REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION
****

NAGASE PHILIPPINES CORPORATION, Petitioner,	**CTA Case No. 10310**
	Members:
- versus -	**UY,** *Chairperson*, **BACORRO-VILLENA,** *and* **CUI-DAVID**, *JJ.*
COMMISSIONER OF INTERNAL REVENUE, Respondent.	**Promulgated:** SEP 2 8 2022 8:15 a.m.

x---x

JUDGMENT ON COMPROMISE AGREEMENT

UY, *J.*:

Records show that on August 15, 2022, the parties filed a ***Joint Motion for Judgment on Compromise Agreement*** praying that the Court approve the Compromise Agreement dated April 8, 2021 and render judgment based on said Compromise Agreement.

In support of the parties' *Joint Motion*, the following documents were submitted pursuant to successful settlement before the Philippine Mediation Center-CTA, to wit:

1.) Compromise Agreement executed on April 8, 2021, signed by Kohsuke Yamamoto, petitioner's representative, and Hon. Caesar R. Dulay as the Commissioner of the Internal Revenue of the Bureau of Internal Revenue, and attested to by (Ret.) Justice Amelia R. Cotangco-Manalastas, Mediator;[1]

[1] Docket, pp. 402 to 405.

2.) Secretary Certificate dated February 24, 2021 executed by Carrie Bee C. Hao, petitioner's Corporate Secretary authorizing Kohsuke Yamamoto, petitioner's Treasurer, and/or the law firm of Romulo Mabanta Buenaventura Sayoc & Delos Angeles as petitioner's authorized representatives in the mediation proceedings;[2]

3.) Special Power of Attorney dated May 24, 2021 executed by Regional Director Maridur V. Rosario, Bureau of Internal Revenue, Revenue Region 8A-Makati City, authorizing and appointing Atty. Abrillius Raffy C. Laguesma to represent and appear for and in behalf of the respondent at the mediation proceedings in the PMC-CTA in connection with CTA Case No. 10310;[3]

4.) Printed copies of BIR Form No. 0605, eFPS Payment Confirmations and Payment Acknowledgment Receipts, evidencing total payment in the amount of ₱1,364,419.85;[4]

5.) Certified true copies of the Certificate of Availment (Compromise Settlement) and the signature page showing concurrence of the members of the National Evaluation Board in relation to petitioner's application for compromise settlement of its tax liabilities for taxable year 2011.[5]

The Compromise Agreement reads as follows:

"**COMPROMISE AGREEMENT**

Undersigned parties, assisted by their respective counsels, Petitioner **NAGASE PHILIPPINES CORPORATION,** with principal address at 12th floor Salcedo Towers, H.V. Dela Costa Street, Makati City, Philippines, represented by its Treasurer, **MR. KOHSUKE YAMAMOTO** and Respondent, **COMMISSIONER OF INTERNAL REVENUE,** with principal office at Bureau of Internal Revenue, National Office Building, Agham Road, Diliman, Quezon City, represented by the **HON. CAESAR R. DULAY.**

---

[2] Docket, pp. 398 to 399.
[3] Docket, p. 400.
[4] Docket, pp. 406 to 423.
[5] Docket, 99 497 to 498.

AGREE as follows:

WHEREAS, the Respondent issued to the Petitioner a Formal Assessment Notice dated 14 January 2015 ("FAN") finding the Petitioner liable for the alleged income tax ("IT"), value-added tax ("VAT"), expanded withholding tax ("EWT") and withholding tax on compensation ("WTC") for taxable year 2011.

WHEREAS, the Petitioner filed with the Respondent its protest letter dated 13 February 2015 ("**FAN PROTEST**") to question the findings stated in the FAN, and thereafter submitted its supporting documents with its letter dated 14 April 2015.

WHEREAS, the Regional Director for Bureau of Internal Revenue Region No. 8 (Makati City) issued a Final Decision on Disputed Assessment dated 20 June 2016 ("**FDDA**") denying the FAN Protest and finding the Petitioner liable for the alleged IT, VAT, EWT, and WTC for taxable year 2011 in the aggregate amount of Five Million Five Hundred Seventy-Three Thousand Eight Hundred Eighty-Four Philippine Pesos and Eight Centavos (₱5,573,884.08), inclusive of increments, broken down as follows:

KIND OF TAX	BASIC TAX	INTEREST	TOTAL
INCOME TAX	₱ 2,539,610.83	₱ 2,137,447.80	₱4,677,058.63
VAT	203,653.93	183,679.10	387,333.03
EWT	142,780.94	129,559.03	272,339.97
WTC	124,333.01	112,819.44	237,152.45
		TOTAL	**₱5,573,884.08**

WHEREAS, the Petitioner elevated to the Respondent the denial of its FAN Protest by filing a Request for Reconsideration dated 15 July 2016 against the FDDA.

WHEREAS, in his Final Decision dated 18 May 2020 ("Final Decision"), the Respondent denied the Request for Reconsideration filed by the Petitioner.

WHEREAS, the Petitioner instituted an action against the Respondent entitled "**NAGASE PHILIPPINES CORPORATION vs. COMMISSIONER OF INTERNAL REVENUE**", docketed as CTA Case No. 10310, pending before the Honorable Third Division of the Court of Tax Appeals ("**CTA**"), seeking the cancellation and nullification of the assessment for the alleged deficiency IT, VAT, EWT, and WTC for taxable year 2011, inclusive of increments.

WHEREAS, in its resolution dated 18 November 2020, the CTA referred the Petitioner and the Respondent to mediation proceedings before the Philippine Mediation Center – Court of Tax Appeals.

WHEREAS, the Petitioner has submitted to the Respondent a letter dated 26 November 2020 ("**Proposal for Amicable Settlement**") submitting the **PETITIONER's** compromise offer for the alleged deficiency tax assessments contained in the **FDDA** in the aggregate amount of One Million Three Hundred Sixty-Four Thousand Four Hundred Nineteen Philippine Pesos and Eighty-Five Centavos (₱1,364,419.85), broken down as follows:

KIND OF TAX	BASIC TAX	OFFER RATE	TOTAL
INCOME TAX	₱ 2,539,610.83	40%	₱ 1,015,844.33
VAT	203,653.93	40%	81,461.57
EWT	142,780.94	100%	142,780.84
WTC	124,333.01	100%	124,333.01
TOTAL	₱ 3,010,378.71		**₱1,364,419.85**

WHEREAS, the Respondent has evaluated the Petitioner's proposal for amicable settlement and believes that a judicial compromise to allow immediate tax collection and also to put an end to litigation as provided in the Civil Code of the Philippines, serves the best interest of the Government.

WHEREAS, the parties have agreed to accept mediation to avoid prolonged litigation, as authorized by A.M. No. 11-1-05-SC-PHILJA.

WHEREAS, the assistance of the assigned mediator resulted in making the parties realize the advantage of ending their dispute by agreeing upon a compromise.

NOW THEREFORE, the parties have agreed to the following terms and conditions:

Section 1. Judicial Compromise Amount. In order to settle the above-mentioned case, the Petitioner has offered and paid and the Respondent has accepted the total payment of **One Million Three Hundred Sixty-Four Thousand Four Hundred Nineteen Philippine Pesos and**

Eighty-five Centavos (₱1,364,419.85) ("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 CTA in CTA Case No. 10310. 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 Respondent undertakes to execute and deliver to the Petitioner any and all documents as may be required to effectively withdraw and cancel the FAN, FDDA, and Final Decision issued against the Petitioner and fully implement and comply with the provisions of this Agreement.

Section 5. Authority to Enter Compromise Agreement. The Respondent, through the Honorable 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 Petitioner, through its Treasurer, Mr. Kohsuke Yamamoto, is duly authorized by the Boards of Directors of the Petitioner and has full legal capacity to enter, sign, and execute this Agreement, and to deliver payment of the above-agreed Judicial Compromise Amount.

Section 6. Full and Final Settlement. This Agreement is executed by the parties for the purpose of amicably settling and ending CTA Case No. 10310. Upon performance by the Petitioner of its obligations under Section 1 hereof, the Respondent recognizes the full satisfaction of the alleged deficiency tax liability of the

Petitioner for taxable year 2011 in connection with CTA Case No. 10310 and acknowledges that the Petitioner no longer has any tax liability whatsoever based upon, arising from, or in connection with the particular subject of CTA Case No. 10310.

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 Petitioner to the Respondent shall be deemed a tax credit which may be applied against internal revenue taxes for which the Petitioner may be directly liable, as allowed under existing rules and regulations; and

2) The proceedings of CTA Case No. 10310 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 may 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 accept the above stipulations, and sign this Agreement, at Quezon City on this 8th day of April, 2021 for the consideration and approval of the Honorable Court.

NAGASE PHILIPINES CORPORATION *Petitioner*	**BUREAU OF INTERNAL REVENUE** *Respondent*
By: *(SIGNED)* **KOHSUKE YAMAMOTO** ***Treasurer***	***By:*** *(SIGNED)* **HON. CAESAR R. DULAY** ***Commissioner***

ATTESTED:

(SIGNED)
(Ret.) JUSTICE AMELIA R. COTANGCO-MANALASTAS
Mediator"

We resolve.

A compromise is a contract whereby the parties, by making reciprocal concessions, avoid litigation or put an end to one already commenced.[6] 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. [7] It is an accepted and desirable practice in courts of law and administrative tribunals.[8] Settlement of disputes brought before the courts is, in fact, encouraged.[9]

[6] Article 2028, Civil Code of the Philippines.
[7] Article 1306, Civil Code of the Philippines.
[8] *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.
[9] *Conchita A. Sonley vs. Anchor Savings Bank/Equicom Savings Bank*, G.R. No. 205623, August 10, 2016.

Moreover, a judgment by compromise is a judgment embodying a compromise agreement entered into by the parties in which they make reciprocal concessions in order to terminate a litigation already instituted.[10] A compromise approved by final order of the court has the force of *res judicata* between the parties, and cannot and should not be disturbed except for vices of consent or forgery, it being the obvious purpose of such compromise to settle once and for all the issues involved and bar all future disputes and controversies.[11]

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

Particularly, petitioner had fully settled the legally required minimum amounts for compromise settlement in the total aggregate amount of **₱1,364,419.85**, as shown in its BIR Payment Forms, eFP Payment Confirmations, and Payment Acknowledgement Receipts, in accordance with Section 204(A) of the National Internal Revenue Code of 1997, as amended,[12] broken down as follows:

Tax Type	BASIC TAX	RATE	eFPS REFERENCE Nos.	TOTAL
INCOME TAX	₱ 2,539,610.83	40%	292100040836855	₱ 1,015,844.33
VAT	203,653.93	40%	292100040836889	81,461.57
EWT	142,780.94	100%	202100040836956	142,780.84
WTC	124,333.01	100%	292100040837038	124,333.01
TOTAL	₱ 3,010,378.71			**₱1,364,419.85**

[10] *Jose Diaz Jr., et al., vs. Salvador Valnciano, Jr., et al.*, G.R. No. 209376, December 6, 2017.

[11] *Id.*

[12] 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

(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." (*Emphasis supplied*)

Moreover, the 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.

WHEREFORE, in light of the foregoing considerations, the parties' *Joint Motion for Judgment on Compromise Agreement* filed on August 15, 2022 is **GRANTED**. The *Compromise Agreement* dated April 8, 2021, entered into by the parties is hereby **APPROVED** and this **Judgment on Compromise Agreement** is hereby rendered in accordance therewith. The parties are enjoined to faithfully comply with all the terms and conditions of the aforesaid Compromise Agreement.

Accordingly, the instant case is now deemed **CLOSED AND TERMINATED**.

SO ORDERED.

ERLINDA P. UY
Associate Justice

WE CONCUR:

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

LANEE S. CUI-DAVID
Associate Justice

ATTESTATION

I attest 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's Division.

ERLINDA P. UY
Associate Justice
Chairperson, 3rd Division

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