

Title: Maibarara Geothermal, Inc. vs. Commissioner of Internal Revenue

Facts:

Maibarara Geothermal, Inc. (MGI), a corporation engaged in geothermal power generation and registered as a VAT taxpayer, filed its quarterly VAT returns for 2011. Later, MGI submitted administrative claims to the BIR for a refund of its unutilized input VAT for the four quarters of 2011, citing inactivity in sales during the period but anticipating sales in the future. The claims, totaling approximately P15.8 million, were not acted upon, prompting MGI to escalate the matter to the Court of Tax Appeals (CTA) through four separate petitions. The CTA First Division consolidated and denied the petitions, a decision upheld by the CTA En Banc. MGI then filed a Petition for Review on Certiorari with the Supreme Court.

Issues:

1. Whether MGI is entitled to a refund of its unutilized input VAT for the taxable year 2011.
2. The correct interpretation and application of the two-year prescriptive period for filing VAT refund claims as provided under Section 112(A) of the NIRC.

Court's Decision:

The Supreme Court denied MGI's petition, affirming the CTA's decision. The Court clarified key points regarding VAT refund claims:

- **Attributability of Input VAT to Zero-Rated Sales:** Input VAT must be directly attributable to zero-rated or effectively zero-rated sales to qualify for a refund. MGI failed to establish the existence of such sales during 2011.
- **Reconciliation of Input and Output VAT:** MGI could not provide evidence showing that the input VAT claimed was attributable to any sales, let alone zero-rated sales.
- **Prescriptive Period for Filing Claims:** The Court reaffirmed the ruling that the two-year period for filing a VAT refund claim starts from the close of the taxable quarter when the relevant sales were made, underscoring that purchases leading to input VAT must be connected to zero-rated sales within this timeframe.

Doctrine:

The Supreme Court reiterated the doctrine that for VAT-registered entities to qualify for a refund or tax credit for unutilized input VAT, such input VAT must be attributable to zero-rated or effectively zero-rated sales. It also stressed the interpretation of Section 112(A) of the NIRC regarding the two-year prescriptive period, specifying that it should be counted from the close of the taxable quarter of relevant sales, linking the input VAT to such sales.

Class Notes:

- **Unutilized Input VAT Refund Requirements:** Taxpayer must prove its VAT registration, engagement in zero-rated sales, due payment of input VAT, non-application of input VAT against output VAT, and attribution of input VAT to zero-rated sales, among others.
- **Attributability to Zero-Rated Sales:** Input VAT for refund must directly relate to zero-rated or effectively zero-rated sales.
- **Prescriptive Period:** For VAT refund claims, the two-year period starts from the close of the taxable quarter when the zero-rated sales were made.
- **Burden of Proof:** The taxpayer bears the burden to sufficiently prove eligibility for a VAT refund or tax credit claim.

Historical Background:

The VAT system in the Philippines allows for the passing on of taxes from suppliers to consumers, with certain transactions being zero-rated, particularly exports. The case underscores the strict regulations surrounding VAT refunds, especially for transactions deemed zero-rated, ensuring that these incentives are correctly applied and substantiated.