REPUBLIC OF THE PHILIPPINES
Court of Tax Appeals
QUEZON CITY

EN BANC

COMMISSIONER OF INTERNAL REVENUE, Petitioner,	**CTA EB NO. 2445** (CTA Case No. 9420)
	Present:
- versus -	**DEL ROSARIO,** *P.J.*, **UY, RINGPIS-LIBAN, MANAHAN, BACORRO-VILLENA, MODESTO-SAN PEDRO, REYES-FAJARDO,** and **CUI-DAVID,** *JJ.*
CAMPAIGNS AND GREY, INC., Respondent.	**Promulgated:** OCT 0 3 2022 2:43 pm

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JUDGMENT ON COMPROMISE AGREEMENT

UY, *J.*:

Before this Court is the *Compromise Agreement*[1] dated December 23, 2021, signed by Joseph Frederik Sulit, Treasurer and Country Head for Finance, on behalf of Campaigns and Grey, Inc. (CGI), and by the Commissioner of Internal Revenue (CIR), with the following attachments:

a. Secretary's Certificate dated October 15, 2021, authorizing Joseph Frederik Sulit to sign the compromise agreement;[2]

b. Original print-outs of BIR Form 0605 and eFPS payment and confirmation with reference number 292100044698673, evidencing total payment in the amount of ₱1,011,466.89;[3]

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[1] EB Docket, pp. 113 to 114.
[2] EB Docket, pp. 137 to 138.
[3] EB Docket, pp. 115 to 116, and 136.

c. Certified true copy of the *Certificate of Availment* dated June 29, 2022;[4] and

d. Certified true copy of the proof of approval of the *Compromise Settlement* by the majority of the members of the National Evaluation Board (NEB), as well as the concurrence thereon by the CIR.[5]

The subject *Compromise Agreement*[6] reads as follows:

"COMPROMISE AGREEMENT

Undersigned parties, assisted by their respective counsels, Petitioner **COMMISSIONER OF INTERNAL REVENUE** with address at Room 703 BIR Building, Bureau of Internal Revenue, Diliman, Quezon City, Philippines, represented by the Litigation Division, and Respondent **CAMPAIGNS AND GREY, INC**. (now GREY PHILIPPINES, INC.), with address at 2723 Sabio St., Makati City, represented herein by its Treasurer and Country Head for Finance, Joseph Frederik Sulit.

AGREE as follows:

WHEREAS, on August 10, 2016, a Petition for Review was filed by Respondent **CAMPAIGNS AND GREY, INC.** (now GREY PHILIPPINES, INC.) challenging the validity of the Final Decision on Disputed Assessment issued by Petitioner Commissioner of Internal Revenue in connection with deficiency tax assessments for taxable year 2006. Under the Final Decision on Disputed Assessment, Respondent was required to pay basic tax due in the amount of **Ten Million One Hundred Fourteen Thousand Six Hundred Sixty-Eight and Eighty-Five Centavos** (Php10,114,668.85) representing deficiency taxes.

WHEREAS, on 17 March 2021, the Petitioner Bureau of Internal Revenue filed a Petition for Review entitled, "Commissioner of Internal Revenue vs. Campaigns and Grey, Inc." docketed as CTA EB No. 2445, pending before the Honorable En Banc of the CTA, seeking cancellation of the Decision promulgated on 24 September 2020 and the

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[4] EB Docket, pp. 130.
[5] EB Docket, pp. 131.
[6] EB Docket, pp. 113 to 114.

Resolution dated 03 February 2021 which cancelled and set aside the deficiency tax assessments.

WHEREAS, during mediation proceedings before the Philippine Mediation Center – Court of Tax Appeals, the parties successfully reached compromise agreement to avoid prolonged litigation, as authorized by A.M. No. 11-1-05-SC-PHILJA;

NOW THEREFORE, in view of the limitation in Section 204 of the 1997 National Internal Revenue Code, Respondent has offered and Petitioner has accepted the amount of **One Million Eleven Thousand Four Hundred Sixty-Six and Eighty-Nine Centavos (Php1,011,466.89),** representing ten percent (10%) of the basic tax stated in the FDDA.

IN WITNESS WHEREOF, the Parties hereto have mutually and voluntarily accepted the above stipulations, and sign this Agreement, at Quezon City on this 23rd day of December 2021 for the consideration and approval of the Honorable Court.

(Sgd.)
Joseph Frederik Sulit
Treasurer and Country Head for Finance
CAMPAIGNS AND GREY, INC.
(NOW GREY PHILIPPINES, INC.)
Respondent

(Sgd.)
CAESAR R. DULAY
COMMISSIONER OF INTERNAL REVENUE
Petitioner

ATTESTED:
(Sgd.)
(Ret.) Justice Oswaldo D. Agcaoili
Mediator"

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

To be specific, CGI paid a total of ₱1,011,466.89, or 10% of the basic tax stated in the FDDA.

At this juncture, this Court notes that the ground relied upon in the subject Compromise Agreement is "*Doubtful Validity*,"[7] wherein the minimum compromise rate should be equivalent to forty percent (40%) of the basic assessed tax, as stated in Section 204 (A) of the

[7] EB Docket, p. 131.

NIRC of 1997,[8] as amended. However, it is likewise noted that the subject *Compromise Agreement,* where the settlement offered is less than the prescribed minimum rates, already bears the approval of the Evaluation Board, which is composed of the Commissioner and the four (4) Deputy Commissioners,[9] in accordance with the last paragraph of Section 204 (A) of the NIRC of 1997,[10] as amended. In view of the unanimous approval of the NEB, this Court finds that the settlement amount of ₱1,011,466.89, or 10% of the basic tax stated in the FDDA, 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 are not contrary to law, morals, good customs, public order, and public policy. Truth to tell, the assessments issued against respondent were declared null and void, and consequently cancelled and set aside by the Court in Division in its Decision dated September 24, 2020 in CTA Case No. 9420. Thus, the Court *En Banc* 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.[11] 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,

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[8] **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.

[9] EB Docket, p. 131.

[10] **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**.

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

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public order, or public policy.[12] It is an accepted, even desirable and encouraged, practice in courts of law and administrative tribunals.[13]

A compromise agreement intended to resolve a matter already under litigation is a judicial compromise. Having judicial mandate and entered as its determination of the controversy, it has the force and effect of a judgment. It transcends its identity as a mere contract between the parties as it becomes a judgment that is subject to execution in accordance with the Rules of Court. 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.[14]

WHEREFORE, in light of the foregoing considerations, the *Compromise Agreement* dated December 23, 2021, 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:

ROMAN G. DEL ROSARIO
Presiding Justice

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

[13] *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, Inc. vs. Philippine American Investments Corporations,* G.R. No. 174114, July 6, 2007.

[14] *Id.*, citing *Viesca vs. Gilinsky,* G.R. No. 171698, July 4, 2007.

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

CATHERINE T. MANAHAN
Associate Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

MARIA ROWENA G. MODESTO-SAN PEDRO
Associate Justice

MARIAN IVY F. REYES-FAJARDO
Associate Justice

LANEE S. CUI-DAVID
Associate Justice

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