REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

CLINICAL OCCUPATIONAL MEDICINE & TREATMENT CENTRE, INC., Petitioner,	**CTA Case No. 10670**
	Members:
- versus -	**UY**, *Chairperson,* **BACORRO-VILLENA**, *and* **CUI-DAVID**, *JJ.*
COMMISSIONER OF INTERNAL REVENUE, Respondent.	**Promulgated:** APR 24 2023 10:15 a.m.

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JUDGMENT ON COMPROMISE AGREEMENT

UY, *J.*:

Before this Court is the *Joint Motion for Judgment Based on Compromise Agreement,*[1] praying for the approval of the *Compromise Agreement,*[2] signed by Suzanne Marie C. Abesamis, Corporate Secretary of Clinical Occupational Medicine & Treatment Centre, Inc. on October 24, 2022, and then Commissioner of Internal Revenue Lilia C. Guillermo on November 14, 2022, with the following attachments:

a. Secretary's Certificate dated October 20, 2022, authorizing Suzanne Marie C. Abesamis to sign the compromise agreement;[3]

b. Original print-outs of BIR Form 0605 and eFPS payment and confirmation with reference numbers 292200050282238 (Income Tax) and 292200050282497 (Expanded Withholding Tax), evidencing total payment in the amount of ₱685,144.87;[4]

[1] Docket – Vol. 2, pp. 477 to 482.
[2] Docket – Vol. 2, pp. 483 to 490.
[3] Docket – Vol. 2, pp. 497 to 498.
[4] Docket – Vol. 2, pp. 491 to 496.

c. Petitioner's *Letter* dated May 11, 2022, stating the *Offer of Compromise* on the ground of financial incapacity;[5]

d. Respondent's *Letter* dated September 28, 2022, stating that petitioner's offer for judicial compromise settlement has been accepted by the National Evaluation Board, as per Memorandum dated September 20, 2022;[6]

e. Original copy of the *Certificate of Availment* dated November 17, 2022,[7] as proof of approval of the *Compromise Settlement* by the National Evaluation Board (NEB), as well as the concurrence thereon by the CIR.

The subject *Compromise Agreement*[8] reads as follows:

"COMPROMISE AGREEMENT

The undersigned parties, Petitioner **CLINICAL OCCUPATIONAL MEDICINE & TREATMENT CENTRE, INC.,** ("CLINICOMED") with address at the G/F Ma. Daniel Bldg., 470 San Andres cor. M. H. Del Pilar Malate, Manila, represented herein by its corporate secretary Ms. Suzanne Marie C. Abesamis and the Respondent **COMMISSIONER OF INTERNAL REVENUE** ("CIR"), with address at Room 703 BIR Building, Bureau of Internal Revenue ("BIR"), Diliman, Quezon City, Philippines, represented by the CIR, Hon. Lilia C. Guillermo.

AGREE as follows:

WHEREAS, on 08 November 2021, a Petition for Review ("Subject Case") was filed before this Honorable Court questioning alleged deficiency income tax and expanded withholding tax assessments for Taxable Year 2011 ("2011 Tax Assessment"). In the said assessment, the CIR assessed CLINICOMED as liable for **Thirteen Million Sixty-Four Thousand Two Hundred Thirty-Three and 98/100 (Php13,064,233.98),** inclusive of interests and penalties.

WHEREAS, on 29 March 2022, CLINICOMED through counsel received a Resolution from the CTA Third Division dated 14 March 2022, ordering the parties or their

[5] Docket – Vol. 2, pp. 499 to 504.
[6] Docket – Vol. 2, p. 581.
[7] Docket – Vol. 2, p. 582.
[8] Docket – Vol. 2, pp. 483 to 490.

authorized representative to proceed and personally appear before Ms. Avigail B. Sanchez, Mediation Staff Assistant, at the Philippine Mediation Center – Court of Tax Appeals (PMC-CTA) on 21 April 2022 for purposes of deciding whether or not they would agree to enter into mediation and to avoid prolonged litigation and as authorized by A.M. No. 11-1-05-PHILJA;

WHEREAS, during the mediation proceedings before the PMC-CTA, CLINICOMED submitted a Letter dated 11 May 2022 to the CIR offering to amicably settle the Subject Case and setting forth the legal and factual basis for the CIR to accept a compromise offer of **Six Hundred Eighty-Five Thousand One Hundred Forty-Four Pesos and 87/100 (Php685,144.87),** as shown below:

Tax Type	Basic Deficiency Tax	Compromise Percentage	Compromise Amount (in PhP)
Income Tax	5,486,283.88	12%	658,354.07
Expanded Withholding Tax	26,790.80	100%	26,790.80
Total			**685,144.87**

WHEREAS, on 18 October 2022, CLINICOMED has remitted and paid to the BIR the total amount of **Six Hundred Eighty-Five Thousand One Hundred Forty-Four Pesos and 87/100 (Php685,144.87),** as evidenced by:

1. Payment Form (BIR Form No. 0605) filed on 18 October 2022, with eFPS Filing Reference No. 292200050282238, covering the CLINICOMED's payment of Php658,354.07, representing 12% of the basic deficiency Income Tax Assessment for Taxable Year 2011.

2. Payment Form (BIR Form No. 0605) filed on 18 October 2022, with eFPS Filing Reference No. 292200050282497, covering the CLINICOMED's payment of Php26,790.80, representing 100% of the basic deficiency Expanded Withholding Tax Assessment for Taxable Year 2011.

WHEREAS, the CIR has evaluated the CLINICOMED's proposal for amicable settlement and believes that a compromise would allow immediate tax collection and also put an end to litigation as provided in the Civil Code of the Philippines which is in accordance with 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 decisions of the CTA and Supreme Court, and pertinent laws and issuances on judicial compromise without contravening laws, morals, public order, and public policy.

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, CLINICOMED has offered and paid, and the CIR has accepted, the total payment of **Php685,144.87** (the "Judicial Compromise Amount") as full satisfaction of the TY 2011 Tax Assessment.

Section 2. Submission to the Honorable CTA. This Agreement, fully signed by the PARTIES, shall be submitted for the approval of the Honorable Court of Tax Appeals in CTA Case No. 10670. The PARTIES undertake to perform any and all acts, and submit any and all documents, required by the CTA to be able to render a Judgment by Compromise Agreement in the said case.

Section 3. Effectivity of the Agreement. This Agreement shall take effect and bind the PARTIES upon 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 CIR warrants that he has the necessary authority and capacity under the law to enter, sign, and execute this Agreement, and to deliver its implementing documents to the Honorable CTA. CLINICOMED, through its corporate secretary, Ms. Suzanne Marie Abesamis, is duly authorized by the Board of Directors of CLINICOMED and has full legal capacity to enter, sign, and execute this Agreement, and to deliver payment of the above-agreed 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. 10670. Upon approval by the CTA, the CIR recognizes the full satisfaction of the supposed tax liability of CLINICOMED in connection with CTA Case No. 10670 and acknowledges that CLINICOMED no longer has any tax liability whatsoever based upon, arising from, or in connection with the deficiency tax assessments for TY 2011.

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, subject to extension, 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 Bureau of Internal Revenue 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

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2. The proceedings of CTA Case No. 10670 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 acknowledgment 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 accepted the above stipulations and signed this Agreement on the dates and at the places listed below their names, for the consideration and approval of the Honorable Court.

CLINICAL OCCUPATIONAL MEDICINE & TREATMENT CENTRE, INC.
Petitioner

By:

(Sgd.)
SUZANNE MARIE C. ABESAMIS
Corporate Secretary

Date: 24 OCT 2022
Place: Taguig City

COMMISSIONER OF INTERNAL REVENUE
Respondent

By:

(Sgd.)
LILIA C. GUILLERMO
Commissioner of Internal Revenue

Date: NOV 14 2022
Place: Manila"

A review of the subject *Compromise Agreement,* as well as the documents submitted by the parties in support thereof, shows that the same is in order.

To be specific, petitioner paid a total of ₱685,144.87, or 12% of the basic deficiency income tax, and 100% of the basic expanded withholding tax, as stated in the FDDA dated October 3, 2019.

At this juncture, this Court notes that the subject *Compromise Agreement*[9] did not indicate the ground relied upon as basis for the compromise.

A perusal of petitioner's *Letter* dated May 11, 2022, shows that its *Offer of Compromise* is premised on the ground of ***financial incapacity***.[10] In the *Certificate of Availment* dated November 17, 2022,[11] however, Section 3.1[12] of Revenue Regulations (RR) No. 30-2002,[13] *i.e., "**Doubtful Validity,**"* is cited as the basis for the compromise settlement.

Under Section 204 (A) of the NIRC of 1997,[14] as amended, for cases of "*Doubtful Validity,*" the minimum compromise rate should be equivalent to forty percent (40%) of the basic assessed tax. M

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[9] Docket – Vol. 2, pp. 483 to 490.
[10] Docket – Vol. 2, pp. 499 to 504.
[11] Docket – Vol. 2, p. 582.
[12] "**SECTION 3.** ***Basis for Acceptance of Compromise Settlement.*** — The Commissioner may compromise the payment of any internal revenue tax on the following grounds:

1. *Doubtful validity of the assessment.* — The offer to compromise a delinquent account or disputed assessment under these Regulations on the ground of reasonable doubt as to the validity of the assessment may be accepted when it is shown that:

xxx xxx xxx

(b) The assessment seems to be arbitrary in nature, appearing to be based on presumptions and there is reason to believe that it is lscking in legal and/or factual basis; or x x x."

[13] 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.
[14] **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

xxx xxx xxx

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 (₱1,000,000) 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.

As earlier mentioned, the amount paid by petitioner as compromise, involves 100% of the basic expanded withholding tax, but *only 12%* of the basic deficiency income tax. Hence, this falls short of the 40% requirement under Section 204 (a) of the NIRC of 1997, as amended.

Nevertheless, this Court notes that while the settlement offered in the subject *Compromise Agreement* is less than the prescribed minimum rates, it already bears the approval of the National Evaluation Board,[15] in accordance with the last paragraph of Section 204 (A) of the NIRC of 1997,[16] as amended.

In view of the issuance of the *Certificate of Availment* dated November 17, 2022,[17] demonstrating approval of the NEB, this Court finds that the settlement amount of ₱685,144.87, or 12% of the basic deficiency income tax, and 100% of the basic expanded withholding tax, as stated in the FDDA dated October 3, 2019, is sufficient in this case.

It is stressed that the subject *Compromise Agreement* 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. Thus, this Court accepts and approves the same.

A compromise is a contract whereby the parties, by making reciprocal concessions, avoid litigation or put an end to one already commenced.[18] 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.[19] It is an accepted, even desirable and encouraged, practice in courts of law and administrative tribunals.[20]

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[15] Docket – Vol. 2, p. 582.

[16] **Section 204.** ***Authority of the Commissioner to Compromise, Abate, and Refund or Credit Taxes.*** – The Commissioner may –

(B) Compromise the payment of any internal revenue tax, when:

(2) A reasonable doubt as to the validity of the claim against the taxpayer exists; or

xxx xxx xxx

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 (₱1,000,000) 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**.

[17] Docket – Vol. 2, p. 582.

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

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

[20] *California Manufacturing Company, Inc. vs. The City of Las Piñas and the Hon. Rizal Y. Del Rosario, City Treasurer,* G.R. No. 178461, June 22, 2009, citing *DMG Industries,*

Thus, a compromise agreement that has been made and duly approved by the court attains the effect and authority of *res judicata*, although no execution may be issued unless the agreement receives the approval of the court where the litigation is pending and compliance with the terms of the agreement is decreed.[21]

WHEREFORE, in light of the foregoing considerations, the *Compromise Agreement* signed by the petitioner on October 24, 2022, and by the Commissioner of Internal Revenue on November 14, 2022, 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.

ERLINDA P. UY
Associate Justice

WE CONCUR:

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

LANEE S. CUI-DAVID
Associate Justice

Inc. vs. Philippine American Investments Corporations, G.R. No. 174114, July 6, 2007.
[21] *Id.*, citing *Viesca vs. Gilinsky,* G.R. No. 171698, July 4, 2007.

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
Chairperson, 2nd Division

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution and the Division Chairperson's Attestation, 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 Justic

Signature