

### Title: **Allied Banking Corporation v. Commissioner of Internal Revenue**, G.R. No. 722975

### Facts:

#### Chronology of Events:

1. **Preliminary Assessment Notice (PAN):** On April 30, 2004, the Bureau of Internal Revenue (BIR) issued a PAN to Allied Banking Corporation (Allied) for a deficiency in Documentary Stamp Tax (DST) amounting to P12,050,595.60, and Gross Receipts Tax (GRT) totaling P38,995,296.76 for the taxable year 2001.
2. **Protest against PAN:** Allied received the PAN on May 18, 2004, and filed a protest on May 27, 2004.
3. **Formal Letter of Demand (FLD):** On July 16, 2004, the BIR issued an FLD demanding payment of the assessed taxes and stating it was the final decision based on an investigation. Allied received this letter on August 30, 2004.
4. **Petition for Review (CTA):** On September 29, 2004, Allied filed a Petition for Review with the Court of Tax Appeals (CTA), docketed as CTA Case No. 7062.
5. **Answer and Motion to Dismiss by CIR:** CIR filed an Answer on December 7, 2004, followed by a Motion to Dismiss on July 28, 2005, citing Allied's failure to file an administrative protest against the FLD.
6. **Opposition to Motion to Dismiss:** Allied opposed the motion on August 18, 2005.
7. **CTA First Division's Resolution:** The First Division dismissed the petition on October 12, 2005, for lack of jurisdiction, emphasizing that no administrative protest was filed against the FLD.
8. **Motion for Reconsideration:** Allied moved for reconsideration, which was denied on February 1, 2006.
9. **Appeal to CTA En Banc:** Allied appealed to the CTA En Banc on February 22, 2006, docketed as CTA EB No. 167.
10. **CTA En Banc's Decision:** The CTA En Banc affirmed the First Division's ruling on August 23, 2006, and denied Allied's motion for reconsideration on October 17, 2006.
11. **Petition for Review on Certiorari (Supreme Court):** Allied then filed a petition to the Supreme Court.

### Issues:

Whether the Formal Letter of Demand (FLD) dated July 16, 2004, can be construed as a final decision of the CIR appealable to the CTA under Republic Act (RA) No. 9282.

### Court's Decision:

The Supreme Court granted the petition and reversed the CTA's decision, establishing that:

1. **Final Decision Interpretation:** The words "final decision" in the FLD indicated that the action was final, and thus, appealable directly to the CTA. The language used by the CIR led Allied to reasonably believe that further administrative protests were unnecessary.
2. **Estoppel on Administrative Remedies:** The Court found that based on the wording in the FLD, the CIR could not later claim that Allied failed to exhaust administrative remedies.
3. **Procedural Considerations:** Despite normally requiring an administrative protest, exceptional cases like this allow the interpretation of final decisions by the language and nature of official communications.

### ### Doctrine:

1. **Finality of Decisions:** Clear and unequivocal communication in tax assessments and decisions is critical. Actions or determinations labeled as "final decisions" yet ambiguous may mislead taxpayers, making the CIR estopped from arguing procedural deficiencies later.
2. **Exhaustion of Administrative Remedies:** Exhaustion may not be required if the FLD sufficiently constitutes an appealable final decision due to its language.

### ### Class Notes:

1. **Section 7 of RA 9282:** Authority of the CTA to hear cases involving disputed assessments once they are deemed final decisions of the CIR or following inaction.
2. **Section 228 of the NIRC:** Tax assessments should be administratively protested within specified periods unless explicitly stated otherwise.
3. **Estoppel in Tax Cases:** If the administrative agency's communication indicates finality, they may be estopped from arguing procedural preconditions were not met.
4. **Key Statutes:**
  - **RA 9282:** Jurisdictional scope of the CTA.
  - **Section 228, NIRC:** Procedures for protesting tax assessments.

### ### Historical Background:

This case was decided during a time when clarifications and proper communication in tax assessments were critically relevant in the tax enforcement processes in the Philippines. The legal principles illustrating procedural justice and fairness were accentuated by the necessity for clear, unequivocal, and precise communication by the tax authorities to prevent undue prejudice against taxpayers.