REPUBLIC OF THE PHILIPPINES
Court of Tax Appeals
QUEZON CITY

Third Division

HI-ESAI PHARMACEUTICAL, INC., *Petitioner,*	**CTA CASE NO. 10706**
	Members: **MODESTO-SAN PEDRO,** *Chairperson, and* **FERRER-FLORES,** *JJ.*
-versus-	
COMMISSIONER OF INTERNAL REVENUE, *Respondent.*	Promulgated: JUL 06 2026 4:06 p.m.

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JUDGMENT ON COMPROMISE AGREEMENT

MODESTO-SAN PEDRO, J.:

For the Court's resolution is a *Joint Motion to Render Judgment Based on Compromise Agreement*, filed by the parties on May 5, 2026.

Attached to the Joint Motion are the following documents:

(a) A Judicial Compromise Agreement, signed by Jonnahs V. Singian (petitioner's President and General Manager), Atty. Alvin. T. Pagayatan, Atty. Daisy L. Parker (both of whom are petitioner's legal counsel, from Aranas Cruz Araneta Parker & Faustino Law Offices), and respondent Commissioner of Internal Revenue ("CIR");

(b) A Secretary's Certificate, signed by Samuel V. Torres (petitioner's Corporate Secretary), showing the authority of Aranas Cruz Araneta Parker & Faustino Law Offices to represent petitioner;)

(c) Print-outs of eFPS Payment Details with their corresponding Bureau of Internal Revenue ("BIR") Form No. 0605s, showing petitioner's payment of the following amounts:

Tax Type	Amount	Date
IT	₱14,103,426.22	December 22, 2025
VAT	₱2,428,968.08	December 22, 2025
EWT	₱431,957.38	December 22, 2025
IAET	₱539,375.64	December 22, 2025
WTC	₱1,090,388.06	December 22, 2025
FBT	₱37,274.35	December 22, 2025
Total	**₱18,631,389.73**	

(d) A letter, dated December 17, 2025, signed by Atty. Sylvia R. Alma Jose, Chief of the BIR Litigation Division, stating that the National Evaluation Board ("NEB") had accepted petitioner's compromise offer; and

(e) A Certificate of Availment, dated April 19, 2026, signed by Assistant Commissioner of Internal Revenue James H. Roldan, certifying the NEB's approval of petitioner's compromise offer.

A review of the aforementioned documents shows that the Compromise Agreement is in order.

Section 204(a) of the National Internal Revenue Code of 1997, as amended ("*NIRC*"), provides for the authority of the CIR to compromise the payment of any revenue tax:

> 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. . . .*

(Italics 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.*

To review, petitioner filed the instant Petition for Review to assail the assessment against it. The protest casts doubt on the validity of the assessment. Hence, the first requirement is present: the assessment is allegedly of doubtful validity.

Being based on the assessment's doubtful validity, the compromise amount should be, at minimum, 40% of the basic tax assessed, which, in the present case, would be as follows:

Tax Type	Basic Amount	40%
IT	₱70,517,131.08	₱28,206,852.43
VAT	₱12,144,840.42	₱4,857,936.17
EWT	₱2,159,786.91	₱863,914.76
IAET	₱2,696,878.19	₱1,078,751.28
WTC	₱5,451,940.28	₱2,180,776.11
FBT	₱186,371.76	₱74,548.70
Total	**₱93,156,948.64**	**₱37,262,779.45**

However, petitioner offered and paid only 20% of the basic amount, as follows:

Tax Type	Amount	20%
IT	₱70,517,131.08	₱14,103,426.22
VAT	₱12,144,840.42	₱2,428,968.08
EWT	₱2,159,786.91	₱431,957.38
IAET	₱2,696,878.19	₱539,375.64
WTC	₱5,451,940.28	₱1,090,388.06
FBT	₱186,371.76	₱37,274.35
Total	**₱93,156,948.64**	**₱18,631,389.73**

Thus, the compromise amount is ₱18,631,389.72 lower than the minimum prescribed by law, or a centavo over half of said minimum.

This does not, however, immediately invalidate the compromise agreement. To recall, *Section 204(a)(2) of the NIRC* requires that a compromise agreement shall be subject to the approval of the NEB "where the settlement offered is less than the prescribed minimum rates." Hence, an offer that is lower than said minimum can still be valid if the NEB approves of the offer.

Here, Atty. Jose's letter and the Certificate of Availment show that the NEB approved of petitioner's compromise offer, despite it being lower than the 40% minimum prescribed by the *NIRC*. The compromise agreement thus complies with the third requirement and is deemed compliant with the second requirement.

Having complied with all requisites, then, the instant Compromise Agreement must be granted.

On the topic of compromise agreements, the Supreme Court explained the purpose of the same in *Far East Banc and Trust Co. v. Trust Union Shipping Corp.*:[1]

> *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. (Italics supplied)

[1] G.R. No. 154716, September 16, 2008.

The Court thus reminds the parties that a compromise agreement approved by the courts has the force and effect of a judgment that is subject to execution and attains the effect and authority of res judicata, as discussed in *Viesca v. Gilinsky*:[2]

> 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. *Once it is stamped with judicial imprimatur, it becomes more than a mere contract binding upon the parties. Having the sanction of the court and entered as its determination of the controversy, it has the force and effect of any other judgment. 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.
> (Italics supplied)

ACCORDINGLY, the parties' *Joint Motion to Render Judgment Based on Compromise Agreement*, filed on May 5, 2026, is hereby **GRANTED**. Their Compromise Agreement is hereby **APPROVED**. This Judgment on Compromise Agreement is rendered in accordance therewith. The parties are hereby **ENJOINED** to faithfully comply with all the terms and conditions of the aforesaid Compromise Agreement.

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

SO ORDERED.

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

I CONCUR:

CORAZON G. FERRER-FLORES
Associate Justice

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2 G.R. No. 171698, July 4, 2007.

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.

MARIA ROWENA MODESTO-SAN PEDRO
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.

MA. BELEN M. RINGPIS-LIBAN
Presiding Justice