



THE REPUBLIC OF UGANDA

IN THE TAX APPEALS TRIBUNAL AT KAMPALA

APPLICATION NO. 305 OF 2025

FENG HUANG PLASTICS INDUSTRIES LIMITEDAPPLICANT

VERSUS

UGANDA REVENUE AUTHORITY..... RESPONDENT

BEFORE: HON. NYAPENDI STELLA CHOMBO, MS. CHRISTINE KATWE,

HON. NAJJEMBA ROSEMARY

RULING

I. Introduction

1. This application challenges a Value Added Tax assessment amounting to Shs. 422,396,928 issued by the Respondent concerning the variance between stock records in Applicant's EFRIS system and the physical stock count. The Applicant seeks the following orders:

- (i) A declaration that the Applicant is not liable to pay the tax assessed.
- (ii) Costs of this Application be provided for.

II. Background facts

2. The Applicant is a limited liability company, engaged in the business of manufacturing plastic products.

- (i) On 4 November 2024, the Respondent conducted an inventory spot check in Kawempe/Kasangati Town Council at the Applicant's premises, which revealed a variance of Shs. 2,285,538,488.12 between stock records in the Electronic Fiscal Receipting and Invoicing Solution (EFRIS) system and the physical stock count.
- (ii) The Respondent's EFRIS team, during the stock count, found out that the physical stock was more than the stock recorded by EFRIS, and the Respondent presumed the excess stock was made outside EFRIS.
- (iii) The Respondent's team, during the visit to the Applicant's premises in Kawempe/Kasangati Town Council, asked the Applicant's representatives about how many branches the Applicant had, and they confirmed that they did not have any other branches.
- (iv) On 19 November 2024, the Respondent issued the Applicant with an Administrative Additional Value Added Tax Assessment of Shs. 411,396,928 for the period October 2024.
- (v) On 22 November 2024, the Applicant objected to the assessment on grounds that the inventory at the Bugolobi Head Office and Mukono sites was not counted or considered during the stock verification exercise, most of the sampled items reconciled with the EFRIS system and the remainder of the stock had been sold to government-aided projects.
- (vi) Upon review of the Applicant's objections, A reconciliation meeting was subsequently held between the parties during which the Applicant stated that it did not maintain any separate stores or branches. The Applicant explained that a portion of the missing stock had been utilized in the construction of its company buildings. The Respondent's EFRIS team confirmed that at the time of the stock verification, the Applicant had no branches configured in the EFRIS system.

(vii) On 17 February 2025, the Respondent issued its objection decision disallowing the objection and maintaining the assessment on the ground that, in the absence of any branches configured in EFRIS, the Applicant's explanation that some stock was located in unvisited branches was invalid.

III. Issues.

3. The key issue to be determined is whether the Applicant is liable to pay the tax assessed.

IV. Representation and evidence.

4. Mr. Sydney Ojwee and Ms. Martha Amoding of LOI Advocates represented the Applicant, while Mr. Tonny Tukey from the Respondent's Legal Services and Board Affairs Department represented the Respondent.
5. Mr. Kasawuli Baker, the accountant of the Applicant company, stated in his affidavit that on 4 November 2024, the Respondent conducted a spot inventory verification exercise at the Applicant's premises in Kasangati and subsequently issued an additional VAT assessment of Shs. 411,396,928 for the period 1 October 2024 to 31 October 2024 on grounds of variances between the stock recorded in EFRIS and the physical stock count.
6. He further averred that the Applicant attended a reconciliation meeting with the Respondent during which it explained that part of the stock variance arose from a fire incident at its premises, which destroyed some stock that had previously been declared in EFRIS.
7. Mr. Baker further stated that despite being informed about the existence of stock in other branches, the Respondent declined to visit or verify those branches on the grounds that they had not been configured in EFRIS and thereafter issued an objection decision on 27 February 2025 disallowing the Applicant's objection.

8. He also stated that substantial quantities of stock located at the Bugolobi branch and Mukono factory site were not counted during the stock verification exercise, despite having been declared and entered in EFRIS and disclosed during the reconciliation meeting. The uncounted stock allegedly included solar lights, packaging deductions, PET lumps, welding machines, PET straps, iron tubes, screwdriver bits, fasteners, excavator teeth, oil hoses, carpenter's ink markers, pliers, safety shoes, concrete and carpenter cutting discs, and an oil storage tank.
9. He further averred that the Applicant had supplied various goods to government-aided projects, including reflective vests, geo textile rolls, cutting discs, lead screws, T-screws and nuts, acetylene valves, oxygen valves, tamper equipment, and clips of lead screws, all of which had been declared and entered into EFRIS but had not yet been paid for at the time of the stock verification exercise. He therefore stated that the Applicant was not liable to pay the taxes assessed by the Respondent.
10. The Respondent replied by way of an affidavit in reply deponed by **Mr. Joshua Maanige, an officer in the Domestic Taxes Department** of the Respondent, who stated in his affidavit that during the stock count, the Respondent's EFRIS team established that the physical stock exceeded the stock recorded in EFRIS and consequently presumed that the excess stock had been produced outside the EFRIS system.
11. He added that during the verification exercise, the Respondent's officers inquired from the Applicant's representatives whether the Applicant had any other branches, and the representatives confirmed that there were no other branches.
12. He stated that as a result of the discrepancies established during the stock verification exercise, the Respondent issued the Applicant with an Administrative Additional Value Added Tax Assessment of UGX 411,396,928 for the tax period of October 2024.

13. Mr. Maanige further stated that on 22 November 2024, the Applicant objected to the assessment on grounds that inventory located at the Bugolobi Head Office and Mukono sites had not been counted or considered during the stock verification exercise, that most of the sampled items reconciled with the EFRIS system, and that some of the stock had been supplied to government-aided projects.
14. He further averred that upon review of the Applicant's objection, a reconciliation meeting was held between the parties during which the Applicant stated that it did not maintain any separate stores or branches but explained that part of the missing stock had been used in the construction of company buildings. He added that the Respondent's EFRIS team confirmed that at the time of the stock verification exercise, the Applicant had no branches configured in the EFRIS system.
15. He stated that on 17 February 2025, the Respondent issued an objection decision disallowing the Applicant's objection and maintaining the assessment on the grounds that, in the absence of branches configured in EFRIS, the Applicant's explanation that some stock was located in unvisited branches was invalid. He concluded by stating that the sum of Shs. 411,396,928 remained due and payable by the Applicant as Administrative Additional Value Added Tax.

V. Submissions of the Applicant

16. The Applicant submitted that it is a manufacturing company with two factories, one at Kasangati and the other in Mukono. The Applicant also owns another store in Bugolobi, where it keeps its other products, which the Respondent deliberately failed to consider.
17. In a meeting held at the Respondent's offices on 11 November 2024, the Applicant explained that the variance was a result of some of the stock being at its other offices in Mukono and Bugolobi, which the Respondent did not visit. The Applicant accordingly invited the Respondent to visit the other offices in Bugolobi and Mukono, where all the other products

declared on EFRIS were located; however, for no justifiable reason, the Respondent refused to visit those locations.

18. The Applicant contended that there was never any variance between stock on EFRIS and that at the physical premises. Whatever stock was on the Applicant's EFRIS that was not sold was located at the Applicant's other offices, which, if the Respondent had bothered to visit, would have been found. The unaccounted-for stock would be explained. The VAT assessment was entirely premised on assumptions, and, in light of that, we submit that, in the absence of verification that there was stock at the Applicant's other offices, the accuracy of the assessed tax cannot be confirmed.
19. The Applicant argued that the Respondent's contention that the unaccounted-for stock was sold and yet the Applicant declared all its sales is false. A well-known principle of VAT law is that there must be a direct link between the goods/services provided and the Payments received by the provider. In this case, there is no such link since there was, in fact, never any sale by the Applicant of those goods.
20. The Applicant quoted **Section 4 of VAT**, which states that;
"A tax to be known as a Value Added tax shall be charged in accordance with this Act on-
 - a) *Every taxable supply made by a taxable person;*
 - b) *Every import of goods other than an exempt import; and*
 - c) *The supply of imported services other than an exempt service by any person.*
21. The Applicant submitted that taxes are a creature of statute. The beginning point is that when reading a statute, words should be given their literal meaning. Nothing should be implied in, and nothing should be implied out. So, the question is, did the Applicant make any taxable supplies or rather, were those goods sold?

22. The Applicant maintained that there were no sales made, especially since the Applicant was still in possession of the goods, which position the Respondent would have verified and agreed to had it considered the Applicant's request to visit the offices. **Section 18 of the VAT Act** defines a taxable supply as;

"A supply of goods or services, other than an exempt supply, made in Uganda by a taxable person for the consideration as part of his business activities.

23. A supply of goods is defined under **Section 10 (1) of the VAT Act Cap 345** as;

"Except as otherwise provided under this Act, a supply of goods means any arrangement under which the owner of the goods parts or will part with possession of the goods, including a lease or an agreement of sale or purchase."

24. The Applicant submitted that the supply of goods occurs when the owner of goods parts with the possession of goods. The Applicant never parted with the possession of goods, as alleged by the Respondent, since the goods were at the offices that the Respondent failed to visit.

25. The Applicant quoted ***Uganda Revenue Authority vs Tata (U) Ltd Civil Appeal No. 7 of 2008***, which held that;

"VAT is chargeable on the supply of goods in Uganda..."

26. The Applicant further relied on **Regulation 9(e) of the Tax Procedure Code (E-Invoicing and Receipting) Regulations**, where a taxpayer is obligated to make a full disclosure of information and correct transactions at all times. The Applicant complied with the above provisions and declared all its products, purchases, and sales on EFRIS; therefore, the sales alleged by the Respondent did not occur. The Respondent has at no point adduced any evidence suggesting that there were more supplies or income received by the Applicant for all the presumed goods it sold.

27. The Applicant submitted that all the Respondent is basing on is that there was unaccounted for stock at the Applicant's premises in Kasangati; however, the same is unfounded, especially since the goods could be accounted for. The actions of the Respondent are very high-handed and arbitrary in light of the fact that the Applicant's branches that are actually in existence. There is no law whatsoever that stops the Respondent from visiting these other branches and as such the decision to not consider them is completely in the Respondent's discretion which we believe it did not exercise reasonably.

28. The Applicant quoted **Embassy Supermarket Limited v Uganda Revenue Authority TAT Application No. 114 of 2021**, where the Tribunal quoted **Halsbury's Law of England 3rd Edition Vol 30 p. 687 para 1326**, which states that;

"Where public bodies are given discretion in the exercise of powers conferred upon them by statute, the courts will not interfere with the exercise of that discretion so long as it is exercised bona fide and reasonably nor will the decision of an administrative body be interfered with by the courts if there is anything on which that body could reasonably come to its conclusion..."

29. Additionally, in **Jazz Supermarket v URA TAT application No. 115 of 2021**, the court defined irrationality as;

"When there is such gross unreasonableness in the decision taken or act done, that no reasonable authority, addressing itself to the facts and the law before it, would have made such a decision. Such a decision is usually in defiance of logic and acceptable moral standards."

30. The Applicant contended that the decision by the Respondent to raise an assessment where there was an explanation about the variance is not only misconceived but lacks logic for if the Respondent visited the offices and found the stock it was looking for this matter would be resolved.

31. Taxes are not meant to punish taxpayers, and that is why the law gives taxpayers the right to object to these assessments, which the Respondent ought to give some consideration. Although the Respondent is within its

rights, or rather has the right to exercise its discretion in these matters, it is important that this discretion be exercised reasonably.

32. The Applicant quoted the case of **Century Bottling Company Limited v Uganda Revenue Authority Miscellaneous Application No. 32 of 2020**, the Tribunal quoted H.W.R Wade, in "Administrative Law" on principles governing the exercise of discretion, where he stated:

"For more than three centuries, it has been accepted that discretionary power conferred upon public authorities is not absolute, even within its apparent boundaries, but is subject to general legal limitations. These limitations are expressed in a variety of different ways as by saying that discretion must be exercised reasonably and in good faith that relevant considerations only must be taken into account, that there must be no malversation of any kind, or that the decision must not arbitrary or capricious."

33. **Black's Law Dictionary** defines arbitrary and capricious as

"a wilful, unreasonable action taken without consideration of facts or law. It refers to a decision based on whim, prejudice or impulse rather than reason."

34. The Applicant maintained that the Respondent's decision not to visit and consider the Applicant's offices is arbitrary and unlawful because the Respondent refused to consider the most relevant factor, which was that there were other branches where the stock was. Therefore, the VAT assessment of Shs. 411,396,928 was illegally determined and applied because the Applicant was in possession of all these goods at its other branches, which, if the Respondent had considered, would have been verified.

VI. Submissions by the Respondent

35. The Respondent submitted that the Applicant is liable to pay the assessed tax of Shs. 411,396,928. The Respondent's case is built on three interlocking pillars: the lawful basis of the assessment, the Applicant's own admissions and internal contradictions, and the Applicant's persistent failure to produce evidence capable of displacing the assessment.

The Assessment Was Properly Made Under the Law

36. The Respondent relied on **Section 25 of the Tax Procedures Code Act, Cap. 343**, which confers upon the Commissioner the power to make assessments by applying the best judgment method, whereas here, the declared records do not adequately account for the taxpayer's transactions. The Respondent acted squarely within that statutory mandate.
37. The Respondent contended that the spot check of 4 November 2024 was a legitimate compliance exercise carried out in the ordinary course of the Respondent's enforcement functions. It revealed an undeniable and substantial discrepancy of over Shs. 2.2 billion between the physical stock at the Applicant's Kawempe/Kasangati premises and the corresponding EFRIS records. The inference is irresistible that transactions were being conducted outside the EFRIS system without proper tax documentation and consequently without the corresponding VAT being declared and remitted.
38. The Respondent submitted that it has long been recognised that in exercising the best judgment power, a Revenue authority will inevitably be working with estimates rather than precise figures. In **Argosy Co. Ltd v Inland Revenue Commissioner [1971] 1 WLR 514**. Lord Donovan stated:
- "Once a reasonable opinion that liability exists is formed, there must necessarily be guess-work at times as to the quantum of liability. Therefore, the Commissioner may have to make some guess of the extent of the amount to be taxed. Such estimates or guesses may still be to the best of the commissioner's judgment a phrase which simply means to the best of his judgement on the information available to him."*
39. The Respondent maintained that their assessment was made on the basis of the information available at the time, information that the Applicant had ample opportunity to supplement or correct, and conspicuously failed to do

so in any meaningful way. The assessment cannot, in those circumstances, be impugned as arbitrary or unlawful.

The Applicant Is Bound by Its Own Representations

40. The Respondent submitted that the sequence of events is significant. During the spot check on 4 November 2024, the Respondent's officers asked the Applicant's representatives directly whether the company maintained any other branches. The Applicant replied that no other branches existed. That concession was not qualified, not conditional, and not accompanied by any reference to stock held elsewhere.
41. The Respondent argued that at the subsequent reconciliation meeting, the Applicant's position shifted slightly, but only to introduce a new and inconsistent explanation. The Applicant now said that a portion of the unaccounted-for stock had been held at Bugolobi, Naguru, or Mukono. If indeed the Applicant maintained stock at Bugolobi, Naguru, and Mukono, there is no rational explanation for why that fact was not disclosed when the Respondent's officers first inquired during the inventory spot check.
42. The Respondent submitted that the principle that a party cannot benefit from its own omissions and then use those very omissions to attack a lawful administrative act is firmly embedded in the law. The Respondent acted on the basis of the information the Applicant provided. The Applicant's failure to provide accurate and complete information at the time of the spot check and the reconciliation meeting is the direct cause of the assessment it now challenges. It cannot shift that responsibility onto the Respondent.

The Applicant Has Failed to Produce Evidence Capable of Displacing the Assessment

43. The Respondent contended that the Applicant has not produced a shred of admissible or credible evidence to demonstrate that the assessment is incorrect. **Section 49 of the TPCA** empowers the Commissioner to call for evidence from a taxpayer in the course of investigations into tax matters.

The Respondent exercised that power, and the Applicant's response was wholly inadequate.

44. The Respondent maintained that during the reconciliation process, the Applicant changed its account more than once. Initially, some stock was allegedly destroyed by fire. Then there were said to be data-entry errors in EFRIS. Finally, there was the late-emerging claim of stock at multiple undisclosed locations. None of these explanations was supported by documentary evidence. No audit trails, no EFRIS declarations showing multi-branch stock holdings, no delivery notes, no branch configuration records. Nothing.
45. The Respondent contended that their EFRIS team confirmed, definitively, that as at the date of the spot check, the Applicant had no branches registered in EFRIS. Under the ***Tax Procedures Code Act under Section 91***, a taxable person is required to ensure that all business locations and the stock held at those locations are properly declared in the electronic notice system. The Applicant's failure to configure any branches undermines the credibility of its belated claim that substantial quantities of in EFRIS is not merely a procedural irregularity. If the stock was legitimately held at those locations, it should have been declared in EFRIS, but it was not.
46. The Respondent relied on ***Nile Breweries Ltd v Uganda Revenue Authority, TAT Application No. 15 of 2018***, where it was held that;

"A taxpayer's failure to produce supporting evidence justifies the Respondent's reliance on the best judgment method of assessment."
47. The Respondent submitted that the above principle applies with equal, if not greater, force in the present case, where the Applicant had every opportunity during the spot check, at the reconciliation meeting, and in the objection process to produce records corroborating its claims, and failed to do so. The Respondent therefore prayed that this Honourable Tribunal finds that the Applicant has not discharged its burden of proof and that the

Administrative Additional Value Added Tax Assessment of Shs. 411,396,928 for the period October 2024 is well-founded, lawful, and ought to be upheld.

VII. The determination

Preliminary Objection

48. The Respondent raised a preliminary objection contending that the Applicant failed to comply with the Tribunal's scheduling directions requiring the filing of affidavit evidence and written submissions by 13 April 2026.
49. The Respondent submitted that by directions issued on 23 March 2026, the Tribunal ordered the parties to file a Joint Scheduling Memorandum together with affidavit evidence and written submissions. The Applicant was directed to file its affidavit evidence and submissions by 13 April 2026 while the Respondent was directed to file its response by 27 April 2026.
50. The Respondent contended that as at the time of filing its submissions on 29 April 2026, the Applicant had neither filed nor served its affidavit evidence and written submissions and consequently prayed that the Application be determined solely on the basis of the Respondent's evidence and submissions.
51. The Respondent further relied on **Section 26(3) of the Tax Appeals Tribunal Act Cap. 341, which empowers the Tribunal to dismiss an application where an Applicant fails within a reasonable time to proceed with the matter.** The Tribunal has carefully considered this objection.
52. The law regarding procedural defaults is now settled. Whereas parties are expected to comply with procedural timelines and directions issued by the Tribunal, the Tribunal's overarching duty remains the administration of

substantive justice. Procedural rules are intended to aid the fair and orderly determination of disputes and not to impede access to justice.

53. **Article 126(2)(e) of the Constitution of the Republic of Uganda** requires courts and tribunals in exercising judicial power to administer substantive justice without undue regard to technicalities. Similarly, the Supreme Court in **Attorney General v Salvatori Abuki** underscored the constitutional obligation of courts to prioritise substantive justice over procedural technicalities where no irreparable prejudice is occasioned.
54. The Tribunal further notes that the Applicant filed its affidavit evidence and written submissions on 28 April 2026, a day before the Respondent filed its own affidavit evidence and submissions on 29 April 2026. Although the Applicant failed to comply with the Tribunal's earlier scheduling directions requiring filing by 13 April 2026, the delay did not occasion any demonstrable prejudice to the Respondent, who was still able to fully respond to the Applicant's case. Notwithstanding the Respondent's complaint, the Applicant's affidavit, evidence, and written submissions are already on record.
55. **Section 26(3) of the Tax Appeals Tribunal Act** grants the Tribunal discretion and does not impose a mandatory duty to dismiss an application merely because of procedural delay. Such discretion must be exercised judiciously and upon consideration of the circumstances of each case.
56. The Tribunal is also mindful that tax disputes involve substantial statutory liabilities whose determination ought, as far as possible, to be based on merits rather than procedural defaults alone.
57. Accordingly, the Tribunal declines the Respondent's invitation to determine the matter solely on the basis of the Respondent's evidence and submissions. The preliminary objection, therefore, fails.

58. Having considered the evidence and submissions of both parties, this is the decision of the Tribunal.
59. The central issue for determination by this Tribunal is whether the Applicant is liable to pay the additional VAT assessment of UGX 411,396,928 arising from a stock discrepancy identified during an inventory spot check conducted by the Respondent on 4 November 2024. In resolving this issue, the Tribunal has carefully considered the pleadings, affidavit evidence, documentary exhibits, witness testimony, written submissions, and the applicable law relied upon by both parties.

The Statutory Burden of Proof

60. The starting point in tax disputes is the allocation of the burden of proof. Under Section 28(a) of the Tax Procedures Code Act and Section 19 of the Tax Appeals Tribunal Act, the burden lies upon the taxpayer to prove that an assessment issued by the Commissioner is excessive, erroneous, or otherwise incorrect. This principle was affirmed in *Williamson Diamonds Ltd v Commissioner General* 4 TTLR 167, where it was held that the burden of disproving an assessment rests squarely upon the taxpayer and does not shift to the revenue authority merely because an assessment is challenged.
61. In the present matter, the Respondent established through the affidavit of Joshua Maanige and the EFRIS spot check records that during the inventory verification exercise conducted at the Applicant's Kasangati premises on 4 November 2024, a stock variance of UGX 2,285,538,488.12 was identified between the physical stock count and the stock reflected within the Applicant's EFRIS records. The Respondent further adduced evidence that, at the time of the verification exercise, the Applicant had no branches configured or registered within the EFRIS system. The Tribunal finds that this evidence established a prima facie basis for the assessment and shifted the evidential burden onto the Applicant to satisfactorily account for the discrepancy.

62. The Applicant attempted to discharge that burden by relying on the affidavit of Kasawuli Baker, the detailed stock inventory schedules for Bugolobi and Mukono, the police fire incident report dated 20 September 2021, and records relating to supplies allegedly made to government-aided projects. However, the Tribunal finds that the Applicant failed to produce sufficient contemporaneous documentary evidence to objectively reconcile the stock discrepancy identified during the spot check. In particular, no delivery notes, branch transfer schedules, stock movement records, EFRIS audit trails, transportation records, inventory reconciliation statements, or branch registration documents were produced to substantiate the alleged existence and movement of stock to the Bugolobi and Mukono locations.

The Validity of the Best Judgment Assessment

63. The Respondent's authority to issue the impugned assessment is grounded in Section 25 of the Tax Procedures Code Act, which empowers the Commissioner to make an assessment using the best judgment method where a taxpayer's records are incomplete, inaccurate, or insufficient to determine the correct tax liability.
64. The Tribunal accepts that the substantial stock discrepancy identified during the spot check legitimately entitled the Respondent to invoke the best judgment method of assessment. In *Argosy Co. Ltd v Inland Revenue Commissioner [1971] 1 WLR 514*, it was recognised that where precise figures are unavailable due to deficiencies in a taxpayer's records, the revenue authority is entitled to make reasonable estimates based on the information available, provided such estimates are not arbitrary or capricious.
65. Similarly, in *Van Boeckel v Customs and Excise Commissioners [1981] STC 290*, the Court held that a best judgment assessment need not attain mathematical precision so long as it is honestly and rationally arrived at upon available material. The Tribunal respectfully adopts that reasoning.

66. In the present case, the Respondent relied on the physical stock verification findings, EFRIS records, the absence of configured branches, and the Applicant's own representations during the spot check. The Tribunal finds that the Respondent's inference that taxable supplies were being conducted outside the EFRIS system was both rational and legally sustainable in the circumstances.

The Applicant's Representations and Shifting Explanations

67. The Tribunal further finds that the Applicant's explanations regarding the stock discrepancy materially shifted during the course of the dispute and lacked internal consistency.
68. Initially, the Applicant's representatives reportedly informed the Respondent during the spot check that the company maintained no other branches. The Respondent's evidence on this point remained substantially uncontroverted. It was only subsequently, during the objection and litigation process, that the Applicant introduced the explanation that substantial quantities of stock were located at Bugolobi and Mukono sites, which had not been visited by the Respondent's officers.
69. The Tribunal finds no satisfactory explanation as to why such allegedly significant stock locations were not disclosed during the initial verification exercise. Indeed, if substantial quantities of stock were genuinely held at those locations, one would reasonably expect corresponding branch declarations, EFRIS configuration records, delivery schedules, stock transfer documentation, or inventory reconciliation records to exist. No such contemporaneous records were produced before the Tribunal.
70. The Tribunal therefore finds that the Applicant's reliance on unverified inventory schedules prepared after commencement of the dispute was insufficient to rebut the stock discrepancy identified by the Respondent.

The Fire Incident and Internal Consumption of Stock

71. The Applicant further relied on a police fire incident report dated 20 September 2021, indicating that a fire at the Kasangati factory allegedly destroyed 500 tonnes of PET crushed materials and eight processing machines. The Tribunal accepts that the fire incident report was produced. However, the Tribunal notes that no fire brigade reports, insurance assessments, Local Council reports, inventory destruction schedules, accounting write-offs, or corresponding tax adjustments were adduced linking the alleged losses to the stock discrepancy identified during the October 2024 verification exercise.
72. The Tribunal further observes that prudent commercial practice and proper tax compliance would ordinarily require contemporaneous inventory adjustments and accounting treatment reflecting such substantial losses. No such records were produced.
73. The Applicant also contended that part of the stock had been internally consumed in construction works at the company premises. However, Sections 10(2) and 18(3) of the VAT Act expressly provide that application of business goods to own use constitutes a deemed taxable supply for VAT purposes. Consequently, even if part of the stock was appropriated for internal construction purposes as alleged by the Applicant, such appropriation would nonetheless attract VAT.
74. The Tribunal therefore finds that the Applicant's own explanation regarding internal consumption of stock does not negate VAT liability but instead reinforces the existence of taxable supplies arising from application of business goods to own use.

EFRIS Non-Compliance and Credibility of the Applicant's Case

75. The Tribunal further finds that the Applicant's non-compliance with EFRIS obligations materially undermined the credibility of its defence. The EFRIS system is a statutory compliance mechanism intended to ensure

transparency, traceability, and accountability in recording taxable transactions and stock movements.

76. The Respondent adduced evidence confirming that at the time of the spot check, the Applicant had no branches configured within the EFRIS system, despite subsequently alleging the existence of substantial stock at Bugolobi and Mukono. The Tribunal finds that this omission was not merely procedural but went to the heart of the reliability of the Applicant's stock accounting system.
77. In Nile Breweries Ltd v Uganda Revenue Authority, TAT Application No. 15 of 2018, the Tribunal held that failure by a taxpayer to maintain and produce adequate supporting records justifies reliance by the Commissioner on the best judgment method of assessment. The Tribunal respectfully adopts that reasoning.
78. The Tribunal further notes that the Applicant's explanations evolved from: branch stock; to fire losses; to internal construction use; and to unpaid government project supplies, without corresponding primary documentation capable of objectively reconciling the discrepancy identified during the Respondent's verification exercise.

Conclusion

79. Having carefully reviewed the evidence and applicable law, the Tribunal finds that the Respondent acted within its statutory mandate in issuing the impugned assessment. The assessment arose from a legitimate compliance exercise grounded upon a substantial stock discrepancy identified during physical verification and supported by deficiencies in the Applicant's EFRIS records and stock documentation.
80. The Tribunal further finds that the Applicant failed to discharge the burden imposed under Section 28(a) of the Tax Procedures Code Act of proving that the assessment was incorrect. The explanations advanced by the Applicant remained unsupported by sufficient contemporaneous

documentary evidence capable of displacing the inference arising from the stock discrepancy identified by the Respondent.

81. Accordingly, the Tribunal finds that the Administrative Additional VAT Assessment of UGX 411,396,928 for the tax period October 2024 was lawfully and properly issued and remains due and payable.

ORDERS

- (i) The Application is hereby dismissed.
- (ii) The Administrative Additional VAT Assessment of UGX 411,396,928 for the tax period October 2024 is hereby confirmed and upheld.
- (iii) The Applicant is liable to pay the assessed tax together with any applicable interest accruing thereon in accordance with the law.
- (iv) Costs of this Application are awarded to the Respondent.

It is so ordered.

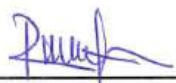
Dated at Kampala this th 26 day of May 2026.



HON. STELLA NYAPENDI CHOMBO
CHAIRPERSON



MS. CHRISTINE KATWE
MEMBER



HON. ROSEMARY NAJJEMBA
MEMBER