REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

CENTER FOR LEADERSHIP AND CHANGE, INC., Petitioner,	**CTA CASE NO. 9652**
	Members:
- versus -	**CASTAÑEDA, JR.,** *Chairperson,* **BACORRO-VILLENA,** *and* **CUI-DAVID,** *JJ.*
COMMISSIONER OF INTERNAL REVENUE, Respondent.	Promulgated: FEB 22 2022 2:1? p.m.

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JUDGMENT BASED ON COMPROMISE AGREEMENT

CASTAÑEDA, JR., J.:

For resolution of the Court are the following:

1. PMC-CTA's **Mediator's Report, Successful Settlement** with attached Complete Compromise Agreement, filed on June 11, 2021;

2. petitioner's **Manifestation and Motion**, filed by registered mail on October 22, 2021 and received by the Court on November 5, 2021; and

3. respondent's **Compliance**, filed on October 26, 2021.

During the hearing held on April 10, 2019, petitioner's counsel and respondent's counsel insisted that this case be referred to mediation.[1] In the Order dated April 10, 2019, the Court referred the case to mediation in the Philippine Mediation Center-Court of Tax Appeals (PMC-CTA).

After the termination of the mediation proceedings, the PMC-CTA forwarded on June 11, 2021 the Mediator's Report **PMC-CTA's Mediator's Report,** signed by Atty. Emma Cariño-Francisco, Appellate Mediator, stating that there has been a successful settlement in this case. Attached to the said Report are the following supporting documents, *viz*:

1. Agreement to Mediate and Selection of Mediator dated May 15, 2021 (original copy);

2. Selection of Mediator dated May 15, 2021 whereby the parties selected Atty. Emma Cariño-Francisco to be the Mediator in the instant case (original copy);

3. Secretary's Certificate dated March 26, 2021, signed by petitioner's Corporate Secretary, Marita E. Chua (photocopy);

4. Special Power of Attorney dated February 5, 2018 signed by the BIR Regional Director, Revenue Region 8, Makati City, Glen A. Geraldino (photocopy, but the original is found in the records);

5. Appearance of Parties in the Mediation Conferences on May 30, 2019, June 27, 2019, and July 25, 2019 (original copy);

6. Compromise Agreement, signed by petitioner's authorized representative Ma. Carmen Alcuaz-Reyes and respondent Commissioner of Internal Revenue, Caesar R. Dulay, and attested by Atty. Emma Cariño-Francisco, and notarized on March

[1] Minutes of the hearing dated April 10, 2021, docket, vol. III, p. 1044.

26, 2021 (original copy but signature page containing signature of Atty. Emma Cariño-Francisco is a photocopy); and

7. Payment Form (BIR Form No. 0605) representing the payment of compromise amount of ₱1,058,586.52 for VT for the taxable year ending December 31, 2011 (printout).

In the Resolution dated June 25, 2021, the Court held in abeyance the resolution of the Mediator's Report of the PMC-CTA and ordered the parties to submit, within 15 days from receipt thereof, the original or certified true copies of the following: (1) Secretary's Certificate dated March 26, 2021; (2) Signature page for Atty. Emma Cariño-Francisco in the Compromise Agreement; and (3) Certificate of Availment showing approval of the Compromise Agreement by the National Evaluation Board (NEB) with attached signature page showing the approval by the majority of the members of the NEB composed of the Commissioner and the four Deputy Commissioners.

Hence, petitioner filed its Compliance and Submission on July 6, 2021, submitting the original copy of the Secretary's Certificate dated March 26, 2021.

Thereafter, the Court issued a resolution on September 30, 2021, stating that the Court already received the signature page of Atty. Cariño-Francisco from PMC-CTA. In the same resolution, the Court noted the petitioner's compliance and submission of the original copy of the Secretary's Certificate dated March 26, 2021 and gave the parties additional period of fifteen (15) days, within which to submit the Certificate of Availment showing approval of the Compromise Agreement by the NEB, with attached signature page showing the approval by the majority of the members of the NEB composed of the Commissioner and the four Deputy Commissioners.

Subsequently, petitioner's filed its **Manifestation and Motion** on October 22, 2021.

Petitioner states that it received a copy of the Court's resolution dated September 30, 2021 wherein the Court granted the parties an additional period of 15 days, or until October 28, 2021, within which to submit the Certificate of Availment showing approval of the Compromise Agreement by the NEB, with attached signature page gc showing the approval by the majority of the members of the NEB composed of the Commissioner and the four Deputy Commissioners.

It manifests that based on its discussions with respondent's counsel, the Certificate of Availment is still being routed to the members of the NEB for signature. Petitioner also states that respondent's counsel has endeavoured to submit the same to the Court as soon as it is completed. Petitioner further manifests that the parties fully intend to submit the original Certificate of Availment duly signed by the members of the NEB, and that the parties will exert best efforts to expedite the release of the same.

Hence, petitioner requests the Court to grant the parties an additional period of 15 days from October 28, 2021, or until November 12, 2021, within which to submit the duly-signed Certificate of Availment.

Thus, Court notes petitioner's Manifestation.

In respondent's **Compliance** filed on November 23, 2021, he submitted a Certified True Copy of the Certificate of Availment dated October 13, 2021, showing the approval of the NEB of the compromise settlement of deficiency Income, Value-Added, Expanded Withholding, Final Withholding, Value-Added, Expanded Withholding, Final Withholding, and the signature page showing the approval of the members of the NEB.

The Court notes respondent's Compliance. Accordingly, petitioner's Motion is rendered Moot and Academic.

Considering the submission of the above documents, the Court shall now act on the PMC-CTA's Mediator's Report of Successful Settlement and the parties' Compromise Agreement.

The Compromise Agreement partly reads:

"**<u>Compromise Agreement</u>**

xxx xxx xxx

WHEREAS, the **PARTIES**, for the purpose of avoiding and putting an end to a protracted, expensive and mutually prejudicial litigation, have agreed to amicably 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 paid, and that the **CIR** has accepted the total payment of **Php1,539,059.29**, which is in addition to the compromise offer of **Php3,804,928.85** that the **TAXPAYER** has paid to the BIR, R.R. No. 8 on August 11, 2017 (the "**Judicial Compromise Amount**").

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Section 3. Effectivity of the Agreement. This **Agreement** shall take effect and bind the **PARTIES** upon final approval by the Honorable CTA. This **Agreement** shall thereafter remain in force and effect until completion and fulfillment of the covenants and undertaking of the **PARTIES** hereto.

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 **CIR** 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**.

Section 5. Authority to Enter Compromise Agreement. The BIR, through Commissioner Caesar R. Dulay, warrant that he has the necessary authority and capacity under the law to enter, sign, and execute this **Agreement**, and to deliver its implementing documents upon its approval of the Honorable CTA.

The **TAXPAYER**, through Ma. Carmen Alcuaz-Reyes, President and CEO, is duly authorized by the Board of Directors of the **TAXPAYER** and has full legal capacity to enter, sign, and execute this **Agreement**, and to deliver payment of the above-agreed additional amount.

Section 6. Full and Final Settlement. This **Agreement** by the **PARTIES** for the purpose of amicably settling and ending CTA Case No. 9652. Upon approval by the Honorable CTA, the **CIR** recognizes the full satisfaction of the supposed tax liability of the **TAXPAYER** in connection with CTA Case No. 9652 and acknowledges that the **TAXPAYER** no longer has any tax liability whatsoever based upon, arising from, or in connection with the TY 2011 Assessment.

xxx xxx xxx"

Under the Civil Code and in the Revised Rules of Court, courts are directed to persuade litigants in civil cases to agree upon some fair compromise. Such agreement has the force of law and is conclusive between the parties.[2]

A compromise agreement is a contract whereby the parties make reciprocal concessions in order to resolve their differences and, thus, avoid or put an end to a lawsuit. They adjust their difficulties in the manner they have agreed upon, disregarding the possible gain in litigation and keeping in mind that such gain is balanced by the danger of losing. It must not be contrary to law, morals, good customs and public policy, and must have been freely and intelligently executed by and between the parties. A compromise agreement may be executed in and out of court. Once a compromise agreement is given judicial approval, however, it becomes more than a contract binding upon the parties. Having been sanctioned by the court, it is entered as a determination of a controversy and has the force and effect of a judgment[3].

After careful scrutiny of the documents submitted by the parties in support of the judicial compromise, the Court finds the

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[2] *Viesca vs. Gilinsky*, G.R. No. 171698, July 4, 2007.
[3] *David M. David vs. Federico M. Paragas, Jr.*, G.R. No. 176973, February 25, 2015.

same in order and in compliance with the established laws, rules and regulations. Hence, the Court approves the same.

WHEREFORE, in view of the foregoing, PMC-CTA's **Mediator's Report** of **Successful Settlement** is **GRANTED**. Likewise, petitioner's **Manifestation** and respondent's **Compliance** are **NOTED**. While, petitioner's **Motion** is rendered **MOOT AND ACADEMIC**.

Accordingly, the **Judicial Compromise Agreement** 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 of the aforesaid Compromise Agreement.

Hence, this case is now **CLOSED** AND **TERMINATED**.

SO ORDERED.

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

I CONCUR:

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

(Inhibited)
LANEE S. CUI-DAVID
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

REPUBLIC OF THE PHILIPPINES
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SECOND DIVISION

CENTER FOR LEADERSHIP AND CHANGE, INC.
Petitioner,

CTA Case No. 9652

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

x---x

ORDER

The undersigned Associate Justice voluntarily recuses herself from participating in the resolution of the "Motion to Render Judgment Based on Compromise Agreement" (Motion) and in the approval of the Compromise Agreement (Agreement) filed by the parties in the above-captioned case.

Said action is being taken in light of Section 6(c), Rule 2 of the Revised Rules of the Court of Tax Appeals, in relation to Section 1, Rule 137 of the Revised Rules of Court[1], which provides that:

> "A justice of the Court may, in the exercise of sound discretion, disqualify voluntarily from sitting in a case or proceeding, for just or valid reasons other than those mentioned above".

The subject Agreement, which was executed by the parties on 26 March 2021[2], is one of the compromise settlements approved by the undersigned in her capacity as a member of the National Evaluation Board (NEB), during her incumbency as Deputy Commissioner of the BIR's Information Systems Group.

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[1] Rule 137. SECTION 1. Disqualification of judges. – xxx A judge may, in the exercise of his sound discretion, disqualify himself from sitting in a case, for just or valid reasons other than those mentioned above.

[2] Mediator's Report dated June 8, 2021

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This is evidenced by the appearance of the undersigned's name and signature in the signature page of the Certificate of Availment, which shows the approval of the subject Agreement by the members of the NEB.[3]

It is well-established that, in observance of Canon 2 of the Code of Judicial Conduct, a judge should avoid impropriety and the appearance of impropriety in all his activities. Indeed, a judge is not only required to be impartial; he must also *appear* to be impartial. As such, *judges must not only render just, correct and impartial decisions, but must do so in a manner free of any suspicion as to their fairness, impartiality, and integrity.*[4]

In this regard, the undersigned's resolve to excuse herself from the proceedings in the above-captioned case will render the **resolution** of the Motion and the **approval** of the Agreement, free of any doubts or misgivings as to their objectivity, independence, and integrity.

SO ORDERED.

Quezon City, February 7, 2022.

LANEE CUI-DAVID
Associate Justice

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[3] Compliance dated November 23, 2021
[4] Angping vs. Ros, A.M. No. 12-8-160-RTC, December 10, 2012