REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

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HOLY ANGEL UNIVERSITY, Petitioner,	**CTA Case No. 10542**
	Members:
- versus -	**UY,** *Chairperson*, **BACORRO-VILLENA,** *and* **CUI-DAVID**, *JJ.*
COMMISSIONER OF INTERNAL REVENUE, Respondent.	**Promulgated:** JAN 2 5 2023 3:35 pm

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JUDGMENT ON COMPROMISE AGREEMENT

UY, *J.*:

For resolution is the parties' ***Joint Omnibus Motion [Judgment Based on Compromise Agreement]***[1] filed on November 11, 2022, praying that the parties' Judicial Compromise Agreement be approved by the Court.

In support of their *joint motion*, the parties attached the following:

1) Judicial Compromise Agreement executed by Atty. Benedict R. Tugonon, petitioner's authorized representative and Hon. Lilia Catris Guillermo as the Commissioner of Internal Revenue;[2]

2) Secretary's Certificate dated November 4, 2021 executed by Atty. Elfren P. Hipolito, Jr., petitioner's Corporate Secretary authorizing the law firm of Quiason Makalintal Barot Torres

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[1] Docket, pp. 444 to 447.
[2] Docket, pp. 448 to 453.

Ibarra Sison & Damaso, or any of its lawyers as petitioner's authorized representatives to enter and to sign compromise agreements;[3]

3) Photocopies of BIR Form No. 0605, eFPS Payment Confirmation and Payment Acknowledgment Receipt, evidencing total payment in the amount of ₱2,117,894.40;[4]

4) Certified true copy of the Certificate of Availment (Compromise Settlement) in relation to petitioner's application for compromise settlement of its income tax liabilities in the amount of ₱5,294,736.60 for taxable year 2012.[5]

The Compromise Agreement reads as follows:

"**JUDICIAL COMPROMISE AGREEMENT**

KNOW ALL MEN BY THESE PRESENTS:

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

HOLY ANGEL UNIVERSITY ("**TAXPAYER**"), a domestic corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 1 Holy angel Avenue corner Sto. Rosario Street, Angeles City, Philippines, represented by it authorized representative, **ATTY. BENEDICT R. TUGONON;**

-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. LILIA CATRIS GUILLERMO** (collectively, the "**PARTIES**");

WHEREAS, the **BIR** issued to the **TAXPAYER** a **Formal Letter of Demand with Final Assessment Notice** ("**FLD-FAN**") dated April 27, 2016 for the taxable year 2012, for the alleged deficiency income tax amounting to Eight Million One Hundred Eighteen Thousand Five Hundred

[3] Docket, pp. 461 to 462.
[4] Docket, pp. 454 to 459.
[5] Docket, p. 477.

Ninety-six Pesos and Twelve Centavos (P8,118,596.12), inclusive of interest and penalty;

WHEREAS, the **BIR** issued to the **TAXPAYER** a **Final Decision on Disputed Assessments** ("**FDDA**") dated October 4, 2016 for the taxable year 2012, for the alleged deficiency income tax amounting to Eight Million Five Hundred Fifty-nine Thousand Eight Hundred Twenty-four Pesos and Seventeen Centavos (P8,559,824.17), inclusive of interest and penalty;

WHEREAS, **TAXPAYER** filed an appeal through request for reconsideration on November 23, 2016;

WHEREAS, the **BIR** issued to the **TAXPAYER** a **Decision** dated April 16, 2021 for the taxable year 2012 affirming the FDDA and directing payment of Eight Million Five Hundred Fifty-nine Thousand Eight Hundred Twenty-four Pesos and Seventeen Centavos (P8,559,824.17), inclusive of interest and penalty;

WHEREAS, the **TAXPAYER** instituted an action against the **BIR** entitled "***Holy Angel University vs. Commissioner of Internal Revenue***", docketed as CTA Case No. 10542, pending before the Honorable Second Division of the Court of Tax Appeals ("**CTA**"), seeking the reversal of the **FDDA**, and the cancellation of the **FLD**;

WHEREAS, the **TAXPAYER**, pursuant to mediation proceedings before the Court of Tax Appeals ("CTA") submitted a **proposal for amicable settlement** dated March 22, 222 for the alleged deficiency tax assessment contained in the **FLD** and **FDDA**;

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 to put an end to litigation as provided in the Civil Code of the Philippines, serves the interest of the Government;

WHEREAS, the **PARTIES** have agreed to enter into an amicable settlement pursuant to the provisions of the Civil Code of the Philippines, jurisprudence, relevant decision of the Honorable CTA, and relevant laws on judicial compromise without contravening laws, morals, public order and public policy;

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

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 abovementioned 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 total payment of Two Million One Hundred Seventeen Thousand Eight Hundred Ninety-Four Pesos and Forty Centavos (P2,117,894.40) ("Judicial Compromise Amount").

Section 2. Submission to the Honorable CTA. This **Agreement** fully signed by the **PARTIES** shall be submitted for the approval of the Honorable CTA in **CTA Case No. 10542**. The **PARTIES** undertake to perform any and all acts and submit any and all documents required by 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 and termination 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 **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 **FLD-FAN** dated April 27, 2016, the **FDDA** dated October 4, 2016 and the Decision dated April 16, 2021.

Section 5. Authority to Enter Compromise Agreement. The **BIR,** through Commissioner Lilia Catris

Guillermo warrants that she 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** warrants that Atty. Benedict R. Tugonon 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** is executed by the **PARTIES** for the purpose of amicably settling and ending the CTA Case No. 10542, and all other cases that may have stemmed from or arisen from CTA Case No. 10542 ("CTA Case"). Upon approval by the court, the **BIR** recognizes the full satisfaction of the supposed tax liability of the **TAXPAYER** in connection with the CTA Case 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. 10542.

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 imperfection 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 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. 10542 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. No Admission of Liability. The execution of this **Agreement** shall not constitute or be interpreted in any way as an admission or acknowledgement of error or liability by the **PARTIES**.

Section 9. 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 10. 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** hereto have mutually and voluntarily agreed to the foregoing stipulations and have hereunto signed these presents at the date and place indicated above.

HOLY ANGEL UNIVERSITY By:	**BUREAU OF INTERNAL REVENUE**
(Signed) **ATTY. BENEDICT R. TUGONON** *Authorized Representative*	(Signed) **LILIA CATRIS GUILLERMO** *Commissioner*"

We resolve.

A scrutiny of the subject Judicial Compromise Agreement, as well as the documents submitted by the parties in support thereof, shows that the same are in order.

Particularly, petitioner paid a total of ₱2,117,894.40, or forty percent (40%) of the basic income tax deficiency of ₱5,294,736.60 as per the Formal Letter of Demand and Assessment Notice (Assessment

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No. 21A-R-1209156970) dated April 27, 2016, and obtained the approval of the NEB, in accordance with Section 204(A) of the National Internal Revenue Code of 1997, as amended.[6]

Moreover, the compromise agreement was validly executed by the parties, and the terms and conditions specified therein are 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.[7] Contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided that they are not contrary to law, morals, good customs, public order, or public policy. [8] Such means of dispute settlement is an accepted, even desirable and encouraged, practice in courts of law and administrative tribunals.[9]

Moreover, a judgment by compromise is a judgment embodying a compromise agreement entered into by the parties in which they make reciprocal concessions in order to terminate a litigation already instituted.[10] A compromise approved by final order of the court has the force of *res judicata* between the parties, and cannot and should not be disturbed except for vices of consent or forgery, it being the obvious

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[6] Section 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) 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." (*Emphasis supplied*)

[7] Article 2028, Civil Code of the Philippines.

[8] Article 1306, Civil Code of the Philippines.

[9] *Asset Pool A (SPV-AMC) vs. Clark Development Corp.*, G.R. No. 205915, November 10, 2015.

[10] *Jose Diaz Jr., et al., vs. Salvador Valenciano, Jr., et al.*, G.R. No. 209376, December 6, 2017.

purpose of such compromise to settle once and for all the issues involved and bar all future disputes and controversies.[11]

WHEREFORE, in light of the foregoing considerations, the *Judicial Compromise Agreement* is hereby **APPROVED** and this **Judgment on Compromise Agreement** is hereby rendered in accordance therewith. The parties are enjoined to faithfully comply with all the terms and conditions of the aforesaid Compromise Agreement.

Accordingly, the instant case is now deemed **CLOSED AND TERMINATED**.

SO ORDERED.

ERLINDA P. UY
Associate Justice

WE CONCUR:

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

LANEE S. CUI-DAVID
Associate Justice

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

ERLINDA P. UY
Associate Justice

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[11] *Id.*

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, it is hereby certified 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.

ROMAN G. DEL ROSARIO
Presiding Justice