REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

CROWN AGRIKEM CORPORATION, *Petitioner*,	**CTA CASE NO. 9997**
	Members:
- versus -	**CASTAÑEDA, JR**, *Chairperson*, **BACORRO-VILLENA**, *and* **CUI-DAVID**, *JJ.*
COMMISSIONER OF INTERNAL REVENUE, *Respondent*.	Promulgated: JUN 2 1 2022 3:4 p.m.

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JUDGMENT ON COMPROMISE AGREEMENT

CUI-DAVID, J.:

This resolves PMC-CTA's *Mediator's Report of Successful Settlement* with attached Complete Compromise Agreement, filed on June 30, 2021.

To recall, on April 11, 2019, the instant case was referred for mediation in the Philippine Mediation Center – Court of Tax Appeals (PMC-CTA) to which the parties were directed to appear before the PMC-CTA on May 28, 2019, for mediation proceedings.[1]

After the termination of the mediation proceedings, the PMC-CTA forwarded on June 30, 2021 the *Mediator's Report*, signed by (Ret.) Judge Nelson B. Bayot, *Appellate Mediator*, stating that there has been a successful settlement in this case. Attached to the said *Report* are the following documents, to wit:

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[1] Resolution, Docket, pp. 121.

1. Agreement to Mediate and Selection of Mediator dated May 28, 2019 (original copy);

2. Selection of Mediator dated May 28, 2019 whereby the parties selected (Ret.) Judge Nelson B. Bayot to be the Mediator in the instant case (original copy);

3. Special Power of Attorney dated May 17, 2019 signed by Marissa O. Cabreros, Deputy Commissioner, Legal Group of the Bureau of Internal Revenue (BIR), appointing Attys. Felix Paul R. Velasco III, Sylvia R. Alma Jose, Rowell B. Vicente, Niki Beryl B. Dela Cruz, and/or any lawyer from the Litigation Division of the BIR to appear for and in behalf of respondent at the mediation of the instant case (original copy);

4. Secretary's Certificate dated December 20, 2018, signed by petitioner's Corporate Secretary Jan Michael Tan, certifying that petitioner's Board of Directors appointed Fortun Narvasa & Salazar to be the authorized representative/s of petitioner and Ms. Conchita Tan to sign any and all pleadings relative to the case (original copy);

5. Appearance of Parties in the Mediation Conferences on June 11, 2019, July 3, 2019, and July 31, 2019 (original copy);

6. Compromise Agreement signed by petitioner's authorized representatives Kristine R. Ferrer and Kevin Ken S. Ganchero of Fortun Narvasa & Salazar and respondent Commissioner of Internal Revenue Caesar R. Dulay, and attested by (Ret.) Judge Nelson B. Bayot (original copy);

7. Various BIR Payment Forms (BIR Form No. 0605) and their corresponding Bank Deposit Slips, representing the payment of compromise amount in full settlement of petitioner's 2009 internal revenue tax liabilities (photocopies only).

On July 19, 2021, noting that there are documents which were not attached to the *Mediator's Report* as required under CTA *En Banc* Resolution No. 7-2021, the Court directed the PMC-CTA to transmit to the Court the original or certified true copies of the relevant document, *i.e.*, BIR Form No. 0605 and proof of payment of the compromise amount; and Certificate of Availment confirming that the compromise agreement was approved by the Evaluation Board of the BIR, within thirty (30) days from the termination of the mediation proceedings. In the meantime, the resolution of the PMC-CTA's Mediator's Report was held in abeyance.

After several extensions on time, or on March 30, 2022, respondent filed his *Compliance with Manifestation and Motion*, submitting the certified true copy of the *Certificate of Availment* showing approval of the Compromise Agreement by the National Evaluation Board (NEB) with attached signature page showing the approval by the majority of the members of the NEB. Respondent manifested however that he does not have the original or certified true copies of the BIR Payment Forms and Bank Deposit Slips as said documents are with petitioner in Iloilo. Hence, he asked that he be excused from producing the originals or certified true copies thereof.

In the Resolution dated April 12, 2022, the Court noted and granted respondent's *Compliance with Manifestation and Motion*. Accordingly, petitioner was directed, for the last time, to submit the originals or certified true copies of BIR Form No. 0605 with the corresponding Bank Deposit Slip, within ten (10) days from notice. Again, the resolution on the PMC-CTA's *Mediator's Report* was held in abeyance.

On May 5, 2022, in the interest of justice and to give petitioner the final opportunity to support its case, petitioner's *Motion for Time* filed on April 20, 2022, was granted. Accordingly, petitioner was given a final and non-extendible period of forty-five (45) days from April 7, 2022, or until May 22, 2022, to submit the original or certified true copies of BIR Form No. 0605 and the corresponding Bank Deposit Slips.

In compliance with the Court's directive, petitioner filed its *Submission* on May 4, 2022, submitting the original copies of BIR Forms No. 0605 and Bank Deposit Slips as proof of payment of the compromise amount, which the Court noted in the Resolution dated May 19, 2022.

Hence, the Court shall now act on the PMC-CTA's *Mediator's Report of Successful Settlement* and the parties' *Compromise Agreement*.

The *Compromise Agreement* partly reads:

COMPROMISE AGREEMENT

xxx xxx xxx

WHEREAS, on February 8, 2019, an Amended Petition for Review was filed by petitioner seeking to invalidate the Bureau of Internal Revenue's (BIR) Formal Letter of Demand under Assessment No. RR11-2013-eLA (074-2010-00000260) and its subsequent Warrant of Distraint and/or Levy dated July 19, 2018 and Warrants of Garnishment dated September 3, 2018, August 18, 2018, and July 25, 2018 which seek to collect from the Corporation the total amount of Three Million Six Hundred Eighty Thousand Six Hundred Thirty two and 65/100 Pesos (Php3,680,632.65) representing deficiency taxes for the taxable year 2009 (the "2009 assessment"), the details of which are as follows:

Tax Type	Basic Tax Due	Surcharge	Interest	Compromise	Total
Income Tax (IT)	P1,095,461.27	P273,865.32	P830,688.28		P2,200,014.87
Value Added Tax (VT)	607,783.82	151,945.95	491,332.44		1,251,062.21
Expanded Withholding Tax (WE)	61,047.61	15,261.90	46,432.81		122,742.32
Withholding Tax on Compensation (WC)	1,569.40	392.35	1,193.69		3,155.44
Miscellaneous Tax (MC)				P103,657.81	103,657.81
TOTAL					P3,680,632.65

WHEREAS, in 2008, prior to the institution of this case, petitioner made full payment of its deficiency Expanded Withholding Tax and Withholding Tax on Compensation and partial payment of its deficiency Income Tax, Value Added Tax and compromise penalties, as detailed below:

Tax Type	Date of Payment	Amount
	BASIC TAXES	
WC	May 10, 2018	P1,569.40
WE	May 21, 2018	61,047.61
VT	October 3, 2018	40,000.00
VT	October 4, 2018	40,000.00
VT	October 9, 2018	40,000.00
VT	October 22, 2018	40,000.00
VT	November 12, 2018	40,000.00
IT	November 23, 2018	62,452.36
TOTAL		P325,069.37
	PENALTIES	
WC (Surcharge & Interest)	May 10, 2018	1,586.04
WE (Surcharge & Interest)	May 24, 2018	61,694.71
MC	December 12, 2018	55,257.81
TOTAL		P118,538.56
TOTAL AMOUNT PAID		P443,607.93

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

NOW THEREFORE, in view of the limitation under Section 204 of the 1997 National Internal Revenue Code, petitioner has offered and respondent has accepted the amount of Five Hundred Eighty Nine Thousand One Hundred Seventy and 19/100 Pesos (Php589,170.19) in addition to the basic taxes previously paid by the Corporation in the aggregate amount of Three Hundred Twenty Five Thousand Sixty Nine and 37/100 Pesos (Php325,069.37), representing 50% of the basic (assessed) Income Tax and Value-Added Tax plus 100% of the basic (assessed) Expanded Withholding Tax and Withholding Tax on Compensation, as petitioner's full settlement of its 2009 internal revenue tax liabilities under Assessment No. RR-2013-eLA (074-2010-00000260), computed as follows:

Tax Type	Basic Tax Due	Compromise Amount
Income Tax (IT)	P1,095,461.27	P547,730.64
Value Added Tax (VT)	607,783.82	303,891.91
Expanded Withholding Tax (WE)	61,047.61	61,047.61
Withholding Tax on Compensation (WC)	1,569.40	1,569.40
Total	P1,765,862.10	P914,239.56
Less: Previous Basic Tax Payments		325,069.37
Total Compromise Amount		P589,170.19

IN WITNESS WHEREOF, the Parties hereto have mutually and voluntarily accepted the above stipulations, and sign this Agreement, at Quezon City on this 17th day of March 2021 for the consideration and approval of the Honorable Court.

xxx xxx xxx

Under Article 1306 of the Civil Code of the Philippines, 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. A compromise agreement is a contract whereby the parties make reciprocal concessions, avoid litigation, or put an end to one already commenced. It is an accepted, even desirable and encouraged, practice in courts of law and administrative tribunals.[2]

A compromise agreement is a contract whereby the parties make reciprocal concessions in order to resolve their

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[2] *California Manufacturing Company, Inc. vs. The City of Las Piñas, et al.*, G.R. No. 178461, June 22, 2009.

differences and, thus, avoid or put an end to a lawsuit. They adjust their difficulties in the manner they have agreed upon, disregarding the possible gain in litigation and keeping in mind that such gain is balanced by the danger of losing. It must not be contrary to law, morals, good customs and public policy, and must have been freely and intelligently executed by and between the parties. A compromise agreement may be executed in and out of court. Once a compromise agreement is given judicial approval, however, it becomes more than a contract binding upon the parties. Having been sanctioned by the court, it is entered as a determination of a controversy and has the force and effect of a judgment.[3]

In this regard, Section 204(A) of the National Internal Revenue Code (NIRC) of 1997, as amended, provides that for cases other than financial incapacity, the minimum compromise rate is forty percent (40%) of the basic tax assessed. And in case the basic tax exceeds Php1,000,000.00 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 BIR.[4]

Relative thereto, Section 6 of Revenue Regulations (RR) No. 30-2002,[5] as last amended by RR No. 9-2003, 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) shall be approved by a majority of all**

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[3] *David M. David vs. Federico M. Paragas, Jr.*, G.R. No. 176973, February 25, 2015.

[4] 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

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) 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."

[5] 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.

> **the members of the NEB 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**.
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> xxx xxx xxx
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> 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 supplied*)

Based on the foregoing, 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.

In this case, upon careful scrutiny of the supporting documents attached to the *Mediator's Report* and compliance with submission submitted by the parties, the Court finds that petitioner has fully settled the legally required minimum amounts for compromise settlement, as shown in the BIR Payment Forms and Bank Deposit Slips, representing payments for deficiency Income Tax, Value-Added Tax, Expanded Withholding Tax, and Withholding Tax on Compensation.

Furthermore, the Court notes the submission of the *Certificate of Availment (Compromise Settlement)* dated March 2, 2022 together with the Certified True Copy of the signature page evidencing approval by the NEB of the Compromise Settlement as sufficient compliance with the legal requirements.

In light of the foregoing considerations, the Court finds the parties' *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.

WHEREFORE, premises considered, the PMC-CTA's *Mediator's Report of Successful Settlement* is **NOTED**. 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**.

SO ORDERED.

LANEE S. CUI-DAVID
Associate Justice

WE CONCUR:

JUANITO C. CASTAÑEDA, JR.
Associate Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

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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.
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