

**REPUBLIC OF THE PHILIPPINES**  
***Court of Tax Appeals***  
**QUEZON CITY**

***Third Division***

**MOUNTAIN PROVINCE  
ELECTRIC COOPERATIVE,  
INC.,**

*Petitioner,*

*-versus-*

**HON. CLAIRE B. CORPUZ, in  
her capacity as REGIONAL  
DIRECTOR OF THE BUREAU  
OF INTERNAL REVENUE –  
CAR – REVENUE REGION 2,**

*Respondent.*

**CTA CASE NO. 11225**

Members:

**MODESTO-SAN PEDRO, Chairperson,  
FERRER-FLORES, and  
CENTENO-DIJAMCO, JJ.**

Promulgated:

**SEP 23 2025**  
*8:00 a.m.*

x ----- x

**JUDGMENT ON COMPROMISE AGREEMENT**

***MODESTO-SAN PEDRO, J.:***

For the Court's resolution is a *Joint Motion to Render Judgment Based on Compromise Agreement*, filed by the parties on June 16, 2026.

Attached to the Motion are the following documents:

- (a) A Judicial Compromise Agreement, signed by Nicodemus L. Andawi (petitioner's General Manager) and Commissioner of Internal Revenue Hon. Charlito Martin R. Mendoza;
- (b) Print-outs of a Bureau of Internal Revenue ("BIR") eFPS webpages confirming petitioner's payment of ₱292,156.30 on December 23, 2025;
- (c) A print-out of a Landbank webpage showing that petitioner's account was debited ₱292,156.30 on December 23, 2025;
- (d) A print-out of BIR Form 0605, showing that petitioner paid ₱292,156.30 on December 23, 2025; ✓

- (e) A partially-redacted print-out of a BIR-Collections and Bank Reconciliation System Payment Information page; and
- (f) A certified true copy of a Certificate of Availment, dated May 16, 2026 and signed by Assistant Commissioner of Internal Revenue James H. Roldan, confirming that the National Evaluation Board has approved petitioner’s offer of compromise for the subject deficiency taxes.

The Court finds the Compromise Agreement to be in order.

To review, the BIR assessed petitioner for deficiency taxes for taxable year 2018, culminating in a Final Decision on Disputed Assessment,<sup>1</sup> finding the following liabilities:

| Type  | Basic      | Interest   | Surcharge | Total               |
|-------|------------|------------|-----------|---------------------|
| IT    | 410,097.83 | 119,139.01 | -         | 609,236.84          |
| VAT   | 454,982.72 | 232,901.29 | -         | 687,884.01          |
| WE    | 12,417.17  | 6,331.74   | -         | 18,748.91           |
| WC    | 108,744.34 | 56,201.46  | -         | 164,945.80          |
| WF    | 53,846.15  | 27,457.11  | 13,461.54 | 94,764.80           |
| MC    | 362,000.00 | -          | -         | 362,000.00          |
| Total |            |            |           | <b>1,937,580.36</b> |

On June 30, 2023, a day after filing the instant Petition, petitioner allegedly paid partial amounts of the assessed liabilities. Petitioner attached print-outs of BIR Form No. 0605s to substantiate this claim. Though court proceedings never progressed to the point where these print-outs could be compared, marked, identified by witnesses, or admitted by the Court, respondent does not seem to have objected to their genuineness.

The payments were in the following amounts:

| Type  | Basic Paid | Interest Paid | Surcharge Paid | Total Paid          |
|-------|------------|---------------|----------------|---------------------|
| IT    | 0.00       | 0.00          | 0.00           | 0.00                |
| VAT   | 454,982.72 | 232,901.29    | 0.00           | 687,884.01          |
| WE    | 12,417.17  | 6,331.74      | 0.00           | 18,748.91           |
| WC    | 108,744.34 | 56,201.46     | 0.00           | 164,945.80          |
| WF    | 53,846.15  | 27,457.11     | 0.00           | 81,303.26           |
| MC    | 327,000.00 | 0.00          | 0.00           | 327,000.00          |
| Total | 956,990.38 | 322,891.60    | 0.00           | <b>1,279,881.98</b> |

The following amounts of basic tax liabilities therefore remained as balance:~

<sup>1</sup> Rollo, pp. 116-119.

| Type  | Basic Due    | Basic Paid | Balance           |
|-------|--------------|------------|-------------------|
| IT    | 410,097.83   | 0.00       | 410,097.83        |
| VAT   | 454,982.72   | 454,982.72 | 0.00              |
| WE    | 12,417.17    | 12,417.17  | 0.00              |
| WC    | 108,744.34   | 108,744.34 | 0.00              |
| WF    | 53,846.15    | 53,846.15  | 0.00              |
| MC    | 362,000.00   | 327,000.00 | 35,000.00         |
| Total | 1,402,088.21 | 956,990.38 | <b>445,097.83</b> |

For its compromise amount, petitioner paid ₱292,156.30, which is around 65% of the basic tax liabilities remaining.

Reviewing the relevant provisions of law, *Section 204(a) of the National Internal Revenue Code of 1997, as amended ("NIRC")*, provides for the authority of the CIR to compromise the payment of any revenue tax:

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 (₱1,000,000) 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. . . .

(Italics supplied)✓

Based on the foregoing, a compromise settlement is deemed valid provided that the following requirements are present:

- (1) That the application for compromise should be based on either *the doubtful validity of the assailed assessment* or taxpayer's financial incapacity to pay such assessment;
- (2) *In case the basis of the compromise offer is doubtful validity, the minimum payment of compromise settlement shall be at the rate equivalent to 40% of the basic assessed tax*, while if the ground is financial incapacity, the minimum payment should be at the rate equivalent to 10% of the basic assessed tax; and
- (3) The approval of the NEB which is composed of the Commissioner of Internal Revenue and his four Deputy Commissioners if the subject assessment exceeds ₱1,000,000.00 or where the settlement offered is less than the prescribed minimum rates.

To review, petitioner filed the instant Petition for Review to assail the assessment against it. The protest casts doubt on the validity of the assessment. Hence, the first requirement is present: the assessment is allegedly of doubtful validity.

As stated, petitioner paid around 65% of the remaining balance of the basic amount of the assessed deficiency taxes, above the 40% minimum. It has therefore complied with the second requirement.

Finally, while the offer is neither (1) above ₱1,000,000.00; or (2) below the prescribed 40% rate, the Certificate of Availment shows that the NEB approved the compromise offer. The third requirement has been met.

Having complied with all requisites, then, the instant Compromise Agreement must be granted.

On the topic of compromise agreements, the Supreme Court explained the purpose of the same in *Far East Banc and Trust Co. v. Trust Union Shipping Corp.*:<sup>2</sup>

*A compromise is a contract whereby the parties, by making reciprocal concessions, avoid litigation or put an end to one already commenced.* It is an accepted and desirable practice in courts of law and

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<sup>2</sup> G.R. No. 154716, September 16, 2008.

administrative tribunals. Settlement of disputes brought before the courts is, in fact, encouraged.

It is settled that contracting parties may establish such stipulations, clauses, terms and conditions as they deem convenient, provided that these are not contrary to law, morals, good customs, public order, or public policy. (Italics supplied)

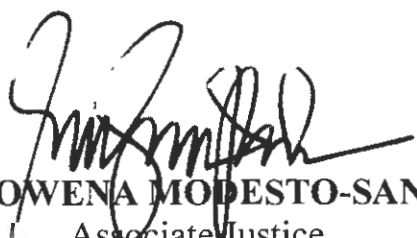
The Court thus reminds the parties that a compromise agreement approved by the courts has the force and effect of a judgment that is subject to execution and attains the effect and authority of *res judicata*, as discussed in *Viesca v. Gilinsky*.<sup>3</sup>

A compromise agreement has been described as a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced. A compromise agreement that is intended to resolve a matter already under litigation is normally called a judicial compromise. *Once it is 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. Such agreement has the force of law and is conclusive between the parties. It transcends its identity as a mere contract binding only upon the parties thereto, for it becomes a judgment that is subject to execution in accordance with the Rules. Thus, a compromise agreement that has been made and duly approved by the court attains the effect and authority of res judicata, although no execution may be issued unless the agreement receives the approval of the court where the litigation is pending and compliance with the terms of the agreement is decreed.* (Italics supplied)

**ACCORDINGLY**, the parties' *Joint Motion to Render Judgment Based on Compromise Agreement*, filed on May 5, 2026, is hereby **GRANTED**. Their Compromise Agreement is hereby **APPROVED**. This Judgment on Compromise Agreement is 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.**

  
**MARIA ROWENA MODESTO-SAN PEDRO**  
Associate Justice

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<sup>3</sup> G.R. No. 171698, July 4, 2007.

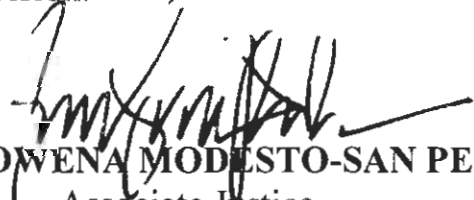
**WE CONCUR:**

  
**CORAZON G. FERRER-FLORES**  
Associate Justice

  
**DEBBIE JEAN I. CENTENO-DIJAMCO**  
Associate Justice

**ATTESTATION**

I attest that the conclusions in the above Judgment on Compromise Agreement were reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

  
**MARIA ROWENA MODESTO-SAN PEDRO**  
Associate Justice  
Chairperson

**CERTIFICATION**

Pursuant to Article VIII, Section 13 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's Division.

  
**MA. BELEN M. RINGPIS-LIBAN**  
Presiding Justice