

### Title:

Commissioner of Internal Revenue vs. Philex Mining Corporation

### Facts:

Philex Mining Corporation, a domestic corporation engaged in mining, sought a refund from the Bureau of Internal Revenue (BIR) for the amount of P51,734,898.99 representing its unutilized input Value-Added Tax (VAT) for the second and third quarters of 2010. The company made zero-rated sales of mineral products to various international buyers and filed amended quarterly VAT returns to reflect excess input tax arising from these sales. Claims for refund were filed with the Department of Finance's One-Stop Shop Center, followed by petitions for review filed with the Court of Tax Appeals (CTA) Division due to inaction.

The CTA Division partly granted Philex Mining's petitions, a decision which the Commissioner of Internal Revenue (CIR) challenged through a motion for reconsideration that was subsequently denied. The CIR then appealed to the CTA En Banc, reiterating arguments regarding prematurity of the judicial claim and alleged non-compliance with accounting requirements which the En Banc also denied, affirming the CTA Division.

### Issues:

1. Whether the failure of Philex Mining to comply with the requirement to keep, preserve, and maintain subsidiary sales and purchase journals, and file monthly VAT declarations as provided under Sections 4.113-3 and 4.114-3 of Revenue Regulations No. 16-2005, respectively, is fatal to its claim for a refund of unutilized input VAT.
2. Whether prior compliance with the accounting requirements under Section 4.113-3 of RR No. 16-2005 is a condition precedent to Philex Mining's entitlement to a claim for refund or credit of its unutilized input VAT.

### Court's Decision:

The Supreme Court denied the petition, siding with Philex Mining. The Court held that the Tax Code and relevant revenue regulations do not explicitly require subsidiary journals and monthly VAT declarations to be part of the substantiation requirements for a claim for tax refund or credit. Thus, the failure to maintain subsidiary journals or file monthly VAT declarations does not, by itself, deprive a taxpayer of the right to a refund as long as the claim is supported by adequate documents like VAT invoices or receipts evidencing the input taxes claimed.

### Doctrine:

Tax refunds are construed strictissimi juris against the taxpayer, but tax statutes must be construed strictly against the taxing authority and liberally in favor of the taxpayer. Compliance with the invoicing requirements as spelled out in the Tax Code and revenue regulations is necessary to substantiate a claim for a VAT refund.

### Class Notes:

- Taxpayers must adhere strictly to invoicing and accounting requirements to successfully claim a VAT refund.
- Compliance with the Tax Code's provisions regarding VAT invoices or official receipts is critical; these documents must contain specific information, such as the fact of VAT registration, the taxpayer's TIN, and a declaration of the sale as zero-rated if applicable.
- Subsidiary journals and monthly VAT declarations, while important for accounting and assessment purposes, are not explicitly required by the Tax Code to substantiate a claim for refund or tax credit on the basis of unutilized input VAT.

### Historical Background:

This case highlights the complexity of VAT refund claims in the Philippines. The decision underscores the principle of strict adherence to statutory requirements for tax refunds, while also emphasizing a pragmatic approach in not unduly penalizing taxpayers for non-compliance with requirements not explicitly mandated by law.