REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

COMMISSIONER OF INTERNAL REVENUE,
Petitioner,

- versus -

MAKATI AGRO TRADING, INCORPORATED,
Respondent.

CTA EB NO. 2285
(CTA Case No. 9735)

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

Promulgated:
JAN 23 2023 3:57 p.m.

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JUDGMENT ON COMPROMISE AGREEMENT

For resolution are the following:

1) The parties' "Joint Motion to Render Judgment (Re: Compromise Agreement)", filed on March 10, 2022; and

2) The parties' "Compliance (Re: Notice of 04 October 2022 and attached Resolution of 12 April 2022)", filed on November 10, 2022.

"Compliance (Re: Notice of 04 October 2022 and attached Resolution of 12 April 2022)" filed on November 10, 2022

On April 12, 2022, a Resolution[1] was issued ordering the parties to submit the original or certified true copy of the Certificate of Availment within thirty (30) days from notice, before the Court acts on the parties' "Joint Motion to Render Judgment (Re: Compromise Agreement)".

On November 10, 2022, the parties filed their "Compliance (Re: Notice of 04 October 2022 and attached Resolution of 12 April 2022)"[2] with attached "Certificate of Availment (Compromise Settlement)"[3] dated November 08, 2022.

The Court **NOTES** said "Compliance (Re: Notice of 04 October 2022 and attached Resolution of 12 April 2022)".

We now proceed to resolve the "Joint Motion to Render Judgment (Re: Compromise Agreement)".

"Joint Motion to Render Judgment (Re: Compromise Agreement)" filed on March 10, 2022

On February 16, 2022, the Court *En Banc* received a "Mediator's Report (PMC-CTA Form 5)"[4] dated the same day, signed by (Ret.) Justice Amelia R. Cotangco-Manalastas stating that there was successful settlement between the parties. With the report are the following documents:

1) attached completed signed "Compromise Agreement"[5];

2) "Board Resolution"[6] showing the authority of Respondent's representative to sign the Compromise Agreement; and

3) "Payment Form (BIR Form No. 0605)"[7] showing the payment in full of the amount agreed upon in the Compromise Agreement.

On March 10, 2022, the parties filed their "Joint Motion to Render Judgment (Re: Compromise Agreement)"[8], praying that this Court render judgment based on the Compromise Agreement.

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1 Rollo, pp. 168-171.
2 *Id.*, pp. 178-179.
3 *Id.*, p. 180.
4 *Id.*, p. 139.
5 *Id.*, pp. 146-151.
6 *Id.*, pp. 142-143.
7 *Id.*, pp. 152-153.
8 *Id.*, p. 157.

In the Resolutions dated April 12, 2022[9] and October 04, 2022[10], the parties were required to submit the original or certified true copy of the Certificate of Availment.

In compliance with the said Resolutions, the parties filed their "Compliance (Re: Notice of 04 October 2022 and attached Resolution of 12 April 2022)" with attached "Certificate of Availment (Compromise Settlement)" on November 10, 2022.

All in all, the parties submitted the following documents in support of their "Joint Motion to Render Judgment (Re: Compromise Agreement)":

1) The original copy of the Certificate of Availment No. CAC201700018459 dated November 08, 2022 signed by James H. Roldan, ACIR, Enforcement and Advocacy Service pertaining to the 2007 deficiency income tax and value-added tax ("VAT") assessment of Makati Agro Trading, Inc., amounting to Php118,000.00;

2) a copy of the Compromise Agreement duly signed by both parties and notarized on February 10, 2022;

3) BIR Payment Form (BIR Form No. 0605) received by the Bureau of Internal Revenue on November 10, 2021 showing payment of Php118,000.00 compromise, in full satisfaction of the 2007 deficiency income tax and VAT assessment against Makati Agro Trading, Inc.; and

4) "Board Resolution" showing the authority of Ms. Natalie T. Yap to sign the Compromise Agreement on behalf of Respondent.

Section 6 of Revenue Regulations ("RR") No. 30-2002, as 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

9 *Id.*, pp. 168-171.
10 *Id.*, pp. 174-176.

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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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."

The "Compromise Agreement" stipulates as follows:

"**WHEREAS**, the **BIR** issued to the **TAXPAYER** a Formal Assessment Notice ("**FAN**") dated March 9, 2017, for taxable year 2007, for the alleged deficiency taxes in the aggregate amount of Eight Hundred Twenty-Two Thousand Three Hundred Sixty-Nine and 39/100 Pesos (Php822,369.39);

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WHEREAS, on December 19, 2017, without receiving a decision from the BIR within 180 days from the filing of its "Request for Investigation", the **TAXPAYER** instituted an action against the **BIR** entitled "**MAKATI AGRO TRADING, INC. vs. COMMISSIONER OF INTERNAL REVENUE**", docketed as CTA Case No. 9735, before the Honorable Second Division of the Court of Tax Appeals ("**CTA**"), seeking the cancellation and nullification of the assessment for the alleged deficiency Income Tax (IT), and Value Added Tax (VAT) for taxable year 2007;

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WHEREAS, [on] July 16, 2020, the **BIR** filed a Petition for Review assailing the Resolution dated June 10, 2020, and the Decision dated October 31, 2019, before the Court of Tax Appeals – En Banc;

WHEREAS, the **TAXPAYER** has submitted to the **BIR** a **Proposal for Amicable Settlement** of the alleged deficiency tax assessment contained in the "**FINAL ASSESSMENT NOTICE**" ("**FAN**");

WHEREAS, the **BIR** has evaluated the **TAXPAYER'S** proposal for amicable settlement and believes that a judicial compromise to allow immediate tax collection and also put an end to litigation as provided in the Civil Code of the Philippines, serves the interest of the Government;

WHEREAS, the **PARTIES** have agreed to enter into an amicable settlement pursuant to the provisions of the Civil Code of the Philippines, jurisprudence, relevant decisions of the Honorable CTA, and pertinent laws on judicial compromise without contravening laws, morals, public order and public policy;

WHEREAS, the Honorable CTA has issued rulings allowing judicial compromises similar to the instant case;

WHEREAS, the **PARTIES**, for the purpose of avoiding and putting an end to a protracted, expensive and mutually prejudicial litigation, have agreed to amicably settle the above-mentioned case, upon terms and conditions hereinafter set forth;

NOW, THEREFORE, for and in consideration of the foregoing premises, the **PARTIES** hereto have agreed as follows:

Section 1. Judicial Compromise Amount. In order to settle the above-mentioned case, the **TAXPAYER**, has offered and the **BIR** has accepted the total payment of **Php118,000.00** ("**Judicial Compromise Amount**").

Section 2. Submission to the Honorable CTA. This Agreement fully signed by the **PARTIES** shall be submitted for the approval of the Honorable Court of Tax Appeals in CTA EB Case No. 2285. The **PARTIES** undertake to perform any and all acts, and submit any and all documents required by the Honorable CTA to be able to render a **Judgment by Compromise Agreement** in the said case.

Section 3. Effectivity of the Agreement. This **Agreement** shall take affect and bind the **PARTIES** upon approval by the Honorable CTA. This **Agreement** shall thereafter remain in force and effect until completion and fulfillment of the covenants and undertaking of the **PARTIES** hereto.

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> **Section 6. Full and Final Settlement.** This **Agreement** is executed by the **PARTIES** for the purpose of amicably settling and ending CTA EB Case No. 2285. Upon approval by the Honorable CTA, the **BIR** recognizes the full satisfaction of the supposed tax liability of the **TAXPAYER** in connection with CTA EB Case No. 2285 and acknowledges that the **TAXPAYER** no longer has any tax liability whatsoever based upon, arising from or in connection with the particular subject of CTA EB Case No. 2285."

On that note, the "Certificate of Availment (Compromise Settlement)" states that "the application/s for the compromise settlement of deficiency IT, VAT tax/es [*sic*] amounting to One Hundred Eighteen Thousand Pesos (₱118,000.00) under Assessment No/s. FAN dated 03/09/2017 covering taxable year/period 2007 has/have been approved by the National Evaluation Board (NEB)." The compromise settlement of Php118,000 represents 39.97% of the basic deficiency taxes.

Moreover, the Final Assessment Notice (FAN) issued against Respondent has been set aside by the Court in Division for being void, as the Revenue Officer who conducted Respondent's audit was not authorized pursuant to a valid Letter of Authority (LOA). Instead, he conducted the examination pursuant to a Tax Verification Notice (TVN).

A compromise agreement is a contract whereby the parties make reciprocal concessions in order to resolve their differences and, thus, avoid or put an end to a lawsuit. They adjust their difficulties in the manner they have agreed upon, disregarding the possible gain in litigation and keeping in mind that such gain is balanced by the danger of losing. It must not be contrary to law, morals, good customs and public policy, and must have been freely and intelligently executed by and between the parties. A compromise agreement may be executed in and out of court. Once a compromise agreement is given judicial approval, however, it becomes more than a contract binding upon the parties. Having been sanctioned by the court, it is entered as a determination of a controversy and has the force and effect of a judgment.[11]

Finding the subject compromise agreement to be in order and in compliance with established laws, rules and regulations, taking into consideration the documents submitted by the parties in support thereof, the same is approved.

WHEREFORE, in view of the foregoing, the parties' "Joint Motion to Render Judgment (Re: Compromise Agreement)" is **GRANTED**.

The "Compromise Agreement" is **APPROVED** and judgment is rendered in accordance therewith. The parties are **ENJOINED** to faithfully

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[11] David M. David v. Federico M. Paragas, Jr., G.R. No. 176973, February 25, 2015.

comply with all the terms and conditions of the Compromise Agreement. Accordingly, the proceedings in the instant case is considered **CLOSED** and **TERMINATED**.

SO ORDERED.

ROMAN G. DEL ROSARIO
Presiding Justice

ERLINDA P. UY
Associate Justice

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

CATHERINE T. MANAHAN
Associate Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

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 Judgment on Compromise Agreement were reached in consultation before the case was assigned to the writer of the opinion of the Court.

ROMAN G. DEL ROSARIO
Presiding Justice