REPUBLIC OF THE PHILIPPINES
Court of Tax Appeals
QUEZON CITY

Second Division

SM MART, INC.
Petitioner,

-versus-

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NO. 9524

Members:

RINGPIS-LIBAN, *Chairperson,*
MODESTO-SAN PEDRO, *and*
FERRER-FLORES, *JJ.*

Promulgated:

JUN 22 2023

10:45 a.m.

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JUDGMENT ON COMPROMISE AGREEMENT

MODESTO-SAN PEDRO, J.:

For the Court's resolution are the following: a) Joint Motion for Approval of Judicial Compromise Agreement;[1] b) Compliance filed by respondent submitting the Certificate of Availment (BIR Form No. 2342), the National Evaluation Board's ("NEB") Approval of the Judicial Compromise Agreement, and Proof of Payment of the Compromise Amount;[2] and c) the parties' Joint Compliance wherein they jointly manifested the submission before this Court of the aforementioned documents.[3]

First and foremost, this Court hereby **NOTES** respondent's Compliance and the parties' Joint Compliance.

This Court shall now resolve the Joint Motion for Approval of Judicial Compromise Agreement.

On 19 January 2017, petitioner filed a Petition for Review ("Petition"),[4] asking this Court to set aside the Final Decision on Disputed Assessment ("FDDA") issued by respondent. In said issuance, petitioner was found liable for deficiency income tax ("IT"), value added tax ("VAT"), percentage tax,

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[1] Records, Vol. 3.
[2] *Ibid.*
[3] *Ibid.*
[4] Records, Vol. 1, pp. 10-376.

expanded withholding tax ("EWT"), withholding tax on compensation ("WTC"), and documentary stamp tax ("DST") for the taxable year ("TY") 2010 in the aggregate amount of One Billion Eight Hundred Nine Million Three Hundred Eighty Four Thousand Six Hundred Forty Five and 78/100 pesos (Php1,809,384,645.78).

On 6 February 2017, Summons was issued to respondent to file an Answer to the Petition.[5] Respondent filed his Answer on 7 April 2017.[6]

On 10 April 2017, this Court issued a Notice of Pre-Trial Conference, setting the Pre-Trial on 27 June 2017.[7]

Petitioner then filed a Reply (to the Answer dated 7 April 2017) on 24 April 2017.[8] Similarly, on 25 April 2017, petitioner filed a Supplemental Reply (to the Answer dated 7 April 2017).[9]

Respondent filed his Pre-Trial Brief on 2 February 2018,[10] while petitioner filed its Pre-Trial Brief on 5 February 2018.[11] Subsequently, petitioner filed a revised version of its Pre-Trial Brief on 27 March 2018[12] and the Judicial Affidavit of witness Elizabeth Ann D. Yu on 28 March 2018.[13]

On 3 April 2018, the Pre-Trial Conference ensued,[14] with a Pre-Trial Order issued on 25 April 2018.[15]

Petitioner presented its witness, Ms. Yu, on 9 July 2018.[16] Meanwhile, on 15 August 2018, petitioner filed a Motion to Avail the Provisions of Rule 13 of the Revised Rules of the Court of Tax Appeals (*i.e.*, Motion to Commission an Independent Certified Public Accountant ("ICPA")) attaching thereto the Judicial Affidavit of its proposed ICPA, Percival R. De Guzman, and his credentials.[17] ICPA De Guzman was then commissioned on 20 August 2018.[18] Petitioner filed his ICPA Report through registered mail on 19 September 2018 and personally on 20 September 2018[19] and his Judicial

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[5] *Id.*, p. 377.
[6] *Id.*, pp. 395-420.
[7] *Id.*, pp. 421-422.
[8] *Id.*, pp. 424-438.
[9] *Id.*, pp. 444-455.
[10] Records, Vol. 2, pp. 498-503.
[11] *Id.*, pp. 504-519.
[12] *Id.*, pp. 523-533.
[13] *Id.*, pp. 539-853.
[14] *Id.*, pp. 855-856.
[15] *Id.*, pp. 857-868.
[16] *Id.*, pp. 885-886.
[17] *Id.*, pp. 891-920.
[18] *Id.*, pp. 921-923.
[19] *Id.*, pp. 927-969; pp. 972-1014.

Affidavit on 23 January 2019.[20] ICPA De Guzman then testified on 24 January 2019.[21]

On 12 March 2019, respondent submitted the Judicial Affidavit of his witness, Revenue Officer ("RO") William F. Sundiam.[22]

Petitioner then submitted the Supplemental Judicial Affidavit of Ms. Yu on 15 August 2019[23] and presented her before this Court again on 22 August 2019.[24] On 18 September 2019, petitioner also filed a Motion to Recall the Independent Certified Public Accountant (with Motion to Defer Filing of Formal Offer of Evidence) in order to correct the identification of certain documentary evidence.[25]

However, on 22 January 2020, petitioner filed a Motion to Suspend Proceedings (with Motion to Defer Filing of Supplemental Judicial Affidavit).[26] Respondent confirmed that there was an offer of compromise from petitioner and interposed no objections.[27] In a Resolution, dated 9 March 2020, this Court suspended the proceedings for thirty (30) days.[28]

The parties then submitted various Motions to Further Suspend Proceedings,[29] all of which the Court granted.[30]

On 10 November 2020, petitioner filed a Manifestation (with Motion to Lift Suspension of Proceedings) stating that the efforts to settle the case had failed.[31]

On 17 March 2021, the ICPA, Percival R. De Guzman was recalled to the witness stand.[32] Petitioner, subsequently, on 20 May 2021, filed its Formal Offer of Evidence.[33] In a Resolution, dated 14 December 2021, this Court admitted all of petitioner's Exhibits.[34]

Despite the earlier manifestation, the parties filed the instant Joint Motion for Approval of Judicial Compromise Agreement on 21 March 2022 with the following attachments: a) Judicial Compromise Agreement with a

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20 Records, Vol. 3, pp. 1026-1084.
21 *Id.*, pp. 1085-1087.
22 *Id.*, pp. 1105-1119.
23 *Id.*, pp. 1128-1142.
24 *Id.*, pp. 1144-1146.
25 *Id.*, pp. 1160-1164.
26 *Id.*, pp. 1189-1194.
27 *Id.*, pp. 1198-1205.
28 *Id.*, pp. 1212-1216.
29 *Id.*, pp. 1249-1252; *id.*, pp. 1276-1281.
30 *Id.*, pp. 1253-1254; *id.*, pp. 1282-1283.
31 *Id.*, pp. 1284-1289.
32 *Id.*, pp. 1292-1294.
33 *Id.*, pp. 1295-1562.
34 Records, Vol. 3.

Secretary Certificate from petitioner authorizing Elizabeth Ann D. Yu to sign on behalf of petitioner; and b) BIR Forms No. 0605 with corresponding eFPS Payment Confirmation in the aggregate amount of Php44,152,402.07.[35]

In the Judicial Compromise Agreement, dated 22 October 2021,[36] the parties agreed on the following terms and conditions:

> "**WHEREAS,** on September 12, 2014, the **BIR** issued to the **TAXPAYER** a **Formal Letter of Demand ("FLD")** dated September 12, 2014 for the alleged deficiency income tax, value added tax, expanded withholding tax, withholding tax on compensation, and documentary stamp tax in the aggregate amount of P1,929,722,647.61, inclusive of interest and compromise penalty.
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> **WHEREAS,** on October 13, 2014, **TAXPAYER,** within the reglementary period, filed its written Protest questioning the validity of the aforesaid assessment;
>
> **WHEREAS,** on May 2, 2016, the **BIR,** issued the **Final Decision on Disputed Assessment ("FDDA"),** denying **TAXPAYER's** Protest in part and found **TAXPAYER** liable for alleged deficiency taxes, penalties and interests in relation to taxable year 2010 in the aggregate amount of P1,809,384,644.98, inclusive of interest and compromise penalty.
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> **WHEREAS, TAXPAYER,** within the reglementary period, filed its Motion for Reconsideration with the **BIR** on June 1, 2016.
>
> **WHEREAS,** on November 21, 2016, the **BIR** rendered a denial of the Motion for Reconsideration which was received by the **TAXPAYER** on December 20, 2016, reiterating **BIR's** assessment in the FDDA.
>
> **WHEREAS,** on January 19, 2017, the **TAXPAYER** instituted an action against the **BIR** entitled *"SM Mart, Inc. vs. Commissioner of Internal Revenue"*, docketed as CTA Case No. 9524, with the Honorable Third Division of the Court of Tax Appeals ("CTA"), seeking to review and set aside the denial of the Motion for Reconsideration of the FDDA;
>
> **WHEREAS,** on August 3, 2021, the **TAXPAYER** has submitted to the **BIR** its **Offer of Compromise** dated July 29, 2021 with the intention to enter into a judicial compromise pursuant to the provisions of the Civil Code of the Philippines, jurisprudence, relevant decisions of the Honorable CTA and relevant laws on judicial compromise;
>
> **WHEREAS,** the **BIR** has evaluated the **TAXPAYER's** proposal for amicable settlement and believes that a judicial compromise 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;
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> **WHEREAS,** the **PARTIES** wish to and 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;

[35] *Ibid.*
[36] *Ibid.*

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 the **BIR** has accepted, the payment of the total amount of **Forty Four Million One Hundred Fifty Two Thousand Four Hundred Two and 6/100 Pesos (P44,152,402.06)** ("Judicial Compromise Amount") which is equivalent to twelve percent (12%) of the basic tax assessed for the taxable year 2010 less SMI's advance payments in relation to the deficiency taxes for the same taxable year, computed as follows:

Basic Deficiency Tax Assessed	P875,614,313.47
Compromise Rate	12%
Compromise Amount	P105,073,717.62
Advance Payments	60,921,315.56
Amount Still to be Paid	**P44,152,402.06**

Section 2. Submission to the Honorable CTA Third Division. This Agreement fully signed by the **PARTIES** shall be submitted for the approval of the Honorable CTA Third Division in CTA Case No. 9524. The **PARTIES** undertake to perform any and all acts and submit any and all documents required by the Honorable CTA Third Division to be able to render a **Judgment by Compromise Agreement** in the said case.

Section 3. Effectivity of the Agreement. This Agreement shall only take effect and bind the PARTIES upon final approval and termination by the Honorable CTA Third Division. 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 Third Division. Upon final approval by the Honorable CTA Third Division 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 **FLD** dated September 12, 2014.

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 Third Division.

The **TAXPAYER** through its authorized representative, **Ms. Elizabeth Ann D. Yu,** similarly warrants that it is duly authorized by the Board of Directors of the **TAXPAYER** and has fill legal capacity to enter, sign, and execute this Agreement, and to deliver payment of the above-agreed additional 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. 9524. Upon approval by the court, the **BIR** recognizes the full satisfaction of the supposed tax liability of the **TAXPAYER** in connection with CTA Case No. 9524 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. 9524.

xxx xxx xxx

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."**

WHEREAS, during mediation proceedings before the Philippine mediation center – Court of Tax Appeals, petitioner has offered to amicably settle the case for **Thirty-Two Million Ten Thousand Nine Hundred Fifty-Two Pesos and 23/00 (PHP 32, 010, 952.23)** to avoid prolonged litigation as authorized by A.M.M. No. 11-1-05-SC-PHILJA.

NOW THEREFORE, Petitioner has paid, and Respondent has accepted the amount of **Thirty-Two Million Ten Thousand Nine Hundred Fifty-Two Pesos and 23/00 (PHP 32, 010, 952.23)**, representing 84.44% of the basic income tax, 40% of the basic VAT and IAET, and 100.00% of the basic EWT and WTC, as full satisfaction of the 2014 tax assessment subject to the approval of the Honorable Court of Tax Appeals.

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."

In a Resolution, dated 12 April 2022, this Court required the parties to submit proof of the following: a) the Php60,921,315.56 advanced payment to the BIR indicated in the Judicial Compromise Agreement; and b) approval of the Judicial Compromise Agreement by the members of the NEB.[37]

On 12 May 2022, the parties filed a Joint Compliance (with Motion for Extension to Submit Documents) to submit before this Court the BIR Forms No. 0605 with corresponding eFPS Payment Confirmation which serve as proof of payment of the Php60,921,315.56 indicated in the Judicial Compromise Agreement, and to also request additional time to submit proof of approval of the Judicial Compromise Agreement by the members of the NEB.[38] The extension requested was granted by this Court in a Resolution, dated 23 May 2022.[39] A Joint Motion for Extension to Submit Document was then filed by the parties on 20 June 2022 to further request additional time to submit the proof of approval by the NEB of the Judicial Compromise

[37] *Ibid.*
[38] *Ibid.*
[39] *Ibid.*

Agreement.[40] This was once again allowed by this Court through a Resolution, dated 24 June 2022.

On 15 July 2022, respondent filed the instant Compliance, submitting the Certificate of Availment (BIR Form No. 2342), the NEB's Approval of the Judicial Compromise Agreement, and Proof of Payment of the Compromise Amount. This submission was manifested before this Court through the subject Joint Compliance filed by the parties on 20 July 2022.

Considering the foregoing developments, and having found the submissions of the parties to be in accordance with ***En Banc Resolution No. 7-2021***,[41] the Court now resolves the Joint Motion for Approval of Judicial Compromise Agreement.

Section 204(A) of the National Internal Revenue Code, as amended, ("NIRC") provides for the authority of the Commissioner of Internal Revenue to compromise the payment of any revenue tax, 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.
>
> 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 (₱1,000.000) or where the settlement offered is less than the prescribed minimum rates, the compromise shall be subject to the approval of the Evaluation Board which shall be composed of the Commissioner and the four (4) Deputy Commissioners.** xxx"
> (Emphasis and underscoring, Ours.)

Based on the foregoing, a compromise settlement is deemed valid provided that the following requirements are met:

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[40] *Ibid.*
[41] 22 June 2021.

1. That the application for compromise should be 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 should be at the rate equivalent to ten percent (10%) of the basic assessed tax; and

3. The **approval of the NEB,** which is composed of respondent and his four (4) Deputy Commissioners, is required **if the subject assessment exceeds One Million pesos (₱1,000,000.00)** or **where the settlement offered is less than the prescribed minimum rates**.

In the Approval Sheet of the NEB attached to the Certificate of Availment (BIR Form No. 2342), the basis for the present compromise is the doubtful validity of the subject assessment.[42]

In order to determine whether the assessment's validity is indeed doubtful, the Court refers to ***Section 3 of Revenue Regulations ("RR") No. 30-2002, as amended***,[43] which enumerates the instances on when the assessment's propriety is considered doubtful, to wit:

> "SECTION 3. Basis For Acceptance of Compromise Settlement. — The Commissioner may compromise the payment of any internal revenue tax on the following grounds:
>
> 1. Doubtful validity of the assessment. — The offer to compromise a delinquent account or disputed assessment under these Regulations on the ground of reasonable doubt as to the validity of the assessment may be accepted when it is shown that:
>
> (a) The delinquent account or disputed assessment is one resulting from a jeopardy assessment (For this purpose, "jeopardy assessment" shall refer to a tax assessment which was assessed without the benefit of complete or partial audit by an authorized revenue officer, who has reason to believe that the assessment and collection of a deficiency tax will be jeopardized by delay because of the taxpayer's failure to comply with the audit and investigation requirements to present his books of accounts and/or pertinent records, or to substantiate all or any of the deductions, exemptions, or credits claimed in his return); or

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[42] Records, Vol. 3.

[43] 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, 16 December 2002; Revenue Regulations No. 08-04, 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. 7-2001 and 30-2002, 19 May 2004.

(b) The assessment seems to be arbitrary in nature, appearing to be based on presumptions and there is reason to believe that it is looking in legal and/or factual basis; or

(c) The taxpayer failed to file an administrative protest on account of the alleged failure to receive notice of assessment and there is reason to believe that the assessment is lacking in legal and/or factual basis; or

(d) The taxpayer failed to file a request for reinvestigation/reconsideration within 30 days from receipt of final assessment notice and there is reason to believe that the assessment is lacking in legal and/or factual basis; or

(e) The taxpayer failed to elevate to the Court of Tax Appeals (CTA) an adverse decision of the Commissioner, or his authorized representative, in some cases, within 30 days from receipt thereof and there is reason to believe that the assessment is lacking in legal and/or factual basis; or

(f) The assessments were issued on or after January 1, 1998, where the demand notice allegedly failed to comply with the formalities prescribed under Sec. 228 of the National Internal Revenue Code of 1997; or

(g) Assessments made based on the "Best Evidence Obtainable Rule" and there is reason to believe that the same can be disputed by sufficient and competent evidence; or

(h) The assessment was issued within the prescriptive period for assessment as extended by the taxpayer's execution of Waiver of the Statute of Limitations the validity or authenticity of which is being questioned or at issue and there is strong reason to believe and evidence to prove that it is not authentic; or

(i) The assessment is based on an issue where a court of competent jurisdiction made an adverse decision against the Bureau, but for which the Supreme Court has not decided upon with finality."
(Emphasis and underscoring, Ours.)

Clearly, the scenarios under ***Section 3.b and 3.h of RR No. 30-2002, as amended***, are present in this case. Based on the Petition,[44] the grounds advanced by petitioner are, as follows: a) the assessment is void since the Formal Letter of Demand ("FLD") and Final Assessment Notice ("FAN") contains no demand for payment within a specified period of time; b) respondent violated petitioner's right to due process through its failure to inform petitioner of the legal and factual bases of the assessment and by depriving petitioner of the opportunity to refute the finding and explain its side; c) the period to assess petitioner's internal revenue taxes for TY 2010 has already prescribed; d) the waivers did not validly extend the original three (3) year prescriptive period to assess petitioner's internal revenue taxes for TY 2010; e) assuming, solely for the sake of argument, that the assessment is valid, no deficiency interest should be imposed on the deficiency IT, VAT, percentage tax, EWT, WTC, and DST; f) the deficiency tax assessment lacks factual and legal bases; and g) petitioner is not liable for the alleged IT, VAT, percentage tax, EWT, WTC, and DST for TY 2010 in the aggregate amount

[44] Records, Vol. 1, pp. 16-76.

of One Billion Eight Hundred Nine Million Three Hundred Eighty Four Thousand Six Hundred Forty Five and 78/100 Pesos (Php1,809,384,645.78).

These allegations qualify under the ground of doubtful validity of respondent's assessment. Accordingly, the first requisite, that the application for compromise should be based on either the doubtful validity of respondent's assessment or the taxpayer's financial incapacity to pay such assessment is satisfied in this case.

As for the second and third requisites, the Compromise Amount paid by petitioner totaling to Php105,073,717.62[45] is below the 40% minimum payment required under ***Section 204(A) of the NIRC***, computed as follows:[46]

Tax Type	**Basic Tax**	**40% of the Basic Tax**
IT	₱ 153,684,021.01	₱ 61,473,608.40
VAT	646,070,211.29	258,428,084.52
Percentage Tax	2,462,039.02	984,815.61
EWT	46,758,475.87	18,703,390.35
WTC	21,660,282.19	8,664,112.88
DST	4,979,284.09	1,991,713.64
TOTAL	**₱ 875,614,313.47**	**₱ 350,245,725.39**

In fact, the total payment made by petitioner only corresponds to 12% of the basic tax assessed in the FDDA.[47] At any rate, the parties have submitted the certified true copy of the Certificate of Availment (BIR Form No. 2342), dated 29 June 2022,[48] and the Approval Sheet of the Judicial Compromise Agreement which shows the signature of all the members of the NEB approving the Compromise Amount,[49] despite the same being below the 40% minimum rate required by the ***NIRC***.

Having found the documents in order, the Court finds the Approval Sheet of the NEB and the Certificate of Availment (BIR Form No. 2342) sufficient evidence of the parties' compliance with the second and third requisites, respectively, and the mandate of ***Section 6 of RR No. 30-2002, as amended***, to wit:

> "SECTION 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**

[45] Inclusive of the advanced payment in the total amount of Php60,921,315.56 as shown by BIR Forms No. 0605 with the following reference numbers: 291600017983376, 291600017983279, and 291600017983337, and e-FPS payment transaction numbers: 165791623, 165791495, and 165791592.
[46] FDDA, Exhibit "P-9", Records, Vol. 3, pp. 1483-1488.
[47] Php105,073,717.62 / 875,614,313.47; Exhibit "P-9", *id.*, pp. 1483-1488.
[48] Annex "A", respondent's Compliance, *id.*
[49] *Ibid.*

> **<u>of all the members of the NEB</u> 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 consequence of the Commissioner.
>
> xxx xxx xxx
>
> Provided, however, **<u>that if the offer of compromise is less than the prescribed rates set forth in Sec. 4 hereof, the same shall always be subject to the approval of the NEB</u>**. xxx"
> (Emphasis and underscoring, Ours.)

Considering the faithful observance by the parties of all the requisites under ***Section 204(A) of the NIRC***, the Court deems it proper to grant the parties' Joint Motion for Approval of Judicial Compromise Agreement.

The parties are reminded that a compromise agreement, once approved by the courts, becomes more than a mere contract; it has the force and effect of a judgment that is subject to execution and attains the effect and authority of *res judicata*, as discussed by the Supreme Court in the case of ***Viesca vs. Gilinsky***,[50] to wit:

> "A compromise agreement has been described as a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced. A compromise agreement that is intended to resolve a matter already under litigation is normally called a judicial compromise. **<u>Once it is stamped with judicial imprimatur, it becomes more than a mere contract binding upon the parties. Having the sanction of the court and entered as its determination of the controversy, it has the force and effect of any other judgment.</u> <u>Such agreement has the force of law and is conclusive between the parties. It transcends its identity as a mere contract binding only upon the parties thereto, for it becomes a judgment that is subject to execution in accordance with the Rules.</u> <u>Thus, a compromise agreement that has been made and duly approved by the court attains the effect and authority of *res judicata*,</u>** although no execution may be issued unless the agreement receives the approval of the court where the litigation is pending and compliance with the terms of the agreement is decreed."
> (Emphasis and underscoring, Ours.)

WHEREFORE, premises considered, the parties' Joint Motion for Approval of Judicial Compromise Agreement is hereby **GRANTED.**

Accordingly, the Certificate of Availment (BIR Form No. 2342) and the Approval Sheet of the NEB, and the BIR Forms No. 0605 with corresponding eFPS Payment Confirmation are **NOTED**.

The Judicial Compromise Agreement, dated 22 October 2021, entered into by the parties is hereby **APPROVED**. This **Judgment on**

[50] G.R. No. 171698, 4 July 2007.

Compromise Agreement is rendered in accordance therewith. The parties are hereby enjoined to faithfully comply with all the terms and conditions of the aforesaid Judicial Compromise Agreement.

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

SO ORDERED.

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

WE CONCUR:

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

CORAZON G. FERRER-FLORES
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.

MA. BELEN M. RINGPIS-LIBAN
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 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