REPUBLIC OF THE PHILIPPINES
Court of Tax Appeals
QUEZON CITY

THIRD DIVISION

SUNJIN GENETICS CORPORATION, *Petitioner,*	**CTA CASE NO. 10512**
	Members: **RINGPIS-LIBAN,** *Chairperson* **MODESTO-SAN PEDRO,** *and* **FERRER-FLORES,** *JJ*
-versus-	
COMMISSIONER OF INTERNAL REVENUE, *Respondent.*	Promulgated: FEB 20 2023 11:32 a.m.

x -- x

JUDGMENT ON COMPROMISE AGREEMENT

MODESTO-SAN PEDRO, J.:

For the Court's resolution are the parties' **Joint Motion to Render Judgment Based on Compromise Agreement (hereinafter referred to as "Joint Motion")**, filed on 12 December 2022; and the Mediator's Report, filed by PMC-CTA on 17 November 2022, informing the Court on the successful settlement of the case at hand.

On 15 October 2019, petitioner received the Final Decision on Disputed Assessment ("First FDDA"), dated 4 October 2019, with attached Details of Discrepancies, assessing it for deficiency income tax and expanded withholding tax ("EWT") inclusive of interest and penalties, in the aggregated amount of Php54,443,811.90 for taxable year 2011.[1]

Petitioner then filed with the respondent a Motion for Reconsideration ("MR") on the First FDDA on 14 November 2019.[2]

In response to petitioner's MR, respondent resent the Final Decision on Disputed Assessment, dated 4 October 2019, on 6 April 2021 ("Second FDDA").[3]

---

[1] See Petition for Review, Records, p. 12; Joint Stipulation of Facts and Issues ("JSFI"), p. 2.
[2] Records, p. 12; JSFI, p. 3.
[3] *Id.*

Aggrieved, petitioner filed a Petition for Review[4] with this Court on 18 May 2021.

During the hearing, held on 21 April 2022, the counsels for both parties jointly moved for the case to be referred for mediation. The Court granted the motion. Accordingly, the case was referred to the PMC-CTA on 5 May 2022.[5]

In a Request for Extension, filed on 11 July 2022, the parties requested for an additional period of thirty (30) days, or until 14 August 2022, within which to reach an amicable settlement. The same was granted by the Court in a Resolution, issued on 18 July 2022.

On 1 August 2022, the parties filed a Joint Motion to Suspend Proceedings. They manifested therein that petitioner had submitted to respondent its Offer of Compromise on 12 May 2022. The same was favorably endorsed by the Bureau of Internal Revenue ("BIR") Revenue Region No. 7B to the BIR National Office and was, at that time, still pending before the National Evaluation Board ("NEB"). Thus, considering the progress towards settlement and the likelihood of settlement of the case, the parties jointly moved to suspend the proceedings for an additional period of sixty (60) days from 4 August 2022 or until 2 October 2022.

On 4 October 2022, the parties filed a Joint Manifestation and Motion wherein they manifested that they were preparing a Judicial Compromise Agreement ("JCA") and thus prayed that the proceedings be suspended until further notice. The Court partially granted the Motion and gave the parties sixty (60) days from notice within which to update the Court on the status of the JCA.

On 17 November 2022, the PMC-CTA filed a "Mediator's Report" with attached "Compromise Agreement," among others, informing the Court on the successful settlement of the case.

The parties then filed the instant Joint Motion on 12 December 2022.

Upon perusal of the records, the Court notes the submission of the following documents as attached to the Mediator's Report filed by the PMC-CTA pursuant to the successful settlement of the case:

1. Undated Compromise Agreement, signed by Narciso G. Adriano (Adriano) on behalf of petitioner, and respondent Lilia Catris Guillermo, and attested by (Ret.) Justice Oswaldo D. Agcaoli;

---

[4] See Petition for Review, *id.*, pp. 9–109, with annexes.
[5] See Order, dated 21 April 2022, *id.*, p. 2.

2. Agreement to Mediate and Selection of Mediator, and Selection of Mediator, both dated 24 May 2022, signed by Adriano and Atty. Kathyrn A. Zarate on behalf of the petitioner, and by Atty. Rose Ann O. Tolentino, on behalf of the respondent, whereby the parties manifested their agreement to have the case mediated for settlement through compromise agreement, and the selection of (Ret.) Justice Agcaoili as mediator;

3. Secretary's Certificate, dated 1 April 2022, executed by petitioner's Corporate Secretary, Demosthenes B. Donato, certifying the appointment as substitute of and the delegation of corporate authority to Adriano, Attorney-in-fact and/or Donato & Zarate, represented by its designated lawyers/associates, to act as the representative/s of the petitioner in CTA Case No. 10512, with authority to make and submit disputes to mediation or arbitration, and/or accept and approve compromise proposals for the settlement of the case;

4. Special Power of Attorney, dated 20 September 2021, executed by BIR Regional Director Edgar B. Tolentino of Revenue Region No. 7B, East NCR appointing and authorizing Atty. Rose Ann O. Tolentino and/or any lawyer from Legal Division of the BIR Revenue Region 7B, East NCR to appear for and in behalf of the respondent at the pre-trial conference / mediation of CTA Case No. 10512;

5. Printed copies of BIR Form No. 0605, stamped received by Metropolitan Bank and Trust Company on 30 September 2022, and photocopies of payment slips validated by the same bank, evidencing the payment of income tax for the amount of Php3,325,275.15 and EWT for the amount of Php894,855.59;

6. Certified true copies of the Certificate of Availment (Compromise Agreement), dated 3 November 2022, signed by James H. Roldan of the Office of the Assistant Commissioner of Internal Revenue, Enforcement and Advocacy Service, showing the petitioner's availment of compromise settlement for the total amount of Php4,220,130.74; and

7. Judicial Compromise Offer showing the concurrence of the members of the NEB to accept the petitioner's compromise settlement of its tax liabilities for the taxable year 2011.

The relevant portions of the Compromise Agreement are hereby quoted, to wit:

"WHEREAS, on April 26, 2021, a Petition for Review was filed by petitioner SUNJIN GENETICS CORPORATION challenging the validity of the Final Decision on Disputed Assessment issued by respondent Commissioner of Internal Revenue in connection with deficiency tax assessments for taxable year 2011. Under the Final Decision on Disputed Assessment, petitioner was required to pay basic tax due in the amount of Twenty Two Million One Hundred Sixty Eight Thousand Five Hundred and One and 2/100 Centavos (Php22,168,501.02), representing deficiency income tax and Eight Hundred Ninety Four Thousand Eight Hundred Fifty Five and 59/100 (Php894,855.59) representing deficiency expanded withholding tax.

WHEREAS, during mediation proceedings before the Philippine Mediation Center – Court of Tax Appeals, the parties successfully reached compromise agreement to avoid prolonged litigation, as authorized by A.M. No. 11-1-05-SC-PHILJA;

NOW THEREFORE, in view of the limitation in Section 204 of the 1997 National Interna Revenue Code, petitioner has offered and respondent has accepted the amount of **Php3,325,375.15**, representing 15% of the basic Income Tax, and **Php894,855.59**, representing 100% of the basic Expanded Withholding Tax, stated in the FDDA.

A review of the Compromise Agreement, as well as the abovementioned documents submitted by the parties and PMC-CTA in support thereof, shows that the same are in order.

Section 204(A) of the National Internal Revenue Code, as amended, ("NIRC") provides for the authority of the CIR to compromise the payment of any revenue tax, to wit:

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

The Commissioner may -

(A) Compromise the payment of any internal revenue tax, when:

(1) A reasonable doubt as to the validity of the claim against the taxpayer exists; or

(2) The financial position of the taxpayer demonstrates a clear inability to pay the assessed tax.

The compromise settlement of any tax liability shall be subject to the following minimum amounts:

For cases of financial incapacity, a minimum compromise rate equivalent to ten percent (10%) of the basic assessed tax; and

For other cases, a minimum compromise rate equivalent to forty percent (40%) of the basic assessed tax.

Where the basic tax involved exceeds One million pesos (₱1,000.000) or where the settlement offered is less than the prescribed minimum rates, the compromise shall be subject to the approval of the Evaluation Board which shall be composed of the Commissioner and the four (4) Deputy Commissioners. xxx"

(Emphasis supplied.)

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

1. That the application for compromise should be based on either the **doubtful validity of respondent's assessment** or taxpayer's financial incapacity to pay such assessment;

2. In case the **basis of the compromise offer is doubtful validity, the minimum payment of compromise settlement shall be at the rate equivalent to forty percent (40%) of the basic assessed tax,** while if the ground is financial incapacity, the minimum payment should be at the rate equivalent to ten percent (10%) of the basic assessed tax; and

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

Anent the *first* requisite, a review of the Certificate of Availment, dated 3 November 2022, shows that the ground relied upon in the subject compromise settlement is the doubtful validity of the respondent's assessment, pursuant to ***Section 3.1 of Revenue Regulations No. 30-2022, as amended.***[6]

Meanwhile, in addition to the Certificate of Availment, the parties proved that the offer of compromise was approved through the submission of the Judicial Compromise Offer signed by all the members of the NEB showing their acceptance of the petitioner's compromise offer at the rate of 15% of the basic income tax deficiency and 100% of the basic EWT deficiency.

However, the Court notes that the amount paid with regard to the income tax is below the 40% minimum rate required by the Tax Code. Nevertheless, the NEB approved the same, in compliance with ***Section 204(A) of the NIRC*** cited above.

Accordingly, the Court finds that the Certificate of Availment and the signed Judicial Compromise Offer sufficient evidence of the parties' compliance with the *second* and *third* requisites, respectively.

---

6 Revenue Regulations Implementing Sections 7(c), 204(A) and 290 of the National Internal Revenue Code of 1997 on Compromise Settlement of Internal Revenue Tax Liabilities Superseding Revenue Regulations Nos. 6-2000 and 7-2001, 16 December 2002; Revenue Regulations No. 08-04, Revenue Regulations Implementing Sections 7(c), 204 (A) and 290 of the National Internal Revenue Code of 1997 on Compromise Settlement of Internal Revenue Tax Liabilities Superseding Revenue Regulations Nos. 7-2001 and 30-2002, 19 May 2004.

The foregoing is likewise compliant with the mandate of ***Section 6 of RR No. 30-2002, as amended***, to wit:

> "SECTION 6. Approval of Offer of Compromise. — Except for offers of compromise where the approval is delegated to the REB pursuant to the succeeding paragraph, all compromise settlements within the jurisdiction of the National Office (NO) shall be **approved by a <u>majority of all the members of the NEB</u> composed of the Commissioner and the four (4) Deputy Commissioners.** All decisions of the NEB, granting the request of the taxpayer or favorable to the taxpayer, shall have the consequence of the Commissioner.
>
> xxx xxx xxx
>
> Provided, however, **<u>that if the offer of compromise is less than the prescribed rates set forth in Sec. 4 hereof, the same shall always be subject to the approval of the NEB</u>**. xxx"
> (Emphasis and underscoring supplied.)

Thus, in view of faithful observance by the parties of all the requisites under ***Section 204(A) of the NIRC,*** the Court hereby grants the parties' ***Joint Motion***.

In the case of ***Far East Bank and Trust Co. et al. v. Trust Union Shipping Corp. et al.***,[7] the Supreme Court explains the purpose of a compromise agreement as follows:

> "**A compromise is a contract whereby the parties, by making reciprocal concessions, avoid litigation or put an end to one already commenced.** It is an accepted and desirable practice in courts of law and administrative tribunals. Settlement of disputes brought before the courts is, in fact, encouraged.
>
> It is settled that contracting parties may establish such stipulations, clauses, terms and conditions as they deem convenient, provided that these are not contrary to law, morals, good customs, public order, or public policy."
> (Emphasis supplied.)

On this point, the parties are reminded that a compromise agreement, once approved by the courts, becomes more than a mere contract: it has the force and effect of a judgment that is subject to execution and attains the effect and authority of *res judicata*, as discussed by the Supreme Court in the case of ***Viesca vs. Gilinsky***,[8] to wit:

> "A compromise agreement has been described as a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced. A compromise agreement that is intended to resolve a matter already under litigation is normally called a judicial compromise. **<u>Once it is stamped with judicial imprimatur, it becomes more than a mere contract binding upon the parties. Having</u>**

[7] G.R. No. 154716, 16 September 2008.
[8] G.R. No. 171698, 4 July 2007.

> **the sanction of the court and entered as its determination of the controversy, it has the force and effect of any other judgment. Such agreement has the force of law and is conclusive between the parties. It transcends its identity as a mere contract binding only upon the parties thereto, for it becomes a judgment that is subject to execution in accordance with the Rules. 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." (Emphasis and underscoring supplied.)

WHEREFORE, premises considered, the parties' **Joint Motion to Render Judgment Based on Compromise Agreement** is hereby **GRANTED**.

The **Compromise Agreement** entered into by the parties is hereby **APPROVED** and this **Judgment on Compromise Agreement** is hereby rendered in accordance therewith. The parties are hereby enjoined to faithfully comply with all the terms and conditions of the aforesaid Compromise Agreement.

The Mediator's Report, filed on 17 November 2022, is also hereby **NOTED**.

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

SO ORDERED.

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

WE CONCUR:

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice

ATTESTATION

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

MA. BELEN M. RINGPIS-LIBAN
Associate Justice
Chairperson

CERTIFICATION

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

ROMAN G. DEL ROSARIO
Presiding Justice