REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

THE PHILIPPINE AMERICAN LIFE AND GENERAL INSURANCE COMPANY,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE, et al.,
Respondents.

CTA CASE NO. 8894

Members:

CASTAÑEDA, JR., *Chairperson,*
CASANOVA, *and*
MANAHAN, *JJ.*

Promulgated:

APR 17 2018
2:30 p.m.

x -x

JUDGMENT ON COMPROMISE AGREEMENT

CASTAÑEDA, JR., *J.*:

For resolution of this Court are the parties' **Joint Motion for Approval of Compromise Agreement** filed on June 16, 2017, petitioner's **Motion for Clarification [Re: Resolution dated 20 September 2017] – with - Motion to Submit Memoranda after Action of Honorable Court on Compromise Agreement of the Parties**, filed on October 23, 2017, without respondent's Comment as per Records Verification Report dated December 13, 2017, the parties' **Joint Compliance**, filed on December 8, 2017, attaching thereto their **Compromise Agreement**, and the parties' **Joint Compliance**, filed on March 27, 2018.

Before resolving the Joint Motion for Approval of the Compromise Agreement, the Court issued a Resolution on September 20, 2017, ordering the parties to submit within thirty (30) days from notice: 1. Signed copy of the Compromise Agreement; and 2. Proof showing the authority of their respective signatories to enter into the said Agreement. In the same Resolution, the parties' Joint Motion to Suspend Proceedings was denied.

Meanwhile, petitioner filed its Motion for Clarification [Re: Resolution dated 20 September 2017] – with- Motion to Submit Memoranda after Action of Honorable Court on Compromise Agreement of the Parties to clarify the period within which the parties should file their memoranda, if any.

Accordingly, on December 8, 2017, the parties filed their Joint Compliance to the abovementioned Resolution by submitting the signed copy of the Compromise Agreement duly signed by petitioner Philippine American Life and General Insurance Company Chief Executive Officer (CEO) Ariel G. Cantos and respondent Bureau of Internal Revenue Commissioner Caesar R. Dulay. Likewise, the Secretary's Certificate dated October 11, 2017 vesting authority to petitioner's CEO to enter into the subject Agreement was also submitted.

In addition to the above, a Resolution dated January 22, 2018 was issued by the Court directing respondent to submit within fifteen (15) days from notice, the documents evidencing approval of the National Evaluation Board (NEB) on the subject compromise agreement.

Subsequently, on February 27, 2018 and March 13, 2018, parties filed their Joint Motion for Time to Submit Compliance [Re: Resolution dated January 22, 2018] and Joint Motion for Further Extension of Time to Submit Compliance [Re: Resolution dated January 22, 2018], respectively.

On March 20, 2018, the Court granted the parties' Joint Motion for Further Extension of Time to Submit Compliance [Re: Resolution dated January 22, 2018], giving them a non-extendible period of 15 days or until March 29, 2018 within which to submit documents evidencing approval of the NEB on the subject Compromise Agreement.

On March 27, 2018, the parties filed their Joint Compliance.

Considering the submission of the certified true copy of the NEB approval of petitioner's Application for Compromise Settlement, the Court shall now act on the parties' Joint Motion for Approval of Compromise Agreement.

The Compromise Agreement partly reads:

"xxx xxx xxx

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. Additional Compromise Amount. In order to settle the above-mentioned case, the **TAXPAYER** has offered and the **BIR** has accepted the **additional amount equivalent to fifty percent (50%)** of the **Initial Compromise Amount**, resulting in the **total compromise amount of <u>One Hundred Twelve Million Three Hundred Twenty Thousand Six Hundred Ninety-Eight and 77/100 Pesos (Php112,320,698.77)</u> ("Total Compromise Amount")**.

This amount includes the Initial Compromise Amount of **Seventy-Four Million Eight Hundred Eighty Thousand Four Hundred Sixty Five and 85/100 Pesos (Php74,880,465.85)**, previously paid to the **BIR** and receipt of which the BIR acknowledges, and the **additional** compromise amount of **Thirty-Seven Million Four Hundred Forty Thousand Two Hundred Thirty-Two and 92/100 Pesos (Php37,440,232.92)** to be paid to the **BIR** (the "**Additional Compromise Amount**"), equivalent to fifty percent (50%) of the **Initial Compromise Amount**.

xxx xxx xxx.

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. The BIR, upon final approval of the Honorable CTA of this Agreement, 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, including but not limited to, the Authority to Cancel Assessment withdrawing and cancelling the PANs both dated 23 April 2012 and the FANs both dated 15 May 2013, and the relevant Certificates Authorizing Registration in favor of STI Investments Inc. for the PCHSI Shares and the PPI Shares. Likewise, the Taxpayer undertakes to simultaneously submit to the BIR the Additional Compromise Amount.

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 Executive Officer Ariel G. Cantos, 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. 8894, which shall bar and settle any pending and future claims, demands or suits based upon, arising from or in connection with the sale of the Subject Shares, subject of CTA Case No. 8894, to STI Investments Inc. Upon performance by the **TAXPAYER of its obligations under Section 4 hereof, the BIR** recognizes the full satisfaction of the supposed tax liability of the **TAXPAYER** in connection with the sale and transfer of the Subject Shares subject matter of CTA Case No. 8894 and acknowledges that the TAXPAYER no longer has any liability whatsoever based upon, arising from or in connection with the sale of the Subject Shares subject of CTA Case No. 8894.

xxx xxx xxx."

Under the Civil Code and in the Revised Rules of Court, courts are directed to persuade litigants in civil cases to agree upon some fair compromise. Such agreement has the force of law and is conclusive between the parties.[1]

A compromise agreement that is basically intended to resolve a matter already under litigation is what would normally be termed a judicial compromise. Once it is stamped with *judicial imprimatur*, it becomes more than a mere contract binding upon the parties; having

[1] *Viesca vs. Gilinsky*, G.R. No. 171698, July 4, 2007.

the sanction of the court and entered as its determination of the controversy, it has the force and effect of any other judgment.[2]

Acting on the subject Compromise Agreement, the Court finds that the same is not contrary to law, morals, public order and public policy. Hence, the Court approves the same.

Consequently, the parties are no longer required to file memoranda.

WHEREFORE, premises considered, petitioner's **Motion for Clarification [Re: Resolution dated 20 September 2017] –with- Motion to Submit Memoranda after Action of Honorable Court on Compromise Agreement of the Parties** is **NOTED**, the **Joint Compliance** filed by the parties is **ADMITTED**, and the parties' **Joint Motion for Approval of Compromise Agreement** is **GRANTED**.

Accordingly, the **Compromise Agreement** entered into by the parties is **APPROVED** and judgment is hereby rendered in accordance therewith. 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:

(On Leave)
CAESAR A. CASANOVA
Associate Justice

Catherine T. Manahan
CATHERINE T. MANAHAN
Associate Justice

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[2] *Armed Forces of the Philippines Mutual Benefit Association, Inc. vs. Court of Appeals*, G.R. No. 126745, July 26, 1999.

ATTESTATION

I attest 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.

JUANITO C. CASTAÑEDA, JR
Associate Justice
Chairperson

CERTIFICATION

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

ROMAN G. DEL ROSARIO
Presiding Justice