TAX APPEALS TRIBUNAL
Justice in Taxation

THE REPUBLIC OF UGANDA

IN THE TAX APPEALS TRIBUNAL AT GULU

APPLICATION NO. 002 OF 2025

AMACH MODERN SECONDARY SCHOOL LTD..... APPLICANT

VERSUS

UGANDA REVENUE AUTHORITY.....RESPONDENT

BEFORE: HON. CRYSTAL KABAJWARA, HON. PROSCOVIA REBBECA NAMBI, HON. EDWARD BIRYETEGA

RULING

I. Introduction

1. The Applicant challenges the Respondent's objection decision wherein the Respondent maintained an additional income tax assessment for the 2020/2021 financial year, comprising a principal tax liability of Shs. 153,974,847 and an administrative late-filing penalty of Shs. 200,000, resulting in a controversy over a liquidated sum totalling Shs. 154,174,847.

II. Background Facts

2. The Applicant is an educational institution primarily engaged in the commercial provision of secondary school education services. The Respondent is the statutory revenue authority, with its regional northern station located in Gulu.

3. The dispute arises out of a tax compliance audit executed by the Respondent into the financial affairs of the Applicant covering the

2020/2021 year of income. During the audit, the Respondent examined the Applicant's self-declared Income Tax Return for Non-Individuals, in which the Applicant originally self-assessed a total net tax liability of Shs. 0.0. In the said return, the Applicant declared gross operational receipts of Shs. 335,000,000, which were completely offset by Shs. 298,912,969 in combined operating and administrative expenses alongside a carried-forward loss of Shs. 13,027,969. However, the Respondent established that while the Applicant declared active income of only Shs. 335,000,000, its accompanying balance sheet listed gross trade receivables/debtors of Shs. 599,998,492.

4. The Respondent determined that the Applicant had failed to recognize credit income generated from its student enrollment profiles. Accordingly, on 4 January 2023, the Respondent issued an Administrative Additional Income Tax Assessment under Assessment Number L1022300226111, adding back Shs. 513,249,492 to the Applicant's chargeable income, resulting in a principal tax liability of Shs. 153,974,847 and a late-filing provisional penalty of Shs. 200,000.

5. On 14 June 2024, the Applicant lodged an online objection against the assessment, contending that the underlying funds represented uncollected school fees from students who remained under national lockdown due to the COVID-19 pandemic, which figures had been written off as a bad debt. On 3 September 2024, the Respondent issued an evidentiary demand under Section 42 of the Tax Procedures Code Act, requiring the Applicant to provide its trade receivables ledgers, bank statements, and fee demand letters within 7 days. When the Applicant provided only its general audited accounts, the Respondent, on 11 September 2024, issued its formal Objection Decision Notice, disallowing the objection and maintaining the full assessment on the grounds of insufficient evidence and unrelated grounds.

6. Dissatisfied with the objection decision, the Applicant preferred an application for review before this Tribunal and paid under protest a cash

deposit representing the requisite thirty per cent (30%) of the disputed amount, totalling Shs. 46,192,454.

III. Issues for Determination

7. In the absence of a Joint Scheduling Memorandum or a Joint Trial Bundle executed by counsel, this Tribunal has extracted the following core issues directly from the adversarial pleadings on record for formal determination:
   (i) Whether the Applicant is liable to pay additional income tax on the uncollected receivables sum of Shs. 513,249,492.
   (ii) Whether the Applicant is statutorily entitled to an expense deduction for a written-off bad debt in the amount of Shs. 513,249,492 under Section 24 of the Income Tax Act?
   (iii) Whether the administrative late-filing penalty of Shs. 200,000 was lawfully levied?
   (iv) What remedies are available to the respective parties?

IV. Representation

8. At the trial of this Application, M/s Omara Atubo & Co. Advocates appeared for the Applicant, while the Legal Services and Board Affairs Department of the Uganda Revenue Authority appeared for the Respondent.

V. The Evidence on Record

The Applicant's Evidence

9. The Applicant led evidence through an Affidavit in Support deponed by its official School Auditor, Mr. Opio Luciano, on 7 April 2025, and a subsequent Affidavit in Rejoinder deponed on 24 August 2026. The witness stated that due to national COVID-19 emergency health restrictions, all secondary schools were closed mid-term in March 2020 under Regulation 9(1)(a) of the Public Health (Control of COVID-19) Rules (SI No. 52 of 2020) and Regulation 14(1)(a) of SI No. 83 of 2020.

10. Mr. Opio testified that while the school had originally projected an expected fee revenue baseline of Shs. 863,249,492 based on initial term enrollments, it physically realised only Shs. 335,000,000 when the Senior Four class and selected segments were partially permitted to resume studies. He deponed that the outstanding balance of Shs. 513,249,492 constituted an uncollected account receivable from students who remained under lockdown. To prove that these funds never physically entered the school's possession, the Applicant attached its **Post Bank Account Number 1630903000152 (Annexure C)**. The witness deponed that because parents could not practically pay fees for periods their children did not study, the school treated the amount as an uncollectable bad debt and wrote it off from its revenue ledgers.

The Respondent's Evidence

11. In opposition, the Respondent relied on an Affidavit in Reply deponed by Mr. Oboma James Baker, an Officer attached to the Objections Management Unit at the URA Gulu Station. The witness deponed that the Applicant operates on an accrual basis of accounting, under which financial transactions are recorded when they occur. He testified that by self-declaring trade receivables of Shs. 599,998,492 on its audited balance sheet, the Applicant legally recognised that it had derived the income under tax accounting laws, making its subsequent exclusion from gross returns illegal.

12. Mr. Oboma further testified that during the objection phase, the Applicant dynamically attempted to reduce its declared income by Shs. 58,774,300 while massively inflating its unvouched domestic boarding costs from Shs. 97 Million to Shs. 535,000,000 and building maintenance costs from Shs. 8.8 Million to Shs. 107,800,000. He deponed that the Applicant failed to provide primary source documentation, such as trade ledgers or demand letters to parents, and maintained that the principal tax and the late-filing penalty were entirely lawful.

VI. Submissions of the Applicant

13. The Applicant submitted that under Section 15 of the Income Tax Act, a taxpayer can only be taxed on net profit derived from realised income, less allowed statutory deductions. It was argued that levying an enormous tax liability on an "unrealised account receivable" trapped by a national state of emergency is arbitrary and illegal.

14. The Applicant contended that it fully satisfied the requirements of Section 24(2)(a) of the Act because it had originally included the Shs. 513,249,492 in its gross projected revenue before writing it off when the lockdown rendered it permanently uncollectable. The Applicant moved the Tribunal under Section 55 of the Evidence Act to take formal judicial notice that students in Uganda did not study for most of the 2020/2021 period and that parents could not pay for non-existent services. The Applicant therefore prayed that the assessment be entirely set aside and the 30% deposit reversed.

VII. Submissions of the Respondent

15. The Respondent counter-argued that under Section 40(1) and (2) of the Income Tax Act, a taxpayer utilising the accrual method derives income the exact moment it becomes "receivable", which is defined as the moment the taxpayer becomes legally entitled to receive it, regardless of whether physical cash collection is postponed or delayed.

16. The Respondent submitted that the Applicant's defence contains a fatal logical contradiction: if no debt ever arose because schools were closed, then there was no legal asset capable of being written off as a "bad debt" under Section 24 of the Income Tax Act. Conversely, if a debt existed to justify a bad debt claim, the taxpayer had to report it in gross income first, which the Applicant failed to do. The Respondent cited ***Williamson Diamonds Ltd v. Commissioner General 4 TTLR 167*** to emphasise that the burden of proving an assessment is excessive lies squarely on the taxpayer and can never be shifted to the state.

17. Without prejudice to the above, the Respondent submitted that the bad debt deduction was an afterthought "smuggled in" at the submission stage, which was never raised during the audit or objection phases. The URA cited ***International Hospital Kampala Ltd v. URA*** **UGTAT 14** and ***KK Security Uganda Ltd v. URA*** **UGTAT 35** to prove that bad debt claims must be rejected where a taxpayer fails to produce primary source evidence tracking reasonable, failed collection efforts. The Respondent therefore prayed that the Court dismiss the application with costs.

VIII. Procedural Default & Applicant's Rejoinder Submissions

18. Before evaluating the substantive merits of this application, this Tribunal must formally address a procedural timeline variation on the record regarding the case management schedules. Under this forum's directions, the Tribunal ordered the Applicant to file its brief by 31 July 2026, and directed the Respondent to file and serve its Affidavit in Reply and final written submissions on or before 14 August 2026.

19. The record establishes that the Respondent experienced minor administrative delays, logging its filing on 20 August 2026 and executing formal service on the Applicant on 25 August 2026—past the primary targeted window. This Tribunal takes exception to this timeline slippage, as uncoordinated scheduling delays threaten to run down the clock on a taxpayer's right of reply and affect the orderly dispatch of business.

20. However, guided by the core tenets of substantive justice and the constitutional mandate to resolve tax disputes on their true legal merits rather than technical defaults, this Tribunal declines to exclude the brief. To maintain a complete and comprehensive adversarial record, the Tribunal admits the Respondent's submissions and will evaluate them with full legal weight, while cautioning the revenue authority and applicants that scheduling orders are matters of substantive compliance and must be respected.

21. In its final submissions in rejoinder, the Applicant re-asserted its entitlement to reliefs, citing its clear banking records as definitive proof that no tuition

income was derived or received from the locked-down receivables. Furthermore, the Applicant highlighted that during the 2025/2026 period, the Respondent formally waived the late-filing penalty of Shs. 200,000 under Annexure B1. The Applicant submitted that this waiver reflects the Respondent's implicit administrative acknowledgement that the underlying assessment was computationally unvouched and, consequently, reiterated its prayers to set aside the principal Corporate Income Tax assessment, with each party bearing its own legal expenses.

IX. The Determination

22. We have considered the pleadings, affidavits, tax returns and submissions properly before us. The Respondent filed its written submissions outside the timetable directed by the Tribunal. Those submissions were excluded and have not been considered in this determination. Their exclusion does not extend to the Respondent's pleadings and evidence already admitted on record, which we have considered alongside the Applicant's case. Three substantive questions arise:

    (i) whether the disputed school fees constituted income derived under section 40 of the Income Tax Act;

    (ii) whether the Applicant is entitled to a bad-debt deduction under section 24; and

    (iii) whether any dispute remains concerning the penalty of Shs. 200,000 following its reported waiver.

23. The Respondent's position is that the Applicant accounted on an accrual basis and reported trade receivables of Shs. 599,998,492 in its audited accounts for the year ended 30 June 2021. The Respondent relies on that disclosure as evidence that the Applicant had become entitled to receive the amounts recorded. The Respondent relies on Section 40(1) and (2) of the Income Tax Act, and argues that the Applicant confused cash collection with income derivation, and that the lockdown did not automatically erase the legal entitlement to those fees.

24. Section 40(1)(a) of the Income Tax Act provides that a taxpayer accounting on an accrual basis derives income when it becomes receivable. Section

40(2) explains that an amount is receivable when the taxpayer becomes entitled to receive it, even where payment is postponed or is to be made by instalments. The determining factor is therefore the existence of a right to payment, rather than the actual receipt of money. Where that right has arisen, delayed payment or uncertainty about recovery does not, by itself, prevent the amount from constituting income derived. Conversely, recording an amount as a receivable does not create an entitlement that has no legal basis.

25. In this case, we must determine whether, and to what extent, the Applicant became entitled to the disputed fees during the year ended 30 June 2021. That determination requires an examination of the applicable fee arrangements, the periods to which the charges related, and the effect of the school closures on the Applicant's right to payment.

26. The entry in the audited accounts is relevant evidence, but its description as a receivable does not conclusively determine its tax treatment. We must examine what the amount represented and whether the Applicant had acquired a legal right to payment. That inquiry requires consideration of the applicable fee arrangements, the periods concerned and the educational services provided.

27. We recognise the school closures imposed under Rule 9(1)(a) of the Public Health (Control of COVID-19) Rules, 2020, S.I. No. 52 of 2020, and continued under Rule 14(1)(a) of S.I. No. 83 of 2020. (See sections 55 and 56 of the Evidence Act on judicial notice, including notice of legislation.) However, the existence of those restrictions does not, without further evidence, establish their effect on the Applicant's entitlement to particular fees. The closures cannot be treated as having automatically extinguished every fee obligation, including obligations arising before closure.

28. In ***Uganda Revenue Authority v Siraje Hassan Kajura, Supreme Court Civil Appeal No. 9 of 2015, [2017] UGSC 91***, the Supreme Court affirmed that tax is a creature of strict statutory language, and courts must look fairly at what is clearly said. Therefore, Section 4 of the Income Tax Act imposes

income tax, while Section 15 determines chargeable income after allowable deductions. Those provisions must be read with section 40 when determining whether an accrual-basis taxpayer has derived income. Accordingly, neither the accounting entry alone nor the absence of payment resolves the question before us.

29. The Applicant produced bank statements from PostBank, Annexure C, showing that the disputed Shs. 513,249,492 was not received through that account. Non-receipt alone does not exclude income from taxation under the accrual method. The question is whether the Applicant became entitled to those fees. We accept the Applicant's evidence that the amount represented fees for teaching periods affected by the mandatory school closures, during which the educational services were not provided, and no right to payment arose under the applicable fee arrangements. Recording the amount as a receivable could not create an entitlement that did not otherwise exist. We therefore find that the disputed sum was not receivable within section 40(2) of the Income Tax Act and did not constitute income derived during the relevant year.

30. The Applicant alternatively seeks a deduction for bad debts under section 24 of the Income Tax Act. It states that it wrote off Shs. 513,249,492 when it became apparent that the fees would not be recovered. The Respondent objects that the claim was introduced only in submissions and that the statutory requirements were not satisfied. Having found that the disputed sum did not constitute income derived by the Applicant, we need not determine the alternative claim for a bad-debt deduction, as it would not affect the outcome of this application.

31. Although the alternative claim requires no determination, we clarify the position concerning new grounds. Section 16(4) of the Tax Appeals Tribunals Act provides that, where an application concerns an objection decision, the applicant is limited to the grounds stated in the objection unless the Tribunal orders otherwise. An applicant wishing to introduce a new ground must therefore obtain the Tribunal's permission. Merely including it in written submissions does not make it a ground properly before

the Tribunal. A further legal argument supporting an existing ground, however, is not necessarily a new ground. The Tribunal must examine the substance of the matter raised and, where permission to introduce a new ground is sought, consider any resulting prejudice and ensure that the Respondent has a fair opportunity to address it.

32. The next question concerns the penalty of Shs. 200,000 for late filing of the provisional return. According to the Respondent's evidence, the Applicant filed the return on 21 January 2021, after the stated deadline of 31 December 2020. The Applicant relies on Annexure B1 as evidence that the Respondent subsequently waived the penalty during the 2025/2026 financial year. We find that the waiver leaves no outstanding penalty for determination in this application.

33. For completeness, section 24 distinguishes a debt that has become irrecoverable from an amount that never became payable. A deduction requires more than an accounting write-off. The taxpayer must establish that the debt was written off during the relevant year, that its amount was included in gross income in a year of income, and that reasonable steps were taken to recover it, giving rise to a reasonable belief that it would not be satisfied.

34. An applicant may argue, in the alternative, that an amount did not accrue as income or, if it did, that it qualifies for a bad-debt deduction. However, each ground must be properly before the Tribunal and supported by evidence satisfying the applicable statutory requirements. Having found that the disputed fees did not constitute income derived by the Applicant, we make no further determination on the alternative claim.

Remedies and costs

35. Having found in favour of the Applicant on the principal assessment, we set aside the additional income tax assessment of Shs. 153,974,847. The Respondent shall adjust the Applicant's tax account/ledger accordingly and refund the Shs. 46,192,454 (30% deposit) paid against that assessment,

together with interest payable under section 31(2) of the Tax Appeals Tribunal Act.

36. Regarding the Applicant's claim for general damages, we are guided by the decision in ***Nagujja v Attorney General, Civil Suit No. 376 of 2002, [2012] UGHC 138***, that general damages compensate for consequences naturally flowing from an established wrongful act. The claim for general damages is declined, as the Applicant has not established wrongful conduct on the part of the Respondent warranting relief beyond setting aside the assessment.

37. Costs follow the event, and the Applicant successfully challenged the assessment and is therefore entitled to the costs of this application. We find no sufficient reason to order otherwise.

X. Orders

38. This Application is hereby disposed of under the following final Orders:

    (i) The additional income tax assessment of Shs. 153,974,847 under Assessment No. L1022300226111 is set aside.

    (ii) The Respondent shall make the necessary adjustments to the Applicant's tax ledger and refund the 30% deposit of Shs. 46,192,454 together with interest payable under section 31(2) of the Tax Appeals Tribunals Act.

    (iii) The claim for general damages is dismissed.

    (iv) Costs are awarded to the Applicant.

It is so ordered.

Dated at Kampala this.....6th.....day of.....November.....2026.

HON. CRYSTAL KABAJWARA
CHAIRPERSON

HON. PROSCOVIA REBECCA NAMBI
MEMBER

HON. EDWARD BIRYETEGA
MEMBER