

REPUBLIC OF THE PHILIPPINES, PLAINTIFF AND APPELLANT VS. MAKCELO B. GARAY, DEFENDANT AND APPELLEE.

G. R. No. L-21416. December 31, 1965

Ponente: CONCEPCION, J.

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CONCEPCION, J.:

Appeal by the Government, on questions purely of law, from an amended decision of the Court of First Instance of Manila.

This is an ordinary action for the recovery by the Government of several sums of money allegedly due from defendant Marcelo B. Garay by way of deficiency income tax for the years 1946, 1948 and 1949. After answering the complaint, defendant filed a pleading, which was, also, signed by counsel for the plaintiff, stating substantially that, in a communication dated November 2, 1962, the Acting Commissioner of Internal Revenue—hereinafter referred to as the Commissioner—demanded from him (defendant) the payment, by way of deficiency income tax for said years, of the aggregate amount of P14,843.22, itemized as follows:

"1946

P1,207.60

1948

9,642.67

1949

3,992.95"

including 1/2% monthly interest up to June 30, 1960; that, on December 18, 1962, defendant agreed to pay said sum of P14,843.22, but requested that he be allowed to settle his obligation in twelve (12) equal monthly installments; ad that, in a letter dated January 3, 1963, the Commissioner had acquiesced to this request, provided that defendant paid P2,843.22 upon receipt of said letter and the balance of P12,000 in twelve (12) equal monthly installments of P1,000 each, beginning from January 30, 1963, and that defendant's conformity thereto be expressed in a proper pleading in order that judgment could be rendered in accordance therewith; and that defendant accordingly, confessed judgment in line with this undertaking. Thereupon, the lower court rendered a decision, the dispositive part of which reads:

"Wherefore, the above-quoted confession of judgment is hereby approved and judgment rendered thereon ordering the defendant to pay to the plaintiff, in accordance with paragraph 3 thereof in relation to the second paragraph of Annex 6, the sum of P2,843.22 immediately and the balance of P12,000 in twelve monthly installments of P1,000.00 beginning January 30, 1963 and every month thereafter until the said balance is fully paid."

Soon thereafter, plaintiff filed a motion stating that, "due to an oversight", the lower court had "failed to provide for the surcharges and interests which defendant became liable under his admission as * * * the taxes involved were to be paid on installments" and praying that said decision be amended to sentence the defendant to pay, also, the following:

"(a) 5% surcharges:

"1946

58.38

1948

408.59

1949

196.19

Total

P 636.16

"(b) 1% monthly interests:

"1946

P1,261.01

1948

1,253.55

1949

519.08

Total

P 3,033.64

Grand Total

P3.669.86

By an order dated March 15, 1963, the lower court denied the relief prayed for by the plaintiff, upon the ground that the aforementioned judgment was "based upon a compromise agreement of the parties" and that the "supposed surcharges and other penalties now being claimed by the plaintiff must have been taken into consideration" when said agreement was entered into and filed with the court. The latter, however, amended the dispositive part of said decision, by adding thereto the following:

"With legal rate of interest at six percent (6%) per annum upon the amount of P12,000.00 from the date of this decision until the same shall have been fully paid."

Hence, this appeal by the plaintiff, who maintains that the decision appealed from is not based upon a compromise agreement, because the parties therein had merely agreed to a delay in the payment of the tax and no advantage to the government would come from such agreement, and that the same was not signed by the Commissioner.

We find no merit in this pretense. Article 2028 of the Civil Code of the Philippines provides:

"A compromise is a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced."

It is obvious that the pleading, entitled "Confession of Judgment," filed by the, defendant on January 15, 1963, and bearing, not only the signature of his counsel, but, also, that of counsel for the Commissioner, partook of the nature of a compromise, for, in consideration of defendant's recognition of his obligation to pay the aforementioned sum of P14,843.22, and the Commissioner's willingness to allow its payment on installments, both had agreed to put an end to the present litigation, thru the rendition of a judgment incorporating said stipulations. Indeed, defendant's communication of December 18, 1962, contained a specific request for "a sort of compromise agreement", which was expressly "granted", in the letter of the Commissioner dated January 3, 1963. Then, also, plaintiff derived from said agreement the advantage of collecting P2,843.22, upon receipt of said letter by the defendant, aside from putting an end to the litigation and the assurance of monthly collections of P1,000 for one year. Again, although the motion captioned "Confession of Judgment" was not signed by the Commissioner, his letter of January 3, 1963, annexed to said motion, and, accordingly, forming part thereof, bears his signature.

The decision appealed from is, accordingly, affirmed, without special pronouncement as to costs. It is so ordered.

Bengzon, C. J., Bautista Angelo, Reyes, J. B. L., Barrera, Dizon, Regala, Makalintal, Bengzon, J.P. and Zaldivar, JJ., concur.

Judgment affirmed.

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