REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

ABS-CBN CORPORATION,
Petitioner,

- versus -

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NO. 9411

Members:

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

Promulgated:

FEB 27 2019 9:00 a.m.

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JUDGMENT ON COMPROMISE AGREEMENT

CASTAÑEDA, JR., *J.*:

For this Court's resolution are the following:

1. parties' **Joint Motion for Approval of Compromise Agreement**, filed on September 3, 2018; and

2. respondent's **Compliance**, filed on November 29, 2018.

In support of the Joint Motion for Approval of Compromise Agreement, the parties attached the following documents:

1. Original copy of the Judicial Compromise Agreement; and
2. Payment Forms (BIR Form No. 0605) representing the payments for deficiency Income Tax, Value-Added

Tax, Expanded Withholding Tax, Withholding Tax on Compensation, Final Withholding Tax and Documentary Stamp Tax.

In the October 4, 2018 Resolution, the Court ordered the parties to submit proof evidencing the authority of petitioner's Chief Financial Officer, Aldrin M. Cerrado to enter into a compromise agreement and proof of National Evaluation Board (NEB)'s approval of the compromise.

Accordingly, petitioner filed its Compliance on October 25, 2018 attaching an original copy of the Secretary's Certificate authorizing its Chief Financial Officer, Aldrin M. Cerrado, to enter into a compromise agreement. On the other hand, respondent moved for an extension of time to submit proof of NEB's approval.

In the November 23, 2018 Resolution, the Court noted petitioner's Compliance and granted respondent's Motion for Extension of Time to Submit Proof of NEB Approval, giving respondent thirty (30) days from October 26, 2018 or until November 25, 2018 to submit the said document.

Pending the submission of proof of NEB's approval, the resolution of the parties' Joint Motion for Approval of Compromise Agreement was held in abeyance.

Respondent later filed his Compliance on November 29, 2018 attaching therein a certified true copy of the Certificate of Availment for Compromise Settlement, stating that the application for compromise settlement has been approved by the NEB. Thus, the said Compliance is hereby **NOTED**.

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

The Compromise Agreement partly reads:

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 **amount equivalent to forty percent (40%)** of the **Basic Tax** assessed for deficiency income tax, value-added tax and documentary stamp tax and the **amount equivalent to one hundred percent (100%)** of the Basic Tax assessed for deficiency expanded withholding tax, compensation withholding tax, and final withholding tax in the **FDDA** in the **total compromise amount of One Hundred Fifty-Two Million Four Hundred Thirty-Seven Thousand Three Hundred Thirty and 93/100 Pesos (Php152,437,330.93)** ("**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 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 Taxpayer undertakes to submit to the **BIR** the **Judicial Compromise Amount**. Upon receipt of the **Judicial Compromise Amount,** 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 July 31, 2014.

Section 5. Authority to Enter Compromise Agreement. The **BIR**, through Commissioner Caesar R. Dulay warrant 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, **MR. ALDRIN M. CERRADO**, 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. 9411. Upon performance by the **TAXPAYER of its obligations under Section 4 hereof, the BIR** recognizes the full satisfaction of the supposed tax liability, including any alleged deficiency interest, surcharge, and other penalties thereon, of the **TAXPAYER** in connection with CTA Case No. 9411 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. 9411 (**TAXPAYER**'s alleged deficiency internal revenue taxes for CY 2009).

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 agreement is a contract whereby the parties make reciprocal concessions in order to resolve their differences and, thus, avoid or put an end to a lawsuit. They adjust their difficulties in

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[1] *Viesca vs. Gilinsky*, G.R. No. 171698, July 4, 2007.

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[2].

After careful scrutiny of the documents submitted by the parties in support of the judicial compromise, the Court finds the same in order and in compliance with the established laws, rules and regulations. Hence, the Court approves the same.

WHEREFORE, in view of the foregoing, the parties' **Joint Motion for Approval of Compromise Agreement** is **GRANTED**.

Accordingly, the **Judicial Compromise Agreement** entered into by the parties is **APPROVED** and judgment is hereby rendered in accordance therewith. The parties are thus enjoined to faithfully comply with all the terms and conditions of the aforesaid Compromise Agreement.

SO ORDERED.

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

I CONCUR:

Cielito N. Mindaro-Grulla
CIELITO N. MINDARO-GRULLA
Associate Justice

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

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