REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

FOUNDEVER PHILIPPINES CORPORATION (formerly: Sitel Philippines Corporation),
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA EB No. 2942
(CTA Case No. 10200)

Present:

RINGPIS-LIBAN, *P.J.*,
MANAHAN,
BACORRO-VILLENA,
MODESTO-SAN PEDRO,
REYES-FAJARDO,
CUI-DAVID,
FERRER-FLORES, *and*
ANGELES, *JJ.*

Promulgated:

DEC 18 2025 4:31

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DECISION

REYES-FAJARDO, ***J.*:**

For action is the Petition for Review[1] filed by Foundever Philippines Corporation (formerly: Sitel Philippines Corporation), challenging the Decision[2] dated January 31, 2024 and the Resolution[3] dated June 4, 2024 in CTA Case No. 10200. The Special Second Division of the Court (Court in Division) denied petitioner's claim for refund of unutilized input value-added tax (VAT), attributable to its zero-rated sales for the second (2nd) quarter of taxable year (TY) 2017, amounting to ₱38,457,558.61.

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[1] *Rollo*, pp. 49-87.
[2] *Id.* at pp. 90-121.
[3] *Id.* at pp. 123-127.

PARTIES

Petitioner is a corporation duly organized and existing under the laws of the Philippines.[4] It is registered with the Bureau of Internal Revenue (BIR) as a VAT taxpayer under Tax Identification Number (TIN) 208-780-708-000, with address at Ground Floor, One Julia Vargas Bldg., Ortigas Home Depot Complex 1, Julia Vargas Ave., Brgy. Ugong, Pasig City, Metro Manila 1604.[5]

Respondent, on the other hand, is the duly appointed Commissioner of Internal Revenue, represented by the Litigation Division of the BIR-National Office, and may be served with pleadings and court processes at the 7th Floor, Litigation Division, BIR National Office Building, BIR Road, Diliman, Quezon City.[6]

FACTS

The undisputed facts[7] as found by the Court in Division are as follows:

In petitioner's Amended Quarterly VAT Return for the second (2nd) quarter of TY 2017, it declared zero-rated sales of services in the aggregate amount of ₱829,710,761.20.[8]

On June 28, 2019, petitioner filed an administrative claim with the BIR VAT Credit Audit Division for a refund of unutilized input VAT amounting to ₱38,457,558.61, attributable to zero-rated sales for the second (2nd) quarter of TY 2017. The claim was accompanied by petitioner's Application for Tax Credits/Refunds (BIR Form No. 1914),[9] and supporting documents, in compliance with Revenue Memorandum Circular (RMC) No. 47-2019.[10]

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4 Exhibits "P-1," "P-1.1," "P-1.2," and "P-1.3," Docket – Vol. II, pp. 652 to 704.
5 Exhibit "P-2," Docket – Vol. II, p. 705
Par. 1, Stipulation of Facts, *Joint Stipulation of Facts and Issues* (JSFI), Docket – Vol. II, p. 478.
7 Decision, *Rollo*, pp. 90-121.
8 Exhibit "P-6," Docket – Vol. II, pp. 716 to 717.
9 Par. 2, Stipulation of Facts, JSFI, Docket – Vol. II, p. 478; Exhibit "P-23" to "P-24," Docket – Vol. II, pp. 902 to 904; Exhibit "P-26" to "P-26.1," Docket – Vol. II, p. 906.
10 Par. 3, Stipulation of Facts, JSFI, Docket – Vol. II, p. 478; Exhibits "P-25" to "P-25.1," Docket – Vol. II, p. 905.

On October 24, 2019, petitioner filed a Petition for Review with the Court of Tax Appeals (CTA), citing respondent's inaction on its claim for refund.

On January 31, 2024, the Court in Division rendered the challenged Decision, the dispositive portion of which reads:

> **WHEREFORE**, premises considered, the Petition for Review filed by petitioner Sitel Philippines Corporation is **DENIED** for lack of merit.
>
> **SO ORDERED.**

The Court in Division explained that among the conditions for the successful prosecution of a refund claim of input VAT attributable to zero-rated sales under Section 112 of the 1997 National Internal Revenue Code (NIRC), as amended, are: (1) the claimant is a VAT-Registered person; and (2) existence of zero-rated sales. Petitioner failed to meet these conditions.

Specifically, petitioner cannot be considered a "VAT-registered person," as its Puerto Prinsesa (Palawan) and Ortigas Technopoint, Pasig (Technopoint) facilities, where it had sales of call center services were not registered in accordance with Section 9.236-1 (a) of Revenue Regulations (RR) No. 16-2005[11] during the 2nd quarter of TY 2017. Moreover, the service agreements between petitioner and its clients do *not* indicate *where* the services are performed, as required under Section 108(B)(2) of the NIRC, as amended.

On February 19, 2024, petitioner filed an Omnibus Motion [A] For Reconsideration (Re: Decision dated January 31, 2024); and [B] To Recall Petitioner's Witness with the Court in Division.

On June 4, 2024, the Court in Division rendered the challenged Resolution, denying petitioner's Omnibus Motion [A] For Reconsideration (Re: Decision dated January 31, 2024); and [B] To Recall Petitioner's Witness, the dispositive portion of which reads:

> **WHEREFORE**, premises considered, petitioner's Omnibus Motion [A] For Reconsideration (Re: Decision dated January 31,

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11 SUBJECT: Consolidated Value-Added Tax Regulations of 2005.

2024) and [B] To Recall Petitioner's Witness is **DENIED** for lack of merit.

SO ORDERED.

On June 27, 2024, petitioner filed a Petition for Review with the Court *En Banc*, docketed as CTA EB No. 2942, within the extended period granted.[12] On October 4, 2024, Respondent filed its Comment/Opposition (Re: Petition for Review dated July 15, 2024).[13]

Under Resolution dated November 19, 2024, CTA EB No. 2942 was submitted for decision.[14]

ISSUE

Did the Court in Division err in denying petitioner's claim for a refund of its unutilized input VAT attributable to zero-rated sales, arising from domestic purchases of goods (other than capital goods), services, and purchases of capital goods exceeding one (1) million pesos, for the second (2nd) quarter of TY 2017, amounting to ₱38,457,558.61?

ARGUMENTS

Petitioner argues that it is a VAT-registered person entitled to claim a refund for zero-rated services rendered to its non-resident foreign affiliate. As evidenced by BIR Certificate of Registration No. OCN No. 8RC0000065770 BIR dated October 12, 2018, petitioner satisfies the requirement for claiming an input VAT refund.

Petitioner maintains that all zero-rated sales of services were recorded and reported by petitioner itself, as a single juridical entity, with its Palawan and Technopoint sites forming part of the same entity.

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12 The Court *En Banc*, in a Minute Resolution dated June 28, 2024, granted the petitioner a period of fifteen (15) days from June 28, 2024, or until July 13, 2024, within which to file its Petition for Review. Thus, Petitioner filed timely filed the Petition for Review on July 15, 2024, the next working day following the last day for filing, which fell on a Saturday.

13 *Rollo*, pp. 168-177.

14 *Id.* at p. 179.

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Petitioner insists that the Palawan and Technopoint sites merely house contact centers agents and do not operate independently of the head office. They maintain no separate accounting systems or books of accounts, and do not record transactions with customers. Petitioner asserts that all sales of services are owned and transacted by the head office, with the sites serving only as as places of production or where the services were performed. It emphasizes that generation of services by petitioner's contact center agents does not equate to the sale of services.

Guided by RR No. 7-2012, petitioner insists that it properly registered its Palawan and Technopoint sites as "Facilities." Under Section 3 of said RR, a branch is defined as an establishment that conducts sales transactions independently of the head office. Petitioner contends that these sites do not meet the criteria for branch registration, as they neither engage in sales activity nor have independent operational capacity.

On the other hand, respondent maintains that the Court in Division correctly ruled that petitioner's Palawan and Technopoint sites were improperly registered as "facilities." Petitioner performed call center services at these sites during the relevant period. However, their lack of separate VAT registration as "branches" disqualifies them from being treated as VAT-registered establishments capable of supporting an input VAT refund claim. As such, the Court in Division correctly concluded that petitioner failed to establish its entitlement to refund of zero-rated sales conducted through these unregistered sites.

RULING

The Petition lacks merit.

Section 236 of the NIRC, as amended, mandates that every person subject to internal revenue tax to register with the BIR. If a person maintains a head office, branch, or facility, registration must made with the Revenue District Office (RDO) having jurisdiction over each establishment. Additionally, an annual registration fee of ₱500.00 must be paid for every separate or distinct establishment or place of business:

9M

SEC. 236. *Registration Requirements.* —

(A) *Requirements.* — Every person subject to any internal revenue tax shall register once with the appropriate Revenue District Officer:

(1) Within ten (10) days from date of employment, or

(2) **On or before the commencement of business**, or

(3) Before payment of any tax due, or

(4) Upon filing of a return, statement or declaration as required in this Code.

The registration shall contain the taxpayer's name, style, place of residence, business, and such other information as may be required by the Commissioner in the form prescribed therefor.

A person maintaining a head office, branch or facility shall register with the Revenue District Officer having jurisdiction over the head office, branch or facility. For purposes of this Section, the term 'facility' may include but not limited to sales outlets, places of production, warehouses or storage places.

(B) *Annual Registration Fee.* — **An annual registration fee in the amount of Five hundred pesos (P500) for every separate or distinct establishment or place of business, including facility types where sales transactions occur, shall be paid upon registration and every year thereafter on or before the last day of January:** ...

The registration fee shall be paid to an authorized agent bank located within the revenue district, or to the Revenue Collection Officer, or duly authorized Treasurer of the city or municipality where each place of business or branch is registered, ...[15]

To implement Section 236 of the NIRC, as amended, for VAT purposes, Section 9.236-1 (a) of RR No. 16-2005 requires any person who, in the course of trade or business, sells, barters, exchanges goods or properties, or engages in the sale of services subject to VAT under Section 106 and 108 of the same Code, to register with the appropriate RDO *before* the commencement of business. The RR also requires payment of the corresponding registration fee for each separate or distinct establishment except for a warehouses without sales transactions. For purposes of said regulations, a VAT-registered person refers to any individual or entity duly registered in accordance with the following provision:

15 Boldfacing supplied.

SEC. 9.236-1. *Registration of VAT Taxpayers.* —

(a) *In general.* — **Any person who, in the course of trade or business, sells, barters, exchanges goods or properties, or engaged in the sale of services subject to VAT imposed in Secs. 106 and 108 of the Tax Code shall register with the appropriate RDO using appropriate BIR forms and pay an annual registration fee in the amount of Five Hundred Pesos (P500) using BIR Form No. 0605 for every separate and distinct establishment or place of business (save a warehouse without sale transactions)** before the start of such business and every year thereafter on or before the 31st day of January.

***'Separate or distinct establishment'* shall mean any branch or facility where sales transaction occur.**

***'Branch'* means a fixed establishment in a locality which conducts sales operations of the business as an extension of the principal office.**

'*Principal place of business*' refers to the place where the head or main office is located as appearing in the corporation's Articles of Incorporation. In the case of an individual, the principal place of business shall be the place where the head or main office is located and where the books of accounts are kept.

'*Warehouse*' means the place or premises where the inventory of goods for sale are kept and from which such goods are withdrawn for delivery to customers, dealers, or persons acting in behalf of the business.

Any person who maintains a head or main office and branches in different places shall register with the RDO which has jurisdiction over the place wherein the main or head office or branch is located. However, the registration fee shall be paid to any accredited bank in the Revenue District where the head office or branch is registered provided that in areas where there are not accredited banks, the same shall be paid to the RDO, collection agent, or duly authorized treasurer of the municipality where each place of business or branch is situated.

Each VAT-registered person shall be assigned only one TIN. The branch shall use the 9-digit TIN of the Head Office plus a 3-digit Branch Code.

***'VAT-registered person'* refers to any person registered in accordance with this section.**[16]

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16 Boldfacing supplied.

In line with Section 236 of the NIRC, as amended and Section 9.236-1 of RR No. 16-2005, RR No. 7-2012 further elaborates on VAT registration requirements and definitions, particularly with respect to facilities and branches:

> SECTION 3. DEFINITION OF TERMS. For purposes of these Regulations, the following words and/or phrases shall be defined as follows:
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> ...
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> 3. 'Taxpayer Identification Number (TIN)' — shall pertain to the system-generated reference index number issued and assigned by the BIR to each and every person registered in its database. ...
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> The TIN comprises of a 9 to 13-digit numeric code where the first 9 digits is the TIN proper and the last 4 digits is the branch code. The branch code digits may be increased depending on future systems enhancements and policy declarations of the Commissioner of Internal Revenue (CIR).
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> ...
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> 6. 'Head Office (HO)' — refers to the declared specific or identifiable principal place/head office of business as stated in the Articles of Incorporation/Articles of Partnership/Articles of Cooperation/DTI Certificate of Registration, as the case may be, or, in the absence thereof, the place where the complete books of accounts are kept. ...
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> **7. 'Branch' — means a separate or distinct establishment or place of business where sales transactions are conducted independently from the HO. For purposes of these Regulations, branch shall include the following:**
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> i. Sales outlet or establishment situated in another location/address other than at the HO;
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> **ii. Facility with sales activity;**
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> ....
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> **8. 'Facility' — may include but not limited to place of production, showroom, warehouse, storage place, garage, bus terminal, or real property for lease with no sales activity. A facility shall be registered as a branch whenever sales transactions/activities are conducted thereat. Registration of the 'Facility' with no sales activity is not subject to payment of Annual Registration Fee (ARF).**
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> ...
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> SECTION 6. PRESCRIBED PERIODS TO COMPLETE PRIMARY REGISTRATION — Every person subject to any internal revenue tax to be filed/paid periodically shall complete its registration with the BIR as follows:

1. On or before the commencement of business – Self-employed individuals, estates and trusts, corporations and their branches, if any:
2. Commencement of business shall be reckoned as defined in Section 3(6) hereof. A person shall be considered to have violated this provision when he/it proceeded to this stage after the lapse of thirty (30) days from the issuance of Mayor's Permit/PTR by the concerned LGU, or COR issued by the SEC or the date of its first sales transaction prior to its registration. ...[17]

Indeed, the phrase "separate or distinct establishment" includes "any **branch or facility where sales transactions occur.**" A "branch" is defined as "a fixed establishment in a locality which conducts sales operations as an extension of the principal office," while a "facility," is defined as a location with no sales activity. Crucially, once a facility conducts sales transactions, it must be registered as a branch and is subject to the annual registration fee. Moreover, a VAT-registered person is assigned a single Taxpayer Identification Number (TIN), with branches using the 9-digit TIN of the head office plus a 4-digit branch code. RR No. 7-2012 further clarifies that a branch includes a facility with sales activity and must be registered accordingly. Registration must be completed *on or before* the commencement of business.

Here, while the Palawan Facility and Technopoint Facility were denominated as facilities, petitioner generated sales of call center services to Sitel Operating Corporation and Sitel UK Limited during the second quarter of TY 2017, the period covered by the subject refund claim. Despite these activities, petitioner failed to register them as branches, and pay the corresponding annual registration fee *on or before* these sales transactions occurred, violative of Section 236 of the NIRC, as amended, as implemented by RR Nos. 16-2005 and 7-2012. It means that petitioner is *not* a VAT-Registered person during the period of the claim for purposes of Section 112 of the same Code. Therefore, the Court in Division is correct in wholly denying petitioner's input VAT refund claim.

Jurisprudence holds that for a judicial claim for VAT refund to prosper, the claim must not only be filed within the mandatory 120+30-day (now 90+30 day) periods, but also the taxpayer must

[17] Boldfacing supplied.

prove the factual basis of its claim and comply with the requirements of the NIRC and other appropriate revenue regulations.[18]

In *Chevron Holdings, Inc. (Formerly Caltex Asia Limited) v. Commissioner of Internal Revenue,*[19] the Supreme Court ruled that the following are the requisites for the successful prosecution of of a claim for unused input VAT refund attributable to zero-rated sales under Section 112 of the NIRC, as amended:

> (1) the claim must be filed within two (2) years after the close of the taxable quarter when such sales were made;
> (2) the taxpayer is VAT-registered;
> (3) the taxpayer is engaged in zero-rated or effectively zero-rated sales; and
> (4) the creditable input tax due or paid must be attributable to such sales, except the transitional input tax, to the extent that such input tax has not been applied against the output tax.

Condition (2) was not met.

WHEREFORE, the Petition for Review, filed by the Foundever Philippines Corporation (Formerly: Sitel Philippines Corporation on July 15, 2024 in CTA EB No. 2942, is **DENIED** for lack of merit. The Decision dated January 31, 2024 and the Resolution dated June 4, 2024 in CTA Case No. 10200 are **AFFIRMED**.

SO ORDERED.

Marian Ivy F. Reyes - Fajardo
MARIAN IVY F. REYES-FAJARDO
Associate Justice

WE CONCUR:

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice

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18 See *Team Energy Corporation (Formerly: Mirant Pagbilao Corporation and Southern Energy Quezon, Inc.) v. Commissioner of Internal Revenue,* G.R. No. 197770, March 14, 2018; and *Republic of the Philippines Rep. by the Bureau of Internal Revenue v. Team Energy Corporation,* G.R. No. 197770, March 14, 2018.

19 G.R. No. 215159, July 05, 2022.

CATHERINE T. MANAHAN
Associate Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

LANEE S. CUI-DAVID
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice

HENRY S. ANGELES
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, 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.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice