REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

SPLASH CORPORATION,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NO. 9370

Members:

CASTAÑEDA, JR., *Chairperson,*
MINDARO-GRULLA, *and*
BACORRO-VILLENA, *JJ.*

Promulgated:

NOV 1 1 2019

1:20 p.m.

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JUDGMENT ON COMPROMISE AGREEMENT

For the Court's resolution are parties' **Joint Motion for Approval of Judicial Compromise Agreement**, filed on May 29, 2019 and parties' **Joint Compliance**, filed on October 17, 2019.

In the Resolution dated June 28, 2019, the Court required the parties to submit as proof of the compromise agreement, the originals or certified true copies of the following:

1. Certificate of Availment showing the approval of the NEB;
2. Authority of petitioner's Chief Financial Officer, Fernando M. Manotok, to enter into a compromise; and
3. Any other document supporting the approval of the subject compromise.

Pending the submission of the aforesaid documents, the resolution of the Joint Motion for Approval of Compromise Agreement was held in abeyance.

In their Joint Compliance, the parties submitted the following documents:

1. Secretary's Certificate dated April 2, 2019, showing that petitioner authorized Mr. Fernando M. Manotok to sign in behalf of petitioner the Judicial Compromise Agreements to be entered into by and between petitioner and the BIR; and
2. Certificate of Availment (BIR Form No. 2342) signed by ACIR – Collection Service, Head, TWG on Compromise, Alfredo V. Misajon in behalf of Commissioner Caesar R. Dulay.

Considering the submission of the above documents in support of the judicial compromise agreement, the Court shall now act on the parties Joint Motion for Approval of Compromise Agreement.

The Compromise Agreement partly reads:

> **JUDICIAL COMPROMISE AGREEMENT**
>
> 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. Judicial Compromise Amount.** In order to settle the above-mentioned case, the **TAXPAYER** has offered and the **BIR** has accepted the total payment of **Eleven Million Four Hundred Thirty One Thousand Four Hundred Twenty Three and**

92/100 Pesos (P11,431,423.92) ("Judicial Compromise Amount").

xxx xxx xxx

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** dated 22 January 2016 and **FDDA** dated 12 May 2016.

Section 5. Authority to Enter Compromise Agreement. The **BIR**, through Commissioner Caesar R. Dulay 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 upon its approval of the Honorable CTA.

The **TAXPAYER** through its Chief Financial Officer, Fernando M. Manotok, 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. 9370. Upon approval by the court, the **BIR** recognizes the full satisfaction of the supposed tax liability of the **TAXPAYER** in connection with CTA Case No. 9370 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. 9370.

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 is a contract whereby the parties, by making reciprocal concessions, avoid litigation or put an end to one already commenced.[2] It is an accepted and desirable practice in courts of law and administrative tribunals.[3]

Parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided that these are not contrary to law, morals, good customs, public order, or policy.[4] Corollary thereto, once submitted to the Court and stamped with judicial approval, a compromise agreement becomes more than 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.[5]

WHEREFORE, premises considered, the parties' **Joint Motion for Approval of Judicial Compromise Agreement** and **Joint Compliance** are **GRANTED** and **NOTED**.

Finding that the stipulations in the **Judicial Compromise Agreement** are not contrary to law, morals, good customs, public order and public policy, the same 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 set forth therein.

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[1] *Viesca vs. Gilinsky*, G.R. No. 171698, July 4, 2007.
[2] Article 2028, New Civil Code.
[3] *Far East Bank and Trust Co. and Investment Group, and FEB Investment Inc. vs. Trust Union Shipping Corp. et. al.*, G.R. No. 154716, September 16, 2008, citing *Philippine National Oil Company-Energy Development Corporation (PNOC-EDC) vs. Abella*, G.R. No. 153904, January 17, 2005.
[4] Article 1306, *supra.*
[5] *Conchita A. Sonley vs. Anchor Savings Bank/ Equicom Savings Bank*, G.R. No. 205623, August 10, 2016.

Accordingly, this case is now deemed **CLOSED AND TERMINATED**.

SO ORDERED.

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

(On Leave)
CIELITO N. MINDARO-GRULLA
Associate Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice