Title: Philippine National Oil Company vs. Commissioner of Internal Revenue

Facts:
The case involves two consolidated petitions by the Philippine National Oil Company (PNOC) and the Philippine National Bank (PNB), challenging the Court of Appeals' decisions which affirmed the Court of Tax Appeals' (CTA) ruling in CTA Case No. 4249. This legal saga began when Tirso B. Savellano, a private respondent, reported to the Bureau of Internal Revenue (BIR) that PNB failed to withhold the 15% final tax on interest earnings from PNOC's money placements with PNB, pursuant to P.D. No. 1931. PNOC initially proposed a tax liability settlement by offsetting it against a tax refund claim of the National Power Corporation (NAPOCOR), which was pending with the BIR. BIR's multiple requests for PNOC to settle the liability were initially countered by PNOC with offers to compromise, which were either rejected or deemed premature by the BIR due to pending assessments. Eventually, a compromise agreement accepted by then BIR Commissioner Bienvenido A. Tan resulted in PNOC settling for P93,955,479.12, significantly less than the initial assessment. Savellano, after being paid an informer's reward based on the compromised amount, sought additional reward based on the full assessment. The BIR, under a new commissioner, attempted to enforce the original tax liability against PNB, leading to various legal maneuvers involving the CTA, DOJ, and eventually the Supreme Court due to the contestations on jurisdiction, the validity of the compromise agreement, and entitlement to further informer's rewards.

Issues:
1. Whether the Court of Tax Appeals (CTA) had jurisdiction over the case.
2. The validity of the compromise agreement between PNOC and the BIR.
3. Whether the tax assessment against PNOC and PNB had become final and unappealable.
4. The entitlement of Tirso Savellano to additional informer's reward based on the total tax collected from the compromise agreement.

Court's Decision:
The Supreme Court upheld the Court of Appeals and the CTA's rulings, with modifications. The Court found that:
1. The CTA correctly retained jurisdiction, rejecting the notion that the BIR demand letter constituted a new assessment against PNB.
2. The compromise agreement was without force and effect for being contrary to law and public policy.
3. The tax assessment became final and unappealable due to PNB's failure to act within the

prescribed period.
4. Tirso Savellano is entitled to additional informer’s reward based on the full amount collected by BIR following the compromise agreement’s nullification.

Doctrine:
1. A compromise on tax liabilities should strictly comply with statutory provisions.
2. The administrative authority of the BIR Commissioner to enter into compromise agreements is neither absolute nor uncontrolled.
3. Government cannot be estopped from collecting taxes by the mistakes or errors of its agents.

Class Notes:
– Compromise Agreements: Must comply with explicit statutory provisions and restrictions.
– Administrative Authority: While broad, is subject to legal constraints and must follow the law.
– Estoppel: The Government is not estopped from tax collection due to its agents’ errors.
– Informer’s Reward: Determined based on actual amount recovered or collected pursuant to a valid statutory basis.

Historical Background:
This case reflects the intricacies of tax law enforcement, the balance between administrative discretion and statutory mandates, and the role of informers in uncovering tax evasion. It highlights the challenges in ensuring government-owned and controlled corporations comply with tax obligations and the complicated process of legal contestation over substantial tax assessments and compromise agreements.