REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

THIRD DIVISION

MONARCH AGRICULTURAL PRODUCTS, INC., *Petitioner,*	**CTA Case No. 10376**
	Members:
-versus-	
COMMISSIONER OF INTERNAL REVENUE, *Respondent.*	**MANAHAN**, *Chairperson,* **REYES-FAJARDO**, *and* **ANGELES**, *JJ.*
	Promulgated:
	JUL 02 2025

x- 9:40 a.m. - - - - -x

DECISION

MANAHAN, J.:

Before the Court is a *Petition for Review* filed on October 15, 2020,[1] seeking the refund of value-added taxes (VAT) for taxable year 2018 in the aggregate amount of ₱5,024,148.07, allegedly representing unutilized input VAT on importation of goods and services.

THE PARTIES

Petitioner Monarch Agriculural [*sic*] Products, Inc. ("**MAPI**") is a domestic corporate entity with principal office address at 5650 Don Pedro St., Poblacion, Makati City.[2]

Respondent Commissioner of Internal Revenue ("**CIR**") is duly appointed to perform the duties of his office, including the power to act upon and decide disputed assessments, refunds of internal revenue taxes, and other matters arising under the Tax Code and other laws administered by the Bureau of Internal Revenue ("**BIR**").[3]

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[1] Docket – Vol. 1, pp. 7-41.
[2] Summary of Admitted Facts, par. 1, *Pre-Trial Order* dated March 7, 2022, Docket – Vol. 1, p. 586.
[3] *Id*, par. 2.

THE FACTS

On June 18, 2020, MAPI filed an *Application for Tax Credits/Refunds* (BIR Form No. 1914)[4] claiming input VAT in the amount of ₱5,024,148.07 for the period January 1, 2018 to December 31, 2018.

On July 9, 2020, the BIR issued *Tax Verification Notice* (TVN) No. TVN201700024807 authorizing Revenue Officer ("**RO**") Romeo Martin Dimayacyac to verify the supporting documents relative to MAPI's claim.[5]

On August 24, 2020, MAPI received a letter from the BIR, signed by Revenue District Officer Federico Q. Pilarca of Revenue District No. 49, denying its claim for refund of input VAT.[6] On September 17, 2020, MAPI received another letter dated September 10, 2020, signed by Regional Director ("**RD**") Maridur V. Rosario of Revenue Region No. 8A - Makati City, denying its claim as follows:[7]

> **"Claim for VAT Refund for the Period January 1, 2018 to December 31, 2018**

Amount of claim	P	5,024,148.07
Add: Output tax applied		10,599,492.05
TOTAL INPUT TAX CLAIMED		15,623,640.12
LESS: DEDUCTIONS		
Disallowed input tax		
Unsupported Input Tax		4,926,615.05
Input Tax on out of Period Purchases *(Schedule 1)*		2,226.16
Violation of Invoicing Requirements pursuant to *Sec. 113* in relation to *Sec. 110 of the NIRC, as amended (Annex A)*		375,669.04
Discrepancy on Purchases Claimed (SLP-VAT) vs. Purchases per AITED *(Annex B)*		235,906.71
Sub-total	P	5,540,416.96

[4] Exhibit "P-9," *BIR Records*, pp. 300-301.
[5] Exhibit "R-1," *id.* at p. 363.
[6] Exhibit "P-10," Docket – Vol. 1, pp. 388-389; Exhibit "R-2," *BIR Records*, pp. 495-496.
[7] Exhibit "P-11," Docket – Vol. 1, pp. 390-400; Exhibit "R-5," *BIR Records*, pp. 481-483.

Total Allowable Input Tax	P	10,083,223.16
Output tax applied		10,559,492.05
RECOMMENDED VAT REFUND	**P**	**0**

In view thereof, we regret to inform that the processing of your application for VAT refund for the period **January 1, 2018 to December 31, 2018** in the amount of **Php5,024,148.07** is hereby **DENIED** for lack of legal and factual basis.

However, your Company has the judicial remedy to appeal with the Court of Tax Appeal[s] within thirty (30) days upon receipt of the herein decision on the subject administrative claim pursuant to the provisions of *Section 4.112-1 (d) of RR No. 13-2018* in relation to *Section 112(C) of the Tax Code*, as amended."

On October 8, 2020, MAPI filed a letter addressed to RD Rosario requesting for reconsideration.[8]

Proceedings before the Court

On October 15, 2020, MAPI filed the present *Petition for Review*.[9] The CIR posted his *Answer* on February 3, 2021,[10] and transmitted to the Court the *BIR Records* of the case consisting of 514 pages in one (1) folder.[11]

The pre-trial conference was initially set on April 8, 2021, but was rescheduled to and held on July 29, 2021.[12] The CIR posted his pre-trial brief on March 31, 2021,[13] while MAPI filed its pre-trial brief on May 26, 2021.[14]

The parties failed to file their joint stipulation of facts and issues.[15] Thus, the Court declared the same deemed waived.[16] On March 7, 2022, the *Pre-Trial Order* was issued.[17] Thereafter, trial ensued.

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[8] Exhibit "P-29," Docket – Vol. 1, pp. 432-436.
[9] Docket – Vol. 1, pp. 7-41.
[10] Docket – Vol. 1, pp. 236-243.
[11] *Compliance* dated February 11, 2021, Docket – Vol. 1, pp. 317-318.
[12] *Order* dated June 11, 2021, Docket – Vol. 1, p. 339; *Order* dated July 29, 2021, Docket – Vol. 1, pp. 341-A.
[13] *Pre-Trial Brief*, Docket – Vol. 1, pp. 323-329.
[14] *Petitioner's Pre-Trial Brief*, Docket – Vol. 1, pp. 332 to 337.
[15] *Records Verification* dated November 12, 2021, Docket – Vol. 1, p. 437.
[16] Docket – Vol. 2, pp. 559-560.
[17] Docket – Vol. 2, pp. 580-592.

MAPI offered the testimony of Mena P. Estaras, its Corporate Treasurer and Finance Manager.[18] On November 3, 2021, it filed its *Formal Offer of Evidence*,[19] to which the CIR filed his objection.[20] In a *Resolution* dated April 4, 2022,[21] the Court admitted MAPI's exhibits except for the following:

1. Exhibits "P-3," "P-4," "P-5," "P-6," "P-7," and "P-21," for failure of the witness to identify them; and
2. Exhibits "P-8" and "P-12," for failure to present the original and failure of the witness to identify them.

On the other hand, the CIR offered the testimony of RO Dimayacyac[22] and filed the *Respondent's Formal Offer of Evidence* on November 23, 2023.[23] MAPI filed its comment to the CIR's formal offer of evidence on November 24, 2023.[24] In a *Resolution* dated March 1, 2024,[25] the Court admitted all of the CIR's exhibits.

The CIR filed his memorandum on April 4, 2024,[26] while MAPI failed to file a memorandum.[27] On June 19, 2024, the case was submitted for decision.[28]

THE ISSUE

The issue is whether MAPI is entitled to VAT refund in the amount of ₱5,024,148.07 representing its alleged input VAT directly attributable to zero-rated sales for the period January 1, 2018 to December 31, 2018.[29]

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[18] Exhibit "P-19," Docket – Vol.1, pp. 141-154; *Order* dated September 21, 2021, Docket – Vol. 1, pp. 346-346-A.
[19] Docket – Vol 1, pp. 347-362.
[20] *Omnibus Motion 1. To expunge petitioner's Formal Offer of Evidence, 2. To consider and note the comments and objections of respondent to petitioner's Formal Offer of Evidence; and 3. To rule that the documentary exhibits objected by herein respondent are inadmissible*, Docket – Vol. 2, pp. 530-546.
[21] Docket – Vol. 2, pp. 594-603.
[22] Exhibit "R-10," Docket – Vol. 1, pp. 307-315; *Order* dated November 8, 2023, Docket – Vol. 2, pp. 645-646.
[23] Docket – Vol. 2, pp. 647-650.
[24] Docket – Vol. 2, pp. 651-655.
[25] Docket – Vol. 2, pp. 660-661.
[26] Docket – Vol. 2, pp. 662-668.
[27] *Records Verification Report* dated June 5, 2024, Docket – Vol. 2, p. 672.
[28] *Minute Resolution* dated June 19, 2024, Docket – Vol. 2, p. 673.
[29] Minutes of the hearing dated July 29, 2021, Docket – Vol. 1, pp. 340-340B; *Order* dated July 29, 2021, Docket – Vol. 1, pp. 341-341A; Issue to be Tried or Resolved, *Pre-Trial Order* dated March 7, 2022, Docket – Vol. 2, p. 587.

Petitioner's arguments

MAPI argues that its application for VAT refund was timely filed on June 18, 2020, and that the BIR's denial thereof lacks factual and legal bases. MAPI addresses the BIR's disallowances as follows:

Input tax on out-of-period purchases

According to MAPI, the alleged out-of-period purchases were all dated on the last working days of December 2017, and the invoices/official receipts covering such purchases were received by MAPI only in January 2018. Allegedly, the Tax Code does not require that the input VAT be due or paid in the same quarter that the sales were made; it only requires that the claim for creditable input VAT attributable to zero-rated sales be made within two (2) years from the close of the taxable quarter when the sales were made.

MAPI also notes that the BIR erroneously deducted the disallowed amount against its total VAT refund claim, which covers only unutilized input VAT on importation and does not include unutilized input VAT on local purchases of goods.

Violation of invoicing requirements

MAPI submits that the BIR cannot disallow excess input VAT which is not covered by the subject claim for refund, as such determination is within the realm of a regular tax audit. The only matter supposedly for determination in this case is whether MAPI's input VAT on importation are directly attributable to its zero-rated sales.

As to the transactions covered by Sales Invoice Nos. 1923 and 1924, MAPI explains that at the time of the sale, it was under the impression that it could no longer rely on its earlier requested confirmatory BIR Ruling No. DA-076-008 dated February 6, 2008 stating that its sales to Tagum Agricultural Development Co., Inc. ("TADECO"), a banana exporter, for the exclusive use of the latter's plantation, fall within the definition of "export sale." However, said sales were properly re-classified as zero-rated VAT transactions pursuant to the Supreme Court's ruling in *Commissioner of Internal Revenue v. Seagate Technology (Philippines)*, G.R. No. 153866, February 1, 2005, and TADECO in fact did not pay the VAT component thereof.

Unsupported input tax

MAPI asserts that the amount of P4,926,615.05 pertains to its unutilized input VAT for 2015, which is not covered by the present VAT refund claim. Although the said amount was "deemed denied" by the BIR in its prior application for VAT refund, MAPI submits that taxpayers are not precluded from resorting to other means to recover its unutilized input VAT; hence, it cannot be faulted for adding back the "deemed denied" input VAT in its VAT returns for taxable year 2018 especially since there is no prescriptive period for the option to carry over the same.

Discrepancy on purchases claimed (SLP-VAT) versus purchases per AITED

MAPI argues that the BIR's AETEID figures are unverified information from third party sources. As such, they cannot be taken into account for purposes of disallowing a refund claim, since it would violate the due process rights of the taxpayer.

Respondent's counter-arguments

Respondent CIR argues that in determining the creditable input VAT for the pertinent taxable month or quarter, Revenue Regulations ("RR") No. 16-05 establishes the rule of adding all creditable input taxes during the month or quarter, plus any amount of input tax carried over from the preceding quarter.

The CIR maintains that MAPI failed to comply with the invoicing and substantiation requirements under the law and jurisprudence, resulting in the disallowance of its refund claim.

THE COURT'S RULING

The present *Petition for Review* is denied for lack of merit.

Petitioner failed to meet the requisites of a valid claim for refund or issuance of tax credit certificate

Section 112(A) and (C) of the Tax Code governs the refund or tax credit of input VAT attributable to zero-rated sales: *ac*

> "**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 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.
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> ...
>
> (C) *Period within which Refund of Input Taxes shall be Made.* — In proper cases, the [CIR] 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...
>
> 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..."

Pursuant to the above provisions, jurisprudence laid down the following requisites for claiming a refund or tax credit of unutilized or excess input VAT attributable to zero-rated or effectively zero-rated sales:[30]

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[30] *Intel Technology Philippines, Inc. v. Commissioner of Internal Revenue,* G.R. No. 166732, April 27, 2007 [Per J. Callejo, Sr., Third Division]; *San Roque Power Corporation v. Commissioner of Internal Revenue,* G.R. No. 180345, November 25, 2009 [Per J. Chico-Nazario, Third Division]; and *AT&T Communications Services Philippines, Inc. v. Commissioner of Internal Revenue,* G.R. No. 182364, August 3, 2010 [Per J. Carpio Morales, Third Division].

As to timeliness of the claim:

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

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

As to the taxpayer's BIR registration:

3. The taxpayer is a VAT-registered person;

As regards taxpayer's output VAT:

4. The taxpayer is engaged in zero-rated or effectively zero-rated sales;

5. For zero-rated sales under Sections 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 the Bangko Sentral ng Pilipinas (BSP) rules and regulations;

As regards the taxpayer's input VAT:

6. The input taxes are not transitional input taxes;

7. The input taxes are due or paid; and

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.

Claims for refund or tax credit must also satisfy the invoicing and substantiation requirements under the Tax Code and pertinent rules and regulations.[31] Strict compliance is necessary considering the tax credit method of the VAT system, where the seller's output tax becomes the buyer's input tax that is available for refund or credit. Such compliance ensures proper collection of taxes at all stages of distribution, facilitates the computation of tax credits, and provides accurate audit

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[31] *Team Energy Corporation v. Commissioner of Internal Revenue*, G.R. Nos. 197663 and 197770, March 14, 2018 [Per J. Leonen, Third Division].

trail for BIR monitoring processes.[32] Furthermore, for judicial claims for refund or tax credit before this Court which are litigated *de novo*, parties must prove every minute aspect of their case.[33] Thus, it behooves petitioner to establish each requisite of a valid claim.

The Court shall now discuss petitioner's compliance with the above requisites.

1st requisite and 2nd requisite: petitioner's administrative and judicial claims were timely filed

Under Section 112(A) of the Tax Code, an administrative claim for refund or tax credit of input VAT attributable to zero-rated or effectively zero-rated sales must be made within two (2) years after the close of the taxable quarter when the sales were made.

The present claim covers the 1st to 4th taxable quarters of 2018. Counting two (2) years from the close of said quarters, petitioner had until the following dates to file its administrative claim:

TAXABLE PERIOD	CLOSE OF THE TAXABLE QUARTER	LAST DAY OF FILING
January 1, 2018 to March 31, 2018 (1st Quarter)	March 31, 2018	March 31, 2020
April 1, 2018 to June 30, 2018 (2nd Quarter)	June 30, 2018	June 30, 2020
July 1, 2018 to September 30, 2018 (3rd Quarter)	September 30, 2018	September 30, 2020
October 1, 2018 to December 31, 2018 (4th Quarter)	December 31, 2018	December 31, 2020

Petitioner filed the subject administrative claim on **June 18, 2020.**[34] While it may appear that the claim covering the 1st Quarter of 2018 was belatedly filed, RR No. 16-2020 extended up until **July 15, 2020** the period for claims covering the taxable quarter ending March 31, 2018.[35] Thus, petitioner

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32 *Id.*

33 *Commissioner of Internal Revenue v. United Salvage and Towage (Phils.), Inc.*, G.R. No. 197515, July 2, 2014

34 *Supra* note 4.

35 SUBJECT: *Regulations Further Suspending the Due Dates in the Application of the Ninety (90)-Day Period to Process Value Added Tax (VAT) Refund/Claim Pursuant to*

timely filed its administrative claim for the periods January 1, 2018 to December 31, 2018, in compliance with the first requisite.

As to the judicial claim for refund or tax credit, Section 112(C) of the Tax Code instructs that the same be filed within thirty (30) days from receipt of the decision denying the administrative claim.

Here, petitioner received the letter denying its claim on September 17, 2020.[36] Counting thirty (30) days therefrom, petitioner had until October 19, 2020[37] within which to file its judicial claim. Since the present *Petition for Review* was timely filed on October 15, 2020,[38] petitioner likewise complied with the second requisite.

3rd requisite: petitioner failed to prove that it is a VAT-registered entity

In the *Resolution* dated April 4, 2022,[39] the Court denied the admission of Exhibit "P-3" which purports to be MAPI's certificate of registration with the BIR. There being no other evidence of petitioner's VAT registration, petitioner failed to establish compliance with the third requisite pursuant to Section 112(A) of the Tax Code—that the claimant must be a VAT-registered taxpayer.

On this ground alone, petitioner's claim for VAT refund or tax credit must necessarily fall.

4th requisite: petitioner failed to establish that it is engaged in zero-rated or effectively zero-rated sales

Even assuming that petitioner is a VAT-registered entity, the present claim shall still be denied as petitioner failed to prove before the Court that it is engaged in zero-rated or effectively zero-rated sales.

Section 112 of the Tax Code of 1997, as Amended by Republic Act (R.A.) No. 10963 (TRAIN Law) for Taxable Quarters Affected by the Declaration of the National State of Emergency.
[36] *Supra* note 7.
[37] October 17, 2020 is the 30th day, which fell on a Saturday.
[38] *Supra* note 10.
[39] *Supra* note 21.

Under Section 106 of the Tax Code, the following sales are subject to zero percent (0%) rate:

> **SEC. 106. *Value-added Tax on Sale of Goods or Properties.*** —
>
> (A) *Rate and Base of Tax.* — ...
>
> ...
>
> (2) The following sales by VAT-registered persons shall be subject to zero percent (0%) rate:
>
> (a) *Export Sales.* — The term 'export sales' means:
>
> (1) The sale and actual shipment of goods from the Philippines to a foreign country, irrespective of any shipping arrangement...
>
> (2) Sale and delivery of goods to:
>
> (i) Registered enterprises within a separate customs territory as provided under special laws; and
>
> (ii) Registered enterprises within tourism enterprise zones as declared by the Tourism Infrastructure and Enterprise Zone Authority (TIEZA) subject to the provisions under Republic Act No. 9593 or The Tourism Act of 2009.
>
> (3) Sale of raw materials or packaging materials to a nonresident buyer for delivery to a resident local export-oriented enterprise to be used in manufacturing, processing, packing or repacking in the Philippines of the said buyer's goods...;
>
> (4) Sale of raw materials or packaging materials to export-oriented enterprise whose export sales exceed seventy percent (70%) of total annual production;
>
> (5) *Those considered export sales under Executive Order No. 226, otherwise known as the Omnibus Investment Code of 1987, and other special laws;*[40]

RR No. 16-2005[41] as amended by RR No. 13-2018[42] supplies the definition of what are "considered export sales under Executive Order No. 226," *viz*:

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[40] Emphasis supplied.
[41] SUBJECT: *Consolidated Value-Added Tax Regulations of 2005.*
[42] SUBJECT: *Regulations Implementing the Value-Added Tax Provisions under the Republic Act (RA) No. 10963, or the "Tax Reform for Acceleration and Inclusion (TRAIN)," Further Amending Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), as Amended.*

> "**SEC. 4.106-5. <u>Zero-Rated Sales of Goods or Properties</u>.** — ...
>
> ...
>
> '*Considered export sales under Executive Order No. 226*' shall mean the Philippine port F.O.B. value determined from invoices, bills of lading, inward letters of credit, landing certificates, and other commercial documents, of export products exported directly by a registered export producer, or the net selling price of export products sold by a registered export producer to another export producer, or to an export trader that subsequently exports the same; ...
>
> For purposes of zero-rating, the export sales of registered export traders shall include commission income. The exportation of goods on consignment shall not be deemed export sales until the export products consigned are in fact sold by the consignee: and *Provided, finally,* that ***sales of goods, properties or services made by a VAT-registered supplier to a BOI-registered manufacturer/ producer whose products are 100% exported are considered export sales. A certification to this effect must be issued by the Board of Investment (BOI) which shall be good for one year unless subsequently re-issued by the BOI.***"

In relation to the foregoing, the Supreme Court, citing Revenue Memorandum Circular No. 74-99[43] outlined in *Commissioner of Internal Revenue vs. Filminera Resources Corporation*[44] the conditions for VAT zero-rating of sales to a BOI-registered exporter:

> To qualify for VAT zero-rating, Section 3 of RMO No. 09-00 requires compliance with the following conditions:
>
> SECTION 3. *Sales of goods, properties or services made by a VAT-registered supplier to a BOI registered exporter shall be accorded automatic zero-rating, i.e., without necessity of applying for and securing approval of the application for zero-rating as provided in Revenue Regulations No. 7-95, subject to the following conditions*:
>
> (1) The supplier must be VAT-registered,
>
> (2) The BOI-registered buyer must likewise be ***<u>VAT-registered</u>***;

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[43] *Tax Treatment of Sales of Goods, Properties and Services Made by VAT-registered Suppliers to BOI-registered Manufacturers-Exporters With 100% Export Sales*, February 2, 2000

[44] G.R. No. 236325, September 16, 2020 [Per J. Lopez, First Division].

> (3) The buyer must be a ***BOI-registered*** manufacturer/producer whose products are 100% exported. For this purpose a Certification to this effect must be issued by the Board of Investments (BOI) and which certification shall be good for one year unless subsequently re-issued by the BOI;
>
> (4) The BOI-registered buyer ***shall furnish each of its suppliers with a copy of the aforementioned BOI Certification which shall serve as authority for the supplier to avail of the benefits of zero-rating for its sales to said BOI-registered buyers***; and
>
> (5) The VAT-registered supplier ***shall issue for each sale to BOI-registered manufacturer/exporters a duly-registered VAT invoice with the words 'zero-rated' stamped thereon*** in compliance with Sec. 4.108-1(5) of RR 7-95. The supplier must likewise indicate in the VAT invoice the name and BOI-registry number of the buyer.
>
> ...
>
> Accordingly, sales made to a BOI-registered buyer are export sales subject to the zero percent rate if the following conditions are met: (1) the buyer is a BOI-registered manufacturer/producer; (2) the buyer's products are 100% exported; and (3) the BOI certified that the buyer exported 100% of its products. For this purpose, ***the BOI Certification is vital for the seller-taxpayer to avail of the benefits of zero-rating***. The certification is evidence that the buyer exported its entire products and ***shall serve as authority for the seller to claim for refund or tax credit.***[45]

As applied in the instant case, it is therefore vital for petitioner to present its customers' BIR registration and BOI Certification to prove that its sales are zero-rated. However, petitioner did not offer the same in evidence.

Further granting that petitioner's customers are VAT-registered, BOI-registered, and with valid BOI Certifications, petitioner still failed to comply with the requirement that for each sale to BOI-registered exporters, it shall issue a duly-registered VAT invoice with the words 'zero-rated' stamped thereon. Notably, such requirement is not just prescribed by the above-quoted administrative regulation and jurisprudence, but is imposed by law. Section 113 of the Tax Code provides:

[45] Emphasis supplied.

> "**SEC. 113.** *Invoicing and Accounting Requirements for VAT-registered Persons.* –
>
> (A) *Invoicing Requirements*. - A VAT-registered person shall issue:
>
> > (1) A VAT invoice for every sale, barter or exchange of goods or properties; ...
>
> (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) ...
> >
> > ...
> >
> > (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***"[46]

Only such sales supported by a VAT invoice containing all the required information may qualify for VAT zero-rating. In *J.R.A. Philippines, Inc. v. Commissioner of Internal Revenue*,[47] the Supreme Court underscored the importance of indicating the term "zero-rated sale" on the invoice:

> ...the appearance of the word "zero-rated" on the face of invoices covering zero-rated sales prevents buyers from falsely claiming input VAT from their purchases when no VAT was actually paid. If, absent such word, a successful claim for input VAT is made, the government would be refunding money it did not collect.
>
> Further, the printing of the word "zero-rated" on the invoice helps segregate sales that are subject to 10% (now 12%) VAT from those sales that are zero-rated...
>
> Consistent with the foregoing jurisprudence, petitioner's claim for credit/refund of input VAT for the taxable quarters of 2000 must be denied. *Failure*

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[46] Emphasis supplied.

[47] G.R. No. 177127, October 11, 2010 [Per J. Del Castillo, First Division], citing *Panasonic Communications Imaging Corporation of the Philippines v. Commissioner of Internal Revenue*, G.R. No. 178090, February 8, 2010 [Per J. Abad, Second Division].

> *to print the word "zero-rated" on the invoices/receipts is fatal to a claim for credit/ refund of input VAT on zero-rated sales.*[48]

Here, petitioner declared in its amended quarterly VAT returns for the four (4) quarters of taxable year 2018 the total sales of ₱139,271,163.98, which included zero-rated sales amounting to ₱47,270,823.94. Based on the *Schedule of Zero-Rated Sale of Goods* for taxable year 2018,[49] petitioner's alleged zero-rated sales for the relevant period were made to TADECO and Anflo Banana Corporation. However, only the sales made to TADECO in the amounts of $62,427.88 (equivalent to ₱3,171,148.84) and $13,571.28 (equivalent to ₱689,380.16) were supported by sales invoices.[50] Notably, not only do these sales invoices lack the mark of "zero-rated sales," but the amount of sales are also stated therein as "VATable Sales."

Aside from the two (2) sales invoices issued to TADECO, no other document was presented by petitioner to prove its alleged zero-rated sales to TADECO and Anflo Banana Corporation.[51]

Needless to state, it is only when the sales of a VAT-registered person are zero-rated or effectively zero-rated that such person may apply for refund or issuance of a tax credit certificate of the input VAT due or paid which are attributable to such sales. Considering petitioner's failure to establish that it is a VAT-registered person and that its sales are zero-rated, it would be an exercise in futility to discuss the remaining requisites.

The Court must hereby stress that actions for tax refund, such as the instant case, are not only construed in *strictissimi juris* against the taxpayer, but pieces of evidence therein are also *strictissimi* scrutinized and must be duly proven.[52] Hence, a taxpayer-claimant must not only show entitlement to the claim but must also establish compliance with all the documentary and evidentiary requirements for such claim.

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[48] Emphasis supplied.
[49] Exhibit "R-9," *BIR Records*, p. 168.
[50] *Sales Invoice No. 1923*, Exhibit "P-13," Docket – Vol. 1, p. 402; *Sales Invoice No. 1924*, Exhibit "P-14," Docket – Vol. 1, p. 403.
[51] *See* petitioner's *Formal Offer of Evidence*, Docket – Vol. 1, pp. 347-362.
[52] *Atlas Consolidated Mining and Development Corporation v. Commissioner of Internal Revenue*, G.R. No. 159490, Feb. 18, 2008 [Per J. Velasco, Jr., Second Division].

Strict adherence to the conditions prescribed by law is necessary.[53]

ACCORDINGLY, the present *Petition for Review* filed on October 15, 2020 is **DENIED** for lack of merit.

SO ORDERED.

Catherine T. Manahan

CATHERINE T. MANAHAN
Associate Justice

WE CONCUR:

Marian Ivy F. Reyes-Fajardo

MARIAN IVY F. REYES-FAJARDO
Associate Justice

HENRY S. ANGELES
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.

Catherine T. Manahan

CATHERINE T. MANAHAN
Associate Justice
Chairperson, 3rd Division

53 *Steag State Power, Inc. v. Commissioner of Internal Revenue*, G.R. No. 205282, January 14, 2019 [Per J. Leonen, Third 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