TAX APPEALS TRIBUNAL
Justice in Taxation

THE REPUBLIC OF UGANDA

IN THE TAX APPEALS TRIBUNAL AT KAMPALA

APPLICATION NO. 353 OF 2025

CARE INTERNATIONAL IN UGANDA……..APPLICANT

VERSUS

UGANDA REVENUE AUTHORITY...RESPONDENT

BEFORE: HON. CRYSTAL KABAJWARA, HON. REBECCA PROSCOVIA NAMBI, HON. STELLA NYAPENDI CHOMBO.

RULING

I. Introduction

1. This application challenges the Respondent's allocation of payments made by the Applicant in fulfilment of a settlement consent order, resulting in the principal liability remaining outstanding and accumulating interest.

II. Background facts

2. The Applicant is a non-profit international organisation that supports humanitarian activities and emergency response.

3. On 6 December 1979, the Applicant executed a Basic Country Agreement with the Government of Uganda, signed on the Government's behalf by the then Minister of Finance, Hon. Jack A.P.M. Sentongo, under which the Applicant's international staff whose remuneration was funded from external resources were granted a PAYE exemption.

4. In 2016, in the course of sector engagements with other international non-governmental organisations, the Applicant learnt that other such organisations were remitting PAYE on remuneration paid to their expatriate employees. The Applicant sought guidance from the Ministry of Finance, Planning and Economic Development ("MoFPED") on the legal status of its exemption, and was advised that the fiscal regime did not, in fact, provide for any PAYE exemption for expatriates. The Applicant began remitting PAYE with effect from 1 July 2017.

5. In early 2017, the Respondent conducted a compliance audit of the Applicant covering the period June 2007 to June 2017 and, upon its conclusion, issued a PAYE assessment of Shs.3,762,794,162, comprising principal tax of Shs.1,992,639,380 and interest of Shs.1,770,154,782.

6. The Applicant challenged the assessment before this Tribunal in TAT Application No. 42 of 2018 and, in compliance with the statutory requirement to maintain an active application, deposited 30% of the tax in dispute, being Shs.1,128,838,249, on 18 August 2018.

7. By an order dated 2 December 2020, the Tribunal remitted the matter to the Respondent for reconsideration.

8. Following further engagement between the parties, it was mutually agreed that the Applicant would pay the assessed principal tax of Shs.1,992,639,380 in full, and that the corresponding interest of Shs.1,770,154,782 would be considered by the Respondent for a recommendation of remission under section 40 (now section 43) of the Tax Procedures Code Act ("TPCA"). This position is recorded in the Respondent's letter dated 11 February 2020.

9. Pursuant to that understanding, the Applicant paid the outstanding balance of Shs.863,802,131 on 6 March 2020 vide PRN 220000418321, bringing its cumulative payments to Shs.1,992,639,380, an amount corresponding precisely to the principal tax agreed to be settled in full.

10. Upon subsequently reviewing its tax ledger, the Applicant discovered that the Respondent's system had instead applied both payments to what it

treated as the earliest outstanding liabilities on the ledger, including interest said to date back to 2014, rather than applying them to extinguish the principal tax as agreed. This left the ledger reflecting a continuing "outstanding" principal balance, on which further interest continued to accrue.

11. By letter dated 25 June 2025, the Applicant's advocates, M/S AF Mpanga Advocates, contested this allocation. The Respondent replied by email dated 6 October 2025, explaining that the payments had been allocated pursuant to section 38(1) and (2) (now section 41) of the TPCA, by applying them to the earliest outstanding liability, and indicating that the matter had been forwarded to its Compliance Management Division.

12. The parties held a reconciliation meeting on 15 October 2025, at which the Respondent reiterated its interpretation of the allocation rules. By email dated 29 October 2025, the Respondent clarified that, while the consent in TAT Application No. 42 of 2018 had settled the principal tax, no internal review of the Applicant's request for a recommendation of remission had yet been carried out, and advised the Applicant to write formally to the Commissioner General setting out its reasons for remission.

13. On 6 January 2026, the Commissioner General recommended to the Minister of Finance, Planning and Economic Development the remission of the outstanding PAYE liability of Shs.2,130,187,090 under section 43(1) and (2) of the TPCA. That recommendation was tabled before Parliament on 5 May 2026.

14. It is against this background that the Applicant brought the present Application, contending that the Respondent's allocation of its payments was unlawful and in breach of its legitimate expectation, and that it has been wrongly denied the benefit of the interest waiver under section 40C (now section 46) of the TPCA, and subsequently section 47C of the TPCA as amended in 2026.

III. Issues for determination

15. The following issues were set down for determination:

    (i) Whether the Respondent correctly allocated the Applicant's payments in accordance with S.41 of the TPCA?

    (ii) What remedies are available to the parties?

IV. Representation and evidence

16. Mr. Edwin Sabiti and Mr. Nyakuni Nobert, both from AF Mpanga Advocates, appeared for the Applicant, while Ms. Shantal Nalweyiso, a Legal Officer from the Legal Services and Board Affairs Department, appeared for the Respondent.

17. The parties filed affidavits in support of their positions.

V. Submissions by the Applicant

18. The Applicant submitted that it was not liable for the assessed tax. It argued that the Respondent unlawfully applied the earliest-liability rule under S.38(2) of the TPCA retrospectively to tax liabilities arising between June 2007 and June 2016, despite the provision having come into force on 1 July 2016. According to the Applicant, no statutory order of payment existed prior to that date.

19. In the alternative, the Applicant submitted that the priority accorded to principal tax over penal tax and interest was only introduced by the Tax Procedures Code (Amendment) Act, 2017, which commenced on 1 July 2017, such that its application to the final year of the audit period, June 2016 to June 2017, was equally retrospective.

20. The Applicant cited ***Eye Care Centre Uganda Limited v Uganda Revenue Authority, Application No. 91 of 2021***, for the proposition that application of the earliest-liability rule to a period predating 1 July 2016 amounts to unlawful retrospective application of the law.

21. Further, the Applicant contended that even if S.38 (now S.41) of the TPCA were applicable, the Respondent misconstrued the phrase "total amount of tax" in S.38(1) as referring to the aggregate of the Applicant's tax liabilities rather than the liability under a specific tax head, contrary to this Tribunal's holding in ***K-Files Limited v Uganda Revenue Authority, Application No. 69 of 2021***, and upheld on appeal in ***Uganda Revenue Authority v K-Files Limited, Civil Appeal No. 28 of 2022, [2024] UGCommC 313***.

22. The Applicant also submitted that the Respondent's conduct breached its legitimate expectation, founded on the Respondent's letter of 11 February 2020, that the Applicant's payments would be applied to extinguish the assessed principal tax, relying on the principles restated in ***Jinja District Land Board and Others v Bogere Stephen, Civil Appeal No. 23 of 2023, [2026] UGHC 345***.

23. The Applicant submitted that, had its payments been correctly applied to the principal tax as agreed, the corresponding interest would have stood waived as at 30 June 2020 by operation of S.40C (now section 46) of the TPCA, and, subsequently, by section 47C of the TPCA as introduced in 2026.

24. Citing ***Commissioner General URA v Zain International BV, Civil Appeal No. 0011 of 2012, [2014] UGCA 120,*** the Applicant contended that it was never assessed for, or afforded an opportunity to object to, the historical penalty and interest liabilities to which its payments were in fact applied, and that the Respondent's conduct in that regard offended the procedure for recovery of tax prescribed under Ss.23 to 27 of the TPCA.

25. In conclusion of its submissions, the Applicant prayed that the Tribunal set aside the outstanding principal tax of Shs.2,170,000,000 and accrued interest of Shs.2,010,000,000, direct the Respondent to apply the Applicant's payments totaling Shs.1,992,639,380 to settle the principal tax due and owing for the period of June 2007 to June 2017, in accordance with the agreement between the parties, and the taxpayer's ledger be rectified accordingly.

26. The Applicant further prayed that the Tribunal declares that the outstanding interest and penalties owing as of June 30, 2020, were waived by operation of S.40C of the TPC (Amendment) Act 2020.

VI. Submissions of the Respondent

27. In response, the Respondent raised two preliminary objections:

<u>The Tribunal is functus officio</u>

28. The Respondent relied on the definition under the Black's Law Dictionary (Revised 4th Edition) at page 802 as "a task performed". The Respondent further stated that this same concept was elaborated in ***Board School Trustees of Washington City Administrative Unit v Benner, 222 N.C 566, 24 S.E 2d 259, 263***, as denoting any authority which,

> *"Having fulfilled the function, discharged the office, or accomplished the purpose, (is) therefore of no further force or authority... and also to an instrument, power, agency, etc., which has fulfilled the purpose of its creation, and is therefore of no further virtue or effect."*

29. The Respondent called the attention of the Tribunal to the case of ***Major (Rtd) Roland Kakooza Mutale v Balisigara Stephen, Consolidated Civil Applications No. 121 and 277 of 2020***, in which case it was held that, once a tribunal pronounces judgment, it becomes functus officio and loses all further control over the case;

30. The Respondent further submitted that, where a party is dissatisfied with a decision of this Tribunal, its remedy lies not in re-litigating the same subject matter before the Tribunal, but in an appeal to the High Court within thirty days of being served with the decision, as provided under S.28 of the Tax Appeals Tribunal Act.

31. Therefore, the Respondent concluded by stating that, once the Tribunal made the order on 2 December 2020, in TAT Application 42 of 2018, the Tribunal discharged its adjudicative function over the dispute; it does not retain a residual jurisdiction to reopen the same subject matter simply because one party is dissatisfied with how the settlement it consented to

has since been administered. The Respondent therefore prayed that this PO be upheld and the Application dismissed with costs.

<u>The application was premature and bad in law</u>

32. Accordingly, the Respondent submitted that this application was premature for want of any taxation decision capable of being reviewed and cited S.26 of the TPCA that requires a taxpayer aggrieved by an assessment to first lodge an objection with the Commissioner, who then issues an objection decision. It is on this premise that the Respondent maintains that it is only that objection decision which may be brought before the Tribunal for review.

33. The Respondent further submitted that no new assessment, objection decision, or taxation decision had been issued by them since the conclusion of Application No. 42 of 2018. Instead, the Applicant challenged an internal ledger allocation of payments already made pursuant to a settlement this Tribunal itself sanctioned, an administrative step, not a taxation decision within the meaning of S.26 of the TPCA.

34. The Respondent further stated that the process the parties agreed to was still running its course; that is, the Commissioner General's recommendation for remission of the outstanding interest of Shs.2,130,187,090 was made on 6 January 2026, and was placed before Parliament on 5 May, 2026. The Respondent submitted that under S. 43(1) and (2) of the TPCA, the power to remit tax, including interest, vests solely in the Minister, exercisable only upon the Commissioner's recommendation and with the approval of Parliament. The Respondent therefore stated that it has no power to grant that remission unilaterally and cannot be faulted for a process that is proceeding exactly as the parties agreed it should.

35. The Respondent therefore prayed that the Tribunal intervene in a matter that is still properly before the Minister and Parliament, in the absence of any fresh taxation decision by the Respondent, by upholding the objection and dismissing this application with costs.

The substantive issue

36. The Respondent stated that the law applicable to the Applicant's payments was the law in force when such payment was made. The Respondent further stated that S.38 of the TPCA, 2014 (now S.41TPCA), as it stood, provided that;

> *"When a taxpayer is liable for penal tax and interest in relation to a tax liability and the taxpayer makes a payment that is less than the total amount of tax, penal tax, and interest due, the amount paid is applied in the following order- (a) in payment of the tax liability; (b) in payment of penal tax; and (c) the balance remaining is applied against the interest due. (2) If a taxpayer has more than one tax liability at the time a payment is made, subsection (1) applies to the earliest liability first."*

37. Consequently, the Applicant's two payments, that is, Shs.1,128,838,249 made on 16 August 2018 and Shs.863,801,131 made on 6 March 2020, were each made under this framework (as amended as of 1 July 2017, and materially unchanged in substance), and the Respondent's ledger system allocated them, as the law required, to the earliest of the Applicant's outstanding PAYE liabilities across the audited period of June 2007 to June 2017.

38. Therefore, the ledger system correctly applied the Applicant's payments to the earliest outstanding PAYE liability in accordance with section 38(1) and (2) of the TPCA as it stood at the time each payment was made. This was consistent with the High Court's decision in ***Uganda Revenue Authority v K-Files Limited (supra)***.

39. The Respondent contended that S.97(3) of the TPCA, which provides that a tax liability arising before the commencement of the Act may be recovered under the Act without prejudice to any action already taken, permits the Respondent to apply the current order-of-payment machinery to liabilities that arose before 1 July 2016, and that this is a matter of recovery procedure rather than retrospective application of substantive law.

40. On legitimate expectation, the Respondent submitted that the Respondent's letter of 11 February 2020 was not an unconditional promise to waive interest or to disapply the statutory order of payment, and that the Respondent had since honoured its commitment by recommending remission of the outstanding liability to the Minister.

41. Without prejudice to the foregoing, Counsel drew the Tribunal's attention to section 47C of the Tax Procedures Code (Amendment) Act, 2026, which waives any tax, penal tax and interest owed and still outstanding at the commencement of that Act, and submitted that a substantial portion of the liability in dispute, relating to periods before 30th June 2016, falls squarely within the scope of that waiver.

42. The Respondent prayed that the preliminary objections be upheld and the Application dismissed with costs, or, in the alternative, that the Tribunal find that the Respondent correctly allocated the Applicant's payments, save to the extent overtaken by the 2026 statutory waiver.

VII. The Applicant's submissions in rejoinder

43. In rejoinder, the Applicant contended that the Respondent's submission conceding that the bulk of the disputed liability relates to periods before 30 June 2016 and falls within the section 47C waiver amounts to a clear and unambiguous admission, entitling the Applicant to judgment on that point under Order 13 rule 6 of the Civil Procedure Rules ***(Ssenyonjo v Bunjo, Civil Suit No. 180 of 2012, [2013] UGHCCD 127)***.

44. The Applicant rebutted the Respondent's arguments on the doctrine of functus officio by submitting that the doctrine applies only after a final and definitive judgment, and that the order in TAT Application No. 42 of 2018 merely remitted the matter for reconsideration without adjudicating the issues now before the Tribunal.

45. In response to the Respondent's preliminary objection on prematurity, the Applicant relied on the definition of "taxation decision" under S.1 of the Tax

Appeals Tribunals Act as including *"any assessment, determination, decision or notice,"* and further cited the case of ***International School of Uganda Ltd v Commissioner General Uganda Revenue Authority, Civil Appeal No. 4 of 2016***, where it was held that the Respondent's email of 29 October 2025 itself constituted a reviewable taxation decision.

46. The Applicant maintained its position that Section 97(3) of the TPCA is a transitional provision concerned with the recovery of pre-commencement tax liabilities and has no bearing on the separate question of the order in which recovered payments are to be allocated.

47. The Applicant reiterated that its legitimate expectation arose from the Respondent's specific commitment, recorded in its letter of 11 February 2020, to apply the Applicant's payments to the principal tax, and not from any broader promise to waive interest generally.

VIII. The Determination

Preliminary observations

48. This dispute is not about whether the Applicant paid Shs.1,992,639,380. The payments are admitted. The dispute concerns the liabilities against which the Respondent applied that money and the consequences which followed from that allocation.

49. The first payment of Shs.1,128,838,249 was made on 18 August 2018 as the statutory deposit in TAT Application No. 42 of 2018. Following further discussions between the parties, the Respondent, by its letter of 11 February 2020, recorded the position that the Applicant would pay the assessed principal tax of Shs.1,992,639,380, while the related interest would be considered for remission. The Applicant thereafter paid Shs.863,801,131 on 6 March 2020. The two payments together amounted to Shs.1,992,639,380, being the exact amount of the assessed principal tax.

50. The Tribunal's decision of 2 December 2020 was made after both payments. It would therefore be inaccurate to say that the payments were made pursuant to that order. The material point is that, before the Tribunal gave its ruling, the parties had agreed upon the amount of principal tax to be paid, the Applicant had paid that amount, and the dispute was then remitted to the Respondent for reconsideration.

51. The two matters must be kept separate. The first is whether the Respondent allocated the payments in accordance with the law in force when they were made. The second is the effect of the statutory waivers subsequently enacted by Parliament. The discretionary remission process under section 43 of the TPCA is a third and distinct matter. It cannot replace, postpone or qualify a waiver which Parliament has directly granted.

<u>Whether the Tribunal is functus officio</u>

52. The Respondent contends that the Tribunal became functus officio when it made its ruling in TAT Application No. 42 of 2018.

53. The doctrine of functus officio prevents a court or tribunal from reopening a matter which it has finally determined. It does not prevent that court or tribunal from considering a later decision which was not, and could not have been, determined in the earlier proceedings.

54. The Tribunal's decision of 2 December 2020 did not determine the present question. It remitted the earlier dispute to the Respondent for reconsideration. The allocation now challenged was subsequently communicated to the Applicant through the Respondent's emails of 6 and 29 October 2025. The present application does not ask the Tribunal to reopen the original assessment or vary its ruling. It challenges the Respondent's later determination of how the admitted payments were to be applied and the liabilities which, according to the Respondent, remained outstanding as a result.

55. That question was not determined in TAT Application No. 42 of 2018. The preliminary objection based on functus officio is accordingly overruled.

Whether there is a reviewable taxation decision

56. The Respondent's second objection is that the application is premature because no fresh assessment or objection decision was issued after the earlier application.

57. Section 1 of the Tax Appeals Tribunals Act defines a taxation decision broadly. Section 14 permits a person aggrieved by a decision made by the Respondent under a taxing Act to apply to the Tribunal for its review. The Tribunal's jurisdiction is therefore not confined to reviewing formal assessments.

58. In ***International School of Uganda Ltd v Commissioner General, Uganda Revenue Authority, Civil Appeal No. 4 of 2016***, the High Court recognised that a determination made by the Commissioner may constitute a taxation decision reviewable by the Tribunal even where it is not an assessment or an objection decision. What matters is the substance and effect of the decision.

59. The email of 6 October 2025 informed the Applicant that its payments had been allocated to the earliest liabilities in accordance with the Respondent's interpretation of the TPCA. The email of 29 October 2025 maintained that position and explained the outstanding amount appearing on the Applicant's ledger. Those communications were not provisional. They conveyed the Respondent's settled position on the allocation of the payments and the liabilities which remained payable.

60. The allocation affected the Applicant's principal tax, the interest charged on its account and its entitlement to the statutory waivers. It was therefore a taxation decision capable of review by this Tribunal. The application was not premature, and the second preliminary objection is also overruled.

The law governing the allocation of the payments

61. At the time the two payments were made, the applicable provision was section 38 of the TPCA, now renumbered as section 41. It provided:

"(1) When a taxpayer is liable for penal tax and interest in relation to a tax liability and the taxpayer makes a payment that is less than the total amount of tax, penal tax and interest due, the amount paid is applied in the following order— (a) in payment of the principal tax; (b) in payment of penal tax; and (c) the balance remaining is applied against the interest due.

(2) If a taxpayer has more than one tax liability at the time a payment is made, subsection (1) applies to the earliest liability first."

62. Subsection (2) was repealed by the Tax Procedures Code (Amendment) Act, 2021 with effect from 1 July 2021. Its repeal did not affect payments already made. Both payments in this case were made before 1 July 2021. The lawfulness of their allocation must therefore be determined under section 38 as it stood on the respective payment dates.

63. We do not accept the Applicant's submission that applying section 38 to those payments would give the provision retrospective effect. Section 38 regulated the treatment of a payment when the payment was made. The fact that some of the underlying liabilities arose before the commencement of the TPCA did not prevent the collection and recovery provisions of the Act from applying to payments subsequently made. Section 97(3) expressly permitted a liability arising before commencement of the Act to be recovered under the Act.

64. That, however, does not conclude the matter. The Respondent was still required to apply section 38 according to its terms.

Application of section 38 to the payments

65. Section 38(1) dealt with a payment made in relation to a tax liability. It prescribed a clear order: principal tax first, penal tax second, and interest last. Subsection (2) addressed the position where more than one tax liability

existed, but it did not dispense with the order prescribed by subsection (1). The two subsections had to be read together.

66. The payments before us were not unexplained or unallocated deposits made generally to the Applicant's tax account. They were directly connected to the PAYE assessment challenged in TAT Application No. 42 of 2018. The first was the statutory deposit paid in respect of that assessment. The second was paid after the Respondent had stated in its letter of 11 February 2020 that the Applicant was to pay the assessed principal tax of Shs.1,992,639,380 while the related interest was considered separately for remission.

67. The Respondent knew both the source and purpose of the payments. The second payment, when added to the statutory deposit, produced the exact amount of the principal tax under the disputed PAYE assessment. There is no sensible basis upon which that exact correspondence can be treated as accidental.

68. Section 38 required principal tax to be paid before penal tax and interest in relation to the liability for which payment was made. It did not authorise the Respondent to disregard the identified purpose of the payment, appropriate part of it to interest on the same assessment and then treat an equivalent amount of principal as unpaid. Such an allocation reverses the order stated in subsection (1) and leaves principal tax outstanding after money sufficient to discharge the whole principal had been received, while applying part of that money to interest.

69. The Respondent's reliance on the words "earliest liability first" does not cure that trouble. Subsection (2) determined which liability was to be addressed first where several liabilities existed. Once that liability was identified, subsection (1) still prescribed the order in which its components were to be discharged. Principal tax came before penal tax and interest.

70. On the evidence before us, the liability to which the payments related was the PAYE assessment of Shs.3,762,794,162, comprising principal tax of

Shs.1,992,639,380 and interest of Shs.1,770,154,782. That was the assessment under dispute and the liability addressed in the Respondent's letter of 11 February 2020. Section 38 did not permit the Respondent to treat the same assessment as an undifferentiated collection of monthly ledger entries and thereby apply part of the agreed principal payment to interest before the assessed principal had been discharged.

71. This construction gives effect to both subsections. It also accords with the treatment of section 38 in ***Uganda Revenue Authority v K-Files Limited, Civil Appeal No. 28 of 2022***, where the High Court upheld the application of the statutory order by reference to the tax liability to which the payment related, rather than treating every amount appearing on a taxpayer's ledger as a single, undifferentiated debt.

72. The Respondent's letter of 11 February 2020 is material for a further reason. It records the Respondent's own understanding of the arrangement that the principal tax would be paid in full, and the corresponding interest would be considered separately. The Applicant acted on that position and paid the balance required to bring its total payments to the precise amount of the principal tax.

73. This is not a case in which legitimate expectation is invoked to defeat a statutory provision. The Respondent's undertaking and the statutory order point in the same direction. Section 38 placed principal tax before interest, while the letter identified the sum to be paid as the principal tax. The Respondent could not receive that sum on the stated basis and later apply it in a manner which left part of the same principal outstanding.

74. We accordingly find that the payments of Shs.1,128,838,249 and Shs.863,801,131, totalling Shs.1,992,639,380, discharged the principal PAYE tax comprised in the assessment that was the subject of TAT Application No. 42 of 2018.

75. The Respondent's subsequent allocation of part of those payments to interest, with the result that principal tax remained outstanding and

continued to attract further interest, was inconsistent with section 38 and with the position recorded in its letter of 11 February 2020. That allocation cannot stand.

The statutory waiver of interest and penalty

76. The parties devoted considerable attention to the process for remission under section 43 of the TPCA. That process must be distinguished from a statutory waiver. Remission under section 43 depends upon a recommendation by the Commissioner General, a decision of the Minister and the approval of Parliament. A statutory waiver takes effect by force of the provision which grants it.

77. The Tax Procedures Code (Amendment) Act, 2020 inserted section 40C, now section 46, in the following terms:

"Any interest and penalty outstanding as at 30th June, 2020, is waived."

78. The language is direct and unconditional. It did not require an application by the taxpayer, a recommendation by the Commissioner General or approval by the Minister or Parliament. Any interest and penalty which was outstanding on 30 June 2020 was extinguished by operation of law.

79. By 30 June 2020, the Applicant had paid Shs.1,992,639,380, being the full assessed principal tax. Any interest or penalty which then remained outstanding in relation to that assessment fell within section 40C and was waived.

80. The subsequent remission process did not revive the interest or suspend the operation of the waiver. Once Parliament had waived the interest and penalty, the Respondent could not continue to carry those amounts on the ledger merely because an administrative request for remission had not been concluded. There was nothing left to remit under section 43 to the extent that the liability had already been waived by section 40C.

81. It follows that interest could not lawfully accrue after 30 June 2020 on principal tax which had been paid or upon interest and penalty which

section 40C had extinguished. Any such interest must be removed from the Applicant's ledger.

The later waivers

82. The later amendments reinforce, but do not alter, that conclusion.

83. Section 47B waives interest and penalty outstanding as at 30 June 2024 where the related principal tax was paid by 30 June 2026. It also extends to interest accruing on that principal from 1 July 2024 until the date of payment. Since the principal tax in issue had been paid by 6 March 2020, any qualifying interest or penalty which remained on the ledger was also subject to section 47B.

84. Section 47C, introduced in 2026, provides:

> *"Any tax including penal tax and interest owed by a taxpayer as at 30th June, 2016 and is outstanding as at the commencement of this Act, is waived."*

85. Section 47C is not confined to interest and penalty. It includes principal tax. It applies where the amount was owed as at 30 June 2016 and remained outstanding when the 2026 amendment commenced.

86. The assessment in this case covered June 2007 to June 2017. It therefore included liabilities falling on both sides of 30 June 2016. The mere fact that a liability arose before that date is not, by itself, sufficient. It must also have remained outstanding when section 47C commenced.

87. The Respondent must therefore identify from its ledger any principal tax, penal tax or interest attributable to the period ending 30 June 2016 which remained outstanding on 1 July 2026. Any such amount was waived by section 47C and must be removed from the Applicant's account.

88. The submissions referred to section 47D and to a waiver of interest and penalty outstanding as at 30 June 2025. No such provision has been shown to the Tribunal. The applicable later provisions are sections 47B and 47C. Our decision does not rest upon section 47D.

Conclusion and remedies

89. The Applicant paid the assessed principal PAYE tax of Shs.1,992,639,380 in full. The Respondent was not entitled to allocate part of that sum to interest and thereafter treat an equivalent amount of principal tax as outstanding.

90. In addition, any interest and penalty which remained outstanding on 30 June 2020 were waived by section 40C, now section 46. Any qualifying interest and penalty remaining on the ledger were also subject to section 47B. Any tax, penal tax or interest owed as at 30 June 2016 and still outstanding when the 2026 amendment commenced was waived by section 47C.

91. The recommendation made by the Commissioner General to the Minister does not prevent the Tribunal from giving effect to those provisions. The statutory waivers operate independently of the remission process.

92. Under section 20 of the Tax Appeals Tribunals Act, the Tribunal may affirm, vary or set aside the taxation decision under review and may substitute its own decision or remit the matter for reconsideration in accordance with its directions. The taxation decision communicated in the Respondent's emails of 6 and 29 October 2025 must be set aside to the extent that it is inconsistent with the findings above.

93. The application accordingly succeeds. The Tribunal makes the following orders:

    (i) The Respondent's decision allocating the Applicant's payments in a manner which left part of the assessed principal PAYE tax outstanding is set aside.

    (ii) The payments of Shs.1,128,838,249 made on 18 August 2018 and Shs.863,801,131 made on 6 March 2020, totalling Shs.1,992,639,380, shall be credited in full against the principal PAYE tax comprised in the assessment for the period June 2007 to June 2017.

(iii) All interest and penalty outstanding in relation to that assessment as at 30 June 2020 shall be removed from the Applicant's ledger in accordance with section 40C, now section 46, of the TPCA.

(iv) The Respondent shall remove any further interest calculated on principal tax discharged by the payments referred to above, or upon interest and penalty waived by law.

(v) The Respondent shall apply section 47B to any qualifying interest and penalty appearing on the Applicant's ledger.

(vi) The Respondent shall identify and remove any principal tax, penal tax or interest which was owed as at 30 June 2016 and remained outstanding when section 47C commenced.

(vii) Within thirty days from the date of this ruling, the Respondent shall prepare and serve upon the Applicant a revised, period-by-period reconciliation of the Applicant's PAYE account giving effect to these orders.

(viii) Costs of this application are awarded to the Applicant.

Dated at Kampala this **07th** day of **September** 2026.

HON. CRYSTAL KABAJWARA

CHAIRPERSON

HON. REBECCA PROSCOVIA NAMBI

MEMBER

HON. STELLA NYAPENDI CHOMBO

MEMBER