**REPUBLIC OF THE PHILIPPINES**
**COURT OF TAX APPEALS**
**QUEZON CITY**

# SECOND DIVISION

**NATIONAL TRANSMISSION CORPORATION,**
Petitioner,

- versus -

**SAN CARLOS CITY, PANGASINAN,** represented by its City Treasurer, **MS. JOSEFINA J. CARANTO,**
Respondent.

**CTA AC NO. 186**

Members:

**CASTAÑEDA, JR.,** *Chairperson,*
**CASANOVA,** *and*
**MANAHAN,** *JJ.*

Promulgated:
MAY 07 2018
3:50 pm.

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## JUDGMENT ON COMPROMISE AGREEMENT

**CASTAÑEDA, JR., *J.*:**

For consideration of the Court is the **Joint Motion to Render Judgment on Compromise** filed by both parties on December 5, 2017, and petitioner's **Compliance (Re: Resolution dated 18 January 2018)**, filed on April 11, 2018.

In the Resolution dated January 18, 2018, the Court noted that the Compromise Agreement incorporated in the Joint Motion is not notarized and the authority of the parties' signatories to enter into the same was not submitted to this Court. Hence, the Court ordered the parties to submit an original copy of the duly signed and notarized Compromise Agreement and the proof showing the authority of their respective signatories to enter into the agreement within thirty (30) days from notice.

Petitioner received the Court's Resolution on February 5, 2018. On April 11, 2018, petitioner filed its Compliance, submitting the notarized Compromise Agreement and the proof showing the authority of the signatories. Petitioner also explains that the delay in complying with the Court's Resolution is due to the physical distance between the offices of the parties and the need to secure an authorization from their respective offices.

Finding merit in petitioner's explanation for the delay in complying with the Court's order, petitioner's **Compliance (Re: Resolution dated 18 January 2018)** is **NOTED**.

Now, proceeding to the parties' Joint Motion, the subject Compromise Agreement is quoted in full as follows:

"**COMPROMISE AGREEMENT**

**KNOW ALL MEN BY THESE PRESENTS:**

This Compromise Agreement, entered into by and between:

Plaintiff, National Transmission Corporation (hereinafter referred to as 'TransCo') herein represented by its President and Chief Executive Officer Atty. Melvin A. Matibag with due and proper authority in his favour pursuant to Secretary Certificate with Manual of Approval is hereto attached and marked as Annex 'A' and made integral part hereof;

Respondent San Carlos City, Pangasinan represented by its City Treasurer Josefina J. Caranto with due and proper authority from the Sangguniang Panlungsod of San Carlos City, Pangasinan per Resolution # 18-015 of February 26, 2018 is hereto attached and marked as Annex 'B' and made integral part hereof;

**WITNESSETH**

WHEREAS, TRANSCO has instituted the present case against the OFFICE OF THE CITY TREASURER OF

THE CITY OF SAN CARLOS for the cancellation of assessment covering taxable year 2007;

WHEREAS, consistent with the rulings of the Court of Tax Appeals in *TRANSCO vs. PROVINCE OF BATAAN* (CTA EB NO. 892), *TRANSCO vs. PROVINCE OF CAGAYAN* (CTA OC NO. 13), and *TRANSCO vs. PROVINCE OF AGUSAN DEL NORTE* (CTA EB 950) which held that to be liable for local franchise tax, TRANSCO, as the franchisee, must not only be exercising its electrical transmission function within the territorial jurisdiction of the concerned local government unit, but the franchisee must also realized its gross annual receipts within the same territorial jurisdiction pursuant to Section 137 of the LGC which provides that the franchise tax shall be 'based on the incoming receipt, or realized, within its territorial jurisdiction.'

WHEREAS, in the present case, TRANSCO derived its gross receipts from the payment of CENTRAL PANGASINAN ELECTRIC COOPERATIVE (CENPELCO), the office of which is located in San Carlos City, hence, within the territorial jurisdiction of the respondent pursuant to Section 226 of the Implementing Rules and Regulations of the LGC in relation to Section 137 of the LGC.

WHEREAS, the parties discussed and agreed to terminate the present case subject to certain conditions as hereinafter enumerated;

IN CONSIDERATION OF THE FOREGOING, the parties, represented by their representatives, hereby enter into this Compromise Agreement as follows:

1. Petitioner shall pay the respondent franchise tax for the year 2007 in the total amount of P2,044,431.23 inclusive of surcharges and penalties upon approval of the Honorable Court of this Compromise Agreement, broken down as follows,:

| | |
|---|---|
| **2007 Total Gross** | **P138,370,979.38** |

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| | |
|---|---|
| **receipts** | |
| **Franchise tax due** | 1,037,782.36 |
| **Add: Penalties and surcharges** | 1,006,648.87 |
| **Total franchise tax due:** | **2,044,431.23** |

2. Upon payment of the above mentioned amount by TRANSCO, respondent shall issue the corresponding tax clearance for the year 2007 in favor of TRANSCO.

IN WITNESS WHEREOF, the parties hereunto affixed their signature this APR 06 2018.

xxx xxx xxx"

Article 1306 of the Civil Code of the Philippines provides that contracting parties may establish such stipulations, clauses, terms, and conditions, as they may deem convenient, provided that they are not contrary to law, morals, good customs, public order, or public policy. A compromise agreement is a contract whereby the parties make reciprocal concessions, avoid litigation, or put an end to one already commenced. It is an accepted, even desirable and encouraged, practice in courts of law and administrative tribunals.[1]

A compromise agreement intended to resolve a matter already under litigation is a judicial compromise. Having judicial mandate and entered as its determination of the controversy, it has the force and effect of a judgment. It transcends its identity as a mere contract between the parties as it becomes a judgment that is subject to execution in accordance with the Rules of Court. Thus, a compromise agreement that has been made and duly approved by the court attains the effect and authority of *res judicata*, although no execution may be issued unless the agreement receives the approval of the court where the litigation is pending and compliance with the terms of the agreement is decreed.[2]

After careful consideration, the Court finds that the parties' representatives have acted within the ambit of the authority granted to them in executing the subject Compromise Agreement. The Court

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[1] *California Manufacturing Company, Inc. vs. The City of Las Pias and the Hon. Rizal Y. Del Rosario, City Treasurer*, G.R. No. 178461, June 22, 2009.
[2] Ibid.

also finds the Compromise Agreement to be validly executed and not contrary to law, morals, good customs, public order or public policy. Hence, the Court hereby accepts and approves the same.

**WHEREFORE**, premises considered, the parties' **Joint Motion to Render Judgment on Compromise** is **GRANTED**. Accordingly, the **Compromise Agreement** dated April 6, 2018 entered into by the parties is **APPROVED**, and judgment is hereby rendered in accordance therewith. The parties are thus enjoined to faithfully comply with all the terms and conditions set forth in said Compromise Agreement.

**SO ORDERED.**

Juanito C. Castañeda, Jr.
**JUANITO C. CASTAÑEDA, JR.**
Associate Justice

**CAESAR A. CASANOVA**
Associate Justice

Catherine T. Manahan
**CATHERINE T. MANAHAN**
Associate Justice

**ATTESTATION**

I attest that the conclusions in the above Judgment were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

Juanito C. Castañeda, Jr.
**JUANITO C. CASTAÑEDA, JR**
Associate Justice
Chairperson

## CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, it is hereby certified that the conclusions in the above Judgment were reached in consultation before the case was assigned to the writer of the opinion of the Court.

**ROMAN G. DEL ROSARIO**
Presiding Justice