REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

THIRD DIVISION

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AIG SHARED SERVICES CORPORATION (PHILIPPINES) *[Formerly: CHARTIS TECHNOLOGY AND OPERATIONS MANAGEMENT CORPORATION (PHILIPPINES)],* Petitioner,	**CTA Case No. 8850** ***Members:*** **UY,** *Chairperson,* **RINGPIS-LIBAN,** *and* **MODESTO-SAN PEDRO,** JJ.
- versus -	
COMMISSIONER OF INTERNAL REVENUE, Respondent.	***Promulgated:*** JUN 29 2020 4:00 p.m.

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DECISION

UY, J.:

This is a *Petition for Review*[1] filed on July 23, 2014 by AIG Shared Services Corporation (Philippines) [Formerly: Chartis Technology and Operations Management Corporation (Philippines)], *Petitioner,* against the Commissioner of Internal Revenue (CIR), *Respondent.* Petitioner seeks the refund or issuance of tax credit certificates (TCC) in the total amount of ₱79,682,086.49 representing excess and unutilized input VAT paid for the first to fourth quarters of fiscal year (FY) 2012.

THE FACTS

Petitioner is a foreign corporation duly registered and authorized by the Securities and Exchange Commission (SEC) under Amended SEC License No. FM00000152 to operate as Regional Operating Headquarters (ROHQ), with principal office address at 46th Floor, 6795 Ayala Avenue corner Rufino St., Makati City, and an

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[1] Docket – Vol. 1, pp. 14 to 26.

extension office at iHub2 Building, North Bridgeway Avenue, Northgate Cyberzone, Filinvest Corporate City, Alabang, Muntinlupa City.[2] Petitioner's former corporate names were American International Underwriters Corporation-Regional Operating Headquarters, AIU Technology and Operations Management Corporation, Chartis Technology and Operations Management Corporation (Philippines).[3]

Petitioner is duly registered with the Bureau of Internal Revenue as a VAT-registered entity with Certificate of Tax Registration No. OCN8RC0000059749 and Tax Identification Number (TIN) 001-218-732-000.[4]

On the other hand, respondent is the Commissioner of Internal Revenue, who holds office at the 5th Floor, Bureau of Internal Revenue (BIR) National Office Building, Agham Road, Diliman, Quezon City. Respondent is represented in this case by the Legal Division of Revenue Region No. 8 which holds office at the 2/F BIR Regional Office Building, 313 Sen. Gil Puyat Avenue, Makati City, where this Honorable Court's legal processes may be served.[5] Respondent is vested with the power to decide tax cases, including claims for refunds and/or tax credits pursuant to Section 4 of the 1997 National Internal Revenue Code, as amended.[6]

For FY 2012, petitioner filed its original and amended quarterly VAT returns on the following dates:

Period	VAT Return	Date of Filing
1st Quarter 2012	Orig. Quarterly VAT Return[7]	March 23, 2012
	Amended Quarterly VAT Return[8]	August 2, 2013
2nd Quarter 2012	Orig. Quarterly VAT Return[9]	June 22, 2012
	Amended Quarterly VAT Return[10]	January 13, 2014
3rd Quarter 2012	Orig. Quarterly VAT Return[11]	September 25, 2012
	Amended Quarterly VAT Return[12]	February 12, 2014

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[2] Par. 1, Joint Stipulation of Facts (JSFI), Docket – Vol. 1, p.451.
[3] Exhibit "P-1" to "P-3", refer to the CD attached to petitioner's FOE.
[4] Exhibit "P-4-a", Certificate of Registration, Docket – Vol. 3, p. 1392; Supplemental Joint Stipulation of Facts, Docket –Vol. 3, p. 1390.
[5] Par. 2, JSFI, Docket –Vol. 1, pp. 451 to 452.
[6] Par. 3, JSFI, Docket – Vol. 1, p. 452.
[7] Exhibit "P-9", refer to the CD attached to petitioner's Formal Offer of Evidence (FOE).
[8] Exhibit "P-10", refer to the CD attached to petitioner's FOE.
[9] Exhibit "P-11", refer to the CD attached to petitioner's FOE.
[10] Exhibit "P-12", refer to the CD attached to petitioner's FOE.
[11] Exhibit "P-13", refer to the CD attached to petitioner's FOE.
[12] Exhibit "P-14", refer to the CD attached to petitioner's FOE.

4th Quarter 2012	Orig. Quarterly VAT Return[13]	December 21, 2012
	Amended Quarterly VAT Return[14]	February 20, 2014

On February 27, 2014, petitioner filed with the BIR an administrative claim for refund/tax credit of its excess and unutilized input Value-Added Tax (VAT) for the 1st to 4th quarters of FY ended November 30, 2012 in the amount of ₱79,682,086.49.[15] It submitted all supporting documents when it filed its administrative claim for refund.

There being no action taken by respondent on petitioner's application for VAT refund for its excess/unutilized input VAT for the 1st to 4th quarters of FY 2012, petitioner filed the instant *Petition for Review* on July 23, 2014.[16]

Respondent filed her *Answer* on September 11, 2014,[17] interposing the following special and affirmative defenses: 1) petitioner's claim for refund is still subject to investigation by the BIR; 2) petitioner failed to demonstrate that the tax was erroneously or illegally collected; 3) taxes paid and collected are presumed to be made in accordance with the laws and regulations, hence, not refundable; 4) it is incumbent upon the petitioner to show that it has complied with Section 204(C) in relation to Section 229 of the 1997 Tax Code, as amended; 5) petitioner's claim for refund or issuance of tax credit certificate in the amount of ₱79,682,086.49 as alleged excess and unutilized input VAT paid on purchases of goods and services attributable to its zero-rated sales for the 1st to 4th quarters of FY 2012 was not fully substantiated by proper documents, such as sales invoices, official receipts and others; 6) in an action for tax credit or refund, the burden is upon the taxpayer to prove that he is entitled thereto, and failure to discharge the said burden is fatal to the claim and that claims for refund are construed strictly against the claimant.

After the Pre-Trial Conference held on June 11, 2015[18], the parties filed their Joint Stipulation of Facts and Issues on June 25,

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[13] Exhibit "P-15", refer to the CD attached to petitioner's FOE.
[14] Exhibit "P-16", refer to the CD attached to petitioner's FOE.
[15] Exhibit "P-8"; refer to the CD attached to petitioner's FOE.
[16] Docket-Vol. 1, pp. 14 to 26.
[17] Docket – Vol. 1, pp. 276 to 277.
[18] Minutes of the hearing and Resolution dated June 11, 2015, Docket – Vol. 1, pp. 448 to 450.

2015[19]. The same was approved by the Court on July 8, 2015.[20] Thereafter, a *Pre-Trial Order* was issued on August 11, 2015.[21]

During trial, petitioner presented Pradeep Bhanotha,[22] Mary Cris Barayuga[23] and the court commissioned Independent Certified Public Accountant (ICPA) Mary Ann C. Capuchino[24] as its witnesses.

On February 20, 2017, petitioner filed a *Motion [(a) To Admit Supplemental Joint Stipulation of Facts and Exhibit "P-4-a"; and (b) To Remark Exhibits].*[25] Petitioner's *Motion* was granted on March 9, 2017 and the *Supplemental Joint Stipulation of Facts* was admitted.[26]

For his part, respondent manifested that he will no longer present evidence since there was no report of investigation.[27] Thereafter, petitioner filed its *Memorandum*[28] on April 12, 2019, without respondent's memorandum despite notice.[29] Hence, the instant case was submitted for Decision on May 9, 2019.[30]

Hence, this Decision.

THE ISSUE

The parties stipulated a sole issue for this Court's resolution, to wit:[31]

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[19] Docket – Vol. 1, pp. 451 to 472.
[20] Resolution dated July 8, 2015, Docket – Vol. 1, p. 560.
[21] Docket - Vol. 2, pp. 587 to 631.
[22] Exhibit "P-248", Docket - Vol.1, pp. 477 to 557; Minutes of the hearing and Resolution dated January 19, 2016, Docket – Vol. 2, pp. 806 to 812.
[23] Exhibit "P-241", Docket – Vol. 1, pp. 358 to 389; Exhibit "P-244", Docket – Vol. 2, pp. 861 to 877; Exhibit "P-247", Docket – Vol. 3, pp. 1119 to 1129; Minutes of the hearing and Order dated June 7, 2016, Docket – Vol. 3, pp. 841 to 845.
[24] Exhibit "P-242", Docket – Vol. 2, pp. 749 to 763; Exhibit "P-243", Docket – Vol. 2, pp. 824 to 829; Minutes of the hearing and Resolution dated July 23, 2015, Docket – Vol. 2, pp. 574 to 578.
[25] Docket – Vol. 3, pp. 1386 to 1389.
[26] Resolution dated March 9, 2017, Docket – Vol. 3, pp. 1401 to 1402.
[27] Minutes of the hearing and Resolution dated June 11, 2015, Docket – Vol. 1, pp. 441 to 444; Pre-Trial Order dated August 11, 2015, Docket – Vol. 2, p. 630.
[28] Docket – Vol. 4, pp. 1739 to 1758.
[29] Records Verification Report dated May 2, 2019, Docket –Vol. 4, p.1760.
[30] Resolution dated May 9, 2019, Docket – Vol. 4, p. 1762.
[31] Stipulation of Issue, JSFI, Docket – Vol. 1, p. 452.

> "Whether petitioner is entitled to the refund/issuance of a tax credit certificate for its input VAT payments for the 1st to 4th quarters of Fiscal Year 2012 in the amount of Seventy-Nine Million Six Hundred Eighty-Two Thousand Eighty-Six Pesos and 49/100 (₱79,682,086.49)."

Petitioner's arguments:

Petitioner argues that it has the requirements and has discharged its burden of proving its entitlement to refund/tax credit of its unutilized input VAT by providing documentary and testimonial evidence to fully support its claim. Hence, petitioner contends that it is entitled to its claim for refund/issuance of tax credit certificate for its excess and unutilized input VAT for the first to fourth quarters of FY 2012.

According to petitioner, its sales of services for FY 2012 were VAT-zero rated. Petitioner rendered services to non-resident foreign affiliate-clients engaged in business outside the Philippines; and its services were paid for in US Dollars inwardly remitted to the Philippines and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP).

Furthermore, petitioner contends that its output VAT only comprises 0.85% of its total sales. Allegedly, 99.15% of petitioner's sales of services for FY 2012 were VAT zero-rated from which no output VAT can be generated.

Petitioner also contends that it paid input VAT for the first to fourth quarters of FY 2012 resulting from its domestic purchases of goods and services and that petitioner's input VAT is directly attributable to its VAT zero-rated sales for the first to fourth quarters of FY 2012. Lastly, petitioner claims that the amount of input VAT claimed for refund/tax credit remains unutilized.

Respondent's counter-arguments:

In his Answer, respondent counter-argues that petitioner's claim for refund is still subject to investigation by the BIR.

Allegedly, petitioner failed to demonstrate that the tax was erroneously or illegally collected. Taxes paid and collected are presumed to be made in accordance with the laws and regulations, hence, not refundable and that it is incumbent upon the petitioner to show that it has complied with Section 204(C) in relation to Section 229 of the 1997 Tax Code, as amended;

Further, respondent contends that petitioner's claim for refund or issuance of tax credit certificate in the amount of ₱79,682,086.49 as alleged excess and unutilized input VAT paid on purchases of goods and services attributable to its zero-rated sales for the 1st to 4th quarters of FY 2012 was not fully substantiated by proper documents, such as sales invoices, official receipts and others.

Finally, respondent stresses that in an action for tax credit or refund, the burden is upon the taxpayer to prove that he is entitled thereto, and failure to discharge the said burden is fatal to the claim. Claims for refund are construed strictly against the claimant, the same partake the nature of exemption from taxation and as such, they are looked upon with disfavor.

THE COURT'S RULING

After careful and thorough evaluation of the evidence presented by petitioner, the pertinent laws, rules and regulations in the instant case, the Court finds the instant *Petition for Review* partially meritorious.

Requisites for the grant of the refund or issuance of a TCC under the law.

Relative to petitioner's claim for refund or tax credit of excess input VAT attributable to zero-rated or effectively zero-rated sales, the provisions of Section 112 of the NIRC of 1997, as amended by RA No. 9337,[32] is instructive, to wit:

"SEC. 112. *Refunds or Tax Credits of Input Tax.* –

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

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(A) *Zero-Rated or Effectively Zero-Rated Sales.* –

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

xxx xxx xxx

(C) *Period within which Refund or Tax Credit of Input Taxes shall be Made.* – In proper cases, the Commissioner shall grant a refund or issue a tax credit certificate for creditable input taxes within one hundred twenty (120) days from the date of submission of complete documents in support of the application filed in accordance with Subsection (A) hereof.

In case of full or partial denial of the claim for tax refund or tax credit, or the failure on the part of the Commissioner to act on the application within the period prescribed above, the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the claim or after the expiration of the one hundred twenty day-period, appeal the decision or the unacted claim with the Court of Tax Appeals."

Pursuant to the foregoing provisions, jurisprudence established certain requisites which must be complied with by the taxpayer-applicant to successfully obtain a credit/refund of input VAT. These requisites are categorized as follows:

Timeliness of the filing of the administrative and judicial claims:

1. the claim is filed with the BIR within two years after the close of the taxable quarter when the sales were made;[33]

2. that in case of full or partial denial of the refund claim, or the failure on the part of the Commissioner to act on the said claim within a period of 120 days, the judicial claim must be filed with this Court, within 30 days from receipt of the decision or after the expiration of the said 120-day period;[34]

Taxpayer's registration with the BIR:

3. the taxpayer is a VAT registered person;[35]

Taxpayer's output VAT:

4. the taxpayer is engaged in zero-rated or effectively zero-rated sales;[36]

5. for zero-rated sales under Section 106(A)(2)(1) and (2); 106(B); and 108(B)(1) and (2), the acceptable foreign currency exchange proceeds have been duly accounted for in accordance with BSP rules and regulations;[37]

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[33] *Intel Technology Philippines, Inc. vs. Commissioner of Internal Revenue,* G.R. No. 166732, April 27, 2007; *San Roque Power Corporation vs. Commissioner of Internal Revenue*, G.R. No. 180345, November 25, 2009; and *AT&T Communications Services Philippines, Inc. vs. Commissioner of Internal Revenue,* G.R. No. 182364, August 3, 2010.

[34] *Steag State Power, Inc. (Formerly State Power Development Corporation) vs. Commissioner of Internal Revenue*, G.R. No. 205282, January 14, 2019; *Rohm Apollo Semiconductor Philippines vs. Commissioner of Internal Revenue*, G.R. No. 168950, January 14,2015.

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

[36] *Id.*

[37] *Id.*

Taxpayer's input VAT being refunded:

6. the input taxes are not transitional input taxes;[38]

7. the input taxes are due or paid;[39]

8. the input taxes have not been applied against output taxes during and in the succeeding quarters;[40] and

9. the input taxes claimed are attributable to zero-rated or effectively zero-rated sales. However, where there are both zero-rated or effectively zero-rated sales and taxable or exempt sales, and the input taxes cannot be directly and entirely attributable to any of these sales, the input taxes shall be proportionately allocated on the basis of sales volume.[41]

We shall now proceed to determine petitioner's compliance with the foregoing requisites.

Petitioner's administrative and judicial claims were timely filed

The ***first*** requisite pertains to the filing of the refund claim for credit or refund of input VAT before the BIR.

Pursuant to Section 112(A) of the NIRC of 1997, as amended, the administrative claim for the issuance of a TCC or refund of input VAT must be filed within two (2) years after the close of the taxable quarter when the zero-rated or effectively zero-rated sales were made.

In the instant case, petitioner's claims cover four (4) quarters of FY 2012. Counting two years from the end of each quarter for the same year, petitioner had until February 28, 2014, May 31, 2014,

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

August 31, 2014 and November 30, 2014, respectively, within which to file its administrative claims for refund or issuance of tax credit certificate for its input VAT. Thus, petitioner's administrative claims for the said quarters filed on February 27, 2014 were timely filed, as shown below:

Taxable Quarter	Close of the Taxable Quarter	Last Day of Filing of Administrative Claim	Date of filing of Administrative Claim
1st Quarter (Dec. 2011 to Feb 2012)	Feb 29, 2012	February 28, 2014	Feb 27, 2014
2nd Quarter (Mar 2012 to May 2012)	May 31, 2012	May 31, 2014	Feb 27, 2014
3rd Quarter (Jun 2012 to Aug 2012)	Aug 31, 2012	Aug 31, 2014	Feb 27, 2014
4th Quarter (Sep 2012 to Nov 2012)	Nov 30, 2012	Nov 30, 2014	Feb 27, 2014

The ***second*** requisite pertains to the timeliness of the judicial claim and is taken from Section 112(C) of the NIRC of 1997, as amended. The legal provision speaks of two periods: the period of 120 days, which serves as a waiting period to give time for the BIR Commissioner to act on the administrative claim for refund or tax credit; and the period of 30 days which refers to the period for filing a judicial claim with this Court.[42]

In this case, counting from the filing of petitioner's administrative claim, together with the supporting documents, on February 27, 2014, respondent had 120 days or until June 27, 2014 to act on the said claim. Considering that respondent did not act on petitioner's claim on or before June 27, 2014, petitioner had until July 27, 2014, the last day of the 30-day period, within which to file its appeal before this Court. Here, petitioner's judicial claim filed on July 23, 2014, was well within the period prescribed by law.

Thus, petitioner's administrative and judicial claims were timely filed.

Petitioner is VAT registered.

The ***third*** requisite pertains to the taxpayer's VAT registration.

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[42] *Rohm Apollo Semiconductor Philippines vs. Commissioner of Internal Revenue,* G.R. No. 168950, January 14, 2015. m

As stipulated by both parties' counsels, petitioner is a VAT-registered taxpayer.[43] Notably, petitioner presented its Certificate of Registration issued by BIR with TIN 001-218-732-000, indicating that it is liable for VAT.[44] Thus, the *third* requisite has also been complied with.

Petitioner's zero-rated or effectively zero-rated sales receipts for FY 2012 amounts to ₱69,569,626.68 only

The Court shall now proceed to determine compliance with the ***fourth*** and ***fifth*** requisites in the claim for refund of input VAT.

In its Amended Quarterly VAT Returns for the four quarters of FY 2012, petitioner declared total sales/receipts ₱2,259,718,427.90, which included zero-rated sales/receipts of ₱2,240,430.657.47, to wit:

	1st Quarter (Exhibit "P-10")	2nd Quarter (Exhibit "P-12)	3rd Quarter (Exhibit "P-14)	4th Quarter (Exhibit "P-16)	Total
Vatable Sales/Receipts	6,025,096.20	3,211,974.79	5,075,328.49	4,975,370.95	19,287,770.43
Zero-rated receipts	417,165,029.78	632,957,904.53	636,141,233.77	554,166,489.39	2,240,430,657.47
Total Sales/ Receipts	423,190,125.98	636,169,879.32	641,216,562.26	559,141,860.34	2,259,718,427.90

Petitioner avers that its sales of services for FY 2012 were VAT-zero rated. Petitioner submits that as a Regional Operating Headquarters (ROHQ) it is only allowed to perform qualifying services to its non-resident foreign affiliates in the Asia-Pacific Region and in other foreign markets. Allegedly, petitioner rendered services to its non-resident foreign affiliate-clients engaged in business outside the Philippines.

Section 108(B)(1) and (2) of the NIRC of 1997, as amended by RA 9337, provides as follows:

> "SEC. 108. *Value-added Tax on Sale of Services and Use or Lease of Properties.* –
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> xxx xxx xxx

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[43] Par. 1, Supplemental Joint Stipulation of Facts, Docket – Vol. 3, pp. 1390 to 1391.
[44] Exhibit "P-4-a", Docket – Vol. 3, p. 1392.

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> (B) Transactions Subject to Zero Percent (0%) Rate. - The following services **performed in the Philippines** by VAT-registered persons shall be subject to zero percent (0%) rate:
>
> (1) Processing, manufacturing or repacking goods for other persons doing business outside the Philippines which goods are subsequently exported, where the services are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP);
>
> **(2) Services other than those mentioned in the preceding paragraph rendered to a person engaged in business conducted outside the Philippines or to a 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 Bangko Sentral ng Pilipinas (BSP);"** *(Emphases supplied)*

Based on the foregoing provision, in order to subject a sale or supply of services to zero (0%) percent VAT, certain requirements must be met under Section 108(B)(2) of the NIRC of 1997, as amended.

First, the recipient of the services must not merely be a foreign corporation, but more importantly, it must be a *"nonresident foreign corporation", i.e.,* a foreign corporation not engaged in trade or business within the Philippines. [45]

Second, the payment for such services should be in acceptable foreign currency accounted for in accordance with BSP rules.[46]

Third, the services rendered should be other than *"processing, manufacturing or repacking goods"*[47] as mentioned under Section 108(B)(2) of the NIRC of 1997, as amended.

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[45] *Accenture, Inc vs. Commissioner of Internal Revenue*, G.R. No. 190102, July 11, 2012.
[46] *Commissioner of Internal Revenue vs. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*, G.R. No. 153205, January 22, 2007.
[47] *Ibid.*

Lastly, the services must be performed in the Philippines[48] by a VAT-registered person.

Petitioner failed to prove that all of its clients for FY 2012 are non-resident foreign corporations doing business outside the Philippines.

Petitioner alleges that it rendered services to non-resident foreign affiliate-clients engaged in business outside the Philippines.

And to prove that petitioner's clients are non-resident foreign corporations doing business outside the Philippines for FY 2012, petitioner presented the related Certifications of Non-Registration of Company issued by the Philippine Securities Exchange Commission (SEC),[49] printed screenshot of the Website of U.S. Securities and Exchange Commission,[50] Certificate of Authentication,[51] Certificate of Business Registration, etc.[52]

In *Commissioner of Internal Revenue vs. Burmeister and Wain Scandinavian Contractor Mindanao, Inc (Burmeister case),*[53] the Supreme Court held that the service-recipient must also be not doing business in the Philippines. Otherwise, the transaction will be subject to the VAT at the then rate of 10%,[54] and not at the 0% VAT rate.

Thus, in order to sufficiently prove that the service-recipient is a non-resident foreign corporation doing business outside the Philippines, each service-recipient must be supported, **at the very least**, by **both** a certificate of non-registration of corporation/ partnership issued by the Philippine Securities and Exchange Commission (SEC); **and** a certificate / articles of foreign incorporation/ association.

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[48] *Commissioner of Internal Revenue vs. American Express International, Inc. (Philippine Branch), supra.*
[49] Exhibits "P-117" to "P-182", refer to the CD attached to petitioner's FOE.
[50] Exhibits "P-118(a)" to "P-181(a)", refer to the CD attached to petitioner's FOE.
[51] Exhibits "P-118(a)" to "P-181(a)", refer to the CD attached to petitioner's FOE.CD.
[52] Exhibits "P-118(a)" to "P-181(a)", refer to the CD attached to petitioner's FOE.CD.
[53] *Commissioner of Internal Revenue vs. Burmeister and Wain Scandinavian Contractor Mindanao, Inc., supra.*
[54] Now the VAT rate is 12%. Refer to Revenue Memorandum Circular No. 7-2006 dated January 31, 2006.

The said basic documents are necessary. This is so because the Philippine SEC's negative certification establishes that the service-recipient has no registered business in the Philippines and that it is not engaged in trade or business within the Philippines. As for the said certificate/ articles of incorporation/ association, this will prove that the said service-recipient is indeed foreign, and is determinative of whether the same service-recipient is engaged in business at all.

Of petitioner's *List of Zero Rated Customers,*[55] only the following alleged service-recipients complied with the above-stated two (2) basic documents, to wit:

	Foreign Client Name	**SEC Certificate of Non-Registration**	**Certificate of Registration, Incorporation, Associations, etc.**
1	AIG Employee Services, Inc.	"P-46"	"P-119(a)"
2	AIG General Insurance (Vietnam) Co. Ltd. (Chartis Vietnam Insurance Co. Ltd.)	"P-50"	"P-122(c)"
3	AIG Global Services (M) SDN BHD	"P-51"	"P-123(b)"
4	AIG Global Services, Inc.	"P-52"	"P-124(b)"
5	AIG Kenya Insurance Co. Limited (Chartis Kenya Insurance Co. Ltd.)	"P-87"	"P-180(a)"
6	AIG Metropolitana CIA De Seguros Y Reaseguros SA	"P-56"	"P-127(b) "P-127(c)" "P-127(e)"
7	Chartis UK Services Ltd. (AIG UK Services Ltd.)	"P-98"	"P-157(c)"
8	American Home Assurance Company, Dubai	"P-60"	"P-129(b)"
9	American Home Assurance Singapore (Chartis Singapore Insurance PTE Ltd.)	"P-62"	"P-131(b)" to "P-131(c)"
10	Chartis Europe SA	"P-65"	"P-134(b) to "P-134(d)" and "P-134(h)
11	Chartis Insurance Limited Sri Lanka	"P-84"	"P-147(b)"
12	Chartis Insurance UK Limited	"P-85"	"P-134(e)"
13	AIG Europe Limited – Ireland (Chartis Europe SA – Ireland)	"P-47"	"P-134(e)"
14	Chartis New Hampshire Insurance Co. (Pakistan Branch)	"P-46"	"P-169(d)" "P-169(e)"
15	Chartis Sigorta A.S.	"P-92"	"P-153(b)"
16	Chartis South Africa Limited	"P-93"	"P-154(b)"
17	AIG Insurance (Thailand) Public Co. Limited (Chartis Thailand & Universal Insurance Broker)	"P-96"	"P-182"
18	Chartis Uganda Insurance Co.	"P-97"	"P-156(a)(c)"
19	Guam Insurance Adjusters Inc.	"P-103"	"P-162(a)"

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[55] Exhibit "P-240, Annex I, Supplemental ICPA Report, refer to the CD attached to petitioner's FOE.

20	Lexington Insurance Co.	"P-108"	"P-167(b)"
21	TATA AIG Gen. Insurance Co. Ltd. India	"P-114"	"P-172(b) to "P172(d)"
22	Chartis Global Services Co.	"P-79"	"P-178"
23	AIG Shared Services SDN BHD (Chartis Technology & Operations Mgmt SDN BHD)	"P-95"	"P-155(a)"
24	AIG Japan Holdings Kabushi Kaisha (Chartis Far East Holdings KK)	"P-77"	"P-177"
25	AIG Southeast Asia Limited (Chartis Southeast Asia Limited)	"P-94"	"P-181(a)"
26	Chartis International O&S HO	"P-86"	"P-179"
27	Chartis Asia Pacific PTE LTD.	"P-42"	"P-176 (a)" to "P-176(f)

Notably, the Court cannot give credence or probative value to the following printed screenshots of foreign government websites database, considering that these can be easily manipulated and that none from the foreign governments attested to the authenticity of the said websites and to the registration of the purported petitioner's foreign clients found therein, to wit:

	Foreign Client Name	**SEC Certificate of Non - Registration**	**Entry in the Screenshot of a Government Website**
1	AIG Caspian Insurance Company (Chartis Azerbaijan Insurance Company)	"P-44"	"P-118(a)"
2	AIG Europe SA – Finland (Chartis Europe SA – Finland)	"P-48"	"P-120(a)"
3	AIG Insurance & Reinsurance Company (CJSC Chartis)	"P-54"	"P-125(a)"
4	AIG Kazakhstan Insurance Company (Chartis Kazakhstan Insurance Co JSC)	"P-55"	"P-126(a)"
5	AIG Ukraine Insurance Company (Chartis Ukraine Insurance Company CJSC)	"P-58"	"P-128(a)"
6	Chartis Chile Compania Seguros Generales S.A.	"P-64"	"P-133(a)" **can't locate in CD**
7	Chartis Egypt Insurance Co. S.A.E.	"P-63"	"P-132(a)"
8	Chartis Europe SA – Czech Republic	"P-66"	"P-134(r)"
9	Chartis Europe SA - Denmark	"P-68"	"P-134(g)"
10	Chartis Europe SA - Italy	"P-70"	"P-134(n)"
11	Chartis Europe SA - Netherlands	"P-74"	"P-134(p)"
13	Chartis Europe SA - Sweden	"P-75"	"P-134(g)"
15	Chartis Insurance Hongkong Limited	"P-83"	"P-146(a)" **can't locate in CD**
16	Chartis Seguros Brasil S.A.	"P-88"	"P-149(a)"
17	Chartis Seguros Colombia S.A.	"P-89"	"P-150(a)"
18	Chartis Europe SA - Belgium	"P-67"	"P-134(k)
19	Chartis Seguros Mexico SA DE C.V. (AIU Mexico)	"P-90"	"P-151

ny

20	Chartis Seguros, El Salvador S.A.	"P-91"	"P-152
21	Direct DME, Inc	"P-102"	"P-161(a)"
22	Health Direct, Inc	"P-104"	"P-163(a) **can't locate in CD**
23	La Meridional CIA ARG DE Seguros SA	"P-106"	"P-165(a) **can't locate in CD**
24	La Seguridad De Centro America SA	"P-107"	"P-166(a)" **can't locate in CD**
25	UZ AIG/UZBEK American Insurance Company (Chartis Uzbekistan)	"P-115"	"P-173(a)"
26	Venezuela Casai	"P-116"	"P-174(a)"
27	Chartis Europe SA - France	"P-69"	"P-134(m)"
28	American Home Assurance Korea	"P-61"	"P-130(e)"
29	Chartis Insurance Company China Limited (Chartis China)		"P-145(a)" **can't locate in CD,** "P-145(c), **can't locate in CD,** "P-145(d)", "P-145(e)",
30	Chartis Europe SA - Spain	"P-72"	"P-134(o)"
31	Chartis Seguros Mexico SA DE C.V. (AIU Mexico)	"P-90"	"P-151(a)"
32	UZ AIG/UZBEK American Insurance Company (Chartis Uzbekistan)	"P-115"	"P-173(c)"
33	Venezuela Casai	"P-116"	"P-174(a)"

The Court did not also consider the following entities as non-resident foreign corporations doing business outside the Philippines for failure of petitioner to submit an English translation of the documents presented before the court.

	Foreign Client Name	**SEC Certificate of Non - Registration**	**Documents offered in Petitioner's Amended FOE (Without English Translation)**
1	AIG Caspian Insurance Company (Chartis Azerbaijan Insurance Company)	"P-44"	Certification[56] and Stock certificate[57]
2	Chartis Europe SA - Spain	"P-72"	Company Certification of AIG Europe Limited (Spain Branch)[58] and Company Registration of AIG Europe Limited (Spain Branch)[59]
3	Chartis Seguros Mexico SA DE C.V. (AIU Mexico)	"P-90"	Registration Document[60]
4	Chartis Seguros, El Salvador S.A.	"P-91"	Registration

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[56] Exhibit "P-118(b)", refer to the CD attached to petitioner's FOE.
[57] Exhibit "P-118(c)", refer to the CD attached to petitioner's FOE.
[58] Exhibit "P-134(f)", refer to the CD attached to petitioner's FOE.
[59] Exhibit "P-134(h)", refer to the CD attached to petitioner's FOE.
[60] Exhibit "P-151(b)", refer to the CD attached to petitioner's FOE.

			Document[61]
5	La Meridional CIA ARG De Seguros SA	"P-106"	Tax Authorities Registration Form[62] and Annual Report[63]
6	La Seguridad De Centro America SA	"P-107"	Articles of Incorporation[64]
7	UZ AIG/UZBEK American Insurance Company (Chartis Uzbekistan)	"P-115"	License[65]
8	Venezuela Casai	"P-116"	Registration Document[66]

Section 33, Rule 132 of the Rules of Court reads as follows:

> "Section 33. *Documentary evidence in unofficial language.* – Documents written in an unofficial language shall not be admitted as evidence, unless accompanied with a translation into English or Filipino. xxx"

In this case, sans any translation in English or Filipino, the same should not have been admitted in evidence; thus their contents could not be given probative value, and deemed to constitute proof of the facts stated therein.[67]

Moreover, the following entities cannot be considered as non-resident foreign corporations doing business outside the Philippines, for failure to submit proof of foreign registration and for being supported only by SEC Certification of Non-Registration of Company:

	Foreign Client Name	SEC Certificate of Non - Registration	Other Documents
1	AIG Business Partners Kabushi Kaisha (American International Group KK)	"P-43"	-
2	AIG Europe SA - Poland (Chartis Europe SA – Poland)	"P-49"	-
3	Chartis US Domestic A&H	"P-100"	-
4	Chartis US Insurance Company (Chartis US)	"P-99"	-
5	Private Client Group	"P-111"	-
6	Specialty Workers Compensation (SWC)	"P-113"	-

[61] Exhibit, "P-152(b)", refer to the CD attached to petitioner's FOE.
[62] Exhibit "P-165(b)", refer to the CD attached to petitioner's FOE.
[63] Exhibit "P-165(c)", refer to the CD attached to petitioner's FOE.
[64] Exhibit "P-166(b)", refer to the CD attached to petitioner's FOE.
[65] Exhibit "P-173(b)", refer to the CD attached to petitioner's FOE.
[66] Exhibit "P-174(b)", refer to the CD attached to petitioner's FOE.
[67] *St. Martin Polyclinic, Inc., vs. LWV Construction Corporation*, G.R. No. 217426, December 4, 2017.

7	AIG Corp HRNY (Chartis Corp HRNY)	"P-45"	-
8	AIG Global Sourcing and E-Procurement Services	"P-53"	-
9	AIG Shared Services Corporation – Ireland (Chartis Technology & operations MGMT – Ireland)	"P-57"	-
10	AIGT Finance	"P-59"	-
11	Chartis Insurance Claims	"P-81"	-
12	Chartis Insurance – Operations & Systems	"P-80"	-
13	Sourcing and Procurement NY	"P-112"	-

Similarly, the Court did not consider the following entities as non-resident foreign corporations doing business outside the Philippines for failure to submit SEC Certifications of Non-Registration of Company and were instead, supported solely by other documents as mentioned herein below:

	Foreign Client Name	**SEC Certificate of Non - Registration**	**Documents offered in Petitioner's Amended FOE to prove foreign registration**
1	Intercompany Clearing House NY – Chartis INTL F&A	-	Master Service Agreement [68]
2	National Union Fire Insurance Company	-	Entry in the Screenshot of the Website of US SEC[69] and Copy of the Tax Residency Certificate"[70]
3	Chartis Claims, Inc	-	Entry in the Screenshot of the Website of US SEC[71]

Furthermore, the following entities cannot be considered as non-resident foreign corporations doing business outside the Philippines because the name of petitioner's foreign client is different from the name indicated in the Philippine SEC Certificates of Non-Registration of Company and the respective document offered by petitioner in its Amended FOE to prove foreign registration:

	Foreign Client Name	**SEC Certificate of Non - Registration**	**Documents offered in Petitioner's Amended FOE to prove foreign registration**
1	American Home Assurance Korea	"P-61"	Copy of Certificate of Business Registration[72]

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[68] Exhibit "P-164", refer to the CD attached to petitioner's FOE.
[69] Exhibit "P-168(a)", refer to the CD attached to petitioner's FOE.
[70] Exhibit "P-168(b)", refer to the CD attached to petitioner's FOE.
[71] Exhibit "P-160(a)", refer to the CD attached to petitioner's FOE.
[72] Exhibit "P-130(a)", refer to the CD attached to petitioner's FOE.

2	Chartis Insurance Company China Limited (Chartis China)	"P-82"	Copy of Enterprise Legal Person Business License[73] and Consularized Certified True Copy of the Business License[74]

Lastly, the following entities are not considered by the Court to be non-resident foreign corporations doing business outside the Philippines because petitioner's submitted documents cannot be considered as valid proof of foreign incorporation/ registration as they are merely a request or application form prepared by a client-taxpayer and no issuance has been made as a response by the issuing authority.

	Foreign Client Name	**SEC Certificate of Non - Registration**	**Documents offered in Petitioner's Amended FOE to prove foreign registration**
1	Direct DME, Inc	"P-102"	Copy of Form W-9 or Request for Taxpayer Identification Number and Certification[75]
2	Health Direct, Inc	"P-104"	Copy of Form W-9 or Request for Taxpayer Identification Number and Certification[76]

Payment for services were in acceptable foreign currency accounted for in accordance with BSP Rules

In relation to the second requirement and to the fifth requisite for the granting of input VAT refund, petitioner presented Certificates of Inward Remittances[77] issued by East West Banking Corporation for the period December 1, 2011 to November 30, 2012 purportedly showing the remittances of the service-recipients to it. The Court finds that the said certifications of inward remittances attests to the fact of payment *"in acceptable foreign currency... and accounted for in accordance with the rules and regulations of the BSP"*.[78] Thus,

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[73] Exhibit "P-145(f)", refer to the CD attached to petitioner's FOE.
[74] Exhibit "P-145(g)", refer to the CD attached to petitioner's FOE
[75] Exhibit "P-161(b)", refer to the CD attached to petitioner's FOE.
[76] Exhibit "P-163(b)", refer to the CD attached to petitioner's FOE.
[77] Exhibits "P-34" and "P-35", refer to the CD attached to petitioner's FOE.
[78] *Intel Technology Philippines, Inc. vs. Commissioner of Internal Revenue*, G.R. No. 166732, April 27, 2007.

petitioner is considered to have complied with the above-stated the requirement.

Corollary thereto, the said foreign currency remittances pursuant to Section 108(B)(2) of the NIRC, as amended, must be duly supported by VAT zero-rated official receipts (ORs) in accordance with Sections 113(A)(2), (B)(1), (2)(c) and (3) of the NIRC of 1997, as amended, as implemented by Sections 4.113-1(A)(2), (B)(1) and (2)(c) of Revenue Regulations ("RR") No. 16-05.

The above-mentioned provisions provides that a VAT taxpayer shall for every lease of goods or properties, and for every sale, barter or exchange of services, issue a VAT official receipt which must contain the following information, to wit:

> "SEC. 113. *Invoicing and Accounting Requirements for VAT-Registered Persons.* –
>
> (A) Invoicing Requirements. - A VAT-registered person shall issue:
>
> xxx xxx xxx
>
> (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:
>
> xxx xxx xxx
>
> (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;

xxx xxx xxx

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

"SECTION 4.113-1. *Invoicing Requirements.* –

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

xxx xxx xxx

(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:

xxx xxx xxx

(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;" (*Emphasis supplied*)

In the instant case, petitioner submitted in evidence Schedule of Zero-Rated Sales[79], the related VAT zero-rated official receipts (ORs)[80] issued to its alleged non-resident foreign clients and Certificate of Inward Remittances[81] issued by East West Bank.

After careful perusal of the aforesaid documents, the Court finds that out of the total declared zero-rated sales/receipts for FY 2012 in the amount of ₱2,240,430,657.47 (₱417,165,029.78[82] + ₱632,957,904.53[83] + ₱636,141,233.77[84] + ₱554,166,489.39[85]), only the amount of ₱616,305,934.70 (USD 17,641,702.32) are duly supported by VAT zero-rated ORs and certification of bank inward remittances, broken down as follows:

1st Quarter of FY 2012 (December 1, 2011 to February 29, 2012)

Name of Customer	OR No	OR Date	Amount in Pesos	Amount in USD	Exhibit
Chartis Asia Pacific PTE LTD	0001295	13-Feb-12	900,270.00	20,995.00	"P197-001"
Chartis Far East Holdings	0001267	21-Dec-11	226,928.00	5,195.00	"P-197-026"
AIG Employee Services, Inc	BPOOR-0000628	09-Dec-11	209,472.00	4,800.00	"P-198-004"
	BPOOR-00000629	09-Dec-11	418,944.00	9,600.00	"P-198-005"
	BPOOR-00000630	09-Dec-11	313,509.76	7,184.00	"P-198-006"
	BPOOR-00000670	19-Jan-12	315,648.00	7,200.00	"P-198-003"
	BPOOR-00000708	08-Feb-12	513,634.24	11,984.00	"P-198-007"
AIG Global Services	0001294	10-Feb-12	6,919,003.65	190,353.00	"P-198-008"
AIG Metropolitana CIA De Seguros Y Reaseguros SA	0001285	31-Jan-12	74,952.81	1,709.69	"P-198-014"
	0001248	01-Dec-11	38,209.00	875.55	"P-198-012"
American Home Assurance Company, UAE	0001247	01-Dec-11	3,061,984.89	70,164.64	"P-198-016"
Chartis Far East Holdings KK	0001267	21-Dec-11	226,709.80	5,195.00	"P-197-026"
	0001291	08-Feb-12	215,484.77	5,026.47	"P-198-062"
Chartis Europe SA	BPOOR-0000715	09-Feb-12	187,542.26	4,277.88	"P-198-047"
	BPOOR-0000716	09-Feb-12	191,219.56	4,361.76	"P-198-048"
	BPOOR-0000717	09-Feb-12	181,194.23	4,133.08	"P-198-049"
	BPOOR-	29-Feb-12		4,541.48	"P-198-050"

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[79] Exhibits "P-26", "P-27", "P-28", "P-29", refer to the CD attached to petitioner's FOE.
[80] Exhibits "P-197-001" to "P-201-3", refer to the CD attached to petitioner's FOE.
[81] Exhibits "P-34" to "P-35", refer to the CD attached to petitioner's FOE.
[82] Exhibit "P-10", Line 17, refer to the CD attached to petitioner's FOE.
[83] Exhibit "P-12", Line 17, refer to the CD attached to petitioner's FOE.
[84] Exhibit "P-14", Line 17, refer to the CD attached to petitioner's FOE.
[85] Exhibit "P-16", Line 17, refer to the CD attached to petitioner's FOE.

	0000759		194,693.25		
Chartis Global Services Company	BPOOR-0000756	28-Feb-12	2,148,215.70	50,110.00	"P-198-066"
	BPOOR-0000642	19-Dec-11	1,051,789.46	24,101.50	"P-198-067"
	BPOOR-0000644	19-Dec-11	3,875,013.80	88,795.00	"P-198-068"
	BPOOR-0000645	19-Dec-11	2,186,800.40	50,110.00	"P-198-069
	BPOOR-0000702	25-Jan-12	1,112,220.80	25,370.00	"P-198-070"
	BPOOR-0000703	25-Jan-12	3,892,772.80	88,795.00	"P-198-071"
	BPOOR-0000693	25-Jan-12	2,196,822.40	50,110.00	"P-198-072"
	BPOOR-0000749	28-Feb-12	1,386,705.17	32,346.75	"P-198-073"
	BPOOR-0000750	28-Feb-12	4,404,828.20	102,748.50	"P-198-074"
	BPOOR-0000651	06-Dec-11	50,110.00	2,186,800.40	"P-198-075"
	BPOOR-0000652	06-Dec-11	26,840.00	1,171,297.60	"P-198-076"
Chartis Insurance UK Limited	0001308	29-Feb-12	4,512,402.74	105,257.82	"P-198-086"
Chartis International O&S HO	0001275	25-Jan-12	18,777,670.24	428,322.77	"P-198-088"
Chartis Sigorta A.S.	0001280	18-Jan-12	2,895,856.02	66,055.11	"P-198-103"
	0001296	17-Feb-12	330,558.57	7,710.72	"P-198-107"
Chartis South Africa Limited	0001264	22-Dec-11	2,656,526.52	60,873.66	"P-198-108"
	0001269	22-Dec-11	4,335,124.28	99,338.32	"P-198-111"
	0001287	31-Jan-12	4,392,823.41	102,492.38	"P-198-117"
Chartis UK Services Limited	BPOOR-0000741	24-Feb-12	1,740,179.04	40,592.00	"P-198-127"
	BPOOR-0000671	19-Jan-12	656,739.86	14,980.38	"P-198-128"
	BPOOR-0000672	19-Jan-12	1,133,406.48	25,853.25	"P-198-129"
	BPOOR-0000673	19-Jan-12	2,001,997.44	45,666.00	"P-198-130"
	BPOOR-0000674	19-Jan-12	2,001,997.44	45,666.00	"P-198-131"
	BPOOR-0000675	19-Jan-12	1,999,104.00	45,600.00	"P-198-132"
	BPOOR-0000676	19-Jan-12	1,999,104.00	45,600.00	"P-198-133"
	BPOOR-0000740	24-Feb-12	1,954,872.00	45,600.00	"P-198-134"
	BPOOR-0000742	24-Feb-12	52,740.39	1,230.24	"P-198-135"
	BPOOR-0000743	24-Feb-12	62,329.55	1,453.92	"P-198-136"
	BPOOR-0000744	24-Feb-12	43,663.95	1,018.52	"P-198-137"
Chartis Vietnam Insurance Co.	0001260	16-Dec-11	1,131,244.81	25,922.20	"P-198-149"
	0001273	05-Jan-12	1,187,489.70	27,086.90	"P-198-152"
	0001293	09-Feb-12	605,329.12	14,120.11	"P-198-155"
Lexington Insurance Company	BPOOR-0000605	01-Dec-11	1,019,841.14	23,920.28	"P-198-167"
	BPOOR-0000606	01-Dec-11	1,916,065.93	44,941.15	"P-198-168"
	BPOOR-0000650	21-Dec-11	3,331,286.46	76,335.62	"P-198-169"

	BPOOR-0000655	29-Dec-11	1,604,664.62	36,770.50	"P-198-170"
	BPOOR-0000660	09-Jan-12	221,429.36	5,074.00	"P-198-171"
	BPOOR-0000661	09-Jan-12	575,018.10	13,176.40	"P-198-172"
	BPOOR-0000685	24-Jan-12	1,672,926.07	38,159.81	"P-198-173"
	BPOOR-0000745	22-Feb-12	1,630,731.93	38,039.00	"P-198-174"
	BPOOR-0000689	26-Jan-12	666,631.04	15,206.00	"P-198-175"
	BPOOR-0000690	26-Jan-12	355,805.44	81,168.00	"P-198-176"
			103,987,078.60	5,851,412.36	

2nd Quarter of FY 2012 (March 1 to May 31, 2012)

Name of Customer	OR No	OR Date	Amount in Pesos	Amount in USD	Exhibit
AIG Employees Services, Inc.	0000801	10-Apr-12	1,133,137.35	26,384.00	"P-198-178"
	0000854	14-May-12	1,133,077.15	26,395.00	"P-198-037"
	0000766	09-Mar-12	1,113,777.30	26,035.00	"P-198-038"
AIG Global Services	BPOOR-0001335	19-Apr-12	3,441,768.51	80,171.64	"P-198-199"
	0001342	23-Apr-12	149,353.47	3,479.00	"P-198-201"
AIG Metropolitana CIA De Seguros Y Reaseguros SA	0001323	20-Mar-12	42,823.64	1,001.02	"P-198-202"
Chartis Sigorta A.S.	0001328	03-Apr-12	1,125,169.98	26,209.41	"P-198-205"
	0001341	23-Apr-12	1,360,247.25	31,692.62	"P-197-303"
Chartis Asia Pacific PTE LTD	0001332	12-Apr-12	901,315.35	20,995.00	"P-198-207"
Chartis Europe SA	BPOOR-0000850	10-May-12	216,837.30	5,141.98	"P-198-228"
	BPOOR-0000800	10-Apr-12	202,141.06	4,708.62	"P-198-229"
Chartis Far East Holdings KK	0001333	16-Apr-12	220,181.96	5,128.86	"P-198-246"
Chartis Global Services Company	BPOOR-0000784	19-Mar-12	1,832,481.13	43,835.00	"P-198-257"
	BPOOR-0000837	25-Apr-12	1,818,514.80	42,360.00	"P-198-258"
Chartis Global Services	BPOOR-0000789	19-Mar-12	1,627,992.90	38,055.00	"P-198-251"
	BPOOR-0000838	25-Apr-12	9,802,206.90	228,330.00	"P-198-252"
	BPOOR-0000839	25-Apr-12	1,633,701.15	38,055.00	"P-198-253"
	BPOOR-0000868	16-May-12	1,604,779.35	38,055.00	"P-198-254"
	BPOOR-0000869	16-May-12	9,628,676.10	228,330.00	"P-198-255"
	BPOOR-0000787	19-Mar-12	10,608,212.20	247,971.30	"P-198-256"
Chartis Insurance UK Limited	0001345	24-Apr-12	1,221,358.50	28,450.00	"P-198-281"
	BPOOR-0000829	24-Apr-12	1,010,025.25	23,530.00	"P-197-060"
Chartis Kenya Insurance Co. Ltd.	0001364	23-May-12	98,383.45	2,333.02	"P-197-285"
Chartis South Africa Limited	0001325	29-Mar-12	7,703,805.11	180,121.70	"P-197-304"
	0001350	11-May-12	11,654,939.30	276,445.43	"P-197-307"
Chartis UK Services	BPOOR-	14-May-12	18,298.28	434.02	"P-197-316"

Limited	0000855				
	BPOOR-0000857	14-May-12	1,925,060.50	45,650.00	"P-197-317"
	BPOOR-0000819	23-Apr-12	37,236.62	867.38	"P-197-318"
	BPOOR-0000820	23-Apr-12	2,266,704.00	52,800.00	"P-197-319"
	BPOOR-0000821	23-Apr-12	1,959,754.50	45,650.00	"P-197-320"
	BPOOR-0000826	24-Apr-12	43,983.99	1,024.79	"P-197-321"
	BPOOR-0000827	24-Apr-12	1,957,608.00	45,600.00	"P-197-322"
	BPOOR-0000828	24-Apr-12	1,937,971.82	45,142.60	"P-197-323"
	BPOOR-0000856	14-May-12	2,226,576.00	52,800.00	"P-198-324"
Chartis Vietnam Insurance Co.	0001314	14-Mar-12	361,806.40	8,459.35	"P-198-334"
Guam Insurance Adjusters	0001370	17-May-12	72,616.74	1,722.00	"P-198-345"
Lexington Insurance Company	BPOOR-0000761	02-Mar-12	651,881.22	15,206.00	"P-198-349"
	BPOOR-0000762	07-Mar-12	3,479,672.16	81,168.00	"P-198-350"
	BPOOR-0000795	27-Mar-12	1,622,140.17	37,918.19	"P-198-351"
	BPOOR-0000794	27-Mar-12	650,512.68	15,206.00	"P-198-352"
	BPOOR-0000822	24-Apr-12	543,880.17	12,669.00	"P-198-353"
	BPOOR-0000823	24-Apr-12	1,677,569.60	39,076.86	"P-198-354"
	BPOOR-0000835	25-Apr-12	3,485,229.12	81,184.00	"P-198-355"
	BPOOR-0000860	16-May-12	641,237.02	15,206.00	"P-198-356"
	BPOOR-0000876	23-May-12	1,560,240.66	36,998.83	"P-198-357"
TATA AIG Gen. Insurance Co. Ltd. India	0001327	02-Apr-12	173,950.64	4,051.96	"P-198-387"
			98,578,836.75	2,312,048.58	
3rd Quarter of FY 2012 (June 1 to August 31, 2012)					
Name of Customer	**OR No**	**OR Date**	**Amount in Pesos**	**Amount in USD**	**Exhibit**
AIG Employees Services, Inc.	BPOOR-0000891	6-Jun-12	1,042,102.85	23,995.00	"P-197-064"
	BPOOR-0000933	4-Jul-12	905,478.35	21,595.00	"P-197-065"
	BPOOR-0000983	7-Aug-12	600,963.52	14,384.00	"P-198-397"
AIG Global Services Malaysia	0001390	14-Jun-12	619,478.57	14,263.34	"P-198-406"
	0001396	25-Jun-12	1,214,215.94	27,958.00	"P-197-066"
	0001431	27-Jul-12	3,542,097.97	84,476.46	"P-198-408"
	0001456	16-Aug-12	4,068,257.31	97,373.32	"P-197-067"
AIG Metropolitana CIA Seguros	0001404	14-Jun-12	73,317,66	1,688.18	"P-198-412"
	0001432	17-Jul-12	36,194.40	863.21	"P-198-413"
	0001441	10-Aug-12	54,928.17	1,314.70	"P-198-415"
American Home Assurance Company, UAE	0001419	19-Jul-12	460,428.30	10,980.88	"P-198-419"
	0001423	20-Jul-12	9,990,991.85	239,995.00	"P-197-068"

Chartis Europe SA	BPOOR-0000895	08-Jun-12	219,219.33	5,048.81	"P-198-463"
	BPOOR-0000945	10-Jul-12	203,960.52	4,864.31	"P-198-464"
	BPOOR-0000982	07-Aug-12	215,900.66	5,167.56	"P-198-465"
Chartis Global Services	BPOOR-0000921	20-Jun-12	9,916,371.90	228,330.00	"P-198-474"
	BPOOR-0000922	20-Jun-12	1,652,728.65	38,055.00	"P-198-475"
	BPOOR-0000962	17-Jul-12	1,595,646.15	38,055.00	"P-198-476"
	BPOOR-0000963	17-Jul-12	9,573,876.90	228,330.00	"P-198-477"
	BPOOR-0001005	22-Aug-12	1,589,937.90	38,055.00	"P-198-478"
	BPOOR-0001006	22-Aug-12	9,539,627.40	228,330.00	"P-198-479"
Chartis Global Services Company	BPOOR-0000923	20-Jun-12	3,679,389.60	84,720.00	"P-198-480"
	BPOOR-0000959	17-Jul-12	17,761,548.00	42,360.00	"P-198-481"
	BPOOR-0001013	22-Aug-12	1,769,800.80	42,360.00	"P-198-482"
Chartis Insurance UK Limited	0001392	01-Jun-12	611,146.96	14,072.00	"P-198-496"
	0001446	06-Aug-12	132,766.40	3,177.75	"P-198-497"
	BPOOR-0000908	18-Jun-12	857,047.62	19,734.00	"P-198-499"
	BPOOR-0000940	06-Jul-12	201,683.30	4,810.00	"P-198-500"
Chartis Insurance Ltd. Sri Lanka	0001434	27-Jul-12	151,868.78	3,621.96	"P-198-493"
Chartis Europe SA - Ireland	BPOOR-0000948	11-Jul-12	8,065.65	192.36	"P-197-085"
	BPOOR-0000998	16-Aug-12	70,964.16	1,698.52	"P-197-086"
Chartis Kenya Insurance Co.	0001398	27-Jun-12	154,630.78	3,560.46	"P-198-503"
	0001408	06-Jul-12	152,288.08	3,631.96	"P-198-504"
	0001442	13-Aug-12	139,017.24	3,328.16	"P-198-505"
Chartis New Hampshire Insurance,Pakistan	0001379	01-Jun-12	1,860,821.41	42,856.32	"P-198-506"
	0001458	28-Aug-12	296,648.86	7,100.26	"P-198-509"
Chartis Sigorta A.S.	0001424	20-Jul-12	3,029,555.29	72,252.69	"P-198-516"
	0001445	16-Aug-12	3,112,114.37	74,505.97	"P-198-517"
Chartis Singapore Insurance Pte Ltd.	0001467	31-Aug-12	13,567,795.50	324,743.79	"P-198-519"
Chartis South Africa Limited	0001405	02-Jul-12	7,416,102.08	176,868.64	"P-198-535"
	0001447	09-Aug-12	8,204,822.83	196,381.59	"P-198-541"
	0001448	14-Aug-12	11,679,047.90	279,536.81	"P-198-548"
Chartis Southeast Asia Limited	0001401	29-Jun-12	28,782,081.20	662,723.49	"P-198-556"
Chartis Technology & Operations Mgmt. (M) SDN BHD	BPOOR-0000953	17-Jul-12	1,536,162.99	36,636.37	"P-198-579"
	BPOOR-0000954	17-Jul-12	776,244.64	18,512.87	"P-198-580"
	BPOOR-0000977	27-Jul-12	174,428.80	4,160.00	"P-198-581"
	BPOOR-0000978	27-Jul-12	545,090.00	13,000.00	"P-198-582"
Chartis Thailand & Universal Insurance	0001422	19-Jul-12	3,060.89	73.00	"P-198-583"
Chartis Uganda	0001453	22-Aug-12	119,317.68	2,856.54	"P-198-585"

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Insurance Co	0001429	27-Jul-12	111,845.76	2,667.44	"P-198-584"
Chartis UK Serices Limited LTD	BPOOR-0000944	09-Jul-12	1,808,398.97	43,129.99	"P-198-586"
	BPOOR-0000999	16-Aug-12	109,004.02	2,609.00	"P-198-587"
	BPOOR-0000905	18-Jun-12	22,895.86	527.19	"P-198-588"
	BPOOR-0000905	18-Jun-12	2,293,104.00	52,800.00	"P-198-589"
	BPOOR-0000907	18-Jun-12	1,982,579.50	45,650.00	"P-198-590"
	BPOOR-0000938	06-Jul-12	2,213,904.00	52,800.00	"P-198-591"
	BPOOR-0000939	06-Jul-12	29,841.16	711.69	"P-198-592"
	BPOOR-0000992	06-Aug-12	17,060.54	408.44	"P-198-593"
	BPOOR-0000993	06-Aug-12	2,205,984.00	52,800.00	"P-198-594"
	BPOOR-0000994	06-Aug-12	1,736,485.85	41,562.61	"P-198-595"
Chartis Vietnam Insurance Co.	0001433	27-Jul-12	2,599,770.28	62,002.63	"P-198-605"
	0001438	07-Aug-12	937,701.41	22,449.16	"P-198-607"
	0001459	28-Aug-12	1,069,145.76	25,596.02	"P-198-608"
Guam Insurance Adjusters	0001381	11-Jun-12	1,454.91	33.50	"P-198-614"
	0001439	08-Aug-12	8,940.92	214.00	"P-198-616"
Lexington Insurance Company	BPOOR-0000899	13-Jun-12	660,396.58	15,206.00	"P-198-621"
	BPOOR-0000913	20-Jun-12	10,908,009.10	251,163.00	"P-198-622"
	BPOOR-0000925	21-Jun-12	1,652,033.77	38,039.00	"P-198-623"
	BPOOR-0000950	12-Jul-12	637,587.58	15,206.00	"P-198-624"
	BPOOR-0000961	17-Jul-12	3,510,421.53	83,721.00	"P-198-625"
	BPOOR-0000974	26-Jul-12	1,594,975.27	38,039.00	"P-198-626"
	BPOOR-0001004	16-Aug-12	3,285,871.66	78,647.00	"P-198-627"
	BPOOR-0001020	23-Aug-12	635,306.68	15,206.00	"P-198-628"
	BPOOR-0001022	28-Aug-12	1,589,269.42	38,039.00	"P-198-629"
			205,457,906.98	4,471,825.95	

4th Quarter of FY 2012 (September 1 to November 30, 2012)

Name of Customer	OR No	OR Date	Amount in Pesos	Amount in USD	Exhibit
AIG Employee Services, Inc.	BPOOR-0001131	14-Nov-12	574,742.40	13,984.00	"P-198-659"
	BPOOR-0001132	14-Nov-12	574,742.40	13,984.00	"P-198-660"
	BPOOR-0001133	19-Nov-12	32,222.40	784.00	"P-198-661"
	BPOOR-0001028	06-Sep-12	605,997.92	14,384.00	"P-198-662"
AIG Global Services	0001478	18-Sep-12	6,835,052.81	162,237.19	"P-198-663"
	0001526	22-Oct-12	22,811,078.60	546,111.53	"P-198-665"
	0001545	19-Nov-12	3,420,224.04	83,217.13	"P-198-686"
AIG Global Services Malaysia	0001560	26-Nov-12	1,603,931.61	39,025.10	"P-198-687"
	0001530	30-Oct-12	5,234,679.06	125,321.50	"P-197-104"

	0001546	19-Nov-12	729,114.00	17,740.00	"P-197-105"
	0001553	27-Nov-12	4,108,561.50	99,965.00	"P-197-106"
	0001558	28-Nov-12	2,848,714.16	69,311.78	"P-198-691"
American Home Assurance Company, UAE	0001482	11-Sep-12	4,418,323.93	104,873.58	"P-198-693"
	0001483	11-Sep-12	60,245.90	1,430.00	"P-198-699"
	0001484	11-Sep-12	317,112.51	7,527.00	"P-198-700"
	0001485	11-Sep-12	165,402.38	3,926.00	"P-198-701"
	0001486	11-Sep-12	3,852,049.22	91,454.16	"P-198-702"
	0001536	08-Nov-12	11,393,248.80	277,208.00	"P-198-704"
Chartis Asia Pacific Pte. Ltd.	0001548	19-Nov-12	863,100.00	21,000.00	"P-198-717"
	BPOOR-0001112	31-Oct-12	979,183.20	23,442.26	P-197-107"
Chartis Europe SA	BPOOR-0001138	19-Nov-12	835,309.41	20,323.83	"P-198-758"
	BPOOR-0001031	07-Sep-12	206,045.19	4,890.70	"P-198-759"
	BPOOR-0001072	10-Oct-12	209,904.26	5,025.24	"P-198-760"
	BPOOR-0001126	15-Nov-12	213,715.07	5,199.88	"P-198-761"
Chartis Europe SA - Ireland	BPOOR-0001118	12-Nov-12	86,485.62	2,070.52	"P-198-763"
Chartis Global Services	BPOOR-0001049	21-Sep-12	1,603,257.15	38,055.00	"P-198-773"
	BPOOR-0001050	21-Sep-12	9,614,684.89	228,214.69	"P-198-774"
	BPOOR-0001085	18-Oct-12	1,589,557.35	38,055.00	"P-198-775"
	BPOOR-0001086	18-Oct-12	9,537,344.10	228,330.00	"P-198-776"
	BPOOR-0001152	29-Nov-12	9,250,739.21	225,793.00	"P-198-777"
	BPOOR-0001153	29-Nov-12	1,564,060.50	38,055.00	"P-198-778"
Chartis Global Services Company	BPOOR-0001053	21-Sep-12	1,784,626.80	42,360.00	"P-198-779"
	BPOOR-0001087	18-Oct-12	2,594,334.70	62,110.00	"P-198-780"
	BPOOR-0001157	29-Nov-12	2,355,441.00	57,310.00	"P-198-781"
Chartis Insurance Ltd. Sri Lanka	0001494	25-Sep-12	326,365.10	7,746.62	"P-198-791"
	0001540	06-Nov-12	135,718.78	3,302.16	"P-198-792"
	0001551	27-Nov-12	287,017.74	6,983.40	"P-198-793"
Chartis Kenya Insurance Company Limited	0001541	08-Nov-12	136,129.78	3,312.16	"P-198-796"
Chartis New Hampshire Insurance Co., Pakistan	0001552	28-Nov-12	427,315.06	10,396.96	"P-198-797"
Chartis Sigorta A.S.	0001496	27-Sep-12	3,483,202.23	82,677.48	"P-198-801"
	0001538	05-Nov-12	2,666,654.31	64,882.10	"P-198-804"
Chartis Singapore Insurance	0001495	27-Sep-12	5,466,160.22	129,745.08	"P-198-805"
	0001547	19-Nov-12	3,707,143.14	90,198.13	"P-198-807"
Chartis South Africa Ltd	0001525	23-Oct-12	14,858,363.80	355,718.55	"P-198-812"
Chartis Southeast Asia Limited	0001531	30-Oct-12	19,093,057.80	457,099.78	"P-198-821"
	0001556	28-Nov-12	13,685,030.70	334,515.54	"P-198-837"
Chartis Technology & Operations Mgmt. (M) SDN. HBD.	BPOOR-0001034	11-Sep-12	125,187.19	2,971.45	"P-198-857"
	BPOOR-	11-Sep-12	547,479.35	12,995.00	"P-198-858"

	0001035				
	BPOOR-0001146	26-Nov-12	534,094.50	12,995.00	"P-197-134"
	BPOOR-0001074	10-Oct-12	543,010.00	13,000.00	"P-198-866"
Charis Uganda Insurance Co.	0001503	26-Sep-12	129,935.67	3,084.16	"P-198-867"
Chartis UK Services Limited	BPOOR-0001070	08-Oct-12	477,180.48	11,424.00	"P-198-868"
	BPOOR-0001134	19-Nov-12	470,184.00	11,440.00	"P-198-869"
	BPOOR-0001024	03-Sep-12	110,591.25	2,625.00	"P-198-870"
	BPOOR-0001026	03-Sep-12	1,923,908.58	45,666.00	"P-198-871"
	BPOOR-0001027	03-Sep-12	2,227,581.62	52,784.00	"P-198-872"
	BPOOR-0001068	08-Oct-12	109,646.25	2,625.00	"P-198-873"
	BPOOR-0001069	08-Oct-12	1,907,468.82	45,666.00	"P-198-874"
	BPOOR-0001137	19-Nov-12	1,876,872.60	45,666.00	"P-198-875"
	BPOOR-0001067	08-Oct-12	2,205,456.00	52,800.00	"P-198-876"
	BPOOR-0001105	25-Oct-12	22,336.93	534.76	"P-198-877"
	BPOOR-0001119	12-Nov-12	15,301.28	371.12	"P-198-878"
	BPOOR-0001135	19-Nov-12	2,170,080.00	52,800.00	"P-198-879"
Chartis Vietnam Insurance Company Limited	0001519	12-Oct-12	1,024,959.36	24,538.17	"P-198-885"
	0001559	28-Nov-12	1,139,150.62	27,716.56	"P-198-887"
Guam Insurance Adjusters	0001487	12-Sep-12	33114.18	786.00	"P-198-892"
	0001515	12-Oct-12	64,868.81	1,553.00	"P-198-893"
	0001550	27-Nov-12	6,925.35	168.50	"P-198-894"
Lexington Insurance Company	BPOOR-0001039	11-Sep-12	1,602,583.07	38,039.00	"P-198-898"
	BPOOR-0001059	24-Sep-12	640,628.78	15,206.00	"P-198-899"
	BPOOR-0001093	18-Oct-12	6,780,440.56	162,328.00	"P-198-900"
	BPOOR-0001095	18-Oct-12	635,154.62	15,206.00	"P-198-901"
	BPOOR-0001096	18-Oct-12	1,624,212.25	38,884.66	"P-198-902"
	BPOOR-0001127	15-Nov-12	1,563,402.90	38,039.00	"P-198-903"
	BPOOR-0001130	16-Nov-12	624,966.60	15,206.00	"P-198-904"
			208,282,112.37	5,006,415.43	
TOTAL			616,305,934.70	17,641,702.32	

Services rendered by petitioner are "other than processing and manufacturing or repacking of goods" as mentioned under Section 108(B)(2) of the NIRC, as amended

Anent the third requirement, records show that petitioner is a ROHQ licensed to engage in general administration and planning; business planning and coordination; sourcing/procurement of raw materials and components; corporate finance advisory services; marketing control and sales promotion; training and personnel management; logistic services; research and development services and product development; technical support and maintenance; data processing and communication; and business development.as well as, to the fifth requisite for the grant of the claim of refund.[86]

Moreover, a perusal of the service agreements[87] between petitioner and its non-resident foreign client affiliates doing business outside the Philippines, shows that the services provided by petitioner for the subject period of claim, included among others, information (IT) technology services, administrative and other certain services to assist the AIG group of companies. Clearly, these services fall within the scope of "*services other than processing, manufacturing or repacking of goods*" pursuant to Section 108(B)(2), in relation to Section 108(B)(1), both of the NIRC of 1997, as amended.

Not all of the service agreements presented by petitioner indicate that the services were performed in the Philippines

A scrutiny of the service agreements and its attachments provided by petitioner, only the following have a provision as to where the services are to be performed by petitioner, to wit:

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[86] Exhibits "P1"- to "P-3", Docket – Vol. , pp.; refer to the CD attached to petitioner's FOE.

[87] Exhibits "P-119", "P-122", "P-123", "P-124", "P-127", "P-129", "P-131", "P-134", "P-147", "P-148", "P-153", "P-154", "P-155", "P-156", "P-158", "P-162", "P-167", "P-169", "P-172", and "P-182", refer to the CD attached to petitioner's FOE.

Client	Service Agreement	Service Project Location	Exhibit
AIG Employee Services, Inc	Statement of Work	Chartis Technology & Operations Management Corp. 9F Paragon Corporate Centre Industry Avenue, Madrigal Business Park, Alabang, Muntinlupa City, 1780	"P-119"
AIG General Insurance (Vietname) Co. Ltd. (Chartis Vietname Insurance Co. Ltd.)	Work Order No. 001 – Production Support attached to the Master Agreement for Professional Services	Manila Regional Technology Center (MRTC)	"P-122"
AIG Metropolitana CIA De Seguros Y Reaseguros SA	Work Order No. 001 – OPI Project Assignment attached to the Master Agreement for Professional Services	Makati Office: located at the 46th Floor, PBCom Tower, 6795 Ayala Avenue cor. Rufino Street, Makati City Alabang Office: located at the 8th Floor, Paragon Corporate Center, Lot 6, Industry St., Madrigal Business Park, Ayala Alabang, Muntilupa	"P-127"
Chartis Uganda Insurance Co.	Work Order No. 001-OPI Project Assignment attached to the Master Agreement for Professional Services	Makati Office: located at the 46th Floor, PBCom Tower, 6795 Ayala Avenue cor. Rufino Street, Makati City Alabang Office: located at the 8th Floor, Paragon Corporate Center, Lot 6, Industry St., Madrigal Business Park, Ayala Alabang, Muntilupa	"P-156"
Lexington Insurance Company	Statement of Work	Chartis Technology and Operations Management Corporation (Philippines) Ground 6th, 7th, and 8th Floors, The Paragon Corporate Center, Madrigal Business Park, Alabang, Muntinlupa City, Philippines	"P-167"

In sum, out of the ₱2,240,430,657.47 zero-rated sales/receipts declared in petitioner's 2012 Quarterly VAT Returns, only ₱72,235,195.06 (US$ 2,080,247.89) qualifies for VAT zero-rating under Section 108(B)(2), in relation to Section 112(A)(2), (B)(1), (2)(c) and (3), of the NIRC of 1997, as amended, broken down as follows:

Company Name	AIG Employee Services, Inc.	AIG General Insurance (Vietnam) Co. Ltd	AIG Metropolitana CIA De Seguros Y Reaseguros SA	Chartis Uganda Insurance Co.	Lexington Insurance Co.	Aggregate sales qualified for VAT-zero rating
sales qualified for VAT-zero rating in PESO						
1st Quarter	1,771,208.00	2,924,063.63	113,161.81	-	12,994,400.10	4,808,433.44
2nd Quarter	3,379,991.80	36,1806.40	42,823.64	-	14,212,362.80	17,445,103.42
3rd Quarter	2,548,544.72	4,606,617.45	91,122.57	231,163.44	24,473,871.59	31,951,319.77
4th Quarter	1,787,705.12	2,164,109.98	-	129,935.67	13,471,388.78	15,364,770.05
Total						₱72,235,195.06

Company Name	AIG Employee Services, Inc.	AIG General Insurance (Vietnam) Co. Ltd	AIG Metropolitana CIA De Seguros Y Reaseguros SA	Chartis Uganda Insurance Co.	Lexington Insurance Co.	Aggregate sales qualified for VAT-zero rating
sales qualified for VAT-zero rating in US DOLLAR						
1st Quarter	40,768.00	67,129.21	2,585.24	-	372,790.76	483,273.21
2nd Quarter	78,814.00	8,459.35	1,001.02	-	334,632.88	407,701.25
3rd Quarter	59,974.00	110,047.81	3,866.09	5,523.98	573,266	752,677.88
4th Quarter	43,136.00	52,254.73	-	3,084.16	322,908.66	368,138.55
Total						$2,080,247.89

The claimed input VAT are not transitional input taxes

The ***sixth*** requisite points out that the claimed input taxes should not be transitional input taxes. Pertinent thereto is Section 111(A) of the NIRC of 1997, as amended, which provides as follows:

> "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."

In the case of *Fort Bonifacio Development Corporation vs. Commissioner of Internal Revenue*, *et al.*,[88] the Supreme Court ruled that 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.

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[88] G.R. Nos. 158885 and 170680, October 2, 2009.

In this case, there is no indication that the claimed input VAT are transitional input VAT. Thus, petitioner has complied with this requisite.

The input VAT was due or paid up to the extent of ₱61,841,236.86

In its Quarterly VAT Return for FY 2012, petitioner declared an input VAT of ₱82,690,900.07 on its current purchases of goods and services, of which the amount of ₱79,682,086.49 is the subject of the present claim, as shown below:

	1st Quarter "P-10"	2nd Quarter "P-12"	3rd Quarter "P-14"	4th Quarter "P-16"	Total
Input VAT on Cap Goods not Exceeding 1M	115,407.65	482,200.45	361,207.59	166,461.11	1,125,276.80
Input VAT on Cap Goods Exceeding 1M	966,463.49	1,401,684.13	1,224,224.92	1,685,851.88	5,278,224.42
Input VAT on Goods	2,408,312.18	1,757,632.90	1,451,393.27	1,401,048.55	7,018,386.90
Input VAT on Services	12,805,227.32	18,192,986.32	19,447,237.88	18,823,560.43	69,269,011.95
Sub-Total	16,295,410.64	21,834,503.80	22,484,063.66	22,076,921.97	82,690,900.07
Less: Output VAT	723,011.55	385,436.98	609,039.42	597,044.51	2,314,532.46
Total (A)	15,572,399.09	21,449,066.82	21,875,024.24	21,479,877.46	80,376,367.61
Vatable Sales	6,025,096.20	3,211,974.79	5,075,328.49	4,975,370.95	
Zero-Rated Sales	417,165,029.78	632,957,904.53	636,141,233.77	554,166,489.39	
Total Sales	423,190,125.98	636,169,879.32	641,216,562.26	559,141,860.34	
% of Vatable sales	1.42%	0.50%	0.79%	0.89%	
to Total Sales	6,025,096.20	3,211,974.79	5,075,328.49	4,975,370.95	
	423,190,125.98	636,169,879.32	641,216,562.26	559,141,860.34	
Input VAT Allocated to (B)	221,709.34	108,294.76	173,144.21	191,132.82	694,281.12
Vatable Sales	15,572,399.09	21,449,066.82	21,875,024.24	21,479,877.46	
	1.42%	0.50%	0.79%	0.89%	
Amount Claimed (A-B)	15,350,689.75	21,340,772.06	21,701,880.03	21,288,744.64	**79,682,086.49**

In support of the foregoing, petitioner presented various official receipts and invoices[89] issued by its suppliers, which were all examined by the Court-commissioned ICPA, Mary Ann C. Capuchino. As stated in her report, the Court agrees with the exceptions/findings noted by the ICPA, as follows:

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[89] Exhibits "P-209" to "P-239", with sub-markings.

Findings	Amount	Reference (ICPA Report)
Input VAT claimed on capital goods exceeding 1 million which are supported with VAT documents but the input VAT should be deferred and amortized in the subsequent quarters:		
1. Domestic purchases of capital goods exceeding 1 million supported with original VAT invoices (amount of deferred input VAT)	872,280.34	Annex X
2. Domestic purchases of capital goods exceeding 1 million supported with VAT invoices (amount of deferred input VAT) (in USD)	1,755,366.85	Annex Y
3. Domestic purchases of capital goods exceeding 1 million supported with VAT invoices not dated within the quarter but dated within the taxable year (amount of deferred input VAT)	595,654.86	Annex Z
4. Domestic purchases of capital goods exceeding 1 million supported with original VAT invoices dated within the quarter but dated within the taxable year (amount of deferred input VAT) (in USD)	408,221.73	Annex AA
Sub-Total	3,631,523.78	
Input taxes claimed on purchases which are not properly supported with the required VAT documents:		
1. Domestic purchases of goods supported with original VAT invoices but the amount of input VAT claimed was not separately indicated	123,399.59	Annex BB
2. Domestic purchases of services supported with original VAT ORs but has no authority to print (ATP)	299,972.95	Annex CC
3. Domestic purchases of services supported with original VAT OR but not named after the ROHQ (under employee name)	2,127.32	Annex DD
4. Domestic purchases of goods supported with original VAT invoices but the amount of input VAT claimed was overstated (amount of overstatement) in USD)	27,928.41	Annex EE

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5. Domestic purchases of services supported with original VAT ORs but the amount of input VAT claimed was overstated (amount of overstatement)	33,093.60	Annex FF
6. Domestic purchases of services supported with original VAT ORs but the amount of input VAT claimed was overstated (amount of overstatement) (in USD)	128,405.66	Annex GG
7. Domestic purchases of capital goods exceeding 1 million supported with original VAT invoices but the amount of input VAT claimed was overstated (amount of overstatement) (in USD)	5,538.90	Annex HH
8. Domestic purchases of goods supported with original VAT invoices not dated within the taxable Year	219,505.86	Annex II
9. Domestic purchases of services supported with original VAT ORs not dated within the taxable year	6,446,915.68	Annex JJ
10. Domestic purchases of capital goods exceeding 1 million supported with original VAT invoices not dated within the taxable year	529,814.54	Annex KK
11. Domestic purchases of goods supported with billing statement only	19,636.10	Annex LL
12. Domestic purchases of goods supported with proforma invoice only	1,764.00	Annex MM
13. Domestic purchases of services supported with provisional/transactional/acknowledgement/service receipts only	188,558.05	Annex NN
14. Domestic purchases of services supported with Statement of Account only	294,102.86	Annex OO
15. Domestic purchases of services supported with VAT ORS imprinted with "Not a valid source of input Tax"	27,447.65	Annex PP
16. Domestic purchases of goods supported with non-VAT invoices	10,331.49	Annex QQ
17. Domestic purchases of services supported with non-VAT official receipts	4,592.19	Annex RR
18. Domestic purchases of goods supported with VAT invoice which did not indicate invoice" on the face of the document	11,462.39	Annex SS

Input taxes claimed from purchases of goods and services without supporting documents	933,502.99	Annex TT
Sub-total	9,308,100.23	
Grand Total	**₱12,939,624.01**	

The above-noted exceptions/findings found by the ICPA in the amount of **₱12,939,624.01** should be disallowed for not being properly substantiated by VAT invoices/official receipts for input VAT deferred to the succeeding period for amortization purposes as prescribed under Sections 110(A) and 113 (A) and (B) of the NIRC of 1997, as amended, in relation to Sections 4.110-2, 4.110-3, 4.110-8, and 4.113-1 of RR No. 16-05, as amended.

Upon further verification by the Court of the supporting documents, as well as the schedules of the ICPA report, the Court finds that the additional input VAT of **₱4,901,225.62** shall likewise be disallowed for the reasons stated therein:

Name of Supplier	Input VAT	Exhibit	Reason
Abenson	5,977.71	"P-209-047"	Invoice Without Signature
Integrated Computer System	1,027.20	"P-209-071"	Invoice not Dated
Sanitary Care Products	803.57	"P-209-117"	Invoice not Readable
Carlgin Enterprises	428.57	"P-209-126"	Invoice Without Signature
Integrated Computer System	1,057.32	"P-209-140"	Invoice not Dated
Automatic Centre	6,771.22	"P-209-192"	VAT not separately Indicated
Sanitary Care Products	10,446.43	"P-209-237"	Invoice not Readable
Sandz Solutions Philippines	54,583.87	"P-210-56"	VAT amount not the same
Philhealth Care Inc.	638,656.54	"P-211-140"	OR not readable
RCG Information Tech.	1,471,760.34	"P-211-151"	OR with erasures/alteration without authorized counter signature
RCG Information Tech.	222.32	"P-211-152"	OR with erasures/alteration without authorized counter signature
Alpha Insurance	4,068.00	"P-211-185"	VAT not separately indicated
Jaguar Security	3,978.31	"P-211-219"	OR not dated
Majoliz Beauty & Development	530,526.34	"P-211-224"	VAT not separately Indicated
Marsman Drydale	216.00	"P-211-225"	VAT amount not the same
Marsman Drydale	108.00	"P-211-227"	VAT amount not the same
Metro Parking Management	2,887.50	"P-211-230"	OR with erasures/alteration without authorized counter signature
Metro Parking Management	7,425.00	"P-211-231"	VAT not separately Indicated
Metro Parking Management	1,650.00	"P-211-232"	OR with erasures/alteration without authorized counter signature
P&A Grant Thornton Outsourcing	331.20	"P-211-243"	VAT amount not the same
Philhealth Care Inc.	997.43	"P-211-245"	Handwritten details in a computerized OR
Searchers & Staffers Corp.	22,096.80	"P-211-263"	VAT amount not the same
Spearace Solutions	15,069.60	"P-211-270"	VAT not separately Indicated

Superior Maintenance	37,441.91	"P-211-280"	VAT amount not the same
Tower Club	294.64	"P-211-295"	VAT amount not the same
King of Travel	176.79	"P-211-339"	VAT amount not the same
Manila Golf and Contry Club.	1,426.29	"P-211-341"	VAT amount not the same
Manila Golf and Contry Club.	1,426.29	"P-211-342"	VAT amount not the same
Philhealth Care Inc.	2,355.63	"P-211-359"	VAT not separately Indicated
Ramon V. Ocampo	272,842.10	"P-211-366"	VAT not separately Indicated
RCG Information Tech.	21,420.00	"P-211-371"	VAT amount not the same
Marsman Drydale	2,230.55	"P-212-55"	VAT amount not the same
Sanitary Care Products	5,663.25	"P-212-62"	VAT amount not the same
Tata Consultancy	25,558.85	"P-212-63"	VAT amount not the same
People4U, Inc.	773,569.03	"P-212-82"	VAT amount not the same
Icon Interiors	2,276.10	"P-214-06"	VAT not separately Indicated
Icon Interiors	15,735.00	"P-214-10"	VAT not separately Indicated
One Opsis	6,825.24	"P-214-11"	VAT not separately Indicated
Reynaldo Master Key	6,428.57	"P-216-13"	Supported by Billing Invoice
Reynaldo Master Key	1,182.85	"P-216-24"	Supported by Billing Invoice
Reynaldo Master Key	42.86	"P-216-25"	Supported by Billing Invoice
Searchers & Staffers Corp.	15,141.60	"P-218-66"	VAT amount not the same
Specialized Cleaning	16,914.07	"P-218-68"	OR with erasures/alteration without authorized counter signature
Marsman Drysdale	367.78	"P-219-07"	VAT amount not the same
Tata Consultancy	483,062.23	"P-219-09"	VAT amount not the same
Gaza General Merchandise	1,148.84	"P-209-008"	Invoice Without Signature
Icon Interiors	2,226.00	"P-209-020"	Invoice Without Signature
Reynaldo Master Key	6,428.57	"P-209-035"	Supported by Billing Invoice
Integrated Computer System	47,893.28	"P-210-04"	VAT not separately Indicated
8 Interconnectivities	12,857.14	"P-211-001"	OR date not readable
Metro Parking Management	2,475.00	"P-211-045"	OR with erasures/alteration without authorized counter signature
Phil. American Life	6,750.00	"P-211-047"	OR with erasures/alteration without authorized counter signature
Headstrong Philippines, Inc.	6,327.53	"P-212-001"	VAT amount not the same
SMJ Furnishing Phils.	2,332.32	"P-214-001"	Invoice Without Signature
SMJ Furnishing Phils.	19,950.00	"P-214-002"	Invoice Without Signature
Citimex	32,464.26	"P-214-003"	Invoice Without Signature
Integrated Computer System	112,045.47	"P-215-004"	VAT not separately Indicated
Integrated Computer System	32,954.47	"P-215-005"	VAT not separately Indicated
Integrated Computer System	139,688.20	"P-215-006"	VAT not separately Indicated
Philhealth Care Inc.	1,446.72	"P-218-16	Handwritten details in a computerized OR
Philhealth Care Inc.	766.92	"P-218-17"	Handwritten details in a computerized OR
TOTAL	**₱4,901,225.62**		

Therefore, in compliance with the ***seventh*** requisite for a claim of refund of input VAT, out of petitioner's input VAT claim for FY 2012 in the amount of ₱79,682,086.49, only the amount of ₱61,841,236.86 represents valid input tax, computed as follows:

Claimed Input VAT		₱79,682,086.49
Less: Disallowances		
Per ICPA	₱12,939,624.01	
Per Court's Verification	4,901,225.62	17,840,849.63
Valid Input VAT Due or Paid		₱61,841,236.86

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The input VAT was not applied against any output taxes during and in the succeeding quarters

As to ***eight*** requisite on whether or not the said input VAT was applied against any output VAT and/ or carried over to the succeeding taxable quarters, petitioner's Quarterly VAT Returns for the subject period of claim disclose that petitioner had an input tax of ₱82,690,900.07[90] and that petitioner had an output tax liability of ₱2,314,532.46[91] for FY 2012.

It is noteworthy to mention that the said amount of ₱2,314,532.46, was already applied or formed part of the input VAT claim of ₱79,682,086.49, which was carried-over by petitioner in its succeeding quarters, the same remained unutilized as the said amount was deducted as "*VAT Refund/TCC claimed*" from the total available input tax in its First Quarterly VAT Return for CY 2014.[92] Consequently, the subject claim no longer form part of the excess input VAT of Php123,003,777.58[93] as of the end of the first quarter of CY 2014 that was to be carried over/ applied to the succeeding quarters.

This scenario removes the possibility that the present claim would be applied to future output VAT liability. Thus, in effect, petitioner is deemed to have complied with this requisite for the claim of refund/tax credit of input VAT.

Petitioner's excess input tax due or paid attributable to valid zero-rated sales/ receipts amount

Lastly, the Court shall now proceed to determine the amount of input taxes claimed that are attributable to zero-rated or effectively zero-rated sales.

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[90] Exhibits "P-10", "P-12", "P-14", "P-16", Lines 21B, 21D, 21F, 21J, refer to the CD attached to petitioner's FOE.
[91] Exhibits "P-10", "P-12", "P-14", "P-16", all Line 15B, refer to the CD attached to petitioner's FOE.
[92] Exhibit "P-21", Line 23D, refer to the CD attached to petitioner's FOE.
[93] Exhibit "P-21", Line 29, refer to the CD attached to petitioner's FOE.

Pursuant to Section 112(A) of the NIRC, as amended, when the taxpayer is engaged in zero-rated or effectively zero-rated sales and taxable or exempt sales, and the amount of input taxes cannot be directly and entirely attributable to any of one of the transactions, the input taxes shall be proportionately allocated on the basis of sales volume.

In the instant case, petitioner's reported total sales/receipts consisted of both zero-rated sales/receipts and Vatable sales/receipts. Hence, in order to identify petitioner's input VAT, the Court shall allocate the excess valid input VAT of ₱61,841,236.86 proportionately on the basis of the volume of its sales, as follows:

Valid Zero-Rated Sales/Receipts per this Court's Verification	₱72,235,195.06
Divided by the Total Sales/Receipts per 2012 Quarterly VAT Return	/ 2,240,430,657.47
Multiplied by Valid Excess Input VAT Due or Paid	x ₱61,841,236.86
Excess Valid Input VAT Due or Paid Allocated to Zero-Rated Sales/Receipts	**₱1,993.863.90**

Based on the foregoing, petitioner has refundable excess input VAT in the amount of ₱1,993,863.90 which can be attributed to its valid zero-rated sales/receipts amounting to ₱72,235,195.06.

WHEREFORE, in light of the foregoing circumstances, the instant Petition for Review is hereby **PARTIALLY GRANTED**. Accordingly, respondent is **ORDERED TO REFUND or TO ISSUE A TAX CREDIT CERTIFICATE** in favor of petitioner the amount of **₱1,993,863.90**, representing petitioner's unutilized excess input VAT attributable to its zero-rated sales/receipts for four quarters of FY 2012.

SO ORDERED.

ERLINDA P. UY
Associate Justice

WE CONCUR:

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
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.

ERLINDA P. UY
Associate Justice
Chairperson, 3rd Division

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