REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

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COMMISSIONER OF INTERNAL REVENUE, Petitioner,	**CTA EB NO. 2050** *(CTA Case No. 9149)*
	Present:
- versus -	**DEL ROSARIO,** *P.J.*, **CASTAÑEDA, JR.,** **UY,** **RINGPIS-LIBAN,** **MANAHAN,** **BACORRO-VILLENA,** and **MODESTO-SAN PEDRO,** *JJ.*
ROBINSONS DAISO DIVERSIFIED CORPORATION, Respondent.	Promulgated: JUN 3 0 2021 4:10 pm

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JUDGMENT ON COMPROMISE AGREEMENT

For resolution is the parties' **Joint Motion (Re: Compromise Agreement)** filed on July 7, 2020.

In support of their Joint Motion for judgment based on compromise agreement, the parties submitted the following documents:

1. Original copy of the Compromise Agreement;[1]

2. Secretary's Certificate dated September 22, 2015 authorizing Jayson L. Fernandez to enter into and execute the compromise or amicable settlement of the case;[2]

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[1] CTA EB Docket No. 2050, pp. 270-271.
[2] CTA EB Docket No. 2050, pp. 264-266.

3. Copies of the BIR eFPS Payment Confirmation,[3] representing payments for deficiency Income Tax, VAT, EWT, and WTC; and,

4. Certified True Copy of the Certificate of Availment (Compromise Settlement) dated October 26, 2020 signed by Ms. Clavelina S. Nacar, the OIC-ACIR, Collection Services Head, TWG on Compromise, and stating that petitioner's application for compromise has been approved by the National Evaluation Board (NEB); and,

5. The document containing the signatures of the National Evaluation Board (NEB), indicating their approval to the Compromise Agreement.

The Compromise Agreement reads:

"**COMPROMISE AGREEMENT**

Undersigned parties, assisted by their respective counsels, Petitioner **ROBINSONS DAISO DIVERSIFIED CORPORATION**, with the assistance of its counsel Romulo Mabanta Buenaventura Sayoc & Delos Angeles, with office address at 21st floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines, represented herein by **Jayson L. Fernandez**, 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 13 March 2018, Respondent ROBINSONS DIASO DIVERSIFIED CORPORATION filed a Petition for Review challenging the validity of the Final Decision on Disputed Assessment issued by Respondent Commissioner of Internal Revenue in connection with deficiency tax assessments for taxable year 2009. Under the Final Decision on Disputed Assessment, petitioner was required to pay basic tax due in the amount of **Nine Million Eight Hundred Ninety-Seven Thousand Eight Hundred Fifteen Pesos and 59/100 cents (Php 9,897,815.59)** representing deficiency taxes; and

WHEREAS, during mediation proceedings before the Philippine Mediation Center - Court of Tax Appeals, Petitioner has offered to amicably settle the case for **Four Million Nine Hundred Forty-Eight Thousand and Nine Hundred Seven Pesos and 80/100 cents (Php 4,948,907.80)** to avoid prolonged litigation, as authorized by A.M. No. 11-1-05-SC-PHILJA.

[3] CTA EB Docket No. 2050, pp. 299-308.

NOW THEREFORE, Petitioner has paid and Respondent has accepted the amount of **Four Million Nine Hundred Forty-Eight Thousand and Nine Hundred Seven Pesos and 80/100 cents (Php 4,948,907.80)**, representing 56.25% of the basic income tax, 40.00% of the basic value-added tax and documentary stamp tax, and 100.00% of the expanded withholding tax and withholding tax compensation of the basic tax assessed under the FDDA, as full satisfaction of the 2009 tax assessment subject to the approval of the Honorable Court of Tax Appeals.

IN WITNESS WHEREOF, the Parties hereto have mutually and voluntarily accepted the above stipulations, and sign this Agreement, at Quezon City on this __th day of December, 2019 for the consideration and approval of the Honorable Court.

ROBINSONS DAISO DIVERSIFIED CORPORATION
Petitioner

COMMISSIONER OF INTERNAL REVENUE
Respondent

By:

(sgd.)
JAYSON L. FERNANDEZ
Authorized Representative

(sgd.)
CAESAR R. DULAY
Commissioner"

THE COURT'S RULING

Section 204(A) of the National Internal Revenue Code (NIRC) of 1997, 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.

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

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> **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**. (*Boldfacing supplied*)

Based on the foregoing, for cases other than financial incapacity, the minimum compromise rate is forty percent (40%) of the basic assessed tax, and in case the basic tax exceeds ₱1,000,000.00 or where the settlement offered is less than the said prescribed minimum rates, the compromise must be approved by the Evaluation Board, which is composed of respondent and the four (4) Deputy Commissioners of the Bureau of Internal Revenue (BIR).

Relatedly, Section 6 of Revenue Regulations (RR) No. 30-2002,[4] as last amended by RR No. 9-2013, 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) <u>shall be approved by a majority of all the members of the NEB</u> 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.**
>
> xxx xxx xxx
>
> The compromise offer shall be paid by the taxpayer upon filing of the application for compromise settlement. **No application for compromise settlement shall be processed without the full settlement of the offered amount.** In case of disapproval of the application for compromise settlement, the amount paid upon filing of the aforesaid application shall be deducted from the total outstanding tax liabilities." (*Boldfacing and underscoring supplied*)

Thus, for a compromise settlement falling within the jurisdiction of the NEB to be valid, it must be shown that the same is approved by a majority of all the members of the NEB, and that there is a full settlement of the offered amount.

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[4] SUBJECT: Revenue Regulations Implementing Sections 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.

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Records reveal that respondent assails the validity of the assessments issued by petitioner on the following grounds: (i) the assessments are null and void due to the absence of an electronic letter of authority; and, (ii) respondent's right to assess petitioner has prescribed despite the five (5) waivers executed.

On the other hand, petitioner insists that (i) his right to assess petitioner for deficiency taxes for taxable year 2009 has not prescribed because valid waivers were executed; (ii) he observed both substantive and procedural due process in issuing the assessments; (iii) the assessments issued are valid and lawful; and, (iv) the assessments issued have factual and legal bases.[5]

The foregoing shows that the validity of the assessments is indeed put in issue before this Court.

As aforestated, under Section 204 of the NIRC of 1997, as amended, respondent may compromise the payment of any internal revenue tax when a reasonable doubt as to the validity of the claim against the taxpayer exists, subject to the minimum compromise rate equivalent to 40% of the basic assessed tax.

Upon review of the supporting documents submitted by the parties, the Court finds that petitioner has fully paid the legally required minimum amounts for compromise settlement, as shown in the copies of the BIR eFPS Payment Confirmation,[6] representing payments for deficiency Income Tax, Value Added Tax (VAT), Expanded Withholding Tax (EWT), Withholding Tax on Compensation (WTC), and Documentary Stamp Tax (DST) summarized below:

Tax Type	Basic Tax Assessed	Minimum Compromise Rate	Minimum Compromise Amount	Payment Made	Actual Compromise Rate
IT	₱4,642,964.91	40%	₱1,857,185.96	₱2,612,028.64	56%
VAT	₱4,863,058.07	40%	₱1,945,223.23	₱1,945,223.23	40%
EWT	₱150,855.04	40%	₱60,342.02	₱ 150,855.04	100%
WTC	₱240,709.77	40%	₱96,283.91	₱ 240,709.77	100%
DST	₱227.80	40%	₱91.12	₱91.12	40%
TOTAL	₱9,897,815.59		₱3,959,126.24	₱4,948,907.80	

Furthermore, the Court notes the submission of the certified true copy of the Certificate of Availment (Compromise Settlement) dated

[5] Answer, CTA Case No. 9149 Docket vol. 1, pp. 84-96.
[6] CTA EB Docket No. 2050, pp. 299-308.

October 26, 2020 which states that petitioner's application for compromise settlement has been approved by the NEB, and the document containing the signatures of the NEB, indicating their approval to the Compromise Agreement.

In light of the foregoing considerations, the Court finds the parties' **Joint Motion (Re: Compromise Agreement)** to be in order, as the same 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.[7] It is noteworthy that settlement of cases in court at any stage of the proceeding is not only authorized, but, in fact, encouraged in our jurisdiction.[8]

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.[9] Corollary thereto, when a compromise agreement is given judicial approval, it becomes more than just a contract binding upon the parties, it is no less than a judgment on the merits.[10]

WHEREFORE, premises considered, the parties' **Joint Motion (Re: Compromise Agreement)** filed on July 7, 2020 is hereby **GRANTED**. The Compromise Agreement 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**.

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[7] Article 2028, New Civil Code.
[8] *Bank of the Philippine Islands vs. Garcia-Lipana Commodities, Inc. and TLL Realty and Management Corporation*, G.R. No. 192366, July 1, 2019.
[9] Article 1306, New Civil Code.
[10] *Bank of the Philippine Islands vs. Garcia-Lipana Commodities, Inc. and TLL Realty and Management Corporation, supra.*

SO ORDERED.

ROMAN G. DEL ROSARIO
Presiding Justice

WE CONCUR:

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

ERLINDA P. UY
Associate Justice

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

CATHERINE T. MANAHAN
Associate Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
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