REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
Quezon City

Second Division

PHILIPPINE BOOK FAIRS AND EDUCATION, INC.,
Petitioner,

-versus-

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NO. 10647

Members:
RINGPIS-LIBAN, *Chairperson,*
MODESTO-SAN PEDRO, *and*
FERRER-FLORES, *JJ.*

Promulgated:
FEB 02 2024 3:05 p.m.

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JUDGMENT ON COMPROMISE AGREEMENT

RINGPIS-LIBAN, J.:

On October 10, 2023, the Court received the Philippine Mediation Center-CTA Form 5 (Mediator's Report) with attachments, stating that the Mediation was successful.

On October 12, 2023, the Court issued a Minute Resolution noting the Mediator's Report.

On October 12, 2023, the Court received the parties' "Joint Manifestation and Motion with Motion to Approve and Render Judgment Based on Compromise Agreement," praying that Court consider the parties to have complied with the Resolution, approve the parties' Compromise Agreement dated October 6, 2023, and render judgment declaring the case closed and terminated based on the said Compromise Agreement.

On October 26, 2023, the Court issued a Resolution ordering the parties to submit the original or certified true copy of the "Compromise Agreement" dated October 6, 2023, 'Certificate of Availment" dated March 22, 2023, and "Judicial Compromise Offer" within five (5) days from notice.

On November 20, 2023, the Court received respondent's "Compliance and Manifestation," submitting the original copy of the Compromise Agreement dated October 6, 2023 and the only original copy of the Judicial Compromise Offer. Respondent manifests that the original of the Certificate of Availment dated March 22, 2023 has been transmitted to the petitioner's counsel on October 12, 2023.

In view of the filing of the original copy of the Compromise Agreement, Certificate of Availment and Judicial Compromise Offer, the Court shall now resolve the parties' "Joint Manifestation and Motion with Motion to Approve and Render Judgment Based on Compromise Agreement."

The "Compromise Agreement" states as follows:

> "**WHEREAS**, on 27 October 2021, a Petition for Review was filed by Petitioner Philippine Book Fairs and Education, Inc. challenging the validity of the Warrant of Distraint and/or Levy issued by respondent Commissioner of Internal Revenue in connection with deficiency tax assessments for taxable year 2010. Under the Final Decision on Disputed Assessment ("**FDDA**"), petitioner was required to pay basic tax due in the amount of **Twenty-one Million Nine Hundred Seventeen Thousand Three Hundred Two Philippine Pesos and 20/100 Centavos (Php21,917,302.20)** representing deficiency income tax and **Nine Million Three Hundred Eighty-One Thousand Three Hundred Forty-Two Pesos and 37/100 Centavos (Php9,381,342.37)** representing deficiency value-added tax.
>
> **WHEREAS**, prior to the formal termination of the 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 Internal Revenue Code, petitioner has offered and respondent has accepted the amount of **Two Million One Hundred Ninety-One Thousand Seven Hundred Thirty Pesos ands 22/100 Centavos (Php2,191,730.22)**, representing 10% of the basic income tax stated in the FDDA and the amount of **Nine Hundred Thirty-Eight Thousand One Hundred Thirty-Four Pesos and 24/100 Centavos (Php938,134.24)**, representing 10% of the basic value-added tax stated in the FDDA, in full representing 10% of the basic value-added tax stated in the FDDA, in full settlement of any and all claims in relation to the deficiency tax assessments against Petitioner

Philippine Book Fairs and Education, Inc., for the taxable year 2010."

Section 204(A) of the NIRC of 1997, as amended, provides for the authority of the Commissioner of Internal Revenue (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 P1,000,000.00) <u>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</u>. xxx"** *(Emphasis supplied)*

A compromise settlement is thus deemed valid when the following requirements are present:

> 1. 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 compromise agreement should be approved by the NEB, which is composed of the respondent and his four (4) Deputy Commissioners if the subject assessment exceeds One Million pesos (P1,000,000.00) or where the settlement offered is less than the prescribed minimum rates.

To prove that the offer of compromise was approved by the CIR, the parties presented the Judicial Compromise Offer signed by the members of the National Evaluation Board (NEB), and the Certificate of Availment dated March 22, 2023, signed by James H. Roldan, ACIR, Enforcement and Advocacy Service.

Having found the documents in order, the Court finds the Judicial Compromise Offer and the Certificate of Availment sufficient evidence of the parties' compliance with the said requirements and the mandate of Section 6 of RR No. 30-2002, as amended, to wit: -

> "SEC. 6. APPROVAL OF OFFER OF COMPROMISE.-
>
> Except for offers of compromise where the approval is delegated to the REB[1] pursuant to the succeeding paragraph, all compromise settlements within the jurisdiction of the National Office (NO) shall be approved by **a majority of all the members of the NEB** 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
>
> Provided, however, 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.
>
> 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

[1] Regional Evaluation Board.

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, is it 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

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. xxx"

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 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.[2]

Finding the subject compromise agreement to be in order and in compliance with established laws, rules and regulations, taking into consideration the documents submitted by the parties in support thereof, the same is approved.

WHEREFORE, in view of the foregoing, the parties' "Joint Manifestation and Motion with Motion to Approve and Render Judgment Based on Compromise Agreement" is **GRANTED**.

The "Compromise Agreement" is **APPROVED** and judgment is hereby rendered in accordance therewith. Accordingly, the proceedings in the instant case is considered **CLOSED and TERMINATED**.

SO ORDERED.

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

WE CONCUR:

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

CORAZON G. FERRER-FLORES
Associate Justice

[2] David vs. Paragas, Jr., G.R. No. 176973, February 25, 2015.