REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

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HOLY ANGEL UNIVERSITY, Petitioner,	**CTA Case No. 10569**
	Members:
- versus -	**UY,** *Chairperson,* **BACORRO-VILLENA,** *and* **CUI-DAVID,** *JJ.*
COMMISSIONER OF INTERNAL REVENUE, Respondent.	**Promulgated:** AUG 2 3 2022 8:30 a.m.

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JUDGMENT ON COMPROMISE AGREEMENT

UY, J.:

For resolution is the parties' ***Compromise Agreement***[1] attached to the Mediator's Report submitted on June 6, 2022, arising from a successful settlement between the parties before the Philippine Mediation Center – Court of Tax Appeals (CTA).

Records show that on July 1, 2021, petitioner filed a *Petition for Review*[2] docketed as CTA Case No. 10569, praying that judgment be rendered declaring null and void the deficiency income tax assessment under the Final Decision on Disputed Assessments and the Decision of the respondent for taxable year 2013 against petitioner in the amount of ₱29,911,061.88, inclusive of penalties and interests. The instant case was initially raffled to the Third Division of this Court.

On November 24, 2021, the Court referred the instant case for

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[1] Docket, pp. 339 to 344.
[2] Docket, pp. 7 to 44.

mediation at the Philippine Mediation Center-Court of Tax Appeals (PMC-CTA) pursuant to Section II of the *Interim Guidelines for Implementing Mediation in the Court of Tax Appeals* (or Interim Guidelines).[3]

Thereafter, on March 14, 2022, the mediator, (Ret.) Justice Amelia Cotangco-Manalastas, with the conformity of Atty. Gianna Maria C. Comsti and Atty. John Albert M. Bonifacio, on behalf of petitioner, and Atty. Lara Nicole T. Gonzales, on behalf of the Commissioner of Internal Revenue (CIR), filed a *Request for Extension (PMC-Form 9)*[4], requesting for a final extension of thirty (30) days from March 30, 2022 or until April 29, 2022, to give the parties additional time within which to reach an amicable settlement. Said request for extension was granted by the Court on March 22, 2022.[5]

On April 25, 2022, both parties filed a *Joint Manifestation / Motion*[6] averring that they have reached a compromise during the mediation proceedings, and praying for the suspension of the court proceedings pending the submission of the National Evaluation Board (NEB) approval and the conclusion of the mediation proceedings.

In the Resolution dated May 11, 2022, the Court noted the parties' Joint Manifestation and denied the Motion to suspend court proceedings. Likewise, the Court ordered the PMC-CTA to transmit the Mediator's Report within fifteen (15) days pursuant to paragraph IX (A) of the Interim Guidelines.[7]

On June 6, 2022, the PMC-CTA filed with the Court, the *Mediator's Report (PMC-CTA Form 5)*[8] dated May 31, 2022 signed by (Ret.) Justice Amelia R. Cotangco-Manalastas, stating that there has been a "Successful Settlement". Attached thereto, among others are the following:

1.) Compromise Agreement executed on March 4, 2022, signed by Gianna Marie C. Comsti and John Albert M. Bonifacio on behalf of petitioner Holy Angel University, and respondent CIR Caesar

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[3] Docket, pp. 301 to 302.
[4] Docket, p. 315.
[5] Resolution dated March 22, 2022, Docket, pp. 317 to 318.
[6] Docket, pp. 304 to 314.
[7] Docket, pp. 320 to 321.
[8] Docket, p. 322.

R. Dulay, and attested to by (Ret.) Justice Amelia R. Cotangco-Manaslastas;[9]

2.) Special Power of Attorney dated July 1, 2021 executed by Dr. Luis Maria R. Calingo, petitioner's president authorizing the law firm of Quiason Makalintal Barot Torres Ibarra Sison & Damaso as petitioner's authorized representatives in the mediation proceedings;[10]

3.) Special Power of Attorney dated December 27, 2021 executed by Assistant Commissioner James H. Roldan authorizing and appointing namely, Atty. Felix Paul R. Velasco III, Atty. Sylvia R. Alma Jose, Atty. Ayesha Hania G. Guiling-Matanog, Atty. Lara Nicole T. Gonzales to appear for and in behalf of the respondent at the mediation proceedings in the PMC-CTA in connection with CTA Case No. 10569;[11]

4.) Photocopies of BIR Form No. 0605 and the corresponding eFPS Payment Confirmation evidencing total payment in the amount of ₱6,646,902.64[12]

On June 23, 2022, the Court noted the filing of the Mediator's Report and ordered the parties to submit within thirty (30) days from notice, the Certificate of Availment confirming that the compromise agreement was approved by the NEB.[13]

Meanwhile, on June 28, 2022, the instant case was transferred to the Second Division of this Court pursuant to CTA Administrative Circular No. 01-2002, reorganizing the Second and Third Divisions of the Court.[14]

On July 8, 2022, respondent filed his *Compliance*[15] attaching thereto a certified true copy of the Certificate of Availment dated June 24, 2022, as well as the proof of approval of the majority of the NEB members and the CIR's concurrence thereon, evidencing approval of the compromise agreement.

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[9] Docket, pp. 329 to 330.
[10] Docket, pp. 326 to 327.
[11] Docket, p. 325.
[12] Docket, pp. 331 to 336.
[13] Resolution dated June 23, 2022, Docket, pp. 337 to 338.
[14] Order dated June 28, 2022, Docket, p. 340.
[15] Docket, pp. 341 to 346.

We shall now proceed to look into the merits of the Compromise Agreement and the documents submitted by the parties in support thereof.

The Compromise Agreement reads as follows:

"**COMPROMISE AGREEMENT**

Undersigned parties, assisted by their respective counsels, Petitioner **HOLY ANGEL UNIVERSITY** with address at 1 Holy Angel Avenue corner Sto. Rosario Street, Angeles City, Philippines, represented by herein by the **The Law Firm of Quiason Makalintal Barot Torres Ibarra Sison and Damaso, particularly Attys. Benedict R. Tugonon, Gianna Maria C. Comsti or John Albert M. Bonifacio**, and Respondent **COMMISSIONER OF INTERNAL REVENUE**, with address at Room 703 BIR Building, Bureau of Internal Revenue, Diliman, Quezon City, Philippines, represented by the Litigation Division.

AGREE as follows:

WHEREAS, on July 1, 2021, a Petition for Review was filed by petitioner Holy Angel University challenging the validity of the Decision dated May 17, 2021 issued by respondent Commissioner of Internal Revenue in connection with deficiency tax assessment for taxable year 2013. Under the Decision, petitioner was required to pay basic tax due in the amount of Php16,617,256.60 representing deficiency income tax.

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, petitioner has offered and respondent has accepted the amount of Php6,646,902.64, representing 40% of the basic tax stated in the Decision dated May 17, 2021, as well as the assessments.

IN WITNESS WHEREOF, the Parties hereto have mutually and voluntarily accepted the above stipulations, and sign this Agreement, at Quezon City on this 4th day of March 2022 for the consideration and approval of the Honorable Court.

HOLY ANGEL UNIVERSITY
Petitioner

(Signed)
Caesar R. Dulay
COMMISSIONER OF INTERNAL REVENUE
Respondent

By:

Benedict R. Tugonon
Authorized Representative

(Signed)
Gianna Maria C. Comsti
Authorized Representative

(Signed)
John Albert M. Bonifacio
Authorized Representative

ATTESTED:

(Signed)
Justice Amelia R. Cotangco-Manalastas
Mediator"

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

Particularly, petitioner paid a total of ₱6,646,902.64, or forty percent (40%) of the basic tax as per the Final Decision dated May 17, 2021 issued by respondent, and obtained the approval of the NEB, in accordance with Section 204(A) of the National Internal Revenue Code of 1997, as amended.[16]

Moreover, the 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.

A compromise is a contract whereby the parties, by making reciprocal concessions, avoid litigation or put an end to one already commenced.[17] 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.[18] It is an accepted and desirable practice in courts of law and administrative tribunals.[19] Settlement of disputes brought before the courts is, in fact, encouraged.[20]

Moreover, a judgment by compromise is a judgment embodying a compromise agreement entered into by the parties in which they

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[16] 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

(2) The financial position of the taxpayer demonstrates a clear inability to pay the assessed tax.

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

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

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 (P1,000,000.00) 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." (*Emphasis supplied*)

[17] Article 2028, Civil Code of the Philippines.
[18] Article 1306, Civil Code of the Philippines.
[19] *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.
[20] *Conchita A. Sonley vs. Anchor Savings Bank/Equicom Savings Bank*, G.R. No. 205623, August 10, 2016.

make reciprocal concessions in order to terminate a litigation already instituted.[21] A compromise approved by final order of the court has the force of *res judicata* between the parties, and cannot and should not be disturbed except for vices of consent or forgery, it being the obvious purpose of such compromise to settle once and for all the issues involved and bar all future disputes and controversies.[22]

WHEREFORE, in light of the foregoing considerations, the *Compromise Agreement* dated March 4, 2022, entered into by the parties 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 of the aforesaid Compromise Agreement.

Accordingly, the instant case is now deemed **CLOSED AND TERMINATED**.

SO ORDERED.

ERLINDA P. UY
Associate Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

LANEE S. CUI-DAVID
Associate Justice

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[21] *Jose Diaz Jr., et al., vs. Salvador Valnciano, Jr., et al.*, G.R. No. 209376, December 6, 2017.
[22] *Id.*

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

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's Division.

ROMAN G. DEL ROSARIO
Presiding Justice