REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SPECIAL FIRST DIVISION

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SARIMANOK NEWS NETWORK, INC., Petitioner,	**CTA Case No. 9285**
	Members:
	DEL ROSARIO, P.J., Chairperson, **UY,** and
- versus -	**MINDARO-GRULLA,** JJ.
COMMISSIONER OF INTERNAL REVENUE, Respondent.	***Promulgated:*** JUL 08 2019 3:45 pm

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JUDGMENT ON COMPROMISE AGREEMENT

For resolution is the parties' ***"Joint Motion for Approval of Compromise Agreement[1]"*** filed on September 3, 2018; together with respondent's ***"Compliance with Submission"*** filed on April 16, 2019.[2]

The parties' Joint Motion for Approval of Compromise Agreement

In support of the Joint Motion for Approval of Compromise, the parties attached the following documents:

1. Original copy of the Judicial Compromise Agreement[3];

2. Payment Forms (BIR Form No. 0605) and their corresponding eFPS Payment Details and Filing Reference Nos.[4] representing payments for deficiency Income Tax,

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[1] Docket (Vol. V), pp. 2238 to 2242.
[2] Docket (Vol. V), pp. 2336 to 2359.
[3] Docket (Vol. V), pp. 2243 to 2250.
[4] Docket (Vol. V), pp. 2251 to 2269.

Value-Added Tax, Expanded Withholding Tax, Withholding Tax on Compensation and Documentary Stamp Tax.

As regards to the Compromise Agreement embodied in the joint motion, the same reads as follows:

"**<u>JUDICIAL COMPROMISE AGREEMENT</u>**

KNOWN ALL MEN BY THESE PRESENTS:

This JUDICIAL COMPROMISE AGREEMENT ("Agreement"), made and executed, by and between:

SARIMANOK NEWS NETWORK, INC., a domestic corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 2nd Floor, Main Building, ABS-CBN Broadcast Center, Sgt. Esguerra Avenue corner Mother Ignacia Street, Quezon City, represented by its Chief Financial Officer, **MR. ROLANDO P. VALDUEZA;**

-and-

The BUREAU OF INTERNAL REVENUE ("BIR"), with principal office at Bureau of Internal Revenue, National Office Building, Agham Road, Diliman, Quezon City, represented by the Commissioner, **HON. CAESAR R. DULAY** (collectively, the "**PARTIES**");

-Witnesseth That-

WHEREAS, the **BIR** issued to the TAXPAYER a Final Assessment Notice ("**FAN**") dated 10 April 2014 covering the taxable period of CY 2009 for the alleged deficiency internal revenue taxes in the amount of **Eighty-Eight Million Three Hundred Fourteen Thousand One Hundred Fifty-Three Pesos and Sixty-Eight Centavos** (Php88,314,153.68) broken down as follows:

TAX TYPE	BASIC	SURCHARGE	INTEREST	COMP. PENALTY	TOTAL
Income Tax	21,007,276.86	0.00	17,015,894.26	50,000.00	38,073,171.12
Value Added Tax	17,578,808.13	4,394,702.03	14,238,834.58	50,000.00	36,262,344.75
Expanded WT	3,270,393.77	0.00	2,681,722.89	25,000.00	5,977,116.66
Compensation	491,014.09	0.00	402,631.54	16,000.00	909,645.61
DST	3,401,872.24	850,468.06	2,789,535.24	25,000.00	7,066,875.54
Others- Misc. Taxes	0.00	0.00	0.00	25,000.00	25,000.00
Total	**45,749,365.09**	**5,245,170.09**	**37,128,618.51**	**191,000.00**	**88,314,153.68**

WHEREAS, the **TAXPAYER** then filed with the **BIR** its Protest Letter with Request for Reinvestigation dated 9 May 2014 denying the merit of the FAN dated 10 April 2014;

WHEREAS, the **BIR** issued a FINAL DECISION ON DISPUTED ASSESSMENT ("**FDDA**") dated 23 September 2015, which denied the Protest filed by the **TAXPAYER.** The amount appearing in the FDDA is broken down as follows:

TAX TYPE	BASIC	SURCHARGE	INTEREST	COMP. PENALTY	TOTAL
Income Tax	19,483,785.27	0.00	21,704,937.04	50,000.00	41,238,722.31
Value Added Tax	17,578,808.13	4,394,702.03	20,039,841.27	50,000.00	42,063,351.43
Expanded WT	2,141,787.93	0.00	2,445,921.82	25,000.00	4,612,709.75
Compensation	491,014.09	0.00	560,738.09	16,000.00	1,067,752.18
DST	3,364,250.05	841,062.51	3,841,973.56	25,000.00	8,072,286.12
Others- Misc. Taxes	0.00	0.00	0.00	25,000.00	25,000.00
Total–Part I and II	**43,059,645.46**	**5,235,764.54**	**48,593,411.78**	**191,000.00**	**97,079,821.79**

WHEREAS, the **TAXPAYER** filed its Request for Reconsideration dated October 22, 2015 with the **BIR** on October 23, 2015 which sought the cancellation of the findings in the FDDA;

WHEREAS, the **TAXPAYER** received the Final Decision ("**Final Decision**") dated February 4, 2016 of the **BIR** which denied the appeal letter dated October 22, 2015 of the **TAXPAYER;**

WHEREAS, the TAXPAYER instituted an action against the BIR entitled ***"Sarimanok News Network, Inc. vs. Commissioner of Internal Revenue",*** docketed as CTA Case No. 9285, pending before the Honorable First Division of the Court of Tax Appeals ("**CTA**"), seeking the reversal of the **Final Decision**, and the cancellation of the **FAN**;

WHEREAS, the **TAXPAYER** has submitted its proposal to the **BIR** with the intention to enter into a judicial compromise pursuant to the provisions of the Civil Code of the Philippines, jurisprudence, relevant decisions of the Honorable CTA and relevant laws on judicial compromise;

WHEREAS, the Honorable CTA issued a **Resolution** dated 15 May 2018 stating that the parties are not prohibited from entering into a compromise agreement at any time;

WHEREAS, the Honorable CTA has issued rulings allowing judicial compromises similar to the instant case.

WHEREAS, the **BIR** has evaluated the **TAXPAYER's** proposal for amicable settlement and believes that a judicial compromise to allow immediate tax collection and also put an end to litigation as provided in the Civil Code of the Philippines, serves the interest of the Government;

WHEREAS, the **PARTIES**, ensure that the terms of the amicable settlement as contained in this **Agreement** do not circumvent the limitations provided in Section 204 of the National Internal Revenue Code on administrative compromise proceedings;

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 the **BIR** has accepted the **amount equivalent to forty percent (40%)** of the *Basic Income Tax, Basic Value Added Tax*, and *Documentary Stamp Tax* assessed, as well as the **amount equivalent to one hundred percent (100%)** of the Basic Expanded Withholding Tax and Withholding Tax on Compensation in the total compromise amount of **Seventeen Million Eight Hundred Thirty-Seven Thousand Seven Hundred Twenty-One Pesos and Eighteen Centavos** (Php17,837,721.18) ("Judicial Compromise Amount").

This amount is broken down as follows:

TAX TYPE	BASIC TAX	ALREADY PAID	ADJUSTED BASIC TAX	COMPROMISE RATE	COMPROMISE AMOUNT
INCOME TAX	19,483,785	1,437,027	18,046,759	40%	**7,218,703.46**
VAT	17,578,808		17,578,808	40%	**7,031,523.25**
EWT	2,141,788	74,799	2,066,989	100%	**2,066,989.37**
COMPEN	491,014	199,474	291,540	100%	**291,539.62**
DST	3,364,250	291,836	3,072,414	40%	**1,228,965.48**
TOTAL	**43,059,645**	**2,003,136**	**41,056,509**		**17,837,721.18**

Section 2. Submission to the Honorable CTA. This Agreement fully signed by the **PARTIES** shall be submitted for the approval to the Honorable CTA in CTA Case No. 9285. The **PARTIES** undertake to perform any and all acts and submit any and all documents required by the Honorable CTA to be able to render a **Judgment by Compromise Agreement** in the said case.

Section 3. Effectivity of the Agreement. This **Agreement** shall only 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 **Taxpayer** undertakes to submit to the **BIR** the **Judicial Compromise Amount**. Upon receipt of the **Judicial Compromise Amount**, 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 **FAN** dated 10 April 2014.

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 its Chief Financial Officer, **MR. ROLANDO P. VALDUEZA**, similarly warrants that he 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 delivery payment of the above-agreed additional amount.

Section 6. Full and Final Settlement. This Agreement is executed by the **PARTIES** for the purpose of amicably settling and ending CTA Case No. 9285. Upon performance by the **TAXPAYER of its obligations under Section 4 hereof, the BIR** recognizes the full satisfaction of the supposed tax liability, including any alleged deficiency interest, surcharge, and other penalties thereon, of the **TAXPAYER** in connection with CTA Case No. 9285 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. 9285 (**TAXPAYER**'s alleged deficiency internal revenue taxes for CY 2009).

Section 7. Disapproval of this Agreement by the Honorable CTA. In the event that this **Agreement** is disapproved by the Honorable CTA, the **PARTIES** agree to a curing period of sixty (60) days from receipt of the Order/Resolution disapproving this Agreement. During such curing period, the **PARTIES** mutually agree to perform any and all acts necessary to rectify or correct the deficiency, defect or imperfection which caused its disapproval, and re-submit the rectified or corrected Agreement for approval of the Honorable CTA. However, in case the deficiency, defect or imperfections is not or cannot be rectified or corrected within the said curing period, or still not approved by the Honorable CTA after it is rectified or corrected by the parties:

1. The amount insofar already paid by the **TAXPAYER** to the BIR shall be deemed a tax credit which may be applied against internal revenue taxes for which the **TAXPAYER** may be directly liable, as allowed under existing rules and regulations; and

2. The proceedings of CTA Case No. 9285 shall continue and the discussions pursuant to the disapproved Agreement cannot be used by the **PARTIES** in said proceeding unless consent of the other party be obtained.

Section 8. Nullification of this Agreement by the Honorable Supreme Court. In the remote event that this Agreement is later nullified by the Honorable Supreme Court, the **PARTIES** likewise agree to a curing period of sixty (60) days from receipt of the Order/Resolution nullifying this Agreement. During such curing period, the **PARTIES** mutually agree to perform any and all acts necessary to rectify or correct the deficiency, defect, or imperfection which caused its nullification, and re-submit the rectified or corrected Agreement for approval of the Honorable Supreme Court. In case the deficiency, defect or imperfection, however, is not or cannot be rectified or corrected within the said curing period, or still not approved by the Honorable Supreme Court after it is rectified or corrected:

1. The amount insofar already paid by the **TAXPAYER** to the BIR shall be deemed a tax credit which may be applied against internal revenue taxes for which the **TAXPAYER** may be directly liable, as allowed under existing rules and regulations; and

2. The proceedings of CTA Case No. 9285 shall continue and the discussions pursuant to the disapproved Agreement cannot be used by the **PARTIES** in said proceeding unless consent of the other party be obtained.

Section 9. No Admission of Liability. The execution of this **Agreement** shall not constitute or be interpreted in any way as an admission or acknowledgment of error or liability by the **PARTIES**.

Section 10. Non-Performance. The **PARTIES** agree that the failure of any **PARTY** to comply with any of the terms and conditions of this Agreement shall entitle the aggrieved **PARTY** to file an appropriate motion with the Honorable **CTA** for the immediate implementation and execution of the terms and conditions of this Agreement or the judgment or order of the Honorable CTA approving the same.

Section 11. Signatures and Counterparts. This Agreement may be signed in counterparts, each of which when executed and delivered shall constitute a duplicate original, but all of which shall be taken together as a single instrument. Until and unless each party has received a counterpart hereof signed by the other party hereto, the Agreement shall have no effect and no party shall have any right or obligation hereunder.

IN WITNESS WHEREOF, the **PARTIES** have mutually and voluntarily agreed to the foregoing stipulations and have hereunto signed these presents at the date and place indicated above.

SARIMANOK NEWS NETWORK, INC.	**BUREAU OF INTERNAL REVENUE**
By: (SGD) **MR. ROLANDO P. VALDUEZA** Chief Financial Officer	By: (SGD) **HON. CAESAR R. DULAY** Commissioner"

Records show that in the Resolution dated October 15, 2018, the parties were given thirty (30) days from notice to establish by way of filing the appropriate pleading and supporting documents that the subject compromise settlement was executed in full compliance with legal requirements. Thereafter, petitioner's *Joint Motion for Approval of Compromise Agreement* shall be submitted for the resolution of the Court.

Subsequently, petitioner filed a ***Compliance*** on November 16, 2018[5] which was NOTED in the Resolution dated December 21, 2018.[6] On the other hand, respondent likewise filed a ***Compliance*** on January 11, 2019[7], attaching thereto a Certificate of Availment (Compromise Settlement)[8]; as well as, a ***Compliance with Submission***[9] on April 16, 2019, praying for the following to be admitted and be considered for sufficient compliance with the Resolution dated February 11, 2019:

(1) Memorandum dated 11 April 2019 from Assistant Commissioner Alfredo V. Misajon stating the basis of his authority to sign the Certificate of Availment in relation to

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[5] Docket (Vol. V), pp. 2281 to 2295
[6] Docket (Vol. V), p. 2308
[7] Docket (Vol. V), pp. 2309-2311
[8] Docket (Vol. V), p. 2312
[9] Docket (Vol. V), pp. 2336 to 2339

the approved Compromise Settlement attached as Annex "A"[10];

(2) Certified True Copy of Revenue Delegation Authority Order (RDAO) No. 6-2007 proving his authority to sign the Certificate of Availment in relation to the approved Compromise Settlement attached as Annex "B"[11];

(3) Certified True Copy of Revenue Memorandum Order (RMO) No. 33-2018 proving his authority to sign the Certificate of Availment in relation to the approved Compromise Settlement attached as Annex "C"[12]; and

4) Certified True Copy of the signature page evidencing approval by the National Evaluation Board (NEB) of the Application for Compromise Settlement (Judicial) attached as Annex "D"[13];

Accordingly, respondent's ***Compliance*** filed on January 11, 2019 and ***Compliance with Submission*** filed on April 16, 2019 are hereby **NOTED.**

We shall now resolve the instant ***"Joint Motion for Approval of Compromise Agreement[14]".***

As a rule on compromise settlement, Section 204(A) of the National Internal Revenue Code (NIRC) of 1997 provides that for cases other than financial incapacity, the minimum compromise rate is forty percent (40%) of the basic assessed tax, and in case the basic tax exceeds ₱1,000,000.00 or where the settlement offered is less than the said prescribed minimum rates, the compromise must be approved by the Evaluation Board, which is composed of respondent and the four (4) Deputy Commissioners of the BIR[15].

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[10] Docket (Vol. V), pp. 2340 to 2359
[11] Docket (Vol. V), pp. 2344 to 2347
[12] Docket (Vol. V), pp. 2348 to 2358
[13] Docket (Vol. V), p. 2359
[14] Docket (Vol. V), pp. 2238 to 2242.
[15] "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

Relative to Section 204(A) of the NIRC of 1997, Section 6 of Revenue Regulations (RR) No. 30-2002,[16] as last amended by RR No. 9-2013, provides:

> "SEC. 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) <u>shall be approved by a 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 concurrence of the Commissioner**.
>
> xxx xxx xxx
>
> The compromise offer shall be paid by the taxpayer upon filing of the application for compromise settlement. **No application for compromise settlement shall be processed without the full settlement of the offered amount.** In case of disapproval of the application for compromise settlement, the amount paid upon filing of the aforesaid application shall be deducted from the total outstanding tax liabilities." *(Emphases and underscoring supplied)*

Thus, for a compromise settlement falling within the jurisdiction of the NEB to be valid, it must be shown that the same is approved by a majority of all the members of the NEB, and that there is a full

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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."

[16] SUBJECT: 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.

settlement of the offered amount.

In this case, upon review of the supporting documents attached to the *Joint Motion for Approval of Compromise Agreement* and *Compliance with Submission* submitted by the parties, the Court finds that petitioner has fully settled the legally required minimum amounts for compromise settlement, as shown in the BIR Payment Forms, eFPS Payment Details and Filing Reference Nos representing payments for deficiency Income Tax, Value-Added Tax, Expanded Withholding Tax, Withholding Tax on Compensation and Documentary Stamp Tax.

Furthermore, the Court notes the submission of the *Certificate of Availment* (Compromise Settlement) dated December 18, 2018 together with the Certified True Copy of the signature page evidencing approval by the NEB of the Compromise Settlement as sufficient compliance with the legal requirements.

In light of the foregoing considerations, the Court finds the parties' ***Joint Motion for Approval of Compromise Agreement*** to be in order, as the same has been validly executed by the parties, and the terms and conditions specified therein as not contrary to law, morals, good customs, public order, and public policy.

A compromise is a contract whereby the parties, by making reciprocal concessions, avoid litigation or put an end to one already commenced.[17] It is an accepted and desirable practice in courts of law and administrative tribunals.[18] Settlement of disputes brought before the courts is, in fact, encouraged.[19]

It is settled that contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided that these are not contrary to law, morals, good customs, public order, or policy. [20] Corollary thereto, once submitted to the court and stamped with judicial approval, a compromise agreement becomes more than a mere private contract binding upon

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[17] Civil Code, Art. 2028.
[18] *Far East Bank and Trust Co., Trust and Investment Group, and FEB Investment Inc., vs. Trust Union Shipping Corp. et. al.,* G.R. No. 154716, September 16, 2008, citing *Philippine National Oil Company-Energy Development Corporation (PNOC-EDC) vs. Abella,* G.R. No. 153904, January 17, 2005.
[19] *Viesca vs. Gilinsky*, G.R. No. 171698, July 4, 2007.
[20] Civil Code, Art. 1306.

the parties. Having the sanction of the court and entered as its determination of the controversy, it has the force and effect of any judgment.[21]

WHEREFORE, in light of the foregoing considerations, the parties' *Joint Motion for Approval of Compromise Agreement* filed on September 3, 2018 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.

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

SO ORDERED.

ROMAN G. DEL ROSARIO
Presiding Justice

ERLINDA P. UY
Associate Justice

CIELITO N. MINDARO-GRULLA
Associate Justice

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[21] *Conchita A. Sonley vs. Anchor Savings Bank/Equicom Savings Bank*, G.R. No. 205623, Augusto 10, 2016.