REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

SECOND DIVISION

ABS-CBN FILM PRODUCTIONS, INC., [Surviving Entity of the Merger Among Star Songs, Inc. Star Recording, Inc. and ABS-CBN Film Productions, Inc.],
Petitioner,

- versus -

THE COMMISSIONER OF INTERNAL REVENUE,
Respondent.

CTA CASE NO. 9283

Members:

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

Promulgated:

NOV 2 3 2018
4:30 p.m.

x - x

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. parties' **Joint Manifestation**, filed on October 24, 2018.

In a Resolution promulgated on October 4, 2018, the Court required the parties to submit as proof of the compromise agreement the originals or certified true copies of the following:

1. Certificate of Availment showing the approval of the NEB;
2. Authority of petitioner's Chief Financial Officer Beverly S. Fernandez to enter into a compromise;

3. Proof of payment of the compromise amounting to Php3,087,409.84; and
4. Any other document not mentioned above, supporting the approval of the subject compromise.

Pending the submission of the above-mentioned documents, the resolution of the Joint Motion for Approval of Compromise Agreement was held in abeyance.

The parties attached in their Joint Manifestation filed on October 4, 2018 the following documents:

1. Copy of the Judicial Compromise Agreement previously submitted to this Court;
2. Original copy of the Secretary's Certificate authorizing petitioner's Chief Financial Officer Ms. Beverly S. Fernandez to sign the Compromise Agreement entered into between petitioner and respondent;
3. Certified true copy of the Certificate of Availment for Compromise Settlement approved by the National Evaluation Board; and
4. Certified true copies of the payment forms (BIR Form 0605) representing the payments for the deficiency Income Tax, Value-Added Tax, Final Withholding Tax, and Improperly Accumulated Earnings Tax.

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 Income Tax, Basic Value Added Tax, and Basic Improperly Accumulated Earnings Tax* assessed in the **FDDA**, as well as the amount equivalent to one hundred percent (100%) of the *Basic Final Withholding Tax* in the total compromise amount of **Three Million Eighty-Seven Four Hundred Nine Pesos and Eighty-Four Centavos** (Php3,087,409.84) ("**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**, 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 **FAN** dated 10 April 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, **Ms. BEVERLY S. FERNANDEZ**, 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. 9283. Upon performance by the **TAXPAYER of its obligations under Section 4 hereof, the BIR** recognizes the fully 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. 9283 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. 9283 (**TAXPAYER**'s alleged deficiency internal revenue taxes for CY 2009).

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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 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].

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[1] *Viesca vs. Gilinsky*, G.R. No. 171698, July 4, 2007.
[2] *David M. David vs. Federico M. Paragas, Jr.,* G.R. No. 176973, February 25, 2015.

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** and **Joint Manifestation** are **GRANTED**.

Accordingly, the **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 will 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

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