REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

THIRD DIVISION

FORTIS INVESTMENTS CORPORATION (FORMERLY: CIUDAD FORTIS INVESTMENTS CORPORATION),	**CTA Case No. 10653**
	Members:
Petitioner,	**MANAHAN**, *Chairperson,* **REYES-FAJARDO**, *and* **ANGELES**, *JJ.*
-versus-	
COMMISSIONER OF INTERNAL REVENUE,	Promulgated:
Respondent.	APR 14 2025 4:00 p.m.

x- x

JUDGMENT BY COMPROMISE AGREEMENT

MANAHAN, *J.*:

This resolves the parties' **Joint Motion to Render Judgment Based on Submitted Compromise Agreement**[1] filed on August 21, 2024 praying that a judgment be rendered based on the attached Judicial Compromise Agreement dated August 5, 2024.

The attached *Judicial Compromise Agreement*[2] reads as follows:

> **JUDICIAL COMPROMISE AGREEMENT**
>
> **KNOW ALL MEN BY THESE PRESENTS:**
>
> This **JUDICIAL COMPROMISE AGREEMENT** (**"AGREEMENT"**), made and executed, by and between:
>
> **FORTIS INVESTMENTS CORPORATION (FORMERLY: CIUDAD FORTIS INVESTMENTS CORPORATION)** (**"TAXPAYER"**), a domestic corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address 37th Floor Joy-Nostalg Center, 17 ADB Avenue,

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[1] Docket, CTA Case No. 10653, pp. 727-730.
[2] *Id.*, pp. 733-738.

Ortigas Center, San Antonio, Pasig City, represented by its Treasurer, **MS. MARY ANN C. ONGYIU**;

- and -

The **BUREAU OF INTERNAL REVENUE** ("**BIR**"), with principal office at Bureau of Internal Revenue, National Office Building, Agham Road, Diliman, Quezon City, represented by the **Commissioner of Internal Revenue**, **HON. ROMEO D. LUMAGUI, JR.** (collectively, the "**PARTIES**");

-Witnesseth That-

WHEREAS, the **BIR** issued to the **TAXPAYER** a Final Decision on Disputed Assessment ("FDDA") dated December 4, 2020, finding the latter liable for alleged deficiency income tax, value-added tax, documentary stamp tax, fringe benefit tax, and miscellaneous tax in the aggregate amount of Php20,288,519.27, inclusive of increments, for fiscal year 2013, *viz*:

Tax Type	Basic Tax Due	Interest	Surcharge	Compromise Penalty	Total Amount Due
IT	7,381,159.00	8,153,653.76			15,534,813.54
VAT	954,977.44	1,096,785.04			2,051,762.48
DST	26,465.00	30,684.89	6,616.25		63,766.14
FB	1,082,864.72	1,249,596.21	270,716.18		2,603,177.11
MC				35,000.00	35,000.00
TOTAL	**9,445,466.94** (sic)	**277,332.43** (sic)	**10,530,719.9** (sic)		**20,288,519.27**

WHEREAS, on September 28, 2021, the **TAXPAYER** received the Warrant of Distraint and/or Levy issued by the **BIR** demanding payment of the assessed deficiency taxes for fiscal year 2013;

WHEREAS, on October 28, 2021, the **TAXPAYER** filed a Petition for Review with Motion to Lift Warrant of Distraint and/or Levy and Warrant of Garnishment with prayer for the issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction, questioning the validity of the Warrant of Distraint and/or Levy and the assessments on which these were based for the taxable period January 1, 2013 to December 31, 2013, and seeking the cancellation of Warrant of Garnishment dated September 29, 2021, which case is entitled **"FORTIS INVESTMENTS CORPORATION (FORMERLY: CIUDAD FORTIS INVESTMENTS CORPORATION) vs. COMMISSIONER OF INTERNAL REVENUE",** docketed as CTA Case No. 10653, pending before the Honorable Third Division of the Court of Tax Appeals ("**CTA**");

WHEREAS, the Honorable First Division of the CTA in its Resolution dated May 26, 2022, referred the case to mediation and directed the **PARTIES** to appear before the Philippine Mediation Center-CTA for possible amicable settlement of the case;

WHEREAS, on July 21, 2022, the **PARTIES** agreed to have their case mediated for settlement through judicial compromise settlement;

WHEREAS, on August 12, 2022, the **TAXPAYER** submitted to the **BIR** its **Application for Compromise Settlement** of the deficiency tax assessment reflected in the Warrant of Distraint and/or Levy referring to the FDDA dated January 4. 2021 on the ground of doubtful validity of the assessment, and offered to pay the documentary stamp tax and miscellaneous charges and 20% of the total basic deficiency tax assessed for income tax, value-added tax, and fringe benefit tax;

WHEREAS, the **BIR** has evaluated the **TAXPAYER's** proposal for amicable settlement and believes that a judicial compromise, allowing immediate tax collection and putting 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 pertinent and relevant provisions of the Civil Code of the Philippines, jurisprudence, decisions of the Honorable CTA, and applicable laws and rules on judicial compromise without contravening laws, morals, public order and public policy;

WHEREAS, the Honorable CTA has previously issued rulings allowing judicial compromise tax assessment cases 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 abovementioned case, the **TAXPAYER** has offered and the **BIR** has accepted the entire assessment amount equivalent to 20% of the total basic deficiency tax assessed for income tax, value-added tax and fringe benefit tax in the total amount of **Php1,989,380.88**;

This amount is broken down as follows:

TAX TYPE	BASIC TAX	OFFER	RATE
IT	7,381,159.00	1,476,231.96	20%
VAT	954,977.44	190,995.49	20%
DST	26,465.00	70,850.49	100%
FB	1,082,864.72	216,572.94	20%
MC	35,000.00	35,000.00	100%
TOTAL	**Php 9,480,466.16**	**Php 1,989,650.88**	

The Judicial Compromise Amount was paid by the **TAXPAYER** on 07 December 2021. As proof of payment of the above-mentioned offer, attached herein as Annexes **"A" and "A-1"** (income tax), **"B" and "B-1"** (value-added tax), **"C" and "C-1"** (documentary stamp tax), **"D" and "D-1"** (fringe benefit tax) **and "E" and "E-1"** (miscellaneous tax) are Payment Forms (BIR Form No. 0605) and BIR Payment Slip Landbank for each type.

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 Case No. 10653. The **PARTIES** undertake to perform any and all acts, and submit any and all documents required by the Honorable CTA for it to render a **judgment based on compromise agreement**.

Section 3. Effectivity of the Agreement. This **Agreement** shall take effect 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.

Section 4. Deliverables of the PARTIES upon approval of this Agreement by the Honorable CTA. Upon approval by the Honorable CTA of this **Agreement,** the **BIR** undertakes to execute and deliver to the **TAXPAYER** any and all documents as may be required to effectively and fully implement the provisions of this **Agreement**, withdrawing and cancelling the FDDA dated December 4, 2020 and Warrant of Distraint and/or Levy and Warrant of Garnishment, such as the Authority to Cancel Assessment.

Section 5. Authority to Enter Compromise Agreement. The **BIR,** through **Commissioner Romeo D. Lumagui, Jr.** warrants that he has the necessary authority and capacity under the law to enter, sign and execute this **Agreement** and to deliver its implementing documents upon its approval by the Honorable CTA.

On the other hand, **Ms. Mary Ann C. Ongyiu (Treasurer)** is duly authorized by the Board of Directors of the **TAXPAYER** and has full legal capacity to enter, sign, and execute this **Agreement**, and to deliver payment of the above-agreed amount as evidenced by the Secretary's Certificate dated 06 May 2024, attached herein as **Annex "F"**.

Section 6. Full and Final Settlement. This **Agreement** is executed by the **PARTIES** for the purpose of amicably settling and terminating CTA Case No. 10653. Upon approval of the Honorable CTA, the **BIR** recognizes the full satisfaction of the supposed tax liability of the **TAXPAYER** in connection with CTA Case No. 10653 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 Case No. 10653.

Section 7. Disapproval of this Agreement by the Honorable CTA. In the event that this **Agreement** is disapproved by the Honorable CTA, the **PARTIES** agree to a curing period of sixty (60) days from receipt of the Order/Resolution disapproving this Agreement. During such curing period, the PARTIES mutually agree to perform any and all acts necessary to rectify or correct the deficiency, defect or imperfection which caused its disapproval, and re-submit the rectified or corrected Agreement for approval of the Honorable CTA. However, in case the deficiency, defect or imperfection is not or cannot be rectified or corrected within the said curing period, or still not approved by the Honorable CTA after it is rectified or corrected by the parties:

1) The amount already paid by the **TAXPAYER** to the BIR shall be deemed a tax credit which may be applied against the internal revenue taxes that the **TAXPAYER** may be directly liable, as allowed under the existing rules and regulations; and

2) The proceedings of CTA Case No. 1065 shall continue and the discussions pursuant to the disapproved Agreement cannot be used by the **PARTIES** in said proceeding unless consent of the other party be obtained.

Section 8. No Admission of Liability. The execution of this **Agreement** shall not constitute or be interpreted in any way as an admission or acknowledgment of error or liability by the **PARTIES**.

Section 9. Non-Performance. The **PARTIES** agree that the failure of any **PARTY** to comply with any terms and conditions of this Agreement shall entitle the aggrieved **PARTY** to file an appropriate motion with the Honorable CTA for the immediate implementation and execution of the terms and conditions of this Agreement or the judgment or order of the Honorable CTA approving the same.

Section 10. Signatures and Counterparts. This Agreement may be signed in counterparts, each of which when executed and delivered, shall constitute a duplicate original, but all of which shall be taken together as a single instrument. Until and unless each party has received a counterpart hereof signed by the other party hereto, the Agreement shall have no effect and no party shall have any right or obligation hereunder

IN WITNESS WHEREOF, the **PARTIES** hereto have mutually and voluntarily agreed to the foregoing stipulations s and have hereunto signed this Agreement on __________ in ______________, Philippines.

FORTIS INVESTMENTS CORPORATION (FORMERLY: CIUDAD FORTIS INVESTMENTS CORPORATION)

By:

MARY ANN C. ONGYIU
Treasurer

BUREAU OF INTERNAL REVENUE

By:

HON. ROMEO D. LUMAGUI, JR.
Commissioner of Internal Revenue

Section 204(A) of the 1997 National Internal Revenue Code (NIRC), as amended, provides:

> SEC. 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
> >
> > (2) The financial position of the taxpayer demonstrates a clear inability to pay the assessed tax.
>
> The compromise settlement of any tax liability shall be subject to the following minimum amounts:
>
> For cases of financial incapacity, a minimum compromise rate equivalent to ten percent (10%) of the basic assessed tax; and

> 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 (P1,000,000.00) 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.

As culled from the above-cited provision, the following are the requisites for a valid compromise agreement:

1. The application for compromise is based on either the doubtful validity of respondent's assessment or taxpayer's financial incapacity to pay such assessment;

2. In case the basis of the compromise offer is doubtful validity, the minimum payment of compromise settlement shall be at the rate equivalent to forty percent (40%) of the basic assessed tax, while if the ground is financial incapacity, the minimum payment shall be at the rate equivalent to ten percent (10%) of the basic assessed tax; and

3. The approval of the National Evaluation Board (NEB) which is composed of the respondent and his four (4) Deputy Commissioners if the subject assessment exceeds One Million pesos (Php1,000,000.00) or where the settlement offered is less than the prescribed minimum rates.

Implementing the foregoing section of the NIRC, **Revenue Regulations (RR) No. 30-2002** dated December 16, 2002, as amended by **RR No. 8-2004**, or the "**Revenue Regulations Implementing Sections 7(c), 204(A) and 290 of the National Internal Revenue Code of 1997 on Compromise Settlement of Internal Revenue Tax Liabilities Superseding Revenue Regulations Nos. 6-2000 and 7-2001**," provides for those cases that can be compromised, to wit:

> SEC. 2. CASES WHICH MAY BE COMPROMISED. - The following cases may, upon taxpayer's compliance with the basis set forth under Section 3 of these Regulations, be the subject matter of compromise settlement, viz:
>
> 1. Delinquent accounts;
>
> 2. Cases under administrative protest after issuance of the Final Assessment Notice to the taxpayer which are still pending in the Regional Offices, Revenue District Offices, Legal Service, Large Taxpayer Service (LTS), Collection Service, Enforcement Service and other offices in the National Office;
>
> 3. **Civil tax cases being disputed before the courts**;
>
> xxx xxx xxx (*Emphasis supplied*)

Corollary thereto, CTA *En Banc* Resolution No. 7-2021 dated June 22, 2021 requires the submission of the following documents, aside from the said Compromise Agreement, to wit;

1. Authority of the taxpayer/private parties' duly authorized representatives to sign the Compromise Agreement;

2. Bureau of Internal Revenue (BIR) Payment Form No. 0605 and proof of payment of the compromise amount; and,

3. Certificate of Availment confirming that the compromise agreement was approved by the Evaluation Board of the Bureau of Internal Revenue as required under Section 204(A) of the 1997 NIRC, as amended.

In the instant motion, aside from the Judicial Compromise Agreement, the parties submitted the certified copies of the following documents:

1. Signature page of the members of the NEB;[3] and

[3] Docket, *Joint Motion to Render Judgment Based on Submitted Compromise Agreement*, p. 731.

2. Certificate of Availment (Compromise Settlement)[4] signed by James H. Roldan, ACIR, Enforcement and Advocacy Service;

3. BIR Payment Slip (marked as Annex "A");[5]

4. BIR Form Nos. 0605 (for Income Tax) and 2107 (Marked as Annex "A-1");[6]

5. BIR Payment Slip (marked as Annex "B");[7]

6. BIR Form Nos. 0605 (for Value-Added Tax) and 2107 (Marked as Annex "B-1");[8]

7. BIR Payment Slip (marked as Annex "C");[9]

8. BIR Form No. 0605 (for Documentary Stamp Tax) (Marked as Annex "C-1");[10]

9. BIR Payment Slip (marked as Annex "D");[11]

10. BIR Form Nos. 0605 (for Fringe Benefit Tax) and 2107 (Marked as Annex "D-1");[12]

11. BIR Payment Slip (marked as Annex "E");[13] and

12. BIR Form No. 0605 (for Fringe Benefit Tax) (Marked as Annex "E-1").[14]

In its Application for Compromise Settlement (BIR Form No. 2107), petitioner indicated therein that it questions the doubtful validity of the assessment. Thus, the first requisite under Section 204(A) of the 1997 NIRC, as amended, pertaining to the ground of doubtful validity is complied with.

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[4] *Id.*, p. 732.
[5] Docket, *Joint Compliance (Re: Resolution dated 11 October 2024)*, p. 776.
[6] *Id.*, pp. 777-779.
[7] *Id.*, p. 780.
[8] *Id.*, pp. 781-783.
[9] *Id.*, p. 784.
[10] *Id.*, pp. 785-786.
[11] *Id.*, p. 787.
[12] *Id.*, pp. 788-790.
[13] *Id.*, p. 791.
[14] *Id.*, pp. 792-793.

As to the second requisite pertaining to the amount of compromise payment, as shown in the Judicial Compromise Agreement, the Final Decision on Disputed Assessment (FDDA) indicated a deficiency assessment in the total amount of Php20,288,519.27, inclusive of surcharge and interest. However, the total compromise amounts offered were Php1,989,650.88.

Section 4(2) of RR No. 30-2002 provides that in cases of doubtful validity of assessment, a minimum compromise rate equivalent to forty percent (40%) of the basic assessed tax should be assessed. However, if the offer of compromise is lower on the prescribed minimum rates, the approval of all the members of the NEB is required.

As shown above, the following are the amounts of compromise agreed by the parties and eventually paid by petitioner as evidenced by the cited BIR Payment Slips and BIR Form Nos. 0605 and 2107, to wit:

TAX TYPE	BASIC TAX	OFFER	RATE
IT	7,381,159.00	1,476,231.96	20%
VAT	954,977.44	190,995.49	20%
DST	26,465.00	70,850.49	100%
FB	1,082,864.72	216,572.94	20%
MC	35,000.00	35,000.00	100%
TOTAL	**Php9,480,466.16**	**Php1,989,650.88**	

As to the last requisite, the approval of the NEB was necessary considering that the amount involved in this case was more than one million pesos and the compromise amount is below the prescribed minimum rates. Section 6, first paragraph, of RR No. 30-2002 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. xxx xxx xxx

In the instant case, the Certificate of Availment (Compromise Settlement) dated August 5, 2024 reveals that the compromise settlement has been approved by the NEB[15] as evidenced by the signatures of all of its members.[16] Hence, there was compliance with the third and final requisite.

Having complied with all the above-mentioned requisites, the instant Compromise Agreement is therefore in accordance with Section 204(A) of the 1997 NIRC, as amended. In *Felipe O. Magbanua, et al. v. Rizalino Uy,*[17] the Supreme Court explains the nature of a compromise agreement, to wit:

> "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.
>
> A compromise 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. To have the force of law between the parties, it must comply with the requisites and principles of contracts. Upon the parties, it has the effect and the authority of *res judicata,* once entered into.
>
> **When a compromise agreement is given judicial approval, 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**..." (*Emphasis supplied*)

WHEREFORE, in the light of the foregoing, the parties' *Joint Motion to Render Judgment Based on Submitted Compromise Agreement* is hereby **GRANTED**.

Accordingly, the **Judicial Compromise Agreement** entered into by the parties relative to the assessment on the deficiency income tax, value-added tax, documentary stamp tax, and fringe benefit tax, is hereby **APPROVED**. The parties are hereby enjoined to faithfully comply with all the terms and conditions of the aforesaid Compromise Agreement.

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[15] *Supra*, Note 4.
[16] *Supra*, Note 3.
[17] G.R. No. 161003, May 6, 2005.

The present case is now deemed **CLOSED** and **TERMINATED**.

SO ORDERED.

CATHERINE T. MANAHAN
Associate Justice

WE CONCUR:

MARIAN IVY F. REYES-FAJARDO
Associate Justice

HENRY S. ANGELES
Associate Justice

ATTESTATION

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

CATHERINE T. MANAHAN
Associate Justice
Chairperson

CERTIFICATION

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

ROMAN G. DEL ROSARIO
Presiding Justice