REPUBLIC OF THE PHILIPPINES
Court of Tax Appeals
QUEZON CITY

EN BANC

COMMISSIONER OF INTERNAL REVENUE, Petitioner,	**CTA EB NO. 2403** (CTA Case No. 9615)
	Present:
- versus -	**DEL ROSARIO,** *P.J.*, **UY, RINGPIS-LIBAN, MANAHAN, BACORRO-VILLENA, MODESTO-SAN PEDRO, REYES-FAJARDO,** and **CUI-DAVID,** *JJ.*
MARIONNAUD PHILIPPINES, INC., Respondent.	**Promulgated:** SEP 19 2022 2:05

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JUDGMENT ON COMPROMISE AGREEMENT

UY, *J.*:

Before this Court is the *Joint Manifestation with Motion for Approval of the Compromise Agreement,*[1] praying for the approval of the *Compromise Agreement*[2] dated December 3, 2021, signed by Joweehlyn B. Liao, authorized representative of Marionnaud Philippines, Inc. (MPI), and by the Commissioner of Internal Revenue (CIR), with the following attachments:

a. Secretary's Certificate dated November 26, 2021, authorizing Joweehlyn B. Liao to sign the compromise agreement;[3]

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[1] EB Docket, pp. 124 to 126.
[2] EB Docket, pp. 127 to 129.
[3] EB Docket, pp. 138 to 139.

b. Original print-outs of BIR Form 0605 and eFPS payment and confirmation with Reference No. 292100044800453, evidencing total payment in the amount of ₱3,581,127.72;[4]

c. Certified true copy of the *Certificate of Availment* dated June 29, 2022;[5] and

d. Certified true copy of the proof of approval of the *Compromise Settlement* by the majority of the members of the National Evaluation Board (NEB), as well as the concurrence thereon by the CIR.[6]

The subject *Compromise Agreement*[7] reads as follows:

"COMPROMISE AGREEMENT

Undersigned parties, assisted by their respective counsels, Petitioner **COMMISSIONER OF INTERNAL REVENUE** with address at Room 703 BIR Building, Bureau of Internal Revenue, Diliman, Quezon City, Philippines, represented herein by the **Commissioner of Internal Revenue, HON. CAESAR R. DULAY,** and Respondent **MARIONNAUD PHILIPPINES INC.,** with address at 9th Floor One-Ecom Corporate Center Mall of Asia Complex Pasay City, Philippines, represented by **Ms. Joweehlyn B. Liao.**

AGREE as follows:

WHEREAS, on June 15, 2017, a Petition for Review was filed by Petitioner **MARIONNAUD PHILIPPINES INC.** challenging the validity of the Amended Final Decision on Disputed Assessment (FDDA) issued by Respondent Commissioner of Internal Revenue in connection with deficiency tax assessments for taxable year 2011. Under the Final Decision on Disputed Assessment, Petitioner was required to pay basic tax due in the amount of **Ninety-Eight Million Five Hundred Twenty-Eight Thousand Seven Hundred Seven And 37/100 Pesos** (Php98,528,707.37) representing deficiency taxes inclusive of penalties.

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[4] EB Docket, pp. 130 to 131.
[5] EB Docket, p. 146.
[6] EB Docket, p. 147.
[7] EB Docket, pp. 127 to 129.

WHEREAS, during mediation proceedings before the Philippine Mediation Center – Court of Tax Appeals, the parties successfully reached compromise agreement 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, respondent has offered and petitioner has accepted the amount of **Three Million Five Hundred Eighty-One Thousand One Hundred Twenty-Seven and 72/100 Pesos (Php3,581,127.72),** representing Two Hundred Percent (200%) of the basic tax as determined by the CTA-First Division, in its decision dated May 29, 2020.

IN WITNESS WHEREOF, the Parties hereto have mutually and voluntarily accepted the above stipulations, and sign this Agreement, at Quezon City on this 3rd day of December 2021 for the consideration and approval of the Honorable Court.

(Sgd.)	(Sgd.)
CAESAR R. DULAY	**JOWEEHLYN B. LIAO**
BUREAU OF INTERNAL REVENUE	MARIONNAUD PHILIPPINES, INC.
Petitioner	Respondent

ATTESTED:

(Sgd.)
(Ret.) Justice AMELIA COTANGCO-MANALASTAS
Mediator"

A review of the subject *Compromise Agreement,* as well as the documents submitted by the parties in support thereof, shows that the same are in order.

To be specific, MPI paid a total of ₱3,581,127.72, or 200% of the basic tax stated in the Amended FDDA.

At this juncture, this Court notes that the ground relied upon in the subject Compromise Agreement is "*Doubtful Validity*,"[8] wherein the minimum compromise rate should be equivalent to forty percent (40%) of the basic assessed tax, as stated in Section 204(A) of the

[8] EB Docket, p. 131.

NIRC of 1997,[9] as amended.

Thus, the settlement amount of ₱3,581,127.72, or 200% of the basic tax stated in the Amended FDDA, is compliant with Section 204 (A) of the NIRC of 1997, as amended.

It is stressed that the subject *Compromise Agreement* has been validly executed by the parties, and the terms and conditions specified therein are not contrary to law, morals, good customs, public order, and public policy. Thus, the Court *En Banc* accepts and approves the same.

A compromise is a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.[10] Contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided that they are not contrary to law, morals, good customs, public order, or public policy.[11] It is an accepted, even desirable and encouraged, practice in courts of law and administrative tribunals.[12]

A compromise agreement intended to resolve a matter already under litigation is a judicial compromise. Having judicial mandate and entered as its determination of the controversy, it has the force and effect of a judgment. It transcends its identity as a mere contract binding only between the parties as it becomes a judgment that is subject to execution in accordance with the Rules of Court. Thus, a compromise agreement that has been made and duly approved by

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[9] **Section 204.** ***Authority of the Commissioner to Compromise, Abate, and Refund or Credit Taxes.*** – The Commissioner may –

(A) Compromise the payment of any internal revenue tax, when:

(1) A reasonable doubt as to the validity of the claim against the taxpayer exists; or

xxx xxx xxx

For other cases, a minimum compromise rate equivalent to forty percent (40%) of the basic assessed tax.

Where the basic tax involved exceeds One million pesos (₱1,000,000) or where the settlement offered is less than the prescribed minimum rates, the compromise shall be subject to the approval of the Evaluation Board which shall be composed of the Commissioner and the four (4) Deputy Commissioners.

[10] Article 2028, Civil Code of the Philippines.

[11] Article 1306, Civil Code of the Philippines.

[12] *California Manufacturing Company, Inc. vs. The City of Las Piñas and the Hon. Rizal Y. Del Rosario, City Treasurer*, G.R. No. 178461, June 22, 2009, citing *DMG Industries, Inc. vs. Philippine American Investments Corporations,* G.R. No. 174114, July 6, 2007.

the court attains the effect and authority of *res judicata*, although no execution may be issued unless the agreement receives the approval of the court where the litigation is pending and compliance with the terms of the agreement is decreed.[13]

WHEREFORE, in light of the foregoing considerations, the *Compromise Agreement* dated December 3, 2021, entered into by the parties is hereby **APPROVED** and this **Judgment on Compromise Agreement** is hereby rendered in accordance therewith. The parties are hereby enjoined to faithfully comply with all the terms and conditions of the aforesaid *Compromise Agreement.*

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

SO ORDERED.

ERLINDA P. UY
Associate Justice

WE CONCUR:

ROMAN G. DEL ROSARIO
Presiding Justice

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

CATHERINE T. MANAHAN
Associate Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

[13] *Id.*, citing *Viesca vs. Gilinsky,* G.R. No. 171698, July 4, 2007.

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

Maria Ivy F. Reyes-Fajardo
MARIAN IVY F. REYES-FAJARDO
Associate Justice

LANEE S. CUI-DAVID
Associate Justice