TAX APPEALS TRIBUNAL
Justice in Taxation

THE REPUBLIC OF UGANDA

IN THE TAX APPEALS TRIBUNAL AT KAMPALA

TAT APPLICATION NO. 110 & 356 OF 2025

GH FAMILY GENERAL TRADING COMPANY LIMITED ....APPLICANT

VERSUS

UGANDA REVENUE AUTHORITY...RESPONDENT

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

RULING

I. Introduction

1. The consolidated applications challenge the lawfulness of the assessments, the issuance and enforcement of the agency notices, and the Respondent's subsequent objection decisions regarding an assessment of Shs. 2,184,915,725 that arose from the Respondent's investigations into the Applicant's bank deposits, which the Respondent considered undeclared income.

II. Background Facts

2. The Applicant carries on business in general merchandise, including importation, exportation, wholesale and retail trade and the supply of foodstuffs.

3. For App No. 110 of 2025, the Respondent investigated the Applicant's tax affairs following a referral from the Financial Intelligence Authority (FIA), which had identified the Applicant as a suspected participant in tax evasion and/or money laundering for the period from November 2021 to June 2024 and established that the Applicant was controlled by two directors, namely Tewelde Ghebrihiwet Yorusalem and Abraham Tekle Isaac. The Applicant operated a United States Dollar account with Equity Bank (U) Limited, Account No. 103620257494, opened on 6 October 2022, with Mr. Tewelde Ghebrihiwet Yorusalem as the sole signatory.

4. Between 6 October 2022 and 18 March 2025, the said account recorded total credits of USD 11,747,775 and total debits of USD 10,026,086, leaving a credit balance of approximately USD 1,721,688 as at 18 March 2025. For the years of income 2021/2022, 2022/2023 and 2023/2024, the Applicant had declared income under the presumptive tax regime, with aggregate gross income of Shs. 118,000,000. The Respondent considered this amount lower than the deposits reflected on the Applicant's bank account, which it determined to be approximately Shs. 42,879,378,750 after conversion from United States Dollars.

5. The Respondent required the Applicant to explain the nature and scale of its wholesale and retail business and account for the funds in its bank account. The Applicant did not provide sufficient supporting records to substantiate the deposits or demonstrate the corresponding business expenditure.

6. The Respondent allowed 75% of the identified deposits as cost of sales and treated the remaining 25% as taxable income, which was subjected to corporation tax at the applicable rate of 30%. On 2 and 3 April 2025, it communicated administrative additional income tax assessments of Shs. 2,184,915,725 on the basis that the Applicant had undeclared income arising from the deposits identified during the tax investigations, as confirmed in a management letter dated 3 April 2025.

7. On 4 April 2025, the Respondent issued a Third-Party Agency Notice to Equity Bank (U) Limited in respect of the assessed amount of Shs.2,184,915,725. A similar agency notice was also issued to Orient Bank Uganda Limited for the same amount. On 10 April 2025, the Respondent enforced the agency notice issued to Equity Bank (U) Limited, resulting in the recovery of Shs. 2,184,915,725.

8. Regarding Application No. 356 of 2025, the objection decisions concerned the same assessments in TAT App No. 110 of 2025, which were disallowed on grounds of insufficient documentation. The Respondent maintained that the assessments had been communicated to the Applicant on 2 and 3 April 2025, whereas the Applicant lodged its objection on 16 July 2025, which, according to the Respondent, was outside the statutory period prescribed for objecting. Dissatisfied with the objection decisions dated 10 and 11 October 2025, the Applicant filed this application before this Tribunal.

III. Issues for determination

9. The following are the issues for determination;
   i. Whether the additional income tax assessments issued against the Applicant on 2 and 3 April 2025 were lawful.
   ii. Whether the Third-Party Agency Notices issued on 4 April 2025 and enforced on 10 April 2025 were lawful.
   iii. Whether the objection decisions were lawful.

IV. Representation and Evidence

10. The Applicant was represented by Mr. Jonathan Rukikaire and Ms. Linda Mugisha of M/S Birungyi, Barata & Associates, while the Respondent was represented by Ms. Christine Mpumwire and Mr. Desire Mulindwa Muwonge of the Legal Services and Board Affairs Department.

11. In the Affidavit in support of the application deponed by Hermon Ghebremichael, the Manager, Sales Department, of the Applicant company, and sworn on 11 June 2026, the Applicant stated as follows:

i. The Applicant is a subsidiary of GH Family in South Sudan and is engaged in procuring commodities from Uganda and other countries for export to various companies in South Sudan. On 12 March 2025, Lukak Stores Limited paid USD 1,000,000 to the Applicant's account to procure premium-quality wheat flour.

ii. The Applicant's account was frozen on the instructions of the Financial Intelligence Authority. On 26 March 2025, the Applicant wrote to the Financial Intelligence Authority that their account had been frozen without their notice.

iii. On 1 April 2025, the Financial Intelligence Authority responded to the Applicant that the matter was being investigated by the Respondent, who on 2 April 2025 issued "administrative additional income tax assessments" under Section 23 of the Tax Procedures Code Act, amounting to Shs. 2,184,915,725 because the Applicant had undeclared income allegedly identified by the Tax Investigations Department (TID).

iv. On 4 April 2025, 2 days after the notice of assessment, the Respondent issued a Third-Party Agency Notice to Equity Bank Uganda Limited for Shs. 2,184,915,725. On 10 April 2025, the Respondent enforced the agency notice issued to Equity Bank Uganda Limited and recovered the entire sum of Shs. 2,184,915,725. On 23 April 2025, after the Respondent had already enforced the agency notice and collected the full amount, the Financial Intelligence Authority wrote to the Applicant stating that the halting instructions placed on the bank account had been lifted.

v. Being dissatisfied with the Respondent, the Applicant filed TAT Application No. 110 of 2025. On 27 May 2025, an inter-party meeting was held between the Applicant and the Respondent, and the Respondent noted that the matter was already under TAT and was not a reconciliation matter.

vi. While in the Tribunal for TAT Application 110 of 2025, the company tax consultant, who was not aware of the first TAT Application, objected to the assessments, explaining that they are procurement agents. The Applicant's representatives met with the Respondent, who requested an explanation of the business relationship between the Applicant and GH Family South Sudan, which was provided. The Respondent issued objection decisions disallowing the objections on 10 and 11 October 2025 because the evidence provided was insufficient to address the assessed risks.

12. In the affidavit in reply deponed by Mr. Allan Tayebwa Karatin, Supervisor, Tax Crimes Investigation in the Respondent's Tax Investigations Department, and sworn on 14 July 2026, the Respondent stated as follows:

i. The case was a referral from the Financial Intelligence Authority (FIA), on suspected involvement in tax evasion and/or money laundering. Upon receiving the case, the Respondent investigated the Applicant's declarations and tax affairs for November 2021–June 2024. Registration records showed the Applicant deals in general merchandise, import/export, wholesale, retail, and foodstuff supply, with two Directors: Tewelde Ghebrihiwet Yorusalem and Abraham Tekle Isaac.

ii. The Applicant owns an Equity Bank USD Account under Account number 103620257494 that was opened on October 6, 2022, wherein Tewelde Ghebrihiwet Yorusalem is the sole signatory.

iii. The account for the period 6 October 2022 to 18 March 2025 had total credits of USD 11,747,775 and total debits of USD 10,026,086, with a credit balance of USD 1, 721,688 as at 18 March 2025.

iv. A review of the Applicant's E-tax declarations revealed that the company declared under the presumptive tax regime and the total gross income declared for the periods 2021/2022, 2022/ 2023, and 2023/ 2024 was only Shs. 118,000,000, which was not commensurate with the deposits on the Applicant's account of Shs. 42,879,378,750 for the period reviewed, upon converting the same from USD to UGX.

v. The Respondent's investigation found the Applicant grossly under-declared income, comparing declared sales to bank account credits. In the absence of records establishing actual wholesale/retail costs, 75% of deposits were allowed as cost of sales, with the remainder assessed to tax.

vi. Consequently, a 30% incorporation tax was therefore applied to the profit margin, resulting in principal tax of Shs. 2,184,915,725 for the period November 2021 to June 2024 on the grounds of undeclared income.

vii. On 2 and 3 April 2025, administrative additional assessments and findings of the Respondent's investigation were communicated to the Applicant. The Applicant filed formal objections on 16 July 2025, 3 months and 12 days later. On 10–11 October 2025, the Respondent disallowed the objections due to insufficient evidence to address assessed risks and no proof to substantiate the objection grounds.

viii. The Respondent issued an agency notice to the Applicant's bankers to secure the assessed revenue and recharacterised the Applicant's banking and loan transactions.

13. In the affidavit in rejoinder by Mr. Hermon Ghebremichael, an employee in the Sales Department of the Applicant company, deponed and sworn on 30 July 2026, the Applicant stated as follows:

i. The deposits in question in the Applicant's bank account do not constitute income. The Applicant has related companies on whose behalf it receives money and, on whose behalf, it procures foodstuffs, and the Respondent never accorded the Applicant an opportunity to explain the said bank transactions before treating the deposits as undeclared income. The Applicant was not allowed to explain its business or the transactions before the assessments were raised.

ii. The Respondent's explanation of the assessments was only given after the matter had already been filed before this Tribunal. On 26 March 2025, the Applicant wrote to the Financial Intelligence Authority explaining the transaction, and the Financial Intelligence Authority responded that the matter was being handled by the Respondent.

iii. Before the Applicant could explain the said matter to the Respondent, on 2 April 2025, it issued additional income tax assessments against the Applicant, and on 4 April 2025, issued a Third-Party Agency Notice against the Applicant's bank account and recovered the assessed sum in full within a space of about three (3) days, without affording the Applicant any real opportunity to object to or explain the assessments before recovery.

iv. The communication dated 3 April 2025 referred to therein was never received by the Applicant. The Applicant could not object within the prescribed period because the assessments were immediately followed by agency notices and full recovery of the assessed tax. It maintained that the bank deposits were wrongly treated as income and prayed that the Tribunal set aside the assessments, refund the sums recovered, and grant any other appropriate relief.

V. Submissions of the Applicant

Whether the issuance and enforcement of the agency notices was lawful?

14. The Applicant submitted that TAT Application No. 110 of 2025 was filed because no objection decisions had yet been issued. It challenged the agency notice issued on 4 April 2025, just two days after the assessment, before the 30 April 2025 payment deadline and without allowing the statutory 45-day objection period.

15. The Applicant cited Section 34 of the Tax Procedures Code Act (TPCA), which provides for recovery of tax through owing money to the taxpayer. Section 34(1) of the TPCA provides that agency notices apply where a person is or will become liable to pay tax and the tax is unpaid or the Commissioner has reasonable grounds to believe that the taxpayer will not pay the tax by the due date for payment. The Respondent should not issue it to recover an amount that is not tax owed by the taxpayer.

16. The Applicant argued that Section 26 of the Tax Procedures Code Act grants every taxpayer who is dissatisfied with a tax decision the right to object within forty-five (45) days after receiving notice of that decision. The Applicant submitted that in the case of ***Babibaasa Frank v Commissioner General, Uganda Revenue Authority HCT-00-CC-CS-434 2011,*** the court stated:

> *"It therefore follows that the agency notice, having been issued on the same day as the assessment notice, was issued before the tax payable became due and owing".*

17. In the case of ***Housing Finance Bank Ltd v Commissioner General Uganda Revenue Authority HCCS No. 259 of 2014,*** the Court held:

> *"In the instant case the Defendant issued both the assessment notice and the Agency Notice on the same day in complete disregard of the procedure as provided for in the tax laws. Such an agency notice cannot be allowed to stand."*

18. The Applicant submitted that section 26 of the TPCA gives effect to the right to a fair hearing under Article 44(c) of the Constitution by allowing taxpayers 45 days to gather evidence and challenge assessments. Enforcement before expiry of that period would render the objection process meaningless and violate the Applicant's right to a fair hearing.

19. The Respondent issued the assessments on 2 April 2025 and the agency notices two days later, and collected Shs. 2,130,301,262.10 on 10 April 2025, before the tax was due and before the Applicant's 45-day objection period under section 26 of the TPCA had expired. The Applicant submitted that the tax could not be treated as a final, recoverable debt before the objection process was concluded.

20. The Applicant further contended that it was assessed on 2 April 2025, subjected to agency notices on 4 April 2025 and deprived of over Shs. 2 billion on 10 April 2025. The Respondent's unlawful agency notices were premature and unfair to the taxpayer.

Whether the objection decisions are lawful?

21. The Applicant submitted that issue 2 relates to TAT Application No. 356 of 2025 and concerns the validity of the objection decisions issued by the Respondent on 10 and 11 October 2025 in respect of the very assessments that are the subject of TAT Application No. 110 of 2025. The Applicant submitted that the objection decisions did not create a new tax dispute.

22. Section 1 of the Tax Appeals Tribunal Act defines a taxation decision to mean any assessment, determination, decision or notice. An agency notice is a decision and/or notice that a tax is due and owing to the Respondent and must be collected. An agency notice falls within the ambit of taxation decisions.

23. The Applicant submitted that the October 2025 objection decisions were issued after the Agency Notices had been enforced and the tax fully recovered, making them an attempt to retrospectively justify an already completed enforcement process. By assessing, enforcing, and recovering the tax before determining the objections, the Respondent acted contrary to the TPCA and the Applicant's constitutional right to fair administrative treatment.

24. The objection decisions were issued in regard to assessments that were already subjected to taxation decisions in the form of agency notices and were also already before the Tribunal for determination. The Respondent was 'functus officio' after it issued taxation decisions, and subjecting assessments to objection decisions already before the Tribunal amounts to a violation of due process. The Applicant cited the case of ***MTN Uganda Limited Vs Uganda Revenue Authority Misc. App. No. 05 & 06 of 2026,*** the Tribunal stated that;

> *"The statutory structure ensures both efficient tax administration and procedural fairness to taxpayers. Due process is not a mere procedural matter; it goes to the core of any tax dispute, requiring tax authorities to act fairly, transparently, and within legal bounds, protecting taxpayers from arbitrary, excessive, or unverified assessments."*

25. The Applicant submitted that the Respondents' decisions are unlawful and overtaken by events, the Respondent was functus officio, and their issuance was a violation of due process. The Applicant prayed for the following:

   a) The Application be allowed.
   b) A declaration that the Respondent's issuance and enforcement of the agency notices and objection decisions were unlawful.
   c) Refund of Shs. 2,130,301,262.1 with interest at 2% per month for the period the money was confiscated by the Respondent.
   d) Costs of the Application.

VI. The Submissions of the Respondents

Whether the Applicant is liable to pay the assessed tax of Shs. 2,184,915,725

26. The Respondent submitted that Section 4(1) of the Income Tax Act (ITA) charges income tax on every person with chargeable income for a year of income. Section 10(a) treats a company incorporated in Uganda as a resident company, and section 15 defines chargeable income as gross income for the year less allowable deductions. The Applicant, a company incorporated in Uganda, falls within the charge.

27. The Respondent further stated that Section 4(5) of the ITA confines the presumptive tax regime to a resident taxpayer whose gross turnover from business is below Shs. 150,000,000 for the year of income. It is a status conditioned on actual turnover, not an election a taxpayer may claim by simply filing on that basis. Where true turnover exceeds the threshold, the taxpayer was never, in law, a presumptive taxpayer, whatever it chose to return.

28. The Respondent submitted that the banking evidence, which is not disputed, shows turnover, represented at the very least by aggregate credits of USD 11,747,775 to the Applicant's own account, many multiples of both the Shs. 150,000,000 presumptive threshold and the Shs. 118,000,000 the Applicant declared across three years. The Applicant was never eligible to file as a presumptive taxpayer for the years in question, and its returns on that basis were wrong in law as much as in fact.

29. The Respondent confronted with that disparity and in the absence of any books of account, invoices, contracts, or other primary records capable of explaining the deposits as anything other than trading receipts, the Respondent adopted the only course reasonably open to it. It allowed a generous 75% of the deposits as cost of sales, consistent with the margins ordinarily associated with general wholesale and retail trade, and brought the residual 25% to charge at the

standard corporate rate of 30%, hence the principal liability of Shs. 2,184,915,725.

30. The Respondent argued that the Applicant failed to discharge its burden of proof by providing ledgers, bank reconciliations, supplier invoices, or customer contracts to explain the deposits. It submitted that the 75% cost ratio was reasonable and that the assessment, based on the best information available, could only be displaced by credible evidence, which the Applicant failed to provide.

31. The Applicant instead seeks to avoid liability on a procedural footing that the objection decisions of 10 and 11 October 2025 were void because the Respondent had, by then, already issued and enforced the Third-Party Agency Notice, and was consequently functus officio.

32. The Respondent explained that *functus officio* did not apply. According to Section 34, agency notices were collection measures, not liability adjudications. Determining the objection under Section 26 of the Tax Procedures Code Act ("TPCA") was a separate, subsisting statutory duty unaffected by earlier enforcement. The Respondent remained obliged to decide the objection, and did so.

33. The Respondent submitted that an agency notice is not the final word, it remains amenable to objection, and any sum recovered in excess of the ultimate liability is refundable with interest under section 123 (4) and (5) of the Income Tax Act. A measure that can be revisited, objected to and unwound is not one that renders its author functus officio. The Applicant's own presumptive returns for the years of income 2021/2022, 2022/2023 and 2023/2024 carried self-assessed due dates of 31 December 2022, 2nd January 2024 and 31 December 2024 respectively, by operation of section 120(a) of the ITA. By the time the additional assessments were issued in April 2025, every one of those due dates had long passed without payment of the true liability.

34. The additional assessments did not create a fresh debt with a fresh due date; they quantified a liability that was already due, already unpaid, and for reasons developed under Issue Two below not "tax in dispute at the material time. The Applicant is liable to pay the assessed income tax of Shs. 2,184,915,725.

<u>Whether the issuance of the Third-Party Agency Notice was lawful</u>

35. The Respondent submitted that Section 34 of the TPCA empowers the Commissioner General, where a person is or will become liable to pay tax, to require by notice in writing any person who owes or holds money for or on account of that taxpayer to pay it over, up to a specified amount.

36. Subsection (1) sets out two independent triggers; (a) the tax is unpaid; or (b) the Commissioner General has reasonable grounds to believe that the taxpayer will not pay the tax by the due date for payment. Limb (b) is deliberately forward-looking.

37. The Respondent submitted that section 34(2)(b) permits an agency notice to be issued before the tax is due, where the Commissioner reasonably believes the tax will not be paid by the due date. Under section 34(3), the garnishee only pays when the money owed to the taxpayer becomes due.

38. The Respondent maintained that Parliament plainly did not intend the Commissioner General to sit on his hands until a default has already occurred where the surrounding facts already show one is coming. It is not in dispute that the agency notice was issued on 4 April 2025, two days after the assessments of 2 and 3 April 2025. The Applicant treats that timing as fatal.

39. The Respondent argued that **section 34(1)(b)** does not require the Commissioner General to wait until the tax is due, but only to have reasonable grounds to believe that the Applicant would not pay by the due date. The

Respondent submitted that such grounds existed in this case. The Respondent submitted that this matter arose from a referral from the Financial Intelligence Authority ("FIA") on suspected tax evasion and money laundering, itself a serious signal calling for urgency rather than the ordinary, unhurried timetable.

40. The investigation revealed a taxpayer that had, for three consecutive years, declared gross income of only Shs. 118,000,000 against actual bank turnover of Shs. 42,879,378,750. That turnover sat in a single USD account, opened barely eighteen months earlier, under the sole signatory control of one director, readily transferable out of the banking system or out of the jurisdiction on a single instruction.

41. The Respondent submitted that when asked to produce records capable of explaining any of this, the Applicant produced none. A taxpayer referred for suspected money laundering, who concealed substantial turnover, held funds in a foreign-currency account controllable by one person, and produced no records, was exactly the kind Section 34(1)(b) was designed to reach before assets vanished. Waiting for the due date would not have been prudent; it would have invited dissipation.

42. The Respondent submitted that the tax in question also fell due on the Applicant's own self-assessed returns on 31 December 2022, 2nd January 2024 and 31st December 2024, all well before the agency notice so that the notice is independently sustainable under limb (a) as recovery of tax already unpaid. The Respondent need succeed on only one of these two limbs; it has, in truth, satisfied both.

43. The Respondent submitted that no objection had been lodged against the assessments when the notice was issued on 4 April 2025; the Applicant did not object until 16 July 2025, three months and twelve days later, and well outside the 45 days allowed by section 26(1) of the TPCA. Nor does anything on the parties' records show a statutory objection lodged against the agency notice

itself: a letter in the prescribed form, nor accompanied by supporting evidence, and it does not convert an undisputed tax into "tax in dispute". It was further not contested that the notice was served on both Equity Bank (U) Limited as garnishee, and on the Applicant, as section 34(8) requires.

44. The Respondent submitted that Article 44(c) of the Constitution did not assist the Applicant. It protected against derogation from fair-hearing rights under Articles 28 and 42, but did not create those rights itself. The Applicant had a fair opportunity to be heard; it filed an objection, albeit late, which the Respondent considered on its merits and decided with reasons. Due process was not denied; the Applicant simply delayed in using it.

45. The Respondent maintained that the Third-Party Agency Notice issued on 4 April 2025 was lawful under section 34(1)(b) of the TPCA and, independently, under section 34(1)(a). The Respondent prayed that it be permitted to retain the sum of Shs. 2,184,915,725 recovered pursuant to the agency notice, as that sum was properly due and owing. It further prayed for costs of this application.

VII. The Applicant's Submissions in Rejoinder

46. The Applicant reiterated its earlier submissions and further submitted that it discharged its burden and demonstrated that the Respondent's assessments, agency notices and objection decisions raised based on bank credits were erroneous and contrary to law. The evidential burden shifted to the Respondent to prove that the Applicant was liable for the tax assessed and that the agency notices were lawfully issued.

47. The Applicant submitted that the Respondent did not engage it or request supporting records before issuing the assessments. It argued that this violated Article 42 of the Constitution and the principles of natural justice, as affirmed in ***Steel & Tube Industries Ltd v Uganda Revenue Authority, TAT Application No. 99 of 2025,*** which requires sufficient inquiry and verification before issuing

or confirming an assessment. The Applicant argued that it exhibited correspondence and minutes evidencing its engagement with the Respondent and the Financial Intelligence Authority.

48. The Applicant cited ***Shahil Investments Limited v Uganda Revenue Authority, TAT Application No. 82 of 2024***, where the Tribunal held that an estimated assessment must be rational, evidentially supported and procedurally fair, grounded in objectively relevant material, and that discarding taxpayer records while still attributing all related bank deposits to undeclared sales is not a proper exercise of best judgment but a presumption of non-compliance imposed on the figures after the fact.

49. The Applicant submitted that the Respondent's assessment, resting solely on aggregate bank credits without audit, adjustment or engagement, is exactly the kind of assumption-based taxation these authorities condemn, and ought to be set aside.

VIII. The Determination

50. When TAT Application No. 356 of 2025 came up for mention on 21 May 2026, the Tribunal directed that TAT Applications Nos. 110 and 356 of 2025 be consolidated. The applications arise from the same investigation, assessments, and recovery action. Application No. 110 of 2025 challenged the assessments and agency notices before the objection decisions had been made. Application No. 356 of 2025 challenged the subsequent objection decisions. The applications were therefore consolidated so that the dispute could be determined as a whole.

51. The Tribunal has considered the consolidated applications, the affidavits and documentary evidence, the parties' written submissions, and the applicable law. Although the parties framed the dispute in several ways, the parties agreed on the following issues for determination:

(i) Whether the additional income tax assessments issued against the Applicant on 2 and 3 April 2025 were lawful.

(ii) Whether the Third-Party Agency Notices issued on 4 April 2025 and enforced on 10 April 2025 were lawful.

(iii) Whether the objection decisions dated 10 and 11 October 2025 were lawful.

(iv) Whether the additional income tax assessments were lawful

Whether the additional income tax assessments were lawful

52. The Respondent's investigation arose from a referral by the Financial Intelligence Authority concerning suspected tax evasion and money laundering. The information subsequently obtained from Equity Bank (U) Limited showed that between 6 October 2022 and 18 March 2025, credits amounting to approximately USD 11,747,775 passed through the Applicant's United States Dollar account. When converted into Uganda Shillings, the Respondent placed the credits at approximately Shs. 42,879,378,750. Over the relevant years of income, however, the Applicant had declared aggregate gross income of only Shs. 118,000,000 under the presumptive tax regime.

53. That disparity was striking. It gave the Respondent justifiable grounds to investigate the Applicant's tax affairs, question the accuracy of its returns, and determine whether it was eligible to remain under the presumptive tax regime. The Tribunal therefore does not accept the Applicant's suggestion that the investigation was undertaken without any proper basis. The issue is not whether the Respondent could investigate. It plainly could. The issue is whether the investigation established the income upon which the additional assessments were made and whether those assessments were arrived at in accordance with the Income Tax Act and the Tax Procedures Code Act.

54. Section 4(1) of the Income Tax Act imposes income tax upon the chargeable income of a person for a year of income. Under section 15, chargeable income is the person's gross income for the year less the deductions allowed by the Act. Section 17 identifies gross income as the total business, employment and property income derived by the person during the year, other than exempt income. Section 18 defines business income as income derived by a person in carrying on a business and includes the amounts specified in that section. These provisions tax income derived by the taxpayer. They do not impose income tax merely because money has passed through a taxpayer's bank account.

55. A bank credit may, depending on its source and purpose, be a trading receipt. It may also represent a loan, a capital contribution, a transfer between accounts, a reimbursement or money received on behalf of another person. The distinction is particularly important where the account holder says that it acts as an agent or procurement intermediary. Money received for the purchase of goods on behalf of a principal does not become the agent's income merely because it was deposited into the agent's account. Ordinarily, the agent's income is the commission, fee, markup, or other reward earned from the transaction. The gross procurement funds remain relevant to the investigation, but their character must be established before they are brought to tax.

56. The Applicant's explanation was that it was connected to GH Family in South Sudan and that it procured commodities from Uganda and other countries for companies carrying on business there. It stated that funds were transmitted to its Uganda account to enable it to purchase and export wheat flour and other foodstuffs for the South Sudan businesses. It relied, as one example, upon the payment of USD 1,000,000 made by Lukak Stores Limited on 12 March 2025 for the procurement of premium-quality wheat flour. According to the Applicant, the large volume of funds passing through its account reflected the value of the commodities being procured and not income belonging to it.

57. That explanation is important. A Ugandan company engaged to procure goods for businesses in South Sudan may receive amounts considerably greater than the fee or profit it earns. If the explanation was correct, the proper inquiry was not simply how much money passed through the account, but whose money it was, the purpose for which it was received, how it was applied and what amount, if any, the Applicant retained as its commission, markup or trading profit. The South Sudan connection was therefore central to the investigation and could not properly be dealt with as a peripheral assertion.

58. The explanation nevertheless required proof. Section 15 of the Tax Procedures Code Act requires a taxpayer to maintain records which enable its tax liability to be readily ascertained. A company receiving millions of dollars on behalf of related or other businesses would ordinarily be expected to maintain procurement agreements, customer instructions, supplier invoices, export records, bank reconciliations, intercompany accounts and records of the commission or markup earned on each transaction. The record does not include the Applicant's complete reconciliation linking all material credits to identified South Sudan principals, procurement instructions, suppliers, and onward payments. It did not prove that every credit was received as agent or that none of the credits represented its own sales.

59. A taxpayer's failure to produce complete records is serious. It justifies the Respondent drawing appropriate inferences and, where the available information does not permit an exact computation, in making a reasonable estimate. In the present case, however, the absence of sufficient information did not automatically turn every unexplained credit into the Applicant's business income. Nor did it relieve the Respondent of its duty to determine the correct amount of tax payable under section 25 of the Tax Procedures Code Act.

60. Section 25 authorises the Commissioner General to make an additional assessment so that a taxpayer is assessed for the correct amount of tax payable

for the relevant period. The statutory purpose is the ascertainment of the correct liability. An additional assessment may be based upon information obtained during an investigation and may involve estimation where the taxpayer's records are incomplete. What it should not do is substitute an unsupported assumption for the inquiry required by the taxing statute.

61. In ***Tembo Steels (U) Ltd v Uganda Revenue Authority, Civil Appeal No. 77 of 2011 [2020] UGCA 155,*** the Court of Appeal recognised that estimation may be necessary where the taxpayer has failed to provide adequate records. The fact that an assessment involves estimation does not, without more, invalidate it. The estimate must nevertheless be connected to the information available and to the tax which the law imposes. The Commissioner's latitude in making an estimate does not extend to selecting a figure which cannot be explained by reference to the evidence.

62. The Respondent treated the identified bank credits as the Applicant's trading receipts, allowed 75 per cent as cost of sales, treated the remaining 25 per cent as profit and applied the corporation tax rate of 30 per cent. That computation produced the additional income tax assessment of Shs. 2,184,915,725. The evidence does not disclose how the Respondent arrived at the 75 per cent cost allowance or the corresponding 25 per cent profit margin. No historical margins of the Applicant were examined. No comparable businesses or industry data were produced. No sample transactions were reconstructed. No distinction was made between wholesale sales, retail sales and procurement transactions undertaken for the South Sudan businesses.

63. The assertion that the 75 per cent allowance was generous does not answer the question. Depending on the nature of the transactions, a 25 per cent profit margin may be reasonable, excessive or wholly inapplicable. Where the amounts involved run into tens of billions of shillings, the difference between margins of 10, 15, 20 and 25 per cent is substantial. The percentage selected

had to be supported by some material capable of showing that it reasonably reflected this Applicant's business. None was placed before the Tribunal.

64. There was a more fundamental problem with the computation. By applying a cost allowance to all the bank credits, the Respondent proceeded on the footing that every credit was first a trading receipt belonging to the Applicant. Yet the Applicant's case was that substantial sums had been received for procurement on behalf of the South Sudan companies. A cost-to-sales ratio may assist in estimating profit after the taxpayer's trading receipts have been identified. It does not determine whether the gross receipt belonged to the taxpayer in the first place. The Respondent was required, as far as the evidence permitted, to separate the Applicant's own receipts from money received for principals before estimating the profit derived by the Applicant.

65. The Tribunal is mindful that the burden of proof rests upon the Applicant. Section 19 of the Tax Appeals Tribunals Act requires an applicant challenging an assessment to prove that the assessment is excessive. The standard is a balance of probabilities. In ***Steel Corporation of East Africa Ltd v Uganda Revenue Authority, HCT-00-CC-CA-0 of 2010 [2012] UGCommC 163,*** the High Court observed that although the statutory burden rests upon the taxpayer, the evidential burden may shift according to the evidence and the matter which a party is particularly placed to establish.

66. The Applicant discharged the burden in a narrower but sufficient respect. It showed that the assessment treated all the bank credits as trading receipts and then applied a profit margin which had no demonstrated factual foundation. It also gave a specific explanation of its procurement role and its dealings with businesses in South Sudan which the Respondent's method did not adequately investigate or account for. The result was an assessment which could not be traced to a reasoned determination of the Applicant's chargeable income.

67. This finding should not be misunderstood. The Tribunal does not find that the Applicant had no undeclared income. It does not find that the whole of the USD 11,747,775 was received on behalf of South Sudan principals. Neither does it endorse the Applicant's declared gross income of Shs. 118,000,000. The finding is that the particular assessment of Shs. 2,184,915,725 was not shown to represent the Applicant's correct tax liability and was proved to be excessive.

68. The Applicant also complained that it was not given a proper opportunity to explain its business before the assessments were issued. Article 42 of the Constitution entitles a person appearing before an administrative official or body to be treated justly and fairly. The Tax Procedures Code Act does not prescribe a formal oral hearing before every additional assessment. The absence of a meeting would not, standing alone, invalidate an assessment. In a case of this nature, however, fair and rational administration required the Respondent to inquire into the source and purpose of the credits, give the Applicant a reasonable opportunity to provide the relevant records and consider the explanation given before arriving at a liability of this magnitude.

69. The sequence of events is relevant. The FIA informed the Applicant on 1 April 2025 that the matter was being handled by the Respondent. The assessments followed on 2 and 3 April 2025. The agency notices were issued on 4 April 2025 and the assessed amount was recovered on 10 April 2025. On the evidence before the Tribunal, that sequence did not allow a meaningful investigation of the Applicant's procurement arrangements, its connection with the South Sudan businesses and the character of the individual credits before the assessment was made and recovered.

70. There is also the question of the payment date stated in the assessment notices. Section 25(6) of the Tax Procedures Code Act requires a notice of additional assessment to specify the amount assessed, penal tax and interest, if any, the tax period, the due date for payment and the manner of objecting. The due date specified must be not less than forty-five days from the notice. The material

before the Tribunal shows that assessments issued on 2 and 3 April 2025 specified 30 April 2025 as the payment deadline. That was less than the statutory minimum period. To that extent, the notices did not comply with section 25(6).

71. For these reasons, the first issue is answered in the negative. The additional income tax assessments of Shs. 2,184,915,725 issued on 2 and 3 April 2025 were not lawful and cannot be sustained.

Whether the Third-Party Agency Notices were lawful

72. Section 34 of the Tax Procedures Code Act empowers the Commissioner General to recover tax through a person who owes or holds money for a taxpayer. The section applies where a person is or will become liable to pay tax and either the tax is unpaid, or the Commissioner General has reasonable grounds to believe that the taxpayer will not pay the tax by the due date.

73. The Applicant argued that an agency notice can never be issued until the forty-five-day objection period has expired. The language of section 34 does not support such an absolute proposition. Section 34(1)(b) is anticipatory. It permits the Commissioner General to act before the due date where there are reasonable grounds for believing that the taxpayer will not pay by that date. The Tribunal cannot read out of the Act a power which Parliament expressly conferred.

74. The power is nevertheless exceptional in its effect, and its statutory conditions must be observed. The Commissioner General must have reasonable grounds, founded on objective facts, to believe that the taxpayer will not pay by the due date. It is not enough that an assessment has been issued or that the amount assessed is large. Nor is suspicion of under-declaration necessarily proof of probable non-payment. The statutory question concerns the likelihood of payment by the due date.

75. The Respondent relied upon the FIA referral, the disparity between the Applicant's declarations and banking activity, the absence of adequate supporting records and the fact that the funds were held in a foreign-currency account from which they could readily be transferred. Those circumstances justified concern and called for prompt action. They were not, without more, proof that the Applicant would fail to pay the whole of the assessment by the due date.

76. No contemporaneous risk assessment was produced. There was no evidence of a previous failure by the Applicant to honour an established tax liability, an attempt to dissipate assets after service of the assessment, refusal to provide security, impending liquidation or departure from Uganda, or any other conduct showing that the whole assessed amount would not be paid. The Respondent's evidence concentrated upon the suspected under-declaration. It did not sufficiently address the separate statutory question of probable non-payment.

77. Section 34 also limits the amount recoverable through an agency notice. The amount specified may not exceed the unpaid tax or the amount which the Commissioner reasonably believes will not be paid by the due date. The Respondent recovered the entire assessment. It was therefore necessary to show why the Commissioner reasonably believed that none of the Shs. 2,184,915,725 would be paid. That basis was not established.

78. The Tribunal acknowledge that the foreign-currency account and the Applicant's links to South Sudan presented a possible risk that funds might be transferred beyond the Respondent's immediate reach. The law did not require the Respondent to ignore that risk. The Tax Procedures Code Act allowed the Commissioner General, in an appropriate case, to require security by bond, deposit or another satisfactory means where there was reason to believe that the taxpayer might not pay tax when it became payable. The decision to proceed from a newly issued and inadequately investigated assessment to full recovery within eight days required justification.

79. The Applicant's South Sudan links therefore had a dual significance. They required investigation because they might explain why large procurement funds passed through the account. At the same time, they could reasonably cause the Respondent to consider measures to protect the revenue. The existence of the latter concern did not dispense with the former inquiry. A risk of movement of funds could justify proportionate preservation action; however, it did not establish that all the funds were the Applicant's income or validate immediate collection of an unsupported assessment.

80. The Respondent's published Taxpayers' Rights recognise the rights to fair treatment, clear explanations and a fair opportunity to challenge a tax decision. The Respondent has also publicly stated that enforcement is ordinarily a last resort, following assessment, engagement, reminders and consideration of payment arrangements. Those publications do not override section 34. They are, however, consistent with the requirement that enforcement powers be exercised rationally, fairly and no more extensively than the circumstances reasonably require.

81. The agency notices were issued before the lawful payment period had expired, the whole assessment was recovered before the Applicant had a practical opportunity to object, and the Respondent did not establish the reasonable grounds upon which it believed that the whole assessed amount would not be paid. The agency notices therefore did not satisfy section 34(1)(b).

82. There is an independent reason why the notices cannot stand. An agency notice is a method of collection. It does not create the liability which it seeks to recover. Once the underlying assessments are set aside, the notices cannot provide a lawful basis for retaining money recovered under those assessments.

83. We therefore find that the Third-Party Agency Notices issued on 4 April 2025 and their enforcement on 10 April 2025 were unlawful.

Whether the objection decisions were lawful

84. The Applicant submitted that after issuing and enforcing the agency notices, the Commissioner General became functus officio and could not determine the subsequent objections. That submission cannot be accepted. An agency notice is a recovery measure under section 34. Determination of an objection is a separate statutory function under section 26. The fact that money has been collected does not amount to a decision upon the taxpayer's objection and does not exhaust the Commissioner General's power to determine a properly lodged objection.

85. The Applicant lodged its objections on 16 July 2025, more than forty-five days after the assessments were communicated on 2 and 3 April 2025. Section 26(4) permits a person to apply in writing for an extension of time, which the Commissioner General may grant upon being satisfied with the grounds advanced. The record does not disclose a separate decision expressly granting an extension. The Respondent nevertheless accepted the objections, considered the documents and grounds presented, and issued substantive objection decisions on 10 and 11 October 2025. It did not reject the objections as incompetent or out of time.

86. The objection decisions were made within ninety days of 16 July 2025. They were therefore not issued outside the period prescribed by section 26(6). Nor were they invalid because the Commissioner General was functus officio. The difficulty is that they affirmed assessments which, for the reasons already given, were not lawful and could not be sustained. An objection decision cannot cure the absence of an evidential foundation for the assessment it confirms.

87. The objection decisions dated 10 and 11 October 2025 are set aside to the extent that they affirmed or gave effect to the additional assessments of 2 and 3 April 2025.

Refund and the Respondent's continuing statutory powers

88. The Respondent recovered money pursuant to the agency notices founded upon the assessments now set aside. There is no remaining assessment or recovery notice under which that money may lawfully be retained. The Applicant is therefore entitled to a refund.

89. The record refers to Shs. 2,184,915,725 as the amount assessed and recovered, while the Applicant's final prayer refers to Shs. 2,130,301,262.10. The precise amount actually received and retained by the Respondent should be established from the Equity Bank debit, the Applicant's tax account and any subsequent credit, offset or repayment. The Respondent shall refund the amount proved to have been recovered and retained under the impugned notices.

90. Section 28(2) of the Tax Appeals Tribunals Act provides that where a decision maker is required to refund tax as a result of the decision of a reviewing body, the amount shall be repaid with interest at the rate specified in the relevant law for the period beginning on the date of payment and ending on the last day of the month in which the refund is made. Interest shall therefore be calculated in accordance with that provision and the applicable provision of the relevant tax law. The Tribunal declines to prescribe a rate of two per cent per month without identifying a statutory provision applying that rate to this refund.

91. The refund ordered by the Tribunal is not conditional upon a further audit or reassessment. The Respondent may not retain the money recovered under the decisions which have been set aside while it undertakes another investigation. Such a course would deprive the refund order of its effect.

92. Equally, this decision does not declare that the Applicant earned no taxable income, nor does it grant the Applicant immunity from the ordinary operation of the tax laws. Subject to the statutory time limits and all other requirements of the

Income Tax Act and the Tax Procedures Code Act, the Respondent remains entitled to exercise its lawful audit and assessment powers. If it elects to undertake a further audit, it must begin with a proper examination of the Applicant's transactions and its relationships with the South Sudan businesses. Any future assessment must be a new and independent tax decision, based upon the evidence obtained and reached through a lawful and rational method. It cannot operate retrospectively to validate the assessments or agency notices set aside in these proceedings, and it does not suspend or qualify the obligation to make the refund ordered by the Tribunal.

General damages and costs

93. The Applicant prayed for general damages. The Applicant did not establish a separate statutory and evidential basis upon which general damages should be awarded in these proceedings. That prayer is declined.

94. The Applicant has succeeded in having the assessments, agency notices and consequential objection decisions set aside. Its own failure to produce complete records contributed materially to the dispute, but it does not alter the result on the lawfulness of the decisions challenged. In the circumstances, the Applicant is awarded the costs of the consolidated applications.

Conclusion

95. The Respondent had every reason to investigate the Applicant. A company which declared gross income of Shs. 118,000,000 but received credits equivalent to approximately Shs. 42.879 billion was required to give a full and documented explanation. The Applicant did not do so. Its record-keeping and reconciliation of the transactions fell short of what the law required.

96. That failure did not permit the Respondent to tax all the bank credits as the Applicant's trading receipts and apply an unexplained 25 per cent profit margin. The Income Tax Act taxes income derived by the taxpayer. The Applicant's

evidence that it received substantial funds to procure commodities for businesses in South Sudan raised a material question as to the ownership and character of the deposits. The assessment did not adequately answer that question.

97. The parties' obligations are complementary. The taxpayer must keep records, make accurate declarations and substantiate its explanations. The Commissioner General must determine the correct liability through a lawful and reasoned assessment. The failure of one party does not dispense with the statutory obligation of the other.

98. The additional assessments were not supported by a sufficient inquiry or rational method of computation. The immediate recovery of the whole amount was not shown to satisfy the conditions of section 34. The objection decisions could not cure those defects. The consolidated applications therefore succeed to that extent.

99. Accordingly, the Tribunal makes the following orders:

(i) The additional income tax assessments of Shs. 2,184,915,725 issued on 2 and 3 April 2025 and the objection decisions are set aside.

(ii) The Third-Party Agency Notices issued on 4 April 2025 and the recovery effected under the notice served upon Equity Bank (U) Limited on 10 April 2025 are set aside.

(iii) The Respondent shall refund the amount recovered and retained pursuant to the impugned agency notices, together with interest calculated in accordance with section 28(2) of the Tax Appeals Tribunals Act and the applicable provision of the relevant tax law.

(iv) The refund ordered in paragraph (d) shall not be withheld, suspended or made conditional upon any further audit, investigation or assessment.

(v) Nothing in this ruling prevents the Respondent, subject to the applicable statutory time limits and procedural requirements, from conducting a lawful audit of the Applicant and issuing a new assessment founded upon the evidence obtained and a proper determination of the Applicant's chargeable income.

(vi) The prayer for general damages is declined.

(vii) The Applicant is awarded the costs of consolidated applications.

It is so ordered.

Dated at Kampala this **7th** day of **September** 2026.

HON. CRYSTAL KABAJWARA
CHAIRPERSON

HON. PROSCOVIA REBECCA NAMBI
MEMBER

HON. STELLA NYAPENDI CHOMBO
MEMBER