



REPUBLIC OF THE PHILIPPINES
SUPREME COURT
Manila

SECOND DIVISION

NOTICE

Sirs/Mesdames:

Please take notice that the Court, Second Division, issued a Resolution dated 28 July 2021 which reads as follows:

“G.R. No. 251677 (*Commissioner of Internal Revenue v. Oriental Assurance Corporation*). – The Court resolves to NOTE and GRANT Oriental Assurance Corporation’s (respondent) Manifestation with Motion to Render Judgement Based on Judicial Compromise Agreement.¹

The present case for reconsideration is this Court’s Resolution² dated September 30, 2020, denying the Petition for Review on *Certiorari*³ of herein Commissioner of Internal Revenue (petitioner) for failure to sufficiently show that the CA committed any reversible error in the challenged Decision and Resolution as to warrant the exercise by this Court of its discretionary appellate jurisdiction.

On June 15, 2010, respondent received the Preliminary Assessment Notice (PAN) dated June 15, 2010, assessing it for deficiency documentary stamp tax (DST) for calendar year 2007 in the amount of ₱72,656,907.28. Fourteen (14) days thereafter, petitioner sent a Formal Letter of Demand (FLD) dated June 29, 2010, assessing respondent for deficiency DST in the amount of ₱73,055, 974.87.⁴

In reply to the FLD, respondent on October 5, 2010 filed a letter dated September 29, 2010 expressing its willingness to settle the tax liability through a Compromise Agreement on the ground of doubtful validity. On June 4, 2012, respondent sent a letter to inquire the status of its request for a compromise settlement.⁵

Thereafter, respondent paid the amount of ₱12,069,671.00 out of the ₱60,622,895.38 total DST liability. The balance of ₱48,553,224.38 was the subject of a compromise offer between the parties.⁶

¹ *Rollo*, pp. 104-106.

² *Id.* at 95-96.

³ *Id.* at 13-35.

⁴ *Id.* at 44.

⁵ *Id.*

⁶ *Id.*

Petitioner signed the Payment Form (Bureau of Internal Revenue⁷ Form 0605) representing the compromise amount of 40% of the respondent's DST liability, which is equivalent to ₱19,421,289.75, which said amount was paid by respondent.⁸

However, on September 17, 2013, a Notice of Denial of the compromise agreement dated March 20, 2013 was received by respondent. Respondent then requested for a reconsideration and clarification on the grounds of erroneous computation of the tax base.⁹

On April 30, 2014, petitioner issued a Warrant of Garnishment¹⁰ against respondent. This prompted respondent to file a Petition for Review with Prayer for Temporary Restraining Order (TRO) and/or Preliminary Mandatory Action to Recall Warrant of Garnishment and Prohibition of Collection before the Court of Tax Appeals (CTA) Division.¹¹ A Motion for Consignation dated May 15, 2014 was filed and received by the CTA on May 19, 2014.¹²

On May 29, 2014, the CTA granted the TRO but declared the Motion for Consignation moot and academic. Accordingly, respondent was required to file a surety bond.¹³ Petitioner then filed its answer.¹⁴

Parties were then required to file their respective briefs. On April 30, 2015, the parties submitted their Joint Stipulation of Facts and Issues. Consequently, the CTA issued a Pre-Trial Order on May 12, 2015. Trial ensued. On March 7, 2016, the case was deemed submitted for decision.¹⁵

Ruling of the CTA Second Division

The CTA Second Division ruled in favor of respondent.¹⁶ It held that it has jurisdiction in the determination of the validity of the Warrant of Garnishment and thereafter ruled that such was void due to violation of taxpayer's due process.¹⁷

Based on Section 228 of the National Internal Revenue Code (NIRC) of 1997 in relation to Section 3.1.2 of Revenue Regulation (RR) No. 12-99, a taxpayer is given a period of 15 days from the receipt of PAN to respond thereto. If taxpayer fails to respond to the PAN upon the lapse of the 15-day

⁷ (BIR).

⁸ *Rollo*, p. 44.

⁹ *Id.*

¹⁰ *Id.* at 67.

¹¹ *Id.* at 45.

¹² *Id.* at 67.

¹³ *Id.* at 67-68.

¹⁴ *Id.* at 68.

¹⁵ *Id.* at 72.

¹⁶ *Id.* at 65-81; penned by Associate Justice Juanito C. Castañeda, Jr. and concurred in by Associate Justices Caesar A. Casanova and Catherine T. Manahan.

¹⁷ *Id.* at 76-80.

period, the taxpayer shall be considered in default and the BIR shall then issue FLD/FAN.¹⁸

In the case at bar, respondent received the PAN on June 15, 2010. Applying the aforementioned rule, the respondent has until June 30, 2010 to file its protest. However, petitioner issued a FLD against respondent on June 29, 2010, a day before the period to file protest lapses. Thus, it is tantamount to a denial of respondent's right to due process. Ultimately, even if the compromise agreement was denied, the Warrant of Garnishment is still invalid as it proceeds from a void FLD.¹⁹

CIR moved for the reconsideration of the ruling of the CTA Second Division, but it was denied for lack of merit.²⁰ Thus, CIR brought the case to the CTA *En Banc*.

Ruling of the CTA En Banc

On August 6, 2019, the CTA *En Banc* denied the petition for lack of merit,²¹ to *wit*:

WHEREFORE, the Assailed Decision dated February 23, 2017 and Assailed Resolution dated September 14, 2017 are AFFIRMED. Accordingly, the Petition for Review filed with the Court *En Banc* on October 20, 2017 is DENIED for lack of merit.

SO ORDERED.²²

On September 4, 2019, petitioner filed a Motion for Reconsideration which was, however, denied for lack of merit in CTA *En Banc* Resolution dated February 4, 2020.²³ Thus, the case was elevated to this Court seeking for the reversal of the aforesaid CTA *En Banc* Decision and Resolution.

Ruling of the Supreme Court

In Our Resolution dated September 30, 2020, We ruled that the CTA *En Banc* committed no reversible error in finding that the Warrant of Garnishment issued by petitioner against respondent as void.²⁴

¹⁸ Id. at 76-77.

¹⁹ Id. at 78.

²⁰ Id. at 82-88.

²¹ Id. at 43-48; penned by Associate Justice Ma. Belen M. Ringpis-Liban and concurred in by Associate Justices Juanito C. Castaneda, Jr., Erlinda P. Uy, Esperanza R. Fabon-Victorino, Cielito N. Mindaro-Grulla and Catherine T. Manahan, while Associate Justices Maria Rowena Modesto-San Pedro and Jean Marie A. Bacorro-Villena took no part.

²² Id. at 57.

²³ Id. at 59-64.

²⁴ Id. at 95-96.

It is a settled principle in taxation that void assessment bears no fruit.²⁵ As the Warrant of Garnishment emanated from the FLD which was issued a day early than what is provided under the relevant rules, the same was invalid and thus, it prevented petitioner from collecting the DST liability from respondent.

Hence, the present Motion for Reconsideration,²⁶ raising the following issues:

- I. The Republic should be afforded the amplest opportunity for the proper and just determination of its cause, free from the constraint of technicalities.
- II. The CTA *En Banc* gravely erred in nullifying a valid assessment which is already final and executory.
- III. The CTA *En Banc* gravely erred in ruling that there was a violation of due process of law.²⁷

We note however, that on January 7, 2021, respondent filed a Manifestation with Motion to Render Judgment Based on Judicial Compromise Agreement²⁸ requesting this Court to approve the Judicial Compromise Agreement²⁹ executed by both parties.

In the said Compromise Agreement, petitioner and respondent agreed to amicably settle herein case upon the following terms and conditions:

Section 1. Judicial Compromise Amount. In order to settle the above-entitled case, the TAXPAYER shall waive in favor of the BIR the right to refund the amount of Nineteen Million Four Hundred Twenty One Thousand Two Hundred Eighty Nine Pesos and Seventy Five Centavos (Php 19,421,289.75), which TAXPAYER previously paid the BIR per Payment Form (BIR Form 0605) dated June 8, 2012; and has offered and paid, which in turn the BIR accepted, the additional amount of One Million Pesos (Php 1,000,000.00), or the total sum of Php 20,421,289.75, as “Judicial Compromise Amount”, which represents forty two percent (42%) of the original assessment of Php 73,055,974.75, issued under and by virtue of the subject FLD, covering the alleged deficiency taxes due for the calendar year of 2007.

Section 2. Submission to the Honorable Supreme Court. This Agreement fully signed by the PARTIES shall be submitted for the approval of the Honorable Supreme Court with SC GR No. 251677 (*Commissioner*

²⁵ *Commissioner of Internal Revenue v. Liguigaz Phils. Corp.*, 784 Phil. 874, 892 (2016), citing *Commissioner on Internal Revenue v. Reyes*, 516 Phil. 176, 186-190 (2006).

²⁶ *Rollo*, pp. 121-140.

²⁷ *Id.* at 121-22.

²⁸ *Id.* at 104-106.

²⁹ *Id.* at 107-113.

of Internal Revenue vs. Oriental Assurance Corporation), relative to CTA Gase No, 8817 (Second Division) and CTA *En Banc* Case No. 1716, by way of appeal therefrom. The PARTIES undertake to perform any and all acts and submit any and all document required by the Honorable Court to be able to render a **Judgment by Compromise Agreement** in the said case.

Section 3. Effectivity of the Agreement. This Agreement shall only take effect and bind the PARTIES upon final approval by the Honorable Court. This Agreement shall thereafter remain in force and effect until completion and fulfilment of the covenants and undertaking of the PARTIES hereto.

Section 4. Deliverable of the PARTIES upon approval of this Agreement by the Honorable Court. Upon final approval by the Honorable Supreme Court 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, fully withdrawing and cancelling the subject FLD dated June 29, 2010 and Warrant of Garnishment dated April 28, 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 Supreme Court. The TAXPAYER through its Executive Vice-President 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 the pending case before the Honorable Supreme Court with G.R. No. 251677 (*Commissioner of Internal Revenue vs. Oriental Assurance Corporation*), as an appeal from CTA Case No. 8817 (Second Division) and CTA *En Banc* Case No. 1716. Upon performance by the TAXPAYER of its obligations under Section 2 hereof, the BIR recognizes the full satisfaction of the supposed tax liability, including any deficiency interest, surcharge, and other penalties thereon; and, that the TAXPAYER no longer has any tax liability/ies whatsoever based upon, arising from or in connection with the cited cases and the subject FLD dated June 29, 2010 and Warrant of Garnishment dated April 28, 2014, covering its deficiency tax on DST for the calendar year of 2007.

Section 7. Disapproval of this Agreement by the Honorable Supreme Court. In the event that this Agreement is disapproved by the Honorable Supreme Court, the PARTIES agree to a curing period of sixty (60) days receipt of the Order/Resolution disapproving this Agreement. During such curing period, the PARTIES mutually agree to perform any and all acts necessary to rectify or correct the deficiency, defect or imperfection which caused its Agreement for approval of the appropriate Honorable Supreme Court. However, in case the defect or imperfections is not or cannot be rectified or corrected within the said curing period, or still not approved by the Honorable Supreme Court after it is rectified or corrected by the parties:

- a. The amount of Php20,421,289.75 already paid by the TAXPAYER to the BIR shall be deemed a tax credit, which may be applied against internal revenue taxes for which the TAXPAYER may be directly liable, as allowed under existing rules and regulations; and,
- b. The proceedings of subject FLD dated June 29, 2010 and Warrant of Garnishment dated April 28, 2014, covered under and by virtue of the Supreme Court case with G.R. No. 251677 (*Commissioner of Internal Revenue vs. Oriental Assurance Corporation*), or any appeals therefrom, shall continue and the discussions pursuant to the disapproved Agreement cannot be used by the PARTIES in said proceeding, unless written consent of the other party is obtained.

Section 8. No Admission of Liability. The execution of this Agreement shall not constitute or be interpreted in any way as an admission or acknowledgement of error or liability by the PARTIES.

Section 9. Non-Performance. The PARTIES agree that the failure of any PARTY to comply with any of the terms and conditions of this Agreement shall entitle the aggrieved PARTY to file an appropriate motion with the Honorable Supreme Court for the immediate implementation and execution of the terms and conditions of this Agreement or the judgment or order of the Honorable Supreme Court approving the same.

Section 10. Signatures and Counterparts. This Agreement may be signed in counterparts, each which when executed and delivered shall constitute a duplicate original, but all of which shall be taken together as a single instrument. Until and unless each party has received a counterpart hereof signed by the other party hereto, the Agreement shall have no effect and no party shall have any right or obligation hereunder.³⁰

Our Ruling

A compromise is a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.³¹ Settlement of disputes by way of compromise whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced, is an accepted, nay desirable and encouraged practice in courts of law and administrative tribunals.³²

Upon perusal of the Judicial Compromise Agreement executed by the parties, We find that such is in order. In our jurisdiction, tax liability may be compromise at any stage of taxation subject to certain rules and exceptions provided in the revenue regulations issued by the BIR. The CIR is authorized as well to compromise, abate, refund or credit taxes.³³ In the absence of any

³⁰ Id. at 108-110.

³¹ CIVIL CODE OF THE PHILIPPINES, Article 2028.

³² *Santiago II v. De Guzman*, 258 Phil. 135, 141 (1989).

³³ NATIONAL INTERNAL REVENUE CODE, Section 204.

grave abuse of discretion, the authority of the CIR to compromise is purely discretionary and the courts cannot interfere with his exercise of discretionary functions.³⁴

In the present case, the signatures of Commissioner Caesar R. Dulay of the BIR and Kent Cotoco, Executive Vice-President and authorized representative of respondent by virtue of their Board Resolution dated September 17, 2020,³⁵ appear in the last page of the Judicial Compromise Agreement signifying their assent to the terms and conditions of such.

RR No. 30-2002, as amended by RR No. 08-2004, enumerates the bases for acceptance of the compromise settlement on the ground of doubtful validity, *viz.*:

SEC. 3. BASIS FOR ACCEPTANCE OF COMPROMISE SETTLEMENT. — x x x

1. Doubtful validity of the assessment. — The offer to compromise a delinquent account or disputed assessment under these Regulations on the ground of reasonable doubt as to the validity of the assessment may be accepted when it is shown that:

(a) The delinquent account or disputed assessment is one resulting from a jeopardy assessment x x x; or

(b) The assessment seems to be arbitrary in nature, appearing to be based on presumptions and there is reason to believe that it is lacking in legal and/or factual basis; or

(c) The taxpayer failed to file an administrative protest on account of the alleged failure to receive notice of assessment and there is reason to believe that the assessment is lacking in legal and/or factual basis; or

(d) The taxpayer failed to file a request for reinvestigation/reconsideration within 30 days from receipt of final assessment notice and there is reason to believe that the assessment is lacking in legal and/or factual basis; or

(e) The taxpayer failed to elevate to the Court of Tax Appeals (CTA) an adverse decision of the Commissioner, or his authorized representative, in some cases, within 30 days from receipt thereof and there is reason to believe that the assessment is lacking in legal and/or factual basis; or

(f) The assessments were issued on or after January 1, 1998, where the demand notice allegedly failed to comply with the formalities prescribed under Sec. 228 of the National Internal Revenue Code of 1997; or

³⁴ See *PNOC v. Court of Appeals*, 496 Phil. 506, 572 (2005).

³⁵ *Rollo*, pp. 114-115.

(g) Assessments made based on the “Best Evidence Obtainable Rule” and there is reason to believe that the same can be disputed by sufficient and competent evidence; or

(h) The assessment was issued within the prescriptive period for assessment as extended by the taxpayer’s execution of Waiver of the Statute of Limitations the validity or authenticity of which is being questioned or at issue and there is strong reason to believe and evidence to prove that it is not authentic; or

(i) The assessment is based on an issue where a court of competent jurisdiction made an adverse decision against the Bureau, but for which the Supreme Court has not decided upon with finality.

Based on the foregoing, the compromise agreement of herein parties may be accepted. The present case falls under paragraph (i) of the aforesaid revenue regulation. It must be noted that a motion for reconsideration is filed before this Court and thus, the adverse decision of the CTA *En Banc* has not yet become final.

Further, the attached necessary documents evidencing payment of the compromised amount proved that respondent fully settled the required minimum amount for the settlement. Also, the terms and conditions specified therein are not contrary to law, morals, good customs, public order and public policy. Accordingly, the Judicial Compromise Agreement between herein parties is valid. Accordingly, the resolution of herein motion for reconsideration of petitioner becomes moot and academic.

Compromises are generally to be favored and those entered into in good faith cannot be set aside, except when there is mistake, fraud, violence, intimidation, undue influence, or falsity of documents.³⁶ When a compromise agreement complies with the requisites and principles of contracts, it becomes a valid agreement which has the force of law between the parties. Once stamped with judicial *imprimatur*, it becomes more than a mere contract binding upon the parties; having the sanction of the court and entered as its determination of the controversy, it has the force and effect of any other judgment.³⁷

WHEREFORE, in light of all the foregoing, the motion for reconsideration is **DENIED** for being moot and academic. The parties’ Motion to Render Judgment Based on the Judicial Compromise Agreement contained in the Manifestation filed by Oriental Assurance Corporation is **GRANTED**. The Judicial Compromise Agreement entered into by herein

³⁶ *Kepeco Philippines Corp. v. Commissioner of Internal Revenue*, G.R. Nos. 225750-51, July 28, 2020.

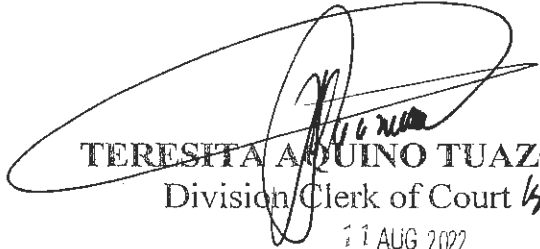
³⁷ *Spouses Martir v. Spouses Verano*, 529 Phil. 120, 125 (2006).

parties is hereby **APPROVED** and the parties are enjoined to faithfully observe and comply with the terms and conditions of their Compromise Agreement. The instant case is declared **CLOSED** and **TERMINATED**.

Let entry of judgment be issued immediately.

SO ORDERED.” (Rosario, J., designated additional Member per Raffle dated July 15, 2021.)

By authority of the Court:


TERESITA AQUINO TUAZON
 Division Clerk of Court *by s/j*
 11 AUG 2022

OFFICE OF THE SOLICITOR GENERAL (reg)
 134 Amorsolo Street
 1229 Legaspi Village
 Makati City

LAWYERS ADVOCATE CIRCLE (reg)
 (Atty. Ariel Bruno Rivera)
 Counsel for Respondent
 Suite 2303, Atlanta Centre, 31 Annapolis St.
 Greenhills, 1502 San Juan

BUREAU OF INTERNAL REVENUE (reg)
 Litigation Division
 Room 703, BIR National Office Building
 Agham Road, Diliman
 Quezon City

COURT OF TAX APPEALS (reg)
 National Government Center
 Agham Road, 1104 Diliman
 Quezon City
 (CTA EB Case No. 1716)
 (CTA Case No. 8817)

JUDGMENT DIVISION (x)
 Supreme Court, Manila

PUBLIC INFORMATION OFFICE (x)
 LIBRARY SERVICES (x)
 [For uploading pursuant to A.M. No. 12-7-SC]

OFFICE OF THE CHIEF ATTORNEY (x)
 OFFICE OF THE REPORTER (x)
 PHILIPPINE JUDICIAL ACADEMY (x)
 Supreme Court, Manila

Please notify the Court of any change in your address.
 GR251677. 7/28/2021(65)URES