REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

ASIANLIFE & GENERAL ASSURANCE CORPORATION (now known as ETIQA LIFE & GENERAL ASSURANCE PHILIPPINES, INC.)
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NO. 9714

Members:

CASTAÑEDA, JR., *Chairperson, and*
BACORRO-VILLENA, *JJ.*

Promulgated:

OCT 29 2020
9:50 a.m.

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JUDGMENT BASED ON COMPROMISE AGREEMENT

CASTAÑEDA, JR., *J.*:

For the Court's resolution are the following:

1. parties' **Joint Motion To Render Judgment Based on Compromise Agreement**, filed on October 1, 2019;

2. petitioner's **Manifestation With Submission,** filed on October 8, 2020; and

3. petitioner's **Manifestation with Motion**, filed through registered mail on October 5, 2020, and received by the Court on October 13, 2020.

On November 10, 2017, petitioner filed the *Petition Review,* challenging the validity of the Final Decision on Disputed Assessment (FDDA) issued by the respondent on June 23, 2016, which required petitioner to pay a total basic tax of ₱62,604,609.85 covering the taxable year 2009.

On January 28, 2019, upon motion of the petitioner's counsel and no objection from the respondent, the Court granted the motion for referral of the case to mediation. The instant case was referred to the Philippine Mediation Center – Court of Tax Appeals (PMC-CTA) for mediation, pursuant to Section 2 of the *Interim Guidelines for Implementing Mediation in the Court of Tax Appeals.*

On June 4, 2019, the parties were given a period of thirty (30) days to reach an amicable settlement.

Subsequently, on July 12, 2019, a Joint Manifestation to Submit Compromise Agreement was submitted by the parties, stating among others that respondent has already signified his acceptance of petitioner's settlement, representing forty percent (40%) of the basic deficiency tax assessed, as full and final settlement of all deficiency taxes for taxable year 2009.

On September 5, 2019, another Joint Manifestation was filed by the parties stating that its duly authorized representative, and respondent have already signed the compromise agreement and petitioner paid the compromise settlement amount of ₱25,041,843.94, through EFPS facility on September 4, 2019.

Thereafter, on September 17, 2019, the Court directed the parties to submit within thirty (30) days the originals and certified true copies of the Payment Form (BIR Form No. 0605) and attached supporting documents. Also, the Court gave the parties the same period to submit their compromise agreement.

On September 18, 2019, the Court received the PMC-CTA's Mediator's Report dated September 16, 2019, signed by (Ret.) Justice Eduardo G. Montenegro, stating that there has been a successful settlement in this case.

On October 1, 2019, the parties filed their *Joint Motion to Render Judgment Based on Compromise Agreement*[1].

In support of the said motion, the parties submitted photocopies of the following:

a.) Compromise Agreement dated September 17, 2019, signed by petitioner's President, Rico T. Bautista on behalf of petitioner, and respondent Commissioner of Internal Revenue, Caesar R. Dulay, and attested to by (Ret.) Justice Eduardo G. Montenegro;

b.) Certificate of Filing of Amended Articles of Incorporation of Etiqa Life and General Assurance, Philippines (formerly: Asianlife and General Assurance Corporation) dated June 19, 2019, issued by the Securities and Exchange Commission; and

c.) Certificate of Registration of Etiqa Life and General Assurance, Philippines (BIR Form No. 2303) dated October 29, 2010 issued by the Bureau of Internal Revenue.

On October 14, 2019, petitioner filed its *Compliance with Motion to Amend*, manifesting therein that it changed its name to Etiqa Life and General Assurance Philippines, Inc. on June 19, 2020.

On October 24, 2019, the Court directed the parties to submit within fifteen (15) days from receipt thereof the originals or certified true copies of the following documents:

1. Payment Form and its attached supporting documents showing that petitioner paid the compromise settlement;

2. Compromise Agreement dated September 17, 2019;

3. Certificate of Filing of Amended Articles of Incorporation of Etiqa Life and General Assurance

[1]Docket vol. III, pp. 1187-1215.

Philippines, Inc. (Formerly: Asianlife and General Assurance Corporation) dated June 19, 2019;

4. Certificate of Registration of Etiqa Life and General Assurance Philippines, Inc. dated October 29, 2010; and

5. Proof of approval of the Compromise Agreement by the majority of the NEB members, with the concurrence of the Commissioner of Internal Revenue, as prescribed under Revenue Regulation No. 30-2002 and Revenue Memorandum Order No. 003-2017, dated February 1, 2017.

In compliance to the above, petitioner submitted on December 19, 2019 the **certified true copy of the Amended Articles of Incorporation** dated June 19, 2019[2].

Subsequently, on February 17, 2020, the parties submitted the following:

(1) **certified true copy of the Payment Form**, dated September 4, 2019 with supporting documents showing the payment of ₱25,041,843.94[3]; and

(2) **certified photocopy of the BIR Certificate of Registration of Etiqa Life and General Assurance Philippines, Inc.**, dated October 29, 2010[4] as certified by the Large Taxpayer's Division of the BIR.

On July 1, 2020, in compliance to the Resolutions dated October 24, 2019 and March 9, 2020, petitioner submitted the **certified true copy of the Approval of the National Evaluation Board (NEB)** of the Judicial Compromise Agreement.

Meanwhile, in the Resolution dated September 11, 2020, the Court granted petitioner's *Motion to Amend,* wherein petitioner's name was changed from "Asianlife & General Assurance Corporation"

[2]Docket vol. III, pp. 1238-1253.
[3]Docket vol. III, pp. 1262-1265.
[4]Docket vol. III, p. 1266.

to "**Etiqa Life & General Assurance Philippines, Inc. (Formerly: Asianlife & General Assurance Corporation)**".

However, the Court observed that the parties failed to submit the original or certified true copy of the Compromise Agreement dated September 17, 2019 as required per Resolution dated October 24, 2020.

Further, aside from being a mere photocopy, the Court noted that the Compromise Agreement attached to the parties' Joint Motion to Render Judgment Based on Compromise Agreement was dated September 17, 2019, and was notarized on July 23, 2019 while the Compromise Agreement attached to PMC CTA's Mediator's Report dated September 16, 2019 was undated and was notarized on July 23, 2019.

Thus, the parties were given fifteen (15) days from receipt of the Resolution dated September 11, 2020 to submit the Compromise Agreement dated September 17, 2019. Pending the submission of the same, the resolution of the parties' *Joint Motion to Render Judgment Based on Compromise Agreement* was held in abeyance.

On October 5, 2020, petitioner filed through registered mail a *Manifestation with Motion,* in response to the Court's Resolution dated September 11, 2020.

In the said Manifestation and Motion, petitioner explained the process by which the parties signed, submitted and secured the approval of the Compromise Agreement:

> 3.1 In line with the rules of the PMC-CTA petitioner, and respondent through their respective counsel have agreed sometime in January 2019 on the terms and conditions of the Compromise Agreement;
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> 3.2 Upon finalization of the conditions and terms of the Compromise Agreement, respondent directed petitioner to submit the execution copy of the Compromise Agreement to be signed by petitioner's authorized representative. In compliance with the respondent's procedure, petitioner submitted to respondent the Compromise Agreement signed by petitioner's President

Mr. Rico Bautista, which the latter acknowledged before Atty. Raul Hebron, Notary Public for Makati on July 23, 2019;

3.3 On September 17, 2019, respondent upon confirmation of the payment by petitioner of the compromise amount on September 4, 2019, signed the Compromise Agreement, the original of which the parties supposedly submitted to this Court on October 1, 2019;

3.4 On the other hand, the PMC-CTA Mediator submitted his Report on September 18, 2019 incorporating the undated Compromise Agreement which was also notarized on July 23, 2019;

3.5. Thereafter, the signed Compromise Agreement underwent the approval process of the National Evaluation Board (NEB) of the Bureau of Internal Revenue, which Approval was eventually secured and signed by all its members, and a certified true copy of the same was submitted to this Court on July 1, 2020.

Likewise, petitioner states that in order to clarify that the Compromise Agreement dated September 17, 2019 submitted to this Court is consistent with and a faithful reproduction of the copy approved by the NEB and found in the records of the BIR, petitioner has requested a certified true copy of the document from the BIR and undertakes to submit the same as soon as issued.

Petitioner prayed for a period of thirty (30) days from October 3, 2020 until November 2, 2020 within which to submit a certified true copy of the Compromise Agreement dated September 17, 2019, with a view to clarifying the relevant dates of the execution of the document vis-à-vis the resolution of the motion to render judgment based on compromise.

Subsequently, on October 8, 2020, petitioner filed a *Manifestation with Submission* wherein it submitted a **certified photocopy of the Original on file of the subject Compromise Agreement**, which is a faithful reproduction of the copy approved by the NEB and found in the records of the Bureau of Internal Revenue. ✓

Considering the submission of the required documents in support of the parties' compromise agreement, the Court shall now act on the parties' *Joint Motion to Render Judgment Based on Compromise Agreement*.

The Compromise Agreement partly reads:

COMPROMISE AGREEMENT

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AGREE as follows:

WHEREAS, on 10 November 2017, a Petition for Review was filed by petitioner ASIANLIFE challenging the validity of the Final Decision on Disputed Assessment issued by respondent Commissioner of Internal Revenue in connection with deficiency tax assessments for taxable year 2009. Under the Final Decision on Disputed Assessment, petitioner was required to pay basic tax due in the amount of **Sixty Two Million Six Hundred Four Thousand Six Hundred Nine Pesos and Eighty-Five Cents (Php62,604,609.85)** representing deficiency taxes.

WHEREAS, during mediation proceedings before the Philippine Mediation Center - Court of Tax Appeals, petitioner has offered to amicably settle the case for **Twenty-Five Million Forty-One Thousand Eight Hundred Forty-Three Pesos and Ninety-Four Cents (Php25,041,843.94)** to avoid prolonged litigation, as authorized by A.M. No. 11-1-05-SC-PHILJA;

NOW THEREFORE, in view of the limitation in Section 204 of the 1997 National Internal Revenue Code, petitioner has offered and respondent has accepted the amount of **Twenty-Five Million Forty-One Thousand Eight Hundred Forty-Three Pesos and Ninety-Four Cents (Php25,041,843.94)**, representing 40% of the basic tax assessed, as full satisfaction of the 2009 tax assessment subject to approval of the Honorable Court of Tax Appeals.

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Under the Civil Code and in the Revised Rules of Court, courts are directed to persuade litigants in civil cases to agree upon some fair compromise. It is settled that contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided that these are not contrary to law, morals, good customs, public order, or policy.[5] Such agreement has the force of law and is conclusive between the parties.[6]

A compromise agreement that is basically intended to resolve a matter already under litigation is what would normally be termed as judicial compromise. Once it stamped with judicial imprimatur, it becomes more than a mere contract binding upon the parties; having the sanction of the court and entered as its determination of the controversy, it has the force and effect of any other judgment.[7]

In this regard, Section 204 (A) of the National Internal Revenue Code of 1997 (1997 NIRC) provides that for cases other than financial incapacity, the minimum compromise rate is forty percent (40%) of the basic assessed tax. And in case the basic tax exceeds ₱1,000,000.00 or where the settlement offered is less than the said prescribed minimum rates, the compromise must be approved by the Evaluation Board, which is composed of respondent and the four (4) Deputy Commissioners of the BIR.

Relative thereto, Section 6 of Revenue Regulations (RR) No. 30-2002, as last amended by RR No. 9-2013, provides:

> "SEC. 6. APPROVAL OF OFFER OF COMPROMISE.
>
> - Except for offers of compromise where the approval is delegated to the REB pursuant to the succeeding paragraph, all compromise settlements within the jurisdiction of the National Office (NO) shall be approved by a majority of all the members of the NEB composed of the Commissioner and the four (4) Deputy Commissioners. All decisions of the NEB, granting the request of the taxpayer or favorable to the taxpayer, shall have the concurrence of the Commissioner.
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[5] Article 1306, Civil Code.

[6] *Viesca vs. Gilinsky*, G.R. No. 171698, July 4, 2007.

[7] *Armed Forces of the Philippines Mutual Benefit Association, Inc. vs. Court of Appeals,* G.R. No. 126745, July 26, 1999.

> The compromise offer shall be paid by the taxpayer upon filing of the application for compromise settlement. No application for compromise settlement shall be processed without the full settlement of the offered amount. In case of disapproval of the application for compromise settlement, the amount paid upon filing of the aforesaid application shall be deducted from the total outstanding tax liabilities.

Based from the foregoing, a compromise settlement falling within the jurisdiction of the NEB is valid if the same was approved by a majority of all the members of the NEB, and that there was a full settlement of the offered amount.

Considering the Judicial Compromise Agreement, submitted by the parties in connection with the FDDA dated June 23, 2016 covering the taxable year[8], and signed by petitioner's authorized representative as per the Secretary's Certificate dated September 9, 2019, the signature page attached to petitioner's Compliance with Motion to Resolve filed on July 1, 2020, showing the approval signatures of four (4) Deputy Commissioners and of the Respondent, as well as the payment form attached to petitioner's Joint Motion for Extension of Time to File Compliance filed on February 17, 2020, showing proof of complete payment of the compromise amount, the Court finds the same in order and in compliance with the established laws, rules and regulations. Hence, the Court approves the compromise agreement.

Lastly, it must be noted that the Court previously granted petitioner's Motion to Amend and ordered the change of petitioner's name from "Asian Life & General Assurance Corporation" to "Etiqa Life & General Assurance Philippines, Inc. (Formerly: Asianlife & General Assurance Corporation)" pursuant to its Amended Articles of Incorporation. However, a perusal of the motion and the case title in the Compromise Agreement shows that petitioner is requesting for the amendment of its name in this Court's records from "Asian Life & General Assurance Corporation" to "Asianlife & General Assurance Corporation (now known as Etiqa Life and General Assurance Philippines, Inc.)".

Since petitioner's motion to amend has already been granted, an amendment of the title of the case to include in the name of

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[8] Subject matter of the instant case.

petitioner "(now known as Etiqa Life and General Assurance Philippines, Inc.)" is proper.

WHEREFORE, premises considered, the dispositive portion of the Resolution dated September 11, 2020 with respect to the change of petitioner's name is amended as follows:

> "On the other hand, petitioner's **Motion to Amend** is **GRANTED**. Henceforth, the name of the petitioner shall be changed from **"Asianlife & General Assurance Corporation"** to **"Asianlife & General Assurance Corporation (now known as Etiqa Life and General Assurance Philippines, Inc.)"**.

The Clerk of Court is hereby **ORDERED** to make the necessary amendments on petitioner's name in the case title and records of the case.

On the other hand, petitioner's **Manifestation with Motion** and **Manifestation with Submission** are **GRANTED** and **NOTED**.

Also, the parties' **Joint Motion to Render Judgment Based on Compromise Agreement** is hereby **GRANTED**. The **Judicial Compromise Agreement** entered into by the parties is **APPROVED** and judgment is hereby rendered in accordance therewith. The parties are enjoined to faithfully comply with all the terms and conditions of the aforesaid Judicial Compromise Agreement.

Accordingly, this case is now deemed **CLOSED** and **TERMINATED**.

SO ORDERED.

Juanito C. Castañeda, Jr.
JUANITO C. CASTAÑEDA, JR.
Associate Justice

I CONCUR:

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

ATTESTATION

I attest that the conclusions in the above Judgment were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

JUANITO C. CASTAÑEDA, JR.
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, it is hereby certified that the conclusions in the above Judgment were reached in consultation before the case was assigned to the writer of the opinion of the Court.

ROMAN G. DEL ROSARIO
Presiding Justice