REPUBLIC OF THE PHILIPPINES
COURT OF TAX APPEALS
QUEZON CITY

EN BANC

NORTHERN MINDANAO SALES CORPORATION, Petitioner, -versus- COMMISSIONER OF INTERNAL REVENUE, Respondent.	CTA EB NO. 2140 (CTA Case No. 8959)

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COMMISSIONER OF INTERNAL REVENUE, Petitioner, -versus- NORTHERN MINDANAO SALES CORPORATION, Respondent.	CTA EB NO. 2152 (CTA Case No. 8959) Present: Del Rosario, *P.J.*, Castañeda, Jr., Uy, Ringpis-Liban, Manahan, Bacorro-Villena, Modesto-San Pedro, Reyes-Fajardo, *and* Cui-David, *JJ.* Promulgated: MAY 12 2022 10:40am

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JUDGMENT ON COMPROMISE AGREEMENT

RINGPIS-LIBAN, J.:

On June 29, 2020, Northern Mindanao Sales Corporation (NMSC) filed a "Motion for Suspension of Proceedings Pending Settlement of Compromise

Agreement"[1] praying that the Court allow the suspension of proceedings until completion of the processing of the Compromise Agreement.

On November 26, 2020, the Court *En Banc* issued a Resolution[2] denying the "Motion for Suspension of Proceedings Pending Settlement of Compromise Agreement" stating that a motion to suspend proceedings without a temporary restraining order or injunction issued by a higher court is one of the prohibited pleadings under A.M. No. 19-10-20-SC of the 2019 Amendments to the 1997 Rules of Civil Procedure. Nevertheless, the parties are ordered to file the necessary motion if the parties were able to successfully finalize their compromise settlement.

On May 27, 2021, the Court *En Banc* issued a Resolution[3] ordering the parties to file the necessary motion with regard to the Compromise Agreement and to update the status of the said Compromise Settlement within ten (10) days from notice.

On June 14, 2021, NMSC filed a "Manifestation *(On the status of the Judicial Compromise Agreement)* with Motion for Additional Time to Secure NEB Approval."[4]

On July 9, 2021, the Court issued a Resolution[5] ordering the parties to submit the original or certified true copy of the Judicial Compromise Agreement, and other documents proving that NMSC has availed of the provisions of Revenue Regulations No. 30-2002.

On August 6, 2021, the Commissioner of Internal Revenue (CIR) filed by registered mail a "Compliance with Motion for Additional Time to Secure National Evaluation Board (NEB) Approval."[6] Attached to the said Compliance are the following documents:

a. Judicial Compromise Agreement executed by and between NMSC and the CIR;
b. Secretary's Certificate authorizing NMSC's President Charles Garcia to enter into and sign the Judicial Compromise Agreement in its behalf;
c. Payment Form (BIR Form No. 0605) amounting to Php7,308,035.17;
d. EFPS Payment Details; and
e. Filing Reference No.

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[1] Rollo, CTA EB Nos. 2140 & 2152, pages 119-120.
[2] Ibid., pp. 135-137.
[3] Ibid., pp. 151- 154.
[4] Ibid., pp. 155-158.
[5] Ibid., pp. 161-162.
[6] Ibid., pp. 163-167, with Annexes.

On October 20, 2021, the Court *En Banc* noted the CIR's Compliance and ordered the parties to submit the Certificate of Availment within fifteen (15) days from notice.[7]

On November 12, 2021, the CIR filed via registered mail a "Compliance with Report on the Status of the National Evaluation Board (NEB) Approval and Certificate of Availment."[8]

On November 25, 2021, the Court *En Banc* promulgated the Decision.[9]

On December 20, 2021, NMSC filed a "Motion for Reconsideration *(of the Decision Promulgated on November 25, 2021)*."[10]

On February 22, 2022, the Court *En Banc* issued a Resolution noting the CIR's "Compliance with Report on the Status of the National Evaluation Board (NEB) Approval and Certificate of Availment" and directed the CIR to file his Comment on the Motion for Reconsideration filed by NMSC, within ten (10) days from notice.

On February 24, 2022, the Court *En Banc* received the CIR's Motion for Partial Reconsideration" filed by registered mail on December 17, 2021.

On March 11, 2022, the Court *En Banc* received the parties' "Joint Manifestation *(Compromise Agreement vis-à-vis NEB Approval and Certificate of Availment)*" stating that on March 9, 2022, the parties received the original copies of the NEB Approval and Certificate of Availment pertaining to the Compromise Agreement between the parties relative to the Value-Added Tax (VAT) assessments against NMSC for the period from January 1 to June 30, 2012. Hence, the parties prayed that NEB Approval and Certificate of Availment be admitted and considered in the resolution of the cases, and thereafter, the cases be dismissed and considered closed and terminated pursuant to their Judicial Compromise Agreement.

Considering that the Decision dated November 25, 2021 has not yet attained finality because of the timely filing of the Motion for Reconsideration of both parties, and in view of the parties' prayer in the "Joint Manifestation *(Compromise Agreement vis-à-vis NEB Approval and Certificate of Availment)*," thus, the Court *En Banc* shall recall the Decision dated November 25, 2021, and shall now resolve the parties' Judicial Compromise Agreement.

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[7] Ibid., pp. 182-184.
[8] Ibid., pp. 185-188.
[9] Ibid., pp. 191-206.
[10] Ibid. pp. 207-222.

Section 6 of Revenue Regulations (RR) No. 30-2002, as amended by RR No. 9-2013, provides, to wit –

> "SEC. 6. APPROVAL OF OFFER OF COMPROMISE.- Except for offers of compromise where the approval is delegated to the REB[11] pursuant to the succeeding paragraph, all compromise settlements within the jurisdiction of the National Office (NO) shall be approved by **a majority of all the members of the** NEB[12] 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.
>
> 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."

The **"Judicial Compromise Agreement"**[13] dated March 18, 2021 states as follows:

> "**WHEREAS**, the **TAXPAYER** and **BIR**, filed their respective Petition for Review of the Decision dated March 11, 2019 and Resolution dated August 20, 2019, before the CTA *En Banc,* docketed as CTA EB Cases Nos. 2140 and 2152 (CTA Case No. 8959);
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> **WHEREAS**, on February 21, 2020, the **TAXPAYER** has submitted to the **BIR** a **Proposal for Amicable Settlement** of the alleged deficiency VAT assessment contained in the **FAN**;
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> **WHEREAS**, the **BIR** has evaluated the **TAXPAYER's** proposal for amicable settlement and believes that a judicial compromise to allow immediate tax collection and also put an end to litigation as provided in the Civil Code of the Philippines, serves the interest of the Government;

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[11] Regional Evaluation Board.
[12] National Evaluation Board.
[13] Ibid., pages 168-172.

WHEREAS, the **PARTIES** have agreed to enter into an amicable settlement pursuant to the provisions of the Civil Code of the Philippines, jurisprudence, relevant decisions of the Honorable CTA, and pertinent laws on judicial compromise without contravening laws, morals, public order and public policy;

WHEREAS, the Honorable CTA has issued rulings allowing judicial compromises similar to the instant case;

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 total payment of **Php7,308,035.17 ("Judicial Compromise Amount")**.

Section 2. Submission to the Honorable CTA. This Agreement fully signed by the **PARTIES** shall be submitted for the approval of the Honorable Court of Tax Appeals in CTA EB Cases Nos. 2140 and 2152 (CTA Case No. 8959). The **PARTIES** undertake to perform any and all acts, submit any and all documents required by the Honorable CTA to be able to render a **Judgment by Compromise Agreement** in the said case.

Section 3. Effectivity of the Agreement. This Agreement shall take effect and bind the PARTIES upon 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 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 May 21, 2014.

> **Section 5. Authority to Enter Compromise Agreement.** The **BIR**, through Commissioner Caesar R. Dulay warrants 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.
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> The **TAXPAYER, HON. CHARLES GARCIA**, 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 EB Cases Nos. 2140 and 2152 (CTA Case No. 8959). Upon approval by the Honorable CTA, the BIR recognizes the full satisfaction of the supposed tax liability of the **TAXPAYER** in connection with CTA EB Cases Nos. 2140 and 2152 (CTA Case No. 8959) 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 EB Cases Nos. 2140 and 2152 (CTA Case No. 8959)."

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.[14]

Finding the subject compromise agreement to be in order and in compliance with established laws, rules and regulations, taking into consideration the documents submitted by the parties in support thereof, the same is approved.

WHEREFORE, in view of the foregoing, the Decision dated November 25, 2021 is **RECALLED**.

The parties' **"Judicial Compromise Agreement"** is **APPROVED** and judgment is hereby rendered in accordance therewith. Accordingly, the

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

proceedings in the instant cases are considered **CLOSED and TERMINATED**.

SO ORDERED.

MA. BELEN M. RINGPIS-LIBAN
Associate Justice

WE CONCUR:

ROMAN G. DEL ROSARIO
Presiding Justice

JUANITO C. CASTAÑEDA, JR.
Associate Justice

ERLINDA P. UY
Associate Justice

CATHERINE T. MANAHAN
Associate Justice

JEAN MARIE A. BACORRO-VILLENA
Associate Justice

MARIA ROWENA MODESTO-SAN PEDRO
Associate Justice

MARIAN IVY F. REYES-FAJARDO
Associate Justice

LANEE S. CUI-DAVID
Associate Justice

CERTIFICATION

Pursuant to Section 13 of Article VIII of the Constitution, it is hereby certified that the conclusions in the above Judgment on Compromise Agreement were reached in consultation before the cases were assigned to the writer of the opinion of the Court.

ROMAN G. DEL ROSARIO
Presiding Justice