TAX APPEALS TRIBUNAL
Justice in Taxation

THE REPUBLIC OF UGANDA
IN THE TAX APPEALS TRIBUNAL AT KAMPALA
TAT APPLICATION NO. 83 OF 2026.

CONTINENTAL TOBACCO UGANDA LIMITED ....APPLICATION

VERSUS

UGANDA REVENUE AUTHORITY..RESPONDENT

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

I. Introduction

1. This Application challenges the Respondent's continued enforcement measures, including sealing of premises and caveats on properties, after an ADR Settlement Agreement was executed and fully performed by the Applicant.

II. Background Facts

2. The Applicant, Continental Tobacco (Uganda) Limited, is engaged in the manufacture, export, and import of tobacco and tobacco products.

3. The Respondent issued assessments against the Applicant of Shs. 2,204,913,591 and Income Tax in the amount of Shs. 7,891,515,429 for the years 2015, 2016, 2017, and 2022. The Applicant objected, and the Respondent upheld the assessments.

4. The Applicant lodged an application for Alternative Dispute Resolution (ADR) with the Respondent to resolve the tax dispute amicably. During the pendency of the ADR process, the Respondent undertook the following enforcement measures against the Applicant, including: the issuance of a Third-Party

Agency Notice to the Applicant's bankers, the sealing of the Applicant's business premises and the lodging of caveats over the Applicant's and its Directors' properties.

5. On 30 January 2026, the Respondent's Commissioner, Legal Services, executed an ADR Settlement Agreement revising the assessed tax liability as follows:
   (i) The assessment comprising the principal VAT of Shs. 2,204,913,591 was vacated to nil.
   (ii) The assessment comprising the principal Income Tax of Shs. 7,891,515,429 was revised downwards to Shs. 2,149,145,976.

6. Under Clause 3 of the ADR Settlement Agreement, the Agreement was stated to be legally binding and shall be the full and final settlement of the tax dispute, save where the parties have expressly specified otherwise therein.

7. The Applicant states that they complied with their obligations and duly paid the agreed income tax liability of Shs. 2,149,145,976 in full. Regarding the VAT liability, Shs. 1,763,148,851 was remitted vide PRN 2260012292296 on 10 March 2026, with the remaining balance offset through the application of an available tax credit, resulting in a nil outstanding tax position as at the date of this application.

8. The Applicant alleges that to date, the Respondent has continued to keep the Applicant's premises sealed and has refused to withdraw the caveats lodged on the Applicant's and its Directors' properties. The Respondent alleges that the State House Anti-Corruption Unit (SHACU) later informed it that the Applicant was under investigation for tax fraud and prevented it from unsealing the premises. The Applicant filed this application challenging the Respondent's continued unlawful enforcement actions notwithstanding the conclusion of the ADR Settlement Agreement.

III. Issues for determination

9. The issues for determination are:

   (i) Whether the ADR Settlement Agreement executed on 30 January 2026 is valid, binding, and enforceable against the Respondent?

   (ii) Whether the Respondent's continued sealing of the Applicant's business premises and caveating of the Applicant's properties is unlawful and in breach of the ADR Settlement Agreement?

   (iii) Whether the Respondent has violated the Applicant's legitimate expectation?

   (iv) What remedies are available to the parties?

IV. Representation and Evidence

10. The Applicant was represented by Mr. Birungyi Cephas and Mr. Joseph Lobalang from M/S Birungyi Barata & Associates while the Respondent was represented by Mr. Tony Kalungi, Mr. Tony Tukei and Ms. Gloria Twinomugisha Akatuhurira of the Respondent's Legal and Board Affairs department.

11. The parties presented their evidence by way of affidavit.

12. The Applicant filed an affidavit that was deponed Mr. Dennis Otaatina, an Advocate and sworn on 4 June 2026. The summary of the Applicant's evidence is as follows:

    (i) Following the Applicant's lodging of an ADR application, the Respondent undertook enforcement measures which included third-party agency notices, sealing off the Applicant's premises and lodging caveats on the Applicant and its directors' properties.

    (ii) Despite executing a settlement agreement and paying the agreed-upon taxes, the Respondent has to date kept the Applicant's premises sealed off and has refused to remove the caveats lodged on the Applicant's and its Directors' properties.

(iii) Following the Applicant's request to unseal its premises and lift the caveats in light of the settlement agreement, the Respondent has since refused to take any corrective action, citing directives to the contrary from the State House Anti-Corruption Unit.

(iv) In addition, the Respondent has since gone on to re-open the dispute by seeking information from the Applicant relating to the period 2014 – 2022. However, the documents sought to be reviewed were duly submitted and were already reviewed by the Respondent during the ADR proceedings.

(v) By a letter dated 26 May 2026, the Respondent's Commissioner of Legal Services unilaterally revoked the ADR Settlement Agreement signed on 30 January 2026 despite the lack of any court order to that effect.

(vi) The Applicant maintained that the ADR Settlement Agreement dated 30 January 2026 remains valid, binding, and enforceable and sought the following remedies:

a. A declaration that the Respondent's continued sealing of the Applicant's premises in the absence of a tax liability is unlawful and in violation of the ADR Settlement Agreement.
b. A declaration that the ADR Settlement Agreement executed between the Applicant and the Respondent on 30 January 2026 is valid.
c. An order directing the Respondent to immediately unseal the Applicant's business premises and vacate the caveats placed by it.
d. Permanent injunction restraining the Respondent from undertaking any further enforcement measures arising from or connected to the settled tax liability in the amount of Shs. 2,149,145,976.
e. Damages arising from the Respondent's unlawful actions.
f. Costs of the application and Interest on (vi) and (vii) above.

13. The Respondent filed an affidavit in reply deponed by Ms. Agnes Nabwire Asobola, the Ag. Commissioner Tax Investigations in the Tax Investigations Department of the Respondent and sworn on 10 June 2026. She stated that:

(i) The Respondent received intelligence information that its Alternative Dispute Resolution (ADR) decision dated 3 February 2026 was based on inaccurate, fraudulent, false and misleading information, being that the Applicant had only provided one bank account of KCB Bank yet it had other bank accounts in Centenary Bank and Stanbic Bank.

(ii) On 29 April 2026, through a letter to the Applicant, the Respondent duly notified the Applicant of the ongoing investigation and requested certain information, including sales ledgers, invoices, contracts and delivery notes.

(iii) On 19 May 2026, the Applicant responded to the Respondent's request for information, stating, inter alia, that the period sought to be reviewed had already been reviewed.

(iv) The Applicant is prolonging the completion of the investigation by failing to provide the requested information and being uncooperative. The investigations have a cross-border element, and the Respondent has since requested information from other countries under the exchange of information program. The Respondent cannot tell when the investigations will end, but they are being fast-tracked.

14. The Applicant files an affidavit in rejoinder reiterating their earlier evidence.

V. The Applicant's Submissions

Is the ADR Settlement Agreement executed on 30 January 2026 valid, binding and enforceable against the Respondent?

15. The Applicant submitted that it is not in dispute that on 30 January 2026, the Applicant and Respondent, having fully participated in the ADR process, executed an Alternative Dispute Resolution Settlement Agreement. Clause 3 declared the Agreement to constitute the "full and final settlement" of the tax dispute. This Settlement Agreement was signed by the Respondent's own Commissioner of Legal Services and Board Affairs, Mrs. Catherine Donovan Kyokunda.

16. The Applicant submitted that a settlement agreement is binding as provided by ***Regulation 13(1) of the Tax Procedures Code (ADR Regulations)***, which states:

> *"A settlement agreement shall be recognised as binding and enforceable against the Commissioner General or taxpayer, as the case may be, like any other tax decision made by the Commissioner General."*

17. The Applicant also cited Regulation 2 of the ADR Regulations, which defines a "Settlement *Agreement*" as an agreement between a taxpayer and the Commissioner to resolve a tax dispute by mutual agreement. Once concluded, such an agreement is accorded the same status and effect as a tax decision of the Commissioner General, an administrative act that is binding upon both the Revenue Authority and the taxpayer.

18. The Applicant also submitted that Regulation 14 of the ADR Regulations, 2023 empowers this Tribunal to enforce the terms of a settlement agreement upon the petition of an aggrieved party. The continued subsistence of caveats on the Applicant's and its Directors' properties, in the absence of any outstanding tax liability, constitutes an unjustifiable restriction on the Applicant's right to freely deal with its property.

19. The Applicant also cited Section 10 of the Contracts Act which is to the effect that an agreement supported by offer, acceptance, consideration, and an intention to create legal relations constitutes a binding and enforceable contract. The Applicant submitted that the Settlement Agreement satisfies all the essential requirements of a valid contract. The Agreement was executed with the clear and mutual intention of conclusively resolving the tax dispute, and the Applicant duly performed its obligations.

20. The Applicant submitted that it would be contrary to equity and good conscience for the Respondent to subsequently seek to repudiate the agreement under which it received payment for the agreed liabilities. Such conduct would undermine the integrity, certainty, and finality of the ADR

framework and would erode public confidence in the legitimacy and effectiveness of tax dispute resolution mechanisms.

Allegations of Fraud and Misrepresentation

21. The Applicant submitted that it is trite law that fraud is never presumed. It must be specifically pleaded, strictly particularised, and proved by clear and cogent evidence to a standard commensurate with the gravity of the allegation. This principle was affirmed by the Supreme Court of Uganda in ***Fredrick J.K. Zaabwe v Orient Bank Limited & 5 Others (Supreme Court Civil Appeal No. 04 of 2006).*** The Respondent has made allegations of fraud and misrepresentation without: (i) identifying the specific information alleged to have been misrepresented; (ii) specifying the manner in which it was allegedly misrepresented; (iii) identifying the documents or records from which the alleged misrepresentation arises; or (iv) producing any evidence, documentary or otherwise, in support of the allegations.

22. The Respondent's Statement of Reasons and its purported revocation letter are bare assertions. The Respondent's proper remedy is to institute proceedings before a Court of competent jurisdiction and discharge that burden of proof through due process.

No one may be a judge in their own case

23. The Applicant submitted that the Respondent's purported revocation of the Settlement Agreement was effected by the Commissioner Legal Services and Board Affairs, Mrs. Catherine Donovan Kyokunda, who executed the Settlement Agreement on behalf of the Uganda Revenue Authority. This conduct is a violation of the cardinal principle of natural justice: that no one may be a judge in their own cause. It is improper for the same officer who negotiated, executed, and bound the Respondent by the Settlement Agreement to author its purported revocation. Any administrative decision or letter purporting to rescind the Settlement Agreement, issued by the authority without recourse to an independent judicial or quasi-judicial body, is a nullity.

Absence of Statutory Power to Revoke

24. The Applicant submitted that the Respondent's purported revocation ought to be treated as a nullity as it exercised powers not conferred upon it by law.

Abuse of Process and Contempt of Court by the Respondent

25. The Applicant submitted that the Respondent's purported revocation of the Settlement Agreement was effected on 26 May 2026, after the Applicant had already commenced the instant Application together with Misc App Nos. 61 and 62 of 2026 before this Tribunal.

26. The Respondent's attempt to unilaterally revoke the concluded Settlement Agreement during the pendency of these proceedings was calculated to prejudice, circumvent, and/or pre-empt the determination of matters already properly placed before this Tribunal for adjudication. This amounts to an abuse of process and interference with pending judicial proceedings.

27. The Applicant also submitted that the Respondent's attempt to resurrect a dispute that had already been conclusively settled, while proceedings challenging the Respondent's conduct remain pending before this Tribunal, constitutes an abuse of the statutory review process and a breach of Regulation 13(1) of the ADR Regulations, 2023.

28. The Applicant prayed that this Tribunal find that the ADR Settlement Agreement executed on 30 January 2026 is binding against the Respondent, and that the Respondent's purported revocation thereof is unlawful.

Issue 2: The lawfulness of the Respondent's continued sealing of the Applicant's business premises and caveating of the Applicant's properties

29. The Applicant submitted that following the execution of the Settlement Agreement and the Applicant's full payment of the revised liability, no outstanding tax liability remained. This is reflected in the Applicant's ledger position, which at the date of filing this application, confirms a nil outstanding

tax liability. However, the Respondent has kept the Applicant's premises sealed and maintained the caveats, without any legal justification.

30. The Applicant cited **Section 36(5) of the Tax Procedures Code Act,** which provides:

> *"If the taxpayer complies with the tax obligations under subsection (1) during the period of closure, the Commissioner General shall immediately remove the notice referred to in subsection (4)."*

31. The Applicant submitted that it satisfied the revised tax obligation, resulting in a nil outstanding tax position; the Respondent's duty **under Section 36(5) of the TPCA** crystallised immediately. Therefore, the Respondent's continued sealing of the Applicant's premises is unlawful.

32. The Applicant submitted that **Section 37(1) of the TPCA,** which empowers the Commissioner General to direct the Registrar of Titles to register a charge over a taxpayer's immovable property as security for unpaid tax, provides:

> *"This section does not preclude the Commissioner General from registering a caveat on the land or building as <u>an interim measure</u> to stop the transfer of the land or building."*

33. The Applicant stated that the powers under Section 37(6) are an interim protective measure, the sole purpose of which is to secure recovery of an identified, subsisting tax liability. The caveat power is not an open-ended tool of punishment or leverage; it is coextensive with the existence of an outstanding tax liability. The Applicant submitted that where the tax liability is extinguished, the juridical basis for the caveats disappears. Therefore, the Respondent acted in excess of its statutory powers.

The Right to a Fair Hearing

34. The Applicant submitted that the Respondent's continued enforcement measures, undertaken without judicial or quasi-judicial authorisation, without prior notice, and without affording the Applicant an opportunity to be heard,

constitute a clear violation of both Articles 28 and 42 of the Constitution. These provisions guarantee the right to a fair hearing before an independent and impartial Court or Tribunal and the right to fair and just treatment in all administrative decisions.

35. The Applicant cited ***ABC Capital Bank (Ltd) and Others v Attorney General and Commissioner of Uganda Revenue Authority, Constitutional Petition No. 014 of 2018***, where the Court held that URA's enforcement powers must be exercised in a manner that respects the constitutional rights of taxpayers. The Court further affirmed that blanket or indiscriminate enforcement measures that exceed what is reasonably necessary are unconstitutional. In the instant case, the enforcement measures have been maintained notwithstanding full payment of the assessed tax liability and in the absence of any lawful basis. The Applicant submitted that the Respondent's continued sealing of the Applicant's business premises and maintenance of caveats are unlawful.

Issue 3: Whether the Respondent is in violation of the Applicant's legitimate expectation?

36. The Applicant submitted that legitimate expectation was reinforced by the specific assurance embedded in Section 36(5) of the TPCA, which mandates the Commissioner General to "immediately" remove closure notices upon payment. It was further reinforced by the letter from the Respondent's office dated 3rd February 2026 confirming the revised tax liability as Shs. 2,149,145,976, a document that itself constitutes a representation upon which the Applicant reasonably and detrimentally relied.

37. The doctrine of legitimate expectation provides that where a public authority has, by unambiguous representation or promise, created an expectation in a person as to how that authority will conduct itself, the authority is bound, in the absence of an overriding public interest, to honour that expectation.

38. The Applicant further submitted that for a legitimate expectation to be enforceable, the following elements must be satisfied: (i) the representation

relied upon must be clear, unambiguous and devoid of relevant qualification; (ii) it must have been made to the party claiming the benefit and must be induced by the behavior of the public authority; (iii) the representation must have been made by someone who had actual or apparent authority; and (iv) the claimant must have relied upon it to their detriment. ***See Borrisik Svetlana Vs Urban Development Authority [2009] 154.***

39. In the present case, all the above elements are satisfied. Having induced the Applicant to make full payment of the revised tax liability of Shs. 2,149,145,976, it would be unjust and an abuse of power for the Respondent to continue to deny the Applicant the benefit of what it paid for, namely, the removal of enforcement measures and the restoration of its normal operations.

40. The Applicant added that whereas a public authority may depart from a legitimate expectation where there exists an overriding public interest of sufficient weight to justify the departure, the Respondent has not identified any such overriding public interest. Furthermore, the Respondent has not produced evidence of any concluded investigation, any finding of fraud by a competent body, or any Court order to support its position. The Applicant prayed that this Tribunal find that the Respondent has violated the Applicant's legitimate expectation.

41. The Applicant submitted that it has duly discharged the requisite burden by demonstrating that:
   (i) There exists a valid, binding and enforceable ADR Settlement Agreement.
   (ii) The Applicant fully performed its obligations under that Agreement.
   (iii) No outstanding tax liability exists.
   (iv) The Respondent's continued enforcement actions are unlawful, arbitrary and in breach of the Settlement Agreement, the TPCA, and the Constitution.
   (v) The Applicant's legitimate expectation has been violated.

Issue 4: What remedies are available to the parties?

42. The Applicant submitted that it is entitled to general damages in the amount of Shs. 150,000,000 for inconvenience occasioned by the Respondent's high-handed, arbitrary and unlawful conduct. The unlawful conduct has severely hindered the Applicant's operations and has restricted the Applicant's proprietary rights and ability to deal with its assets.

43. The Applicant prayed for the following declarations and orders:

   a) A declaration that the ADR Settlement Agreement executed between the Applicant and the Respondent on 30th January, 2026 is valid, binding, and enforceable.
   b) A declaration that the Respondent's continued sealing of the Applicant's premises and refusal to vacate the caveats on the Applicant's properties in the absence of a tax liability is unlawful, arbitrary, procedurally improper and in violation of the ADR Settlement Agreement dated 30 January, 2026.
   c) An order directing the Respondent to immediately unseal the Applicant's business premises.
   d) An order directing the Respondent to forthwith vacate and/or remove the caveats registered on its properties.
   e) Permanent injunction restraining the Respondent from undertaking any further enforcement measures arising from or connected to the settled tax liability in the amount of Shs. 2,149,145,976.
   f) Damages arising from the Respondent's unlawful actions.
   g) Costs of the application.
   h) Interest on damages (f) and interest on costs (g).

VI. The Respondent's Submissions

Issue 1: Whether the ADR Settlement Agreement executed on 30 January 2026 is valid, binding and enforceable against the Respondent?

44. The Respondent submitted that the ADR Settlement Agreement executed on 30 January 2026 is not valid, not binding and not enforceable against the

Respondent because the agreement was procured by fraud, material falsehoods and misrepresentations.

45. The Respondent submitted that after the Settlement Agreement was executed, the Respondent discovered that the Applicant had provided the Respondent with inaccurate, fraudulent, false, and misleading information during ADR reconciliation that led to the adjustment of tax and signing the Settlement Agreement. Specifically, the Respondent established that the Applicant provided one KCB Bank account, No. 2200276516, whereas the Applicant had numerous other accounts.

46. The Respondent submitted that on 29 April 2026, the Respondent notified the Applicant of the ongoing investigation. On 26 May 2026, the Respondent revoked the ADR Settlement Agreement on the grounds that prior to entering into the ADR Settlement Agreement, there was fraud and material misrepresentation of facts that the Applicant had numerous bank accounts and information that was not disclosed to the Respondent.

47. The laws governing settlements made through the Alternative Dispute Process (ADR) between the Uganda Revenue Authority and taxpayers are stipulated in Section 26(11) of the Tax Procedure Code Act and the Tax Procedures Code (Alternative Dispute Resolution Procedure) Regulations, 2023.

48. Specifically, the Respondent cited Regulation 6(4)(g) of the Tax Procedures Code (ADR) Regulations, 2023 and stated that this provision precludes a resolution of disputes by way of an alternative dispute procedure where fraud is involved. It provides:

> *"The Commissioner General shall reject an application to resolve the dispute using alternative dispute procedure where the tax dispute involves fraud."*

49. The Applicant submitted that the Respondent has demonstrated that the Applicant was dishonest and misrepresented to the Respondent during the reconciliation process by presenting only one bank statement. The Respondent stated that they would have reached a different conclusion

because the entries in the withheld bank accounts showed more income transactions than the Applicant had declared to the Respondent.

50. Since **Regulation 6(4)(g)** of the Tax Procedures Code (Alternative Dispute Resolution Procedure) Regulations, 2023, precludes a resolution of disputes on grounds of fraud, therefore, by implication, any agreement made under the auspices of alternative dispute procedure where fraud by way of dishonesty or material misrepresentation is discovered, is invalid ab initio. The ADR Settlement Agreement is unravelled and cannot stand.

51. The Respondent cited ***Makula International Ltd V His Eminence Cardinal Nsubuga & Another, Supreme Court Civil Appeal No. 4 of 198***. The Supreme Court of Uganda ruled that:

"A court of law cannot sanction what is illegal, and an illegality once brought to the attention of court overrides all questions of pleading, including any admission made thereon."

52. The Respondent submitted that since the ADR Settlement Agreement was marred with illegalities by the Applicant's fraud, material falsehoods, and misrepresentations, it follows that the Tribunal cannot be used to sanction the ADR Settlement Agreement. The ADR Settlement Agreement has already been revoked by the Respondent, without contest from the Applicant. The ADR Settlement Agreement executed on 30 January 2026 is valid, binding, and enforceable against the Respondent, but has been overtaken by events.

Issue 2: The lawfulness of the Respondent's continued sealing of the Applicant's business premises and caveating of the Applicant's properties

53. The Respondent submitted that the continued sealing of the Applicant's premises, maintenance of caveats lodged on the Applicant's and its Directors' properties after the ADR Settlement Agreement is lawful, rational, justified, and is not in breach of the ADR Settlement Agreement.

54. The Respondent submitted that they revoked the ADR Settlement Agreement on the grounds of fraud and reinstated the tax that was vacated. Therefore, there is still unpaid tax.

55. The Respondent also stated that the Applicant intends to and has attempted to sell the property that was sealed, yet that is the only known property it has, and the security from which the Respondent can recover unpaid tax. The Applicant ought not benefit from fraudulent and material misrepresentations by paying less tax than due.

56. The Respondent further submitted that they are still investigating the Applicant's tax affairs and that the Applicant was duly informed of the investigation. In addition, the Respondent stated that under section 48 (1) (a) (i) of the Tax Procedures Code Act, they have the authority to access the premises while carrying out their mandate, as it is important to maintain the status quo until the investigations into the matter are complete.

ISSUE 3: Whether the Respondent is in violation of the Applicant's legitimate expectation?

57. The Respondent submitted that it is not in violation of the Applicant's legitimate expectation because:
    (i) The doctrine of legitimate expectation cannot override the Respondent's mandate that arises out of statute.
    (ii) The Respondent's powers to have full and free access to premises arise out of **Section 48** of the TPCA, whereas the Applicant's claimed legitimate expectation is a public common law and/or equity doctrine.
    (iii) **Section 14** of the Judicature Act provides that the hierarchy of laws is that a Statute like the TPCA takes precedence over common law and equity doctrines like legitimate expectations. Thus, the Respondent is not in violation of the Applicant's legitimate expectation.
    (iv) He who comes to equity must come with clean hands and the Applicant's hands are not clean.

VII. The Applicant's Submissions in rejoinder

58. In rejoinder, the Applicant submitted that fraud is never presumed and must be specifically pleaded, particularized and proved by clear, cogent and convincing evidence to a standard commensurate with the gravity of the allegation. Further, the Respondent's burden of proof is higher than the balance of probabilities and the Respondent has failed to discharge this burden.

59. The Applicant further submitted that the Respondent cannot, in law, transform its own failure to request specific information during the ADR process into an allegation of fraud by the Applicant. The Applicant further argued that it was neither accorded a fair hearing before an independent body nor obtained any finding of fraud from a competent court or tribunal before the purported revocation of the settlement agreement and maintain enforcement measures. The Respondent's determination that there was fraud, made in the absence of any adjudicative process, is procedurally improper and legally invalid.

60. The Applicant also submitted that Reg 6 (4)(g) of the TPCA(ADR)Regulations, 2023 does not expressly confer upon the Commissioner General any power to revoke, rescind or nullify an ADR settlement Agreement that has already been concluded and performed.

61. The Applicant maintained that the revocation was a violation of the cardinal principle of natural justice that no person may be a judge in their own cause. The Applicant submitted that the unilateral revocation was procedurally unsound. The Tribunal was asked to declare the purported revocation an abuse of court process and to treat it as null and void.

62. The Respondent cannot approbate and reprobate and has no legal basis upon which to retain payment made by the Applicant while simultaneously maintaining the agreement made void.

63. Regarding section 48 of the TPCA, the Applicant submitted that the provision confers a right of access, not a power of closure. The word sealing does not

appear in the above section; the Respondent's reliance on the section is a distortion of the statutory text.

64. Regarding the Respondent's continuation of enforcement measures pending an investigation, the Applicant stated that an investigation is not a notice of a tax due and payable. The Respondent has not issued any new tax assessment, demand notice, or formal finding of tax due arising from the alleged discovery of fraud.

65. The Applicant also stated that the Respondent's investigation is an attempt to circumvent the binding agreement and to use the investigative machinery of the Respondent as a weapon against the taxpayer who has legitimately invoked the jurisdiction of this Tribunal.

VIII. The Determination

66. Having considered the parties' evidence, written submissions and the applicable law, this is the decision of the Tribunal.

67. The key issues in contention are whether the Respondent is bound by the parties' settlement agreement and whether the Respondent's continued enforcement measures are lawful.

Issue 1: Whether the Respondent is bound by the parties' settlement agreement of 30 January 2026

68. The Applicant submitted that the Agreement was properly executed by Commissioner, Legal Services, who is the Respondent's duly authorised officer. Therefore, it constitutes a full and final settlement of the tax dispute under Clause 3.

69. The Applicant also submitted that the Agreement meets all requirements of a valid contract under Section 10 of the Contracts Act and is supported by consideration and full performance. It argued that the Respondent has no statutory power to unilaterally revoke the Agreement, and that allegations of

fraud and misrepresentation are bare, unparticularised, and unsupported by evidence.

70. The Respondent submitted that the Agreement is invalid and unenforceable because it was procured by fraud and material misrepresentation, asserting that the Applicant disclosed only one bank account while concealing several others. The Respondent submitted that courts should not sanction illegalities.

71. It is undisputed that the parties entered a settlement agreement following the Respondent's ADR proceedings. These proceedings are provided for under section 26 (11) and (12) of the TPCA, which provide:

> *(11) A taxpayer who is dissatisfied with a decision of the Commissioner General may apply to the Commissioner General to resolve the dispute using an alternative dispute resolution procedure, as may be prescribed.*
>
> *(12) For the purposes of subsection (11), the Minister may make regulations to provide for alternative dispute resolution for tax purposes.*

72. In furtherance of the powers conferred by the above provision, the Minister of Finance promulgated the Tax Procedures Code (Alternative Dispute Resolution Procedure) Regulations, 2023 ("ADR Regulations"). Regulation 2 allows taxpayers to apply to have the dispute resolved using the alternative dispute resolution procedure. On this basis, the Applicant applied for an ADR procedure, which the Respondent granted.

73. Regulation 6 of the ADR Regulations allows the Respondent to evaluate the application and either accept it or reject it for the reasons set out in Regulation 6 (4) (g). One of the reasons upon which the Respondent may reject an ADR application is fraud or unlawfulness.

74. In the present case, the Respondent did not reject the application. They accepted the application, which culminated in the settlement agreement dated 30 January 2026.

75. The legal effect of a settlement agreement is provided for by Regulation 13(1) of the ADR Regulations, which provides:

"A settlement agreement shall be recognised as binding and enforceable against the Commissioner General or taxpayer, as the case may be, like any other tax decision made by the Commissioner General."

76. In addition, Regulation 14 provides:

"A party aggrieved by the violation of a settlement agreement may file a petition before the court or Tribunal having jurisdiction to enforce the terms of the settlement agreement."

77. Furthermore, Section 10 of the Contracts Act provides:

"All agreements are contracts if they are made by the free consent of parties competent to contract, for a lawful consideration and with a lawful object, and are not hereby expressly declared to be void."

78. Based on the evidence on the record, the Respondent freely entered into the settlement agreement. The agreement is binding and enforceable against the Respondent unless set aside by a court or Tribunal of competent jurisdiction.

79. In the present case, while the Respondent alleges fraud, they have not applied to this Tribunal to set aside the agreement. Instead, they unilaterally revoked the agreement, contrary to established procedure. The Respondent has relied on Regulation 6 (4) (g), which allows them to reject an application for ADR on the basis of fraud. However, Regulation 6 (4) (g) deals with the rejection of the application and not the revocation of a settlement agreement.

80. Since Regulation 13 treats a settlement agreement "*like any other tax decision made by the Commissioner General*", then the correct procedure would have been for the Respondent to apply to this Tribunal to review its own taxation decision in accordance with section 14 of the Tax Appeals Tribunal Act. The section provides:

"A person who is aggrieved by a decision made under a taxing Act by the:
(i) Uganda Revenue Authority; or
(ii) Committee established under the Tax Procedures Code Act,
may apply to the tribunal for a review of the decision."

81. The above provision is not restricted to taxpayers; it applies to persons aggrieved by a decision made in the above two instances. This is further reinforced by Regulation 14 of the ADR Regulations. Therefore, by unilaterally revoking the settlement agreement on the grounds of fraud, the Respondent acted as plaintiff, judge and juror.

82. In addition, it is not enough to allege fraud; rather, fraud must be strictly proved with evidence, and the party alleging fraud must adduce evidence and explain the fraud. In ***Fredrick J.K. Zaabwe v Orient Bank Ltd & Others (SCCA No. 04 of 2006),*** the court, while citing the case of Kampala ***Bottlers Ltd –Vs- Damanico (U) Ltd, (S.C. Civil Appeal No. 22/92),*** stated that even if fraud is proved, it must be attributable directly or by implication to the transferee. Wambuzi, C.J stated at page 7 of his judgment:

> *"... fraud must be attributable to the transferee. I must add here that it must be attributable either directly or by necessary implication. By this I mean the transferee must be guilty of some fraudulent act or must have known of such act by somebody else and taken advantage of such act."*

The learned Chief Justice goes further to state:

> *"Further, I think it is generally accepted that fraud must be proved strictly, the burden being heavier than on a balance of probabilities generally applied in civil matters."*

83. The only way by which the Respondent can prove fraud is by petitioning the Tribunal to set aside the settlement agreement on the ground of fraud. This would have required the Respondent to adduce evidence of the fraud and the Applicant to challenge or accept it. This has not been done.

84. Therefore, in the absence of a court order setting aside the settlement agreement, we find that the Respondent is bound by the terms of the agreement and the agreement remains enforceable against the Respondent. Consequently, the purported revocation letter dated 26 May 2026 is unlawful.

Issue 2: Whether the Respondent's continued sealing of premises and caveating of properties is unlawful and in breach of the agreement

85. The Applicant submitted that following the settlement agreement, they paid the agreed-upon liability and no liability remains. The Respondent has not disputed this fact. However, despite settling the liability, the Respondent has continued enforcement measures, namely, the closure of the Applicant's premises and the maintenance of caveats on the Applicant's property.

86. The Respondent submitted that the measures remain lawful because the Agreement was revoked and the original liability revived. It relied on Section 48 of the TPCA, which it claimed grants authority to access and secure premises during investigations, and argued that the status quo must be maintained until investigations are concluded. It further stated that the Applicant is uncooperative and that the measures are necessary to protect revenue.

87. However, having established under issue 1 above that the Respondent's revocation of the agreement was unlawful, it follows that the Respondent's argument that the agreement was revoked is not sustainable.

88. While the Respondent has relied on the enforcement powers under Sections 36 and 37 of the Tax Procedures Code Act, the Applicant has argued that the powers exist only to secure an outstanding tax liability.

89. We are inclined to agree with the Applicant that enforcement powers are only exercisable for purposes of collecting tax that is lawfully due and payable to the government. In the present case, the Applicant paid the agreed-upon liabilities in full, a fact that the Respondent has not denied. In addition, the Respondent has not adduced any evidence of an enforceable liability such as a new assessment or a demand notice. In the absence of a liability, there is nothing to enforce.

90. Under Section 36(5) of the TPCA, the Respondent is legally obliged to immediately unseal the premises upon compliance. Similarly, caveats under

Section 37(6) are interim security and must be removed once the debt is discharged. Continued enforcement violates the agreement, the TPCA, and Article 26 of the Constitution, which protects the right to property.

91. Section 36 of the TPCA provides:

"(1) Where a taxpayer fails to pay tax due and payable within the time specified in the notice of assessment, the Commissioner General may, by notice in writing, order the temporary closure of the taxpayer's business premises or place of business.

(2) A notice under subsection (1) shall specify the period for which the closure shall remain in force, which shall not exceed thirty days.

(3) A copy of the notice shall be served on the taxpayer and affixed conspicuously at the entrance of the premises or place of business.

(4) While the notice is in force, no person shall enter or remain in the premises or place of business without the written permission of the Commissioner General.

(5) If the taxpayer complies with the tax obligations under subsection (1) during the period of closure, the Commissioner General shall immediately remove the notice referred to in subsection (4) and allow the taxpayer to resume business."

92. In the present case, the Respondent has not demonstrated a failure of the Applicant to pay tax due. Had the Applicant not paid the agreed-upon liabilities set out in the settlement agreement, by all means, the Respondent would have been within their right to close the business or maintain the caveats. However, this is not the case here.

93. In addition, section 37 of the Tax Procedures Code Act provides:

"(1) Where a taxpayer fails to pay tax due and payable, the Commissioner General may, by notice in writing, direct the Registrar of Titles or the Registrar of Documents, as the case may be, to register a charge over any immovable property belonging to the taxpayer as security for the unpaid tax.

...

(6) This section does not preclude the Commissioner General from registering a caveat on the land or building as an interim measure to stop the transfer of the land or building pending the registration of a charge or the recovery of the unpaid tax."

94. As with the previous provision, the Respondent has not presented any evidence of non-payment nor rebutted the Applicant's evidence of payment of the said taxes.

95. Furthermore, section 48 of the TPCA provides:

"(1) For the purposes of administering any provision of a tax law, the Commissioner General –

(a) shall have at all times and without prior notice, full and free access to –

(i) any premises or place where business is carried on or where records relating to business are kept;

(ii) any record, including a record in electronic format, or any data storage device;

(b) may inspect, examine, make copies of or take extracts from any record or data storage device referred to in paragraph (a);

(c) may require any person in charge of the premises or place or having custody or control of the records or data storage device to provide reasonable assistance and facilities to enable the exercise of the powers under this section."

96. The above provision only grants a right of access for investigation. It does not confer power to keep premises sealed or retain caveats in the absence of a crystallised tax debt. No new assessment or demand notice has been issued, and investigations alone cannot justify indefinite enforcement. Under Section 36(5) of the TPCA, the duty to remove the measures arose automatically upon full payment. Therefore, the Respondent's actions are arbitrary, contrary to statute, and a clear breach of the binding settlement terms.

97. It is important to highlight that tax procedures and due process are not mere formalities. They exist to curb arbitrariness by tax authorities and to ensure that every taxpayer is treated fairly under the law. These step-by-step rules that the Respondent must follow are aimed at ensuring that taxation is by law and not by "demand".

98. In line with the decision in issue one and the law, the Tribunal finds the continued sealing of the Applicant's premises and the maintenance of caveats

on the Applicant's and its directors' properties are unlawful and a breach of the settlement agreement.

Issue 3: Whether the Respondent violated the Applicant's legitimate expectation

99. The Applicant submitted that it had a clear, legitimate expectation arising from the express terms of the Agreement, the Respondent's confirmation of the revised liability, and the statutory duty under Section 36(5). It argued that this expectation is protected under Article 42 of the Constitution, which guarantees fair administrative treatment. The Respondent submitted that the doctrine of legitimate expectation cannot override statutory powers under the TPCA, citing Section 14 of the Judicature Act which places statutes above common law principles. It also invoked the maxim that "he who comes to equity must come with clean hands", claiming the Applicant acted fraudulently.

100. The Tribunal relied on Article 42 of the Constitution of the Republic of Uganda stating;

> *"Any person appearing before any administrative official or body has a right to be treated justly and fairly and shall have a right to apply to a court of law in respect of any administrative decision taken against him or her."*

101. In the case of ***Living Goods Ltd v URA (TAT No. 85/2021),*** the Tribunal noted that:

> *"Collection of taxes should not be at the whim of the Respondent. It should be done systematically, according to the law, and not by wishful thinking...One of the canon principles of taxation is certainty. A taxpayer should know when the taxes are due. The Respondent can not blow hot and cold at the same time".*

102. The Tribunal finds the Respondent violated the Applicant's legitimate expectation. The representation was clear, made by an authorised officer, and the Applicant relied on it to make full payment. The same Respondent collected the sum in full, enjoyed it, and later turned around to say the agreement was fraudulent.

103. There is no overriding public interest or proven fraud to justify departing from that promise. Consequently, unproven allegations do not defeat a valid expectation.

104. The Tribunal further noted that the Respondent relied on an ongoing investigation to continue enforcement measures and that there is a risk that the Applicant could sell the property. We find this submission unpersuasive and unsupported by evidence, as an investigation does not confer a legal basis to maintain enforcement measures where no new assessment, demand notice, or crystallised tax liability has been issued.

105. Therefore, the purported enforcement measures are baseless and unlawful. That said, even lawful tax enforcement measures must strike a balance between effective revenue mobilisation and the continuation of business enterprises. Of what use is it to collect all now and lose it all tomorrow? To use the words of Jesus Christ, which are apt in the circumstances:

"What good will it be for someone to gain the whole world, yet lose their soul?" ***(Matt 16:26)***

106. Therefore, enforcement measures should aim to collect taxes, not kill the business, because if the business dies, the state wins a dead asset.

107. Consequently, the Respondent's purported investigation was an excuse to avoid its obligations under the binding settlement agreement and an abuse of process.

Issue 4: What Remedies are available to the Parties?

108. The Applicant prayed that the Tribunal declares the settlement agreement valid and the continued enforcement measures to be unlawful. The Applicant also prayed that the Tribunal orders the Respondent to unseal the premises and remove the caveats. The Applicant further prayed for the grant of a permanent injunction against the Respondent and award damages of

Shs.150,000,000, interest, and costs, citing the Tribunal's jurisdiction under Section 22(6) of the Tax Appeals Tribunal Act.

109. Regarding general damages, they are compensatory, not punitive, and aim to restore the injured party to the position they would have occupied if the wrong had not occurred. Unlike special damages, which must be specifically pleaded and backed by strict documentary evidence, general damages are left entirely to the court's discretion based on the circumstances of the case ***(Lydia Mugambe v Kayita James and Another, HCCS 339 of 2020).***

110. Despite the parties' settlement agreement and the Applicant's payment of due taxes, the Respondent continued to seal the Applicant's premises, preventing them from exercising their trade. This caused adverse economic effects on business operations and revenue. The caveats in place blocked commercial utilisation of the property, thereby entitling the Applicant to general damages for the resulting inconvenience and loss.

111. The Respondent replied that the application should be dismissed with costs, arguing no relief can be granted where the Agreement is invalid and the measures are lawful.

112. Having found the Respondent's actions to be unlawful on all fronts, the Tribunal hereby grants the application and makes the following orders:

(i) The ADR Settlement Agreement dated 30 January 2026 is valid, binding and enforceable.

(ii) The purported revocation letter dated 26 May 2026 is null and void.

(iii) The continued sealing of the Applicant's premises and maintenance of caveats is unlawful, and the Respondent is hereby ordered to unseal the Applicant's business premises immediately

(iv) The Respondent is hereby ordered to remove and vacate the caveats registered under Instrument Nos. KCCA-00162009, KCCA-00162010, KCCA-00162011 and KCCA-00162022.

(v) A permanent injunction is hereby granted restraining the Respondent from taking any further enforcement action in respect of the liabilities that are the subject of the settlement agreement until the same is set aside by this Tribunal or a court of law.

(vi) General damages in the sum of Shs. 50,000,000 are hereby awarded to the Applicant, and the Respondent shall pay interest thereon at a rate of 6% per annum until paid by it.

(vii) Costs of the application are awarded to the Applicant.

(viii) The Respondent is hereby ordered to submit a report to this Tribunal not later than 15 August 2026 on the execution of the above orders.

(ix) If the Respondent wishes to challenge the settlement agreement, they may file an application with this Tribunal, and it will be considered accordingly.

Dated at Kampala this **24th** day of **July** 2026.

HON. CRYSTAL KABAJWARA
CHAIRPERSON

HON. STELLA NYAPENDI CHOMBO
MEMBER

HON. PROSCOVIA REBECCA NAMBI
MEMBER