Tax and Regulatory Bulletin

June 2025

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Executive Summary

Bureau of Internal Revenue (BIR)

1. New BIR Form No. 2550-DS [Value-Added Tax (VAT) Return for Non-resident Digital Service Providers] in relation to Republic Act (RA) No. 12023 and RR No. 3 2025.
2. VAT Refund System for non-resident tourists in the Philippines implemented.
3. The crime of Unlawful Pursuit of Business and its penalty under Section 258 of the Tax Code applies to failure to register a business, not to the non-payment of the Php500 annual registration fee, which has already been repealed under RA No. 11976 (Ease of Paying Taxes Act).
4. Payment and affixture of loose documentary stamps to taxable documents prior to notarization required.

Bureau of Customs (BOC)

1. Sale of goods and services to domestic market enterprises or non-Registered Business Enterprises (RBEs) are now considered "local sales," which falls outside the jurisdiction of the BOC, and is within the jurisdiction of the BIR, for Value Added Tax (VAT) purposes.
2. Streamlined and standardized framework for customs procedures within the Clark Freeport Zone (CFZ).

Bangko Sentral ng Pilipinas (BSP)

1. Secrecy of bank deposits rule does not apply to Financial Account Scamming

Securities and Exchange Commission (SEC)

1. Implementation of the Joint Certification as a documentary requirement for Applications to Increase of Capital Stock by way of Cash Infusion is discontinued effective immediately.
2. The SEC, aligned with the international standards set by the International Organization of Securities Commissions (IOSCO), outlines a regulatory framework for Crypto-Asset Service Providers (CASPs) in the Philippines, focusing on investor protection and maintaining the integrity of the financial system amid the widespread adoption of crypto-assets in the Philippines.
3. Crypto-assets shall not be sold, offered for sale, or distributed in the Philippines without complying with the provisions of the SEC CASP Rules and Guidelines. A disclosure document must be filed and published at least 30 days before any marketing activities or the actual offering.
4. Crypto-asset securities shall not be sold or offered for sale or distribution within the Philippines without a Registration Statement duly filed with and approved by the SEC before sale. Initial Coin Offerings are covered if characterized as sales of securities.
5. Only duly registered corporations under Philippine laws duly licensed by concerned regulatory agencies (i.e., SEC, BSP) can market crypto-assets and crypto-asset services. All forms of marketing must be clear, concise, and accurately disclose risks. CASPs are responsible for the actions of their agents in marketing.

Court of Tax Appeals (CTA)

1. An intercompany offsetting arrangement is considered acceptable foreign currency payment in accordance with BSP rules and regulations, for VAT zero-rating purposes.
2. Party-litigants should prove every minute aspect of their case by presenting, formally oering, and submitting to the CTA all evidence required for the successful prosecution of its claim. The review of the CTA is not limited to whether or not the CIR committed gross abuse of discretion, fraud, or error of law.
3. The extraordinary 10-year prescriptive period applies to a false return when a) such return contains an error or misstatement, and b) the error or misstatement was deliberate or willful. Thus, the extraordinary prescriptive period does not apply to all cases of errors or misstatements but only to intentional ones.

Supreme Court

1. The BIR must ensure that all supporting documents are attached before accepting the waivers, including the notarized written authority of the representative to sign them on the corporation's behalf, otherwise, they shall be void.
2. An entity enjoying incentives under the special law is not the seller but the buyer in the transaction. Thus, while the said entity is a VAT-exempt entity, its transactions with its suppliers are not considered zero-rated or effectively zero-rated sales under the Tax Code.

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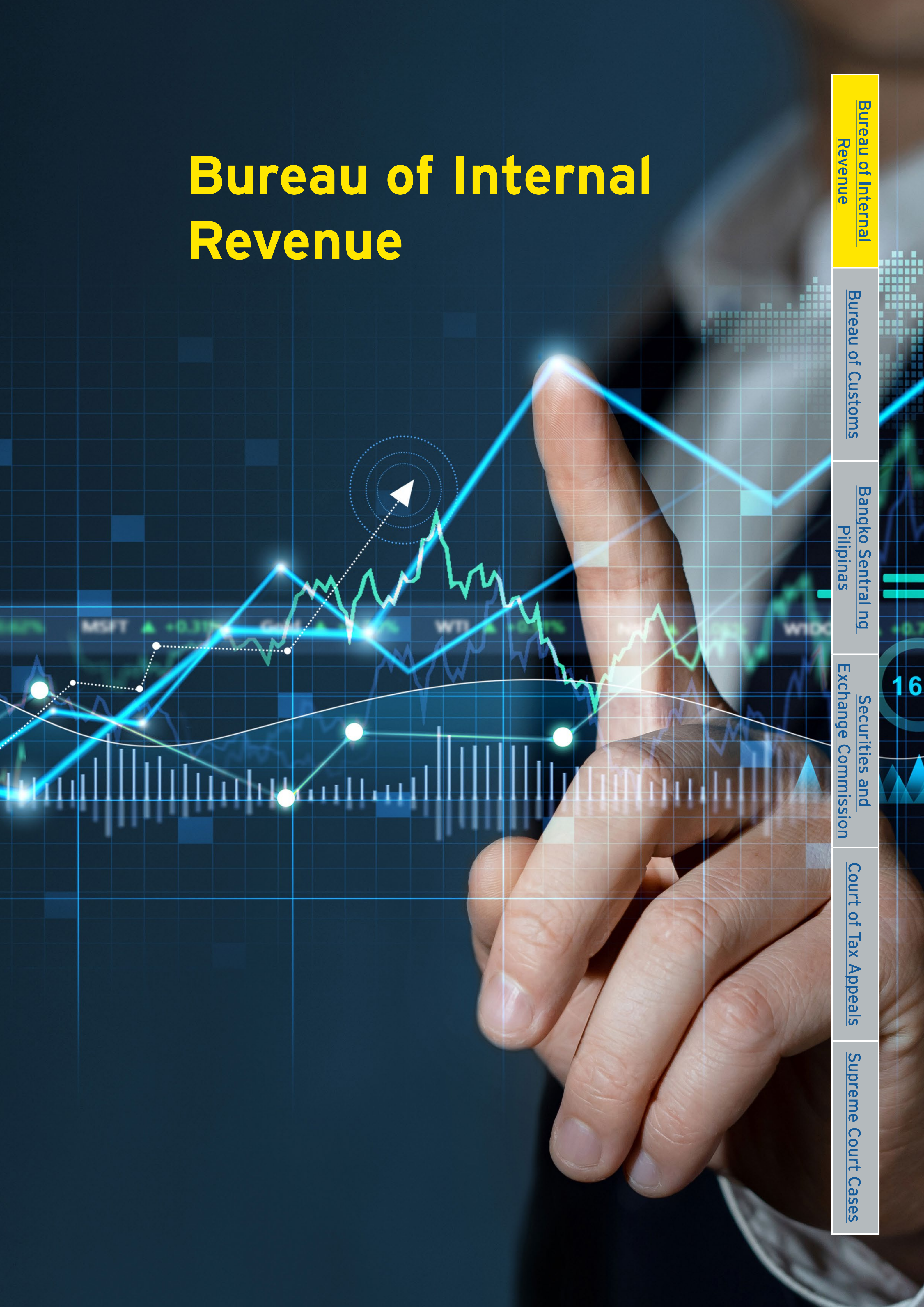


Bureau of Internal Revenue

RMC No. 52-2025 dated 30 May 2025 circularizes the new BIR Form No. 2550-DS [Value-Added Tax (VAT) Return for Non-resident Digital Service Providers] in relation to Republic Act (RA) No. 12023 and RR No. 3 2025.

Revenue Memorandum Circular (RMC) No. 52-2025 dated 30 May 2025

- Under this RMC, this new VAT return (BIR Form No. 2550-DS) will be used by Non-resident Digital Service Providers and that a separate revenue issuance shall be issued as the manner and guidelines for the filing and payment of VAT on Digital Services as implemented by RR No. 3-2025.

RMC No. 53-2025 circularizes the Implementing Rules and Regulations (IRR) of RA No. 12079 prescribing the guidelines, procedures, and standards for the implementation of a VAT Refund System for non-resident tourists in the Philippines.

RMC No. 53-2025 dated 4 June 2025

- This IRR applies only to Value-Added Tax refund claims of tourists visiting the Philippines on their local purchases of eligible goods from duly accredited stores.

- The following are salient definitions in relation to this RMC:

    - "**Duly Accredited Stores**" – refer to brick-and-mortar stores or physical retail establishments accredited under this IRR where customers can visit in person to purchase goods.
    - "**Tourist**" - refers to non-resident foreign passport holders who visit the Philippines. For purposes of this IRR, the term "non-resident" shall refer to an individual who is a mere transient or sojourner who comes to the Philippines for a definite purpose which in its nature may be promptly accomplished.
    - "**VAT Refund System (VRS)**" – refers to an end-to-end system by which an eligible tourist can claim VAT refund for locally purchased goods.
    - "**VRS Operator**" – refers to a third-party entity engaged for the design, build, and overall operations of the VRS.

- Requisites for a tourist to validly claim a VAT refund:

    1. Goods are purchased in person by tourist from duly accredited stores
    2. Goods physically taken out of Philippines within 60 days from date of purchase
    3. Value of goods purchased per single transaction is equivalent to at least Php3,000 covered by a single invoice; Provided, the amount is adjusted using cumulative inflation for the past three years as published by the Philippine Statistics Authority (PSA)

- Below is the summary of goods that are eligible and ineligible for a VAT refund:

Eligible Goods Retail and Tangible goods	Ineligible Goods
▪ Clothing and Apparel ▪ Electronics and Gadgets ▪ Jewelry ▪ Accessories ▪ Souvenirs ▪ Food and Non-food consumables ▪ Other goods for personal use	▪ Goods in commercial quantity ▪ Goods consumed fully or partially in the Philippines ▪ Goods purchased from e-marketplaces and other digital or online stores ▪ Services (Transportation, Accommodation, Other Hospitality Services)

- The said RMC likewise provides for the VAT refund process and general guidelines.

The crime of Unlawful Pursuit of Business and its penalty under Section 258 of the Tax Code applies to failure to register a business, not to the non-payment of the Php500 annual registration fee, which has already been repealed under RA No. 11976 (Ease of Paying Taxes Act).

RMC No. 55-2025 dated 10 June 2025

RMC No. 55-2025 clarifies Section 24 of RA 12214 or the Capital Markets Efficiency Promotion Act (CMEPA) as follows:

- Based on the amendment under CMEPA, any person who carries on any business without registering the same with the BIR in accordance with Section 236 of the Tax Code shall, upon conviction for each act or omission, be punished by a fine of not less than Php5,000 but not more than Php20,000, and imprisonment of not less than six months but not more than two years.

- In the case of a person engaged in the business of distilling, rectifying, repacking, compounding, or manufacturing any article subject to excise tax, the penalty shall be a fine of not less than Php30,000 but not more than Php50,000, and imprisonment of not less than two years but not more than four years.

- The recent amendment not only clarifies but firmly reinforces that the crime of Unlawful Pursuit of Business and its penalty under Section 258 of the Tax Code applies to failure to register a business, not to the non-payment of the Php500 annual registration fee, which has already been repealed under RA No. 11976 *(Ease of Paying Taxes Act).*

RMC No. 56-2025 amends and aligns the provisions of RMC 92-2024 with Sections 188, 193, and 201 of the Tax Code, specifically on the payment and affixture of loose documentary stamps to taxable documents prior to notarization.

RMC No. 56-2025 dated 10 June 2025

DST must be affixed before notarization:

- The Supreme Court issued a Memorandum on 15 November 2024 reminding the notaries public to strictly comply with Paragraph 2, Section 201 of the Tax Code, viz:

"No notary public or other officer authorized to administer oaths shall add his jurat or acknowledgment to any document subject to documentary stamp tax unless the proper documentary stamps are affixed thereto and cancelled."

- The said RMC likewise amends certain provisions of RMC No. 92-2024, such as the inclusion of this provision:

  This Circular covers the payment and affixture of loose documentary stamps to the following taxable documents:

  a.) On each certificate of damages or otherwise, and on every other certificate or document issued by any customs officer, marine surveyor, or other person acting as such, and on each certificate issued by a notary public, and on each certificate of any description required by law or by rules or regulations of a public office, or which is issued for the purpose of giving information, or establishing proof of a fact, and not otherwise specified in Section 188 of the Tax Code
  b.) Powers of attorney to perform any act whatsoever, except acts connected with the collection of claims due from or accruing to the Government of the Republic of the Philippines, or the government of any province, city or municipality

- Additionally, this RMC introduced a provision on Prohibition on Notarization of Taxable Documents without Required Documentary Stamps:

  A notary public shall only add his/her jurat or acknowledgment to any document subject to documentary stamp tax when the required documentary stamps have been affixed and cancelled, pursuant to Section 201 of the Tax Code.

RMC No. 60-2025 circularizes RA No. 12214, otherwise known as the Capital Markets Efficiency Promotion Act (CMEPA), along with the veto message from President Ferdinand R. Marcos, Jr.

RMC No. 60-2025 dated 11 June 2025

The following are the key amendments of the CMEPA to RA 8424, otherwise known as the National Internal Revenue Code of 1997, as amended:

Current	CMEPA
Definition	
"Securities" means shares of stock in a corporation and rights to subscribe for or to receive such shares. The term includes bonds, debentures, notes or certificates, or other evidence or indebtedness, issued by any corporation, including those issued by a government or political subdivision thereof, with interest coupons or in registered form	a) Updates to the tax definitions of "Securities" to include those with electronic evidence (no physical evidence) b) Definition of "passive income" as any income that is earned from sources that do not require a taxpayer's active pursuit and performance of trade or business and is not subject to VAT
Tax on net gains realized from sale or disposal of shares of stock in a foreign corporation	
Part of gross income	**15%** tax on net gains realized from sale or disposal of shares of stock in a foreign corporation (outside the stock exchange)
Interest income of citizens and residents from Foreign Currency Deposit Units (FCDUs) and long term deposits	
Interest income of resident individuals from FCDU is subject to **15%** and interest income from long term deposits and investments are exempt from tax	Deleted, thereby making all interest income subject to **20% final tax**
Capital gains tax on sale or disposal of shares of stocks not traded in the stock exchange	
Applies only to shares of a domestic corporation (not disposed through local stock exchange)	Now includes shares in foreign corporations not disposed through a foreign stock exchange
Stock Transaction Tax (STT)	
▪ Applies only to disposal of shares listed and traded through a local stock exchange ▪ STT rate is **0.6%** of the gross selling price	▪ STT on disposal of shares listed and traded through a local stock exchange and disposal of shares of a domestic corporation listed in a foreign stock exchange. ▪ STT rate is **0.1%** of the gross selling price
Gains from sale of long-term bonds (with maturity of more than five years)	
Excluded from gross income	Exclusion from gross income is removed. Income from long term bonds is now part of gross income.

Current	CMEPA
Interest income and gains from sale of project-specific bonds	
No equivalent provision	Exclusion from gross income of interest income and gains from the sale or disposal of **Project Specific Bonds**. Specific Bonds that are issued by The Republic of the Philippines or any of its instrumentalities to finance capital expenditures or programs covered by the Philippine Development Plan or its equivalent and other high-level priority programs of the government.
Gains from redemption of Unit Investment Trust Fund (UITF)	
No equivalent provision	Additional exclusion from gross income of gains from the redemption of units of participation in a mutual fund or UITF
Excise tax on pick-ups	
Exempt	Subject to excise tax
Documentary Stamp Tax (DST) on original issuance of shares	
1% of the par value	**0.75%** of the par value
DST on original issuance of certificates, redemption, and disposition of UITFs and mutual funds	
Original Issuance: **1%** of the par value	**Exempt**

- **Transitory Provisions.** Any tax exemptions and preferential rate on financial instruments issued or transacted prior to 1 July 2025 shall be subject to the prevailing tax rate at the time of its issuance for the remaining maturity of the relevant agreement.

- However, there are certain provisions under CMEPA that was vetoed, specifically:

  - Removal of tax exemptions on non-residents' income from transactions with FCDUs
  - Imposition of documentary stamp tax on bettors in authorized number games
  - Repeal of exemptions granted to the Philippine Guarantee Corporation (PHILGUARANTEE).

- CMEPA took effect on 1 July 2025 after complete publication.

RMC No. 61-2025 circularizes Section 27 of Republic Act No. 12214, otherwise known as the "Capital Markets Efficiency Promotion Act" (CMEPA), which provides for the repeal or modifications of the tax exemptions of certain transactions under various laws, beginning 1 July 2025 the tax exemptions provided are no longer available and are already subject to applicable taxes without prejudice to the transitory provision under Section 28 of the CMEPA.

RMC No. 61-2025 dated 19 June 2025

These are the repealed provisions:

a. *Section 9, tax exemptions on the issuance of bonds and securities of Presidential Decree (PD) No. 1648, Reorganizing the National Development Company and Establishing a Revised Charter Therefor*

b. *Section 6,7, and 8, tax exemptions on interest income, capital gains and documentary stamp tax and on the issuance of bonds of EO no. 603, Creating a Light Rail Transit Authority, Vesting the Same with Authority to Construct and Operate the Light Rail Transit (LRT) Project and Providing Funds Therefor*

c. *Section 14, tax exemptions on interest income, capital gains and documentary stamp tax of RA No. 7354, An Act Creating the Postal Corporation, Defining its Powers, Functions and Responsibilities, Providing for Regulation of the Industry and for Other Purposes Connected Therewith*

d. *Section 12, tax exemptions on interest income, capital gains and documentary stamp tax, and on the issuance of bonds of RA No. 4850, An Act Creating the Laguna Lake Development Authority, Prescribing its Powers, Functions and Duties, Providing Funds Therefor, and for Other Purposes*

e. *Number 8, tax exemptions on interest income, capital gains, and documentary stamp tax of PD No. 37, Creating the Nayong Pilipino Foundation*

f. *Section 12, tax exemptions on interest income, capital gains and documentary stamp tax of PD no. 205, Creating and Establishing the Development Academy of the Philippines, Defining its Powers, Functions, and Responsibilities, and for Other Purposes*

g. *Article 204, tax exemption of the state insurance fund on capital gains of PD No. 442, Labor Code of the Philippines, as amended*

h. *Section 10 and 11, tax exemptions on interest income, capital gains and documentary stamp tax of subsidiaries of Philippine Aerospace Development Corporation and on the issuance of bonds of PD No. 696, Revising PD No. 286, The Charter of the Philippine Aerospace Development Corporation and for Other Purposes*

i. *Section 2 (g), tax exemptions on interest income and on the issuance of bonds, of RA no. 85 as amended by RA No. 2081, An Act Creating the Rehabilitation Finance Corporation*

j. *Section 76, 77 and 98, tax exemptions on interest income, dividends, capital gains, and the documentary stamp tax on bonds of RA No. 3844, as amended by RA No. 6389, Agricultural Land Reform Code*

k. *Section 24, tax exemption on interest income and on the issuance of bonds of RA No. 3591, as amended by RA No. 9576 and RA No. 10846, An Act Increasing the Maximum Deposit Insurance Coverage, and in Connection Therewith, to Strengthen the Regulatory and Administrative Authority, and Financial Capability of the Philippine Deposit Insurance Corporation (PDIC), Amending for this Purpose RA No. 3591 as Amended, The PDIC Charter, and for Other Purposes*

l. *Section 12, tax exemptions on interest income, capital gains, and documentary stamp tax and on the issuance of bonds of EO No. 1037, Creating the Philippine Retirement Park System. Providing Funds Therefore and or Other Purposes*

m. *xxx (vetoed by the President)*

n. *Section 8 (a), tax exemptions on interest income, capital gains, and documentary stamp tax of bonds under Section 1 of RA No. 6395, An Act Revising the Charter of the National Power Corporation*

o. *Section 9 and 15, tax exemption on interest income, capital gains, documentary stamp tax and on the issuance of bonds, of PD No. 334, as amended by PD No. 572, Creating the Philippine National Oil Company, Defining its Powers and Functions, Providing Funds Therefor, and for Other Purposes*

p. *Section 16, tax exemption on capital gains of PD No. 1467, Creating the Philippine Crop Insurance Corporation, Prescribing its Powers and Activities, Providing for its Capitalization and for the Required Government Premium Subsidy, and for Other Purposes*

q. *Section 56, tax exemption on capital gains of RA No. 10801, An Act Governing the Operations and Administration of the Overseas Workers Welfare Administration*

r. *Section 28, tax exemption on documentary stamp tax of RA No. 9267, Securitization Act of 2004*

s. *Section 6 of RA No. 6426, Foreign Currency Deposit Act of the Philippines, as amended*

t. *Section 16 (b), tax exemptions on interest income, dividends, and capital gains, of RA No. 9497, An Act Creating the Civil Aviation Authority of the Philippines, Authorizing the Appropriation of Funds Therefor, and for Other Purposes*

u. *Section 21, tax exemptions on interest income, dividends and capital gains of RA No. 7356, An Act Creating the National Commission for Culture and the Arts, Establishing a National Endowment Fund for Culture and the Arts and for Other Purposes*

v. *Section 23 (a), tax exemptions on interest income, dividends and capital gains of RA No. 10086, An Act Strengthening People's Nationalism through Philippine History by Changing the Nomenclature of the National Historical Institute into the National Historical Commission of the Philippines, Strengthening its Powers and Functions and for Other Purposes*

w. *Section 11, tax exemptions on interest income, dividends and capital gains of PD no. 1201, series of 1977, Creating the Philippine Institute for Development Studies*

x. *Section 11, tax exemption on interest income, dividends and capital gains, of RA No. 2640, as amended by BP Biling 35, An Act to Create a Public Corporation to be Known as the Veterans Federation of the Philippines, Defining its Powers and for Other Purposes*

y. *Section 12, tax exemptions on interest income, dividends and capital gains, of RA No. 4156, as amended by RA No. 6366, An Act Creating the Philippine National Railways, Prescribing its Powers, Functions and Duties and Providing for the Necessary Funds for its Operation*

z. *Section 15, tax exemptions on capital gains and documentary stamp of RA No. 9182, as amended by RA No. 9343, An Act Granting Tax Exemptions and Fee Privileges to Special Purpose Vehicles Which Acquire or invest in Non-Performing Assets, Setting the Regulatory Framework Therefor, and for Other Purposes*

Bureau of Customs

Bureau of Customs

Implementation of Revenue Regulations No. 09-2025, which Implemented Section 295(D) of the National Internal Revenue Code of 1997 (Tax Code), As Amended by Section 18 of Republic Act No. 12066 or the "Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (Create More Act)

CMC No. 113-2025 clarifies that the sale of goods and services to domestic market enterprises or non-Registered Business Enterprises (RBEs) are now considered "local sales," which falls outside the jurisdiction of the BOC, and is within the jurisdiction of the BIR, for VAT purposes.

Customs Memorandum Circular (CMC) No. 113-2025 dated 2 June 2025

Per Memorandum dated 22 May 2025 issued by the Deputy Commissioner, Operations Group, the Bureau of Customs (BOC) shall allow the release of goods locally sold by Registered Business Enterprises upon the presentation of the BIR Form No. 0605 for VAT purposes. The BOC officers shall continue to assess and collect all applicable duties, taxes (excluding VAT), and other charges on the imported raw materials used in or forming part of the finished goods, for which collection was previously suspended at the time of importation by the RBE.

The RBE shall make an appropriate goods declaration for such raw materials and pay the corresponding duties, applicable taxes except VAT, and other fees and/or charges thereon, with attached BIR Form No. 0605.

Establishment of MRO-F.A.S.T. Customs Procedures in Clark Freeport Zone

CMC No. 120-2025 introduces Joint Memorandum Order (JMO) No. 01-2025, a collaborative initiative between the Bureau of Customs – Port of Clark (BOC-Clark) and the Clark Development Corporation. The JMO establishes the Maintenance, Repair, and Overhaul – Facilitated Access for Services and Trade (MRO-F.A.S.T.) System, a streamlined and standardized framework for customs procedures within the Clark Freeport Zone (CFZ).

Customs Memorandum Circular (CMC) No. 120-2025 dated 9 June 2025

The MRO-F.A.S.T. System applies to Registered Business Enterprises (RBEs) operating in the CFZ that are engaged in MRO activities and have been granted tax and duty privileges by the CDC. It covers the admission of aircraft parts, exportation of unserviceable components for repair, and the subsequent importation of serviced or replacement parts and accessories.

The importation of materials for MRO activities of qualified CFZ RBEs shall be covered by the CDC's Electronic Transit Admission Permit (eTAP) and the BOC's Transit Single Administrative Document (TSAD), with the invoice, packing list, airway bill or bill of lading and list of importables. The application for eTAP under the MRO-F.A.S.T. System shall be processed within 24 hours upon receipt of the complete documentary requirements submitted via email at tfdassist@clark.com.ph, while the clearance of the TSAD lodged through the E2M system shall also be processed within 24 hours upon receipt of the complete documentary requirements through the Customer Care Portal System (CCPS).

The exportation of materials related to MRO Activities of CFZ RBEs covered by the MRO-F.A.S.T. shall be covered by the application of CDC Electronic Export Documentation (eED), and the general requirements for exportation with the BOC. Applications for the CDC eED under the MRO-F.A.S.T. System shall be processed within 24 hours upon receipt of the complete documentary requirements submitted via email at tfdassist@clark.com.ph and CCPS for BOC related transactions.

All import and export shipments will be subject to the joint mandatory inspection of the CDC and BOC-Clark at the Customs Clearance Area prior to the release to the consignee's premises.

For further details, please refer to the full text of the CMC, which includes the Joint Memorandum Order No. 01-2025, which provides for the specific roles and responsibilities of the Bureau of Customs, Clark Development Corporation, and CFZ RBEs.

Bangko Sentral ng Pilipinas

Bangko Sentral ng Pilipinas

In accordance with Section 921/921-Q (Customer Due Diligence and Enhanced Due Diligence) of the Manual of Regulations for Banks and Manual of Regulations for Non-Bank Financial Institutions, all BSP- supervised financial institutions (BSFIs) are reminded to incorporate Negative Media Report (NMR) screening as an integral procedure in the conduct of Customer Due Diligence (CDD), completing the on-going transaction monitoring (TM) system and processes

BSP Memorandum No. M-2025-017: Reminder on Risk Management Practices on Handling Adverse or Negative Media Reports issued on 27 May 2025

NMR refers to published or televised adverse news, advisories, and/or reports on certain individuals and entities.

BSFIs are expected to adopt policies and procedures in the conduct and handling of NMR screening results, which should include the following:

1. Updating of the Institutional Risk Assessment (IRA) – updating the IRA on newly-identified financial crime threats and emerging trends relevant to its products and services, and other relevant AML/CFT developments that may have an impact on its operations and affected controls, if any.

2. Sources of NMRs and Database Maintenance – they shall keep an updated list of NMR sources and maintain a database of persons or entities subject of NMRs. Key sources of NMRs include news articles, public registers, court/congressional/senate records, as well as publicized hearings and deliberations, among other.

3. Customer and Transaction Screening and Scrubbing - To ensure holistic investigation, screening and scrubbing shall extend to ultimate beneficial owners and authorized signatories of juridical customers, as well as related parties/interests and counterparties involving material and significant transactions.

4. Account management measures – they shall identify the action that may be triggered by the results of the NMR investigation, whose range shall be calibrated based on the severity of the results. These actions may include flagging the customer's account for ongoing monitoring and periodic EDD, lookback on relevant transactions especially those with attendant suspicious circumstances, filing of STR and RER based on the results of investigation, account restriction, review of business relationship, or termination of relationship, among others.

5. Adequate management information system – they shall analyze the significance of NMRs and assess the impact of the possible operational, compliance, legal, concentration and reputational risks brought by clients' subject of NMRs.

Secrecy of bank deposits rule does not apply to Financial Account Scamming

BSP Circular No. 1214 series of 2025: Rules of Procedure on the Conduct of Inquiry into Financial Accounts and Sharing of Financial Account Information by the BSP Pursuant to the Anti-Financial Account Scamming Act (AFASA) issued on 30 May 2025

Below are the salient provisions of the Circular:

- Authority to investigate and inquire into accounts: The BSP shall have the authority to investigate and inquire into Financial Accounts which may be involved or utilized in the commission of a Prohibited Act. The provisions of Republic Act No. 1405, as amended, or the "Secrecy of Bank Deposits Law"; Republic Act No. 6426, as amended, or the "Foreign Currency Deposit Act of the Philippines"; Republic Act No. 8367, or the "Revised Non-Stock Savings and Loan Association Act of 1997"; and Republic Act No. 10173, or the "Data Privacy Act of 2012," shall not apply to any Financial Account subject of BSP's investigation and inquiry.

- The information sharing agreement between BSP and the Competent Authority shall be in writing, notarized, and shall contain the terms and conditions for the sharing of Financial Account Information, including, but not limited, to the following:

    - Undertaking of the Competent Authority to use the Financial Account Information for the specific purposes
    - Position or designation of the officers of the Competent Authority who are authorized to request and receive Financial Account Information from BSP
    - Dedicated official electronic mail (e-mail) accounts to be used in the electronic transmission of Requests and correspondence between BSP and the Competent Authority, as well as the official address of the Competent Authority where physical copies of the orders, notices, correspondences, and other relevant documents will be delivered
    - Security measures to protect Financial Account Information obtained from BSP
    - Duration, periodic review, and renewal of the Information Sharing Agreement

Request for inquiry into a financial account shall be done electronically and be accompanied by documents and pieces of evidence in support of the Competent Authority's finding that the Financial Account subject of the Request was involved or utilized in the commission of a Prohibited Act. These may include affidavits of the investigating officers, private complainants, victims, or witnesses; forensic analysis reports; business records; transaction logs and records; photographs; and video recordings.

BSP Circular No. 1213 series of 2025: Amendments to Regulations on Information Technology Risk Management to Implement Section 6 of the Anti-Financial Account Scamming Act (AFASA) issued on 30 May 2025

To ensure robustness of their FMS, covered BSFIs shall implement all of the following essential fraud rules and mechanisms:

i. **Transaction velocity checks or thresholds.** Monitoring the frequency of incoming and outgoing transactions within a specific time frame to detect unusually rapid activity, which may indicate fraudulent behavior. The FMS should be able to detect, and/or block transactions with unusual velocity, such as multiple, similar, simultaneous, or consecutive transactions, including those that might be facilitated through automated bots, malware, zero-day exploits, and other similar means or attack vectors. Additionally, risk-based thresholds or limits for the amount or volume of transactions, based on the risk profile of the consumer, may be imposed to detect and/or block usage outside the customer's normal spending patterns.

ii. **Mobile device and account information changes.** Monitoring changes on the mobile device and account identifying information such as mobile number and email address, among others, which may indicate account takeover attacks. The FMS should be capable of analyzing subsequent transactions for fraud patterns and temporarily blocking transactions for a certain timeframe once suspicious activities are noted after the change.

iii. **Geolocation monitoring.** Tracking the geographic location of transaction initiators to identify activities from unexpected locations. The FMS should be capable of stopping transactions outside the usual location or country, or triggering enhanced due diligence procedures, as necessary.

iv. **Blacklist screening**. Analyzing transactions against databases of unsecure merchants, as well as account activities associated with mobile devices and IP addresses involved in fraudulent transactions. The FMS should include rules to block such transactions to prevent fraud exposure of customers.

v. **Behavioral Anomalies**. Detecting deviations from a user's typical behavior, such as spending patterns or login habits, which could indicate unauthorized access. This also includes deviations in collective transactional behavior such as the execution of multiple fund transfers with few or same recipients, or patterns of numerous transactions indicating concentration to very few recipients with no business purpose.

These are the guidelines to be observed in the live submission of COCREE 2.0

BSP Memorandum No. M-2025-019: Updated Guidelines on the Implementation of the Enhanced Comprehensive Credit and Equity Exposures Report of 2023 (COCREE 2.0) issued on 19 June 2025

The following guidelines shall be observed for the ongoing live submission of the Enhanced Comprehensive Credit and Equity Exposures Report of 2023, referred to as COCREE 2.0:

1. COCREE 2.0 shall be submitted monthly through the BSP Relationship Management System (BRMS) – COCREE 2.0 Live Module which is accessible daily from 6:00 a.m. to 8:00 p.m., except on weekends (Saturday and Sunday) and holidays. Any change in the schedule of availability of the BRMS – COCREE 2.0 Live Module shall be announced by the Credit Reporting System Unit (CRSU).

2. The schedule for reporting periods 30 April 2025 and onward is, as follows:

Monthly Reporting Period	Due Date
30 April 2025	8 July 2025
31 May 2025	31 July 2025
30 June 2025	12 August 2025
31 July 2025	10 September 2025
31 August 2025	7 October 2025
30 September 2025 and onward	25 business days after reference reporting period

3. COCREE 2.0 submissions must be complete, accurate, consistent, and timely to be considered compliant with the reporting standards prescribed under existing regulations. BSP-Supervised Financial Institutions (BSFIs) should therefore ensure the COCREE 2.0 reconciles with other regulatory reports submitted to the BSP and contains true and correct information on borrowers/counterparties.

4. Imposition of penalties for COCREE 2.0 reporting violations shall be strictly enforced beginning with reporting period 30 September 2025. The prior reporting periods shall serve as a grace period for BSFIs to make the necessary adjustments to ensure compliance with the above stated reporting standards. Only BSFIs that are actively engaged in submitting COCREE 2.0 through the BRMS-COCREE 2.0 Live Module shall be eligible for the grace period.

BSP Memorandum No. M-2025-020: Guidelines on the Registration, Replacement, and Use of E-mail Accounts Intended for Official Communications with the Consumer Account Protection Office in Relation to the Conduct of Inquiry into Financial Accounts with Clarification on the Submission of Report on Temporary Holding of Disputed Funds issued on 25 June 2025

The following are the guidelines:

A. **Registration of E-mail accounts**

1. All BSIs are required to register on or before 25 July 2025 the e-mail account/s that they will use to send and receive official communications, notices, and other documents in connection with CAPO's conduct of inquiry

2. BSI shall register its e-mail account/s by accomplishing the E-mall Account Registration Form (EARF). It must be signed and approved by the BSI's President or an officer of equivalent rank

3. BSI can officially register a maximum of three e-mail accounts. Each e-mail account shall be registered to a single officer only, one of whom must be the BSI's President, Chief Compliance Officer, Head of the Legal Department, or an officer of equivalent rank. In no case shall there be two or more registered officers for the same e-mail address

4. Scanned copy of the signed EARF in Portable Document Format (PDF), together with the accomplished MS Excel file of the EARF, shall be transmitted to caporegistry@bsp.gov.ph

B. **Replacement of Registered E-mail accounts**

1. Concerned BSI must notify CAPO and register replacement e-mail account/s by submitting a duly-accomplished E-mail Account Change Form (EACF), signed and approved by the BSI’s President or an officer of equivalent rank, within the following period:

Circumstance/Condition	Period
Authorized officer with access to a registered e-mail account is separated from service or is otherwise no longer authorized to act on behalf of the BSI.	Within three calendar days from the separation, or revocation of access, of the concerned officer.
Registered e-mail account has been compromised	Within 24 hours upon discovery of the compromise or security breach.

C. **Use of Registered E-mail Accounts**

1. CAPO shall use the e-mail account capo-fai@bsp.gov.ph in transmitting Inquiry Orders and other notices in relation to its conduct of inquiry to the registered e-mail account/s of a BSI.

2. CAPO shall only acknowledge and accept submissions from registered email accounts of BSIs. An electronic transmittal from an unregistered e-mail account shall be rejected and shall not be considered as an official submission of a BSI.

Securities and Exchange Commission

Securities and Exchange Commission

SEC Notice

Discontinuation of the use of the Joint Certification for Applications to Increase Capital Stock by Way of Cash Infusion
SEC Notice dated 25 June 2025

Due to low rate of availment and adoption, the implementation of the Joint Certification as a documentary requirement for Applications to Increase of Capital Stock by way of Cash Infusion is discontinued effective immediately.

SEC Memorandum Circulars

The SEC, aligned with the international standards set by the International Organization of Securities Commissions (IOSCO), outlines a regulatory framework for Crypto-Asset Service Providers (CASPs) in the Philippines, focusing on investor protection and maintaining the integrity of the financial system amid the widespread adoption of crypto-assets in the Philippines.

The SEC Rules on Crypto-Assets Service Providers (SEC CASP Rules)
SEC MC No. 4, Series of 2025 dated 30 May 2025

The Rules apply to all CASPs that are offering crypto-asset services and third-party service providers who engage in the marketing of crypto-assets and crypto-asset services.

Below are the key highlights:

- **Classification of Crypto-Assets**: Crypto-assets are defined as cryptographically secured digital representations of value or of a right that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions that can be transferred, stored, or traded electronically, categorizing them as financial products under the Securities Regulation Code (SRC) and the Financial Products and Services Consumer Protection Act (FCPA). This classification enhances consumer rights regarding fairness, transparency, asset protection, data privacy, and complaint resolution.

- **Public Offering of Crypto-Assets**: Crypto-assets shall not be sold, offered for sale, or distributed in the Philippines without complying with the provisions of the SEC CASP Rules and Guidelines. A disclosure document must be filed and published at least 30 days before any marketing activities or the actual offering.

- **Public Offering of Crypto-Asset Securities**: Crypto-asset securities shall not be sold or offered for sale or distribution within the Philippines without a Registration Statement duly filed with and approved by the SEC before sale. Initial Coin Offerings are covered if characterized as sales of securities.

- **Marketing of Crypto-Assets and Services**: Only duly registered corporations under Philippine laws duly licensed by concerned regulatory agencies (i.e., SEC, BSP) can market crypto-assets and crypto-asset services. All forms of marketing must be clear, concise, and accurately disclose risks. CASPs are responsible for the actions of their agents in marketing.

- **SEC AMLC Rules Compliance**: CASPs shall be considered as covered persons under the Anti-Money Laundering Act of 2021 (AMLA), as amended and are therefore subject to Anti-Money Laundering (AML), Countering the Financing of Terrorism (CTF), and Counter-Proliferation Financing (CPF).

- **Visitorial and Enforcement Powers of the Commission**: The SEC has the authority to inspect CASPs and enforce compliance with the rules. It can also impose sanctions for non-compliance, including investigations, fines, and cease and desist orders.

- **Liability and Administrative Sanctions**: CASPs are liable for the actions of their representatives in marketing and transacting with consumers. Administrative sanctions apply for violations of the rules.

The Rules take effect 30 days after their publication in two newspapers of general circulation.

The SEC outlines comprehensive guidelines for the operations of Crypto-Asset Service Providers (CASPs) in the Philippines. These guidelines apply to all CASPs and third-party service providers involved in marketing crypto-assets and crypto-assets services.

The SEC Guidelines on the Operations of Crypto-Assets Service Providers (SEC CASP Guidelines)
SEC MC No. 5, Series of 2025 dated 30 May 2025

These are the salient parts of the guidelines:

- **Registration Requirements**: To register as a CASP, applicants must be SEC-registered corporations with a minimum paid-up capital of Php100 million in cash or property, excluding crypto-assets. They must maintain a physical office in the Philippines and submit various documents, including a written description of the software system or program, risk disclosure matrix and risk management strategies, business plan, and proof of payment of filing fees, among others. The SEC may impose additional requirements to protect investors.

- **Exemption from Registration**: The SEC may grant exemptions from registration if it serves public interest and investor protection.

- **Admission to Trading**: CASPs must comply with Section 5 of the SEC CASP Rules on public offering of crypto-assets in the Philippines. CASPs must ensure transparency and adherence to listing standards. They must assess the suitability of crypto-assets based on security, legality, and issuer reputation. The SEC retains authority to suspend or remove crypto-assets from trading to safeguard investors.

- **Operational Requirements**: CASPs are required to always act in the best interests of clients, ensuring fair access to services. They must establish robust systems for order processing, security, and risk management, including regular audits and contingency plans. Client support and complaint handling procedures must be effective and accessible.

- **Client Suitability**: CASPs must evaluate clients' understanding of crypto-asset risks and financial capacity before allowing participation in services. Unsuitable clients should be denied access.

- **Anti-Money Laundering and Counter Terrorism Financing**: CASPs must comply with anti-money laundering and counterterrorism financing regulations, ensuring adherence to relevant laws.

- **Cybersecurity**: Robust security measures must be implemented, including secure authentication, data encryption, and regular audits. CASPs are responsible for maintaining cybersecurity standards and must conduct annual independent assessments.

- **Outsourcing**: CASPs may not outsource critical services to third parties if it will materially affect or impair exposure to operational risks, quality of internal controls, or the ability of the SEC and other competent authorities to regulate. All outsourcing agreements must be documented, and CASPs remain accountable for third-party actions.

- **Suspension or Revocation of License**: The SEC can suspend or revoke CASP licenses for non-compliance with CASP Rules and Guidelines, failure to use authorization within 12 months from date of grant, operational cessation, false or misleading representation of material facts, or fraudulent activities.

- **Prohibited Acts**: Engaging in crypto-asset services without SEC authorization or misrepresenting oneself as a CASP is strictly prohibited.

- **Reportorial Requirements**: CASPs must maintain detailed operational records and submit regular reports to the SEC, including financial statements and user activity summaries.
- **Fees and Penalties**: All applications for registration shall be accompanies by an initial filing fee of Php50,0000. CASPs shall also pay supervision fees, on a semestral basis on or before the 10th day of the end of every semester, based on gross revenue during the preceding year.

First Php2,000,000,000 of gross revenue	1/300 of 1%
For the next Php2,000,000,000 of gross revenue	1/200 of 1%
Onwards	1/100 of 1%

  A penalty of Php10,000 basic fine plus Php500 per day of delay for late or non-filing of reports and penalty ranging from Php50,000 per violation (first instance) to Php200,000 per violation, and cancellation of registration (third instance and onwards) for any violation of the Guidelines shall also apply.

- **Implementation**: The PhiliFintech Innovation Office (PhiliFINNO) or such other unit that the SEC may create, shall be the primary implementing body of the CASP Rules and Guidelines.

The Circular shall take effect within 30 days after its publication in two newspapers of general circulation.

SEC Opinion

The SEC discussed the substantial distinction between "compensation" and "reasonable per diems" received by Board of Trustees and whether the latter is subject to approval or ratification from the corporation's members.

Compensation vis-à-vis Reasonable Per Diems of the Board of Trustees
SEC OGC Opinion No. 25-07 dated 30 April 2025 (uploaded on 19 June 2025)

"Per diems" are allowances of money for daily expenses and is limited to a day's service, while "compensation" refers to payment for services rendered and does not imply immediate payment nor the payment of cash fare or its equivalent.

Section 29 of the Revised Corporation Code (RCC) outlines that directors or trustees cannot receive compensation **in their capacity as such** except reasonable per diems; unless such compensation is provided for in the by-laws or approved by the majority of the stockholders representing at least a majority of the outstanding capital stock or the majority of the members in a regular or special meeting. The directors or trustees may, however, receive compensation for services rendered in their capacity **other than** as directors/trustees.

Approval of Per Diems
The approval of per diems does not require prior consent from stockholders or members, although they can review and inquire into the reasonableness of the amounts.

Court of Tax Appeals

Court of Tax Appeals

Company A vs. Commissioner of Internal Revenue
CTA E.B. No. 2897, promulgated 3 June 2025

An intercompany offsetting arrangement is considered acceptable foreign currency payment in accordance with BSP rules and regulations, for VAT zero-rating purposes.

Facts:

Company A is a Regional Operating Headquarters (ROHQ) of a multinational group which is organized and existing under the laws of Switzerland. The ROHQ is licensed by the SEC as an ROHQ, to engage in general administration and planning; business planning and coordination; sourcing/procurement of raw materials and components; corporate finance advisory services; sales promotion; training and personnel management; logistics services; research and development services; product development; technical support and maintenance; data processing and communication; and business development.

The ROHQ filed its administrative claim for VAT refund alleging that it incurred excess and/or unutilized input VAT arising from its zero-rated sales during the 1st and 2nd quarters of calendar year (CY) 2018. It alleged that it had an offsetting arrangement with the NRFCs which is "equivalent of the acceptable foreign currency payment," for purposes of VAT zero-rating.

Allegedly, Company A acts as the "central bank" of the Group of which the ROHQ is a part of, which maintains the group current account. From this account, various affiliates charge their respective advances, while offsetting their individual receivables against the group account for services rendered under the General Framework Services Agreement (GFSA) and Short-Term Credit Facility Agreement (STCFA).

Whenever the ROHQ obtains a "loan" from its head office, Company A, which essentially constitutes its monthly funding, the amount is credited to the Company A group current account. In turn, the receivables from services rendered to affiliates are debited or offset against the same account.

However, the Commissioner of Internal Revenue (CIR) denied its administrative VAT refund claim.

Then, the ROHQ filed the Petition for Review which was also denied on the ground that it failed to establish that it was engaged in zero-rated sales of services.

Specifically, the Court in Division held that the ROHQ failed to prove the existence of a valid offsetting arrangement, or even assuming the ROHQ had established the existence of a valid offsetting arrangement, it still failed to establish the actual details of offsetting. The only evidence presented for such purpose, the Schedule of Offsetting of Receivables, was in a language not understood by the Court.

Issue:

Was the ROHQ entitled to the refund of its excess and/or unutilized input VAT arising from its zero-rated sales during the 1st and 2nd quarters of CY 2018?

Ruling:

No, the ROHQ was not entitled to the refund, as it failed to prove that it was engaged in zero-rated or effectively zero-rated sales.

An offsetting arrangement is recognized as an alternative to actual inward remittance of foreign currency proceeds in export sales and is considered acceptable foreign currency payment in accordance with BSP rules and regulations, for VAT zero-rating purposes.

However, while the STCFA confirms that the ROHQ had loan transactions in foreign currency with Company A, the STCFA fails to show that such advances can be offset against receivables from the ROHQ's sale of services to other affiliates.

If there is indeed an offsetting arrangement between and among Company A's affiliates, the same must be covered by a separate agreement between and among such affiliates.

Unfortunately, the ROHQ failed to adduce evidence of this separate agreement. The ROHQ thus failed to prove before the Court that there exists a valid offsetting arrangement in the present case that may serve as an alternative to actual inward remittance of foreign currency in consideration for the services it rendered to NRFCs not doing business in the Philippines. Consequently, the ROHQ failed to prove that it is engaged in zero-rated sales of services under Section 108 (B) (2) of the Tax Code, as amended.

Also, while the offsetting schedule may contain only 14 foreign terms (the remainder consisting mostly of numbers), the Court in Division correctly observed that the document is predominantly written in a language foreign to the Court.

Indeed, the Court in Division expressly stated that it could not comprehend what the schedule purports to show.

Unfortunately, despite the Court in Division having expressly drawn the ROHQ's attention to this deficiency in the assailed Decision, the ROHQ failed to remedy the same or to submit a translation or adequate explanation that would clarify the contents of the offsetting schedule. This omission remained unaddressed even in the ROHQ's subsequent submissions, including the present Petition for Review, thereby preventing the Court En Banc from assigning any probative value to the said document.

Company N vs. Commissioner of Internal Revenue
CTA Case No. 10574, promulgated 29 May 2025

Facts:

Company N reported total sales amounting to Php1,375,157,200.26 for the 4th quarter of CY 2018, which is comprised of VATable sales amounting to Php757,887,128.49 and zero-rated sales amounting to Php617,270,071.77. Company N also declared a total of Php101,818,984.51 available input VAT for the fourth quarter of CY 2018 to which it claims for refund of the excess input VAT amount of Php10,872,529.10 after deducting the output VAT due amounting to Php90,946,455.42.

It, then, filed for a VAT refund covering its sales as reflected in its fourth Quarterly VAT Returns for the period 1 October 2018 to 31 December 2018 on 15 February 2021. This was subsequently denied by the Commissioner of Internal Revenue (CIR) in a letter dated 18 May 2021, which was received by Company N on 17 June 2021.

Cases filed before the CTA are litigated de novo; as such, party-litigants should prove every minute aspect of their case by presenting, formally offering, and submitting to the CTA all evidence required for the successful prosecution of its claim. The review of the CTA is not limited to whether or not the CIR committed gross abuse of discretion, fraud, or error of law. As evidence is considered and evaluated again, the scope of the CTA review covers factual findings.

In the light of this denial, Company N filed a Motion for Reconsideration. It raised that it complied with all the elements for the refund and that the disallowances and imputations of output VAT on its transactions lack factual and legal basis. These were all refuted by the CIR alleging that tax refunds are construed strictly against the taxpayer and the claimant has the burden of proof to establish the factual basis of his claim for tax credit or refund.

Issue:

Was Company N entitled to full refund of its claimed excess and unutilized input VAT for the covered period?

Ruling:

No, Company P is only entitled to the refund of excess input VAT attributable to zero-rated sales amounting to Php700,729.66.

The CTA, pursuant to Section 112 of the Tax Code, as amended, enumerated certain requisites must be complied with by the taxpayer-applicant which should be proven every minute aspect to successfully obtain a credit/refund of input VAT.

The rules require that the taxpayer be engaged in zero-rated or effectively zero-rated sales and that for zero-rated sales under Sections 106 (A) (2) (a) (1) and (3), and 108 (B) (1) and (2) of the Tax Code, as amended, and the acceptable foreign currency exchange proceeds thereof have been duly accounted for in accordance with BSP rules and regulations.

Company N's zero-rated sales were derived from the following types of sale of services to:

1.) Foreign corporations which are not engaged in business in the Philippines and who were outside the Philippines when the services were performed
2.) Entities registered with Philippine Economic Zone Authority (PEZA), Clark Development (CDC), Subic Bay Metropolitan Authority (SBMA), Freeport Area of Bataan (FAB), and Bureau of Internal Revenue (BIR)
3.) Freight revenue
4.) Interbranch sales

In this case, Company N was engaged in zero-rated or effectively zero-rated sales for the 4th quarter of CY 2018 but only to the extent of Php91,198,770.25. Company N failed to provide legal basis and sufficient corroborating evidence on the entitlement to VAT zero-rating of its third and fourth types of sales aggregating Php133,613,056.58. Consequently, the CTA cannot determine whether these sales indeed qualify for VAT zero-rating under the Tax Code, as amended. Accordingly, the alleged zero-rated sales amounting to Php133,613,056.58 must be disallowed outright.

The CTA also discussed that with respect to the sale of services to be subject to the VAT rate of 0% under Section 108 (B) (2) of the Tax Code, as amended, certain essential elements must be present, namely:

1. The services fall under any of the categories under Section 108 (B) (2), or simply, the services rendered should be "other than processing, manufacturing or repacking goods"

2. The recipient of the services is a foreign corporation, and the said corporation is doing business outside the Philippines, or is a non-resident person not engaged in business who is outside the Philippines when the services were performed

3. The services must be performed in the Philippines by a VAT-registered person

4. The payment for such services should be in acceptable foreign currency accounted for in accordance with BSP rules

However, the Court ruled that Company N failed to comply with the essential elements as it did not present any proof that its sale of services were indeed "other than processing, manufacturing or repacking goods," that the same were performed in the Philippines, and that the payment for such services should be in acceptable foreign currency accounted for in accordance with BSP rules.

With respect to Company N's sale of services to qualify for zero-rating under Section 108 (B) (3) of the Tax Code, as amended, it must comply with the following essential elements:

1) The sale was made by a VAT-registered person
2) The sale was made to persons or entities whose exemption under special laws or international agreements to which the Philippines is a signatory effectively subjects the supply of such services to 0% rate

Further, in proving its zero-rated sales, Company N must comply with the pertinent invoicing requirements, containing all the required information under Section 113 (A) and (B) of the Tax Code, as amended.

For the remaining requisites, the CTA highlighted that in order to prove entitlement to credits for input taxes due and paid, Company N must not only present the supporting documents prescribed under Section 4.110-8 of RR No. 16-05, but more importantly, these documents must comply with the invoicing requirements of Section 113 (A) and (B), 237 and 238 of the Tax Code, as amended, as implemented by Sections 4.113-1 (A) and (B) of RR No. 16-05.

The extraordinary 10-year prescriptive period applies to a false return when a) such return contains an error or misstatement, and b) the error or misstatement was deliberate or willful. Thus, the extraordinary prescriptive period does not apply to all cases of errors or misstatements but only to intentional ones.

Commissioner of Internal Revenue vs. Company NT

CTA EB No. 1766, promulgated 13 June 2025

Facts:

BIR assessed the Company NT for its alleged deficiency income taxes, inclusive of interests and penalties, for fiscal year ending 30 June 2007. Accordingly, the Preliminary Assessment Notice (PAN) was received by Company NT on 17 March 2014 and the Formal Letter of Demand (FLD)/Final Assessment Notice (FAN) on 11 April 2014.

Then, on 7 May 2014, Company NT filed a request for reconsideration against the FLD/FAN. Thereafter, the CIR issued the Final Decision on Disputed Assessment (FDDA) dated 9 July 2014, received by Company N on 14 July 2014.

The Commissioner of Internal Revenue (CIR) argues that the three-year prescriptive period is inapplicable because Company NT filed a false return which necessitates the application of the extraordinary 10-year prescriptive period. On the other hand, Company NT holds that this is without bases because the CIR failed to establish the propriety of the application of extraordinary prescriptive period.

Issue:

Was the assessment issued against Company NT void due to prescription?

Ruling:

Yes, the assessment has already prescribed. This is because the CIR failed to prove that there was a substantial understatement of Company NT's income justifying the applicability of the 10-year prescriptive period.

The CTA ruled that assessment notice issued to the taxpayer must comply with two sets of due process requirements. Under the first due process requirement, the notice must clearly state that (a) the extraordinary prescriptive period is being applied and (b) the bases for the allegations of falsity or fraud. Under the second due process requirement, the tax authorities must not have acted in a manner that is inconsistent with the invocation of the extraordinary prescriptive period or have otherwise misled the taxpayer that the basic period will be applied.

It further ruled that the extraordinary 10-year prescriptive period applies to a false return when a) such return contains an error or misstatement, and b) the error or misstatement was deliberate or willful. Thus, the extraordinary prescriptive period does not apply to all cases of errors or misstatements but only to intentional ones. More importantly, the burden of proving that the errors or misstatements in a taxpayer's tax returns are indeed deliberate or willful lies with the CIR. However, this burden shifts to the taxpayer when there is *prima facie* evidence of falsity or fraud under Section 248 (B) of the Tax Code, as amended, such as when (1) there is an understatement/under declaration of sales, receipts, or income or overstatement/over declaration of expenses or other deductions, and (2) the misstatement is substantial, such that it exceeds the corresponding amount declared in the return by 30%. If the taxpayer fails to overcome the presumption, the prima facie evidence shall be sufficient to justify the application of the 10-year period. On the other hand, if the taxpayer is successful in overturning the presumption (e.g., demonstrating that the misstatement as ascertained by the CIR had been inadvertent or attributable to a mistake or was not deliberate or willful on the part of the taxpayer), the CIR cannot rely on the presumption in proving the taxpayer's intent to evade.

Moreover, the Court explained that even if it admits in evidence the Indemnity Agreement between Company Y and Company NT, such document along with the bank remittances do not prove that Company N earned income from such receipts that should be declared in its tax returns. As the name of the document connotes, Company NT is simply receiving an "indemnity" from Company Y which means that Company NT is simply receiving an amount as compensation for loss or damage. By its very nature, an indemnity should be excluded from taxable income unless the amount received is greater than the loss or damage incurred. An indemnity is a return of capital and, as such, is not a taxable income.

Without evidence for CIR's allegation that Company NT substantially underdeclared its income by failing to declare in its tax returns a $6,000,000 indemnity supposedly received from Company Y, the prima facie evidence that Company NT made a false return necessarily falters. The extraordinary 10-year prescriptive period thus has no application in the present case. Instead, it is the general three-year prescriptive period under Section 203 of the Tax Code, as amended, which applies. Under said provision, "internal revenue taxes shall be assessed within three years after the last day prescribed by law for the filing of the return."

Thus, counting three years from Company NT's last day to file the income tax return, the BIR had until 14 October 2010, within which to issue a deficiency income tax assessment. However, CIR issued the FAN/FLD only on 11 April 2014, which is clearly beyond the prescriptive period given to assess. Considering that the assessment was made beyond the prescriptive period, the assessment was void.

A Collection Notice is required to be issued once it was determined that no payments were actually made on the e-filed tax returns of EFPS taxpayers. Such notice shall be used to enforce collection of the tax liabilities, including penalties imposed for failure to pay the amount due. If the taxpayer fails to pay the delinquent taxes to be collected, the BIR may utilize the collection remedies prescribed under the Tax Code, such as the issuance and service of WDL and/or garnishment.

Company D vs. Commissioner of Internal Revenue
CTA Case No. 10452, promulgated 19 June 2025

Facts:

The present controversy springs from the Preliminary Notices (PN) issued by the CIR on 14 December 2018 and received by Company D on 24 June 2019. These PN relate to penalties for alleged late payment of Annual Income Tax Return for fiscal period ending 30 June 2016, alleged late payment of Quarterly Income Tax for the period ending 30 September 2017 and alleged late payment of Quarterly VAT for the period ending 30 September 2018. In response to the PNs, Company D submitted to the CIR three separate explanation letters, all dated 3 July 2019, on 4 July 2019.

On 1 December 2020, Company D's tax manager AC received an email from Revenue Officer (RO) C, inquiring about reaching Company D's office in relation to the alleged tax liabilities of Company D from 2016 to 2018. In the same email, RO C mentioned Assessment Nos. QA-20-000172, QA-20-000173 and QA-20-000174, with no other accompanying information. On 4 December 2020, AC responded and informed RO C that Company D's office remained closed since March 2020 and all employees had been working from home. She also gave the latter the email addresses where official communications may be sent. On 9 December 2020, RO C sent an email to Company D's official email address, requesting the settlement of tax liabilities. RO C also stated in the same email that the BIR "will send scanned copies of the above assessments upon request."

According to Company D, on 17 December 2020, it then received the subject Warrant of Distraint/Levy (WDL) issued by the BIR on 7 December 2020. The CIR insists that prior to the issuance of the WDL, Assessment Notice Nos. QA-20-000172, 17 QA-20-000173, 18 QA-20-00017419 (collectively referred hereinafter as "assessment notices"), all dated 16 March 2020 , were served twice to Company D, but were returned and tagged as "RTS-No one to receive" and "RTS-No one to receive- Work from home." A WDL was then issued upon endorsement of the docket to the LTCED. RO CD testified that he personally served the WDL to Company D at Ore Central.

Company D filed the instant Petition on 15 January 2021.

Issue:

Was the assessment issued against Company D valid?

Ruling:

No.

Company D was informed about the assessment notices through the RO CD's email dated 9 December 2020. Such email cannot be deemed as valid service of assessment notice as it is clearly not among the modes of service prescribed under Revenue Regulations (RR) No. 18-2013. Moreover, the email itself clearly states that copies of the assessment shall be sent to Company D upon request.

The CIR presented registry receipts together with the assessment notices to show that such notices were in fact sent to Company D on two different occasions (i.e. 27 July 2020 and 18 December 2020) but were nevertheless returned and tagged as "RTS-No one to receive" and "RTS-No one to receive- Work from home." However, the CIR did not provide any reason why personal service was not practicable. Rather, it appears to the Court that it resorted to service through registered mail at the first instance; hence, a clear failure to comply with the procedures for properly effecting a valid service.

Therefore, having duly established that the assessment notices were not received, Company D cannot reasonably be expected to file a protest thereto. Accordingly, there is no merit on the CIR's position that the assessment attained its finality due to being unprotested.

The assessed liabilities herein resulted from failure to pay tax declared taxes per e-filed tax returns, on time. For such cases, due process requirement is governed by Revenue Memorandum Order (RMO) No. 04-2009.

A Collection Notice is required to be issued once it was determined that no payments were actually made on the e-filed tax returns of EFPS taxpayers. Such notice shall be used to enforce collection of the taxes liabilities, including penalties imposed for failure to pay the amount of due. If the taxpayer fails to pay the delinquent taxes sought to be collected, the BIR may utilize the collection remedies prescribed under Tax Code, such as the issuance and service of WDL and/or garnishment.

Here, assessment notices were issued by the BIR. The Court finds that the assessment notices are akin to the Collection Notice contemplated under RMO No. -2009.

However, the CIR failed to dispense the burden of proving that the assessment notices were duly served to and received by Company D due to the following: (1) sending of notice through email is not one of the prescribed modes of service of assessment notices; (2) the email dated 9 December 2020 clearly states that copies of the assessment notices will only be provided upon request; (3) RO CD testified during cross-examination that he cannot recall whether Company D was indeed provided with such scanned copies; and (4) the BIR failed to provide reasons why personal service was not practicable, thus, invalidating the sending of notices through registered mail.

Moreover, the PNs received by Company D on 24 June 2019 cannot qualify as a valid substitute for the Collection Notice required by the rules. A perusal of the PNs reveals that they are merely notifications from the BIR stating that: (1) the returns filed by Company D cannot be processed due to late payment; and (2) the tax payment or credit shown in the returns will not be credited to Company D's account until an explanation, information or correction is provided by Company D. Thus, the PNs essentially fail to demand payment of the alleged outstanding tax liabilities.

Company B vs. Commissioner of Internal Revenue
CTA Case No. 11043, promulgated 20 June 2025

Group Supervisors, being ROs themselves under RAO No. 02-90, are not exempt from the requirement of a valid LOA when they participate in audit activities. Their designation as supervisors does not negate their classification as ROs; it merely defines their added responsibility to oversee and review the work and audit reports of their subordinate ROs. Whether their involvement in the audit is direct or supervisory, Group Supervisors must be expressly named in a valid LOA, just like any other RO. Accordingly, any audit activity or assessment undertaken by a GS without an LOA is void.

Facts:

On 20 August 2015, Company B received a Letter of Authority (LOA) with SN: authorizing Revenue Officer (RO) T and Group Supervisor (GS) H of Revenue District Office (RDO) No. 28-Novaliches to examine Company B's books of accounts and other accounting records for all internal revenue taxes covering the period from 1 January 2014 to 31 December 2014.

On 17 May 2017, the Commissioner of Internal Revenue (CIR) issued a Preliminary Assessment Notice (PAN), which Company B received on the same date.

On 13 June 2017, Company B received the Formal Letter of Demand (FLD) with Final Assessment Notice (FAN), to which it filed a protest on 13 July 2017, requesting reconsideration.

On 5 October 2018, the Regional Director of Revenue Region No. 7-Quezon City, Person D, issued a Final Decision on Disputed Assessment10 (FDDA), which Company B received on 16 October 2018. On 15 November 2018, Company B appealed the FDDA to the BIR by filing a protest. The CIR denied the protest.

Subsequently, a Warrant of Distraint and/or Levy (WDL) dated 10 November 2022 was issued and received by Company B on the same date.

On 7 December 2022, Company B filed the present Petition for Review.

Issue:

Was the assessment issued against Company B valid?

Ruling:

No.

The Revenue Officer who continued the audit of Company B lacked a valid LOA, rendering the resulting deficiency tax assessment void.

Under Section 6(A) of the Tax Code, as amended, only the CIR or his duly authorized representative may authorize the examination of a taxpayer and issue an assessment. An LOA is indispensable for the validity of an assessment.

Revenue Memorandum Order (RMO) No. 43-90 also requires the issuance of a new LOA when an RO originally named in the LOA is replaced or reassigned.

Clearly, all ROs must be armed with an LOA issued by the CIR or an authorized representative to conduct an audit or examination of a taxpayer.

In this case, the LOA issued on 10 August 2015, authorized RO T and GS H to audit Company B's records for TY 2014. However, the documents issued after the LOA, i.e., the Recommendation for Issuance of Subpoena Duces Tecum, the Revenue Officer's Audit Reports, and a Memorandum dated 10 February 2017, which recommended the issuance of a PAN, were prepared and signed by RO T and GS E. A certification from Company B's representative likewise confirms that it was RO T and GS E who conducted the audit at Company B's office on 21 November 2016. This indicates that GS E, not GS H, conducted the audit alongside RO T, despite not being named in the LOA. The records contain no document authorizing GS E to conduct the audit.

Under Revenue Administrative Order (RAO) No. 02-90, a GS is a Revenue Officer II, III, or IV who is tasked with supervising and reviewing the work and audit reports of subordinate Revenue Officers. Thus, Group Supervisors, being ROs themselves under RAO No. 02-90, are not exempt from the requirement of a valid LOA when they participate in audit activities. Their designation as supervisors does not negate their classification as ROs; it merely defines their added responsibility to oversee and review the work and audit reports of their subordinate ROs. Whether their involvement in the audit is direct or supervisory, Group Supervisors must be expressly named in a valid LOA, just like any other RO. Accordingly, any audit activity or assessment undertaken by a GS without an LOA is void.

It is undisputed that GS Enriquez was not granted an LOA to audit Company B for TY 2014. Without an LOA specifically naming him, his participation in the audit was unauthorized, rendering the deficiency tax assessment null and void. Consequently, the garnished amount is unwarranted, as a void assessment bears no valid fruit and does not create any lawful tax liability.

Company S vs. Commissioner of Internal Revenue
CTA Case No. 10431, promulgated 23 June 2025

The BIR has 90 days from the date of submission of complete supporting documents, to decide on the claimant's administrative claim for input VAT refund. Supporting documents are deemed complete upon the filing of the refund claimant's administrative claim for input VAT refund. There are two ways by which a claimant may invoke the CTA in Division's jurisdiction: first, through a Petition for Review, filed within 30 days from the receipt of the BIR's adverse decision rendered within said 90-day period; or second, through a Petition for Review, filed within 30 days, after the lapse of such 90-day period, whichever comes earlier.

Facts:

On 15 July 2020, Company S filed with the BIR its Application for Tax Credits/Refunds (BIR Form No. 1914),[7] accompanied by a letter of even date (administrative claim), averring as follows: that it incurred excess and/ or unutilized input VAT attributable to its zero-rated sales; and that it is entitled to the refund or credit of excess input VAT relative to the first quarter of CY 2018.

The Commissioner of Internal Revenue (CIR) issued a VAT Verification Notice dated 15 July 2020,
authorizing Revenue Officers (ROs) B and S to verify the supporting documents and/ or pertinent records relative to Company S's claim for VAT refund covering the said taxable period.

On 24 November 2020, Company S received a letter dated 30 September 2020 from the BIR, denying its administrative claim for lack of legal and factual basis. Thereafter, it filed the present Petition for Review (judicial claim) on 23 December 2020.

Issue:

Is Company S entitled to its claim for refund?

Ruling:

No.

The BIR has 90 days from date of submission of complete supporting documents, to decide on the claimant's administrative claim for input VAT refund. Supporting documents are deemed complete upon the filing the refund claimant's administrative claim for input VAT refund.

There are two ways by which a claimant may invoke the CTA in Division's jurisdiction: first, through a Petition for Review, filed within 30 days from the receipt of the BIR's adverse decision rendered within said 90-day period; or second, through a Petition for Review, filed within 30 days, after the lapse of such 90-day period, whichever comes earlier.

On 15 July 2020, Company S filed its administrative claim for input VAT refund covering the 1st Quarter of CY 2018 with the BIR. Counting 90 days from 15 July 2020, the BIR had until 13 October 2020 to rule on said administrative claim, and communicate the same to Company S. There being no adverse decision communicated to, and received by Company S from the BIR as of 13 October 2020, its administrative claim is deemed denied by law. Counting another 30 days from 13 October 2020, Company S had until 12 November 2020 to seek judicial redress. Ergo, the belated filing of the Petition for Review on 23 December 2020 robbed CTA of jurisdiction over CTA Case No. 10431.

RA No. 9520, in providing preferential tax treatment to cooperatives, differentiated between cooperatives that transact only with their members, and those that transact with both their members and the general public. Under Section 60, duly registered cooperatives under the said law which do not transact business with non-members or the general public shall not be subject to any taxes under internal revenue laws and other tax laws. On the other hand, Section 61 clarifies that cooperatives which transact both with members and non-members shall not be subject to tax on their transactions with members; and that the tax exemption of cooperatives dealing with non-members would depend on the amount of the cooperative's accumulated reserves and undivided net savings. If the said reserves and net savings are more than Php10,000,000, cooperatives that transact with non-members shall pay income tax and VAT, subject to the conditions stated in the law, as well as to all other taxes, unless otherwise provided. But in case the same reserves and net savings do not exceed Php10,000,000, such type of cooperatives shall be exempt from all taxes, whether national or local.

Company C vs. Commissioner of Internal Revenue
CTA Case No. 10351, promulgated 24 June 2025

Facts:

Company C is a cooperative duly organized under the laws of the Republic of the Philippines, and registered with the Cooperative Development Authority (CDA). It is duly authorized to engage in lending activities to its members.

Company C’s Certificate of Tax Exemption was set to expire on 31 March 2016. On 8 March 2016, Company C filed its application for renewal of tax exemption. Thereafter, on 10 August 2016, Company C’s application for renewal/ extension of tax exemption was granted by the BIR, and accordingly, a Certificate of Tax Exemption was issued in its favor.

The BIR issued Letter of Authority (LOA) authorizing Revenue Officer (RO) M and Group Supervisor (GS) P, to examine Company C’s books of accounts and other accounting records for all internal revenue taxes for the period 1 January 2016 to 31 December 2016.

Subsequently, the BIR issued LOA authorizing again RO M, along with GS V, to examine Company C's books of accounts and other accounting records for all internal revenue taxes for the same period.

On 21 October 2019, Company C received the Preliminary Assessment Notice (PAN). Company C filed its reply to the PAN on 31 October 2019.

On 21 November 2019, Company C received the Formal Letter of Demand (FLD). On 20 December 2019, Company C filed a Protest Letter, requesting for reinvestigation and questioning the validity of the assessment. Thereafter, on 18 February 2020, Company C then filed its supporting documents to substantiate its defenses.

Company C filed its Petition for Review on 16 September 2020.

Company C argues that its tax-exempt status as a duly registered cooperative is derived from law and not by the certificate of tax exemption, arguing that its exemption is not changed, much less nullified, by a mere delay in the renewal of its certificate of tax exemption.

Issue:

Was Company C liable to the alleged deficiency taxes?

Ruling:

Yes, for some types of taxes.

A Certificate of Tax Exemption/Ruling is not necessary for Company C to be entitled to the tax incentives or exemptions granted by law.

Based on Republic Act (RA) No. 6938 as amended by RA No. 9520 and upon the effectivity of RA No. 9520, existing cooperatives registered with the CDA are required to obtain a new certificate of registration therefrom. After obtaining a new certificate of registration from the CDA, cooperatives are mandated to secure a certificate of tax exemption from the nearest office of the BIR, and the validity of the exemptions shall be for a period of five years from the date of issuance of the said certificate. Notably, Company C was able to obtain both the CDA's Certificate of Registration dated 4

November 2009, and a Certificate of Tax Exemption, which was set to expire on 31 March 2016, pursuant to the afore-quoted provisions of RA No. 6938, as amended by RA No. 9520. However, the same provisions of RA No. 6938, as amended by RA No. 9520, says nothing about the renewal of the certificate of tax exemption, and the tax consequences after the expiration of the said five-year period, in case no renewal of the certificate of tax exemption was made by the concerned cooperative.

It is the law, particularly, Sections 60 and 61 of RA No. 6938, as amended by RA No. 9520, which grants tax incentives or exemptions to cooperatives-and not the BIR. Instead, what the BIR issues is a certificate which embodies a confirmatory ruling for the tax incentives or exemptions to be enjoyed by a certain cooperative. On this score, such Certificate is akin to, or is in the nature of, a BIR Ruling. Hence, no prior BIR Ruling or confirmatory ruling is required for tax exemption.

Correspondingly, Company C should not be faulted for its failure to observe the prior two-month period, as in this case, in applying for a renewal of the Certificate of Tax Exemption as prescribed by Section 15 of the Joint Rules and Regulations. An otherwise rule has a potential for abuse on the part of unscrupulous BIR officials or employees by simply delaying the issuance of the said Certificate so as to have an easy or quick tax assessment lacking sufficient factual and legal bases.

For TY 2015, Company C is not liable for deficiency income tax and compromise penalty but is liable for VAT, expanded withholding tax (EWT) and documentary stamp tax (DST).

RA No. 9520, in providing preferential tax treatment to cooperatives, differentiated between cooperatives that transact only with their members, and those that transact with both their members and the general public. Under Section 60, duly registered cooperatives under the said law which do not transact business with non-members or the general public shall not be subject to any taxes under internal revenue laws and other tax laws. On the other hand, Section 61 clarifies that cooperatives which transact both with members and non-members shall not be subject to tax on their transactions with members; and that the tax exemption of cooperatives dealing with non-members would depend on the amount of the cooperative's accumulated reserves and undivided net savings. If the said reserves and net savings are more than Php10,000,000, cooperatives that transact with non-members shall pay income tax and VAT, subject to the conditions stated in the law, as well as to all other taxes, unless otherwise provided. But in case the same reserves and net savings do not exceed Php10,000,000, such type of cooperatives shall be exempt from all taxes, whether national or local.

In this case, while under its Articles of Incorporation, Company C is duly authorized to engage in lending to its members, it has not sufficiently shown that it only transacted with them for TY 2016. It was found that Company C has not only transacted with its members in taxable year 2016. Correspondingly, the Court cannot readily apply Section 60 of RA No. 6938, as amended by RA No. 9520, so as not to subject Company C to taxes (e.g., income tax, VAT, EWT, and DST) for TY 2016. Moreover, Company C has been found or is classified as a "cooperative transacting with both members and non-members with accumulated reserves and undivided net savings of more than Php10,000,000." Thus, Company C cannot claim exemption from the same taxes under Section 61(1) of RA No. 6938, as amended by RA No. 9520.

In any event, Company C is exempt from the imposition or payment of income tax for TY 2016, regardless whether it transacted both with its members and non-members. This is so because Section 61 (2)(a) of RA No. 6938, as amended by RA No. 9520, states that "cooperatives, regardless of classification, are exempt from income tax from the date of registration with the Authority."

However, Company C failed to prove that the subject VAT assessment pertained only to gross receipts from its lending activities to its members. But even granting that it was able to do so, the said VAT assessment must still be maintained because Company C failed to show that at least 25% of its net income is returned to the members in the form of interest and/ or patronage funds, which is a condition under Section 61 (2)(b) of RA No. 6938, as amended by RA No. 9520, for a cooperative to be exempt from VAT.

In addition, Company C has not shown a clear factual and legal bases for its exemption to the subject EWT assessment. As earlier pointed out, Company C's case does not fall under Articles 60 and 61 (1) of RA No. 6938, as amended by RA No. 9520, so as not to be subjected to, or to be exempt from, taxes. As a corollary thereto, anent the subject EWT assessment, considering that EWT is considered as an internal revenue tax, Company C may fall under Article 61 (2)(c) of the same law, which requires cooperatives with accumulated reserves and undivided net savings of more than Php10,000,000.00, to be subject to "[a]ll other taxes."

Moreover, since Company C's case does not fall under Sections 60 and 61 (1) of RA No. 6938, as amended by RA No. 9520, Company C may be held liable under Section 61 (2)(c) of the said law.

Company C is not, however, liable to compromise penalty. Compromise penalties are only amounts suggested in settlement of criminal liability and may not be imposed or exacted on the taxpayer in the event of refusal to pay the suggested amount. Considering that there is no indication that Company C consented to the subject compromise penalty, then with greater reason that the said amount should not be sustained. Thus, Company C cannot be held liable to the compromise penalty.

Company NR vs. Commissioner of Internal Revenue
CTA Case No. 10791, promulgated 2 June 2025

When there are mixed transactions, and a direct attribution of the input VAT cannot be made on such sales, a proportionate allocation on the basis of volume of sales must be made. No tax credit, however, is allowed for input taxes in case of VAT-exempt transactions.

Facts:

On 7 November 2018, the Commissioner of Internal Revenue (CIR) issued a Letter of Authority, authorizing Revenue Officer (RO) V, RO B, RO E, and Group Supervisor (GS) S of the Regular Large Tax Audit Division (LTAD) 2, to examine Company NR's books of accounts for all internal revenue taxes for the period 1 January to 31 December 2016 (CY 2016). Company NR's authorized representative, Person V, received the LOA on 15 November 2018.

Thereafter, on 2 September 2019, the CIR issued a "First Notice for the Presentation of Books of Accounts and Other Accounting Records" (First Notice).

Later, or on 7 October 2019, Company NR, through its President, Person S, executed a Waiver of the Defense of Prescription under Statute of Limitations of the Tax Code, as amended (First Waiver), extending the period of investigation, collection, and enforcement until 30 June 2020. GS S accepted the said Waiver.

On 26 November 2019, the CIR issued a "Second and Final Notice for the Presentation of Books of Accounts and Other Accounting Records" (Final Notice). Thereafter, or on 26 June 2020, through Person S, Company NR executed another Waiver (Second Waiver) extending the period of investigation, collection, and enforcement until 31 December 2020. GS S accepted the said Waiver.

On 9 July 2020, Company NR received a Notice of Informal Conference (NIC) dated 7 July 2020 informing it of the assessment for deficiency taxes. Still later, or on 2 September 2020, Company NR filed its position paper, together with supporting documents. Along with its Letters dated 25 September 2020 and 18 November 2020, respectively, it also submitted the second and third batch of documents to support its arguments against the CIR's findings in the NIC.

On 20 November 2020, through Santos, Company NR executed another Waiver (Third Waiver), extending thus the period of investigation, collection, and enforcement until 31 March 2021. GS S accepted the said Waiver.

On 3 December 2020, Company NR received the Preliminary Assessment Notice, with Details of Discrepancies. On 14 December 2020, Company NR paid a portion of the total assessed amount. Four days after, or on 18 December 2020, still disagreeing with the CIR's findings, Company NR filed a Reply Letter to PAN before the BIR Regular LTAD.

On 8 March 2021, Company NR received the Final Assessment Notice/Formal Letter of Demand (FAN/FLD) with Details of Discrepancies, demanding the payment of its deficiency VAT liability on or before 30 April 2021. Therein, the sole assessment item that had been retained was the CIR’s finding on disallowed input tax allocable to exempt sales resulting in a deficiency VAT liability.

On 7 April 2021, Company NR filed a Protest (in the nature of a request for reconsideration) to the FAN/FLD (Protest to FAN) before the BIR LTAD.

On 29 December 2021, Company NR received the Final Demand on Disputed Assessment (FDDA) dated 27 December 2021, issued and signed by then CIR D. The FDDA maintained the findings of tax deficiency against Company NR who was also ordered to immediately pay the deficiency VAT.

On 2 February 2022, Company NR filed a "Petition for Review."

Issue:

Was Company NR liable to the assessed deficiency VAT?

Ruling:

Yes.

In this case, Company NR insists that the CIR failed to identify any unreported sales or receipts that would have given rise to any additional output VAT liability. It further argued that the disallowance of input VAT is not a transaction that gives rise to any output VAT liability, hence the CIR’s assessment lacks factual and legal basis.

On the other hand, the CIR maintains that Company NR has VAT-exempt transactions, thus the corresponding input taxes attributable thereto shall be deducted from the allowable input tax pursuant to Section no(A)(3)123 of the Tax Code, as amended.

The CIR’s disallowance of input tax was proper.

Section 110 (C) of the Tax Code, as amended, provides for the determination of the amount of input tax creditable for a certain period. The Court finds that Company NR has been engaged in taxable and exempt sales, or in mixed transactions. It is clearly shown that for CY 2016, it reported in its Quarterly VAT returns taxable sales subject to 12% VAT and exempt sales. Accordingly, if a VAT-registered entity is engaged in VATable and VAT-exempt transactions, the tax credits allowable will be computed under an apportionment formula, in view of the provision of Section 112(A) of the Tax Code, as amended.

Corollary thereto, Section 4.110-4 of Revenue Regulations (RR) No. 16-2005 provides the guidelines in determining the amount of input tax attributable to a specific sales type in case of mixed sales for a particular period.

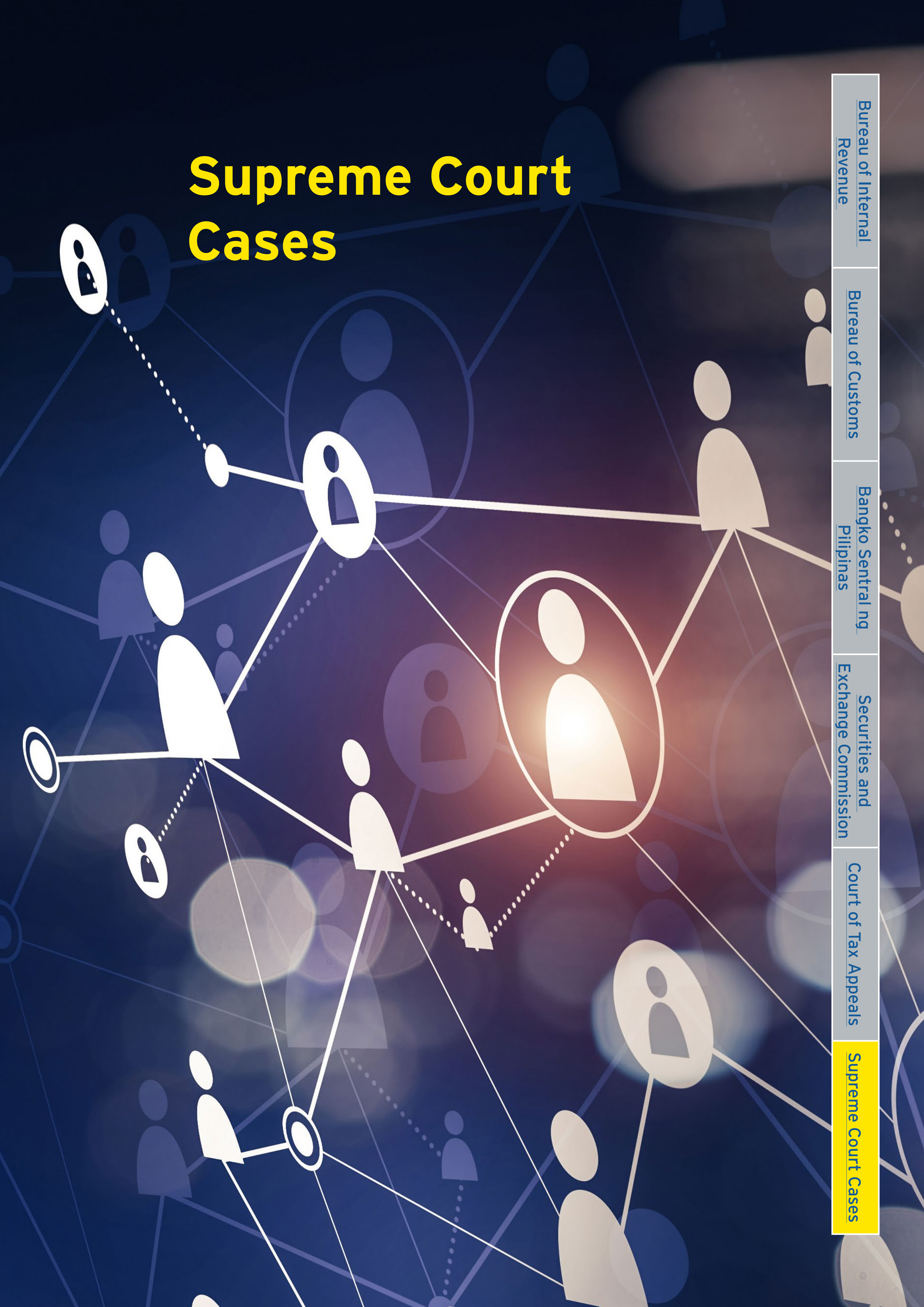
Thus, there is no dispute that when there are mixed transactions, and a direct attribution of the input VAT cannot be made on such sales, a proportionate allocation on the basis of volume of sales must be made. No tax credit, however, is allowed for input taxes in case of VAT-exempt transactions.

Thus, contrary to Company NR's argument, it appears that the CIR's assessment has both factual and legal basis. Since Company NR has transactions exempt from payment of VAT, the corresponding input taxes attributable thereto should have been deducted from the allowable input tax pursuant to Section 110 (A) (3) of the Tax Code, as amended.

Upon examination of the FDDA, it appears that the CIR's disallowance does not pertain to the input VAT carried over to the succeeding period. Instead, the same pertains to Company NR's failure to properly allocate its input tax that should have been allocated to its exempt sales.

The Court also ruled that it was not proper for Company NR to utilize its excess input tax carry-over and apply it against the CIR's assessment on disallowed input taxes. The Court said that if it were to sustain Company NR's argument that the available input VAT for the year should be utilized against the VAT due and the additional disallowance, a portion of the excess input tax that should have been carried forward and utilized in the subsequent period would be utilized and offset against the basic deficiency VAT. This procedure will be in violation of the rule that the tax benefit from excess tax credits carried forward redounds to the subsequent period. If this Court will not "disallow" or reduce the total allowable input tax, this would put additional burden on the taxpayer to amend subsequent returns to remove the excess input tax already utilized in order to prevent any BIR assessment on the matter. Additional burden would also be imposed upon the BIR to monitor the decisions of this Court to make sure that utilized excess tax credits are not being utilized again in the subsequent periods. This additional burden imposed (on both parties) will clearly violate the canons of a sound tax system, especially on administrative feasibility.

A review of Company NR's evidence yields that it failed to adduce evidence to negate the CIR's finding that it failed to properly allocate input taxes attributable to its transactions exempt from payment of VAT, pursuant to Section 110(A)(3) of the Tax Code, as amended. As the records clearly bear, it simply relied on a bare argument that it has sufficient input taxes that can be applied to the said disallowance.



Supreme Court Cases

Bureau of Internal Revenue
Bureau of Customs
Bangko Sentral ng Pilipinas
Securities and Exchange Commission
Court of Tax Appeals
Supreme Court Cases

Supreme Court Cases

Commissioner of Internal Revenue vs. Company T
Supreme Court (Third Division), G.R. Nos. 249239 and 250286, promulgated 10 February 2025

The BIR must ensure that all supporting documents are attached before accepting the waivers, including the notarized written authority of representative to sign them on the corporation's behalf, otherwise, they shall be void.

Absent a categorical demand for payment, the FLD/FAN is not a valid assessment.

A subsequent demand contained in the FDDA does not cure the lack of any demand in the FLD/FAN.

Facts:

The BIR issued a Letter of Authority authorizing the conduct of a tax audit on Company T for taxable year 2009. Consequently, Company T submitted its documents, books and records to the BIR. Nevertheless, Company T's President and General Manager executed a Waiver of the Defense of Prescription under the Statute of Limitations of the Tax Code (first waiver) to extend the period of assessment to 30 June 2013. Subsequently, the President signed a second waiver extending the period of assessment until 31 December 2013. Both waivers were accepted by the Commissioner of Internal Revenue (CIR).

Company T received a Preliminary Assessment Notice (PAN) and later, a Formal Letter of Demand (FLD). Company T filed a protest to which the CIR issued a Final Decision on Disputed Assessment (FDDA) cancelling in full the improperly accumulated earnings tax and documentary tax, but partially affirming the assessments on income tax, value-added tax, and expanded withholding tax.

Company T elevated the case to the CTA mainly insisting that the waivers executed by the President were not valid for having been signed without any notarized written authority to do so. In its decision, the CTA upheld the validity of the waivers citing both parties as in pari delicto (in equal fault).

Company T now argues that the right of the BIR to assess had already prescribed since waivers executed are void and did not validly extend the prescriptive period for assessment. Moreover, Company T alleges that the FLD and the attached Final Assessment Notice (FAN) are void for lack of a valid demand.

Issues:

1. Is presentation of notarized authority of the signatory required for a waiver to be valid?
2. Is a categorical demand necessary for a valid FLD/FAN?
3. Will a subsequent demand later in the FDDA cure the defects in the FLD/FAN?

Ruling:

1. **Yes, failure to present a notarized written authority, among others, renders a waiver invalid.**

   Generally, when a waiver fails to comply with the requisites under Revenue Memorandum Order No. 20-90 and Revenue Delegation of Authority Order No. 05-01, it is invalid and ineffective to extend the prescriptive period to assess taxes. However, the Supreme Court recognized exceptions to this general rule following the equitable principles of in *pari delicto* and estoppel.

   Company T failed to present the notarized authority of its president and general manager who signed the waivers on its behalf, which is a clear violation of Revenue Memorandum Order No. 20-90 and Revenue Delegation of Authority Order No. 05-01. However, the BIR did not ensure that all supporting documents were attached before accepting the waivers, including the notarized written authority of Company T's representative to sign them on the corporation's behalf.

The executed waivers suffer from several defects. First, the request made was for an extension of time within which to present additional documents, and not for the reinvestigation and/or reconsideration of the pending internal revenue case as required under Revenue Memorandum Order No. 20-90. Second, the subject waivers failed to specify the kind and amount of taxes due. There can be no agreement if the kind and amount of the taxes to be assessed or collected were not indicated. Hence, specific information in the waiver is necessary for its validity. Third, the subject waivers were not signed by the CIR but by the Assistant Commissioner. The requirement in Revenue Memorandum Order No. 20-90 clearly specifies that it is the CIR who should sign for the BIR such waivers where the taxes exceed Php1,000,000.

2. **Yes, absent a categorical demand for payment, the FLD/FAN is not a valid assessment.**

   The FLD/FAN provides for the tax due with a demand for payment. The final assessment is a notice to the effect that the amount therein is due as tax and a demand for payment thereof. This demand for payment signals the time when penalties and interests begin to accrue against the taxpayer and enabling the latter to determine the remedies.

   The FLD/FAN must contain a categorical demand for payment of assessed tax with factual and legal bases. This is because an obligation to pay the tax is being imposed upon the taxpayer. Such obligation must be stated in a clear and plain language to properly apprise the taxpayer. Moreover, based on the document title itself, the Formal Letter of Demand/Final Assessment Notice is a demand for payment of taxes. Perceptibly, it must contain a demand for payment of assessed taxes. Absent such demand, it is rendered defective.

3. **No, a subsequent demand contained in the FDDA does not cure the defective FLD/FAN.**

   The law, rules and regulations require the demand for payment of assessed tax to be made in the FLD/FAN and not in the FDDA. The FLD/FAN and FDDA have divergent functions. The first one calls for the payment of the taxpayer's deficiency tax while the second one informs the taxpayer of respondent's final decision on any protest filed. A subsequent demand contained in the FDDA does not cure the lack of any demand in the FLD/FAN.

The distinctions of filing of claim for refund between tax refunds under Sections 112 and 229 of the Tax Code bear great significance on its nature, prescriptive period, and reckoning date.

An entity enjoying incentives under the special law is not the seller but the buyer in the transaction. Thus, while the said entity is a VAT-exempt entity, its transactions with its suppliers are not considered zero-rated or effectively zero-rated sales under the Tax Code.

To require proof of actual remittance by the suppliers for purposes of counting the two-year period to file claim for refund would be administratively not feasible or near impossible, impractical and oppressive to demand to be furnished the VAT returns of its suppliers.

Company M vs. Commissioner of Internal Revenue
Supreme Court (First Division), G.R. No. 271261 promulgated 2 April 2025

Facts:

Company M is a domestic corporation and is engaged in developing and operating tourist facilities. These tourist facilities include casino entertainment complexes with hotel, retail, and amusement areas, and themed development components, without being engaged in retail trade. It is also engaged in casino gaming activities, with a valid and existing gaming license issued by the Philippine Amusement and Gaming Corporation (PAGCOR).

Company M filed its administrative claim for refund on alleged erroneously or illegally collected and passed on input VAT on purchases attributable to gaming revenues. This was denied by the BIR. Here, the BIR responded that the application for tax credit certificate/refund could not be given due course based on Revenue Memorandum Circular (RMC) No. 33-2013 dated 27 April 2013, which states that "income derived from operations related to gaming activities as well as other income are subject to VAT at 12% and therefore not entitled to refund of creditable input tax."

Company M appealed to the CTA on the basis of Sections 112 and 229 of the Tax Code. The CTA En Banc ruled that Company M failed to strictly comply with the essential and necessary requisites of Section 112 of the Tax Code, in particular, that Company M was not engaged in zero-rated or effectively zero-rated sales. Nevertheless, the CTA held that the taxes were indeed erroneously paid as Company M's suppliers should not have shifted VAT to it.

Issues:

1. Is it important to distinguish filing of claim for refund between tax refunds under Sections 112 and 229 of the Tax Code?
2. By virtue of PD No. 1869, are the sales of corporations with contractual relationships with PAGCOR like Company M considered as effectively zero-rated sales, or VAT-exempt?
3. For purposes of determining if the administrative and judicial claims for erroneously paid input VAT were timely filed, is it necessary to provide proof of actual remittance to the suppliers?

Ruling:

1. **Yes, the distinctions bear great significance on its nature, prescriptive period, and reckoning date.**

   The distinctions between Sections 112 and 229 of the Tax Code are as follows:

Point of Distinction	Section 112	Section 229
Nature of refund	Unutilized creditable input VAT attributable to zero-rated or effectively zero-rated sales	Erroneously, illegally, excessively collected tax
Prescriptive period and reckoning date	Only the administrative claim must be filed within two years from the close of the taxable quarter when the relevant sales were made. The 30-day period within which to appeal to the CTA need not necessarily fall within the two-year prescriptive period.	Both the administrative and judicial claims must be filed within two years from the actual payment of tax or penalty sought to be refunded, regardless of the existence of any supervening cause after payment.
Period for the CIR to decide the administrative claim	120 days from the date of submission of complete documents in support of the application. The 120-day period may extend beyond the two-year period from the filing of the administrative claim if the claim is filed in the later part of the two-year period.	No specific period provided.

Point of Distinction	Section 112	Section 229
Judicial claim	Taxpayer must file an appeal to the CTA within 30 days from the receipt of the CIR's decision denying the administrative claim or from the expiration of the 120-day period without any action from the CIR.	Taxpayer must file an appeal to the CTA within 30 days but a "decision" or "inaction deemed denial" is not required to seek judicial recourse.

This distinction is crucial, as it determines the extent of relief available such as the ability of a taxpayer to claim passed-on VAT as a tax credit or refund.

2. **Sales are considered as VAT-exempt, by virtue of PAGCOR's exemption.**

   The activities of Company M are not considered zero-rated or effectively zero-rated sales under Section 112 of the Tax Code, thus cannot be the source of the claimed input VAT. Being exempted from VAT, the input taxes that may have been passed on to it by its suppliers cannot be the subject of a claim for refund under the said section.

   Effectively zero-rated transactions refer to the sale of goods and services to persons exempted under special law. Thus, the entity enjoying incentives under the special law, like Company M by virtue of PAGCOR's exemption, is not the seller but the buyer in the transaction. However, the opposite is contemplated in the present case, where the sales of services (gaming activities) is by Company M, not to it. Consequently, Company M's sale of services is exempt from VAT, pursuant to Section 109 of the Tax Code, and not zero-rated. Thus, while Company M is a VAT-exempt entity, its transactions with its suppliers are not considered zero-rated or effectively zero-rated sales under the Tax Code.

   Therefore, the applicable provision is Section 229 of the Tax Code considering that the issue involves the recovery of taxes erroneously paid.

3. **No, actual remittance does not need to be proven. Payment of taxes can be interpreted as either actual payment of tax, or date of filing of the adjusted final tax return.**

   The refund of erroneously, illegally, or excessively collected tax requires the filing of both the administrative and judicial claims within the two-year period counted from the payment of the tax or penalty sought to be refunded, regardless of the existence of any supervening cause after payment.

   The phrase "payment of taxes" under Section 204 (C) in relation to Section 229 of the Tax Code has been interpreted in two ways: (1) the actual payment of tax or penalty sought to be refunded, regardless of the existence of any supervening cause after payment; as well as (2) the date of the filing of the adjusted final tax return. In both interpretations, the Supreme Court did not require actual remittance by the suppliers.

   Requiring actual remittance by the suppliers would be administratively not feasible or near impossible, impractical and oppressive to demand to be furnished the VAT returns of its hundreds of suppliers.

**The provisions of the Tax Code that prescribe the rules for the filing of refund claims have been amended by RA No. 11976 or the Ease of Paying Taxes Act, and by RA No. 12066 or Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy Act, which took effect on 22 January 2024 and 28 November 2024, respectively.*

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The deadlines and timelines mentioned in this Tax and Regulatory Bulletin are pursuant to our understanding of the existing administrative issuances of the BIR as of the date of writing.