REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

First Division

ABS-CBN FILM PRODUCTIONS, INC. (Surviving Entity of the Merger Between Roadrunner Network, Inc. and ABS-CBN Film Productions, Inc.), *Petitioner,*	**CTA Case No. 9284**
	Members:
-versus-	**DEL ROSARIO,** *P.J., Chairperson,* **FABON-VICTORINO,** *and* **MANAHAN,** *JJ.*
COMMISSIONER OF INTERNAL REVENUE, *Respondent.*	Promulgated: JUL 31 2019 9:58 am

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JUDGMENT ON COMPROMISE AGREEMENT

MANAHAN, *J.*:

For this Court's resolution are the following:

1. Parties' **Joint Motion for Approval of Compromise Agreement**[1] filed on September 3, 2018; and

2. Respondent's **Compliance with Submission and Offer of Profuse of Apologies**[2] filed on June 18, 2019.

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

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

2. Original copy of petitioner's Secretary's Certificate;[4]

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[1] Docket, CTA Case No. 9284, Vol. V. pp. 2311-2315.
[2] *Id.*, Vol. V, pp. 2465-2467.
[3] *Id.*, Vol. V, pp. 2316-2322.

3. Certified true copies of Payment Form (BIR Form No. 0605) and their corresponding eFPS Payment Details and Filing Reference Nos. representing payments for deficiency income tax, value-added tax, expanded withholding tax, and withholding tax on compensation;[5]

4. Certified True Copy of Certificate of Availment (Compromise Settlement);[6]

5. Original Copy of Memorandum dated April 11, 2019 and certified true copies of Revenue Delegation Authority Order No. 6-2007, Revenue Memorandum Order No. 33-2018 with matrix;[7] and

6. Certified true copy of Application for Compromise Settlement (Judicial) showing the approval of the members of the National Evaluation Board (NEB).[8]

On January 22, 2018, this case was submitted for decision.[9] However, on April 25, 2018, the parties jointly requested[10] this Court to suspend the proceedings of the case due to the possibility of a judicial compromise between them which the Court granted[11]. Consequently, the Resolution dated January 22, 2018 was recalled and set aside.[12]

On September 3, 2018, the parties moved[13] for the approval of the JCA[14]. However, upon evaluation of such submission, this Court found that the tax payment forms were not the original or authenticated copies and that the Certificate of Availment (CA)[15], which serves as the evidence of the approval of the compromise settlement, was not submitted. Hence, the Court required the submission of these

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[4] *Id.* Vol. V, p. 2355.
[5] *Id.*, Vol. V, pp. 2356-2367.
[6] *Id.*, Vol. V, p. 2386.
[7] *Id.*, Vol. V, pp. 2427-2445.
[8] *Id.*, Vol. V, p. 2446; p. 2469.
[9] *Id.*, Vol. V, Resolution dated January 22, 2018, p. 2294.
[10] *Id.*, Vol. V, Joint Manifestation and Motion, pp. 2295-2297.
[11] *Id.*, Vol. V, Resolution dated May 2, 2018, p. 2299.
[12] *Id.*, Vol. V, Resolution dated July 5, 2018, pp. 2304-2305.
[13] *Id.*, Vol. V, Joint Motion for Approval of Compromise Agreement, pp. 2311-2315.
[14] *Id.*, Vol. V, Judicial Compromise Agreement, pp. 2316-2322; pp. 2348-2354.
[15] *Id.*, Vol. V, pp. 2386.

documents as corrected, together with the authority of the revenue official who signed the JCA in lieu of the respondent.[16]

On November 5, 2018, petitioner submitted a copy of the JCA, the certified true copies of the documents showing payment of the compromise settlement (BIR Form No. 605, eFPS Payment Details) and the authority of its official representative who signed in the said JCA.[17] The JCA reads as follows:

JUDICIAL COMPROMISE AGREEMENT

KNOWN ALL MEN BY THESE PRESENTS:

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

ABS-CBN FILM PRODUCTIONS, INC., [Surviving Entity of the Merger Between Roadrunner Network, Inc. and ABS-CBN Film ("**TAXPAYER**"), a domestic corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 2nd Floor, Eugenio Lopez, Jr. Communication Center, Lopez Drive, South Triangle, Quezon City, represented by its Director, **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 **Ninety-Six Million One Hundred Twenty-One Thousand Five Hundred Thirty-One Pesos and Eighty-Three Centavos** (Php96,121,531.83) broken as follows:

TAX TYPE	BASIC TAX	INTEREST	SURCHARGES	COMPROMISE	TOTAL
Income Tax	33,259,016.42	26,939,803.30	8,314,754.11	50,000.00	68,563,573.83
Value Added Tax	5,397,661.28	4,426,082,25	-	50,000.00	9,873,743.53
Expanded Withholding Tax	2,139,089.33	1,732,662.36	-	25,000.00	3,896,751.69
Withholding Tax on Compensation	7,369,770.44	5,969,514.06	-	25,000.00	13,364,284.50

[16] Docket, Vol. V, Resolution dated October 1, 2018, pp. 2341-2342.
[17] *Id.*, Vol. V, Compliance, pp. 2343-2346.

Documentary Stamp Tax	197,659.36	160,104.08	49,414.84	16,000.00	423,178.28
TOTAL	48,363,196.83	39,228,166.05	8,364,168.95	166,000.00	96,121,531.83

WHEREAS, the **TAXPAYER** then filed with the **BIR** its Protest 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 5 August 2015, which denied *in toto* the Protest filed by the **TAXPAYER**. The amount appearing in the FDDA is broken as follows:

TAX TYPE	BASIC TAX	INTEREST	SURCHARGES	COMPROMISE	TOTAL
Income Tax	30,244,149.52	33,177,832.03	7,561,037.38	50,000.00	71,033,018.93
Value Added Tax	4,191,714.52	4,707,295.40	-	25,000.00	8,924,009.92
Expanded Withholding Tax	2,139,089.33	2,479,204.53	-	25,000.00	4,643,293.86
Withholding Tax on Compensation	4,898,773.46	5,511,120.15	-	25,000.00	10,434,893.61
Documentary Stamp Tax	197,659.36	222,366.78	49,414.84	16,000.00	485,440.98
TOTAL	41,671,386.19	46,097,818.89	7,610,452.22	141,000.00	95,520,657.30

WHEREAS, the **TAXPAYER** instituted an action against the **BIR** entitled ***"ABS-CBN Film Productions, Inc. v. Commissioner of Internal Revenue"***, docketed as CTA Case No. 9284, pending before the Honorable Second Division of the Court of Tax Appeals (**"CTA"**), seeking the reversal of the **FDDA**, 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 2 May 2018 suspending the proceedings to allow **PARTIES** an opportunity to enter into discussions for the possible amicable settlement of the case;

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* and *Basic Value Added Tax* assessed in the FAN, as well as the **amount equivalent to one hundred percent (100%)** of the *Basic Expanded Withholding Tax, Basic Withholding Tax on Compensation*, and *Basic Documentary Stamp Tax* in the total compromise amount of **Sixteen Million One Hundred Five Thousand Seven Hundred Eleven Pesos and Forty Nine Centavos** (Php 16,105,711.49) (**"Judicial Compromise Amount"**).

This amount is broken down as follows:

TAX TYPE	BASIC TAX	PREVIOUS PAYMENTS	ADJUSTED BASIC TAX	COMPROMISE RATE	COMPROMISE AMOUNT
Income Tax	30,244,149.52	33,177,832.03	21,299,929.35	40%	8,519,971.74
Value Added Tax	4,191,714.52	1,298,961,00	3,443,974.82	40%	1,377,589.93
Expanded Withholding Tax	2,139,089.33	606,049.62	1,533,039.71	100%	1,533,039.71
Withholding Tax on Compensation	4,898,773.46	223,663.35	4,675,110.11	100%	4,675,110.11
Documentary Stamp Tax	197,659.36	197,659.36	-	100%	-
TOTAL	41,671,386.19	35,504,165.36	30,952,053.99		16,105,711.49

Section 2. Submission to the Honorable CTA. This Agreement signed by the **PARTIES** shall be submitted for the approval to the Honorable CTA in CTA Case No. 9284, pursuant to the Resolution of the Honorable CTA dated 2 May 2018. 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 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 CTA Case No. 9284. 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. 9284 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. 9284 (**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 of the Honorable CTA. However, in case the deficiency, defect or imperfection is not or cannot be 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. 9284 shall continue and the discussions pursuant to the disapproved Agreement cannot be used by the **PARTIES** in said proceedings 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. 9284 shall continue and the discussions pursuant to the disapproved Agreement cannot be used by the **PARTIES** in said proceedings unless consent of the other party be obtained.

Section 9. No Admission 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 maybe 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.

ABS-CBN FILM PRODUCTIONS, INC.	**BUREAU OF INTERNAL REVENUE**
By:	By:
(Signed)	(Signed)
MR. ROLANDO P. VALDUEZA	**HON. CAESAR R. DULAY**
Director	Commissioner

Witnesses:

(Signed)	(Signed)
______________________	______________________

On April 16, 2019,[18] respondent submitted Memorandum dated April 11, 2019, certified photocopies of Revenue Delegation Authority Order No. 6-2007 dated August 10, 2007, and Revenue Memorandum Order No. 33-2018 dated April 16, 2018, showing the authority of the official who signed in the said CA.

On June 18, 2019, respondent filed the instant Compliance[19] with attached certified true copy of the approved Application for Judicial Compromise Settlement[20] showing the legal ground for the offer of compromise which served as the basis for the unanimous approval of the members of the NEB whose signatures were all affixed therein.

Section 204(A) of the 1997 National Internal Revenue Code (NIRC), as amended, provides:

> 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.
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> The compromise settlement of any tax liability shall be subject to the following minimum amounts:

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[18] Docket, Vol. V, Compliance with Submission, pp. 2423-2446.
[19] *Supra*, Note 1.
[20] *Id.* at p. 2469. au

> For cases of financial incapacity, a minimum compromise rate equivalent to ten percent (10%) of the basic assessed tax; and
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> For other cases, a minimum compromise rate equivalent to forty percent (40%) of the basic assessed tax.
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> 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.

As culled in the above-cited provision, the requisites for a valid compromise agreement are the following:

1. The application for compromise is 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 approval of 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) or where the settlement offered is less than the prescribed minimum rates.

Implementing the foregoing section of the NIRC, Revenue Regulations (RR) No. 30-2002 dated December 16, 2002, as amended by RR No. 8-2004, or the "**Revenue Regulation Implementing Section 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**," provides for those cases that can be compromised or not, to wit:

> SEC. 2. CASES WHICH MAY BE COMPROMISED. - The following cases may, upon taxpayer's compliance with the basis set forth under Section 3 of these Regulations, be the subject matter of compromise settlement, viz:
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> 1. Delinquent accounts;
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> 2. Cases under administrative protest after issuance of the Final Assessment Notice to the taxpayer which are still pending in the Regional Offices, Revenue District Offices, Legal Service, Large Taxpayer Service (LTS), Collection Service, Enforcement Service and other offices in the National Office;
>
> 3. Civil tax cases being disputed before the courts;
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> 4. Collection cases filed in courts;
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> 5. Criminal violations, other than those already filed in court or those involving criminal tax fraud.
>
> EXCEPTIONS:
>
> 1. Withholding tax cases, **unless the applicant-taxpayer invokes provisions of law that cast doubt on the taxpayer's obligation to withhold**;
>
> xxx xxx xxx.

Based on the records of this case, particularly the submitted certified true copy of the approved Application for Judicial Compromise Settlement,[21] said application for compromise settlement was grounded on doubtful validity of respondent's assessment.

Section 3 of RR No. 30-2002, as amended, provides the instances when the ground of doubtful validity of assessment exists which include, *inter alia*, when "the assessment seems to be arbitrary in nature, appearing to be based on presumptions and there is reason to believe that it is lacking in legal and/or factual basis" or "assessments made based on the best evidence obtainable rule and there is reason to believe that the same can be disputed by sufficient and competent evidence."

In respondent's Memorandum[22], the assessments arose from matching or comparing the importation per books of accounts of petitioner with the importation in the Bureau of Internal Revenue's (BIR's) data, or the amount per books of

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[21] *Supra.*, Note 20.
[22] Docket, Vol. V, pp. 2271-2291.

local purchases of petitioner with BIR's data, or the difference between the summary list of sales and the summary alphalist of withholding tax at source.

It is in this aspect that the doubtful validity of respondent's tax assessments is circumscribed considering that the latter failed to show that petitioner indeed received a taxable income from any property, activity, or service equivalent to such alleged deficiency taxes. Absent any empirical evidence that the alleged differences in the data matching were indeed taxable income received by the petitioner, said deficiency assessments were mere presumptions.

In the case of *Commissioner of Internal Revenue v. Hantex Trading Co., Inc.,*[23] the Supreme Court ruled that the presumption of the correctness of an assessment, being a mere presumption, cannot be based on another presumption, to wit:

> The rule is that in the absence of the accounting records of a taxpayer, his tax liability may be determined by estimation. The petitioner is not required to compute such tax liabilities with mathematical exactness. Approximation in the calculation of the taxes due is justified. To hold otherwise would be tantamount to holding that skillful concealment is an invincible barrier to proof. However, the rule does not apply where the estimation is arrived at arbitrarily and capriciously.
>
> We agree with the contention of the petitioner that, as a general rule, tax assessments by tax examiners are presumed correct and made in good faith. All presumptions are in favor of the correctness of a tax assessment. It is to be presumed, however, that such assessment was based on sufficient evidence. Upon the introduction of the assessment in evidence, a *prima facie* case of liability on the part of the taxpayer is made. If a taxpayer files a petition for review in the CTA and assails the assessment, the *prima facie* presumption is that the assessment made by the BIR is correct, and that in preparing the same, the BIR personnel regularly performed their duties. This rule for tax initiated suits is premised on several factors other than the normal evidentiary rule imposing proof obligation on the petitioner-taxpayer: the presumption of administrative regularity; the likelihood that the taxpayer will have access to the relevant information; and the desirability of bolstering the record-keeping requirements of the NIRC.

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[23] G.R. NO. 136975, March 31, 2005.

> However, the *prima facie* correctness of a tax assessment does not apply upon proof that an assessment is utterly without foundation, meaning it is arbitrary and capricious. Where the BIR has come out with a "naked assessment," i.e., without any foundation character, the determination of the tax due is without rational basis. In such a situation, the U.S. Court of Appeals ruled that the determination of the Commissioner contained in a deficiency notice disappears. *Hence, the determination by the CTA must rest on all the evidence introduced and its ultimate determination must find support in credible evidence.*

In the case of *Commissioner of Internal Revenue v. Island Garment Manufacturing Corporation et al.*[24], citing the case of *Collector of Internal Revenue v. Alberto D. Benipayo*[25], the Supreme Court ruled that:

> An assessment fixes and determines the tax liability of a taxpayer. As soon as it is served, an obligation arises on the part of the taxpayer concerned to pay the amount assessed and demanded. Hence, assessments should not be based on mere presumptions no matter how reasonable or logical said presumptions may be ... ."
>
> In order to stand the test of judicial scrutiny, the assessment must be based on actual facts. The presumption of correctness of assessment being a mere presumption cannot be made to rest on another presumption ...

In petitioner's Memorandum[26], it refuted such alleged deficiency taxes by presenting evidence during the trial that the same were not based on actual facts but on mere presumptions.

Thus, the first requisite under Section 204(A) of the 1997 NIRC, as amended, pertaining to the ground of doubtful validity is complied with.

As to the second requisite pertaining to the amount of compromise payment, based on the submitted JCA, respondent's final decision on disputed assessment (FDDA) dated August 5, 2015 comprised of the following internal revenue taxes and their corresponding basic tax assessments, to wit:

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[24] G.R. No. L-46644, September 11, 1987.
[25] G.R. No. L-13656. January 31, 1962.
[26] Docket, Vol. V, pp. 2208-2269.

Tax Type	Basic Tax
Income Tax	Php 30,244,149.52
Value-Added Tax	4,191,714.52
Expanded Withholding Tax	2,139,089.33
Withholding Tax on Compensation	4,898,773.46
Documentary Stamp Tax	197,659.36
Total	**Php 41,671,386.19**

The above assessments were reduced as follows after deducting the previous payments made by the petitioner: [27]

Tax Type	Basic Tax
Income Tax	Php 21,299,929.35
Value-Added Tax	3,443,974.82
Expanded Withholding Tax	1,533,039.71
Withholding Tax on Compensation	4,675,110.11
Total	**Php 30,952,053.99**

From the foregoing revised deficiency tax assessments, the amounts of compromise settlement to be paid by the petitioner were computed as follows:

Tax Type	Basic Tax	Compromise Rate	Compromise Amount
Income Tax	Php 21,299,929.35	40%	Php 8,519,971.74
Value-Added Tax	3,443,974.82	40%	1,377,589.93
Expanded Withholding Tax	1,533,039.71	100%	1,533,039.71
Withholding Tax on Compensation	4,675,110.11	100%	4,675,110.11
Total	**Php 30,952,053.99**		**Php 16,105,711.49**

As earlier quoted, Section 2 of RR No. 30-2002 provides those cases which may be compromised and the exceptions. One instance that cannot be compromised is withholding tax cases, except, when the applicant-taxpayer invokes provisions of law that cast doubt on the taxpayer's obligation to withhold.

In petitioner's Memorandum[28], it cited the due process requirement under Section 228 of the 1997 NIRC, as amended, which the respondent allegedly violated in assessing those alleged deficiency withholding taxes which were not based on actual facts but merely on presumptions. Thus, said alleged deficiency withholding taxes may be included in the compromise agreement.

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[27] Docket, Vol. V, pp. 2208-2269.
[28] Supra., Note 25. cm

Applying the 40% compromise amount under Section 204(A) of the 1997 NIRC, as amended, in the instant case, the computation for the compromise amount of settlement as shown above is in accordance with the said provision of the 1997 NIRC, as amended.

On the other hand, petitioner paid the following amounts through respondent's eFPS, to wit:

Tax Type	Payment Transaction No.	Amount Paid
Income Tax	184552781[29]	Php 8,519,971.74
Value-Added Tax	184554926[30]	1,377,589.93
Expanded Withholding Tax	184551851[31]	1,533,039.71
Withholding Tax on Compensation	184551707[32]	4,675,110.11
Total		**Php 16,105,711.49**

Thus, the correct computation of the amounts of compromise settlement payable and their subsequent payment by petitioner constitute compliance with the second requisite.

As to the last requisite, the approval of the NEB was necessary considering that the amount involved in this case was more than one million pesos. Section 6, first paragraph, of RR No. 30-2002 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) 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.
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> xxx xxx xxx

In the instant case, the certified true copy of the approved Application for Judicial Compromise reveals that respondent along with the four deputy commissioners had

[29] Docket, Vol. V, certified photocopy of eFPS Payment Details, p. 2358; Certified Photocopy of Payment Form No. 0605, p. 2357.
[30] *Id.*, Vol. V, certified photocopy of eFPS Payment Details, p. 2361; Certified Photocopy of Payment Form No. 0605, p. 2360.
[31] *Id.*, Vol. V, certified photocopy of eFPS Payment Details, p. 2364; Certified Photocopy of Payment Form No. 0605, p. 2363
[32] *Id.*, Vol. V, certified photocopy of eFPS Payment Details, p. 2367; Certified Photocopy of Payment Form No. 0605, p. 2366.

affixed their respective signatures in the approval column of said application. It was a unanimous approval of all the members of the NEB which is more than the required majority vote under Section 204(A) of the 1997 NIRC as implemented by RR No. 30-2002. Thus, the third requisite was properly complied.

Considering the faithful observance by the parties of all the requisites under Section 204(A) of the 1997 NIRC, as amended, the Court hereby grants the Joint Motion for Approval of the Compromise Agreement.

In the case of *Far East Bank and Trust Co. et al. v. Trust Union Shipping Corp. et al.*,[33] the Supreme Court explains the effect of a compromise agreement, to wit:

> **A compromise is a contract whereby the parties**, by making reciprocal concessions, **avoid litigation or put an end to one already commenced.** It is an accepted and desirable practice in courts of law and administrative tribunals. Settlement of disputes brought before the courts is, in fact, encouraged.
>
> It is settled that contracting parties may establish such stipulations, clauses, terms and conditions as they deem convenient, provided that these are not contrary to law, morals, good customs, public order, or public policy. (*Emphasis supplied*)

Further, in the case of *Conchita A. Sonley v. Anchor Savings Bank/Equicom Savings Bank*,[34] the Supreme Court ruled that once the compromise agreement is submitted to the Court and the latter has given its imprimatur thereof, it has the force and effect of a judgment, to wit:

> Corollary thereto, once submitted to the court and stamped with judicial approval, a compromise agreement becomes more than a mere private contract binding upon 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.

WHEREFORE, in the light of the foregoing, respondent's Compliance with Submission and Offer of Profuse of Apologies

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[33] G.R. No. 154716, September 16, 2008.
[34] G.R. No. 205623, August 10, 2016.

is **NOTED** and **DEEMED SUFFICIENT COMPLIANCE** with the May 6, 2019 Resolution.

The **Judicial Compromise Agreement** entered into by the parties is hereby **APPROVED** and this **Judgement 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

ESPERANZA R. FABON-VICTORINO
Associate Justice

CATHERINE T. MANAHAN
Associate Justice

CERTIFICATION

Pursuant to Article VIII, Section 13 of the Constitution, it is hereby certified that the conclusions in the above Decision 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