REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

KNUTSEN PHILIPPINES INC.,
Petitioner,

-*versus*-

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA *EB* NO. 2581
(CTA Case No. 9564)

Present:

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

Promulgated:
AUG 23 2023 4:20 pm

x- x

DECISION

MANAHAN, *J.*:

Before the Court of Tax Appeals *En Banc* is the instant *Petition for Review* filed on March 16, 2022, seeking the reversal of the Decision dated June 30, 2020 and the Resolution dated November 26, 2021 of the Third Division of this Court (Court in Division).

The dispositive portions of the assailed Decision and Resolution are quoted hereunder:

Assailed Decision dated June 30, 2020

> "**WHEREFORE**, in light of the foregoing considerations, the instant *Petition for Review* is hereby **DENIED** for lack of merit.
>
> **SO ORDERED**."

Assailed Resolution dated November 26, 2021

> "**WHEREFORE**, premises considered, petitioner's Motion for Reconsideration (Re: Decision Promulgated on June 30, 2020) is **DENIED** for lack of merit."
>
> **SO ORDERED**."

THE PARTIES

Petitioner is a domestic corporation duly organized and existing under and by virtue of the laws of the Philippines with principal office address at 2/F and 3/F The Gregorian Bldg., 2178 Taft Avenue, Brgy. 725, Zone 079, Malate, Manila. It is registered with the Bureau of Internal Revenue (BIR) with Taxpayer Identification No. (TIN) No. 007-515-345-00.

Respondent is the duly appointed Commisioner of Internal Revenue (CIR), vested with the authority to carry out all the functions, duties and responsibilities of said office, including, *inter alia,* the power to decide, approve, and grant claims for refund or tax credit as provided by law. His principal office address is at the 5th Floor, BIR National Office Building, Agham Road, Diliman, Quezon City, where he may be served with summons and other legal processes of this Court.

THE FACTS

The facts as found by the Court in Division in the assailed Decision dated June 30, 2020, are as follows:

> "On December 08, 2016, Petitioner filed its *Application for Tax Credits Refunds* (BIR Form No. 1914) of [input value-added tax] (VAT) in the total amount of Php1,096,338.30 for taxable year 2015.
>
> On March 06, 2017, Petitioner received from the BIR the letter dated February 23, 2017, denying its claims for VAT refund.
>
> Hence, Petitioner filed the instant *Petition for Review* before this Court on April 05, 2017. The instant case was initially raffled to this Court's First Division.

Respondent filed his Answer on June 9, 2017, interposing the following special and affirmative defenses, to wit:

xxx xxx xxx

The pre-trial conference was set, and held, on August 10, 2017.

The *Pre-Trial Brief for the Respondent* was filed on August 01, 2017, while Petitioner's *Pre-Trial Brief* was submitted on August 07, 2017.

Meanwhile, Respondent filed the *BIR Records* for the instant case on August 01, 2017.

In the Resolution dated September 16, 2017, the Court declared that the parties' right to file the *Joint Stipulation of Facts and Issues, (sic)* despite the period granted; and that the Pre-Trial is terminated. Subsequently, the Court issued the Pre-Trial Order dated February 20, 2018.

The trial of the case then proceeded.

During the trial, Petitioner presented its documentary and testimonial evidence. As regards testimonial evidence, petitioner proffered the testimonies of the following individuals, namely: (1) Ms. Leah P. Bartolome, Petitioner's Finance Manager; and (2) Ms. Ma. Milagros F. Padernal, the Court-commissioned Independent Certified Public Accountant ("ICPA").

Thereafter, the *ICPA Report* was submitted on June 25, 2018.

On August 15, 2018, Petitioner filed its *Formal Offer of Evidence* ("FOE"). Respondent filed his *Comment/Opposition (To Petitioner's Formal Offer of Exhibits)* on August 28, 2018. In the Resolution dated October 19, 2018, the Court, admitted Petitioner's Exhibits, *except* for Exhibits "P-13", "P-11", "P-17", "P-32", and "P-33", for failure to present the originals for comparison; and for Exhibit "P-42-101", for not being found in the records of the case.

In the meantime, the instant case was transferred to this Court's Third Division.

Petitioner then filed a *Motion for Partial Reconsideration and Leave of Court to Submit Documents and Attached*

Amended Formal Offer on November 08, 2018, praying for the following:

xxx xxx xxx

Respondent filed his *Comment/Opposition (To Motion for Partial Reconsideration and Leave of Court to Submit Documents and Attached Amended Formal Offer)* on November 29, 2018.

In the Resolution dated February 20, 2019, the Court: (1) partially granted Petitioner's *Motion for Partial Reconsideration;* (2) granted its *Motion for Leave of Court to Submit Documents and Attached Amended Formal Offer*; (3) admitted Exhibits "P-11"; "P-46-1-103", and "P-55"; (4) denied Exhibit "P-17", for failure to present the original for comparison; and (5) set for hearing the presentation of Respondent's evidence.

Respondent likewise presented his documentary and testimonial evidence. With respect to testimonial evidence, Respondent offered the testimony of Mr. Dennis B. Magsayo, a Revenue Officer II-Assessment of the BIR.

Respondent's Formal Offer of Evidence was filed on March 04, 2019. Petitioner filed its *Comment on the Respondent's Formal Offer of Evidence* on March 11, 2019. Thus, in the Resolution dated March 29, 2019, the Court admitted Respondent's Exhibits.

On May 08, 2019, Petitioner filed its *Memorandum,* while *Respondent's Memorandum* was filed on May 06, 2019.

On June 30, 2020, the Court promulgated the assailed Decision denying Petitioner's Petition for Review.

Aggrieved by the assailed Decision, petitioner filed a Motion for Reconsideration on September 23, 2020 which was denied by the Court in a Resolution dated November 26, 2021.

On March 16, 2022, petitioner filed the instant Petition for Review with the Court *En Banc.*

On July 15, 2022, respondent filed his Comment/Opposition.

On August 23, 2022, the Court submitted the Petition for Review for decision.

THE ISSUES

The grounds raised by petitioner in its Petition for Review are as follows:

A. The Honorable Court's First *(sic)* Division erred in ruling that the Petitioner's claim for refund should be denied for lack of merit.

B. The Honorable Court's First *(sic)* Division erred in ruling that Petitioner failed to prove that its sales for four quarters of 2015 were zero-rated since it cannot be ascertained whether inward foreign remittances actually correspond to Petitioner's sales to non-foreign resident corporation who have been proven and determined to be doing business outside the Philippines *(sic)* such.

C. The Honorable Court's First *(sic)* Division erred in ruling that Petitioner did not present any document or evidence to support that the services of Petitioner were performed in the Philippines.

Petitioner's arguments

Petitioner's appeal is anchored on two main points: *first,* that it has sufficiently proven that the inward foreign remittances refer to its client doing business outside the country and; *second,* that it has presented sufficient documentary proof to support that its services were performed in the Philippines.

On the first point, petitioner argues that the documents it presented such as the Certificates of Inward Remittances, bank advices, and passbooks pages/bank statements, established that the entire amount of zero-rated sales amounting to Php61,842,110.00 were collected in acceptable foreign currency in accordance with the rules and regulations of the *Bangko Sentral ng Pilipinas* (BSP) and part of said amount pertains to petitioner's sale of services to KNOT Management Denmark A/S

and Knutsen OAS Shipping AS for taxable year (TY) 2015. This is precisely to address the conclusion of the Court in Division that it failed to prove that the remittances made by its foreign clients correspond to its sales to KNOT Management Denmark A/S and Knutsen OAS Shipping AS.

To illustrate, petitioner cited a particular foreign remittance made on January 20, 2015 as a sample where it allegedly received an inward remittance from Knutsen OAS Shipping AS in the total amount of US$335,203.50 detailed as follows:

	Amount in US$	**Reference**
Remittance for Export Sales in U$	81,250.00	OR No. 03072
Due to Principal	254,000.00	Non-VAT AR No. 03080
Less: Bank Charges	46.50	JV5185

Petitioner explains that this particular inward remittance was substantiated by bank advices (marked as Exhibit Nos. P-42-1 to P-42-66) and passbooks/bank statements (marked as Exhibit Nos. P-42-67 to P-42-101). Aside from this, petitioner pointed to the report of the ICPA which purportedly prove that the total zero-rated sales reported by petitioner in its quarterly VAT returns for 2015 amounting to Php61,842,110.00 (or US$1,358,950) were inwardly remitted to petitioner for TY 2015 which included its sale of service to KNOT Management Denmark A/S and Knutsen OAS Shipping AS for TY 2015.

As regards the second point, petitioner maintains that the sets of documentary evidence it presented during trial substantiate its position that the services rendered to its foreign clients were performed in the Philippines. It contends that its registration with the Securities and Exchange Commission (SEC) shows quite clearly that it is licensed to render labor recruitment services and provide personnel to foreign vessels operated and owned by non-resident foreign corporations. It further states that said SEC Registration shows that its principal place of business is at the 2nd and 3rd Floors, Gregorian Building, 2178 Taft Avenue, Malate, Manila and this

is where it conducts its business of providing labor recruitment services.

Respondent's counter-arguments

The Comment/Opposition filed by respondent merely echoes the assailed Decision by stating generally that petitioner failed to present documentary evidence sufficient to prove that its client is a non-resident foreign corporation doing business outside the Philippines and that the alleged foreign currency remittances were not supported by VAT zero-rated official receipts.

RULING OF THE COURT

We shall first rule on the timeliness of the filing of the instant appeal.

Records show that petitioner received a copy of the assailed Resolution of the Court in Division denying its Motion for Reconsideration on March 1, 2022. He had fifteen (15) days from receipt thereof to file a Petition for Review with the Court *En Banc* pursuant to Section 3 (b) of Rule 8 of the Revised Rules of the Court of Tax Appeals, as amended.[1]

Counting from March 1, 2022, petitioner had until March 16, 2022 to file a Petition for Review with the Court *En Banc.*

Petitioner then filed a Petition for Review with the Court *En Banc* on March 16, 2022 which is well within the fifteen (15)-day period provided by the foregoing provision, hence, the Petition for Review filed with the Court *En Banc* was timely filed.

We proceed to resolve the substantive merits of the case.

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1 **"Rule 8**
Procedure in Civil Cases

Section 3. *Who may appeal; period to file petition.-*
xxx xxx xxx
(b) A party adversely affected by a decision or resolution of a Division of the Court on a motion for reconsideration or new trial may appeal to the Court by filing before it a petition for review within fifteen days from receipt of a copy of the questioned decision or resolution. xxx xxx xxx

As this involves a claim for refund of alleged unutilized/excess input VAT for TY 2015, the issues to be resolved by the Court involve an analysis of the legal as well as factual bases of the claim.

Based on the recital of facts, petitioner appealed to the Court in Division the denial of its administrative claim for tax credit/refunds of input VAT for the four (4) quarters TY 2015 in a letter issued by respondent dated February 23, 2017.

Petitioner claims that as an entity supplying its foreign clients with Filipino seafarers to man their vessels, it is engaged in zero-rated sale of services based on Section 106 (A) (2) (a) (1), (2) and (b) and Section 108 (B) (1 (2) of the 1997 National Internal Revenue Code of the Philippines (NIRC), as amended. It also alleges that it did not have any other VATable sales of goods and services for TY 2015 that were subject to VAT, thus it accumulated excess input VAT for the said period in the amount of Php1,096,338.30. It then filed a claim for refund of excess/unutilized input VAT in accordance with Section 112 (A) and (C) of the 1997 NIRC, as amended, as follows:

> "SEC. 112. *Refunds or Tax Credits of Input Tax.* —
>
> (A) *Zero-Rated or Effectively Zero-Rated Sales.* — Any VAT-registered person, whose sales are zero-rated or effectively zero-rated may, within two (2) years after the close of the taxable quarter when the sales were made, apply for the issuance of a tax credit certificate or refund of creditable input tax due or paid attributable to such sales, except transitional input tax, to the extent that such input tax has not been applied against output tax: *Provided, however,* That in the case of zero-rated sales under Section 106(A)(2)(a)(1), (2) and (b) and Section 108(B)(1) and (2), the acceptable foreign currency exchange proceeds thereof had been duly accounted for in accordance with the rules and regulations of the *Bangko Sentral ng Pilipinas* (BSP): *Provided, further,* That where the taxpayer is engaged in zero-rated or effectively zero-rated sale and also in taxable or exempt sale of goods of properties or services, and the amount of creditable input tax due or paid cannot be directly and entirely attributed to any one of the transactions, it shall be allocated proportionately on the basis of the volume of sales: *Provided, finally,* That for a person making sales that are zero-rated under Section 108(B)(6), the input taxes shall be allocated ratably between his zero-rated and non-zero-rated sales.

xxx xxx xxx

(C) *Period within which Refund or Tax Credit of Input Taxes shall be Made.* — In proper cases, the Commissioner shall grant a refund or issue the tax credit certificate for creditable input taxes within one hundred twenty (120) days from the date of submission of complete documents in support of the application filed in accordance with Subsection (A) hereof.

In case of full or partial denial of the claim for tax refund or tax credit, or the failure on the part of the Commissioner to act on the application within the period prescribed above, the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the claim or after the expiration of the one hundred twenty-day period, appeal the decision or the unacted claim with the Court of Tax Appeals.

As outlined by the Court in Division in the assailed Decision and as dictated by law and jurisprudence, a taxpayer-applicant must comply with the following requisites to successfully obtain a credit/refund of input VAT under the afore-quoted Section 112 (A) and(C) of the 1997 NIRC, as amended, as follows:

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

2. In case of full or partial denial of the refund claim rendered within a period of one hundred twenty (120) days from the date of submission of the official receipts or invoices and other documents in support of the application, the judicial claim shall be filed with this Court within thirty (30) days from receipt of the decision;

3. The taxpayer is a VAT-registered person;[3]

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

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[2] *Intel Technology Philippines, Inc. vs. Commissioner of Internal Revenue*, G.R. No. 155732, April 27, 2007; *San Roque Power Corporation vs. Commissioner of Internal Revenue*, G.R. No. 180345, November 25, 2009; and *AT&T Communications Services Philippines, Inc.*, G.R. No. 182364, August 3, 2010.

[3] *Intel Technology Philippines, Inc. vs. Commissioner of Internal Revenue*, supra; *San Roque Power Corporation vs. Commissioner of Internal Revenue*, supra; *and AT&T Communications Services Philippines, Inc.*, supra.

[4] Ibid.

5. For zero-rated sales under Section 106(A)(2)(1) and (2); 106(B); and 108(B)(1) and (2), the acceptable foreign currency exchange proceeds have been duly accounted for in accordance with the *Bangko Sentral ng Pilipinas* (BSP) rules and regulations;[5]

6. The input taxes are not transitional input taxes;[6]

7. The input taxes are due or paid;[7]

8. The input taxes claimed are attributable to zero-rated or effectively zero-rated sales. However, where there are both zero-rated or effectively zero-rated sales and taxable or exempt sales, and the input taxes cannot be directly and entirely attributable to any of these sales, the input taxes shall be proportionately allocated on the basis of sales volume;[8] and,

9. The input taxes have not been applied against output taxes during and in the succeeding quarters.[9]

The Court in Division, in its assailed Decision, studied and examined the evidence presented by petitioner in the light of these aforesaid requisites and found that among the aforesaid requisites, it was found that it was not able to show that its reported sales for the four (4) quarters of TY 2015 qualify for a zero-rating status (Requisite # 4) and that it has not proven that payment for services rendered were paid in acceptable foreign currency exchange and duly accounted for in accordance with the BSP rules and regulations (Requisite # 5).

We discuss in detail.

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[5] Ibid.
[6] Ibid.
[7] Ibid.
[8] *Intel Technology Philippines, Inc. vs. Commissioner of Internal Revenue*, supra; and *San Roque Power Corporation vs. Commissioner of Internal Revenue*, supra.
[9] *Intel Technology Philippines, Inc. vs. Commissioner of Internal Revenue*, supra; *San Roque Power Corporation vs. Commissioner of Internal Revenue*, supra; and *AT&T Communications Services Philippines*, Inc., supra.

As earlier mentioned, petitioner anchored its claim for refund on Section 108 (B) (2) of the 1997 NIRC, as amended, quoted below, thus:

> "SEC. 108. *Value-added Tax on Sale of Services and Use or Lease of Properties.*-
>
> xxx xxx xxx
>
> (B) *Transactions Subject to Zero Percent (0%) Rate.* – The following services performed in the Philippines by VAT-registered persons shall be subject to zero percent (0%) rate:
>
> (1) Processing, manufacturing or repacking goods for other persons doing business outside the Philippines which goods are subsequently exported, where the services are paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the *Bangko Sentral ng Pilipinas* (BSP);
>
> **(2) Services other than those mentioned in the preceding paragraph rendered to a person engaged in business conducted outside the Philippines or to a nonresident person not engaged in business who is outside the Philippines when the services are performed, the consideration for which is paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the *Bangko Sentral ng Pilipinas* (BSP);**" *(Emphases added)*

Anent thereto, there are certain essential elements that must exist for a sale or supply of services to be subject to the VAT rate of zero percent (0%) under Section 108 (B) of the 1997 NIRC, as amended, to wit:

1. 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;[10]

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[10] *Sitel Philippines Corporation (Formerly Clientlogic Phils. Inc.) vs. Commissioner of Internal Revenue*, G.R. No. 201326, February 8, 2017; *Commissioner of Internal Revenue vs. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*, G.R. No. 153205, January 22, 2007; *Accenture, Inc. vs. Commissioner of Internal Revenue*, G.R. No. 190102, July 11, 2012.

2. The services fall under any of the categories under Section 108(B)(2), [11] or simply, the services rendered should be other than "processing, manufacturing or repacking goods";[12]

3. The payment for such services should be in acceptable foreign currency accounted for in accordance with BSP rules;[13] and

4. The services must be performed in the Philippines[14] by a VAT-registered person.

Upon examination of the evidence presented by petitioner, the Court in Division concluded that petitioner failed to prove that all of the clients involved in the present claim are non-resident foreign corporations doing business outside the Philippines and payment for such services were made in acceptable foreign currency accounted for in accordance with BSP rules.

In the instant appeal, petitioner attempts to rectify the supposed error of the Court in Division by sufficiently proving that the inward foreign remittances refer to its clients doing business outside the country and that the services performed for its foreign clients were performed in the Philippines.

As the issues raised by petitioner are mostly factual in nature, the Court *En Banc* took a closer look at the records of the case and analyzed them in light of the aforementioned elements and thereby arrived at the following conclusions:

Petitioner failed to present sufficient evidence to prove that its sale of services to all the clients involved in the present claim are non-resident foreign corporations doing business outside the Philippines

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[11] *Commissioner of Internal Revenue vs. American Express International, Inc. (Philippine Branch)*, G.R. No. 152609, June 29, 2005.

[12] *Commissioner of Internal Revenue vs. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*, supra.

[13] *Commissioner of Internal Revenue vs. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*, supra; *Commissioner of Internal Revenue vs. American Express International, Inc. (Philippine Branch)*, supra.

[14] *Commissioner of Internal Revenue vs. Burmeister and Wain Scandinavian Contractor Mindanao, Inc.*, supra; *Commissioner of Internal Revenue vs. American Express International, Inc. (Philippine Branch)*, supra.

An essential element to qualify for a zero-rating status under the afore-quoted Section 108 (B) of the 1997 NIRC, as amended, is, that the recipient of the services are foreign corporations doing business outside the Philippines.

We subscribe to the conclusion of the Court in Division that to be considered as a non-resident foreign corporation doing business outside the Philippines, each entity must be supported at the very least, by **both** Certificate of Non-Registration of Corporation/Partnership and proof of incorporation/registration in a foreign country, e.g., Articles /Certificate of Incorporation/Registration and/or Tax Residence Certificate.

This finds support in the case of *Sitel Philippines Corporation (Formerly ClientLogic Phils., Inc.) vs. CIR,*[15] where the Supreme Court described the evidentiary requirements to prove that the foreign clients to whom petitioner rendered its services were doing business outside the Philippines, and we quote, thus:

> "As correctly pointed out by the CTA Division, while Sitel's documentary evidence, which includes Certifications issued by the Securities and Exchange Commission and Agreements between Sitel and foreign clients, may have established that Sitel rendered service to foreign corporations in 2004 and received payments therefor through inward remittances, said documents failed to specifically prove that such foreign clients were doing business outside the Philippines or have a continuity of commercial dealings outside of the Philippines."

The Court in Division, in its assailed Decision, found that only KNOT Management Denmark A/S and Knutsen OAS Shipping AS submitted complete documents, *i.e.,* Proof of Incorporation/Registration and SEC Certificate of Non-Registration. We quote the relevant portions of the assailed Decision, thus:

> "As a result, only the following clients of Petitioner, namely, KNOT Management Denmark A/S, and Knutsen OAS Shipping AS, shall be considered as non-resident foreign corporations doing business outside the Philippines for taxable year 2015, for purposes of the *second* essential element.

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[15] G.R. No 201326, February 8, 2017.

Despite the foregoing findings, petitioner, in the instant Petition for Review, incessantly argues that it is an entity engaged in supplying manpower to its foreign clients and that the services were performed here in the Philippines.

Such argument, however, does not hold given the paucity of its evidence to disprove the findings of the Court in Division, *i.e.*, that it was still not able to prove that the recipient of its services are non-resident foreign corporations doing business outside the Philippines.

Petitioner was not able to prove that the inward foreign remittances actually correspond to its sales to KNOT Management Denmark A/S and Knutsen OAS Shipping AS

Another essential element to prove zero-rating status under Section 108 of the 1997 NIRC, as amended, is that the payment for such services should be in acceptable foreign currency accounted for in accordance with rules of the BSP.

Petitioner insists that the Certificates of Inward Remittances, bank advices and passbook pages/bank statements which it offered as evidence are sufficient to show that these remittances correspond to the payments made for services rendered to its foreign clients, namely, KNOT Management Denmark A/S and Knutsen OAS Shipping AS for TY 2015.

Petitioner cited the total amount of foreign remittance made in 2015 to prove its point, as follows:

	Amount in US$
VAT Zero-Rated Export Sales	1,358,950.00
Due to Principal	23,526,642.12
2014 Accounts Receivable	73,140.00
Less: Bank Charges	3,289.15
Total Remittance Received	24,955,442.97

It maintains that the Schedules attached to its Petition for Review (Annex "C") would clearly trace the portion of inward remittance pertaining to zero-rated sales against the total remittance for a particular period.

The Court is not convinced.

A close scrutiny of the aforesaid documents together with the schedules submitted by petitioner reveals that these fail to pinpoint exactly and accurately the amount pertaining to the VAT zero rated sale of services that formed part of the remittances of foreign currency (via US dollars) sent via the banking system.

The three elements provided in the above table referring to the amounts: 1) due to Principal; 2) 2014 Accounts Receivable; and 3) Bank charges were not supported by relevant documents, hence, the amount corresponding to each were not fully established.

We quote with approval, the Court in Division's conclusion as regards the insufficiency of the documents to prove compliance with the third element, *i.e.*, that payment for such services should be in acceptable foreign currency accounted for in accordance with BSP rules, thus:

> "To be sure, a perusal of the amounts reflected in the Certificate of Inward Remittances from BPI and PNB, bank advices, and passbooks pages/bank statements reveals that they do not tally with the amounts per the above-stated ORs. Moreover, even if the amounts per the said ORs were accordingly traced to foreign currency inward remittances as shown in the *Summary of Comparison of Schedule of Collections of Zero-Rated Sales with Bank Advices and Passbook/Bank Statement*, significant amounts classified as "not related to claim" and "bank charges" were deducted before arriving at the net remittances reflected therein
>
> Since Petitioner did not present any document or evidence to support the said significant amounts and to show that the subject amounts actually correspond to its sales, the Court is not convinced that the foreign currency remittances as reflected in the *Certificates of Inward Remittances,* bank advises, and passbooks pages /bank/statements, refer to Petitioner's sales to KNOT Management Denmark A/S and Knutsen OAS Shipping AS for taxable year 2015, amounting to Php50,098,265.75. Thus, the Court finds that Petitioner failed to show its compliance with the *third* essential element."

WHEREFORE, in light of the foregoing considerations, the Petition for Review filed by petitioner in CTA *EB* No. 2581 is **DENIED** for lack of merit. The assailed Decision dated June 30, on

2020 and Resolution dated November 26, 2021 are hereby **AFFIRMED**.

SO ORDERED.

CATHERINE T. MANAHAN
Associate Justice

WE CONCUR:

ROMAN G. DEL ROSARIO
Presiding Justice

(On Leave)
MA. BELEN M. RINGPIS-LIBAN
Associate Justice

(ON OFFICIAL BUSINESS)
JEAN MARIE A. BACORRO-VILLENA
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

(On Leave)
MARIAN IVY F. REYES-FAJARDO
Associate Justice

LANEE S. CUI-DAVID
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court.

ROMAN G. DEL ROSARIO
Presiding Justice