REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

BARRIO FIESTA MANUFACTURING CORPORATION,
Petitioner,

\- *versus* -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA EB NO. 2898
(CTA Case No. 10483)

Present:

RINGPIS-LIBAN, *Acting P.J.,*
MANAHAN,
BACORRO-VILLENA,
MODESTO-SAN PEDRO,
REYES-FAJARDO,
CUI-DAVID,
FERRER-FLORES, *and*
ANGELES, *JJ.*

Promulgated:

NOV 24 2025 4:24 p.m.

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DECISION

ANGELES, J.:

Before this Court of Tax Appeals (CTA) *En Banc* ("Court *En Banc*") is a *Petition for Review*[1] filed pursuant to Section 4(b), Rule 8 of the Revised Rules of the Court of Tax Appeals, as amended,[2] ("RRCTA") on April 11, 2024. Petitioner seeks the reversal and setting aside of the ***Decision*** dated September 04, 2023[3] (assailed Decision) and the ***Resolution*** dated March 01, 2024[4] (assailed Resolution),

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[1] *En Banc* (EB) Docket, pp. 17-49.
[2] Revised Rules of the Court of Tax Appeals (RRCTA), Section 4(b) provides:

SECTION 4. *Where to appeal; mode of appeal.* —

x x x

(b) An appeal from a decision or resolution of the Court in Division on a motion for reconsideration or new trial shall be taken to the Court by petition for review as provided in Rule 43 of the Rules of Court. The Court *en banc* shall act on appeal. *(n)*

[3] EB Docket, pp. 66-76. The Decision was penned by Associate Justice Ma. Belen M. Ringpis-Liban, and concurred in by Associate Justice Maria Rowena A. Modesto-San Pedro.
[4] *Id.* at 53-64. The Resolution was penned by Associate Justice Ma. Belen M. Ringpis-Liban, and concurred in by Associate Justice Maria Rowena A. Modesto-San Pedro.

both promulgated by the Special Third Division of this Court ("Court in Division") in CTA Case No. 10483, the dispositive portions of which respectively read:

Decision dated September 04, 2023:

"**WHEREFORE**, in light of the foregoing considerations, the present *Petition for Review* is **DENIED** for lack of merit.

SO ORDERED."

Resolution dated March 01, 2024:

"**WHEREFORE**, premises considered, petitioner's Motion for New Trial is **DENIED** for lack of merit.

SO ORDERED."

THE PARTIES

Petitioner Barrio Fiesta Manufacturing, Inc. is a corporation duly registered under the law of the Philippines, with address at 17 F. Lazaro St., West Canumay, Valenzuela City, Metro Manila. It is duly registered with the Securities and Exchange Commission with Company Registration No. CS146893. It is also duly registered with the [Bureau of Internal Revenue] (BIR) as shown in its BIR Certificate of Registration No. OCN 4RC0001389141, and was assigned with Taxpayer's Identification Number 000-286-365-000.[5]

Respondent Commissioner of Internal Revenue [CIR] is sued in his official capacity, having been duly appointed and empowered to perform the duties of his office. He may be served with summons, notices, and other court processes at his office at the BIR National Office Building, Diliman, Quezon City.[6]

FACTS OF THE CASE

Petitioner is the party-litigant in the following cases before this Court: *(1)* CTA Case No. 9850 (**for taxable year (TY) 2016 assessment**); *(2)* CTA Case No. 9871 (**for TY 2015 assessment**); and *(3)* CTA Case No. 9880 (**for TY 2014 assessment**), all entitled

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[5] *Id.* at 66-67.
[6] *Id.* at 67.

"Barrio Fiesta Manufacturing Corporation vs. Commissioner of Internal Revenue."[7]

On November 26, 2018, this Court, in CTA Case No. 9850, issued a Resolution referring the case to mediation before the Philippine Mediation Center–Court of Tax Appeals, pursuant to the Interim Guidelines for Implementing Mediation in the CTA as approved by the Supreme Court on January 18, 2011.[8] In the course thereof, and with the assistance of the designated mediator, petitioner and the respondent CIR agreed to explore the execution of a Compromise Agreement, subject to the approval of the National Evaluation Board (NEB), pursuant to Section 204(A) of the National Internal Revenue Code (NIRC) of 1997, as amended.[9]

In order to increase the likelihood of approval by the NEB, the parties, during mediation, agreed to include in the proposed Compromise Agreement not only the subject matter of CTA Case No. 9850, but also the pending cases for other taxable years, specifically CTA Case No. 9871 (for TY 2015 assessment), and CTA Case No. 9880 (for TY 2014 assessment).[10] Thus, all three (3) cases were made the subject of a single Offer of Compromise.[11]

The salient terms and conditions of the Compromise Agreement were as follows:

a) That the Company agrees to settle the alleged deficiency tax liability being disputed in CTA Case No. 9850 by offering a compromise settlement at the rate of ten percent (10%) of the basic tax assessed;

b) That both parties have explored in good faith the possibility of ending the dispute for the other cases currently pending with the CTA, specifically CTA Case No. 9871 and CTA Case No. 9880; and

c) That petitioner agrees to pay a compromise settlement at the rate of ten percent (10%) of the assessed basic tax for all three (3) cases (CTA Case Nos. 9850, 9871 and 9880), amounting to the total amount [of] **Five Million Four Hundred Fifty[-] Four Thousand Three Hundred Sixty-Eight and 17/100 Pesos (₱5,454,368.17)**.[12]

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[7] Division Docket – Vol. I, Joint Stipulation of Facts and Issues (JSFI), p. 242, par. 7.
[8] *Id.*, par. 8.
[9] *Id.* at 243, par. 9.
[10] *Id.*, par. 10.
[11] *Id.*, par. 11.
[12] *Id.*, par. 12.

In compliance, petitioner tendered payments to the BIR on March 12, 2019, broken down as follows:

Tax Type	Taxable Year	Amount
Value-added tax (VAT)	2014	₱303,918.15[13]
Income Tax	2014	2,889,043.64[14]
Expanded Withholding Tax	2014	247,803.71[15]
VAT	2015	1,396,995.15[16]
VAT	2016	616,607.52[17]
	TOTAL	**₱5,454,368.17**

On July 02, 2019, petitioner, through its counsel, received respondent's *Manifestation* dated June 28, 2019, filed in CTA Case No. 9850. Appended thereto was a *Memorandum* dated March 28, 2019, indicating that petitioner's Offer of Compromise had been remanded to the Legal Division of Revenue Region No. 5 for further study.[18] In the same *Manifestation*, respondent informed the CTA First Division that no compromise settlement had been concluded between the parties.[19] Accordingly, by Resolution dated July 29, 2019, the CTA First Division declared the mediation proceedings unsuccessful.[20]

Thereafter, on March 09, 2021, petitioner lodged with BIR Revenue Region No. 5 an administrative claim for refund of the amount it had paid under the abandoned compromise settlement, invoking Section 204(C) in relation to Section 229 of the NIRC of 1997, as amended.[21]

On the following day, March 10, 2021, petitioner instituted before the Court in Division a *Petition for Review*,[22] reiterating its claim to a refund in the amount of ₱5,454,368.17, representing the sum allegedly erroneously paid pursuant to its Offer of Compromise, which the respondent subsequently rejected.

Respondent, after securing two (2) extensions, filed his *Answer (with Motion to Admit)*[23] on June 25, 2021. Later, on December 03, 2021, respondent filed a *Manifestation*,[24] stating that the BIR Records

[13] Division Docket – Vol. 1, pp. 378-379, Exhibits "P-8," "P-8-1," and "P-8-2."
[14] *Id.* at 380-381, Exhibits "P-9," "P-9-1," and "P-9-2."
[15] *Id.* at 382-383, Exhibits "P-10," "P-10-1," and "P-10-2."
[16] *Id.* at 384-385, Exhibits "P-11," "P-11-1," and "P-11-2."
[17] *Id.* at 386-287, Exhibits "P-12," "P-12-1," and "P-12-2."
[18] *Id.* at 244, par. 13.
[19] EB Docket, pp. 21-22.
[20] Division Docket – Vol. I, JSFI, p. 244, par. 14.
[21] *Id.*, par. 15.
[22] *Id.* at 7-26.
[23] *Id.* at 153-163.
[24] *Id.* at 232-234.

had long been transmitted to the Court's Judicial Records Division as early as August 09, 2018, the same records also being the subject of CTA Case No. 9850, wherein the Compromise Settlement was submitted and from which emanated the very payment now sought to be refunded.

Pre-Trial was held on December 13, 2021.[25] The parties filed their *Joint Stipulation of Facts and Issues*[26] on February 02, 2022, which the Court embodied in its Pre-Trial Order dated March 02, 2022.[27] Trial then ensued, during which both parties presented testimonial and documentary evidence. Upon the filing of their respective *Memoranda*,[28] the case was submitted for decision on September 13, 2022.[29]

On September 04, 2023, the Court in Division rendered the assailed Decision, denying the *Petition for Review* for lack of merit. Subsequently, on October 06, 2023, petitioner filed a *Motion for New Trial*,[30] invoking as newly discovered evidence an Entry of Judgment dated December 07, 2022,[31] issued by the Supreme Court in G.R. No. 259338 (CTA Case No. 9880; CTA EB No. 2186). The Court in Division, however, through the assailed Resolution, denied said *Motion*.

On March 27, 2024, petitioner moved for an extension of time to file a Petition for Review.[32] Acting thereon, the Court *En Banc*, through its Minute Resolution dated April 02, 2024,[33] granted the *Motion*, thereby affording petitioner a non-extendible period of fifteen (15) days from March 28, 2024, or until April 12, 2024, within which to file the petition.

On April 08, 2024, petitioner filed a *Manifestation*,[34] averring that a clerical error had been inadvertently committed in the notarial information of the Affidavit of Service appended to its *Motion for Extension of Time to File Petition for Review*, particularly with respect to the document number. Petitioner thus prayed that the attached original copy of the Affidavit of Service, bearing the corrected document number, be admitted as an integral part of the said *Motion*. The Court *En Banc*, by Minute Resolution dated April 15, 2024,[35] granted the prayer, thereby admitting the corrected copy.

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[25] *Id.* at 236; Order dated December 13, 2021.
[26] *Id.* at 241-251.
[27] *Id.* at 280-286.
[28] *Id.* at 469-482; 488-516.
[29] *Id.* at 518.
[30] Division Docket – Vol. II, pp. 532-559.
[31] Division Docket – Vol. II, p. 562.
[32] EB Docket, pp. 1-7.
[33] *Id.* at 8-A.
[34] *Id.* at 9-15.
[35] *Id.* at 78.

Accordingly, on April 11, 2024, petitioner timely filed the present *Petition for Review*,[36] praying for the Court *En Banc* to reverse and set aside the assailed Decision and Resolution, and render judgment granting its claim for refund in the aggregate amount of ₱5,454,368.17, representing the sum paid on March 12, 2019, pursuant to the purported compromise settlement.

Through a Minute Resolution dated May 13, 2024,[37] the Court *En Banc* directed respondent to file its comment on the *Petition for Review* within ten (10) days from receipt of notice.

Subsequently, in its Minute Resolution dated June 19, 2024,[38] the Court *En Banc*: *(1)* noted respondent's *Comment/Opposition (to Petition for Review dated April 11, 2024)*, filed on May 30, 2024;[39] and *(2)* considered the case submitted for decision.

ASSIGNMENT OF ERRORS

Petitioner submits the following assignment of errors[40] for the Court *En Banc*'s resolution:

> (1) The Honorable CTA in Division erred in ruling that the Entry of Judgment dated December 7, 2022 issued by the Supreme Court in G.R. No. 259338 (CTA Case No. 9880) cannot be considered as newly discovered evidence;
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> (2) The Honorable CTA in Division erred in ruling that the compromise payment is considered as advance payment which is deductible against the deficiency tax;
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> (3) The Honorable CTA in Division erred in ruling that the principle of *solutio indebiti* does not apply in the instant case; and
>
> (4) The Honorable CTA in Division erred in denying Petitioner's Petition for Review for the refund of the compromise settlement paid pursuant to the Offer of Compromise for the speedy disposition of CTA Case Nos. 9850, 9871, and 9880, in the total amount of Five Million Four Hundred Fifty[-]Four Thousand Three Hundred Sixty-Eight and 17/100 Pesos (₱5,454,368.17).

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[36] *Id.* at 17-49.
[37] *Id.* at 79.
[38] *Id.* at 89.
[39] *Id.* at 80-91.
[40] *Id.* at 10.

ARGUMENTS OF THE PARTIES

Petitioner's arguments

First. Petitioner asserts that the Court in Division erred in holding that the Entry of Judgment dated December 07, 2022, issued by the Supreme Court in G.R. No. 259338 (CTA Case No. 9880; CTA EB No. 2186), does not qualify as newly discovered evidence. On the contrary, all the requisites of newly discovered evidence are present, particularly the *third* and *fourth* requirements, which the Court in Division found lacking. The Entry of Judgment is material and directly relevant, as it forms part of the very basis of the compromise settlement—an amount that is the subject of the instant refund claim. Its significance is such that, if duly admitted, it would, in all probability, alter the judgment.

Petitioner further maintains that while, as a rule, courts are not authorized to take judicial notice of the contents of the records of other cases, this rule is not absolute. Jurisprudence recognizes exceptions where cases are closely interrelated, and the resolution of one is essential to the determination of the other. More so should this exception apply here, since petitioner has consistently apprised the Court in Division of the existence and status of the disputed assessments for TYs 2014, 2015, and 2016, all of which are pending before the CTA. Moreover, judicial notice of the Supreme Court's Resolution dated December 07, 2022, is proper, as published Decisions and Resolutions of the Supreme Court form part of public records.

Petitioner posits that, at any rate, rigid adherence to procedural rules must yield to the higher interest of truth and the imperatives of substantial justice. In this case, petitioner duly appended to its *Motion for New Trial* a certified true copy of the Entry of Judgment in G.R. No. 259338, thereby fully complying with the requirement under Section 1, Rule 37 of the Rules of Court that such motion be supported by a duly authenticated document.

Second. Petitioner avers that the Court in Division erred in holding that the compromise payment constituted an advance payment deductible against the deficiency tax. Petitioner contends that: *(1)* respondent's reliance on Revenue Regulations (RR) No. 30-02, as amended by RR No. 09-13, is misplaced, since said issuances govern compromises in the context of administrative remedies, which are inapplicable to the judicial compromise involved in this case; *(2)* even assuming, *arguendo*, that such issuances apply, respondent remains without lawful basis to retain the payment, considering that the CTA *En Banc* had already declared void the assessments and Warrant of Distraint and/or Levy for TY 2014—a ruling that became final and executory upon the Supreme Court's Resolution and Entry of Judgment dated December 07, 2022; *(3)* no provision in the compromise agreement expressly authorized respondent to retain the amount paid; *(4)* while the compromise payment may have been initially valid, it became refundable by reason of a supervening event, namely the unsuccessful mediation, thus falling squarely within the coverage of Sections 204 and 229 of the NIRC of 1997, as amended; and *(5)* respondent has no right to retain the compromise payment because the underlying assessments are not yet due and demandable, being the subject of a pending appeal, particularly since, in CTA Case No. 9880, the declaration of nullity of the TY 2014 assessments has already attained finality.

Third. Petitioner also assails the ruling of the Court in Division that the principle of *solutio indebiti* does not apply. It asserts that the compromise payment was made under a mistake, arising from its reliance on respondent's duty to faithfully observe the intent and purpose of the compromise. Yet, after receiving the payment, respondent repudiated the application for compromise and unjustly retained the entire amount, thereby resulting in its undue enrichment at the expense of the taxpayer.

Finally. Petitioner insists that it is entitled to a refund in the aggregate amount of ₱5,454,368.17, representing the compromise settlement payment made on March 12, 2019, which respondent failed to act upon and continues to retain. Petitioner concedes that claims for refund, being in the nature of tax exemptions, are to be construed *strictissimi juris* against the taxpayer. Nonetheless, it emphasizes that refund proceedings require only a showing by a preponderance of evidence—a burden which, in its view, has been sufficiently discharged.

Respondent's counter-arguments

Respondent, for its part, counters that the decision of the Court in CTA Case No. 9880 cannot be deemed newly discovered evidence sufficient to justify a *Motion for New Trial.* He asserts that petitioner had every opportunity, at an earlier stage, to present to this Court both the status and the favorable disposition of the CTA First Division in that case. Echoing the Court in Division, respondent further emphasizes that the *third* and *fourth* requisites for newly discovered evidence are clearly absent.

Respondent likewise contends that the compromise amount is not subject to refund, invoking the express provision of RR No. 09-13, which categorically provides that, in the event of disapproval of an application for compromise settlement, the amount tendered upon filing shall be applied as deduction against the tax liabilities. He maintains that, at the time the claim for refund was filed, the disputed assessments were still considered valid and demandable pending appeal, and that, absent any final declaration of nullity, the assessed taxes against petitioner remain legally enforceable.

In support of its position, respondent invokes CTA Case No. 9850, wherein the Court First Division ruled in favor of the CIR, and, on the strength thereof, claims that the compromise amount herein is absolutely deemed non-refundable.

Furthermore, respondent posits that petitioner's claim does not fall within the recognized instances under the law and rules for which a refund may be granted. The payment, having been voluntarily made in compliance with the requirements of a compromise, cannot, in any measure, be deemed a tax erroneously or illegally collected by the BIR.

Lastly, petitioner invokes the well-settled doctrine that claims for tax refund partake of the nature of tax exemptions, and as such, must be construed strictly against the taxpayer.

RULING OF THE COURT *EN BANC*

The *Petition for Review* is partly meritorious.

The Court En Banc has jurisdiction over the instant Petition

Before delving into the merits, the Court *En Banc* shall first determine whether it is properly vested with jurisdiction over the present *Petition*.

Section 2(a)(1), Rule 4 of the RRCTA, provides in part:

> SEC. 2. *Cases within the jurisdiction of the Court en banc.* — The Court *en banc* shall exercise exclusive appellate jurisdiction to review by appeal the following:
>
> (a) Decisions or resolutions on motion for reconsideration or new trial of the **Court in Division** in the exercise of its exclusive appellate jurisdiction over:

(1) Cases arising from administrative agencies — **Bureau of Internal Revenue**, Bureau of Customs, Department of Finance, Department of Trade and Industry, Department of Agriculture; x x x (Emphasis supplied)

The instant *Petition* seeks the review of the assailed Decision and Resolution of the Court in Division in CTA Case No. 10483, which, for lack of merit, denied petitioner's *Petition for Review* and *Motion for New Trial*, respectively. Accordingly, appellate jurisdiction over the subject matter properly lies with the Court *En Banc*.

Moreover, the *Petition* was filed pursuant to Section 3(b), Rule 8 of the RRCTA, which states:

> Sec. 3. *Who may appeal; period to file petition.* — x x x
>
> (b) A party adversely affected by a decision or resolution of a Division of the Court on a motion for reconsideration or new trial may appeal to the Court by filing before it a petition for review **within fifteen days** from receipt of a copy of the questioned decision or resolution. Upon proper motion and the payment of the full amount of the docket and other lawful fees and deposit for costs before the expiration of the reglementary period herein fixed, the Court may grant an additional period not exceeding fifteen days from the expiration of the original period within which to file the petition for review. *(Rules of Court, Rule 42, sec. 1a)* (Emphasis supplied)

The records reveal that petitioner received a copy of the assailed Resolution on March 13, 2024.[41] On March 27, 2024, petitioner timely filed a *Motion for Extension of Time to File Petition for Review*,[42] which this Court granted in its Resolution dated April 02, 2024,[43] thereby allowing petitioner until April 12, 2024, within which to file the petition.

The instant *Petition for Review*,[44] having been filed on April 11, 2024, was thus lodged within the reglementary period. Consequently, jurisdiction is properly vested in the Court *En Banc*.

Having thus settled the matter of jurisdiction, the Court now proceeds to resolve the case on its merits.

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[41] Division Docket – Vol. II, p. 620; a copy of the assailed Resolution was served to the petitioner's counsel of record on March 13, 2024.
[42] EB Docket, pp. 1-7.
[43] *Id.* at 8-A.
[44] *Id.* at 17-49.

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The Court in Division erred in denying petitioner's Motion for New Trial

The Court in Division, through the assailed Resolution, denied petitioner's *Motion for New Trial,* which invoked, as 'newly discovered evidence,' the Entry of Judgment dated December 07, 2022 in G.R. No. 259338 (CTA Case No. 9880; CTA EB No. 2186), holding that the requisites prescribed under the rules and jurisprudence had not been satisfied.

The pertinent provisions of Section 1, Rule 37 of the Rules of Court and Section 5, Rule 15 of the RRCTA provide:

RULE 37

NEW TRIAL OR RECONSIDERATION

Section 1. *Grounds of and period for filing motion for new trial or reconsideration.* - Within the period for taking an appeal, the aggrieved party may move the trial court to set aside the judgment or final order and grant a new trial for one or more of the following causes materially affecting the substantial rights of said party:

(a) Fraud, accident, mistake or excusable negligence which ordinary prudence could not have guarded against and by reason of which such aggrieved party has probably been impaired in his rights; or

(b) **Newly discovered evidence, which he could not, with reasonable diligence, have discovered and produced at the trial, and which if presented would probably alter the result.**

x x x[45] (Emphasis supplied)

RULE 15
MOTION FOR RECONSIDERATION OR NEW TRIAL

SEC. 5. *Grounds of motion for new trial.* — A motion for new trial may be based on one or more of the following causes materially affecting the substantial rights of the movant:

(a) Fraud, accident, mistake or excusable negligence which ordinary prudence could not have guarded against and by reason of which the rights of such aggrieved party has probably been impaired in his rights; or *(a)*

[45] Rules of Court, Rule 37, Section 1.

> (b) **Newly discovered evidence, which the party could not, with reasonable diligence, have discovered and produced at the trial and, which, if presented, would probably alter the result.** *(a)*
>
> A motion for new trial shall include all grounds then available and those not included shall be deemed waived. *(Rules of Court, Rule 37, sec. 1a)*[46] (Emphasis supplied)

In *Luzon Hydro Corp. v. Commissioner of Internal Revenue*,[47] the Supreme Court set forth the conditions for 'newly discovered evidence' to warrant the grant of a new trial, namely: *(1)* the evidence is discovered after the trial; *(2)* such evidence could not have been discovered and produced at the trial even with the exercise of reasonable diligence; *(3)* such evidence is material, not merely cumulative, corroborative, or impeaching; and *(4)* such evidence is of such weight that it would probably change the judgment if admitted.

To recall, the subject Entry of Judgment was issued only in January 2023,[48] long after the *Petition for Review* had been submitted for decision on September 13, 2022.[49] Accordingly, We agree with the Court in Division only insofar as it found that the *first* and *second* requisites are present. Nonetheless, We hold that the court *a quo* erred in concluding that a new trial is unwarranted on the premise that the newly discovered evidence is not material, for the Entry of Judgment is of such weight and relevance that its admission would likely alter the judgment of the case, as shall be demonstrated in the ensuing discussions.

In the meantime, however, We deem it necessary to first address petitioner's compliance with the requirements on the contents of a motion for new trial, as mandated under Section 2, Rule 37 of the Rules of Court, which reads:

> Section 2. *Contents of motion for new trial or reconsideration and notice thereof* - The motion shall be made in writing stating the ground or grounds therefor, a written notice of which shall be served by the movant on the adverse party.
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> A motion for new trial shall be proved in the manner provided for proof of motions. A motion for the cause mentioned in paragraph (a) of the preceding section shall be supported by affidavits of merits which may be rebutted by affidavits. **A motion for the cause mentioned in paragraph (b) shall be supported by** affidavits of the witnesses by whom such evidence is expected to be given, **<u>or</u>**

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[46] Revised Rules of the Court of Tax Appeals (RRCTA), Section 5(b).
[47] G.R. No. 188260, November 13, 2013 [Per J. Bersamin, First Division].
[48] EB Docket, p. 25, par. 45; p. 29, par. 57.
[49] Division Docket – Vol. I, p. 518.

> **by duly authenticated documents which are proposed to be introduced in evidence.**
>
> x x x
>
> A *pro forma* motion for new trial or reconsideration shall not toll the reglementary period of appeal. (2a)[50] (Emphasis and underscoring supplied)

This provision finds reiteration in Section 6, Rule 15 of the RRCTA, which states:

> SEC. 6. *Contents of motion for reconsideration or new trial and notice.* — The motion shall be in writing stating its grounds, a written notice of which shall be served by the movant on the adverse party.
>
> A motion for new trial shall be proved in the manner provided for proof of motions. A motion for the cause mentioned in subparagraph (a) of the preceding section shall be supported by affidavits of merits which may be rebutted by counter-affidavits. A **motion for the cause mentioned in subparagraph (b) of the preceding section shall be supported by** affidavits of the witnesses by whom such evidence is expected to be given, **<u>or</u> by duly authenticated documents which are proposed to be introduced in evidence.**
>
> A motion for reconsideration or new trial that does not comply with the foregoing provisions shall be deemed *pro forma*, which shall not toll the reglementary period for appeal. *(Rules of Court, Rule 37, sec. 2a)*[51] (Emphasis and underscoring supplied)

Settled is the rule that public documents are admissible in evidence even without further proof of their due execution and genuineness.[52] Here, petitioner attached to its *Motion for New Trial* a **certified true copy of the Entry of Judgment**, which not only establishes the existence of the document, but also qualifies as a public document under Section 19, Rule 132 of the Revised Rules on Evidence,[53] being an official issuance of the Supreme Court Clerk of

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50 Rules of Court, Rule 37, Section 2.
51 RRCTA, Rule 15, Section 6.
52 *See Legaspi, Sr. v. People*, G.R. No. 241986, August 22, 2022 [Per J. J.Y. Lopez, Second Division].
53 Revised Rules on Evidence, Rule 132, Section 19 provides:

> Section 19. *Classes of documents.* - For the purpose of their presentation in evidence, documents are either public or private.
>
> Public documents are:
>
> (a) The written official acts, or records of the sovereign authority, official bodies and tribunals, and public officers, whether of the Philippines, or of a foreign country;
>
> (b) Documents acknowledged before a notary public except last wills and testaments;

Court in the performance of her official duties. Consequently, it requires no further authentication, and pursuant to Section 23 of the same Rule,[54] constitutes *prima facie* evidence of the facts stated therein.

In this regard, jurisprudence has consistently emphasized:

> *The requirement of authentication of documentary evidence applies only to a private document.*
>
> It is true that before a private document offered as authentic be received in evidence, its due execution and authenticity must first be proved. However, it must be remembered that **this requirement of authentication only pertains to private documents and "does not apply to public documents, these being admissible without further proof of their due execution or genuineness.** Two reasons may be advanced in support of this rule, namely: said documents have been executed in the proper registry and are presumed to be valid and genuine until the contrary is shown by clear and convincing proof; and, second, because public documents are authenticated by the official signature and seals which they bear and of which seals, courts may take judicial notice." Hence, in a case, the Court held that in the presentation of public documents as evidence, due execution and authenticity thereof are already presumed.[55] (Emphasis supplied; citations omitted)

Absent any clear and sufficient evidence from respondent to overcome the foregoing presumptions, the Entry of Judgment is deemed admissible and shall be accorded probative value by this Court. Consequently, its presentation as 'newly discovered evidence' sufficiently supports petitioner's *Motion for New Trial.*

(c) Documents that are considered public documents under treaties and conventions which are in force between the Philippines and the country of source; and

(d) Public records, kept in the Philippines, of private documents required by law to be entered therein.

All other writings are private. (19a)

[54] Revised Rules on Evidence, Rule 132, Section 23 provides:

Section 23. *Public documents as evidence.* - Documents consisting of entries in public records made in the performance of a duty by a public officer are *prima facie* evidence of the facts therein stated. All other public documents are evidence, even against a third person, of the fact which gave rise to their execution and of the date of the latter. (23)

[55] *Heirs of Ochoa v. G & S Transport Corp.*, G.R. Nos. 170071 & 170125 (Resolution), July 16, 2012 [Per J. Del Castillo, Special First Division].

In any event, the Court may take judicial notice of the Entry of Judgment

As correctly pointed out by the petitioner, while the general rule precludes tribunals from taking judicial notice of the records of other cases, jurisprudence recognizes exceptions where such proceedings are so intimately related to the controversy that their consideration becomes essential to the just resolution of the issues at bar. In *Degayo v. Magbanua-Dinglasan*,[56] the Supreme Court acknowledged that judicial notice of prior proceedings may properly be taken to prevent relitigation, determine mootness, or establish the applicability of a previous ruling. In that case, the Court of Appeals (CA) correctly applied this principle, as Degayo herself repeatedly invoked and relied upon Civil Case No. 16047 in her pleadings, thereby justifying the CA's reliance on its final judgment.

> The taking of judicial notice is a matter of expediency and convenience for it fulfills the purpose that the evidence is intended to achieve, and in this sense, it is equivalent to proof. Generally, courts are not authorized to "take judicial notice of the contents of the records of other cases even when said cases have been tried or are pending in the same court or before the same judge." While the principle invoked is considered to be the general rule, this rule is not absolute. There are exceptions to this rule. In the case of *Tiburcio v. PHHC*, this Court, citing Justice Moran, stated:
>
>> "In some instance, courts have taken judicial notice of proceedings in other causes, **<u>because of their close connection with the matter in the controversy</u>**. Thus, in a separate civil action against the administrator of an estate arising from an appeal against the report of the committee on claims appointed in the administration proceedings of the said estate, to determine whether or not the appeal was taken on time, the court took judicial notice of the record of the administration proceedings. Courts have also taken judicial notice of previous cases to determine **<u>whether or not the case pending is a moot one</u>** or whether or not a previous ruling is applicable in the case under consideration."
>
> Moreover, Degayo's objection to the action of CA on this matter is merely technical because Degayo herself **repeatedly referred to the Civil Case No. 16047 in her pleadings in Civil Case No. 18328** and even in her appellee's brief before the CA and her petition for review before this Court. In particular, in her complaint, she stated that her *motion to intervene in Civil Case No. 16047, which was denied by the Court*. The existence of that case was likewise jointly stipulated by that parties in Civil Case No. 18328 and mentioned by the court *a quo* in its decision. In her appellee's brief

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[56] G.R. No. 173148, April 06, 2015 [Per J. Brion, Second Division].

as well, Degayo expressly referred to Civil Case No. 16047. In particular, she stated:

> "The said Civil Case No. 16047 was for **recovery of ownership and possession** with damages over the property subject of the instant case filed by the herein defendants-appellants against [the tenants]"

She also referred to the decision in Civil Case No. 16047 in her appellee's brief. She mentioned:

> "In Civil Case No. 16047, the Court had ordered the deposit of 50% of the net produce of the disputed portion that pertains to the owner, thus depriving the plaintiff of her share of not less than Php4,000.00 a year starting 1986, to the damage of plaintiff."

There was thus no denial of the existence and the decision in Civil Case No. 16047. In fact, Degayo stated on record her full knowledge of Civil Case No. 16047 and clearly and frequently referred to it in her pleadings, **and sufficiently designated it by name, parties, cause of action and docket number from the court *a quo*, to the CA and even before this Court**. Under the circumstances, the CA could certainly take judicial notice of the finality of a judgment in Civil Case No. 16047. There was no sense in relitigating issues that have already been passed upon in a previous civil case. That was all that was done by the CA in decreeing the dismissal. Certainly such an order is not contrary to law. As we aptly stated in *Republic v. CA*, citing Justice Edgardo L. Paras:

> "A court will take judicial notice of its own acts and records in the same case, of facts established in prior proceedings in the same case, of the authenticity of its own records of another case between the same parties, of the files of related cases in the same court, and of public records on file in the same court. In addition judicial notice will be taken of the record, pleadings or judgment of a case in another court between the same parties or involving one of the same parties, as well as of the record of another case between different parties in the same court."[57] (Citations omitted)

Likewise, in its recent ruling in *Mazy's Capital, Inc. v. Republic*[58] (*Mazy's*), the Supreme Court emphasized:

A notable author has also opined that the courts may take judicial notice "of proceedings in other causes because of their **close connection with the matter in controversy**; because 'there may be cases so closely interwoven, or so clearly interdependent, as

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[57] *Degayo v. Magbanua-Dinglasan*, G.R. No. 173148, April 06, 2015 [Per J. Brion, Second Division].
[58] G.R. No. 259815, August 05, 2024 [Per J. Caguioa, Third Division].

to invoke' a rule of judicial notice in one suit [of] the proceedings in another suit."[59] (Citation omitted)

Undoubtedly, the finality of the decision setting aside the assessments for TY 2014 (CTA Case No. 9880; CTA EB No. 2186), docketed as G.R. No. 259338, is inextricably related to the instant refund proceedings, as it formed part of the very basis of the compromise payment, and, thus, necessarily pertains to a portion of the amounts herein sought to be refunded.

Moreover, as early as its *Petition for Review* before the Court in Division, petitioner had already averred that its Compromise Agreement encompassed three (3) separate assessments for TYs 2014, 2015, and 2016, all then pending appeal, in order to increase the likelihood of approval by the NEB.[60] Corroborating this assertion, the corresponding *Petitions for Review* in CTA Case Nos. 9850 (TY 2016 case), 9871 (TY 2015 case), and 9880 (TY 2014 case) were submitted[61] and admitted[62] as Exhibits "P-4," "P-5," and "P-6," respectively, and were duly testified to and identified by Ms. Liezel V. Bilazon in her Judicial Affidavit dated March 10, 2021.[63]

In fact, the existence of such Compromise Agreement executed by the parties is not in dispute, having been admitted by respondent in his *Answer (with Motion to Admit)*.[64] Furthermore, these matters were also formally admitted by the parties in their *Joint Stipulation of Facts and Issues* dated February 10, 2022,[65] in the following terms:

> 7. Petitioner is also the litigant in the following cases before the Honorable Court: a) CTA Case No. 9850; b) CTA Case No. 9871; and c) CTA Case No. 9880; all entitled "*BARRIO FIESTA MANUFACTURING CORPORATION vs. COMMISSIONER OF INTERNAL REVENUE*"
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> x x x
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> 10. In order to increase the likelihood of approval by the National Evaluation Board, Petitioner and the BIR agreed during the mediation to include in the Compromise Agreement the pending cases involving collection notices, and the assessments upon which they are allegedly based for other taxable years.

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[59] *Mazy's Capital, Inc. v. Republic*, G.R. No. 259815, August 05, 2024 [Per J. Caguioa, Third Division].
[60] Division Docket – Vol. I, pp. 9-10.
[61] *Id.* at 39-57; 58-79; and 80-96.
[62] *Id.* at 434-435.
[63] *Id.* at 131-144.
[64] *Id.* at 155, par. 9.
[65] *Id.* at 241-251.

> 11. As such, CTA Case No. 9871 (involving assessment for deficiency taxes for taxable year 2015), and CTA Case No. 9880 involving assessment for deficiency taxes for taxable year 2014), were included in the Compromise Agreement. Both the Petitioner and the BIR agreed that all three (3) cases be the subject of the Offer of Compromise.
>
> 12. As agreed upon by both parties in the mediation proceedings, the Compromise Agreement contained the following terms and conditions, among others:
>
> a) That the Company agrees to settle the alleged deficiency tax liability being disputed in CTA Case No. 9850 by offering a compromise settlement at the rate of ten percent (10%) of the basic tax assessed;
>
> b) That both parties have explored in good faith the possibility of ending the dispute for the other cases currently pending with the CTA, specifically CTA Case No. 9871 and CTA Case No. 9880; and
>
> c) That petitioner agrees to pay a compromise settlement at the rate of ten percent (10%) of the assessed basic tax for all three (3) cases (CTA Case Nos. 9850, 9871 and 9880), amounting to the total amount [of] **Five Million Four Hundred Fifty[-] Four Thousand Three Hundred Sixty-Eight and 17/100 Pesos (₱5,454,368.17)**.

From the foregoing, it is evident that petitioner has consistently raised the existence of the related pending cases, and their connection to the present refund claim, without objection from the respondent. At most, respondent contested the admission of the Entry of Judgment in G.R. No. 259338 (CTA Case No. 9880; CTA EB No. 2186) only insofar as it does not qualify as 'newly discovered evidence,'[66] not as to its clear relevance and materiality to the resolution of this case.

At any rate, the Supreme Court emphasized in *Mazy's* that courts are duty-bound to take mandatory judicial notice of the official acts of the judicial departments of the National Government of the Philippines, in accordance with Section 1, Rule 129 of the Revised Rules on Evidence.[67]

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[66] Division Docket – Vol. II, pp. 613-615; EB Docket, pp. 82-84.
[67] Revised Rules on Evidence, Rule 129, Section 1 provides:

> Section 1. *Judicial notice, when mandatory.* - A court shall take judicial notice, without the introduction of evidence, of the existence and territorial extent of states, their political history, forms of government and symbols of nationality, the law of nations, the admiralty and maritime courts of the world and their seals, the political constitution and history of the Philippines, official acts of the legislative, executive and judicial departments of the National Government of the Philippines, the laws of nature, the measure of time, and the geographical divisions. (1a)

The principle of solutio indebiti finds no application in the present case

Petitioner's reliance on the principle of *solutio indebiti* to justify its plea for refund is bereft of merit. In *CBK Power Co. Ltd. v. Commissioner of Internal Revenue*,[68] the Supreme Court clearly delineated the narrow confines of *solutio indebiti*. Under this doctrine, an obligation to return arises when something is received without any right to demand it, and such delivery was made by mistake. This creates a quasi-contractual relationship, obligating the recipient to return what was unduly paid, consistent with the long-standing tenet that no person shall unjustly enrich oneself at the expense of another, *viz.*:

> Also devoid of merit is the applicability of the principle of *solutio indebiti* to the present case. According to this principle, if something is received when there is no right to demand it, and it was unduly delivered through mistake, the obligation to return it arises. In that situation, a creditor-debtor relationship is created under a quasi-contract, whereby the payor becomes the creditor who then has the right to demand the return of payment made by mistake, and the person who has no right to receive the payment becomes obligated to return it. The quasi-contract of *solutio indebiti* is based on the ancient principle that no one shall enrich oneself unjustly at the expense of another.
>
> There is *solutio indebiti* when:
>
> (1) Payment is made when there exists no binding relation between the payor, who has no duty to pay, and the person who received the payment; and
> (2)
> (3) Payment is made through mistake, and not through liberality or some other cause.
>
> Though the principle of *solutio indebiti* may be applicable to some instances of claims for a refund, the elements thereof are wanting in this case.
>
> *First,* there exists a binding relation between petitioner and the CIR, the former being a taxpayer obligated to pay VAT.
>
> *Second,* the payment of input tax was not made through mistake, since petitioner was legally obligated to pay for that liability. The entitlement to a refund or credit of excess input tax is solely based on the distinctive nature of the VAT system. At the time of payment of

[68] G.R. Nos. 198729-30, 15 January 15, 2014 [Per J. Sereno, First Division].

> the input VAT, the amount paid was correct and proper.[69] (Citations omitted)

Similarly, the essential requisites for the application of *solutio indebiti* are manifestly absent in this case. *First*, there exists an established legal relationship between petitioner and respondent, whereby the former, as a taxpayer, is statutorily obligated to pay the applicable national taxes to the latter, which lawfully exercises its taxing authority over petitioner in relation to its conduct of business within respondent's jurisdiction. *Second*, the payments in question cannot be said to have been made by mistake. Rather, they were made as part of an earnest effort to reach an amicable settlement, one of the requirements under RR No. 09-13 for the perfection of a compromise agreement, and not due to any mistake that would give rise to the application of *solutio indebiti*.

In *City of Makati v. Commissioner of Internal Revenue*[70] (*City of Makati*), it was clarified that the City of Makati's reliance on the principle of *solutio indebiti* was misplaced. While it argued that the ₱200,000,000.00 paid prior to the disapproval of its compromise offer should be returned, jurisprudence clarifies that *solutio indebiti* applies only when payment is made without any legal obligation and by mistake. There, neither element was present, given the binding tax liability established by the final assessment and the City's duty to settle its obligations. Thus:

> **V. Compromise payments**
>
> The CIR disapproved the compromise offer of the City of Makati. Prior to such disapproval, a total amount of P200 million had already been paid to the BIR by the City of Makati. Now it is argued that pursuant to the principle of *solutio indebiti* and as a necessary consequence of the disapproval of the compromise offer, the BIR must return to the City of Makati the P200 million.
>
> In this regard, the Court fully agrees with the CTA *En Banc* that *solutio indebiti* is not applicable between BIR and the City of Makati.
>
> There is *solutio indebiti* when: (1) payment is made when there exists no binding relation between the payor, who has no duty to pay, and the person who received the payment; and (2) the payment is made through mistake and not through liberality or some other cause. Neither of these elements is present here. *First*, the City of Makati, as a payor, has a binding relation with the BIR as the taxing authority in this jurisdiction. *Second*, the finality of the FDDA dated October 16, 2003 rendered the assessments for 1999-2001 demandable, enforceable, and collectible.

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[69] *CBK Power Co. Ltd. v. Commissioner of Internal Revenue*, G.R. Nos. 198729-30, 15 January 15, 2014 [Per J. Sereno, First Division].

[70] G.R. No. 200395 (Notice), March 15, 2023 [Per Division Clerk of Court, Third Division].

> The payment of P200 million was not made through mistake; it is rightly considered as partial settlement of the tax obligation of the City of Makati. The same must be said about the subsequent P301,979,220.58 paid by the City of Makati, allegedly made for the full and final settlement of the present case. Failure to prove the existence of a compromise agreement does not *ipso facto* translate the latter payment to one made through mistake. The fact remains that the City of Makati has a duty to pay the BIR.[71] (Citations omitted)

Unlike in the aforequoted case, where the City of Makati was duty-bound to pay taxes in view of an assessment that has become final, executory, and demandable, the instant case presents a different scenario. As previously discussed, the payments in question were by no means made by mistake; rather, they were voluntarily remitted pursuant to an application for a compromise settlement.

Petitioner voluntarily made payments under its application for compromise settlement, fully aware that a denial thereof would render such payments deductible from outstanding tax liabilities pursuant to RR No. 09-13

We first address petitioner's contention that RR No. 30-02,[72] as amended by RR No. 09-13,[73] is inapplicable to the case at bar on the ground that it governs compromise as an administrative remedy under the NIRC of 1997, as amended, whereas the subject compromise was pursued in a judicial forum under a court-mandated mediation.[74]

This contention, however, is erroneous.

The limitations imposed on compromise settlements under Section 204 of the NIRC of 1997, as amended, are not confined solely

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[71] *City of Makati v. Commissioner of Internal Revenue*, G.R. No. 200395 (Notice), March 15, 2023 [Per Division Clerk of Court, Third Division].

[72] 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, Revenue Regulations No. 30-02; December 16, 2002.

[73] Amending Certain Provisions of Revenue Regulations No. 30-2002, Revenue Regulations No. 09-13; May 10, 2013.

[74] EB Docket, pp. 35-36, pars. 92-94.

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to administrative remedies. Jurisprudence[75] and the rules[76] are clear that this provision forms the very foundation upon which the Court may assess the propriety of the CIR's authority to compromise any internal revenue tax. Section 204 of the NIRC of 1997, as amended, contains no qualification restricting its application to administrative proceedings alone. As a fundamental principle of statutory construction, where the law does not distinguish, the courts should not distinguish. *Ubi lex non distinguit nec nos distinguere debemos.* Corollarily, no distinction should be drawn in the application of the BIR issuances implementing the same, including RR No. 30-02, as amended by RR No. 09-13.

Under A.M. No. 11-1-5-SC-PHILJA (Re: Interim Guidelines for Implementing Mediation in the Court of Tax Appeals),[77] mediators are charged, among others, with reminding parties that any agreement reached in mediation is subject to CTA approval and to the limitations prescribed under Section 204 of the NIRC of 1997, as amended, or Section 2316 of the Tariff and Customs Code of the Philippines, as the case maybe. Upon the parties' agreement to compromise, whether partial or full, the CTA evaluates the propriety of the compromise in light of these statutory limitations.

Similarly, CTA *En Banc* Resolution No. 7-2021 clarifies that when the Court renders judgment based on a compromise agreement forged through mediation, such judgment is not a mere product of party autonomy, but embodies adherence to the strict statutory limits prescribed under Section 204 of the NIRC of 1997, as amended, including the minimum rates mandated by law, and where required, the obtaining of NEB approval. Absent such compliance, no valid judgment on compromise may be issued.

Having established the applicability of RR No. 30-02, as amended by RR No. 09-13, We shall proceed to examine both the propriety of its application to the present case and the legal consequences arising therefrom.

Petitioner asserts that, having faithfully complied with the Offer of Compromise, respondent had a change of heart by filing a *Manifestation* dated June 28, 2019, with an attached *Memorandum* dated March 28, 2019, in CTA Case No. 9850, notifying the CTA First Division that no compromise settlement had been concluded between the parties in that case.[78] Petitioner therefore argues that the

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[75] *Kepco Philippines Corp. v. Commissioner of Internal Revenue*, G.R. Nos. 225750-51 (Resolution), July 28, 2020 [Per J. Lopez, First Division].
[76] A.M. No. 11-1-5-SC-PHILJA (Notice), January 18, 2011; CTA *En Banc* Resolution No. 7-2021.
[77] January 18, 2011.
[78] EB Docket, p. 35, par. 90.

respondent should equitably return the payments when it later denied the compromise settlement.[79]

We are not persuaded.

Generally, a compromise agreement is defined as a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.[80] The validity of the compromise agreement depends on its fulfillment of the requisites and principles of contracts dictated by law; its terms and conditions being not contrary to law, morals, good customs, public policy and public order.[81]

It bears emphasis, however, that while compromise may be the favored method to settle disputes, when it involves taxes, it is subject to closer scrutiny by the courts. A compromise agreement involving taxes would affect not just the taxpayer and the BIR, but also the whole nation, the ultimate beneficiary of the tax revenues collected.[82]

Verily, a compromise agreement constitutes a contract, which, under Article 1305 of the Civil Code, is a meeting of the minds between two (2) persons whereby one binds himself, with respect to the other, to give something or to render some service. Moreover, Article 1318 of the same Code requires the concurrence of the following requisites: *(1)* the consent of the contracting parties; *(2)* an object certain, which is the subject matter of the contract; and *(3)* a lawful cause of the obligation.

It is evident that no perfected compromise agreement exists in this case, as the requisite consent of the other party, the NEB, was never obtained. Section 204 of the NIRC of 1997, as amended, mandates NEB approval for the subject compromise, to wit:

> "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:

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[79] *Id.* at 42.
[80] Civil Code of the Philippines, Article 2028.
[81] *City of Makati v. Commissioner of Internal Revenue*, G.R. No. 200395 (Notice), March 15, 2023 [Per Division Clerk of Court, Third Division] citing *Gaisano v. Akol*, G.R. No. 193840 (Resolution), June 15, 2011 [Per J. Velasco, Jr., First Division].
[82] *Philippine National Oil Co. v. Court of Appeals*, G.R. Nos. 109976 & 112800, April 26, 2005 [Per J. Chico-Nazario, *En Banc*].

"(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)** 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 and underscoring supplied)

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The petitioner itself acknowledges the indispensability of NEB approval, having deliberately included assessments for three (3) taxable years in a single Compromise Agreement to increase the likelihood of securing such approval. As previously noted, this fact is expressly stipulated by both parties.

By necessary consequence, any compromise payment made prior to the perfection of a compromise agreement must be regarded as a voluntary payment toward the assessments for the respective taxable years. In making such payment, the petitioner is fully aware that it may constitute nothing more than compliance with the procedural requirements necessary to perfect a compromise agreement, similar to the requisite NEB approval. Accordingly, the mere act of tendering payment does not guarantee NEB approval, and presupposes that the petitioner understood the risk that its offer of compromise might be rejected. Should such rejection occur, the petitioner cannot deny knowledge of its legal consequence: the application of the payment as partial satisfaction of its tax liability, consistent with the governing rules, as follows:

SECTION 2. *Amendment.* — Section 6 of Revenue Regulations No. 30-2002 shall now read as follows:

"SEC. 6. *Approval of Offer of Compromise.* — Except for offers of compromise where the approval is delegated to the REB pursuant to the succeeding paragraph, **all compromise settlements within**

> **the jurisdiction of the National Office (NO) shall be approved by *a majority of all the members of the* NEB composed of the Commissioner and the four (4) Deputy Commissioners. All decisions of the NEB, *granting the request of the taxpayer or* favorable *to the taxpayer*, shall have the concurrence of the Commissioner.**
>
> xxx xxx xxx
>
> ***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. <u>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>.***
>
> xxx xxx xxx" (Emphasis and underscoring supplied)

In the earlier cited case of *City of Makati*, the City tendered substantial payments (₱200,000,000.00 and later ₱301,979,220.58) under a purported compromise agreement with the BIR, intending to settle years' worth of deficiency taxes for 1999-2004. The Supreme Court ruled the compromise invalid, noting that essential legal and documentary requirements were not satisfied, particularly the absence of a formal and duly executed compromise document, and the required approval of the NEB. Nonetheless, and it bears reiterating, that the Supreme Court held that these payments made by the City must be credited as **partial satisfaction of its outstanding tax liabilities**. Such payments were not to be returned under the principle of *solutio indebiti*, having not been made by mistake, and could not be disregarded merely because the compromise agreement was not fully formalized or recognized.

In a similar vein, in *Philippine National Oil Co. v. Court of Appeals*,[83] the Philippine National Oil Company (PNOC) entered into a compromise agreement with the BIR under Executive Order (E.O.) No. 44, by which PNOC paid ₱91,003,129.89 as a compromise amount, representing thirty percent (30%) of the basic tax assessed. The Supreme Court, however, held the compromise void, citing PNOC's failure to strictly comply with certain requirements under E.O. No. 44 and its implementing rules and regulations, such as filing within the effectivity period, and adherence to the mandated mode of payment. Notwithstanding the agreement's invalidity, the amount already paid

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[83] G.R. Nos. 109976 & 112800, April 26, 2005 [Per J. Chico-Nazario, *En Banc*].

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under the compromise was not forfeited, and was **applied to reduce PNOC's tax liability**.

While in *Prudential Bank vs. Commissioner of Internal Revenue*,[84] it did not involve a denied or unacted compromise agreement, it illustrates that non-fulfillment or failure to comply with certain tax relief mechanisms does not always lead to total forfeiture or an automatic refund. In that case, petitioner Prudential Bank sought to avail itself of the Improved Voluntary Assessment Program (IVAP) by paying ₱5,084,272.50, claiming this represented one hundred percent (100%) of the basic tax under the earlier assessment. However, the petitioner failed to satisfy key IVAP requirements, notably the submission of a "letter of termination and authority to cancel assessment" signed by the respondent, and the payment was not made in accordance with Revenue Memorandum Circular No. 66-2006, which mandates that the amount paid be based on the higher of either the original assessment or the CTA decision. Because of these lapses, the Supreme Court held that Prudential Bank did *not* substantially comply with the IVAP, denied its motion to withdraw, but nonetheless directed that the amount of ₱5,084,272.50 already paid be credited as **partial payment of its tax liability**, rather than being forfeited or disregarded. Thus:

> To avail of the IVAP, a taxpayer must pay the 100% basic tax of the original assessment of the BIR or the CTA Decision, whichever is higher and submit the letter of termination and authority to cancel assessment signed by the respondent. In this case, petitioner failed to submit the letter of termination and authority to cancel assessment as respondent found the payment of P5,084,272.50 not in accordance with RMC No. 66-2006. Hence, we find no error on the part of the CTA *En Banc* in denying petitioner's motion to withdraw.
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> Petitioner's payment of P5,084,272.50, without the supporting documents, cannot be deemed substantial compliance as tax amnesty must be construed strictly against the taxpayer and liberally in favor of the taxing authority. Nevertheless, the amount of P5,084,272.50 paid by petitioner to the BIR must be considered as partial payment of petitioner's tax liability.[85] (Citations omitted)

Although in the cases cited above, the payments intended as compromise or tax relief were applied to the corresponding tax liabilities, such applications were predicated on assessments that had already attained finality. In the case at bar, however, the respondent's retention and application of the payments to the petitioner's total outstanding tax liabilities finds its basis in RR No. 09-13. Whether

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[84] G.R. No. 180390, July 27, 2011 [Per J. Del Castillo, First Division].
[85] *Prudential Bank v. Commissioner of Internal Revenue*, G.R. No. 180390, July 27, 2011 [Per J. Del Castillo, First Division].

these tax liabilities must be final, executory, and demandable, We answer in the negative. Jurisprudence consistently recognizes that a taxpayer's outstanding tax liabilities are usually reflected in an 'assessment,' which remain subject to protest by the taxpayer in accordance with RR No. 12-99,[86] as amended by RR No. 18-13.[87] Indeed, an 'assessment' contains not only a computation of tax liabilities, but also a demand for payment within a prescribed period.[88]

In a more recent pronouncement in *Commissioner of Internal Revenue v. Fitness by Design, Inc.*,[89] an 'assessment' was defined as follows:

> An assessment "refers to the determination of amounts due from a person obligated to make payments." "In the context of national internal revenue collection, it refers to the determination of the taxes due from a taxpayer under the National Internal Revenue Code of 1997."[90] (Citations omitted)

Thus, in the present case, the payments tendered by the petitioner constitute voluntary payments, made with full knowledge that, pursuant to RR No. 09-13, should the compromise be denied, such payments would be credited against the petitioner's total outstanding tax liabilities. Put differently, the respondent has the legal authority to apply such compromise payments to the outstanding tax liabilities reflected in the assessments, even when these remain under appeal and have not yet attained finality. Accordingly, the respondent has no valid basis to retain payments corresponding to the assessment subsequently declared void by the Supreme Court (*i.e.*, TY 2014 assessment), a decision which has already become final, as will be addressed further below.

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[86] Implementing the Provisions of the National Internal Revenue Code of 1997 Governing the Rules on Assessment of National Internal Revenue Taxes, Civil Penalties and Interest and the Extra-Judicial Settlement of a Taxpayer's Criminal Violation of the Code Through Payment of a Suggested Compromise Penalty; September 06, 1999.

[87] Amending Certain Sections of Revenue Regulations No. 12-99, Revenue Regulations No. 18-13; November 28, 2013.

[88] *Commissioner of Internal Revenue v. Pascor Realty & Development Corp.*, G.R. No. 128315, June 29, 1999 [Per J. Panganiban, Third Division].

[89] G.R. No. 215957, November 09, 2016 [Per J. Leonen, Second Division].

[90] *Commissioner of Internal Revenue v. Fitness by Design, Inc.*, G.R. No. 215957, November 09, 2016 [Per J. Leonen, Second Division].

By virtue of the Entry of Judgment in G.R. No. 259338, of which this Court may take judicial notice, the payment corresponding to the void assessment for TY 2014 is deemed erroneous, and must be refunded to the petitioner

Petitioner posits that it has, by a preponderance of evidence, complied with the requirements of Sections 204(C) and 229 of the NIRC of 1997, as amended, and is therefore entitled to the refund sought.[91]

The power of the CIR to refund or credit taxes is recognized under Section 204(C) of the NIRC of 1997, as amended. It states:

> "Section 204. *Authority of the Commissioner to Compromise, Abate and Refund or Credit Taxes.* — The Commissioner may —
>
> x x x
>
> "(C) Credit or refund taxes erroneously or illegally received or penalties imposed without authority, refund the value of internal revenue stamps when they are returned in good condition by the purchaser, and, in his discretion, redeem or change unused stamps that have been rendered unfit for use and refund their value upon proof of destruction. No credit or refund of taxes or penalties shall be allowed unless the taxpayer files in writing with the Commissioner a claim for credit or refund within two (2) years after the payment of the tax or penalty: *Provided, however,* That a return filed showing an overpayment shall be considered as a written claim for credit or refund.

On the other hand, Section 229 of the NIRC of 1997, as amended, provides the following:

> Section 229. *Recovery of Tax Erroneously or Illegally Collected.* - no suit or proceeding shall be maintained in any court for the recovery of any national internal revenue tax hereafter alleged to have been erroneously or illegally assessed or collected, or of any penalty claimed to have been collected without authority, of any sum alleged to have been excessively or in any manner wrongfully collected without authority, or of any sum alleged to have been excessively or in any manner wrongfully collected, until a claim for

[91] EB Docket, p. 45, par. 138.

> refund or credit has been duly filed with the Commissioner; but such suit or proceeding may be maintained, whether or not such tax, penalty, or sum has been paid under protest or duress.
>
> In any case, no such suit or proceeding shall be filed after the expiration of two (2) years from the date of payment of the tax or penalty regardless of any supervening cause that may arise after payment: Provided, however, That the Commissioner may, even without a written claim therefor, refund or credit any tax, where on the face of the return upon which payment was made, such payment appears clearly to have been erroneously paid.

Accordingly, to establish entitlement to a refund of taxes erroneously or illegally collected, the following requisites must be satisfied:

(1) That there must be an erroneous or illegal collection of tax or a penalty collected without authority, or sum excessively or wrongfully collected;

(2) That the claim for refund has been duly filed with the Commissioner, within two (2) years after the payment of tax or penalty; and

(3) That the suit or proceeding is instituted with this Court within two (2) years from the date of payment of the tax or penalty.

The Court in Division has already determined that both the administrative and judicial claims were timely filed, thereby satisfying the *second* and *third* requisites, a finding which has not been contested by any party before Us. We find no compelling reason to depart therefrom.

With respect to the *first* requisite, which essentially pertains to the existence of an "erroneous or illegal tax," the Supreme Court, in the recent case of *Melco Resorts Leisure (PHP) Corp. v. Commissioner of Internal Revenue*,[92] succinctly elucidated its meaning and identified the circumstances in which a tax payment may be deemed erroneous or illegal, *viz.*:

> We have defined an "erroneous or illegal tax" as one levied without statutory authority, or upon property not subject to taxation or by some officer having no authority to levy the tax, or one which in some other similar respect is illegal. In jurisprudence, We also held that an erroneous payment of tax is when the taxpayer pays under a mistake

[92] G.R. No. 271261, April 02, 2025 [Per J. Hernando, First Division].

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> of fact, as when the taxpayer is not aware of an existing exemption in his or her favor at the time the payment was made. Thus, when payment is not voluntary, it can then be recovered or refunded.[93] (Citations omitted)

It is clear that both the law and prevailing jurisprudence permit a taxpayer to recover payments from the respondent only under specific circumstances, which are manifestly absent in the case at bar. As exhaustively discussed above, the petitioner's payment in support of its offer for compromise was made voluntarily, fully aware of its purpose and of the consequences attendant on its potential denial under the governing laws and rules. Consequently, such payment cannot be deemed erroneous, illegal, or made by mistake, and is therefore not refundable—save for the portion attributable to the assessment that was declared null and void, a determination which has already attained finality, as evidenced by the Entry of Judgment.

Simply put, the payment corresponding to the void assessment must be regarded as an erroneous payment. While compromise payments are generally deemed voluntary, no voluntariness can be ascribed where the underlying assessment has been declared void. This conclusion, however, applies only to TY 2014, as the assessments for the other taxable years remain pending on appeal. Hence, the Entry of Judgment dated December 07, 2022, in G.R. No. 259338 (CTA Case No. 9880; CTA EB No. 2186), which pertains solely to the void TY 2014 assessment, cannot sustain petitioner's claim that respondent must refund the entire compromise payment.[94]

Accordingly, the respondent has no lawful basis to retain the amount corresponding to the void TY 2014 assessment. The tax liability invoked under RR No. 09-13 for TY 2014, which initially warranted the retention and application of the compromise payment, is no longer operative, as the Supreme Court has already declared the assessment null and void, thereby absolving the petitioner of any tax liability for that taxable year.

It bears emphasis that a void assessment cannot serve as a valid basis of compromise payments. In *Commissioner of Internal Revenue v. Reyes*,[95] the Court held that it was unnecessary to pass upon the issue of whether a compromise agreement had been perfected between the parties, as the tax assessment on which the supposed compromise was anchored was itself void. A void assessment produces no legal effect and cannot give rise to enforceable tax liabilities, much less serve

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[93] *Melco Resorts Leisure (PHP) Corp. v. Commissioner of Internal Revenue*, G.R. No. 271261, April 02, 2025 [Per J. Hernando, First Division].
[94] EB Docket, p. 31, par. 72; p. 36, pars. 97-98; p. 40, par 115; pp. 43-44, par. 131.
[95] G.R. Nos. 159694 & 163581, January 27, 2006 [Per C.J. Panganiban, First Division].

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as the foundation of a compromise agreement. With the nullity of the underlying assessment, any issue regarding compromise was rendered moot.

> Under the present provisions of the Tax Code and pursuant to elementary due process, taxpayers must be informed in writing of the law and the facts upon which a tax assessment is based; otherwise, the assessment is void. **Being invalid, the assessment cannot in turn be used as a basis for the perfection of a tax compromise.**
>
> x x x
>
> **<u>Second Issue:</u>**
> ***<u>Validity of Compromise</u>***
>
> It would be premature for this Court to declare that the compromise on the estate tax liability has been perfected and consummated, considering the earlier determination that the assessment against the estate was void. Nothing has been settled or finalized. Under Section 204(A) of the Tax Code, where the basic tax involved exceeds one million pesos or the settlement offered is less than the prescribed minimum rates, the compromise shall be subject to the approval of the NEB composed of the petitioner and four deputy commissioners.[96] (Emphasis supplied)

At this juncture, the *third* and *fourth* requisites for invoking 'newly discovered evidence' to justify a new trial have been sufficiently addressed. The Entry of Judgment is material and of such weight that its admission would likely alter the outcome of the case, thereby warranting a partial grant of the petitioner's refund claim.

Furthermore, the Court takes note of the stipulated fact that the Offer of Compromise was intended to cover three (3) taxable years. Yet, in evaluating whether such Compromise Agreement should be approved, the NEB is under no obligation to accept it in *toto*, nor is it confined to an all-or-nothing determination. The NEB, in the exercise of its lawful discretion, retains the authority to examine the merits of each taxable year individually, just as this Court may independently determine the validity of each corresponding assessment. Corollarily, the subsequent nullification of any assessment necessarily invalidates the retention of the related portion of the compromise payment, which must, therefore, be refunded to the taxpayer. To deny such refund would leave the petitioner without any remedy for payments that, by virtue of the finality of the decision declaring the underlying assessment void, became erroneous.

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[96] *Commissioner of Internal Revenue v. Reyes*, G.R. Nos. 159694 & 163581, January 27, 2006 [Per C.J. Panganiban, First Division].

Evidently, such an outcome is not the intent of the laws and rules providing remedies to taxpayers, particularly where, as in this case, the petitioner has timely protested all relevant assessments, and duly filed an application for the refund of the allegedly erroneous payments within the prescribed two (2)-year period. Under these circumstances, the grant of a partial refund is therefore proper, both as a matter of law and equity.

WHEREFORE, in light of the foregoing considerations, the instant *Petition for Review* is hereby **PARTIALLY GRANTED**. Accordingly, the assailed *Decision* dated September 04, 2023, and the assailed *Resolution* dated March 01, 2024, both rendered by the Special Third Division of this Court in CTA Case No. 10483, are hereby **REVERSED** and **SET ASIDE**.

Respondent is **ORDERED TO REFUND** petitioner Barrio Fiesta Manufacturing Corporation the amount of **₱3,440,765.50**, representing its erroneously paid taxes for the taxable year 2014.

SO ORDERED.

HENRY S. ANGELES
Associate Justice

WE CONCUR:

(With due respect, I reiterate my ruling in the assailed decision and resolution)
MA. BELEN M. RINGPIS-LIBAN
Associate Justice

(With Separate Opinion)
CATHERINE T. MANAHAN
Associate Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

(W/ due respect, I reiterate my position in the assailed decision and resolution)
MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

Marian Ivy F. Reyes-Fajardo
MARIAN IVY F. REYES-FAJARDO
Associate Justice

LANEE S. CUI-DAVID
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, it is hereby certified that the conclusions in the above Decision were reached in consultation before the case was assigned to the writer of the opinion of the Court.

MA. BELEN M. RINGPIS-LIBAN
Acting Presiding Justice

REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

BARRIO FIESTA MANUFACTURING CORPORATION,
Petitioner,

-*versus*-

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA *EB* NO. 2898
(CTA CASE NO. 10483)

Present:

RINGPIS-LIBAN, *Acting P.J.*,
MANAHAN,
BACORRO-VILLENA,
MODESTO-SAN PEDRO,
REYES-FAJARDO,
CUI-DAVID,
FERRER-FLORES, *and*
ANGELES, *JJ.*

Promulgated:

NOV 24 2025 4:24 p.m.

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SEPARATE OPINION

MANAHAN, *J.*:

I respectfully concur in the *ponencia's* ruling that petitioner is entitled to a partial grant of petitioner's claim for refund lodged with this Court on March 7, 2021 in the amount of Php3,440,765.50 representing the compromise payment it made for alleged deficiency taxes for taxable year (TY) 2014. In addition, this opinion addresses the disposition of the remaining balance of the instant claim for refund in the amount of Php2,013,602.67.

The facts show that petitioner has been assessed with deficiency taxes on the following TYs:

Taxable Year	Amount of Basic Deficiency Taxes
2014	₱53,288,223.35
2015	₱14,633,653.99
2016	₱13,969,951.54

Petitioner elevated judicial appeals with this Court for the foregoing deficiency assessments with corresponding docket numbers as follows:

2014	CTA Case No. 9880
2015	CTA Case No. 9871
2016	CTA Case No. 9850

It paid the total amount of Php5,454,368.17 as its compromise offer on March 12, 2019, detailed as follows:

Tax Type	**Taxable Year**	**Compromise Amount**
Value-Added Tax (VAT)	2014	₱303,918.15
Income Tax	2014	₱2,889,043.64
Expanded Withholding Tax	2014	₱247,803.71
VAT	2015	₱1,396,995.15
VAT	2016	₱616,607.52
	TOTAL	**₱5,454,368.17**

The compromise amounts covering three (3) TYs was made pursuant to Section 204(A) of the 1997 National Internal Revenue Code (NIRC), as amended, quoted as follows:

> 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.

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During the pendency of the disputed deficiency tax assessments at the administrative level (*i.e.*, 2014 to 2016 taxable years), no compromise settlement was concluded, thus petitioner filed an administrative claim for refund of the amount it had paid under the unsuccessful compromise settlement which was shortly elevated to this Court.

Meanwhile, the Supreme Court declared void the 2014 tax assessment under the Court of Tax Appeals (CTA) Case No. 9880.[1]

The Special Third Division of this Court (Court in Division) rejected the claim for refund on the ground that there was no erroneous or illegally collected taxes because the compromise offer was made voluntarily by petitioner pursuant to the requirements and terms of the compromise settlement, thus, did not merit its return.[2]

In reversing the ruling of the Court in Division, the *ponencia* held that judicial notice of the Entry of Judgment of the decision of the Supreme Court in G.R. No. 259338 should be taken notice of which ruled that the tax deficiency assessment for TY 2014 is void. It was further held in the *ponencia* that the compromise amount paid pertaining to TY 2014 should be refunded as this may already be deemed an erroneous payment, the same having been made under an assessment that had already been canceled by virtue of the Supreme Court decision. There having been no valid tax assessment, any collection measure pursued, *e.g.,* compromise, is devoid of legal and factual bases.

As to the remaining amount of Php2,013,602.67 representing the compromise offer paid for TYs 2015 and 2016 under CTA Case Nos. 9850 and 9871, respectively, the records

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[1] G.R. No. 259338.

[2] *Barrio Fiesta Manufacturing Corporation vs. Commissioner of Internal Revenue*, CTA Case No. 10483 promulgated on September 4, 2023.

of this Court show that these cannot be refunded based on their status as of this date, to wit:

CTA Case No. 9850	A Decision was promulgated by the Special First Division upholding the assessments for TY 2016. Petition for Review filed by petitioner is pending with the CTA Court *En Banc* docketed as CTA *EB* No. 3036.
CTA Case No. 9871	A Decision was promulgated by the Special Third Division[3] dated March 1, 2024 cancelling and withdrawing the deficiency tax assessments for TY 2015. As of this date, no information on any appeal being lodged by respondent CIR with the Court *En Banc* relative to the Decision dated March 1, 2024. The Supreme Court Resolution dated April 21, 2025 addressed the Petition for Review on Certiorari filed by petitioner regarding the denial of its Motion to Re-Open Proceedings in a Resolution dated February 16, 2023 and has nothing to do with the Decision of the Special Third Division.

There being no final pronouncements in both cases (CTA Case Nos. 9850 and 9871) as regards the validity or invalidity of the subject assessments, the compromise amounts corresponding to these two cases cannot be refunded to petitioner

Article 2028 of the Civil Code considers a compromise as "a contract whereby the parties by making reciprocal concessions, avoid a litigation or put an end to one already commenced."

Standing on its own, a compromise amount offered and accepted is a valid payment of an obligation by virtue of an

[3] Composed of Justice Corazon Ferrer-Flores, Justice Ma. Belen M. Ringpis-Liban and Justice Maria Rowena Modesto-San Pedro.

agreement or a contract. In *Commissioner of Internal Revenue vs. Armando L. Abad, doing business under the trade name of Republic Alcohol Distillery, and the Court of Tax Appeals*,[4] the Supreme Court held thus:

> **With respect to the amount of P10,000.00, however, we agree with the respondent that payment thereof cannot be demanded inasmuch as it was offered by the petitioner only by way of compromise and the compromise did not go through.** As the Court has had occasions to explain, a compromise implies agreement. *(Emphasis supplied)*

It bears stressing that the amount offered and tendered pursuant to a compromise settlement cannot be refunded even if the compromise settlement is later abandoned, unless a final pronouncement by the courts is made rendering the subject assessments void as in the present case.

On the other hand, if a final pronouncement is made in CTA Case Nos. 9850 and 9871 rendering the assessments valid, then the application of the provisions of Revenue Regulations (RR) No. 09-2013 issued on May 10, 2013[5] is appropriate, and we quote:

> Section 6. Approval of Offer of Compromise. –
>
> xxx xxx xxx
>
> 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**. *(Emphasis supplied)*

Having said all of this, I believe that the conclusion so far discussed is incomplete without a discussion on the procedural aspect of claims for refund of this nature.

Petitioner, in the instant case, aware of the relevant periods for filing a claim for refund under the legal milieu at the time, filed its administrative claim for refund on March 9, 2021

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[4] G.R. No. L-19627, June 27, 1968.

[5] Amending Revenue Regulations No. 30-2002 issued on December 16, 2002.

and a day after or on March 10, 2021, filed a Petition for Review with this Court.

Counted from the date when it tendered the compromise offer to the Bureau of Internal Revenue (BIR) on March 12, 2019, it would appear that both the administrative and judicial claims for refund were made within the two-year prescriptive period under Sections 204(C) and 229 of the 1997 NIRC, as amended,[6] quoted below:

> SEC. 204. *Authority of the Commissioner to Compromise, Abate and Refund or Credit Taxes.* – The Commissioner may-
>
> xxx xxx xxx
>
> (C) Credit or refund taxes erroneously or illegally received or penalties imposed without authority, refund the value of internal revenue stamps when they are returned in good condition by the purchaser, and, in his discretion, redeem or change unused stamps that have been rendered unfit for use and refund their value upon proof of destruction. **No credit or refund of taxes or penalties shall be allowed unless the taxpayer files in writing with the Commissioner a claim for credit or refund within two (2) years after the payment of the tax or penalty**: *Provided, however,* That a return filed showing an overpayment shall be considered as a written claim for credit or refund. *(Emphasis supplied)*
>
> SEC. 229. *Recovery of Tax Erroneously or Illegally Collected.* – No suit or proceeding shall be maintained in any court for the recovery of any national internal revenue tax hereafter alleged to have been erroneously or illegally assessed or collected, or of any penalty claimed to have been collected without authority, or of any sum alleged to have been excessively or in any manner wrongfully collected, until a claim for refund or credit has been duly filed with the Commissioner; but such suit or proceeding may be maintained, whether or not such tax, penalty, or sum has been paid under protest or duress.
>
> **In any case, no such suit or proceeding shall be filed after the expiration of two (2) years from the date of payment of the tax or penalty regardless of any supervening cause that may arise after payment**: *Provided, however,* That the Commissioner may, even without a written claim therefore, refund or credit any tax, where on the face of the return upon which payment was made, such payment

[6] NIRC provisions prior to the effectivity of the EOPT Law.

> appears clearly to have been erroneously paid. *(Emphasis supplied)*

In *Commissioner of Internal Revenue vs. Carrier Air Conditioning Philippines,*[7] the Supreme Court, in interpreting both provisions, held thus:

> Section 204 refers to the Commissioner of Internal Revenue's administrative authority to credit or refund erroneously paid or illegally collected taxes. Under this provision, an administrative claim for refund must be filed within two years from payment of the tax.
>
> Section 229, on the other hand, requires two conditions for the filing of judicial claims: 1) an administrative claim must be filed first, and (2) the judicial claim must be filed within two years after payment of the tax sought to be refunded.
>
> **Reading the two provisions together, both administrative and judicial claims must be filed within the two-year period.** Furthermore, the administrative claim must be filed before the judicial claim. This Court has previously declared that "**timeliness of the filing of the claim is mandatory and jurisdictional**. The [Court of Tax Appeals] cannot take cognizance of a judicial claim for refund filed either prematurely or out of time." *(Emphases supplied)*

To await the finality of a Supreme Court ruling that the assessment (subject of a compromise) is void under the relevant provisions of the NIRC at that time, might have proven fatal to petitioner's claim for refund as this would already fall outside the two (2)-year prescriptive period.[8]

Under the afore-quoted provisions of the NIRC prior to the effectivity of the Ease of Paying Taxes Law or the EOPT Law, petitioner had no other option but to follow the two (2)-year rule for both administrative and judicial claims for refund with or without a Supreme Court ruling eventually declaring the assessment/s void. However, this limitation as regards filing a claim for refund, has been expanded under the current EOPT Law amending Sections 204 and 229 of the NIRC.[9] Under this law, only administrative claims for refund should be filed within the two (2)-year period, and I quote Section 204 (C) of the EOPT Law, thus:

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[7] G.R. No. 226592, July 27, 2021.
[8] Entry of Judgment in G.R. No. 259338 is dated December 7, 2022.
[9] EOPT Law took effect on July 1, 2024.

Section 204. *Authority of the Commissioner to Compromise, Abate and Refund or Credit Taxes.* -

The Commissioner may-

xxx xxx xxx

(C) Credit or Refund taxes erroneously or illegally received or penalties imposed without authority, refund the value of internal revenue stamps when they are returned in good condition by the purchaser, and, in his discretion, redeem or change unused stamps that have been rendered unfit for use and refund their value upon proof of destruction. **No credit or refund of taxes or penalties shall be allowed unless the taxpayer files in writing with the CIR a claim for credit or refund within two (2) years after the payment of the tax or penalty:** *Provided,* however, That a return filed showing an overpayment shall be considered as a written claim for credit or refund. *Provided, further,* that the Commissioner shall process and decide the refund under this provision within one hundred eighty (180) days from submission of complete documents in support of the application filed: *Provided, furthermore,* That should the CIR deny, in full or in part, the claim for refund, the CIR shall state the legal and/or factual basis for the denial; *Provided, finally,* That failure on the part of any official, agent, or employee of the BIR to process and decide on the application within the one hundred eighty (180)-day period shall be punishable under Section 269 of this Code. *(Emphasis supplied)*

xxx xxx xxx

As regards the filing of an appeal with the CTA, Section 229 of the 1997 NIRC, as amended, by the EOPT Law provides in part as follows:

Section 229. *Recovery of Tax Erroneously or Illegally Collected.* -

xxx xxx xxx

In any case, no such suit or proceeding shall be filed unless there is a full or partial denial of the claim for refund or credit by the CIR or there is failure on the part of the CIR to act on the claim within the one hundred eighty (180)-day period under Section 204 of this Code. *Provided, however,* that the CIR may even without a written claim, therefore, refund

> or credit any tax, where on the face of the return, such payment appears clearly to have been erroneously paid.
>
> **In case of full or partial denial of the claim for tax refund, or the failure on the part of the CIR to act on the application within the period prescribed above, the taxpayer affected may, within thirty (30) days from the receipt of the decision denying the claim or after the expiration of the one hundred eighty (180)-day period, appeal the decision with the Court of Tax Appeals**. *(Emphasis supplied)*

From the foregoing provisions, a taxpayer has two options in claiming a refund under the EOPT Law, namely:

1. Appeal to the CTA within thirty (30) days from the lapse of the one hundred eighty (180)-day period from filing the application for tax refund; or

2. Appeal to the CTA within thirty (30) days from receipt of the final decision of the BIR partially or completely denying the claim for refund.

Applying these provisions to the claims for refund of compromise amounts might appear to be tricky because then the judicial claim even if timely filed under the EOPT law, might just be denied if the condition is not met, *i.e.*, the voidability of the compromise agreement as a result of a final ruling of the Supreme Court declaring that the assessment subject of the compromise is likewise void.

Here we can see that a taxpayer is caught between a rock and a hard place because knowing that the remedy of refund is time-bound, it has to file an administrative claim with or without a definitive ruling that the assessment subject of the compromise is void in the hope that a supervening event similar to the present case happens at any stage of the trial or even on appeal.

Premises considered and subject to the limitations described above, I subscribe to the view that the compromise amount subject of a compromise agreement is not the proper subject of a claim for refund even if the compromise settlement or agreement is later abandoned unless the tax deficiency assessment subject of the compromise is rendered void.

Accordingly, I vote to grant the refund of Php3,440,765.50 pertaining only to TY 2014.

CATHERINE T. MANAHAN
Associate Justice