



Republic of the Philippines
Supreme Court
Manila

THIRD DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court, Third Division, issued a Resolution dated September 19, 2022, which reads as follows:

“**G.R. No. 257014 (Commissioner of Internal Revenue, *Petitioner*, vs. Manulife Data Services, Inc., *Respondent*)**. – Before the Court is a Petition¹ for Review on *Certiorari* under Rule 45 of the Rules of Court assailing the Court of Tax Appeals (CTA) *En Banc* Decision² promulgated on July 15, 2020 and Resolution³ promulgated on May 19, 2021 in CTA EB Case Nos. 2066 and 2068. In the assailed issuances, the CTA *En Banc* dismissed the separate appeals filed by petitioner Commissioner of Internal Revenue (CIR) and respondent Manulife Data Services, Inc. (Manulife) and upheld the CTA Special Third Division (CTA Division) Decision⁴ promulgated on November 14, 2018 in CTA Case No. 8878. Previously, the CTA Division partially granted Manulife’s judicial claim for refund or issuance of tax credit certificate (TCC) to the extent of ₱8,460,225.24, representing excess input value added tax (VAT) attributable to zero-rated sales relative to calendar year 2012.

The Antecedents

On March 28, 2014, Manulife filed with the Bureau of Internal Revenue (BIR) Revenue District Office No. 38 an Application for Tax Credits/Refunds⁵ (administrative claim). It alleged, among others, that as a VAT-registered entity,⁶ the services it rendered to foreign affiliates qualified as zero-rated sales of services and it accumulated input VAT arising from

¹ *Rollo*, pp. 16-25.

² *Id.* at 30-38. Penned by CTA Associate Justice Catherine T. Manahan and concurred in by Presiding Justice Roman G. Del Rosario and Associate Justices Juanito C. Castañeda, Jr., Erlinda P. Uy, Esperanza R. Fabon-Victorino, Ma. Belen M. Ringpis-Liban, Jean Marie A. Bacorro-Villena, and Maria Rowena Modesto-San Pedro.

³ *Id.* at 39-42. Penned by CTA Associate Justice Catherine T. Manahan and concurred in by Presiding Justice Roman G. Del Rosario and Associate Justices Juanito C. Castañeda, Jr., Erlinda P. Uy, Ma. Belen M. Ringpis-Liban, Jean Marie A. Bacorro-Villena, and Maria Rowena Modesto-San Pedro.

⁴ *Id.* at 53-85. Penned by CTA Associate Justice Ma. Belen M. Ringpis-Liban and concurred in by Associate Justice Esperanza R. Fabon-Victorino.

⁵ *Id.* at 32.

⁶ *Id.* at 31.

domestic purchases of goods and services⁷ in relation to the qualifying services. It requested for the refund or issuance of TCC relative to excess input VAT amounting to ₱40,511,831.78,⁸ which remained unutilized by the end of calendar year 2012.⁹

On August 22, 2014, after the CIR failed to act on the administrative claim within the time provided by the National Internal Revenue Code of 1997 (Tax Code),¹⁰ Manulife elevated the matter to the CTA *via* a petition for review (judicial claim).

Ruling of the CTA Division

The CTA Division partially granted Manulife's judicial claim to the extent of ₱8,460,225.24.¹¹

The findings relevant to the present petition are as follows: *First*, Manulife's administrative and judicial claims were filed on time. Its claim for refund/credit was based on VAT returns relative to the first, second, third, and fourth quarters of 2012. The close of these taxable quarters fell on March 31, June 30, September 30, and December 31, 2012, respectively. In turn, Manulife filed its administrative claim for refund on March 28, 2014, or within the two-year prescriptive period under Section 112(C) of the Tax Code.¹² The CIR had 120 days or until July 26, 2014 to resolve the claim but did not act upon it within this period. Thus, Manulife's filing of its judicial claim on August 22, 2014 was within the 30-day reglementary period also under the aforecited Tax Code provision.¹³ *Second*, Manulife failed to establish that the entities to which they have rendered qualifying services are both non-resident foreign companies *and* are not doing business in the Philippines.¹⁴ Based on their documentary submissions, it only proved the

⁷ Id.

⁸ Id. at 32.

⁹ Id.

¹⁰ Section 112(D) of the Tax Code provides, "[i]n proper cases, the Commissioner shall grant a refund or issue the 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 Subsections (A) and (B) 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.

¹¹ The refund/credit granted is 20.88% of Manulife's original claim amount (*i.e.*, ₱8,460,225.24 ÷ 40,511,831.78).

¹² Id. at 60.

¹³ Id. at 61.

¹⁴ Id. at 63.

zero-rating status of its services rendered to 4 out of 15 foreign affiliates.¹⁵

Both parties moved for reconsideration. When the CTA Division denied the motions, the CIR and Manulife filed their respective appeals before the CTA *En Banc*.

For its part, Manulife admitted that it was unable to present the certificates of incorporation of 11 of its 15 foreign affiliates. However, in lieu thereof, it submitted service agreements and testimonial evidence in relation to 8 of those 11 entities. It theorized that such proof should have been regarded as sufficient that the foreign affiliates were not doing business in the Philippines.¹⁶ Consequently, the sale of services to these 8 foreign affiliates also qualify as zero-rated.

On the other hand, the CIR argued that Manulife's judicial claim should have been denied because, in the first place, it failed to submit complete documents in support of its administrative claim.¹⁷

Ruling of the CTA En Banc

On July 15, 2020, the court *a quo* upheld the CTA Division's ruling. It reiterated that: *first*, Manulife's administrative and judicial claims were timely filed;¹⁸ *second*, only sales of services made to those affiliates whose non-resident foreign corporation status *and* fact of non-engagement in trade or business in the Philippines were established by the presentation of their respective SEC certificates of non-registration of corporation/partnership *and* proofs of incorporation in a foreign country may be regarded as zero-rated;¹⁹ *and third*, there is no compelling reason to depart from the CTA Division's findings, particularly, that the excess input VAT attributable to zero-rated sales to which Manulife is entitled to a refund/credit only amounts to ₱8,460,225.24. It ruled that the CTA Division was not duty-bound to accept the independent certified public accountant (ICPA)'s findings, which yielded a higher amount eligible for refund/credit. It is empowered to make an independent determination of the entitlement amount.²⁰

The CTA *En Banc*'s denial of his motion for reconsideration prompted the CIR to file the present petition.

¹⁵ Id. at 67.

¹⁶ Id. at 34.

¹⁷ Id.

¹⁸ Id. at 35.

¹⁹ Id. at 36.

²⁰ Id. at 37.

Petitioner's Arguments

The CIR, represented by the Office of the Solicitor General, imputes error upon the CTA *En Banc* for granting, even just in part, Manulife's judicial claim. The arguments hinge upon Manulife's failure to submit complete supporting documents upon the filing of its administrative claim, *viz.*: *First*, the failure prevented the running of the 120-day period of resolution for the CIR and the 30-day reglementary period therefrom to file a judicial claim before the CTA (120+30-day periods).²¹ In other words, the CIR theorizes that Manulife's judicial claim was premature and that the CTA did not have jurisdiction over the action. *Second*, Manulife's judicial claim should have been denied for its failure to submit complete documents on the administrative level. The CTA should not have allowed Manulife to present additional evidence in support of their claim.²²

The Court's Ruling

The Court resolves to deny the petition for its failure to establish that the CTA *En Banc* committed reversible error in holding that Manulife's judicial claim was timely filed.

In the present case, Manulife filed its administrative claim on March 28, 2014, relative to the refund of its purported unutilized input VAT for the four quarters of calendar year 2012. In turn, the CIR had 120 days therefrom or until July 28, 2014²³ to resolve the claim. However, the CIR failed to act on this claim. Thus, Manulife had 30 days from this date to appeal to the CTA. Based on these considerations, Manulife's filing of its judicial claim on August 22, 2014 was timely.

Nonetheless, the CIR argues that the 120-day period for him to resolve the claim commences only upon the submission of complete supporting documents by the claimant. He theorizes that the 120-day period did not begin to run because, in the first place, Manulife failed to submit complete documents to support its claim.

It is already settled that the *claimant* has the prerogative to determine whether he had completed his submissions upon filing or within 30 days thereafter. This procedural determination of completeness is aimed at ascertaining the date of completion from which the 120-day period shall

²¹ *Id.* at 23-24.

²² *Id.*

²³ The 120th day, counted from the date of filing, fell on July 26, 2014, a Saturday.

commence.²⁴ The CIR has no authority to unilaterally determine the completeness of these documents and dictate the running of the 120-day period to resolve the claim.²⁵

Thus, if Manulife regarded its supporting documents as already complete upon the filing of its administrative claim, the 120-day period commenced on said filing date. The CIR had every opportunity to require the submission of additional documents if, upon initial evaluation, he found the original submissions insufficient. However, he did not do so. The first time the CIR raised the issue of completeness was already before the CTA, after he had already failed to act upon the claim on the administrative level. The belated response to Manulife's claim only brings to light that the BIR had been remiss in its duties to duly notify the claimant to submit additional documentary requirements and to timely resolve Manulife's claim. In such circumstances, Manulife cannot be faulted for proceeding to court for the appropriate remedial action on the claim the tax authorities clearly ignored.²⁶

As it was timely filed, the CTA properly took cognizance of Manulife's judicial claim.

Finally, the Court also rejects the view that the CTA may no longer receive additional evidence in support of Manulife's claim.

The CTA is empowered by statute to take evidence, either upon proper motion or *motu proprio*, in the process of trying and adjudicating judicial claims for credit/refund,²⁷ which by their nature, require the examination of a long account (*i.e.*, verification of documents in support of the claim).²⁸ In other words, the CTA shall not limit its evaluation only to the documents submitted before the CIR. It may receive additional evidence, as necessary, to make a proper determination of the claimant's entitlement to a tax credit/refund.

WHEREFORE, the present petition is **DENIED**. The Court of Tax Appeals *En Banc* Decision promulgated on July 15, 2020 and Resolution promulgated on May 19, 2021 in CTA EB Case Nos. 2066 and 2068 are **AFFIRMED**.

²⁴ Id.

²⁵ Commissioner of Internal Revenue v. Deutsche Knowledge Services Pte. Ltd., G.R. No. 234445, July 15, 2020.

²⁶ Id.

²⁷ Rule 12, Section 2(a) cf. Rule 4, Section 3 of the Revised Rules of the CTA (A.M. No. 05-11-07-CTA).

²⁸ Section 12, RA 1125, as amended by RA 3457 and further amended by RA 9262 and RA 9503.

SO ORDERED.

By authority of the Court:

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Division Clerk of Court
09/19/22

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