REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

COMMISSIONER OF INTERNAL REVENUE,
Petitioner,

- versus -

ORIENTAL ASSURANCE CORPORATION,
Respondent.

CTA EB NO. 1716
(CTA Case No. 8817)

Present:
DEL ROSARIO, *P.J.,*
CASTAÑEDA, JR.,
UY,
FABON-VICTORINO,
MINDARO-GRULLA,
RINGPIS-LIBAN,
MANAHAN,
BACORRO-VILLENA, *and*
MODESTO-SAN PEDRO, *JJ.*

Promulgated:
FEB 04 2020 4:06 p.m.

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RESOLUTION

RINGPIS-LIBAN, *J.*:

This resolves Petitioner's "Motion for Reconsideration"[1] filed *via* registered mail on September 04, 2019, without Respondent's comment thereon[2], seeking to set aside the Decision[3] promulgated on August 06, 2019 ("Assailed Decision") and praying that the original petition for review be dismissed for lack of jurisdiction and/or for failure to state a cause of action, or in the alternative be denied for lack of merit.

The dispositive portion of the Assailed Decision reads:

> "**WHEREFORE**, the Assailed Decision dated February 23, 2017 and Assailed Resolution dated September 14, 2017 are

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[1] Rollo, pp. 163-173.
[2] Records Verification Report issued by the Judicial Records Division on December 11, 2019.
[3] Rollo, pp. 146-161.

AFFIRMED. Accordingly, the Petition for Review filed with the Court *En Banc* on October 20, 2017 is **DENIED** for lack of merit.

SO ORDERED."[4]

In his Motion for Reconsideration, Petitioner claims that *Philippine National Oil Company v. Court of Appeals*[5] ("*PNOC v. CA*") cannot be used as legal basis for the Court's assumption of jurisdiction. According to him, what the Supreme Court stated in the said decision as being under the jurisdiction of the Court of Tax Appeals ("CTA") is the power of judicial review over compromise agreements (*i.e.*, to check whether they are in consonance with law). Moreover, Petitioner argues that the Petition for Review has no cause of action since a person's refusal to enter into a compromise agreement is not an act or omission that gives right to a cause of action.

Additionally, Petitioner asserts that not one of the Court's legal bases for holding that it has jurisdiction to review Petitioner's right to collect upon an assessment is applicable to the facts of this case. Petitioner contends that the original petition filed by Respondent with the court *a quo* merely wanted three (3) reliefs all stemming from the proposed compromise agreement, and that garnishment was only an incident of the main action challenging the denial of compromise. It cannot by itself constitute a cause of action.

Lastly, Petitioner stresses that assuming the instant case could be treated as an assessment case, the partial payments made by Respondent should be deemed as estoppel on its part. Petitioner maintains that Respondent should have been estopped from raising the issue of the invalidity of assessment following *Rizal Commercial Banking Corporation v. Commissioner of Internal Revenue*[6] ("*RCBC v. CIR*").

Petitioner's motion for reconsideration is bereft of merit.

After a careful evaluation of the arguments raised by Petitioner in his motion, the Court finds that the same are a mere rehash of the same arguments which have already been duly considered and extensively discussed in the Assailed Decision, as well as the Decision and Resolution issued by the court *a quo*. As it stands, Petitioner presents no new argument to persuade Us that it has a meritorious case.

There is no merit in Petitioner's argument that the Court has no jurisdiction over the instant petition on the ground that the denial by the Commissioner of Internal Revenue ("CIR") of Respondent's request for

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[4] *Id.*, p. 160.
[5] G.R. Nos. 109976 and 112800, April 26, 2005.
[6] G.R. No. 170257, September 07, 2011.

compromise settlement does not fall under the phrase "other matters" arising from the NIRC of 1997, as amended, pursuant to Section 7(a)(1)[7] of Republic Act ("R.A.") No. 1125[8], as amended by R.A. No. 9282[9].

In *Commissioner of Internal Revenue, et al. vs. T Shuttle Services, Inc.*[10], this Court held that in a myriad of cases, the term "other matters" has been ruled to include, but not limited to: review of the Bureau of Internal Revenue's authority and decision to compromise;[11] prescription of the CIR's right to collect taxes,[12] determination of the validity of a warrant of distraint and levy issued by the CIR and the validity of a waiver of the statute of limitations.[13]

Indeed, the CIR is empowered to compromise the payment of internal revenue taxes, under certain conditions, pursuant to Section 204(A) of the National Internal Revenue Code ("NIRC") of 1997, as amended, to wit:

> "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.

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[7] SEC. 7. Jurisdiction. — The CTA shall exercise:
a. Exclusive appellate jurisdiction to review by appeal, as herein provided:
1. Decisions of the Commissioner of Internal Revenue in cases involving disputed assessments, refunds of internal revenue taxes, fees or other charges, penalties in relation thereto, **or other matters arising under the National Internal Revenue Code or other laws administered by the Bureau of Internal Revenue**.

[8] An Act Creating the Court of Tax Appeals, June 16, 1954.

[9] An Act Expanding the Jurisdiction of the Court of Tax Appeals (CTA), Elevating its Rank to the Level of a Collegiate Court with Special Jurisdiction and Enlarging its Membership, Amending for the Purpose Certain Sections of Republic Act No. 1125, as Amended, Otherwise Known as the Law Creating the Court of Tax Appeals, and for Other Purposes, March 30, 2004.

[10] CTA EB No. 1565 (CTA Case No.8650), July 16, 2018.

[11] Consolidated cases of Philippine National Oil Company vs. Court of Appeals, et al., and Philippine National Bank vs. Court of Appeals, et al., G.R. Nos. 109976 and 112800, April 26, 2005.

[12] Commissioner of Internal Revenue vs. Hambrecht & Quist Philippines, Inc., G.R. No. 169225, November 17, 2010.

[13] Philippine Journalists, Inc. vs. Commissioner of Internal Revenue, G.R. No. 162852, December 16, 2004.

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) 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."

However, the CIR's discretionary authority to enter into a compromise agreement is not absolute.

While the CIR's power to compromise is sanctioned under the NIRC of 1997, as amended, the exercise thereof is subject to the determination of this Court, whether the same is "within the parameters set by the law". Such parameters are clearly delineated under Section 204(A) NIRC of 1997, as amended, and Sections 2 and 3 of Revenue Regulation ("R.R.") No. 30-2002, as amended by RR Nos. 08-2004 and 09-2013.

While it is generally true that purely administrative and discretionary functions may not be interfered with by the court, nonetheless, when the exercise of such functions by the administrative officer is tainted by a failure to abide by the command of the law, then it is incumbent on the courts to set matters right, with the Supreme Court having the last say on the matter.[14]

The discretionary authority to compromise granted to the CIR is never meant to be absolute, uncontrolled and unrestrained. No such unlimited power may be validly granted to any officer of the government. The CIR would have to exercise his discretion within the parameters set by the law, and in case he abuses his discretion, the CTA may correct such abuse if the matter is appealed to them.

Anent the contention that Respondent is estopped from assailing the validity of the assessment when it paid portions of the disputed assessments, We find the cited Supreme Court decision of a different factual milieu and as such is inapplicable to the instant case.

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[14] Alfredo Leongson, Pia Bautista and Martin Kisel vs. The Court of Appeals and Demetrio P. Santiago, G.R. No. L-32255, January 30, 1973.

The estoppel upheld in *RCBC v. CA* arose from the benefit obtained by the taxpayer from its execution of the waiver, in the form of a drastic reduction of the deficiency taxes, and the taxpayer's payment of a portion of the reduced tax assessment.

Here, Respondent did not receive any benefit from its offer of compromise to warrant estoppel on its part since Petitioner denied the same.

WHEREFORE, finding no cogent reason to reverse the Assailed Decision, Petitioner's "Motion for Reconsideration" is **DENIED** for lack of merit.

SO ORDERED.

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MA. BELEN M. RINGPIS-LIBAN
Associate Justice

WE CONCUR:

ROMAN G. DEL ROSARIO
Presiding Justice

Juanito C. Castañeda, Jr.

JUANITO C. CASTAÑEDA, JR.
Associate Justice

ERLINDA P. UY
Associate Justice

ESPERANZA R. FABON-VICTORINO
Associate Justice

Cielito N. Mindaro-Grulla

CIELITO N. MINDARO-GRULLA
Associate Justice

CATHERINE T. MANAHAN
Associate Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice