TAX MANAGEMENT ASSOCIATION OF THE PHILIPPINES, INC.

TAX UPDATES FROM MARCH 16, 2025 TO APRIL 15, 2025

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1. Commissioner of Internal Revenue v. SCRIPT2010, Inc., G.R. No. 266641	February 17, 2025 [Date Uploaded: March 25, 2025]	Where the filing of a motion for reconsideration is mandatory, failure to do so constitutes a fatal procedural lapse that renders the decision final and unalterable. Once a decision attains finality, it becomes immutable and may no longer be modified.	4
2. Commissioner of Internal Revenue v. Pacific Hub Corporation, G.R. No. 252944	November 27, 2025 [Date Uploaded: April 11, 2025]	While the Commissioner of Internal Revenue ("**CIR**") has discretion to grant or deny tax abatement under Section 204(B), the exercise of this power is subject to judicial review when attended by grave abuse of discretion or a violation of due process.	5
3. Commissioner of Internal Revenue v. Fort 1 Global City Center, Inc., G.R. No. 263811	November 26, 2025 [Date Uploaded: April 11, 2025]	A taxpayer is bound by the address registered with the Bureau of Internal Revenue ("**BIR**"), not the one indicated in its General Information Sheet ("**GIS**"). If an assessment notice is received by someone other than the taxpayer, there must be clear proof of the recipient's identity, authority, and date of receipt.	5
COURT OF TAX APPEALS ("CTA") DECISIONS			
1. Pacific Plaza Condominium Corporation v. Commissioner of Internal Revenue, CTA EB No. 2769	March 18, 2025	While *Chevron Holdings, Inc. v. CIR* established that the Court cannot unilaterally offset input value-added tax ("**VAT**") against output VAT in Section 112 refund claims, it does not bar the application of actual VAT payments against a taxpayer's output VAT liability in claims under Section 229. *Chevron* does not prohibit such computation to determine whether a payment was erroneous or excessive.	6
2. BSM Crew Service Center Philippines, Inc., v. Commissioner of Internal Revenue, CTA EB No. 2788	March 25, 2025	To qualify for VAT zero-rating under Section 108(B)(2), the taxpayer must clearly prove that the services were actually performed in the Philippines. It is not enough to show a Philippine address on billing documents or that the client is a non-resident. Without concrete evidence that the services were rendered locally, the refund claim will fail.	6
3. Commissioner of Internal Revenue v. Opal Portfolio Investments (FISTC-AMC Asset Management Company)], Inc. Formerly Opal Investments (SPV-AMC), Inc., CTA EB No. 2868	March 31, 2025	A Warrant of Distraint and/or Levy ("**WDL**") issued before a protest is resolved is not a final appealable decision by the CIR. If the warrant only starts collection without addressing the protest's merits, the proper remedy is a petition for certiorari under Rule 65—not an appeal to the CTA.	8

4.	Sankyu-ATS Consortium-B v. Commissioner of Internal Revenue, CTA EB Case No. 3014	March 31, 2025	The absence of a valid *Verification and Certification of Non-Forum Shopping* is a fatal defect that warrants dismissal of an appeal. The right to appeal is a statutory privilege and may be exercised only in the manner and in accordance with the law and rules.	9
5.	Foundever Philippines Corporation (Formerly: Sitel Philippines Corporation), v. Commissioner of Internal Revenue, CTA EB No. 2799	April 11, 2025	A refund claim cannot be denied just because a non-sales facility was not separately VAT-registered. Section 236 of the Tax Code only requires the registration of VAT as one of the tax types of a taxpayer. VAT registration of the head office extends by legal implication to all branches or facilities, and separate VAT registration is required only for locations where sales are made.	10
6.	Ginebra San Miguel Inc. v. Commissioner of Internal Revenue, CTA Case No. 11052	March 21, 2025	A law takes effect only upon compliance with statutory requirements for publication, which, under prevailing doctrine, means printed publication in the Official Gazette or in a newspaper of general circulation. Online publication alone is insufficient. Taxes collected prior to a law's valid effectivity date lack legal basis and are considered erroneously collected.	10
7.	MD Panabo Agri-ventures, Inc., v. Commissioner of Internal Revenue, CTA Case No. 10658	March 25, 2025	Only VAT-registered sales invoices (whether cash or charge) may serve as valid proof of zero-rated sales for purposes of input VAT refund. Supplementary documents such as "commercial invoices" do not qualify as VAT sales invoices under the Tax Code and cannot be used to substantiate refund claims.	11
8.	Stefanini Philippines Inc. v. Commissioner of Internal Revenue, CTA Case No. 10920	March 25, 2025	In appeals from partially denied VAT refund claims, judicial review is confined to the documents submitted at the administrative level. Taxpayers cannot introduce new evidence on appeal to cure substantiation gaps or deficiencies in their original claim. This rule contrasts with appeals based on inaction by the BIR, where the Court may consider all evidence formally offered at trial, even if not submitted during the administrative proceedings.	12
9.	NLEX Corporation (formerly Manila North Tollways Corporation) v. The City of Valenzuela, Hon. Adela Soriano, in her capacity as City Treasurer, and Atty. Ulysses L. Gallego, in his capacity as Officer-in-Charge of the Business Permit and Licensing Office, CTA AC No. 297	March 27, 2025	A local government unit may impose business taxes only on income derived from a branch, sales office, or fixed place of business located within its territorial jurisdiction. Structures such as signage installations, which do not serve as venues for business transactions, revenue collection, or recording of income, do not constitute taxable branches or outlets under the Local Government Code.	13
10.	Ford Group Philippines, Inc., v. Commissioner of Internal Revenue, CTA Case No. 10805	April 04, 2025	The use of the term "request" in a Final Decision on Disputed Assessment ("**FDDA**") does not invalidate it as a demand for payment, so long as it requires immediate payment and imposes penalties and interest.	14
REVENUE REGULATIONS ("RRs")				

1. RR No. 13-2025	March 31, 2025	Consolidated Provisions to Simplify and Streamline the Procedures and Requirements Relative to the Availment of the Tax Exemptions and Incentives Granted to the Participating Private Entities Under Republic Act No. 8525 or the "Adopt-a-School Act of 1998", Republic Act No. 12063 or the "Enterprise-Based Education and Training ("EBET") Framework Act", and the Tax Code.	15
REVENUE MEMORANDUM CIRCULARS ("RMCs")			
1. RMC No. 21-2025	March 24, 2025	Clarifying the proper tax treatment of joint ventures/consortiums formed for the purpose of undertaking construction projects under Section 22 (B) of the NIRC of 1997, as amended, in relation to RR Nos. 10-2012 and 14-2023, and the administrative requirements for all joint ventures/consortiums pursuant to Section 236 of the same Code.	16
2. RMC No. 31-2025	April 7, 2025	Clarification on the provisions on the applicable taxes due on sale of property considered as ordinary assets of the seller and other relevant matters.	19
3. RMC No. 37-2025	April 10, 2025	Prescribes the streamlined procedures and guidelines on the mandatory requirements for claims of VAT refund under Section 112 of the NIRC of 1997, as Amended (Tax Code), except those pursuant to a writ of execution by the courts.	21

DISCUSSION

A. SUPREME COURT DECISIONS

1. Where the filing of a motion for reconsideration is mandatory, failure to do so constitutes a fatal procedural lapse that renders the decision final and unalterable. Once a decision attains finality, it becomes immutable and may no longer be modified.

Script2010 Inc. ("**Script**") received a Letter of Authority from the BIR covering taxable year 2011. The CIR issued a Preliminary Assessment Notice ("**PAN**"), which Script contested through a request for reinvestigation on January 13, 2015. Despite this pending request, the CIR issued a Formal Letter of Demand ("**FLD**") dated January 8, 2015, which Script received on January 23, 2015 – prior to the expiration of the 15-day period to respond to the PAN. Script filed a protest against the FLD, but the CIR proceeded to issue an FDDA.

Script then filed a petition for review with the CTA, which the CTA Second Division initially granted in part. Both parties filed motions for partial reconsideration, with Script maintaining that the deficiency tax assessments should be cancelled entirely for having been issued in violation of its right to due process. On February 17, 2020, the CTA Second Division issued an Amended Decision granting Script's motion and cancelling all deficiency assessments.

The CIR received the Amended Decision on February 20, 2020. However, instead of filing a motion for reconsideration, which is mandatory for amended decisions under the CTA rules, the CIR erroneously filed a Motion for Extension of Time to File a Petition for Review. This procedural misstep did not suspend the running of the reglementary period, and as a result, the Amended Decision became final and executory by March 6, 2020.

Despite the finality of the decision, the CIR continued to pursue several procedural remedies, including: (a) a motion for reconsideration of the CTA's denial of its motion for extension; (b) a request to treat that motion as a Petition for Relief from Judgment under Rule 38, despite procedural deficiencies; (c) a Petition for Review before the CTA En Banc; and eventually, (d) a Petition for Review on Certiorari before the Supreme Court.

The Supreme Court denied the CIR's Petition for Review on Certiorari, reaffirming the doctrine of immutability of final judgments. It held that the CIR's failure to timely file a motion for reconsideration of the Amended Decision was a fatal lapse, and that the judgment, having already attained finality, could no longer be disturbed. The Supreme Court expressed concern over the undue prolongation of the case, noting that such delay caused injustice to Script and undermined the efficient administration of justice. It emphasized that the finality of decisions must be respected to prevent waste of judicial resources and to uphold the right of the prevailing party to the execution of a final judgment. A judgment becomes final and executory by operation of law. Finality becomes a fact when the reglementary period to appeal lapses and no appeal is perfected within such period. Once a decision becomes final, no court, not even the Supreme Court, can modify or revise the decision, no matter how erroneous it may be.

(*Commissioner of Internal Revenue v. SCRIPT2010, Inc., G.R. No. 266641*, *February 15, 2025 [Date Uploaded: April 2,2025]*)

2. While the CIR has discretion to grant or deny tax abatement under Section 204(B), the exercise of this power is subject to judicial review when attended by grave abuse of discretion or a violation of due process.

Pacific Hub Corporation ("**PHC**") filed returns for Expanded Withholding Tax ("**EWT**") and VAT for the taxable years 2005 to 2006 but failed to remit the full amounts due. In 2008, it applied for the abatement of penalties, interest, and surcharges under Section 204(B) of the Tax Code, citing severe financial losses, and in 2010, paid the basic tax liabilities.

However, in 2014, the CIR denied the abatement application through a Notice of Denial, followed by the issuance of a WDL to collect the remaining penalties and interest amounting to over PhP13 million.

PHC filed a petition with the CTA, assailing both the Notice of Denial and the issuance of the WDL. The CIR argued that the CTA had no jurisdiction over the case as there was no final decision on a disputed assessment to be reviewed. It further contended that the power to grant or deny abatement is purely discretionary and, therefore, not subject to judicial review.

The CTA disagreed. The CTA Third Division ruled that it had jurisdiction under its "**other matters**" jurisdiction pursuant to Section 7(a)(1) of Republic Act ("**RA**") No. 1125, as amended (the "**CTA Charter**"). It found the WDL void for having been issued without a valid and final assessment, thereby violating PHC's right to due process. The CTA also found the Notice of Denial to be fatally defective for failing to state the factual and legal basis for the denial, in violation of RR No. 13-2001.

The CTA En Banc affirmed that while courts may not generally interfere with discretionary functions, such as the grant or denial of an abatement application, judicial review is warranted when the exercise of such discretion is attended by grave abuse, as was found in this case.

The Supreme Court upheld the CTA's argument. The Supreme Court held that although the CIR's authority to abate taxes under Section 204(B) of the Tax Code is discretionary, that discretion is not immune from judicial review. Citing Section 7(a)(1) of the CTA Charter, the Supreme Court emphasized that the CTA may review the CIR's action where grave abuse of discretion is shown – such as when the denial is arbitrary, capricious, or issued with disregard for procedural safeguards. The Supreme Court also reiterated that a WDL cannot be validly issued absent a prior valid assessment, as tax collection presupposes the existence of a final and demandable liability.

(*Commissioner of Internal Revenue v. Pacific Hub Corporation. G.R. No. 252944, November 27, 2024 [Date Uploaded: April 11,2024]*)

3. A taxpayer is bound by the address registered with the BIR, not the one indicated in its GIS. If an assessment notice is received by someone other than the taxpayer, there must be clear proof of the recipient's identity, authority, and date of receipt.

The BIR issued assessment notices to Fort 1 Global City Center Inc. ("**FGCCI**") for taxable years 2009 and 2012. FGCCI filed protests against the assessments; however, for taxable year 2009, the BIR proceeded to issue an FDDA, while for taxable year 2012, no action was taken on the protest.

FGCCI filed two separate petitions for review before the CTA which were later consolidated. It alleged that the assessments were void for failure to observe due process, arguing that (1) the notices were sent to the wrong address, and (2) the persons who received the notices were not duly authorized representatives of the company.

In response, the BIR argued that service was validly effected, pointing to annotations of receipt and FGCCI's participation in administrative proceedings as proof that proper notice had been given.

The CTA Second Division ruled in favor of FGCCI. While it acknowledged that the 2016 General Information Sheet ("**GIS**") could not be used to determine FGCCI's registered address, it found that the BIR failed to prove that the notices were served at the taxpayer's registered or known address. Moreover, the individuals who received the notices did not indicate their designation or authority to act on FGCCI's behalf.

The CTA En Banc affirmed the Second Division's findings, noting that the requisite number of affirmative votes to overturn the ruling was not obtained.

On petition, the Supreme Court affirmed the CTA's ruling. It reiterated that a taxpayer is bound by the address registered with the BIR, not by the address reflected in its GIS. In this case, the records did not show that FGCCI notified the BIR of any change in address. Nonetheless, the Supreme Court ruled that the assessments must be cancelled for failure to comply with the rules governing proper service.

Citing Section 3 of RR No. 12-99, the Supreme Court emphasized that if the notice is received by someone other than the taxpayer, the acknowledgment must clearly indicate the recipient's name, signature, designation, authority to receive the notice, and the date of receipt. The revenue officer in this case failed to ascertain whether the recipients were authorized representatives of FGCCI and instead attributed the failure to the non-cooperation of a security guard on the premises. The Supreme Court rejected this justification, holding that the responsibility for proper service cannot be shifted to third parties. Under RR No. 18-13, the proper procedure in cases of unsuccessful service is to bring a barangay official and two disinterested witnesses to personally observe and attest to the circumstances of refusal of service. Failure to comply with the prescribed procedures for proper service renders the assessment void for violation of due process.

(*Commissioner of Internal Revenue v. Fort 1 Global City Center, Inc., G.R. No. 263811, November 26, 2024 [Date Uploaded: April 11,2024]*)

B. COURT OF TAX APPEAL DECISIONS

1. While *Chevron Holdings, Inc. v. CIR* established that the Court cannot unilaterally offset input VAT against output VAT in Section 112 refund claims, it does not bar the application of actual VAT payments against a taxpayer's output VAT liability in claims under Section 229. *Chevron* does not prohibit such computation to determine whether a payment was erroneous or excessive.

Following the Supreme Court's ruling in *Association of Non-Profit Clubs, Inc. v. Bureau of Internal Revenue, G.R. No. 228539, June 26,2019,* which held that condominium dues are not subject to

VAT, Pacific Plaza Condominium Corporation ("**Pacific Plaza**") filed both administrative and judicial claims for refund/tax credit of VAT it had paid on such dues for the third and fourth quarters of 2017. Of the PhP3.18 million claimed, PhP745,270.37 was actually remitted to the BIR, while PhP2.41 million was allegedly settled through input VAT credits.

The CTA Special Second Division denied the claim in full. It found that the input VAT credits amounting to PhP2.41 million were unsubstantiated, as Pacific Plaza failed to present VAT invoices or official receipts required under Section 110 of the Tax Code, to prove the existence and validity of the input VAT credits. The Court clarified that substantiation is essential to determine whether there was, in fact, an erroneous or excessive payment under Section 229. Since the purported VAT payment was made through the application of input VAT credits, Pacific Plaza had the burden to prove that it actually possessed and applied valid input VAT. In the absence of such proof, no refund could be granted. In effect, the claim sought a refund of input VAT that had not been proven to exist or to have been paid.

As to the PhP745,270.37 that was actually remitted, the Court likewise denied the claim for refund. It ruled that the payment could not be considered erroneous because Pacific Plaza still had remaining output VAT liability of PhP1.49 million after offsetting the verified portion related to VAT-exempt dues. Pacific Plaza's payment was thus properly applied to a valid tax liability.

On appeal, Pacific Plaza argued that the CTA should have granted at least a partial refund corresponding to the VAT actually paid on exempt condominium dues. It asserted that the law does not require a taxpayer to prove every item in the VAT return that is unrelated to the subject of the claim. Citing *Chevron Holdings, Inc. v. CIR, G.R. No. 215159, July 05, 2022* ("***Chevron***"), Pacific Plaza contended that the CTA cannot compel a claimant to substantiate carried-over input VAT from prior periods when claiming a refund for exempt or zero-rated transactions.

The CTA En Banc rejected this interpretation. It clarified that, while *Chevron* prohibits the courts from unilaterally deducting input VAT from output VAT to determine the net refundable amount in a claim under Section 112, it does not preclude the Court from considering a taxpayer's actual VAT payments in relation to its output VAT liability when evaluating a claim under Section 229. To invoke *Chevron* to prohibit this kind of computation, the CTA En Banc held, would be an overextension of the doctrine.

The CTA emphasized that under Section 229, VAT is not assessed or refunded on a per-transaction basis. Since VAT is remitted periodically, monthly (now quarterly), the determination of any erroneous or excessive payment must be made at the close of the relevant taxable period, based on the taxpayer's declared liability in its VAT return. Thus, in applying Pacific Plaza's VAT payment of PhP745,270.37 against its output VAT liability of PhP1,489,207.34, the Court was merely determining whether any portion of the payment qualified as "erroneously or illegally collected" or "excessively or in any manner wrongfully collected without authority," within the meaning of Section 229 of the Tax Code. Since Pacific Plaza's VAT liability exceeded the amount paid, no refund was warranted.

(Pacific Plaza Condominium Corporation v. CIR, CTA EB No. 2769, March 18, 2025 [CTA Case No. 10199])

2. To qualify for VAT zero-rating under Section 108(B)(2), the taxpayer must clearly prove that the services were actually performed in the Philippines. It is not enough to show a

Philippine address on billing documents or that the client is a non-resident. Without concrete evidence that the services were rendered locally, the refund claim will fail.

BSM Crew Service Centre Philippines, Inc. ("**BSM Crew Service**") filed a claim for refund of PhP4,788,317.31 in unutilized input VAT for calendar year 2017, allegedly attributable to zero-rated sales of services rendered to non-resident foreign corporations ("**NRFCs**"). The BIR denied the claim on several grounds, including insufficient documentation, failure to comply with invoicing requirements, and lack of proof that the services were actually performed in the Philippines.

To support its claim, BSM Crew Service relied on the findings of the Court-commissioned Independent CPA ("**ICPA**"), who verified the submitted documents and found supportable input VAT of PhP3.49 million. The ICPA also opined that BSM Crew Service's clients qualified as NRFCs. However, the CTA Division rejected the ICPA's conclusions, holding that while an ICPA is appointed to aid the Court in evaluating the case, its findings are not binding. The Court retains full discretion to adopt, reject, or disregard the ICPA's based on its independent evaluation of the evidence, and may resolve the case entirely without reference to the ICPA's conclusions.

The CTA Division held that BSM Crew Service failed to prove entitlement to VAT zero-rating under Section 108(B)(2) of the Tax Code. In particular, it found that: (a) BSM Crew Service did not present sufficient documentation to prove the NRFC status of its clients; and (b) it failed to demonstrate that the services were performed in the Philippines, which is statutory requirement for zero-rating. The manning agreements lacked a categorical statement that the services were rendered locally, and no link was established between those agreements and the billing documents or receipts. The CTA Division also noted discrepancies in the corporate identities of one of the foreign clients as the documents submitted to support its NRFC status were not aligned with the entities named in the invoices.

On appeal, the CTA En Banc affirmed the CTA Division's ruling. It emphasized that a taxpayer claiming a VAT refund must strictly comply with the substantiation requirements of Section 112(A) of the Tax Code. The Court reiterated that to qualify for VAT zero-rating under Section 108(B)(2), the taxpayer must prove that the services were rendered in the Philippines to a qualified NRFC. The mere presentation of billing documents or receipts bearing the taxpayer's Philippine address was held insufficient to establish the situs of service. Accordingly, the CTA En Banc denied the petition for review for lack of merit and ruled that BSM Crew Service failed to substantiate its zero-rated sales as required by law.

(BSM Crew Service Center Philippines, Inc., v. CIR, CTA EB No. 2788, March 25, 2025 [CTA Case No. 10135])

3. A WDL issued before a protest is resolved is not a final appealable decision by the CIR. If the warrant only starts collection without addressing the protest's merits, the proper remedy is a petition for certiorari under Rule 65—not an appeal to the CTA.

Opal Portfolio Investments [FISTC-AMC], Inc. ("**Opal**") filed a petition before the CTA challenging the BIR's issuance of a WDL and Warrant of Garnishment ("**WOG**"), despite the absence of a final decision on its pending protest and administrative appeal.

The CTA Division treated the case as a petition for certiorari, finding that the issuance of the warrants was arbitrary and tainted with grave abuse of discretion. It ruled that the BIR acted

without or in excess of jurisdiction by initiating collection remedies while Opal's Request for Reconsideration remained unresolved.

On appeal, the CIR argued that the CTA Division erred in treating the case as a Rule 65 petition rather than an appeal under Section 7(a)(1) of the CTA Charter. The CIR contended that the WDL and WOG should be deemed a final decision on the protest, invoking jurisprudence where the BIR's resort to collection measures has been treated as an implied denial of the protest.

The CTA En Banc rejected this position and denied the CIR's petition for review. It found that Opal had timely filed its protest within 30 days from receipt of the FLD and had subsequently elevated the matter to the CIR following the denial of its protest. As the CIR failed to resolve the administrative appeal, the assessment had not attained finality and was not yet executory, and no valid tax delinquency existed to justify the issuance of summary remedies.

The Court clarified that for purposes of determining jurisdiction and the proper judicial remedy, a distinction must be made between: (1) a WDL that constitutes a final decision of the CIR, and (2) a WDL that does not. If the WDL contains a categorical and reasoned denial of the taxpayer's protest, it constitutes a final decision subject to appeal. However, where the WDL merely initiates collection efforts and does not rule on the merits of the protest, it is not a final appealable decision and may only be challenged through a special civil action for certiorari under Rule 65.

In this case, the WDL was issued while the protest remained unresolved and did not rule on the validity of the assessment. As such, the amounts sought to be collected were merely provisional, pending the CIR's final determination. Since the taxpayer opted to await the CIR's final decision, no final ruling yet exists that may be reviewed on appeal. Accordingly, the proper remedy against a WDL issued in the absence of a final decision is not an ordinary appeal but a special civil action for certiorari under Rule 65 of the Rules of Court.

(CIR v. Opal Portfolio Investments [FISTC-AMC Asset Management Company)], Inc. Formerly Opal Investments (SPV-AMC), Inc., CTA EB No. 2868, March 31, 2025 [CTA Case No. 11187])

4. The absence of a valid Verification and Certification of Non-Forum Shopping is a fatal defect that warrants dismissal of an appeal. The right to appeal is a statutory privilege and may be exercised only in the manner and in accordance with the law and rules.

Sankyu-ATS Consortium-B ("**Sankyu**") filed a petition for review before the CTA En Banc on October 28, 2024, assailing a decision and resolution issued by the CTA Division dated April 18, 2024, and October 1, 2024, respectively. However, the accompanying *Verification and Certification of Non-Forum Shopping* was dated December 27, 2023, which was ten months prior to the filing of the petition and even before the assailed rulings had been issued.

The CTA En Banc initially directed Sankyu to submit a compliant Verification and Certification. In response, however, Sankyu merely re-submitted the same defective document dated December 27, 2023.

While the Court recognized that minor inconsistencies in execution dates may be tolerated in certain cases, it held that the certification in this case was patently defective. The fact that it was executed long before the issuance of the Division's rulings cast serious doubt on the document's

authenticity and sufficiency. As no valid Verification and Certification was submitted, the Court found that Sankyu failed to comply with a mandatory requirement for perfecting an appeal.

The CTA En Banc reiterated that the right to appeal is not a natural right, but a statutory privilege that must be exercised in accordance with procedural rules. Compliance with the requirement of a valid Verification and Certification of Non-Forum Shopping under Section 6, Rule 43 of the Rules of Court is indispensable. Accordingly, the Petition for Review was dismissed.

(*Sankyu-ATS Consortium-B v. Commissioner of Internal Revenue, CTA EB No. 3014, March 31, 2025 [CTA Case No. 10313]*)

5. A refund claim cannot be denied just because a non-sales facility was not separately VAT-registered. Section 236 of the Tax Code only requires the registration of VAT as one of the tax types of a taxpayer. VAT registration of the head office extends by legal implication to all branches or facilities, and separate VAT registration is required only for locations where sales are made.

Foundever Philippines Corporation ("**Foundever**") filed a claim for refund of unutilized input VAT, which was denied by the CIR. The Court in Division sustained the denial, holding that Foundever's Palawan Site was not VAT-registered as required under Section 9.236-1(a) of RR No. 16-2005. The CIR argued that because the Palawan Site was not individually registered for VAT purposes, the input VAT attributable thereto could not be claimed as refundable. According to the CIR, a taxpayer cannot be considered a "VAT-registered person" under RR No. 16-2005 unless all of its branches or facilities are individually VAT-registered.

Foundever maintained, however, that the Palawan Site was not a "branch" but a "facility" within the meaning of RR No. 7-2012. It explained that the site was merely a cost center that incurred production expenses but did not engage in sales transactions. Under RR No. 7-2012, only locations where sales are conducted must be registered as branches. Hence, its classification of the Palawan Site as a facility did not trigger any separate VAT registration requirement.

The CTA En Banc reversed the ruling of the CTA Division and granted the refund claim. It held that Section 236 of the Tax Code only requires the registration of VAT as a tax type and does not mandate the separate VAT registration of each branch or facility. The Court found that Section 9.236-1(a) of RR No. 16-2005 improperly imposes a requirement not contemplated by law and is therefore inconsistent with the plain language of the statute.

Applying the rule of *verba legis non est recedendum* – there should be no departure from the clear language of the law, the Court emphasized that implementing rules and regulations must not go beyond what the statute prescribes. It reiterated that, for VAT purposes, the head office and its branches or facilities are treated as a single entity. Thus, once a taxpayer's head office is validly VAT-registered, the registration extends by legal implication to its branches and facilities, regardless of whether such locations have been individually registered.

Since it was undisputed that Foundever's head office was duly VAT-registered, the Court concluded that the Palawan Site was covered by such registration. As a non-sales facility, the Palawan Site was not required to be separately registered. The Court thus ruled that the denial of the refund claim based solely on the absence of a separate VAT registration for the Palawan Site was improper.

(Foundever Philippines Corporation (Formerly: Sitel Philippines Corporation), v. CIR, CTA EB No. 2799, April 11, 2025 [CTA Case No. 10136])

6. A law takes effect only upon compliance with statutory requirements for publication, which, under prevailing doctrine, means printed publication in the Official Gazette or in a newspaper of general circulation. Online publication alone is insufficient. Taxes collected prior to a law's valid effectivity date lack legal basis and are considered erroneously collected.

RA No. 11467, which amended Section 141 of the Tax Code to increase the excise tax on distilled spirits from PhP24.34 to PhP42.00 per proof liter, was signed into law on January 22, 2020. While the law stated that it would take effect on January 1, 2020 "after its complete publication," it was only published online *via* the Official Gazette website on January 23, 2020 and printed in the Official Gazette on February 10, 2020.

Despite the absence of printed publication at the time, the BIR issued RMC No. 065-20 stating that the increased rates would apply beginning January 27, 2020, which it later retroactively revised to January 23, 2020 under RMC No. 113-20. On the basis of these issuances, the BIR assessed Ginebra San Miguel, Inc. ("**GSMI**") for deficiency excise tax on removals made from January 23 to February 9, 2020. GSMI paid PhP66,370,125.28 under protest and thereafter filed administrative and judicial claims for refund.

The CIR opposed the claim, maintaining that RA No. 11467 had been validly enforced as of January 23, 2020, consistent with the effectivity declared in RMC No. 113-20.

The CTA Third Division granted the petition and ordered a refund. It ruled that RA No. 11467 only became effective upon its full and proper publication in the **printed** Official Gazette on February 10, 2020. Although the law specified an intended effectivity date of January 1, 2020, this was clearly made conditional upon proper publication. The CIR failed to establish that the law was published in a newspaper of general circulation, and online publication alone on January 23, 2020 did not suffice. The Court cited the Supreme Court's ruling in *Garcillano v. House of Representatives*, G.R. Nos. 170338 & 179275, December 23, 2008, which held that online posting is not a substitute for the required form of publication.

The CTA further held that the CIR's reliance on RMC Nos. 065-20 and 113-20 was legally unfounded. Administrative issuances cannot supersede or disregard the statutory requirements for a law's effectivity. Consequently, the collection of excise tax from GSMI prior to February 10, 2020 had no legal basis and constituted an erroneous payment under Section 229 of the Tax Code.

Finally, the CTA affirmed its jurisdiction to pass upon the validity of revenue issuances when such issuances are challenged in the context of a refund claim, citing *Banco de Oro v. Republic*, G.R. No. 198756, August 16, 2016.

(*Ginebra San Miguel Inc. v. Commissioner of Internal Revenue, CTA Case No. 11052, March 21, 2025*)

7. Only VAT-registered sales invoices (whether cash or charge) may serve as valid proof of zero-rated sales for purposes of input VAT refund. Supplementary documents such as "commercial invoices" do not qualify as VAT sales invoices under the Tax Code and cannot be used to substantiate refund claims.

MD Panabo Agri-Ventures, Inc. ("**MD Panabo**") filed a claim for refund of PhP5.26 million representing unutilized input VAT for taxable year 2019. The BIR denied the claim on the ground that MD Panabo had issued "Commercial Invoices" instead of the "Charge Invoices" authorized under its Permit to Use Computerized Accounting System, which the BIR considered as an authorized system enhancement. As a result, the invoices were deemed invalid and unfit to substantiate the claimed zero-rated export sales.

MD Panabo argued that the change in header from "Charge Invoice" to "Commercial Invoice" did not constitute a system enhancement as defined under RMO No. 29-2002, as there was no modification to the underlying software version or system architecture. It further asserted that the modified invoices were functionally identical and should still be considered valid.

The CTA Second Division held that while the change in the invoice header from "Charge Invoice" to "Commercial Invoice" did not amount to a "system enhancement" requiring prior BIR approval, the invoices issued by MD Panabo nonetheless failed to qualify as valid VAT sales invoices. Citing RR No. 18-2012 and RMC No. 2-2014, the Court explained that "Commercial Invoices" are classified as supplementary documents and do not qualify as "VAT Sales Invoices" that can support a claim for input VAT refund from zero-rated sales.

The Court noted that commercial invoices: (a) evidence delivery or agreement to sell or transfer of goods and services, (b) serve for internal recording, monitoring, and control, and (c) are not recognized as valid proof for input VAT claims. In contrast, a charge sales invoice qualifies as a "VAT Sales Invoice," a primary document issued in the ordinary course of business to evidence the sale of goods or properties and serves as the basis for both the seller's output VAT liability and the buyer's input VAT entitlement.

Under Section 237 of the Tax Code, only VAT-registered sales invoices, whether cash or charge, may serve as principal evidence for sales of goods or properties subject to VAT, including zero-rated transactions. Since MD Panabo failed to issue the proper VAT sales invoices, it did not meet the documentary requirements for refund under Section 112(A). Accordingly, the Court denied the petition for refund for failure to present the necessary documentary support.

(MD Panabo Agri-ventures, Inc., v. Commissioner of Internal Revenue, CTA Case No. 10658, March 25, 2025)

8. In appeals from partially denied VAT refund claims, judicial review is confined to the documents submitted at the administrative level. Taxpayers cannot introduce new evidence on appeal to cure substantiation gaps or deficiencies in their original claim. This rule contrasts with appeals based on inaction by the BIR, where the Court may consider all evidence formally offered at trial, even if not submitted during the administrative proceedings.

Stefanini Philippines Inc., ("**Stefanini**") filed a claim for refund of unutilized input VAT for the first quarter of 2020. The BIR granted a partial refund of PhP1,181,425.41, but denied the remaining

PhP974,625.30 due to lack of substantiation and various documentary deficiencies. Stefanini appealed the disallowed amount to the CTA, claiming that the input VAT pertained to zero-rated services rendered to its non-resident foreign affiliates.

The CTA Third Division denied the petition, ruling that Stefanini failed to establish entitlement to VAT zero-rating under Section 108(B)(2), and did not comply with the substantiation requirements under Section 112(A) of the Tax Code.

The Court emphasized that the petition involved an appeal from a partially denied administrative claim – not from inaction by the CIR. Following the doctrine in *Pilipinas Total Gas, Inc. v. CIR*, G.R. No. 207112, December 8, 2015, the Court held that judicial review in such cases is limited to the documents actually submitted to the BIR. As such, Stefanini bore the burden of proving that the BIR erred based solely on the documents submitted at the administrative level.

As a matter of fairness and settled precedent, a taxpayer cannot challenge the CIR's decision by relying on documents it failed to submit during the administrative stage. To allow this would enable taxpayers to cure evidentiary gaps during litigation, despite having had full opportunity to comply with substantiation requirements before the BIR.

The Court distinguished this rule from the treatment of appeals based on inaction, as clarified in *Philippine Airlines, Inc. v. CIR*, G.R. Nos. 206079-80 & 206309, January 17, 2018, and *CIR v. Univation Motor Philippines, Inc.*, G.R. No. 231581, April 10, 2019, where the CTA may consider all formally offered evidence, regardless of whether it was submitted to the BIR. In contrast, where the administrative claim was actively denied, judicial review is confined to the administrative record. Nonetheless, in all cases, CTA proceedings are litigated *de novo* under Section 8 of R.A. No. 1125, as amended, meaning that all elements of the claim must be proven anew, and documents carry no evidentiary weight unless formally offered in court.

Even assuming full consideration of all documents presented during trial, the Court found that Stefanini still failed to prove entitlement to zero-rating. Specifically: [a] it failed to submit English translations of incorporation documents for Stefanini NV/SA, rendering them inadmissible, [b] the services agreements did not clearly state that the services were performed in the Philippine, [c] for some clients (e.g., Stefanini UK Ltd.), the service contracts had already expired during the claim period, and [d] the company's official receipts did not reflect the nature of services rendered, and thus, did not meet the invoicing and substantiation requirements under Sections 113 and 237 of the Tax Code. Accordingly, the petition was denied in full.

(*Stefanini Philippines Inc., v. Commissioner of Internal Revenue, CTA Case No. 10920, March 25, 2025*)

9. A local government unit may impose business taxes only on income derived from a branch, sales office, or fixed place of business located within its territorial jurisdiction. Structures such as signage installations, which do not serve as venues for business transactions, revenue collection, or recording of income, do not constitute taxable branches or outlets under the Local Government Code.

NLEX Corporation ("**NLEX**") filed a petition before the CTA seeking the cancellation of a local business tax ("**LBT**") assessment and a refund of PhP3,841,779.85 paid under protest. The LBT

assessment was imposed by the City of Valenzuela on income allegedly derived from NLEX's signage installations located within the city.

The City of Valenzuela argued that NLEX was liable for LBT because it earned gross receipts within its territorial jurisdiction through the operation of signages, regardless of whether NLEX maintained a branch or office there. NLEX, on the other hand, maintained that its signages did not constitute a branch, sales office, or fixed place of business under Section 143 of the Local Government Code ("**LGC**"), and thus could not be subjected to local business tax.

The CTA Second Division ruled in favor of NLEX. Citing the LGC and its Implementing Rules and Regulations, the Court held that a branch or sales office must refer to a fixed place in a locality where business operations are conducted as an extension of the principal office. The signages in question were not such locations. Although physically situated in Valenzuela City, they were not used to conduct business transactions, generate or record income, or serve as points of sale. All related transactions were consummated and recorded at NLEX's principal office in Caloocan City.

The Court further distinguished the signages from toll collection facilities, which are specifically classified as taxable branches or outlets under Department of Finance Local Finance Circular No. 1-2013. While toll facilities actively carry out the collection of revenue and operate as extensions of the principal office, the signage installations merely served an advertising purpose and did not engage in business activities at their location.

As such, the Court found that Valenzuela City had no jurisdiction to impose or collect LBT on income derived from these signages. It ordered a refund of PhP3,814,290.27 corresponding to the LBT paid under protest, excluding non-tax regulatory fees such as the mayor's permit or fire inspection fees over which the CTA lacks jurisdiction.

(NLEX Corporation (formerly Manila North Tollways Corporation) v. The City of Valenzuela, Hon. Adela Soriano, in her capacity as City Treasurer, and Atty. Ulysses L. Gallego, in his capacity as Officer-in-Charge of the Business Permit and Licensing Office, CTA AC No. 297, March 27, 2025)

10. The use of the term "request" in an FDDA does not invalidate it as a demand for payment, so long as it requires immediate payment and imposes penalties and interest.

Ford Group Philippines, Inc. ("**Ford**") filed a protest with a request for reinvestigation against a FAN for deficiency VAT assessment for taxable year 2018. The BIR denied the protest and issued an FDDA asserting a VAT deficiency of PhP81.84 million. Ford challenged the FDDA before the CTA, arguing, among others, that the FDDA was void for merely containing a "request" for payment rather than a definitive "demand," thereby lacking the imperative nature of a final assessment.

The CTA Second Division upheld the validity of the FDDA. Citing *CIR v. Fitness by Design, Inc.*, G.R. No. 215957, November 9, 2016, the Court ruled that the use of the word "request" did not negate its legal character as a demand for payment. What matters is that the FDDA required immediate payment and triggered the accrual of penalties and interest, satisfying the legal requisites for a final assessment.

Nonetheless, the Court ultimately cancelled the deficiency assessment. It held that the BIR erred in disallowing zero-rated sales to affiliates registered with the Subic Bay Metropolitan Authority

and Clark Development Corporation, as these were registered dealers engaged in qualified activities. The Court also voided the disallowance of input VAT carry-over for lack of factual and legal basis. Upon re-computation, Ford was found to have overpaid VAT, and the BIR was enjoined from collecting the assessed deficiency.

(Ford Group Philippines, Inc., v. Commissioner of Internal Revenue, CTA Case No. 10805, April 4, 2025)

C. REVENUE REGULATIONS

1. REVENUE REGULATIONS NO. 13-2025 [March 17, 2025] - Consolidated Provisions to Simplify and Streamline the Procedures and Requirements Relative to the Availment of the Tax Exemptions and Incentives Granted to the Participating Private Entities Under Republic Act No. 8525 or the "Adopt-a-School Act of 1998", Republic Act No. 12063 or the "Enterprise-Based Education and Training ("**EBET**") Framework Act", and the Tax Code

The RR provides a consolidated framework of tax incentives and procedural requirements for private entities intending to assist in the upgrading and modernization of educational institutions in the Philippines.

(1) **Additional Deductions for Registered Enterprises (Section 294 of the Tax Code)**

Registered export and domestic enterprises may claim the following tax incentives:

a. **50% additional deduction on labor expenses** incurred in the taxable year, excluding costs for managerial, administrative, indirect labor, and support services; and

b. **100% additional deduction on training expenses** incurred in the taxable year, for trainings approved under the Strategic Investment Priority Plan, given to the Filipino employees engaged directly in the registered business enterprise's production of goods and services.

Requirements to avail the incentive: Applicant to attach to its income tax return ("**ITR**") the: (i) Certification from the Department of Education ("**DepEd**") or Commission on Higher Education ("**CHED**") or Technical Education and Skills Development Authority ("**TESDA**") and (ii) a Sworn Declaration on the amount and qualification for deduction.

(2) **Incentives under the Adopt-a-School Act (RA No. 8525)**

Adopting Private Entities (i.e., individuals or organizations assisting public schools) may claim the following tax incentives:

a. A **deduction from gross income** equivalent to: (i) the amount of contributions or donations actually, directly, and exclusively incurred for the program, plus (ii) an additional fifty percent (50%) of such contributions or donations, subject to substantiation.

b. **Exemption from donor's tax** under Section 101(A)(2) and (B)(2) of the Tax Code, subject to the following rules:

i. For foreign donations: The VAT and excise tax, if any, on the importation of donated goods shall be assumed by DepEd, CHED, or TESDA, which shall be deemed automatically appropriated and considered as government expenditure.

ii. For local donations: If the donation constitutes a "transaction deemed sale", it shall be subject to VAT on the transfer. The Adopting Private Entity, however, may claim the corresponding input VAT, subject to allocation rules among taxable, zero-rated, and exempt sales. If the donation is not deemed a sale, the transfer shall be exempt from VAT.

Requirements to avail the incentive: Applicant to attach to its ITR the original or certified true copy of the following documents: (i) duly notarized/approved agreement between the Adopting Private Entity and the public school, as endorsed by the National Secretariat; (ii) duly notarized Deed of Donation and Acceptance; and (iii) Sworn Declaration detailing the nature and use of the donation.

(3) **Incentives under the EBET Act (RA No. 12063)**

Enterprises with registered EBET programs are entitled to:

a. **Additional deduction from taxable income** equivalent to (i) 50% of training expenses from the effectivity of R.A. No. 12063 up to December 31, 2027, and (ii) 75% from January 1, 2028, capped at five percent (5%) of the total direct labor expenses, or PhP25 million a year, whichever is lower.

b. **Donor's tax exemption and income tax deduction** for donations to TVIs.

Requisites to avail the incentive:

a. For item (a) above, (i) Certification from TESDA; and (ii) a Sworn Declaration on the amount and qualification for deduction.

b. For item (b) above, (i) duly notarized Deed of Donation and Acceptance; and (ii) Certification from TESDA that the donations, contributions, bequests, subsidies, or financial aid are actually, directly, and exclusively used for the conduct of registered EBET Program.

(4) **Availment Rules**

The legal basis for the claimed exemption or incentive (i.e., RA No. 8525, RA No. 12063, or Section 294(C) of the Tax Code) must be clearly indicated under the "Special Allowable Itemized Deductions" field in the ITR. The incentives granted are mutually exclusive and may not be availed of in conjunction with similar benefits granted under other general or special laws.

(5) **Reporting and Compliance**

DepEd, CHED, and TESDA are required to submit to the BIR a quarterly master list of entities granted or whose incentives were cancelled. This report supports the BIR's post-audit review, which will verify whether the taxpayer complied with the conditions for entitlement to the tax incentives or exemptions.

D. REVENUE MEMORANDUM CIRCULARS

1. REVENUE MEMORANDUM CIRCULAR NO. 21-2025 [March 24, 2025] – Clarifying the proper tax treatment of joint ventures/consortiums formed for the purpose of undertaking construction projects under Section 22 (B) of the NIRC of 1997, as amended, in relation to RR Nos. 10-2012 and 14-2023, and the administrative requirements for all joint ventures/consortiums pursuant to Section 236 of the same Code[1]

This Circular clarifies that a joint venture ("**JV**") or consortium formed exclusively by licensed local contractors for the purpose of undertaking a specific construction project, and duly licensed as such by the Philippine Contractors Accreditation Board ("**PCAB**"), may be treated as a non-taxable entity under Section 22(B) of the Tax Code. The RMC also outlines the conditions for such treatment, including PCAB licensing, the nature of the participants' engagement in the construction business, and exclusion of entities that are merely capital contributors or suppliers. It further provides guidelines on BIR registration, TIN issuance on a per-project basis, tax compliance obligations, and the required treatment of income and withholding tax obligations of the co-venturers.

(1) Non-Taxable Joint Ventures/Consortiums under Section 22(B)

A JV or Consortium will not be treated as a corporation (and thus not subject to corporate income tax) under Section 22 of the Tax Code if it satisfies **all** of the following:

a) Formed specifically for a construction project;
b) Composed of licensed local contractors, *i.e.,* licensed as general contractor by the PCAB of the Department of Trade and Industry;
c) The contractors are engaged in construction; and
d) The JV/Consortium itself is licensed by the PCAB.

Joint ventures involving foreign contractors may also be treated as a non-taxable corporation if the member foreign contractor holds a special PCAB license and the project must be:

a) Foreign financed/internationally-funded;
b) Certified by the proper Tendering Agency; and
c) Covered by a Bilateral Agreement under RA No. 4566 (Contractor's License Law).

Absent any one of the aforesaid requirements, the JVs or Consortiums formed for the purpose of undertaking construction projects shall be considered as taxable corporations.

Disqualification: Mere suppliers of goods, services, or capital, or arrangements involving real estate developers, local government units, government owned and controlled corporations, landowners, and non-contractors are not eligible for tax exemption.

[1] This digest was reproduced from the BIR website.

(2) Mandatory BIR Registration

(a) *Separate TIN per Joint Venture Agreement:* Each JV or Consortium must be issued a separate Taxpayer Identification Number ("**TIN**") for every JV Agreement, regardless of tax status or incorporation.

(b) *Project-Based Registration and Branch Coding:* (i) JVs formed for construction projects must register as a Head Office with the BIR at the Revenue District Office ("**RDO**") having jurisdiction over the designated principal place of business, and (ii) a branch TIN must be secured for each project site at the RDO with jurisdiction over the project location.

(c) *Non-construction JVs:* JVs formed for purposes other than construction must still register as a Head Office. Their individual projects, however, do not require branch registration. If the composition of the JV changes (e.g., new or withdrawn members), it is treated as a new JV and must obtain a new TIN. If a new project is undertaken with the same parties but for a different purpose, the new project must be registered as a branch of the existing JV.

(d) *Mandatory Registration of Applicable Tax Types:* JVs must register the following tax types, as applicable to their Head Office or project branches: (i) Income Tax (Annual and Quarterly), (ii) VAT, (iii) Percentage Tax, (iv) Withholding Tax, (v) Creditable Withholding Tax ("**CWT**"), (vi) Documentary Stamp Tax ("**DST**"), if applicable, and (vii) Excise Tax, if applicable.

(3) Tax Treatment of Non-Taxable JVs/Consortiums

(a) *Not Subject to 2% CWT:* Gross payments to a JV/Consortium not considered a corporation are not subject to the 2% CWT under Section 57(B) of the Tax Code, as implemented by RR No. 2-98.

(b) *Subject to 12% VAT and 5% Creditable Withholding VAT:* Such payments are subject to 12% VAT under Section 108 and 5% creditable withholding VAT under Section 114 of the TRAIN Law, as implemented by RR No. 13-2018.

(c) *Income Tax Reporting by Co-Venturers:* Each co-venturer or member of a non-taxable JV must report and pay income tax on their distributive share of the JV's net income, whether actually or constructively received, based on the net income reported in the JV's Annual Income Tax Return ("**AITR**"). The JV's net income is computed in the same manner as that of a corporation, regardless of whether profits are actually distributed.

(d) CWT on Distributive Share

The distributive share of each co-venturer/member in a non-taxable JV's net income is subject to 15% CWT under Section 57 of the Tax Code, regardless of actual or constructive distribution.

This 15% withholding tax does not apply if:

- The project is funded by Official Development Assistance ("**ODA**");
- The exempt co-venturer is a Japanese contractor;
- The project is covered by an Exchange of Notes between the Philippine and Japanese governments stating that the Philippine government assumes all taxes on income derived by the Japanese contractor in connection with the project.

(e) Net Operating Loss Sharing

If the JV incurs a net operating loss, each co-venturer may claim a deduction for its share of the loss from its own gross income in its respective AITR.

(f) Withholding on Supplier Payments

All JVs/Consortiums, regardless of tax status or incorporation, must withhold the following from payments to local/resident suppliers: (i) 1% on purchases of goods; and (ii) 2% on payments for services, unless subject to another applicable withholding rate.

(g) Filing, EFPS, and Deregistration Requirements

Licensed contractors who are co-venturers in a JV lasting more than 12 months must enroll in the BIR's Electronic Filing and Payment System ("**eFPS**") with the RDO where they are registered.

Filing of AITR: (i) Taxable JVs must file their AITR using BIR Form 1702-RT or 1702-MX, as applicable, and (ii) Non-taxable JVs must file using BIR Form 1702-EX, accompanied by audited financial statements (AFS).

All Joint Ventures/Consortiums are required to deregister with the BIR upon completion of the construction project by submitting the complete documentary requirements and settling all outstanding tax liabilities, if any. A JV or Consortium whose registration is cancelled due to retirement or cessation of business within two (2) years from the date of cancellation may apply for a cash refund of any unused input VAT pursuant to Section 112(B) of the NIRC of 1997, as amended.

2. REVENUE MEMORANDUM CIRCULAR NO. 31-2025 [April 7, 2025] – Clarification on the provisions on the applicable taxes due on sale of property considered as ordinary assets of the seller and other relevant matters

This Circular provides guidance on the proper tax treatment of real property classified as ordinary assets by taxpayers habitually engaged in the real estate business. It reiterates that the sale of such property is subject to CWT, VAT, and documentary stamp tax, as applicable. The Circular also prescribes the proper filing of BIR Form No. 1606 for CWT remittance, which must be attached to the taxpayer's ITR to support the claim for tax credit. The use of BIR Form No. 2307 as a substitute proof of CWT payment for real estate sales is no longer allowed. In addition, it confirms that receipts from financing institutions and ancillary charges such as transfer or processing fees are subject to VAT and income tax.

(a) Required Tax Returns

Taxpayers habitually engaged in the real estate business must file:

(i) **BIR Form No. 1606** *(Withholding Tax Return – For Onerous Transfer of Real Property other than Capital Asset)* – for the remittance of CWT on the sale of ordinary of real property.

(ii) **BIR Form No. 2000-OT** – for the declaration and payment of the documentary stamp tax due on the sale of real property.

Note: Lumping multiple transactions into one return is not allowed. Each transaction must be reported separately to support the issuance of an electronic Certificate Authorizing Registration (eCAR).

(b) Proof of Income Tax Credit

Only BIR Form No. 1606 (with proof of payment) will be accepted as basis for income tax credit from CWT on the sale of real property. Issuance or use of BIR Form No. 2307 as substitute proof for CWT on real estate sales is no longer allowed.

(c) Presentation in AITR

In filing the AITR, taxpayers must report CWT remitted through BIR Form No. 1606 under "Other Tax Credits/Payments." On the other hand, BIR Form No. 2307 must be reported under "Creditable Tax Withheld for the Year" only for income from business activities other than real estate. The correct reporting lines for each type of credit vary depending on the specific ITR form used (e.g., 1701, 1702-RT, etc.). The relevant locations are detailed as follows:

BIR Form No.	Page No.	Part No.	Schedule No.	Line No.	
				2307	1606
1701	4	VII		3 & 4	9
1701A	2	IVC		59 & 60	63
1702-MX	2	IV	3	24 & 25	30 or 31
1702-RT	2	IV		48 & 49	53 or 54
1702-EX	2	IV		44 & 45	48 or 49

The total of the tax credits claimed per submitted Summary Alphalist of Withholding Taxes ("**SAWT**") by taxpayers habitually engaged in the real estate business must correspond to the combined amounts from: (i) BIR Form No. 2307 for non-real estate income, and (ii) BIR Form No. 1606 for CWT on real estate transactions.

(d) Sales Financed by Lending Institutions

When the buyer of real property obtains financing from a financing institution (i.e., banks or Pag-IBIG/HDMF, etc.) and payment is made to the seller through that institution, the seller is required to issue a Sales Invoice to the buyer as evidence of the sale, and an

Acknowledgment Receipt or Official Receipt to the financing institution to document the receipt of funds. The amount received through the financing institution is deemed part of the gross selling price and is subject to 12% output VAT.

(e) Taxability of Other Fees

Any transfer fees, registration fees, processing fees, or miscellaneous charges billed by the taxpayer in relation to the sale are likewise subject to income tax and 12% VAT.

3. REVENUE MEMORANDUM CIRCULAR NO. 37-2025 [April 10, 2025] – Prescribes the streamlined procedures and guidelines on the mandatory requirements for claims of VAT refund under Section 112 of the NIRC of 1997, as Amended (Tax Code), except those pursuant to a writ of execution by the courts

This Circular prescribes simplified procedures and documentation requirements for VAT refund claims under Section 112 of the Tax Code. It identifies the appropriate BIR processing offices, outlines rules for export-oriented enterprises and purchases from registered business enterprises, and reiterates that refund applications must be supported by complete documentary requirements as provided in the prescribed checklists.

(a) Designated Processing Offices for VAT Refund Applications

VAT refund claims must be filed with the appropriate BIR office depending on the nature of the claim:

(i) With the VAT Credit Audit Division at the BIR National Office for claims of unutilized input VAT attributable to VAT zero-rated sales under Section 112(A) of the Tax Code;

(ii) All other claims must be filed with the office having jurisdiction over the taxpayer-claimant:

1. The VAT Audit Section ("**VATAS**") of the Assessment Division of the Regional Office; or

2. The respective Revenue District Office if without VATAS; or

3. The Large Taxpayers VAT Audit Unit of the Large Taxpayers Services.

(b) Disallowance of Refund if Supplier Passed-on VAT Despite EMB Zero-Rating Certificate

For claims covering periods starting April 1, 2025, no refund shall be allowed to an export-oriented enterprise ("**EOE**") that reached the 70% export threshold in the preceding taxable year if VAT was passed on by local suppliers for the succeeding year, despite issuance of a VAT zero-rating certificate from the Export Marketing Bureau ("**EMB**") of the DTI. In such cases, the EOE must seek redress from the supplier, either through reimbursement or correction of the invoicing.

(c) EMB as the Certifying Authority under R.A. No. 12066

Upon the effectivity of RA No. 12066 and its IRR, the EMB will be the designated agency for:

(i) Accepting EOE applications for VAT zero-rating on local purchases and VAT exemption on importations;

(ii) Certifying direct export sales of qualified taxpayers.

Taxpayers must submit documentation proving export activity to the EMB using prescribed templates/schedules. The BIR shall rely on the EMB's certification to verify export sales during VAT refund processing.

(d) Disqualification for EOEs without EMB Certification

EOEs that achieved the 70% export threshold from the preceding taxable year but failed to secure EMB certification for the succeeding year shall not be entitled to a VAT refund for that year. However, any unutilized input VAT may be carried forward to the subsequent taxable quarters and can be utilized against future VAT liabilities.

(e) Requirements for EOEs that Did Not Meet the Export Threshold

If an EOE did not meet the 70% threshold in the preceding year but seeks a refund for input VAT on zero-rated sales in the succeeding year, it must submit: (i) a notification from the EMB clearly stating that the 70% threshold was not met; and (ii) a certified schedule or evaluation sheet from the EMB showing validated export sales and inward remittances for the taxable year covered by the claim.

These documents will serve in lieu of standard export documents, such as airway bills, bills of lading, or bank certifications.

(f) Requirements for VAT Claims Involving Purchases from RBEs

For purchases from Registered Business Enterprises ("**RBEs**") under RR No. 9-2025, no input VAT may be claimed until the VAT has been actually paid by the buyer. To support the claim, the taxpayer must submit: (i) the Sales Invoice issued by the RBE, reflecting the VAT amount; and (ii) the copy of the duly filed BIR Form No. 1600-VT or BIR Form No. 0603, whichever is applicable.

(g) Submission of Supporting Documents

All VAT refund claims must be accompanied by complete supporting documents, in accordance with the applicable checklist.