REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

THIRD DIVISION

ACCUDATA RESEARCH SERVICES, INC.,	**CTA CASE NO. 9910**
Petitioner,	Members:
- versus -	**MANAHAN,** *Chairperson,* **REYES-FAJARDO, ANGELES,** *JJ.*
THE COMMISSIONER OF INTERNAL REVENUE, *Respondent.*	Promulgated: OCT 2 2 2025 10:10 a.m.

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JUDGMENT BASED ON COMPROMISE AGREEMENT

ANGELES, J.:

For the Court's resolution are the following:

1. The parties' *Joint Motion to Render Judgment Based on Submitted Compromise Agreement* personally filed on November 18, 2024, and electronically filed on November 19, 2024; and

2. The parties' *Joint Manifestation with Motion to Admit Verified Declaration* personally and electronically filed on November 28, 2024.

Before ruling on the abovementioned *Joint Motions*, a narration of the relevant facts is in order:

On August 20, 2018, petitioner filed a *Petition for Review*[1] praying that the deficiency income tax (IT), value-added tax (VAT), and final withholding taxes (FWT) for taxable year (TY) 2014 in the total amount of One Million Nine Hundred and Ten Thousand Six Hundred and Fifty One Pesos and Forty Centavos (P1,910,651.40) as appearing in the Final Assessment Notice and Formal Letter of

[1] Docket – Vol. I – pp. 10 to 22.

Demand (FAN/FLD) which it received on January 10, 2018, be cancelled or annulled on account of the incorrect computations therein. Petitioner likewise alleged that the Bureau of Internal Revenue (BIR) failed to act on its previous *Request for Reinvestigation* with supporting documents relative to the FAN/FLD. Hence, the present appeal before this Court.

On February 12, 2019, the case was referred to mediation and the parties were ordered to appear before the Philippine Mediation Center – Court of Tax Appeals (PMC-CTA).[2] Subsequently, on May 28, 2019, a *Mediator's Report* was filed stating that the parties were able to arrive at a settlement. It included and attached therein a compromise agreement executed and signed by their representatives.

Pursuant to the *Resolution*[3] dated June 19, 2019, the Court ordered the parties to secure the signature of the Commissioner of Internal Revenue (CIR) in the compromise agreement. In a series of motions,[4] the parties prayed for and was likewise consistently granted[5] an extension of time to obtain such signature and submit the compromise agreement.

In view of the parties' failure[6] to submit a duly signed compromise agreement, the case was set for pre-trial conference.[7]

Undaunted, the parties repeatedly moved for the suspension of the proceedings, claiming that the BIR National Office and the National Evaluation Board (NEB) already approved the compromise agreement and that only the signature of the CIR remained pending.[8] In several resolutions, the Court granted the same.[9]

Eventually, the pre-trial conference proceeded, and the Court set hearing dates for the parties' presentation of their respective evidence.[10]

On June 25, 2021, the parties filed a *Joint Manifestation with Urgent Motion to Reset*[11], informing the Court that the CIR finally signed the compromise agreement and that they have submitted to the PMC-CTA, such compromise agreement together with other relevant

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[2] Order dated February 12, 2019, Docket – Vol. I, pp. 196 to 197.
[3] Docket – Vol. I, pp. 244 to 246.
[4] Docket – Vol. I, pp. 247, 253, 263, 274, 278.
[5] Docket – Vol. I, pp. 251, 268, 282.
[6] Records Verification Report dated March 3, 2020, Docket – Vol. I, p. 283.
[7] Resolution dated March 12, 2020, Docket – Vol. I, pp. 286 to 287.
[8] Motion for Suspension of Proceedings filed on October 9, 2020, Docket – Vol. I, p. 289, Docket – Vol. I, p. 298.
[9] Docket – Vol. I, pp. 292.
[10] Hearing Order, Docket – Vol. I, pp. 308 to 310.
[11] Docket – Vol. I, pp. 343 to 346.

and original supporting documents for appropriate action. Thus, the parties moved to reset the hearings dates previously set in the hopes of a possible judgment of the instant case based on such compromise agreement. In the *Resolution* dated July 8, 2021, the Court granted the same.[12]

Subsequently, another *Mediator's Report*[13] was filed on June 24, 2021, confirming that the parties had successfully reached a settlement. Such *Report* likewise recalled and admitted that the previous *Mediator's Report* from May 28, 2019, had erroneously indicated a successful mediation.

Hence, on July 27, 2021, the parties filed a *Joint Motion for Promulgation of Judgment Based on Submitted Compromise Agreement* stating that they have mutually and voluntarily settled their claims and have forwarded the relevant documents in support thereof to the PMC-CTA.

In the *Resolution*[14] dated October 18, 2021, the Court directed the parties to submit the original or certified true copies of the proof of payment, approval of the NEB, and a Certificate of Availment. The parties manifested that the originals of the proof of payment were already submitted to the PMC-CTA.[15] The parties likewise continually prayed[16] for and was granted[17] additional time to submit the other required documents.

Pending such compliance, the case was transferred to the CTA Third Division.[18]

In the *Order* dated July 27, 2023, the Court noted the parties' failure[19] to submit the required documents and thus, denied the *Joint Motion for Promulgation of Judgment Based on Submitted Compromise Agreement*.

While the trial was underway, the parties filed a *Joint Motion to Suspend the Proceedings*[20] on May 3, 2024. Such *Joint Motion* was filed in view of the NEB's acceptance of a executed judicial compromise

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[12] Docket – Vol. 1, p. 359.
[13] Docket – Vol. I, 347.
[14] Docket – Vol. 1, pp. 367 to 368.
[15] Manifestation with Urgent Motion to Extend Submission of Documentary Requirements, Docket – Vol. 1, pp. 369,
[16] Docket – Vol. 1, pp. 369, 384 to 385, 406 to 409, 420 to 421, 429 to 432, 437 to 440.
[17] Docket – Vol. 1, pp. 382 to 383, 400 to 401, 418 to 419, 434, 457.
[18] Notice, Docket – Vol. 1
[19] Records Verification Report dated July 10, 2023, Docket – Vol. 1, p. 459.
[20] Docket – Vol. 2, pp. 1020 to 1023.

agreement and in anticipation of the issuance of a certificate of availment relative thereto.

In a *Resolution* dated June 20, 2024, the Court denied the same considering that petitioner already submitted its formal offer of evidence. Such denial is however, *without prejudice to the parties' compromise agreement.*[21]

Thus, on November 18, 2024, the instant *Joint Motion to Render Judgment Based on Submitted Compromise Agreement* was filed. Subsequently, on November 28, 2024, the *Joint Manifestation with Motion to Admit Verified Declaration* was likewise filed.

In the *Joint Motion to Render Judgment Based on Submitted Compromise Agreement*, the parties now seek to put an end to litigation as they have already mutually, voluntarily, and amicably settled their respective claims subject of the present appeal. In support thereof, the following documents were attached:

1) Judicial Compromise Agreement, with notarization date on 30 July 2024 for the petitioner, and 05 August 2024 for respondent;
2) Judicial Compromise Offer, as accepted by all members of the National Evaluation Board (NEB);
3) Memorandum dated 14 June 2024, certifying payment of the Judicial Offer of Compromise as already reflected in the ITS-CBR;
4) Certificate of Availment, evidencing the NEB's approval of the compromise settlement; and
5) BIR Payment Forms 0605

In view of the positive developments surrounding their case, the parties manifest that they no longer have any cause of action or claim against each other; and thus pray that judgment be rendered based on the duly executed judicial compromise agreement.

A relevant portion of the terms and conditions of the same reads:

<u>JUDICIAL COMPROMISE AGREEMENT</u>

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WHEREAS, the **BIR** issued to the **TAXPAYER** a Formal Letter of Demand (FLD) on January 10, 2018, finding the latter liable for deficiency income tax, value added tax, and final withholding tax,

[21] Docket – Vol. 2, pp. 1029 to 1030.

in the aggregate amount of ₱1,910,651.40, inclusive of increments, for fiscal year 2014, *viz:*

Tax Type	Basic Tax Due	Interest	Surcharge	Total Amount Due
IT	968,211.97	544,851.34		1,513,063.31
VAT	64,285.73	38,994.14		103,279.87
FWT	150,000	91,808.22	37,500.00	279,308.22
Compromise Penalty	15,000			15,000
TOTAL	1,197,497.70	675,603.70	37,500.00	**₱1,910,651.40**

WHEREAS, on January 10, 2018, the **TAXPAYER** received the FLD/FAN demanding the payment for the assessed deficiency taxes for fiscal year 2014;

WHEREAS, On August 20, 2018, the **TAXPAYER** filed a Petition for Review questioning the validity of the assessments issued against it for fiscal year 2014 and seeking the cancellation/annulment of FLD dated January 10, 2018, issued by the Commissioner of Internal Revenue, entitled "**ACCUDATA RESEARCH SERVICES, INC. vs. COMMISSIONER OF INTERNAL REVENUE**", docketed as CTA Case No. 9910, which is currently pending before the Honorable Third Division of the Court of Tax Appeals (**"CTA"**);

WHEREAS, on February 4, 2019, the Honorable Third Division of the CTA referred the case to mediation and directed the **PARTIES** to appear before the Philippine Mediation Center – CTA for possible amicable settlement of the case;

WHEREAS, the PARTIES agreed to have their case mediated for settlement through judicial compromise settlement;

WHEREAS, on June 28, 2019, the **TAXPAYER** submitted to the **BIR** its **Application for Compromise Settlement** of the deficiency tax assessment reflected in the **FLD** dated January 10, 2018 and offered to pay 40% of the basic tax for income tax and value added tax and 100% of the basic tax for final withholding tax;

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WHEREAS, the **PARTIES**, for the purpose of avoiding and putting an end to a protracted, expensive and mutually prejudicial litigation, have agreed to amicable settle the above-mentioned case, upon terms and conditions hereinafter set forth;

NOW, THEREFORE, for and in consideration of the foregoing premises, the **PARTIES** hereto have agreed as follows:

Section 1. Judicial Compromise Amount. In order to settle the above-mentioned case, the **TAXPAYER** has offered and the **BIR** has accepted the amount equivalent to 40% of the basic tax for income tax and value-added tax and 100% of the basic tax for final withholding tax in the total amount of **₱562,998.58.** This amount is broken down as follows:

TAX TYPE	BASIC TAX	OFFER	RATE
IT	968,211.97	**387,284.29**	40%
VAT	64,285.73	**25,714.29**	40%
FWT	150,000	**150,000**	100%
TOTAL	**₱1,910,651.40**	**₱562,998.58**	

As proof of payment of the above-mentioned offer, attached herein as **Annexes "A"** and **"B"** are Payment Forms (BIR Form 0605)

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Section 4. Deliverables of the PARTIES upon approval of this Agreement by the Honorable CTA. Upon final approval by the Honorable CTA of this **Agreement**, the **BIR** undertakes to execute and deliver to the **TAXPAYER** any and all documents as may be required to effectively and fully implement the provisions of this **Agreement,** withdrawing and cancelling the FLD/FAN dated January 10, 2018.

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Section 6. Full and Final Settlement. This **Agreement** is executed by the **PARTIES** for the purpose of amicably settling and ending CTA Case No. 9910. Upon approval of the Honorable CTA, the **BIR** recognizes the full satisfaction of the supposed tax liability of the **TAXPAYER** in connection with CTA Case No. 9910 and acknowledges that the **TAXPAYER** no longer has any tax liability whatsoever based upon, arising from, or in connection with the particular subject of CTA Case No. 9910.

Subsequently, in the *Joint Manifestation with Motion to Admit Verified Declaration*, the parties contend that through inadvertence, the verified declaration as required in En Banc Resolution No. 8-2024, was not attached in the previous *Joint Motion to Render Judgment.* Hence, they pray that the Court note such manifestation and the attached verified declaration be admitted, forming an integral part of the records of the case.

The Court resolves to **grant** both *Joint Motions*.

Generally, a taxpayer is not without recourse or other remedies when it comes to the satisfaction of his or her tax liabilities – one option is to compromise or effectively reduce the amount of the same, subject to discussion with and approval of the tax authorities.

Section 204 (A) of the National Internal Revenue Code (NIRC) of 1997, as amended, provides for the power and authority of the CIR to compromise tax liabilities based on the following grounds: 1) when there is doubtful validity of the tax assessment; and 2) when the taxpayer is unable to pay the whole amount due to financial incapacity. Moreover, the law qualifies and subjects the same with corresponding minimum rates depending on the ground relied upon. Additionally, when the basic tax assessed exceeds One Million Pesos (₱1,000,000,000.00), or when the offered amount is less than the prescribed minimum rates, the prior approval of the NEB, as well as the CIR is essential. The NIRC provisions is reproduced below:

> 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) 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.** *(Boldfacing supplied)*

Furthermore, Revenue Regulations (RR) No. 30-02, elaborate on the instances as well as the bases for acceptance by the CIR of a compromise settlement, to *viz.*:

> **REVENUE REGULATIONS NO. 30-02**[22]
>
> SECTION 1. *Scope and Objectives.* — Pursuant to Section 244 of the *National Internal Revenue Code of 1997 (Code)*, these Regulations are hereby promulgated for the purpose of implementing Sections 7(c), 204(A) and 290 of the same Code, superseding Revenue Regulations (RR) Nos. 6-2000 and 7-2001 and **giving an authority to the Commissioner of Internal Revenue to compromise the payment of internal revenue tax liabilities** of certain taxpayers with outstanding receivable accounts and **disputed assessments with** the *Bureau of Internal Revenue and **the Courts.***

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[22] 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.

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SECTION 3. ***Basis For Acceptance of Compromise Settlement.*** — The Commissioner may compromise the payment of any internal revenue tax on the following grounds:

1. *Doubtful validity of the assessment.* — The **offer to compromise a** delinquent account or **disputed assessment** under these Regulations **on the ground of reasonable doubt** as to the validity of the assessment **may be accepted when it is shown** that:

(a) The delinquent account or disputed assessment is one resulting from a jeopardy assessment (For this purpose, *"jeopardy assessment"* shall refer to a tax assessment which was assessed without the benefit of complete or partial audit by an authorized revenue officer, who has reason to believe that the assessment and collection of a deficiency tax will be jeopardized by delay because of the taxpayer's failure to comply with the audit and investigation requirements to present his books of accounts and/or pertinent records, or to substantiate all or any of the deductions, exemptions, or credits claimed in his return); or

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

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

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

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

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

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

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

SECTION 4. *Prescribed Minimum Percentages of Compromise Settlement.* — The compromise settlement of the internal revenue tax liabilities of taxpayers, reckoned on a per tax type assessment basis, shall be subject to the following **minimum rates based on the basic assessed tax**:

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2 ***For cases of "doubtful validity"*** — A minimum compromise rate equivalent to forty percent **(40%) of the basic assessed tax.** *(Emphases and italics supplied)*

In the case at hand, petitioner seeks to reduce the tax liabilities as claimed by herein respondent in the FAN/FLD for TY 2014. The former anchors its application for compromise on the ground of doubtful validity, as indicated in the *Certificate of Availment*. This is likewise consistent with the arguments discussed in the *Petition for Review* which mainly disputes the validity of the assessments for having inaccurate, if not incorrect computations.

This Court recognizes the parties' determined efforts to settle and finally conclude the present adversarial litigation. Upon evaluation of the documents submitted in support of the compromise, We find the same meritorious and in order.

As a rule, parties who settle their claims through a compromise agreement are required to furnish the following documents, to wit:

CTA EN BANC RESOLUTION NO. 7-2021[23]

1. **REQUIRE parties who agree to a compromise agreement involving any internal revenue tax, to submit the following documents** to the Philippine Mediation Center-Court of Tax Appeals (PMC-CTA):

(i) **Compromise Agreement** signed by the taxpayer/private parties or their duly authorized representatives and by the Commissioner of Internal Revenue;
(ii) **Authority** of the taxpayer/private parties' duly authorized representatives to sign the Compromise Agreement;
(iii) **BIR Payment Form No. 0605** and **proof of payment** of the compromise amount; and,
(iv) **Certificate of Availment** confirming that the compromise agreement was approved by the Evaluation Board of the Bureau of Internal Revenue as required under Section 204 (A) of the NIRC of 1997, as amended.

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[23] Documentary Requirements to Be Submitted to the Philippine Mediation Center-Court of Tax Appeals by Parties Agreeing to a Compromise Agreement, CTA En Banc Resolution No. 7-2021, June 22, 2021.

In the present the case, the parties sufficiently satisfied the requirements.

Here, a judicial compromise agreement was duly executed, understood, and signed by the parties, including the Commissioner himself, Romeo D. Lumagui, Jr. A perusal of the same would spell out the parties' specific terms and conditions, ultimately leading to the satisfaction of their claims and the conclusion of the case before this Court. Likewise, respective proofs of authority of their representatives to settle or enter into a compromise agreement were attached thereto.

In accordance with the minimum threshold amount required by law for compromises on the ground of doubtful validity, both parties agreed to the following:

TAX TYPE	BASIC TAX	OFFER	RATE
IT	968,211.97	**387,284.29**	40%
VAT	64,285.73	**25,714.29**	40%
FWT	150,000	**150,000**	100%
TOTAL	**₱1,910,651.40**	**₱562,998.58**	

Moreover, such offer was accepted by the CIR as well as all the members of the NEB comprising of Maridur V. Rosario, Marissa O. Cabreros, Teresita M. Angeles, and Ma. Rosario Charo Enriquez - Curiba, evidenced by the attached Judicial Compromise Offer and accordingly paid, evidenced by the respective BIR Forms and deposit slips. Hence, the payment of ₱562,999.08 clearly satisfies the required minimum threshold. This was likewise acknowledged by the respondent in Judicial Compromise Agreement.

We emphasize that a compromise is a contract whereby the parties, by making reciprocal concessions, avoid litigation or **put an end to one already commenced**.[24] It is also worthy to note that in *Kepco Philippines Corp. v. Commissioner of Internal Revenue*[25], the Supreme Court held that compromises are encouraged, and that the authority of the CIR to compromise is purely discretionary - the exercise of which may not be interfered by the courts absent any showing of grave abuse of discretion.

> A compromise agreement has the effect of *res judicata* on the parties. **Compromises are generally to be favored and those entered into in good faith cannot be set aside**, except when there is mistake, fraud, violence, intimidation, undue influence, or falsity of documents. *(Emphasis supplied)*

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[24] Article 2028, Civil Code of the Philippines, Republic Act No. 386, June 18, 1949.
[25] G.R. Nos. 225750-51, Resolution, July 28, 2020.

Therefore, in line with the duty of the Court to endeavor to make the parties agree to an equitable compromise or settlement at any stage of the proceedings before rendition of judgment,[26] and having found the submissions of the parties in order, the judicial compromise agreement executed by the parties is approved.

WHEREFORE, the *Joint Motion to Render Judgment Based on Submitted Compromise Agreement* and the *Joint Manifestation with Motion to Admit Verified Declaration* are **GRANTED**. The *Verified Declaration* is admitted and made an integral part of the records of this case.

Accordingly, the Judicial Compromise Agreement duly executed and entered into by the parties is **APPROVED.** Judgment is hereby rendered in accordance therewith.

The parties are thus **ENJOINED** to faithfully comply with all the terms and conditions as provided and as agreed upon therein.

In light of the foregoing, CTA Case No. 9910 is now deemed **CLOSED** and **TERMINATED.** Thus, the resolution of petitioner's previous *Formal Offer of Evidence* is rendered **MOOT.**

SO ORDERED.

HENRY S. ANGELES
Associate Justice

WE CONCUR:

Catherine T. Manahan
CATHERINE T. MANAHAN
Associate Justice

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

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[26] Guidelines in the Conduct of Pre-Trial and Use of Deposition-Discovery Measures, A.M. No. 03-1-09-SC, July 13, 2004.

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.

CATHERINE T. MANAHAN
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, 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.

MA. BELEN M. RINGPIS-LIBAN
Acting Presiding Justice