REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

GMA MARKETING & PRODUCTIONS, INC.,
Petitioner,

C.T.A. CASE NO. 6785

Members:

-versus-

Castañeda, Jr., *Chairman*
Uy, and
Palanca-Enriquez, *JJ.*

COMMISSIONER OF INTERNAL REVENUE and DEPUTY COMMISSIONER ESTELITA C. AGUIRRE,
Respondents.

Promulgated:

APR 12 2005 [signature]

x - x

DECISION

For consideration of this Court is the "Joint Motion to Render Judgment in Accordance with the Compromise Agreement" filed by both parties on February 21, 2005. The said Compromise Agreement was executed by petitioner and respondents, together with the Land Bank of the Philippines (LBP for brevity).

The Compromise Agreements is hereinbelow quoted in full as follows:

"COMPROMISE AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

This Compromise Agreement is executed and entered into by and among:

The **BUREAU OF INTERNAL REVENUE**, a government bureau under the Department of Finance with principal office at the Bureau of Internal Revenue National Office Building, Agham Road, Quezon City, represented herein by its Commissioner, **GUILLERMO L. PARAYNO, JR.**, hereinafter referred to as the "**BIR**",

GMA MARKETING & PRODUCTIONS, INC., a corporation organized and existing under the laws of the Philippines with principal place of business at 16th Floor Saguittarius Bldg., H.V. DELA COSTA ST., Salcedo Village Makati City, represented herein by its President, **MANUEL P. QUIOGUE**, hereinafter referred to as **GMPI**.

-and-

The **LAND BANK OF THE PHILIPPINES**, a government financial institution organized and existing under the laws of the Republic of the Philippines, with principal office address at 1598 M.H. Del Pilar corner Dr. Quintos, Intramuros, Manila, represented herein by its President and Chief Executive Officer, **MARGARITO B. TEVES**, herein referred to as "**LBP**"

WITNESSETH, that-

WHEREAS, GMPI is the petitioner in CTA Case No. 6785, entitled "GMA MARKETING & PRODUCTIONS, INC. vs. COMMISSIONER OF INTERNAL REVENUE AND DEPUTY COMMISSIONER ESTELITA C. AGUIRRE" pending with the Court of Tax Appeals, disputing the assessment for alleged deficiency taxes;

WHEREAS, the parties acknowledge that the principal sum of money amounting to PESOS: TWO

MILLION THREE HUNDRED FIFTY ONE THOUSAND SEVEN HUNDRED TWENTY TWO AND FIFTY THREE CENTAVOS (P2,351,722.53) being disputed in the above-entitled case represents the value of several checks drawn by GMPI with UNIONBANK OF THE PHILIPPINES in payment for internal revenue taxes;

WHEREAS, the same checks were fraudulent diverted to the personal accounts of and encashed by certain unscrupulous/fictitious persons maintained at LBP Binangonan Branch;

WHEREAS, the parties further acknowledge that taxes are the lifeblood of the country, its efficient and prompt collection is of imperious need; hence it is to the country's best interest, more than the parties' respective interests, that the present case be amicably settled promptly and speedily disposed of;

WHEREAS, in *"Philippine Commercial International Bank vs. Court of Appeals and Ford Philippines"* (350 SCRA 446) dated 29 January 2001, the Supreme Court has affirmed the right of a taxpayer, who issued checks in favor of the BIR for the payment of its tax liabilities, to recover both from the draweee and collecting banks on a fifty-fifty (50-50) ratio the amount of said checks which were fraudulently diverted and encashed by similarly unscrupulous persons;

WHEREAS, the parties have recognized that *Philippine Commercial International Bank vs. Court of Appeals and Ford Philippines*", *supra*, is the same legal basis for collecting each from LBP (collecting bank) and drawee bank separately, the amount of PESOS: ONE MILLION ONE HUNDRED SEVENTY FIVE THOUSAND EIGHT HUNDRED SIXTY ONE AND TWENTY SIX CENTAVOS (P1,175,861.26) representing half of the above-mentioned total amount of the checks fraudulently diverted and encashed.

WHEREAS, in order to enable the BIR to collect the value of the checks representing the tax payments due from GMPI and subject of the above-entitled case, LBP, as collecting bank, has agreed, with the acquiescence of all the parties, to pay directly to BIR said amount of PESOS: ONE MILLION SEVENTY FIVE THOUSAND EIGHT

HUNDRED SIXTY ONE AND TWENTY SIX CENTAVOS (P1,175,861.26) ONLY, in accordance with the Philippine Commercial International Bank vs. Court of Appeals and Ford Philippines" decision;

WHEREAS, GMPI, as taxpayer, with the acquiescence of all the parties, has agreed to assign BIR the right to collect and/or recover the other PESOS: ONE MILLION ONE HUNDRED SEVENTY FIVE THOUSAND EIGHT HUNDRED SIXTY ONE AND TWENTY SIX CENTAVOS (P1,175,861.26) from UNIONBANK OF THE PHILIPPINES, as draweee bank, also in accordance with the same Philippine Commercial International Bank vs. Court of Appeals and Ford Philippines" decision.

NOW, THEREFORE, for and in consideration of the foregoing premises, and the mutual covenants herein obtained, the parties hereby agree as follows:

1. LBP upon approval by the court of this Agreement, shall deliver to the BIR the amount of PESOS: ONE MILLION ONE HUNDRED SEVENTY FIVE THOUSAND EIGHT HUNDRED SIXTY ONE AND TWENTY SIX CENTAVOS (P1,175,861.26) (representing half of the principal amount of P2,351,722.53 subject of the above entitled case which both the BIR and GMPI hereby acknowledge to be LBP's full and final settlement of whatever claim either of them may have against it in connection with the fraudulent diversion of tax payments.

2. Simultaneously upon its receipt of the aforementioned amount from LBP, BIR shall execute and deliver a Release and Quitclaim to LBP and GMPI, respectively, for whatever claim it has against either of them in connection with the same fraudulent diversion of tax payments.

3. Simultaneous also with BIR's execution and delivery of the above Release and Quitclaim in its favor, GMPI, shall likewise execute and deliver a Release and Quitclaim in favor of LBP for whatever claim it has against either of them in connection with the same fraudulent diversion of tax payments.

4. Within ten (10) days after its receipt of the Release and Quitclaim from the BIR, GMPI shall execute and deliver the necessary documents in favor of the BIR for the assignment of its rights to collect against the drawee bank for the amount representing the other half of the value of the check/s fraudulently diverted and encashed, and other charges that may be due and demandable.

5. The LBP and GMPI hereby respectively undertake to render the necessary assistance to BIR, in the form of sharing relevant evidence, documentary or otherwise, necessary for its collection of the above-stated amount of P1,175,861.26 from UNIONBANK OF THE PHILIPPINES, the drawee bank.

6. The parties hereby acknowledge that the execution of this Agreement shall not be without prejudice to the criminal liability of the persons ultimately responsible for the fraudulent diversion and encashment of the checks subject thereof.

IN WITNESS WHEREOF, the parties have hereunto set their hands on _________________ 2004 in ____________________________.

BUREAU OF INTERNAL REVENUE	**LAND BANK OF THE PHILIPPINES**
By:	By:
(Sgd.) **GUILLERMO L. PARAYNO, JR.** Commissioner of Internal Revenue	(Sgd.) **MARGARITO B. TEVES** President and C.E.O.

and

GMA MARKETING & PRODUCTIONS, INC.

By:

(Sgd.) **MANUEL P. QUIOGUE**
President

Respectively assisted by:

(Sgd.) **ATTY. PABLO M. BASTES, JR.**
Counsel for BIR

(Sgd.) **ATTY. REYNAULD R. VILLAFUERTE**
Counsel for LBP

(Sgd.) **ERIC VINCENT A. ESTOESTA**
BELO GOZON ELMA PAREL ASUNCION & LUCILA
Counsel for GMA MARKETING & PRODUCTION, INC."

Finding the foregoing Compromise Agreement not contrary to law, public policy and morals, the same is hereby approved and judgment is hereby rendered based therein.

The parties are thus enjoined to faithfully comply with all the terms and conditions of the aforesaid compromise agreement.

SO ORDERED.

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

We concur:

ERLINDA P. UY
Associate Justice

OLGA PALANCA-ENRIQUEZ
Associate Justice

CERTIFICATION

I hereby certify that this Decision was reached after due consultation among the members of this Division in accordance with the provisions of Section 13, Article VIII of the Constitution.

Juanito C. Castañeda, Jr.
JUANITO C. CASTAÑEDA, JR.
Chairman