REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

COMMISSIONER OF INTERNAL REVENUE,
Petitioner,

CTA EB NO. 2529
(CTA Case No. 9316)

- versus -

MERIDIEN BUSINESS LEADER, INC.,
Respondent.

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MERIDIEN BUSINESS LEADER, INC.,
Petitioner,

CTA EB NO. 2532
(CTA Case No. 9316)

- versus -

Present:

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

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

Promulgated:
SEP 07 2022
2:12pm

x - x

JUDGMENT BASED ON COMPROMISE AGREEMENT

BACORRO-VILLENA, J.:

For the Court *En Banc*'s resolution is the parties' "Joint Manifestation with Motion for Approval of Compromise Agreement"[1] (**Joint Manifestation with Motion for Approval**), filed on 22 February 2022.

To recap, Meridien Business Leader, Inc. (**MBLI**) was issued a Formal Letter of Demand with Details of Discrepancies and Audit Result/Assessment Notices (**FLD/FAN**) dated 19 May 2014[2], for deficiency income tax (**IT**) of ₱1,702,075,492.13, deficiency value-added tax (**VAT**) of ₱911,682,441.74, deficiency withholding tax on compensation (**WTC**) of ₱8,439,347.66, deficiency expanded withholding tax (**EWT**) of ₱20,631,946.63, deficiency fringe benefits tax (**FBT**) of ₱5,364,834.44, and compromise penalty of ₱200,000.00, in the aggregate amount of ₱2,648,394,062.62, for the taxable year (**TY**) 2010.

On 23 September 2015, MBLI received the Commissioner of Internal Revenue's (**CIR's**) Final Decision on Disputed Assessment (**FDDA**) dated 18 September 2015[3], denying its protest and finding it liable for alleged deficiency taxes, including penalties and interests, in the total amount of **₱2,361,261,053.16** for TY 2010.

Consequently, MBLI instituted an action against the CIR before the Court in Division, entitled *Meridien Business Leader, Inc. v. Commissioner of Internal Revenue* and docketed as CTA Case No. 9316. The same was raffled to the First Division.[4]

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[1] *Rollo* (CTA EB No. 2529), pp. 101-159, with annexes.

[2] Exhibit "P-2" (Formal Letter of Demand with Details of Discrepancies and Audit Result/Assessment Notices), Division Docket, Volume IV, pp. 2082-2099; Exhibits "R-11", "R-12", "R-12-a", "R-12-b", "R-12-c", "R-12-d", and "R-12-e", BIR Records, pp. 657-668, 656, 655, 654, 653, 652 and 651, respectively.

[3] Exhibit "R-14", BIR Records, pp. 1028-1043.

[4] The First Division is composed of Presiding Justice Roman G. Del Rosario, as Chairperson, Associate Justice Esperanza R. Fabon-Victorino (Ret.) and Associate Justice Catherine T. Manahan, as Members.

Subsequently, the First Division rendered the Decision dated 29 July 2020[5] (**Original Decision**), granting MBLI's prior Petition for Review[6] and thereby cancelling and setting aside the FDDA[7] (then considered undated), including the subject tax assessments issued by the CIR against MBLI for deficiency taxes and compromise penalties in the aggregate amount of ₱2,361,261,053.16 for TY 2010.

The First Division thereafter promulgated an Amended Decision dated 23 February 2021[8] (**Amended Decision**), partially granting the CIR's Motion for Reconsideration (**MR**) of the Original Decision[9] as it found that the FLD[10] and the FDDA[11] both contained due dates, 30 June 2014 and 31 October 2015, respectively. As a result, the First Division affirmed with modifications (based on its examination of the assessment items) the CIR's assessment for deficiency taxes against MBLI for TY 2010, in the reduced aggregate amount of **₱173,888,746.30**, inclusive of the 25% surcharge imposed under Section 248(A)(3)[12] of the National Internal Revenue Code (**NIRC**) of 1997, as amended, and 20% deficiency and delinquency interests imposed under Section 249(B) and (C)[13] of the NIRC of 1997, as amended, respectively, computed until 31 December 2017. The First Division also imposed delinquency interest at the rate of twelve percent (12%) computed from 01 January 2018 until full payment thereof pursuant to Section 249(C) of the NIRC of 1997, as amended by Republic Act (**RA**) No. 10963[14], otherwise known as Tax Reform for Acceleration and

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5 Division Docket, Volume VI, pp. 4310-4340; Penned by Associate Justice Esperanza R. Fabon-Victorino (Ret.), with Presiding Justice Roman G. Del Rosario, and Associate Justice Catherine T. Manahan, dissenting.

6 Id., Volume I, pp. 11-69.

7 Supra at note 3.

8 *Rollo* (CTA EB No. 2529), Annex "A" to the Petition for Review in CTA EB No. 2529 and in CTA EB No. 2532, pp. 31-85 and 154-208, respectively.

9 Supra at note 5.

10 Supra at note 2.

11 Supra at note 3.

12 **SEC. 248**. *Civil Penalties*. —
(A) There shall be imposed, in addition to the tax required to be paid, a penalty equivalent to twenty-five percent (25%) of the amount due, in the following cases:
...
(3) Failure to pay the deficiency tax within the time prescribed for its payment in the notice of assessment[.]

13 **SEC. 249**. *Interest*. —
...
(B) *Deficiency Interest*. — ...

(C) *Delinquency Interest*. — ...

14 An Act Amending Sections 5, 6, 24, 25, 27, 31, 32, 33, 34, 51, 52, 56, 57, 58, 74, 79, 84, 86, 90, 91, 97, 99, 100, 101, 106, 107, 108, 109, 110, 112, 114, 116, 127, 128, 129, 145, 148, 149, 151, 155, 171, 174, 175, 177, 178, 179, 180, 181, 182, 183, 186, 188, 189, 190, 191, 192, 193, 194,

Inclusion (**TRAIN**), as implemented by Revenue Regulations (**RR**) No. 21-2018[15], based on the following amounts:

IT	₱18,262,936.80
EWT	1,989,798.56
VAT	73,970,555.48
WTC	10,997,137.97
FBT	1,359,501.12

In the Resolution dated 07 October 2021[16], the Special First Division partially granted MBLI's MR of the Amended Decision[17] as to the recognition the payments made (proof of which were not formally offered and admitted, but were merely attached to MBLI's MR) and denied the CIR's Motion for Partial Reconsideration (**MPR**) of the Amended Decision for lack of merit. Accordingly, the Special First Division ordered MBLI to pay the further reduced aggregate amount of **₱159,646,572.00**, inclusive of the 25% surcharge and 20% deficiency and delinquency interests, computed until 31 December 2017. The Special First Division also imposed delinquency interest at the rate of twelve percent (12%) computed from 01 January 2018 until full payment thereof, based on the following amounts:

IT	₱18,262,936.80
EWT	79,938.99
VAT	66,823,615.04
WTC	10,108,370.35
FBT	1,359,501.12

Later, the parties filed separate Petitions for Review[18] before the Court *En Banc*.

195, 196, 197, 232, 236, 237, 249, 254, 264, 269, and 288; Creating New Sections 51-A, 148-A, 150-A, 150-B, 237-A, 264-A, 264-B, and 265-A; and Repealing Sections 35, 62, And 89; All Under Republic Act No. 8424, Otherwise Known as the National Internal Revenue Code of 1997, as Amended, and for Other Purposes.

15 Regulations Implementing Section 249 (Interest) of the National Internal Revenue Code (NIRC) of 1997, as amended under Section 75 of the Republic Act (RA) No. 10963 or the "Tax Reform for Acceleration and Inclusion (TRAIN Law).

16 Division Docket, Volume VI, pp. 4547-4556.

17 Supra at note 8.

18 *Rollo* (CTA EB No. 2529), pp. 7-95, with annexes; *Rollo* (CTA EB No. 2532), pp. 122-259, with annexes.

As mentioned earlier, the parties filed the subject Joint Manifestation with Motion for Approval with the attached original Judicial Compromise Agreement[19] (**JCA**). The contents of the said JCA are as follows:

...

JUDICIAL COMPROMISE AGREEMENT

KNOWN ALL MEN BY THESE PRESENTS:

This **JUDICIAL COMPROMISE AGREEMENT** ("**Agreement**"), made and executed on 09 December 2021 in Manila City, Philippines, by and between:

> **MERIDIEN BUSINESS LEADER, INC.** ("**TAXPAYER**"), with office address at SM City Lipa, Lipa, Batangas, Philippines, represented herein by **ELIZABETH ANN D. YU**;
>
> \- 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, HON. CAESAR R. DULAY** (collectively, the "**PARTIES**");
>
> \- Witnesseth That -

WHEREAS, the TAXPAYER is a domestic corporation duly organized and existing under the laws of the Philippines which is primarily engaged in the business of trading such as, but not limited to garments on a wholesale and retail basis.

WHEREAS, the BIR[,] through Alfredo V. Misajon, Assistant Commissioner for Large Taxpayer Service[,] issued on May 19, 2014 a Formal Letter of Demand/Assessment Notice ("Assessment Notice") against Petitioner for alleged deficiency taxes, penalties and interests for taxable year 2010; where the assessments therein were administratively protested but nevertheless were sustained by Assistant Commissioner Misajon on September 18, 2015 through a Final Decision on Disputed Assessment (the "FDDA"), which found TAXPAYER liable for alleged deficiency income tax, improperly accumulated earning tax, value added tax, expanded withholding

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[19] Annex "A" to the parties' "Joint Manifestation with Motion for Approval of Compromise Agreement", id., pp. 106-118; Citation omitted.

tax, withholding tax on compensation and documentary stamp tax plus penalties and interests, in the total amount of ₱2,361,261,053.16, as follows:

Tax Type	Basic	Interest*	Compromise	Surcharge**	Total
Income tax	₱642,954,160.26	₱584,824,058.10	-	₱321,477,080.13	₱1,549,255,298.49
Value added tax	325,699,810.94	310,351,765.06	-	162,849,905.47	798,901,481.47
Withholding tax on compensation	4,976,080.53	4,684,332.25	25,000.00	-	9,685,412.78
Expanded withholding tax	938,727.10	899,634.91	25,000.00	-	1,863,362.01
Fringe Benefit Tax	615,464.07	561,168.33	25,000.00	153,866.02	1,355,498.41
Compromise Penalty	200,000.00	-	-	-	200,000.00
					₱2,361,261,053.16

WHEREAS, TAXPAYER filed its Motion for Reconsideration on the FDDA on October 23, 2015. However, on February 9, 2016, the Commissioner of Internal Revenue rendered a denial of the motion for reconsideration and reiterated its assessment in the FDDA.

WHEREAS, the TAXPAYER instituted an action against the BIR entitled "***Meridien Business Leader, Inc. vs. Commissioner of Internal Revenue***", docketed as CTA Case No. 9316, before the Honorable Court of Tax Appeals ("**CTA**"), seeking a review of the denial by Commissioner of Internal Revenue of the Motion for Reconsideration.

WHEREAS, after trial, the Honorable Court through the First Division rendered a Decision on June 29, 2020, granting the Petition for Review.

WHEREAS, upon Motion for Reconsideration filed by the BIR, the Honorable Court through the First Division rendered an Amended Decision on February 23, 2021, setting aside its Decision dated June 29, 2020 and partially granting the Petition for Review but holding the petitioner liable for the amount of ₱173,888,746.30, inclusive of surcharge and deficiency interest, plus delinquency interest, the remaining tax liability of TAXPAYER of which are determined as follows:

	Income Tax	EWT	VAT	WTC	FBT	TOTAL
Basic Tax	₱8,456,672.20	₱900,361.34	₱33,570,721.48	₱4,976,080.83	₱615,464.07	₱48,519,299.71
Add: 25% Surcharge	2,114,168.07	225,090.33	8,392,680.37	1,244,020.[00]	153,866.02	12,129,824.92
20% Deficiency Interest up to Oct. 31, 2015						
IT: From Apr. 16, 2011 to	7,692,096.44					7,692,096.44

	Income Tax	EWT	VAT	WTC	FBT	TOTAL
Oct. 31, 2015						
EWT: From Jan. 14, 2011 to Oct. 31, 2015		864,346.89				864,346.89
VAT: From Jan. 26, 2011 to Oct. 31, 2015			32,007,153.63			32,007,153.63
WTC: From Jan. 14, 2011 to Oct. 31, 2015				4,777,037.31		4,777,037.31
FBT: From Jan. 16, 2011 to Oct. 31, 2015					590,171.03	590,171.03
Total	**₱18,262,936.80**	**₱1,989,798.56**	**₱73,970,555.48**	**₱10,997,137.97**	**₱1,359,501.12**	**₱106,579,929.93**
Add: 20% Deficiency Interest from Nov. 1, 2015 to Dec. 31, 2017						
IT	3,669,964.08					3,669,964.08
EWT		390,732.15				390,732.15
VAT			14,568,773.38			14,568,773.38
WTC				2,159,482.62		2,159,482.62
FBT					267,094.54	267,094.54
20% Delinquency Interest from Nov. 1, 2015 to Dec. 31, 2017						
IT	7,925,614.22					7,925,614.22
EWT		863,518.06				863,518.06
VAT			32,101,194.49			32,101,194.49
WTC				4,772,456.59		4,772,456.59
FBT					589,986.24	589,986.24
Total Amount Still Due as of Dec. 31, 2017	**₱29,858,515.10**	**₱3,244,048.77**	**₱120,640,523.35**	**₱17,929,077.18**	**₱2,216,581.90**	**₱173,888,746.30**

WHEREAS, TAXPAYER filed its Motion for Reconsideration to the Amended Decision on 19 March 2021. On 7 October 2021, the Honorable First Division of the Court of Tax Appeals in C.T.A. Case No. 9316 issued a Resolution recomputing the TAXPAYER's deficiency tax liability in the aggregate amount of One Hundred Fifty-Nine Million Six Hundred Forty-Six Thousand Five Hundred and Seventy-Two (**₱159,646,572.00**), as follows:

	Deficiency EWT	Less: Payment on March 16, 2016	Remaining Balance
Basic Deficiency EWT	₱900,361.34	₱938,727.10	(₱38,365.76)
Surcharge (25%)	225,090.34		225,090.34

	Deficiency EWT	Less: Payment on March 16, 2016	Remaining Balance
Deficiency Interest (20%) from Jan. 14, 2011 to Oct. 31, 2015 [₱900,361.34 x 20% x 1,752/365 days]	864,346.89	971,132.48	(106,785.59)
Total Amount Due, October 31, 2015	**₱1,989,798.57**		
Deficiency Interest (20%) from November 1, 2015 until payment on March 16, 2016 [₱900,361.34 x 20% x 137 days/365 days]	67,588.77		67,588.77
Delinquency Interest (20%) from November 1, 2015 until payment on March 16, 2016 [₱1,989,798.57 x 20% x 137 days/365 days]	149,371.18		149,371.18
Total Amount Due, March 16, 2016	**₱2,206,758.52**	**₱1,909,859.58**	**₱296,898.94**
Delinquency Interest (20%) from March 17, 2016 until December 31, 2017 [(₱1,989,798.57-₱1,909,859.58) x 20% x 655 days/365 days]			28,690.43
Total Deficiency EWT Due as of December 31, 2017			**₱325,589.37**

	Deficiency VAT	Less: Payment on December 29, 2016	Remaining Balance
Basic Deficiency VAT	₱33,570,721.48	₱7,146,940.44	₱26,423,781.04
Surcharge (25%)	8,392,680.37		8,392,680.37
Deficiency Interest (20%) from Jan. 26, 2011 to Oct. 31, 2015 [₱33,570,721.48 x 20% x 1,740/365 days]	32,007,153.63		32,007,153.63
Total Amount Due, October 31, 2015	**₱73,970,555.48**		
Deficiency Interest (20%) from November 1, 2015 until payment on December 29, 2016 [₱33,570,721.48 x 20% x 425 days/365 days]	7,817,839.25		7,817,839.25
Delinquency Interest (20%) from November 1, 2015 until payment on December 29, 2016 [₱73,970,555.48 x 20% x 425 days/365 days]	17,226,019.77		17,226,019.77
Total Amount Due, December 29, 2016	**₱99,014,414.50**	**₱7,146,940.44**	**₱91,867,474.06**
Deficiency Interest (20%) from December 30, 2016 until December 31, 2017 [₱26,423,781.04 x 20% x 367 days/365 days]			5,313,713.78
Delinquency Interest (20%) from December 30, 2016 until December 31, 2017 [(₱73,970,555.48-			13,437,954.37

	Deficiency VAT	Less: Payment on December 29, 2016	Remaining Balance
₱7,146,940.44) x 20% x 367 days/365 days]			
Total Deficiency VAT Due as of December 31, 2017			**₱110,619,142.21**

	Deficiency WTC	Less: Payment on March 16, 2016	Amount Due, March 17, 2016	Less: Payment on December 29, 2016	Remaining Balance
Basic Deficiency WTC	₱4,976,080.53	₱207,178.66	₱4,768,901.87	₱467,258.39	₱4,301,643.48
Surcharge (25%)	1,244,020.13		1,244,020.13		1,244,020.13
Deficiency Interest (20%) from Jan. 14, 2011 to Oct. 31, 2015 [₱4,976,080.53 x 20% x 1,752/365 days]	4,777,037.31	214,330.57	4,562,706.74		4,562,706.74
Total Amount Due, October 31, 2015	**₱10,997,137.97**				
Deficiency Interest (20%) from November 1, 2015 until payment on March 16, 2016 [₱4,976,080.53 x 20% x 137 days/365 days]	373,546.87		373,546.87		373,546.87
Delinquency Interest (20%) from November 1, 2015 until payment on March 16, 2016 [₱10,997,137.97 x 20% x 137 days/365 days]	825,538.58		825,538.58		825,538.58
Total Amount Due, March 16, 2016	**₱12,196,223.42**	**₱421,509.23**	**₱11,774,714.19**		
Deficiency Interest (20%) from March 17, 2016 until payment on December 29, 2016 [₱4,768,901.87 x 20% x 288 days/365 days]			752,571.91		752,571.91
Delinquency Interest (20%) from March 17, 2016 until payment on December 29, 2016 [(₱10,997,137.97-₱421,509.23) x 20% x 288 days/365 days]			1,668,921.14		1,668,921.14
Total Amount Due, December 29, 2016			**₱14,196,207.24**	**₱467,258.39**	**₱13,728,948.85**
Deficiency Interest (20%) from December 30, 2016 until December 31, 2017 [₱4,301,643.48 x 20% x 367 days/365 days]					865,042.83
Delinquency Interest (20%) from December 30, 2016 until December 31, 2017 [(₱10,997,137.97-₱421,509.23-₱467,258.39) x 20% x 367 days/365 days]					2,032,751.74
Total Deficiency WTC Due as of December					**₱16,626,743.42**

	Deficiency WTC	Less: Payment on March 16, 2016	Amount Due, March 17, 2016	Less: Payment on December 29, 2016	Remaining Balance
31, 2017					

	Income Tax	FBT	Total
Basic Tax	₱8,456,672.29	₱615,464.07	₱9,072,136.36
Add: 25% Surcharge	2,114,168.07	153,866.02	2,268,034.09
20% Deficiency Interest up to Oct. 31, 2015			
IT: From Apr. 16, 2011 to Oct. 31, 2015 [₱8,456,672.29 x 20% x 1660/365 days]	7,692,096.44		7,692,096.44
FBT: From Jan. 16, 2011 to Oct. 31, 2015 [₱615,464.07 x 20% x 1750/365 days]		590,171.03	590,171.03
Total Amount Due, Oct. 31, 2015	**₱18,262,936.80**	**₱1,359,501.12**	**₱19,622,437.92**
Add: 20% Deficiency Interest from Nov. 1, 2015 to Dec. 31, 2017			
IT: [₱8,456,672.29 x 20% x 792/365 days]	3,669,964.08		3,669,964.08
FBT: [₱615,464.07 x 20% x 792/365 days]		267,094.54	267,094.54
20% Delinquency Interest Nov. 1, 2015 to Dec. 31, 2017			
IT: [₱18,262,936.80 x 20% x 792/365 days]	7,925,614.22		7,925,614.22
FBT: [₱1,359,501.12 x 20% x 792/365 days]		589,986.24	589,986.24
Total Amount Still Due as of Dec. 31, 2017	**₱29,858,515.10**	**₱2,216,581.90**	**₱32,075,097.00**

In addition, petitioner is **ORDERED TO PAY** respondent delinquency interest at the rate of twelve percent (12%) computed from January 1, 2018 until full payment thereof pursuant to Section 249(C) of the Tax Code, as amended by Republic Act (RA) No. 10963, also known as Tax Reform for Acceleration and Inclusion (TRAIN), as implemented by RR No. 21-2018, based on the following amounts:

Income Tax	₱18,262,936.80
Expanded Withholding Tax (₱1,989,798.57 - ₱1,909,859.58)	79,938.99
Value Added Tax (₱73,970,555.48 - ₱7,146,940.44)	66,823,615.04
Withholding Tax on Compensation (₱10,997,137.97-₱421,509.23 less ₱467,258.39)	10,108,370.35
Fringe Benefit Tax	1,359,501.12

WHEREAS, the TAXPAYER has[,] in the interim[,] submitted to the BIR a **Proposal for Amicable Settlement** dated April 22, 2021, for the settlement of the alleged deficiency tax assessments contained in the FDDA.

WHEREAS, subsequent meetings and discussions pertinent to the proposal for settlement were held between the TAXPAYER and the BIR.

WHEREAS, the BIR has evaluated the TAXPAYER's proposal for amicable settlement and submits that a judicial compromise be approved 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 has actually paid the total amount of ₱58,464,867.38, composed of the following payments:

TAX TYPE	PAID MARCH 16, 2016	PAID DECEMBER 29, 2016	PAID AUGUST 4, 2021	TOTAL
WC	421,509.23	467,258.00	4,976,080.53	5,864,847.76
WE	1,909,860.00		900,361.34	2,810,221.34
VAT		7,146,940.44	33,570,721.48	40,717,661.92
IT			8,456,672.29	8,456,672.29
WR			615,464.07	615,464.07
TOTAL PAYMENTS	2,331,369.23	7,614,198.44	48,519,299.71	58,464,867.38

and the BIR has accepted the total payment ("**Judicial Compromise Amount**"), representing more than 100% of the basic assessed tax as found by the CTA – First Division in its Amended Decision.

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 Case No. 9316, or to the CTA *En Banc* in case of appeal. 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 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 final 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 all the assessments per FDDA dated September 28, 2015, pertaining to the period January 1 to December 31, 2010.

Section 5. Authority to Enter Compromise Agreement. The BIR, through Commissioner Caesar R. Dulay, 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 of the Honorable CTA.

The TAXPAYER warrants that the above-named representative has full legal capacity to enter, sign, and execute this Agreement.

Section 6. Full and Final Settlement. This Agreement is executed by the PARTIES for the purpose of amicably settling the assessment arising from the aforesaid FDDA and the ensuing Court of Tax Appeals' cases derived from said assessment. Upon approval by the Honorable Court, the BIR recognizes the full satisfaction of the supposed tax liability of the TAXPAYER in connection with the aforesaid FDDA and acknowledges that the TAXPAYER no longer has any tax liability whatsoever based upon, arising from or in connection with the foregoing assessment.

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 internal revenue taxes for which the TAXPAYER may be directly liable, as allowed under existing rules and regulations; and

2. The proceedings of CTA Case No. 9316 or the proceedings before the Court *En Banc* in case of appeal 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 acknowledgement of error or liability by the PARTIES.

Section 9. Non-Performance. The PARTIES agree that the failure of any PARTY to comply with any of the 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 and have hereunto signed these presents at the date and place indicated above.

MERIDIEN BUSINESS LEADER, INC.	**BUREAU OF INTERNAL REVENUE**
By:	By:
(Sgd.) **ELIZABETH ANN D. YU** *Authorized Representative*	(Sgd.) **HON. CAESAR R. DULAY** *Commissioner*

Witnesses:

______________________	(Sgd.) ______________________[20]

...

[20] Citation omitted, emphasis and underscoring in the original text.

The parties likewise submitted photocopies of various supporting documents (Annexes "B-1-a" to "B-9-d"[21]).

21 *Rollo*, pp. 119-159.

Annex	Document
B-1-a	Bureau of Internal Revenue (BIR) Form No. 0605 (Payment Form) for Income Tax (IT) in the amount of ₱8,456,672.29, filed on 04 August 2021
B-1-b	Electronic Filing and Payment System (eFPS) Filing Reference with Reference No. 292100042969962 for IT in the amount of ₱8,456,672.29, filed on 04 August 2021
B-1-c	Maker Payment Instruction Receipt for IT in the amount of ₱8,456,672.29
B-1-d	Authorizer Payment Acknowledgment Receipt for IT in the amount of ₱8,456,672.29
B-2-a	BIR Form No. 0605 (Payment Form) for value-added tax (VAT) in the amount of ₱33,570,721.48, filed on 04 August 2021
B-2-b	eFPS Filing Reference with Reference No. 292100042970283 for VAT in the amount of ₱33,570,721.48, filed on 04 August 2021
B-2-c	Maker Payment Instruction Receipt for VAT in the amount of ₱33,570,721.48
B-2-d	Authorizer Payment Acknowledgment Receipt for VAT in the amount of ₱33,570,721.48
B-3-a	BIR Form No. 0605 (Payment Form) for withholding tax on compensation (WTC) in the amount of ₱4,976,080.53, filed on 04 August 2021
B-3-b	eFPS Filing Reference with Reference No. 292100042970524 for WTC in the amount of ₱4,976,080.53, filed on 04 August 2021
B-3-c	Maker Payment Instruction Receipt for WTC in the amount of ₱4,976,080.53
B-3-d	Authorizer Payment Acknowledgment Receipt for WTC in the amount of ₱4,976,080.53
B-4-a	BIR Form No. 0605 (Payment Form) for expanded withholding tax (EWT) in the amount of ₱900,361.34, filed on 04 August 2021
B-4-b	eFPS Filing Reference with Reference No. 292100042970682 for EWT in the amount of ₱900,361.34, filed on 04 August 2021
B-4-c	Maker Payment Instruction Receipt for EWT in the amount of ₱900,361.34
B-4-d	Authorizer Payment Acknowledgment Receipt for EWT in the amount of ₱900,361.34
B-5-a	BIR Form No. 0605 (Payment Form) for fringe benefit tax (FBT) in the amount of ₱615,464.07, filed on 04 August 2021
B-5-b	eFPS Filing Reference with Reference No. 292100042970883 for FBT in the amount of ₱615,464.07, filed on 04 August 2021
B-5-c	Maker Payment Instruction Receipt for FBT in the amount of ₱615,464.07
B-5-d	Authorizer Payment Acknowledgment Receipt for FBT in the amount of ₱615,464.07
B-6-a	BIR Form No. 0605 (Payment Form) for EWT in the amount of ₱1,909,859.58, filed on 16 March 2016
B-6-b	eFPS Filing Reference with Reference No. 291600014681736 for EWT in the amount of ₱1,909,859.58, filed on 16 March 2016
B-6-c	BIR-Bancnet Tax Payment Notification for EWT in the amount of ₱1,909,859.58
B-6-d	Maker Payment Instruction Receipt for EWT in the amount of ₱1,909,859.58
B-6-e	Authorizer Payment Acknowledgment Receipt for EWT in the amount of ₱1,909,859.58
B-7-a	BIR Form No. 0605 (Payment Form) for VAT in the amount of ₱7,146,940.44, filed on 29 December 2016
B-7-b	eFPS Filing Reference with Reference No. 291600017983424 for VAT in the amount of ₱7,146,940.44, filed on 29 December 2016
B-7-c	BIR-Bancnet Tax Payment Notification for VAT in the amount of ₱7,146,940.44
B-7-d	Maker Payment Instruction Receipt for VAT in the amount of ₱7,146,940.44
B-7-e	Authorizer Payment Acknowledgment Receipt for VAT in the amount of ₱7,146,940.44
B-8-a	BIR Form No. 0605 (Payment Form) for WTC in the amount of ₱467,258.39, filed on 29 December 2016
B-8-b	eFPS Filing Reference with Reference No. 291600017983339 for WTC in the amount of ₱467,258.39, filed on 29 December 2016
B-8-c	Maker Payment Instruction Receipt for WTC in the amount of ₱467,258.39

In the Resolution dated 24 March 2022[22], the Court *En Banc* required the parties to submit the originals or certified true copies of the following documents within sixty (60) days from receipt thereof:

1. Proof of authority of Elizabeth Ann D. Yu (**Yu**) to sign the JCA for and on behalf of MBLI;

2. Annexes "B-1-a" to "B-9-d"[23]; and,

3. Certificate of Availment (**CA**) showing the approval by the National Evaluation Board (**NEB**), pursuant to Section 204[24] of the NIRC of 1997, as amended, in relation to Section 6[25] of RR No. 30-2002[26], as amended by RR No. 9-2013[27], and Revenue Memorandum Order (**RMO**) No. 3-2017[28] stating that "[a]ll approved applications for compromise settlement and/or

B-8-d	Authorizer Payment Acknowledgment Receipt for WTC in the amount of ₱467,258.39
B-9-a	BIR Form No. 0605 (Payment Form) for WTC in the amount of ₱421,509.23, filed on 16 March 2016
B-9-b	BIR-Bancnet Tax Payment Notification for WTC in the amount of ₱421,509.23
B-9-c	Maker Payment Instruction Receipt for WTC in the amount of ₱421,509.23
B-9-d	Authorizer Payment Acknowledgment Receipt for WTC in the amount of ₱421,509.23

22 *Rollo* (CTA EB No. 2529), pp. 161-165.

23 Supra at note 21.

24 **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:
...

Where the basic tax involved exceeds One Million pesos (P1,000,000) 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.
...

25 **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. (Emphasis in the original text)

26 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.

27 Amending Certain Provisions of Revenue Regulations No. 30-2002.

28 Amending Further the Prescribed Format for the Certificate of Availment/Approval and Notice of Denial Relative to Application for Compromise Settlement and/or Abatement of Penalties Pursuant to Section 204 of the Tax Code, as Amended.

abatement of penalties shall be issued Certificate of Availment (CA) following the prescribed format...".

Thereafter, on 24 May 2022, MBLI filed *via* registered mail its Compliance[29] submitting the following documents:

Annex	Document
A[30]	Original Notarized Secretary's Certificate authorizing Yu to sign the JCA with the BIR
A-1[31]	Original Certification issued by the BIR-Large Taxpayers Document Processing & Quality Assurance Division (**LTDPQAD**) dated 16 March 2022 that payments of MBLI in the total amount of ₱58,464,867.35 has been remitted and posted in the BIR's system
B-1-a[32]	Certified True Copy of BIR Form No. 0605 (Payment Form) for IT in the amount of ₱8,456,672.29, filed on 04 August 2021, as certified by the BIR-LTDPQAD
B-1-b[33]	Certified True Copy of eFPS Filing Reference with Reference No. 292100042969962 for IT in the amount of ₱8,456,672.29, filed on 04 August 2021, as certified by the BIR-LTDPQAD
B-2-a[34]	Certified True Copy of BIR Form No. 0605 (Payment Form) for VAT in the amount of ₱33,570,721.48, filed on 04 August 2021, as certified by the BIR-LTDPQAD
B-2-b[35]	Certified True Copy of eFPS Filing Reference with Reference No. 292100042970283 for VAT in the amount of ₱33,570,721.48, filed on 04 August 2021, as certified by the BIR-LTDPQAD
B-3-a[36]	Certified True Copy of BIR Form No. 0605 (Payment Form) for WTC in the amount of ₱4,976,080.53, filed on 04 August 2021, as certified by the BIR-LTDPQAD
B-3-b[37]	Certified True Copy of eFPS Filing Reference with Reference No. 292100042970524 for WTC in the amount of ₱4,976,080.53, filed on 04 August 2021, as certified by the BIR-LTDPQAD
B-4-a[38]	Certified True Copy of BIR Form No. 0605 (Payment Form) for EWT in the amount of ₱900,361.34, filed on 04

29 *Rollo* (CTA EB No. 2529), pp. 166-169; Received by the Court on 07 June 2022.
30 Id., p. 171.
31 Id., p. 172.
32 Id., p. 173.
33 Id., p. 174.
34 Id., p. 175.
35 Id., p. 176.
36 Id., p. 177.
37 Id., p. 178.
38 Id., p. 179.

Annex	Document
	August 2021, as certified by the BIR-LTDPQAD
B-4-b[39]	Certified True Copy of eFPS Filing Reference with Reference No. 292100042970682 for EWT in the amount of ₱900,361.34, filed on 04 August 2021, as certified by the BIR-LTDPQAD
B-5-a[40]	Certified True Copy of BIR Form No. 0605 (Payment Form) for FBT in the amount of ₱615,464.07, filed on 04 August 2021, as certified by the BIR-LTDPQAD
B-5-b[41]	Certified True Copy of eFPS Filing Reference with Reference No. 292100042970883 for FBT in the amount of ₱615,464.07, filed on 04 August 2021, as certified by the BIR-LTDPQAD
B-6-a[42]	Certified True Copy of BIR Form No. 0605 (Payment Form) for EWT in the amount of ₱1,909,859.58, filed on 16 March 2016, as certified by the BIR-LTDPQAD
B-6-b[43]	Certified True Copy of eFPS Filing Reference with Reference No. 291600014681736 for EWT in the amount of ₱1,909,859.58, filed on 16 March 2016, as certified by the BIR-LTDPQAD
B-7-a[44]	Certified True Copy of BIR Form No. 0605 (Payment Form) for VAT in the amount of ₱7,146,940.44, filed on 29 December 2016, as certified by the BIR-LTDPQAD
B-7-b[45]	Certified True Copy of eFPS Filing Reference with Reference No. 291600017983424 for VAT in the amount of ₱7,146,940.44, filed on 29 December 2016, as certified by the BIR-LTDPQAD
B-8-a[46]	Certified True Copy of BIR Form No. 0605 (Payment Form) for WTC in the amount of ₱467,258.39, filed on 29 December 2016, as certified by the BIR-LTDPQAD
B-8-b[47]	Certified True Copy of eFPS Filing Reference with Reference No. 291600017983339 for WTC in the amount of ₱467,258.39, filed on 29 December 2016, as certified by the BIR-LTDPQAD
B-9-a[48]	Certified True Copy of BIR Form No. 0605 (Payment Form) for WTC in the amount of ₱421,509.23, filed on 16 March 2016, as certified by the BIR-LTDPQAD
B-9-b[49]	Certified True Copy of eFPS Filing Reference with

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39 Id., p. 180.
40 Id., p. 181.
41 Id., p. 182.
42 Id., p. 183.
43 Id., p. 184.
44 Id., p. 185.
45 Id., p. 186.
46 Id., p. 187.
47 Id., p. 188.
48 Id., p. 189.
49 Id., p. 190.

Annex	Document
	Reference No. 291600014681637 for WTC in the amount of ₱421,509.23, as certified by the BIR-LTDPQAD

In the Resolution dated 07 July 2022[50], the Court *En Banc* noted MBLI's Compliance[51] above and ordered the parties to submit the CA showing the NEB's approval of the compromise within five (5) days from receipt thereof.

In compliance with the Court's directive, the CIR filed his Compliance[52] on 14 July 2022, submitting a certified true copy of the CA[53] dated 29 June 2022, with proof of the NEB's approval of the compromise.[54]

We resolve.

Section 204(A) of the NIRC of 1997, 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

50 Id., pp. 193-199.
51 Supra at note 29.
52 *Rollo* (CTA EB No. 2529), pp. 200-202.
53 Annex "A", id., p. 204.
54 Annex "B", id., p. 205.

> 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) 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.
>
> ...

In connection thereto, Section 6 of RR No. 30-2002[55], as amended by RR No. 9-2013[56], states:

> ...
> **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.[57]
>
> xxx xxx xxx
>
> <u>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</u>.[58]
>
> xxx xxx xxx
>
> ...

Furthermore, RMO No. 3-2017[59] also provides, as follows:

> ...
>
> **All approved applications for compromise settlement and/or abatement of penalties shall be issued Certificate of**

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[55] Supra at note 26.
[56] Supra at note 27.
[57] Emphasis in the original text.
[58] Underscoring in the original text.
[59] Supra at note 28.

> **Availment** (CA) following the prescribed format as per attached Annexes "A" and "B", while denied applications shall be issued Notice of Denial (ND) following prescribed format as per attached annexes "C" and "D".[60]
>
> ...

From the foregoing, a compromise settlement of any tax liability where the basic tax involved exceeds ₱1,000,000.00 must bear the approval of the majority of all NEB members. Such approval shall be evidenced by a CA following the prescribed format.

Records show that the parties were able to submit certified true copies of the CA[61] and its signature page[62] (showing the majority approval of all members of NEB).

Furthermore, the parties' Joint Manifestation with Motion for Approval[63] likewise reveals that their true intention is to settle 100% of the basic tax assessed pursuant to the First Division's Amended Decision[64] in the aggregate amount of ₱48,519,299.71[65], in addition to the ₱9,945,567.67[66] already paid; thus, totalling to ₱58,464,867.38, summarized as follows:

TAX TYPE	BASIC TAX ASSESSED FOR TY 2010 (a)	JUDICIAL COMPROMISE AMOUNT				% OF OFFER (c) = (b)/(a)
		PAID ON 16 MARCH 2016	PAID ON 29 DECEMBER 2016	PAID ON 04 AUGUST 2021	TOTAL AMOUNT PAID (b)	
IT	₱8,456,672.29	₱-	₱-	₱8,456,672.29[67]	₱8,456,672.29	100%
EWT	900,361.34	1,909,860.00[68]	-	900,361.34[69]	2,810,221.34	312%
VAT	33,570,721.48	-	7,146,940.44[70]	33,570,721.48[71]	40,717,661.92	121%
WTC	4,976,080.53	421,509.23[72]	467,258.00[73]	4,976,080.53[74]	5,864,847.76	118%

60 Emphasis supplied.
61 Supra at note 53.
62 Supra at note 54.
63 Supra at note 1.
64 Supra at note 8.
65 Total amount of deficiency taxes paid on 04 August 2021.
66 Total amount of deficiency taxes paid on 16 March 2016 (₱2,331,369.23) and on 29 December 2016 (₱7,614,198.44).
67 Supra at notes 32 and 33.
68 Supra at notes 42 and 43.
69 Supra at notes 38 and 39.
70 Supra at notes 44 and 45.
71 Supra at notes 34 and 35.
72 Supra at notes 48 and 49.
73 Supra at notes 46 and 47.
74 Supra at notes 36 and 37.

FBT	615,464.07	-	-	615,464.07[75]	615,464.07	100%
TOTAL	₱48,519,299.71	₱2,331,369.23	₱7,614,198.44	₱48,519,299.71	₱58,464,867.38	

Thus, after careful scrutiny of the parties' documents submitted in support of the JCA, the Court *En Banc* finds the same in order and in compliance with the established laws, rules and regulations. In *Felipe O. Magbanua, et al. v. Rizalino Uy*[76], the Supreme Court ruled as follows:

> ...
> 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. Verily, the compromise may be either extrajudicial (to prevent litigation) or judicial (to end a litigation).
>
> 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. It is immediately executory and not appealable, except for vices of consent or forgery. The nonfulfillment of its terms and conditions justifies the issuance of a writ of execution; in such an instance, execution becomes a ministerial duty of the court.
> ...
>
> The issue involving the validity of a compromise agreement notwithstanding a final judgment is not novel. *Jesalva v. Bautista* upheld a compromise agreement that covered cases pending trial, on appeal, and with final judgment. The Court noted that Article 2040 impliedly allowed such agreements; there was no limitation as to when these should be entered into. *Palanca v. Court of Industrial Relations* sustained a compromise agreement, notwithstanding a final judgment in which only the amount of back wages was left to be determined. The Court found no evidence of fraud or of any

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75 Supra at notes 40 and 41.
76 G.R. No. 161003, 06 May 2005; Citations omitted.

> showing that the agreement was contrary to law, morals, good customs, public order, or public policy.
>
> *Gatchalian v. Arlegui* upheld the right to compromise prior to the execution of a final judgment. The Court ruled that the final judgment had been novated and superseded by a compromise agreement. Also, *Northern Lines, Inc. v. Court of Tax Appeals* recognized the right to compromise final and executory judgments, as long as such right was exercised by the proper party litigants.
> ...
>
> There is no justification to disallow a compromise agreement, solely because it was entered into after final judgment. The validity of the agreement is determined by compliance with the requisites and principles of contracts, not by when it was entered into. As provided by the law on contracts, a valid compromise must have the following elements: (1) the consent of the parties to the compromise, (2) an object certain that is the subject matter of the compromise, and (3) the cause of the obligation that is established.
>
> ...

WHEREFORE, in view of the foregoing, Meridien Business Leader, Inc. and Commissioner of Internal Revenue's "Joint Manifestation with Motion for Approval of Compromise Agreement", filed on 22 February 2022, is hereby **GRANTED.** The Judicial Compromise Agreement entered into by the parties is **APPROVED** and shall constitute the Court *En Banc*'s judgment herein. Having thus been impressed with judicial imprimatur, the parties are **ENJOINED** to faithfully comply with all the terms and conditions of the aforesaid Judicial Compromise Agreement.

SO ORDERED.

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

WE CONCUR:

ROMAN G. DEL ROSARIO
Presiding Justice

ERLINDA P. UY
Associate Justice

ON OFFICIAL BUSINESS
MA. BELEN M. RINGPIS-LIBAN
Associate Justice

CATHERINE T. MANAHAN
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

ON LEAVE
MARIAN IVY F. REYES-FAJARDO
Associate Justice

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 Based 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