REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

COMMISSIONER OF INTERNAL REVENUE,
Petitioner,

- versus –

ENJAY HOTELS, INC.,
Respondent.

CTA EB NO. 1498
(CTA Case No. 8545)

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ENJAY HOTELS, INC.,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA EB NO. 1500
(CTA Case No. 8545)

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

Promulgated:
MAR 3 0 2022 3:50 p.m.

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JUDGMENT ON COMPROMISE AGREEMENT

For resolution are the following:

1) The parties' "Joint Motion for Judgment Based on Compromise Agreement", filed on January 21, 2021; and

2) The parties' "Joint Compliance", filed on November 19, 2021.

"Joint Compliance" filed on November 19, 2021

On February 10, 2021, a Resolution was issued ordering the parties to submit within thirty (30) days the following documents:

1) Proof showing the authority of the respective signatories to enter into the Compromise Agreement;

2) Proof supporting the approval of the National Evaluation Board (NEB) of the BIR pursuant to Section 204 of the National Internal Revenue Code of 1997, as amended and Section 6 of Revenue Regulations No. 30-2002; and

3) Original or certified true copy of the Certificate of Availment.

After the filing of two (2) joint motions for extension of time to file compliance, which were granted in the Resolutions dated July 05, 2021 and October 15, 2021, the parties filed their "Joint Compliance" on November 19, 2021.

The Court **NOTES** said "Joint Compliance".

We now proceed to resolve the "Joint Motion for Judgment Based on Compromise Agreement".

"Joint Motion for Judgment Based on Compromise Agreement" filed on January 21, 2021

On January 21, 2021, the parties filed their "Joint Motion for Judgment Based on Compromise Agreement", with attached "Judicial Compromise Agreement".

Also on February 26, 2021, the Commissioner of Internal Revenue filed a "Manifestation" attaching thereto a copy of the Payment Form (BIR Form No. 0605) as proof of full payment of Enjay Hotels, Inc. of the compromise amount of Php2,000,100.02, which was noted in a Resolution dated May 18, 2021.

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In the Resolutions dated February 10, 2021, May 18, 2021, July 05, 2021, and October 15, 2021, the Court required the parties to submit a proof showing the authority of the respective signatories to enter into the Compromise Agreement, proof supporting the approval of the NEB of the BIR, and original or certified true copy of the Certificate of Availment.

In compliance with the said Resolutions, the parties filed their "Joint Compliance" on November 19, 2021.

All in all, the parties submitted the following documents in support of their "Joint Motion for Judgment Based on Compromise Agreement":

1) a certified true copy of the Certificate of Availment No. CAC201700001168 dated October 28, 2021 signed by Manuel V. Mapoy, OIC-Assistant Commissioner Large Taxpayer Service, pertaining to the 2008 deficiency income tax assessment of Enjay Hotels, Inc., amounting to Php8,422,339.00;

2) a copy of the Compromise Agreement duly signed by both parties;

3) BIR Payment Form (BIR Form No. 0605) dated September 24, 2019 showing payment of Php2,000,100.02 compromise, in full satisfaction of the 2008 income tax assessment against Enjay Hotels, Inc.; and

4) a certified true copy of the signature page of the Certificate of Availment showing the fact that the Compromise Agreement on the deficiency income tax assessment covering taxable year 2008 of Enjay Hotels, Inc. was approved by the NEB.

Section 6 of RR No. 30-2002, as amended by RR No. 9-2013, provides, to wit:

> "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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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" states as follows:

"**WHEREAS**, the **TAXPAYER** instituted an action against the **BIR** entitled ***Enjay Hotels, Inc. vs. Commissioner of Internal Revenue*** [ ], docketed as Court of Tax Appeals (CTA) Case No. 8545, seeking the reversal of the **FDDA** and cancellation of the assessment;

WHEREAS, both **Parties** separately instituted their respective appeal to the Honorable Court En Banc, separately seeking reconsideration of the Honorable Court in Division's Decision;

WHEREAS, the **TAXPAYER** has submitted to the BIR a **Proposal for Amicable Settlement** for the alleged deficiency tax assessment contained in the **FLD** and **FDDA**.

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 relevant laws on judicial compromise without contravening law, 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 payment of [Php2,000,100.02] ("**Judicial Compromise Amount**").

This amount represents 40% of the basic deficiency income tax in the **FDDA**.

Section 2. Submission to the Honorable CTA. This Agreement fully signed by the **PARTIES** shall be submitted for the approval of the Honorable CTA in CTA EB Case Nos. 1498 and 1500. 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 Nos. 1498 and 1500, as well as CTA Case No. 8545. Upon approval by the court, the BIR recognizes the full satisfaction of the supposed tax liability of the **TAXPAYER** in connection with CTA EB Case Nos. 1498 and 1500 and CTA Case [No.] 8545, and 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 Nos. 1498 and 1500 and CTA Case [No.] 8545."

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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.[1]

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 for Judgment Based on Compromise Agreement" is **GRANTED**.

The Compromise Agreement is **APPROVED** and judgment is hereby rendered in accordance therewith. Accordingly, the proceedings in the instant consolidated cases are considered **CLOSED** and **TERMINATED**.

SO ORDERED.

ROMAN G. DEL ROSARIO
Presiding Justice

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

ERLINDA P. UY
Associate Justice

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

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

(Inhibited)
LANEE S. CUI-DAVID
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 cases were assigned to the writer of the opinion of the Court.

ROMAN G. DEL ROSARIO
Presiding Justice