(g) Transitional input tax credits allowed under the transitory and other provisions of these Regulations.

SECTION 4.110-2. Persons Who Can Avail of the Input Tax Credit. - The input tax credit on importation of goods or local purchases of goods, properties or services by a VAT -registered person shall be creditable:

(a) To the importer upon payment of VAT prior to the release of goods from customs custody;

(b) To the purchaser of the domestic goods or properties upon consummation of the sale; or

(c) To the purchaser of services or the lessee or licensee upon payment of the compensation, rental, royalty or fee.

SECTION 4.110-3. Claim for Input Tax on Depreciable Goods.- Where a VAT -registered person purchases or imports capital goods, which are depreciable assets for income tax purposes, the aggregate acquisition cost of which (exclusive of VAT) in a calendar month exceeds One Million pesos (P 1 ,000,000.00), regardless of the acquisition cost of each capital good, shall be claimed as credit against output tax in the following manner:

(a) If the estimated useful life of a capital good is five (5) years or more - The input tax shall be spread evenly over a period of sixty (60) months and the claim for input tax credit will commence in the calendar month when the capital good is acquired. The total input taxes on purchases or importations of this type of capital goods shall be divided by 60 and the quotient will be the amount to be claimed monthly.

(b) If the estimated useful life of a capital good is less than five (5) years- The input tax shall be spread evenly on a monthly basis by dividing the input tax by the actual number of months comprising the estimated useful life of the capital good. The claim for input tax credit shall commence in the calendar month that the capital goods were acquired.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed One million pesos (P1,000,000.00), the total input taxes will be allowable as credit against output tax in the month of acquisition; Provided, however, that the total amount of input taxes (input tax on depreciable capital goods plus other allowable input taxes) allowed to be claimed against the output tax in the quarterly VAT Returns shall be subject to the limitation prescribed under Sec. 4.110-7 of these Regulations.

Meanwhile, *Section 4.110-8 of RR No. 16-05* provides for the substantiation requirements of input tax credits, as follows:

> SECTION 4.110-8. Substantiation of Input Tax Credits. –
>
> (a) Input taxes for the importation of goods or the domestic purchase of goods, properties or services is made in the course of trade or business, whether such input taxes shall be credited against zero-rated sale, non-zero rated sales, or subjected to the 5% Final Withholding VAT, must be substantiated and supported by the following documents, and must be reported in the information returns required to be submitted to the Bureau:
>
> (1) For the importation of goods - import entry or other equivalent document showing actual payment of VAT on the imported goods.
>
> (2) For the domestic purchase of goods and properties - invoice showing the information required under Sees. 113 and 237 of the Tax Code.
>
> (3) For the purchase of real property -public instrument i.e., deed of absolute sale, deed of conditional sale, contract/agreement to sell, etc., together with VAT invoice issued by the seller.
>
> (4) For the purchase of services- official receipt showing the information required under Sees. 113 and 237 of the Tax Code. A cash register machine tape issued to a registered buyer shall constitute valid proof of substantiation of tax credit only if it shows the information required under Sees. 113 and 237 of the Tax Code.
>
> (b) Transitional input tax shall be supported by an inventory of goods as shown in a detailed list to be submitted to the BIR.
> (c) Input tax on "deemed sale" transactions shall be substantiated with the invoice required under Sec. 4.113-2 of these Regulations
>
> (d) Input tax from payments made to non-residents (such as for services, rentals and royalties) shall be supported by a copy of the Monthly Remittance Return of Value Added Tax Withheld (BIR Form 1600) tiled by the resident payor in behalf of the non-resident evidencing remittance of VAT due which was withheld by the payor. (e) Advance VAT on sugar shall be supported by the Payment Order showing payment of the advance VAT.

The above provisions categorically state that in order to be entitled to input tax credits, the same must be evidenced by VAT SIs or ORs issued in accordance with *Section 113 of the NIRC.* Thus, in order to prove entitlement to credits for input taxes due and paid, petitioner must not only present the supporting documents prescribed under *Section 4.110-8 of RR No. 16-05,* but more importantly, these documents must comply with the invoicing requirements of *Section 113 (A) and (B), 237 and 238 of the NIRC* as implemented by *Sections 4.113-1 (A) and (B) of RR No. 16-05.*

In the case at bar, petitioner submitted in evidence various ORs and SIs issued by its local suppliers to support its input taxes from domestic purchases of goods and services.[88] These documents were examined by the Court-commissioned ICPA in order to verify petitioner's compliance with the substantiation and invoicing requirements prescribed by the *NIRC*, and its implementing rules, and likewise, these documents were traced by the ICPA, who noted the following disallowances:

Particulars	Amount
Unsupported Purchases of Services[89]	Php53,959.14
Out of Period of Claim, dated April and May 2020 for SI and October 2020 for OR[90]	5,458.93
Unsupported Claims and Not Traced to General Ledger[91]	106,373.09
Input Tax Claimed by Petitioner that Should Still be Deferred[92]	340,879.31
Unsupported Deferred Input VAT from Prior Periods[93]	4,565.57
Total Disallowance	Php511,236.04

Upon thorough verification by this Court, we agree with the findings of the ICPA. Thus, there is partial compliance with the *sixth requisite.*

The input VAT being claimed does not appear to be transitional input taxes.

The above input taxes do not appear to be transitional input taxes, as understood under *Section 111 (A) of the NIRC,* to wit:

> SEC. 111. Transitional/Presumptive Input Tax Credits. –
>
> (A) Transitional Input Tax Credits. -A person who becomes liable to value-added tax or any person who elects to be a VAT-registered person shall, subject to the filing of an inventory according to the rules and regulations prescribed by the Secretary of Finance, upon recommendation of the Commissioner, be allowed input tax on his beginning inventory of goods, materials and supplies equivalent to two percent (2%) of the value of such inventory or the actual value-added tax paid on such goods, materials and supplies, whichever is higher, which shall be creditable against the output tax.

88 Exhibits "P-61-1-1", "P-61-2-1" to "P-61-2-18", "P-61-3-1" to "P-61-3-7", "P-63-1-1" to "P-63-1-16", "P-63-2-1", "P-63-3", "P-65-1-1" to "P-65-1-26", "P-65-2", "P-67-1" to "P-67-45", and "P-69-1".
89 Table 17, Exhibit "P-70"; Exhibits "P-61", "P-59", and "P-60".
90 *Ibid.*
91 *Ibid.*
92 Tables 19 and 20, Exhibit "P-70"; Exhibits "P-64", "P-60", and "P-65".
93 Table 21, Exhibit "P-70"; Exhibits "P-66", "P-60", and "P-67".

Parenthetically, transitional input tax credit operates to benefit newly VAT-registered persons, whether or not they previously paid taxes in the acquisitions of their beginning inventory of goods, materials, and supplies during the period of transition from non-VAT to VAT status, the transitional input tax credit serves to alleviate the impact of the VAT on the taxpayer.[94]

Since there is no showing that the above-stated input VAT are transitional input VAT, petitioner has complied with the *seventh requisite* for the grant of an input VAT refund.

Input taxes claimed for refund must be proportionately allocated on the basis of sales volume.

Section 112 (A) of the NIRC clearly provides:

> . . . where the taxpayer is engaged in zero-rated or effectively zero-rated sale and also in taxable or exempt sale of goods of properties or services, and the amount of creditable input tax due or paid cannot be directly and entirely attributed to any one of the transactions, it shall be allocated proportionately on the basis of the volume of sales. Provided, finally, That for a person making sales that are zero-rated under Section 108(B) (6), the input taxes shall be allocated ratably between his zero-rated and non-zero-rated sales.

The ICPA computed the allocation rates in the case at bar based on sales volume, *viz:*[95]

Table No.[96]	Exhibit No.	Particulars	Sales/Receipts per Quarterly VAT Returns	Allocation Rates per Quarterly VAT Returns
10	"P-53"/ "P-55"	Zero-rated sales	Php210,364,686.52	96.15%
12	"P-57"/ "P-58"	VATable sales	8,425,092.27	3.85%
		Total Sales/Receipts	Php218,789,778.79	100.00%

Accordingly, the allocation of input tax on petitioner's total VAT Refund claim was computed by the ICPA, as follows:[97]

[94] Fort Bonifacio Development Corporation vs. Commissioner of Internal Revenue, G.R. Nos. 158885 and 170680, April 2, 2008.
[95] Table 13, Exhibit "P-70".
[96] Exhibit "P-70".
[97] Based on Table 14, Exhibit "P-70".

Table No.[98]	Particulars	Input tax allocated to VATable Sales (3.85%)	Input tax allocated to Zero-rated Sales (96.15%)	Total
7	Input VAT – goods and services	Php185,088.90	Php4,622,415.03	Php4,807,503.93
7	Input VAT – capital goods exceeding Php1 million	(8,783.20)	(219,351.94)	(228,135.14)
	Total Current Input Tax	Php176,305.70	Php4,403,063.09	Php4,579,368.79
	Less: Output tax due	(176,305.70)	(834,704.37)	(1,011,011.07)
	Amount of claim for refund – Input tax allocated to zero-rated sales	Php -	Php3,568,357.72	Php3,568,357.72

As shown, petitioner computed its total VAT refund claim after taking into account the allocation of input taxes in light of it having both VATable and zero-rated sales. Thus, there is compliance with the *eight requisite.* All, this Court needs to do is to deduct the disallowances noted above from the present judicial VAT refund claim.

Input taxes claimed for refund have not been applied against any output VAT liability.

Finally, in compliance with the *ninth requisite,* petitioner presented its quarterly VAT Returns from the 3rd quarter of CY 2020 to the 1st quarter of CY 2023[99] to prove that it did not utilize the input VAT sought to be refunded against any output VAT liability. Consequently, the amount sought to be refunded, to date, has remained unused/unutilized against any output VAT liability.

Accordingly, as there is compliance with *requisites* for VAT Refund, petitioner is entitled, albeit partially, on its VAT refund claim, in the total amount of Php1,395,496.72 computed, as follows:

[98] Exhibit "P-70".
[99] Exhibits "P-52-3" to "P-52-13".

Particulars	Amount
Refund Claim per Petition	Php1,906,732.76
Noted Disallowances	511,236.04
Total VAT Refund Allowed	Php1,395,496.72

ACCORDINGLY, the Petition for Review filed by petitioner **STEFANINI PHILIPPINES, INC** is hereby **PARTIALLY GRANTED.** Respondent is **ORDERED** to refund petitioner the amount of Php1,395,496.72 representing its unutilized input VAT arising from its zero-rated sales for the period July 1, 2020 to September 30, 2020.

SO ORDERED.

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

WE CONCUR:

On leave
MA. BELEN M. RINGPIS-LIBAN
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice

A T T E S T A T I O N

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.

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice
Acting Chairperson

CERTIFICATION

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

ROMAN G. DEL ROSARIO
Presiding Justice