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THIRD DIVISION

[G.R. No. 216656; April 26, 2021]

TAGANITO MINING CORPORATION, *Petitioner*, *v.* **COMMISSIONER OF INTERNAL REVENUE,** *Respondent*.

D E C I S I O N

LEONEN, *J.*:

A zero-rated taxpayer is entitled to claim as refund or tax credit the input VAT from its domestic purchases or importation of capital goods used for its trade or business. However, if the acquisition cost exceeds ₱1,000,000.00, the claim becomes subject to the rule on amortization of its input VAT credit over the useful life span of the capital goods.

This Court resolves the Petition for Review on Certiorari[1] filed by Taganito Mining Corporation (TMC) assailing the Decision[2] and Resolution[3] of the Court of Tax Appeals En Banc, which affirmed the Court of Tax Appeals Division's dismissal of petitioner's claim for refund/tax credit amounting to ₱7,572,550.29 of its input Value-Added Tax (VAT) in its purchase and importation of capital goods from January 1 to December 31, 2007.[4]

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[1] *Rollo*, pp. 3-25.

[2] Id. at 27-46. The June 10, 2014 Decision in CTA EB No. 1039 was penned by Presiding Judge Roman G. Del Rosario and concurred in by Associate Justices Juanito C. Castañeda, Jr., Lovell R. Bautista, Erlinda P. Uy, Caesar A. Casanova, Esperanza R. Fabon-Victorino, Cielito N. Mindaro-Grulla, Amelia R. Cotangco-Manalastas, and Ma. Belen M. Ringpis-Liban of the Court of Tax Appeals, Quezon City.

[3] Id. at 48-50. The December 22, 2014 Resolution in CTA EB No. 1039 was penned by Presiding Justice Roman G. Del Rosario and concurred in by Associate Justices Juanito C. Castañeda, Jr., Lovell R. Bautista, Erlinda P. Uy, Caesar A. Casanova, Esperanza R. Fabon-Victorino, Cielito N. Mindaro-Grulla, Amelia R. Cotangco-Manalastas, and Ma. Belen M. Ringpis-Liban of the Court of Tax Appeals, Manila.

[4] Id. at 27-28.

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TMC is "an exporter of beneficiated nickel silicate ores and chromite ores"[5] and is registered with the Securities and Exchange Commission and the Board of Investments. TMC is also a registered VAT-taxpayer.[6] It alleged that from January 1, 2007 to December 31, 2007, it generated "zero-rated export sales" in the amount of ₱4,248,232,289.08.[7] During such period, TMC paid input VAT on its "domestic purchases of taxable goods and services and importation of capital and non-capital goods amounting to ₱22,795,033.33[.]"[8]

On February 11, 2009, TMC filed an application for refund/credit of its VAT input taxes for 2007 before the Large Taxpayer's Division of the Bureau of Internal Revenue.[9]

Before TMC's application was acted upon, it filed a Petition for Review with the Court of Tax Appeals on March 17, 2009.[10]

On October 13, 2009, the Bureau of Internal Revenue's Large Taxpayers Service wrote to TMC and recommended a refund equivalent to ₱15,023,736.12, and disallowed the amount of ₱198,746.93 for being unsubstantiated.[11] The amount of ₱7,572,550.29 "consisting of deferred input VAT on capital goods"[12] was also disallowed and recommended for amortization over 60 months.[13]

In view of the recommendation, TMC filed a Motion for Partial Withdrawal of Petition which was granted by the Court of Tax Appeals.[14] It then pursued its petition "with respect to the

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[5] Id. at 8.

[6] Id.

[7] Id.

[8] Id. at 28.

[9] Id. at 10.

[10] Id.

[11] Id.

[12] Id. at 29.

[13] Id.

[14] Id. at 10-11.

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deferred input taxes pertaining to capital goods" amounting to ₱7,572,550.29.[15] It alleged that its input VAT being refunded was directly attributable to its zero-rated export sales.[16]

The Court of Tax Appeals Division[17] dismissed the Petition for Review and also denied TMC's motion for reconsideration.[18] Thereafter, TMC filed a Petition for Review with the Court of Tax Appeals En Banc, praying for the reversal of the Court of Tax Appeals Division's ruling. It further prayed that:

> [T]he Court En Banc render judgment declaring petitioner to be entitled to the refund/tax credit in the amount of Seven Million Five Hundred Seventy-Two Thousand Five Hundred Fifty and 29/100 Pesos (Php7,572,550.29), representing the un-refunded portion of excess input VAT paid by the petitioner on its importation of capital goods from January 1, 2007 to December 31, 2007; and order respondent to issue to petitioners the corresponding tax credit certificate or to refund the aforesaid amount; or in the alternative, to rule that the amount of un-amortized and un-refunded excess input VAT of petitioner can be reverted as part of its accumulated input VAT.[19]

The Court of Tax Appeals En Banc denied the Petition for Review and affirmed the decision of the Division.[20] It held that there was nothing in Sections 110 and 112(A) of the NIRC which qualified that the amortization of input VAT on capital goods exceeding ₱1,000,000.00 does not apply to claims for refund or applications for tax credit certificate.[21] The Court of Tax Appeals En Banc emphasized that since the law does not distinguish, the amortization of input VAT also applied to claims for refund or tax credit.[22]

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[15] Id. at 10.

[16] Id. at 9.

[17] Petitioner did not specify which division of the CTA ruled on its petition. It was also not attached in the Petition.

[18] *Rollo*, p. 11.

[19] Id. at 30-31.

[20] Id. at 45.

[21] Id. at 33-36.

[22] Id. at 35-36.

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The Court of Tax Appeals En Banc affirmed that only the amortized amount of ₱1,277,591.16 is creditable or refundable as of December 31, 2007 and not the full ₱8,850,141.45 input tax.[23] The remaining ₱7,572,550.29 was to be amortized during the estimated life of the capital goods.[24] It ruled that the two-year prescriptive period to claim refund was to be "reckoned at the end of the quarter when the pertinent zero-rated sales (to which the amortized input VAT is attributable) were made."[25] The dispositive portion of the Court of Tax Appeals En Banc's Decision reads:

> **WHEREFORE,** in light of the foregoing, the *Petition for Review* is hereby **DENIED** for lack of merit. Accordingly, the Decision dated November 13, 2012 and the Resolution dated June 5, 2013 rendered by the then First Division of this Court and this Court's Special First Division, respectively, in CTA Case No. 7884 entitled "*Taganito Mining Corporation vs. Commissioner of Internal Revenue*" which denied Taganito Mining Corporation's claim for refund or issuance of a tax credit certificate representing the un-refunded portion of excess input VAT on its importation of capital goods from January 1, 2007 to December 31, 2007 in the total amount of **SEVEN MILLION FIVE HUNDRED SEVENTY-TWO THOUSAND FIVE HUNDRED FIFTY PESOS AND 29/100 (Php7,572,550.29)** are hereby **AFFIRMED**.
>
> **SO ORDERED**.[26] (Emphasis in the original)

Petitioner filed a motion for reconsideration which was denied in a December 22, 2014 Resolution.[27] Hence, this Petition.

Petitioner claims that the Court of Appeals En Banc erred in reading Section 110(A) on its own, without considering Section 110(B) and (C), which stated that the use of "any" in Section 110 (B) referring to "input tax attributable to zero-rated sales" may be refunded or credited at the zero-rated taxpayer's option.[28]

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[23] Id. at 42-43.

[24] Id. at 42.

[25] Id. at 44.

[26] Id. at 45.

[27] Id. at 48-50.

[28] Id. at 15.

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It claims that the terms "creditable input tax" and "input tax credit" are different.[29] The former refers to "input tax on purchases which can be credited against output tax[,]" while the latter pertains to zero-rated transactions with no output tax from which input tax may be credited against.[30] Further, there is nothing in the regulations which provides that the rule on amortization of creditable input tax applies to input tax credit on capital goods.[31]

Further, it avers that since the rules are silent on the application of the amortization on zero-rated sales, the Court of Tax Appeals En Banc committed judicial legislation in filling the gap in the law. It claims that Sections 4.110-3 and 4.110-4 of Revenue Regulations No. 16-05 cannot be construed to amend Section 110 (B) of the NIRC. Rather, it should be construed to apply only to taxpayers who do not engage in zero-rated transactions. Here, since all its input taxes are attributable to its zero-rated sales, petitioner claims that its input tax credit/refund is not subject to amortization. Finally, petitioner asserts that it substantiated its claims for refund/tax credit which public respondent did not dispute.[32]

Meanwhile, respondent avers that Section 110(A)(2)(b) in conjunction with Section 4.110-3(a) of Revenue Regulations No. 16-05 provide the rule on amortization of creditable input tax.[33] It points out that since the law does not distinguish, amortization also applies to zero-rated transactions involving capital goods with acquisition cost above ₱1,000,000.00.[34] Further, considering that tax refunds are in the nature of tax exemption, the law is construed strictly against those who claim exemption.[35]

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[29] Id. at 16.

[30] Id.

[31] Id.

[32] Id. at 18-21.

[33] Id. at 90.

[34] Id. at 91-92.

[35] Id. at 97.

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The crux of the controversy is whether or not the input tax credit for purchase of capital goods above ₱1,000,000.00, which are directly attributable to zero-rated export sales of petitioner, is required to be amortized over the useful life of the product.

We rule in the affirmative and dismiss the Petition.

I

In a marketplace where different levels and stages of production are involved, a merchant pays VAT when purchasing goods or services used in business from suppliers.[36] This is the merchant's input tax. Meanwhile, in doing business and selling goods or services, the merchant is liable to pay VAT but he or she is allowed to pass the burden of paying the same to the consumers. This is the output tax.[37]

The output tax is collected by the merchant from the consumer who in turn is allowed to deduct from it the amount of input tax paid in order to decrease the amount of their VAT liability. The system of crediting input VAT from output VAT is provided for under Section 110 of the NIRC. As amended,[38] it reads in part:

SECTION 110. Tax Credits. —

(A) Creditable Input Tax. —

(1) Any input tax evidenced by a VAT invoice or official receipt issued in accordance with Section 113 hereof on the following transactions shall be creditable against the output tax:

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[36] Republic Act No. 8424 (1997), sec. 110, as amended by Republic Act No. 9337 (2005) states:
SECTION 110.
. . . .
value-added tax due from or paid by a VAT-registered person in the course of his trade or business on importation of goods or local purchase of goods or services, including lease or use of property, from a VAT-registered person. It shall also include the transitional input tax determined in accordance with Section 111 of this Code[.]

[37] *Contex Corporation v. CIR*, 477 Phil. 442 (2004) [Per J. Quisumbing, Second Division].

[38] Republic Act No. 8424 (1997), sec. 110(A)(1)(v), as amended by Republic Act No. 9337 (2005).

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(a) Purchase or importation of goods:
  (i) For sale; or
  (ii) For conversion into or intended to form part of a finished product for sale including packaging materials; or
  (iii) For use as supplies in the course of business; or
  (iv) For use as materials supplied in the sale of service; or
  (v) For use in trade or business for which deduction for depreciation or amortization is allowed under this Code.

(b) Purchase of services on which a value-added tax has been actually paid.

(2) The input tax on domestic purchase of goods or properties shall be creditable.

(a) To the purchaser upon consummation of sale and on importation of goods or properties; and

(b) To the importer upon payment of the value-added tax prior to the release of the goods from the custody of the Bureau of Customs.

Provided, That the input tax on goods purchased or imported in a calendar month for use in trade or business for which deduction for depreciation is allowed under this Code, shall be spread evenly over the month of acquisition and the fifty-nine (59) succeeding months if the aggregate acquisition cost for such goods, excluding the VAT component thereof, exceeds One million pesos (₱1,000,000): Provided, however, That if the estimated useful life of the capital good is less than five (5) years, as used for depreciation purposes, then the input VAT shall be spread over such a shorter period: Provided, finally, That in the case of purchase of services, lease or use of properties, the input tax shall be creditable to the purchaser, lessee or licensee upon payment of the compensation, rental, royalty or fee.

(3) A VAT-registered person who is also engaged in transactions not subject to the value-added tax shall be allowed tax credit as follows:

(a) Total input tax which can be directly attributed to transactions subject to value-added tax; and

(b) A ratable portion of any input tax which cannot be directly attributed to either activity.

The term 'input tax' means the value-added tax due from or paid by a VAT-registered person in the course of his trade or business on importation of goods or local purchase of goods or services, including

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lease or use of property, from a VAT-registered person. It shall also include the transitional input tax determined in accordance with Section 111 of this Code.

The term 'output tax' means the value-added tax due on the sale or lease of taxable goods or properties or services by any person registered or required to register under Section 236 of this Code.

(B) Excess Output or Input Tax. — If at the end of any taxable quarter the output tax exceeds the input tax, the excess shall be paid by the VAT-registered person. If the input tax exceeds the output tax, the excess shall be carried over to the succeeding quarter or quarters: Provided, however, ***That any input tax attributable to zero-rated sales by a VAT-registered person may at his option be refunded or credited against other internal revenue taxes***, subject to the provisions of Section 112. (Emphasis supplied)

However, a zero-rated taxpayer is given the option to claim the input tax paid through a refund or tax credit.[39] This is because a zero-rated taxpayer does not have output tax for its zero-rated transactions from which it can credit its input tax:

Zero-rated transactions generally refer to the export sale of goods and services. The tax rate in this case is set at zero. When applied to the tax base or the selling price of the goods or services sold, such zero rate results in no tax chargeable against the foreign buyer or customer. But, although the seller in such transactions charges no output tax, he can claim a refund of the VAT that his suppliers charged him. The seller thus enjoys automatic zero rating, which allows him to recover the input taxes he paid relating to the export sales, making him internationally competitive.[40] (Citation omitted)

Thus, under Section 112(A) of the NIRC, a claim for refund or tax credit of input tax should not have been applied against output tax:

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[39] Republic Act No. 8424 (1997), sec. 110(B), as amended by Republic Act No. 9337 (2005).

[40] *Panasonic Communications Imaging Corporation v. CIR*, 625 Phil. 631, 639-640 (2010) [Per J. Abad, Second Division].

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SECTION 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 or 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. (Emphasis supplied)

From these provisions, petitioner insists on the distinction between creditable input VAT subject to amortization under Section 110(A) and the input tax attributable to zero-rated transactions which may be claimed for refund or credit at the option of the VAT registered taxpayer under Section 110(B) in relation to Section 112(A).[41] Petitioner assails the Court of Tax Appeals En Banc's application of the amortization rule to its claim for input tax credit directly attributable to its zero-rated transactions.[42]

We do not agree.

In *Fort Bonifacio Development Corporation v. Commissioner of Internal Revenue*, We held that:[43]

A law must not be read in truncated parts; its provisions must be read in relation to the whole law. It is the cardinal rule in statutory

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[41] *Rollo*, p. 16.

[42] Id.

[43] 617 Phil. 358 (2009) [Per J. Leonardo-de Castro, En Banc].

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construction that a statute's clauses and phrases must not be taken as detached and isolated expressions, but the whole and every part thereof must be considered in fixing the meaning of any of its parts in order to produce a harmonious whole. Every part of the statute must be interpreted with reference to the context, *i.e.*, that every part of the statute must be considered together with other parts of the statute and kept subservient to the general intent of the whole enactment.

In construing a statute, courts have to take the thought conveyed by the statute as a whole; construe the constituent parts together; ascertain the legislative intent from the whole act; consider each and every provision thereof in the light of the general purpose of the statute; and endeavor to make every part effective, harmonious and sensible.[44] (Citations omitted)

The use of "any" in Section 110(B) does not prevent the application of the amortization rule under Section 110(A) to "input tax attributable to zero-rated sales[.]"[45] The amortization rule does not preclude the zero-rated taxpayer from claiming its input tax in full. It is not the word "any" which qualifies a claim for refund or tax credit of input tax. It is the amount of the purchased or imported goods used for trade or business, and whether depreciation is allowed for it. Section 4.110-3 of Revenue Regulations No. 16-2005, as amended, provides:[46]

SECTION 4.110-3. *Claim for Input Tax on Depreciable Goods*. — Where a VAT-registered person purchases or imports capital goods, which are depreciable assets for income tax purposes, the aggregate acquisition cost of which (exclusive of VAT) in a calendar month exceeds One Million pesos (₱1,000,000.00), regardless of the acquisition cost of each capital good, shall be claimed as credit against output tax in the following manner:

> (a) If the estimated useful life of a capital good is five (5) years or more — The input tax shall be spread evenly over a period of sixty (60) months and the claim for input tax credit will commence in the calendar month when the capital good is acquired. *The total*

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[44] Id. at 366-367.

[45] Consolidated Value-Added Tax Regulations of 2005, sec. 4.110-7 as amended by Revenue Regulations No. 4-2007, sec. 17.

[46] Consolidated Value-Added Tax Regulations of 2005, sec. 4.110-3 as amended by Revenue Regulations No. 4-2007, sec. 16.

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input taxes on purchases or importations of this type of capital goods shall be divided by 60 and the quotient will be the amount to be claimed monthly.

(b) If the estimated useful life of a capital good is less than five (5) years — The input tax shall be spread evenly on a monthly basis by dividing the input tax by the actual number of months comprising the estimated useful life of the capital good. The claim for input tax credit shall commence in the calendar month that the capital goods were acquired.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed one million pesos (₱1,000,000.00), the total input taxes will be allowable as credit against output tax in the month of acquisition.

Capital goods or properties refers to goods or properties with estimated useful life greater than one (1) year and which are treated as depreciable assets under Sec. 34(F) of the Tax Code, used directly or indirectly in the production or sale of taxable goods or services.

The aggregate acquisition cost of depreciable assets in any calendar month refers to the total price, excluding the VAT, agreed upon for one or more assets acquired and not on the payments actually made during the calendar month. Thus, an asset acquired on installment for an acquisition cost of more than ₱1,000,000.00, excluding the VAT, will be subject to the amortization of input tax despite the fact that the monthly payments/installments may not exceed ₱1,000,000.00.

Construing these provisions together, if the purchase or importation of depreciable goods are directly attributable to zero-rated sales, and their acquisition cost exceeds ₱1,000,000.00, the amortization applies. Other than the hairsplitting distinction and play on words, petitioner did not present a convincing argument for the piecemeal construction of Section 110(B). Petitioner cannot be allowed to select and choose which provisions apply to benefit its purpose.

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In *Abakada Guro Party List v. Ermita*,[47] the Court explained that the 60-month amortization of input tax under Section 110(A) only delays but does not permanently deprive a taxpayer from crediting the input tax. Such provision was upheld as a valid limitation to the right of crediting input tax against output tax pursuant to "executive economic policy and legislative wisdom."[48] Petitioner fails to persuade that the provision on amortization does not apply to claims for input tax credit/refund for goods or service which are depreciable and above the threshold amount.

The ruling of the Court of Tax Appeals En Banc is correct:

> There is nothing in the above-quoted provisions of law which states that the amortization of VAT paid on capital goods with acquisition cost exceeding One Million Pesos (Php1,000,000.00), excluding the VAT component, applies only when the input VAT is creditable against the output VAT. The above-quoted provisions of law do not state that the same do not apply to claims for refund or applications for issuance of a tax credit certificate.
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> A perusal of Sections 4.110-3 and 4.110-4 of Revenue Regulations (RR) No. 16-05, implementing the VAT provisions of the 1997 NIRC, as amended by RA No. 9337, reveals that, insofar as the amortization of input VAT paid on capital goods is concerned, there is no distinction between the input VAT creditable against output VAT and input VAT subject of a claim for refund or application for issuance of a tax credit certificate.
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> "*Ubi lex non distinguit, nec nos distinguere debemus*. Where the law does not distinguish, we ought not to distinguish." Thus, the law being silent, the same rule on amortization of input VAT necessarily applies to claims for refund.
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> . . . .
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> While it is true that amortization of input VAT paid on capital goods is not among the requirements for claiming a tax refund, it is nevertheless a rule that must be complied with by a VAT-registered taxpayer engaged in zero-rated sales when claiming input VAT arising from its purchases of

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[47] *ABAKADA Guro v. Ermita*, 506 Phil. 1 (2005) [Per J. Austria-Martinez, En Banc].

[48] Id. at 125.

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capital goods where its acquisition cost, excluding the VAT component thereof, exceeds Php1,000,000.00.

Thus, the Court En Banc agrees with the Court in Division that petitioner's input VAT of Php8,850,141.45 paid on its capital goods with acquisition cost that exceeds Php1,000,000.00 shall be spread over sixty (60) months; and only the amortized input VAT in the amount of Php1,277,591.16 is creditable or refundable as of December 31, 2007[.][49] (Citation omitted)

A holistic reading of the provisions reveals that there is no limitation in applying the amortization rule to input tax credit/refund from zero-rated transactions. Contrary to petitioner's argument, Section 110(B) does not give a VAT-registered taxpayer vested rights to refund any and all input VAT which are directly attributable to its zero-rated sales. Being statutory in nature, its right to refund depends on the limitations provided by law. The burden of proof is upon the claimant to prove the factual basis of its claim for refund as tax refunds, similar to exemptions, are strictly construed against the taxpayer.[50] This burden, petitioner failed to discharge.

II

Petitioner then assails the validity of Section 4.110-3 of Revenue Regulations No. 16-2005 as it supposedly removes the distinction between creditable input tax and input tax attributable to zero-rated sales.[51] It argues that there is no regulation which provides for the amortization of input tax credit directly attributable to zero-rated transactions.

We are not convinced.

Revenue regulations are contemporaneous constructions of the National Internal Revenue Code and form part of our

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[49] *Rollo*, pp. 35-36.

[50] *Eastern Telecommunications Philippines, Inc. v. CIR*, 693 Phil. 464 (2012) [Per J. Mendoza, Third Division], citing *Philippine Phosphate Fertilizer Corporation v. CIR*, 500 Phil. 149 (2005) [Per J. Austria-Martinez, Second Division].

[51] *Rollo*, pp. 16-17.

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taxation laws.[52] In *La Suerte Cigar & Cigarette Factory v. Court of Tax Appeals*,[53] the Court extensively discussed the Secretary of Finance's authority to fill in details in the enforcement and administration of tax laws which should be given weight and respect:

> The power of taxation is inherently legislative and may be imposed or revoked only by the legislature. Moreover, this plenary power of taxation cannot be delegated by Congress to any other branch of government or private persons, unless its delegation is authorized by the Constitution itself. Hence, the discretion to ascertain the following — (a) basis, amount, or rate of tax; (b) person or property that is subject to tax; (c) exemptions and exclusions from tax; and (d) manner of collecting the tax—may not be delegated away by Congress.
>
> However, it is well-settled that the power to fill in the details and manner as to the enforcement and administration of a law may be delegated to various specialized administrative agencies like the Secretary of Finance in this case.
>
> This court in *Maceda v. Macaraig, Jr.* explained the rationale behind the permissible delegation of legislative powers to specialized agencies like the Secretary of Finance:
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> > The latest in our jurisprudence indicates that delegation of legislative power has become the rule and its non-delegation the exception. The reason is the increasing complexity of modern life and many technical fields of governmental functions as in matters pertaining to tax exemptions. This is coupled by the growing inability of the legislature to cope directly with the many problems demanding its attention. The growth of society has ramified its activities and created peculiar and sophisticated problems that the legislature cannot be expected reasonably to comprehend. Specialization even in legislation has become necessary. To many of the problems attendant upon present day undertakings, the legislature may not have the competence, let alone the interest and the time, to provide the required direct and efficacious, not to say specific solutions.

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[52] *Commissioner of Internal Revenue v. Seagate Technology*, 491 Phil. 317 (2005) [Per J. Panganiban, Third Division].

[53] 746 Phil. 432 (2014) [Per J. Leonen, En Banc].

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Thus, rules and regulations implementing the law are designed to fill in the details or to make explicit what is general, which otherwise cannot all be incorporated in the provision of the law. Such rules and regulations, when promulgated in pursuance of the procedure or authority conferred upon the administrative agency by law, "deserve to be given weight and respect by the courts in view of the rule-making authority given to those who formulate them and their specific expertise in their respective fields." To be valid, a revenue regulation must be within the scope of statutory authority or standard granted by the legislature. Specifically, the regulation must (1) be germane to the object and purpose of the law; (2) not contradict, but conform to, the standards the law prescribes; and (3) be issued for the sole purpose of carrying into effect the general provisions of our tax laws.[54] (Citations omitted)

Section 4.110-3 does not amend Section 110(B) of the tax code.[55] Section 4.110-3 merely bridges the gap between Section 110(A) and Section 112(A) as it provides the requirements for claiming input tax credit or refund for: (1) depreciable assets with estimated useful life greater than 1 year; (2) that is used "directly or indirectly in the production or sale of taxable goods or services";[56] and (3) with acquisition cost in excess of ₱1,000,000.00. It fills in the details for the implementation of claiming refund or tax credit for depreciable goods. Absent any showing that the Section 4.110-3 contravenes the tax code, this Petition must necessarily fail.

It has not escaped our attention that the issue of amortization has been discussed in *Taganito Mining Corporation v. Commissioner of Internal Revenue*[57] involving the same parties regarding a similar controversy for petitioner's tax credit of its input VAT from January 1 to December 31, 2006. There, this Court held that petitioner failed to substantiate its payment of input tax on its imported goods as it did not submit the necessary documents showing the importation. In an obiter, We held that petitioner must

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[54] Id. at 482-485.

[55] *Rollo*, p. 18.

[56] Revenue Regulations No. 16-2005 (2005), sec. 4.110-3, as amended by Revenue Regulations No. 4-2007 (2007), sec. 16, defining Capital Goods.

[57] 748 Phil. 774 (2014) [Per J. Mendoza, Second Division].

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prove that the items are in the nature of capital goods and the amount of input tax should be amortized over its estimated useful life:

> First, Taganito failed to prove that the importations pertaining to the input VAT are in the nature of capital goods and properties as defined in the abovequoted [sic] section. It points to the report of the independent CPA which allegedly reviewed the IERIDs and subsidiary ledger containing the description of the dump trucks. Nonetheless, the petitioner failed to present the actual IERIDs and subsidiary ledger, which would constitute the best evidence rather than a report merely citing them. It did not give any reason either to explain its failure to present these documents. The testimony of its Vice-President for Finance would be insufficient to prove the nature of the importation without these supporting documents.
>
> Second, even assuming that the importations were duly proven to be capital goods, Taganito's claim still would not prosper because it failed to present evidence to show that it properly amortized the related input VAT over the estimated useful life of the capital goods in its subsidiary ledger, as required by the abovequoted [sic] sections. This is made apparent by the fact that Taganito's claim for refund is for the full amount of the input VAT on the importation, rather than for an amortized amount, and by its failure to present its subsidiary ledger.[58]

In this case, there is no dispute that the ₱7,572,550.29 is the total input VAT from domestic and imported purchases of capital goods that petitioner paid from January 1 to December 31, 2007.[59] The amount was disallowed because out of petitioner's ₱8,850,141.45 input taxes, only ₱1,277,591.16 accrued from January 1 to December 31, 2007.[60] The remaining ₱7,572,550.29 is to be amortized over the estimated useful life of the capital goods. There being no issue as to whether petitioner substantiated the requirements for its input tax credit, We agree that it has properly substantiated its claim for input tax.[61]

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[58] Id. at 788-789.

[59] *Rollo*, pp. 28-29.

[60] Id. at 42.

[61] Id. at 21.

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On October 13, 2009 the Large Taxpayers Service issued a letter stating that petitioner is entitled to a VAT credit/refund of ₱15,023,736.12.[62] A tax credit in the amount of ₱13,613,361.37 has been issued and the remaining ₱1,410,374.75 has been endorsed to the Bureau of Customs.[63] Thus, there is nothing more to do except to dismiss this Petition.

WHEREFORE, the petition is **DISMISSED**. The Decision dated June 10, 2014 and Resolution dated December 22, 2014 of the Court of Tax Appeals in CTA EB No. 1039 are **AFFIRMED**.

SO ORDERED.

Hernando, Inting, Delos Santos, and *J. Lopez, JJ.*, concur.

APPEARANCES OF COUNSEL

Tam-Yap & Ilao Law Offices for petitioner.
Office of the Solicitor General for respondent.

[62] Id. at 79.

[63] Id.