TAX APPEALS TRIBUNAL
Justice in Taxation

THE REPUBLIC OF UGANDA

IN THE TAX APPEALS TRIBUNAL AT KAMPALA

TAT APPLICATION NO. 90 OF 2025

MICRO-HAEM SCIENTIFICS & MEDICAL SUPPLIES LIMITED.....APPLICANT

VERSUS

UGANDA REVENUE AUTHORITY.....RESPONDENT

BEFORE: HON. CRYSTAL KABAJWARA, HON. STELLA NYAPENDI CHOMBO, HON. ROSEMARY NAJJEMBA

RULING

I. Introduction

1. The Applicant challenges the Respondent's income tax assessment of Shs. 706,657,213, arising from disallowed interest expenses pursuant to Section 25(3) of the Income Tax, which limits deductible interest to 30% of EBITDA for Taxpayers in a group.

II. Background Facts

2. The Applicant is a private limited liability company engaged in the manufacture of medical products and diagnostic kits within the Great Lakes Region. To establish and operate its manufacturing plant, the Applicant obtained financing from independent third-party lenders, including SFC Finance Limited, Stichting Medical Credit Fund, and Standard Chartered Bank Uganda.

3. In 2023, the Respondent, through its International Taxation and Transfer Pricing Unit, reviewed the Applicant's Income Tax Returns for the period 2021–2022 to assess compliance with Section 25(3) of the Income Tax Act, which limits deductible interest to 30% of EBITDA for taxpayers belonging to a group.

4. Following the review, the Respondent disallowed interest expenses amounting to Shs. 2,355,524,043 and consequently raised an additional income tax assessment of Shs. 706,657,213.

5. The Respondent based the assessment on the finding that the Applicant was a member of a "group" due to alleged common shareholding with the following entities:

    i. Premier International Medical Education and Care (PIMEC) Limited;
    ii. Caroga Microhaem Limited;
    iii. Microhaem Scientifics Rwanda Limited; and
    iv. Crestline Farms Limited.

6. The Applicant objected to the assessment, contending that it does not share the requisite economic or corporate relationship with the said entities, which allegedly have different ownership structures, were incorporated at different times, and are largely dormant or inactive.

7. The Applicant further argued that Section 25(3) was intended to apply to intra-group financing and not loans obtained from independent third-party lenders. It also maintained that it had previously been granted an income tax exemption as a medical manufacturer, rendering the impugned assessment unlawful.

8. Being dissatisfied with the assessment, the Applicant filed the present Application before this Tribunal seeking the setting aside of the additional assessment raised by the Respondent.

III. Issues for determination

9. The issue for determination is whether the Applicant is liable to pay Income Tax to the tune of Shs. 706,657,213 as assessed by the Respondent?

IV. Representation and Evidence

10. The Applicant was represented by Mr. Edwin Echiba and Mr. Noah Opindeni of BDO East Africa Advisory Services while the Respondent was represented by Mr. Barnabas Nuwaha and Ms. Doreen Amutuhaire of the Legal Services and Board Affairs Department.

11. In his affidavit in support of the Application sworn on 8 October 2025, Dr. Cedric Akwesigye, a Shareholder and Director of the Applicant, deponed that the Applicant is the first indigenous manufacturer of medical products and diagnostic kits in the Great Lakes Region and one of the leading medical supply companies in Uganda. He stated that the Applicant specializes in the manufacture of IVD test kits, including point-of-care and molecular diagnostic tests, which are instrumental in combating HIV, malaria, sickle cell disease, and other high-burden diseases in Africa.

12. Dr. Akwesigye further deponed that the Respondent reviewed the Applicant's Income Tax Returns for the period 2021–2022 with specific focus on compliance with Section 25(3) of the Income Tax Act, which limited deductible interest expenses to thirty percent of EBITDA for taxpayers belonging to a group. Following the review, the Respondent disallowed interest expenses amounting to Shs. 2,355,524,043 and consequently raised an additional assessment of Shs. 706,657,213 against the Applicant.

13. He further stated that the Applicant was incorporated on 18 May 2022 as a fully locally owned company with no foreign ownership. At incorporation, the Applicant had 1,000 ordinary shares, of which Dr. Cedric Akwesigye held 850 shares while Dr. James Bruce Kirenga held 150 shares. The directors at incorporation were Dr. James Bruce Kirenga, Dr. Cedric Akwesigye, and Nahabwe Dianah Akwesigye.

14. In response to the Respondent's allegation that the Applicant belonged to a group by virtue of common shareholding in Premier International Medical Education and Care (PIMEC) Limited, Caroga Microhaem Limited, Microhaem Scientifics Rwanda Limited, and Crestline Farms Limited, Dr. Akwesigye deponed that the said companies had different shareholders and directors from those of the Applicant and conducted materially different businesses unrelated to the Applicant's operations. He further stated that although some of the Applicant's shareholders held shares in the said entities, the companies had been incorporated long before the Applicant, some as early as 2016, and were wholly inactive and non-operational because the opportunities for which they had been established never materialized. He added that the Applicant had never transacted with, partnered with, cooperated with, or received any benefit or assistance from the said companies.

15. Dr. Akwesigye further deponed that the rationale behind the introduction of Section 25 through the 2018 amendment to the Income Tax Act was to address Base Erosion and Profit Shifting (BEPS) practices by multinational enterprises using intra-group loans to generate excessive interest deductions. According to him, the Applicant did not fall within the intended scope of the provision because its loans were obtained from independent third-party financial institutions and not from related entities.

16. He stated that the Applicant obtained financing from SFC Finance Limited of Mauritius, Stichting Medical Credit Fund of the Netherlands, and local banks, including Standard Chartered Bank Uganda, from which it acquired facilities amounting to Shs. 3,500,000,000 and USD 6,392,948. He further stated that all the funding was utilized exclusively for the construction and operation of the Applicant's manufacturing plant.

17. Lastly, Dr. Akwesigye deponed that the Applicant had been granted an income tax exemption as a manufacturer of medical supplies in Uganda and that the Respondent's issuance of the additional assessment was unlawful. He further averred that the application of Section 25 to the Applicant would

deter investment in the health sector, contrary to the development objectives under Uganda Vision 2040.

18. In his affidavit in support of the Application, John Jet Tusabe, a tax consultant, deponed that Section 25(3) of the Income Tax Act limits deductible interest expenses to thirty percent of EBITDA and applies only to taxpayers belonging to a group. He stated that the provision was introduced through the 2018 amendment to the Act to address global Base Erosion and Profit Shifting (BEPS) practices by multinational enterprises using intra-group financing arrangements to generate excessive interest deductions and shift profits from high-tax jurisdictions.

19. Tusabe further deponed that the amendment was informed by the OECD Action 4 recommendations under the BEPS Action Plan, which advocated for a fixed ratio rule to align interest deductions with actual economic activity. He stated that prior to 2018, Uganda relied on thin capitalization rules based on a debt-to-equity ratio of 1.5:1, which proved ineffective in addressing excessive interest deductions and profit repatriation. He further noted that the Respondent's International Tax Unit had previously acknowledged in judicial proceedings that Section 25 was derived from international tax principles aimed at curbing tax base erosion by multinational enterprises.

20. According to Tusabe, the purpose and spirit of Section 25 was to regulate multinational groups engaged in profit shifting through intra-group loans and not local investors borrowing from independent third-party lenders. He contended that it would be unreasonable to apply the provision to local investors merely because they held shares in inactive or dormant local companies, as such an interpretation could discourage entrepreneurs from incorporating companies in anticipation of future business opportunities.

21. Tusabe further deponed that the Respondent's application of Section 25 would deter investment in the health sector, a key priority under Uganda Vision 2040, by discouraging businesses from obtaining external financing

and limiting access to credit for investment in strategic sectors of the economy.

22. In her affidavit in reply sworn on 13 April 2026, Ms. Acio Filly Okori, an officer in the Domestic Taxes Department of the Respondent, deponed that the Respondent examined the Applicant's Income Tax Returns for the year 2021/2022 and established that the Applicant had claimed interest expenses amounting to Shs. 3,693,960,069. She stated that the claimed interest deduction exceeded the thirty percent EBITDA threshold prescribed under Section 25(3) of the Income Tax Act for taxpayers belonging to a group, thereby resulting in overstated interest expenses and an additional income tax assessment of Shs. 706,657,213 against the Applicant.

23. Ms. Okori further deponed that the Applicant objected to the assessment on grounds that it was a standalone company owned by individual shareholders and did not share common ownership with any other entity. However, upon review of the objection, the Respondent established that the Applicant, together with Caroga Microhaem Limited, Crestline Farms Limited, Premier International Medical Education and Care (PIMEC) Limited, and Micro Haem Scientifics Rwanda Limited, formed a group of related entities with common underlying ownership within the meaning of Section 25(5) of the Income Tax Act. She further stated that the interest expenses claimed by the Applicant related to loans obtained from SFC Finance Limited and Stichting Medical Credit Fund amounting to Shs. 3,896,573,525.

24. In support of the Respondent's position, Ms. Okori deponed that Mr. Akwesigye Cedric was a shareholder and director in all four companies, namely the Applicant, Premier International Medical Education and Care (PIMEC) Limited, Caroga Micro Haem Limited, and Crestline Farms Limited. She further stated that Dr. James Bruce Kirenya held shares in both the Applicant and Premier International, while Mrs. Akwesigye Dianah, whom she identified as being the same person as Nahabwe Dianah Akwesigye based on the signatures on the documents availed, was a shareholder in both the Applicant and Crestline Farms Limited.

25. She further deponed that Dr. James Bruce Kirenya held 55 shares in Premier International Medical Education and Care (PIMEC) Limited, while Mr. Akwesigye Cedric held 20 shares therein. She also stated that Mr. Akwesigye Cedric held 40 shares as a director in Caroga Micro Haem Limited together with Komujuni Monica, who held 10 shares, and further held 80 shares as a director in Crestline Farms Limited.

26. Ms. Okori further stated that the loan agreement between SFC Finance Limited and the Applicant was executed by Mr. Akwesigye Cedric together with Komujuni Monica, a shareholder in Caroga Micro Haem Limited, in their capacities as directors. According to her, this constituted clear proof of common underlying ownership and management among the entities relied upon by the Respondent.

27. In response to the Applicant's contention that the said entities were dormant or inactive, Ms. Okori deponed that the business objectives of the companies demonstrated that they carried on similar or related activities. She further stated that Caroga Micro Haem Limited acted as a signatory and guarantor to the Applicant's loan agreement with SFC Finance Limited, which demonstrated that the company was active and operational. She also maintained that the dates on which the entities were incorporated were irrelevant for purposes of determining whether the Applicant belonged to a group under Section 25(5) of the Income Tax Act.

28. Ms. Okori further deponed that the purpose of Section 25(3) of the Income Tax Act was to cap interest deductions claimed by members of a group and that the Applicant fell squarely within that category. She contended that the Applicant did not possess any valid or subsisting tax exemption and had failed to provide strict proof of any exemption certificate.

29. Lastly, she deponed that OECD guidelines and BEPS principles could not override the express provisions of the Income Tax Act. She maintained that the loans obtained by the Applicant were guaranteed by one of the entities within the group, namely Caroga Micro Haem Limited, as evidenced by the

execution of the loan agreement by its director alongside the Applicant. She accordingly prayed that the Application be dismissed with costs.

Applicant's Submissions

30. The Applicant submitted that it is not liable to pay the Respondent's additional income tax assessment of Shs. 706,657,213 and advanced several grounds in support of its position.

31. The Applicant first challenged the applicability of Section 25(3) and (5) of the Income Tax Act, contending that it does not fall within the statutory definition of a "group," which is defined to mean persons other than individuals sharing common underlying ownership. While acknowledging that some shareholders appeared across the entities relied upon by the Respondent, the Applicant maintained that the entities had materially different ownership and management structures.

32. It was submitted that the Applicant was owned by Akwesigye Cedric and Kirenga Bruce James; Caroga Micro Haem Limited by Peter Muchira, Akwesigye Cedric, and Komujuni Monica; Crestline Farms Limited by Akwesigye Cedric and Akwesigye Dianah; and Premier International Medical Education and Care (PIMEC) Limited by Akwesigye Cedric, Kirenga Bruce James, and Kirenga Betty Kiwumulo.

33. According to the Applicant, the presence of one common shareholder did not automatically establish a group where the broader ownership composition remained different. In reliance on Aponye Uganda Limited v Uganda Revenue Authority, TAT Application No. 80 of 2021, the Applicant submitted that the Respondent had failed to establish the existence of a group within the meaning of the Act.

34. The Applicant further submitted that it is a fully locally owned company incorporated on 18 May 2022, with 1,000 ordinary shares, of which Dr. Cedric Akwesigye held 850 shares while Dr. James Bruce Kirenga held 150 shares. It was argued that Section 25 was intended to target multinational enterprises

engaged in profit shifting through intra-group financing arrangements and not indigenous Ugandan companies owned entirely by Ugandan citizens.

35. In support of this contention, the Applicant relied on the Parliamentary Hansard of 24 May 2018 and the OECD Action 4 BEPS Report, which, according to the Applicant, demonstrated that the intention of Parliament was to restrict excessive interest deductions by multinational companies lending amongst themselves. The Applicant further cited Rwenzori Bottling Company Ltd v Uganda Revenue Authority, TAT Application No. 21 of 2021, where the Respondent's International Tax Unit acknowledged that the provision was derived from international tax principles aimed at combating base erosion and profit shifting by multinational enterprises.

36. The Applicant further submitted that the entities relied upon by the Respondent were inactive and non-operational companies that had never conducted business since incorporation because the anticipated opportunities for which they were established never materialized. The Applicant argued that the entities had different shareholders and directors, were incorporated at different times, and operated in materially distinct businesses.

37. Relying on Techno Three Uganda Limited v Uganda Revenue Authority, TAT Application No. 9 of 2025, the Applicant invoked the principle of substance over form and argued that tax consequences should reflect the economic and commercial reality of transactions rather than mere legal form. The Applicant submitted that Parliament could not have intended the interest limitation rules to apply to dormant entities existing only on paper without active business operations, employees, or economic substance.

38. Regarding the nature of the financing arrangements, the Applicant submitted that the loans in question were obtained from independent third-party lenders on arm's length terms and not from any of the entities alleged to form part of the group. The Applicant stated that it obtained financing from SFC Finance Limited in Mauritius, stitching Medical Credit Fund in the Netherlands, and

local facilities from Standard Chartered Bank Uganda amounting to Shs. 3,500,000,000 and USD 6,392,948.

39. It was submitted that the financing was driven by legitimate commercial considerations arising from the substantial capital investment required to establish and operate its manufacturing plant, which is the first indigenous IVD test kit manufacturing facility in the Great Lakes Region. The Applicant further contended that it had never transacted with, cooperated with, partnered with, or received any assistance from the entities relied upon by the Respondent.

40. The Applicant also relied on Techno Three Uganda Limited (supra) to argue that domestic lending arrangements present limited risk of base erosion because the interest income remains taxable in the hands of resident lenders. According to the Applicant, interest paid to regulated financial institutions such as Standard Chartered Bank Uganda remains within Uganda's tax system, thereby ensuring tax cohesion and limiting any risk of profit shifting. The Applicant further maintained that the Respondent possessed the capacity to trace and tax the corresponding interest income in the hands of the lenders.

41. The Applicant further submitted that the Respondent's interpretation and application of Section 25 undermined Uganda's broader economic and development objectives, particularly with regard to access to credit and industrialization. It was argued that the National Development Plan IV identifies the high cost of capital, averaging 19.1% interest rates over the preceding five years, as a major impediment to sustainable economic growth.

42. The Applicant further referred to Uganda's Tenfold Growth Strategy, which seeks to expand private sector credit from 11% of GDP in 2023 to 100% by 2040. It was contended that the Respondent's interpretation of Section 25 would discourage investors from incorporating companies for future business opportunities and would deter local manufacturers from obtaining external financing for strategic sectors such as health.

43. The Applicant also relied on Uganda Vision 2040, particularly pages 57, 106, and 107, which recognise healthcare as a cornerstone for socio-economic transformation and advocate for a shift from a predominantly public health delivery model to public-private partnerships. According to the Applicant, the Respondent's approach would undermine investments aimed at improving affordable and quality healthcare services in Uganda.

44. Lastly, the Applicant submitted that it was exempt from the impugned assessment by virtue of a ten-year income tax exemption granted under Section 21(1)(z)(ii)(C) (ae)(ii) of the Income Tax Act as a manufacturer of medical supplies. The Applicant contended that it satisfied all the statutory conditions for the exemption, including maintaining investment capital exceeding USD 300,000, utilising at least 70 per cent locally sourced materials, and employing Ugandan citizens who constitute at least 70 per cent of its wage bill. The Applicant argued that tax exemptions are recognised fiscal tools used to promote investment in strategic sectors and that the Respondent's issuance of the additional assessment against an exempt entity was unlawful.

45. Consequently, the Applicant prayed that the Tribunal declare that it is not liable for the assessed tax, vacate the assessment, order a refund of the statutory deposit of Shs. 211,997,164, and award costs of the Application to the Applicant.

V. Submissions of the Respondent

46. The Respondent submitted that the principal issue for determination was whether the Applicant qualified as a member of a group under Sections 25(3) and 25(5) of the Income Tax Act and, if so, whether the Applicant's deductible interest was properly capped at 30 per cent of EBITDA. The Respondent further submitted that the loans obtained from SFC Finance Limited and Stichting Medical Credit Fund, amounting to Shs. 3,896,573,525 had been correctly subjected to the interest limitation provisions under the Act.

47. The Respondent submitted that Section 25(1) of the Income Tax Act generally permits deduction of interest incurred in the production of income, while Section 25(3) creates an exception by limiting deductible interest in respect of all debts owed by a taxpayer who is a member of a group to thirty percent of tax Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA). It was submitted that the Applicant claimed interest expenses amounting to UGX 3,693,960,069 for the year 2021/2022, which exceeded the statutory threshold prescribed under Section 25(3).

48. Relying on ***NSSF v Uganda Revenue Authority, HCCA No. 29 of 2020 and Rwenzori Bottling Company Limited v Uganda Revenue Authority, TAT Application No. 21 of 2021***, the Respondent argued that the purpose of Section 25(3), (4), and (5) was to limit excessive interest deductions and increase chargeable income where such deductions exceeded the statutory cap. The Respondent further relied on the holding in Rwenzori Bottling Company Ltd (supra) that the Tribunal could not subtract from or read into the Act what had not been expressly enacted by Parliament.

49. The Respondent further submitted that the definition of a "group" under Section 25(5) of the Income Tax Act is clear and unambiguous and refers to persons other than individuals with common underlying ownership. According to the Respondent, the Applicant qualified as a member of a group because it shared common underlying ownership with Caroga Microhaem Limited, Crestline Farms Limited, Premier International Medical Education and Care (PIMEC) Limited, and Micro Haem Scientifics Rwanda Limited.

50. The Respondent relied on the Memoranda and Articles of Association of the said entities and submitted that Mr. Akwesigye Cedric was a shareholder in all four companies; Dr. James Bruce Kirenya was a shareholder in both the Applicant and PIMEC Limited; while Mrs. Akwesigye Dianah and Nahabwe Dianah Akwesigye were one and the same person and held shares in both the Applicant and Crestline Farms Limited.

51. The Respondent further submitted that the Applicant and the related entities demonstrated common management and operational linkage. In this regard, the Respondent pointed out that the loan agreement between the Applicant and SFC Finance Limited was executed by Mr. Akwesigye Cedric together with Komujuni Monica, a shareholder in Caroga Micro Haem Limited, in their capacities as directors. According to the Respondent, this constituted clear proof of common underlying ownership and management among the entities.

52. In support of its interpretation of "group," the Respondent relied on ***Aponye Uganda Limited v Uganda Revenue Authority, TAT Application No. 80 of 2021***, where the Tribunal held that companies sharing the same owners, shareholders, or directors ordinarily fall within the same group. The Respondent argued that the present Application was similar to Aponye and that the Applicant therefore fell within the ambit of Section 25(3) of the Income Tax Act.

53. The Respondent further relied on the definition of "underlying ownership" under Section 2 of the Income Tax Act and submitted that ownership may be held directly or indirectly through interposed companies, partnerships, or trusts by an individual or by a person not ultimately owned by individuals.

54. The Respondent further submitted that the objectives contained in the Memoranda and Articles of Association of the Applicant, PIMEC Limited, Caroga Micro Haem Limited, and Crestline Farms Limited demonstrated that the entities carried on similar or related business activities. The Respondent referred to the objects clauses relating to medical supplies, medical consultancy, training, financing, guarantees, and related business facilitation and argued that the entities therefore pursued similar commercial goals.

55. It was further submitted that Caroga Micro Haem Limited acted as a signatory and guarantor to the Applicant's loan agreement, which demonstrated that the entities were active and operational. Accordingly, the Respondent contended that the Applicant's reliance on ***Techno Three Uganda Limited v Uganda Revenue Authority, TAT Application No. 9 of 2025***, was

misplaced because, unlike in that case, the entities in the present dispute were not dormant or non-trading.

56. The Respondent further submitted that Section 25(3) applies to "all debts" owed by a taxpayer who is a member of a group and does not distinguish between related-party loans and loans obtained from independent third-party lenders. According to the Respondent, once it is established that a taxpayer belongs to a group, the interest limitation automatically applies irrespective of the source of financing. The Respondent argued that the Applicant overstated its interest expense in contravention of the Act and was therefore only entitled to claim deductible interest up to thirty percent of EBITDA.

57. The Respondent also submitted that OECD BEPS Action Plans and related international tax policy instruments have no force of law in Uganda and cannot override the express provisions of the Income Tax Act. In reliance on Ambitious Construction Ltd v Uganda Revenue Authority, TAT Application No. 219 of 2023, the Respondent argued that OECD guidelines, even where persuasive, cannot supersede clear statutory provisions. The Respondent further relied on Paul Mwiru v Igeme Nabeta Nathan & 2 Others, Election Petition No. 6 of 2011, for the proposition that policy decisions cannot override statutory requirements and therefore lack the force of law. According to the Respondent, had Parliament intended to restrict Section 25(3) only to multinational intra-group financing arrangements as contemplated under BEPS Action 4, it would have expressly stated so in the Income Tax Act.

58. Lastly, the Respondent submitted that the Applicant had failed to provide strict proof of any valid or subsisting tax exemption certificate and that the additional assessments issued against the Applicant were lawful and justified. Consequently, the Respondent prayed that the Application be dismissed with costs and that the additional income tax assessments amounting to Shs. 706,657,213 be upheld as payable by the Applicant.

VI. The Determination

59. The central issue for determination is whether the Applicant is liable to pay additional income tax amounting to Shs. 706,657,213 arising from the Respondent's application of Section 25(3) of the Income Tax Act. More specifically, the Tribunal must determine:

(i) Whether the Applicant qualifies as a member of a "group" within the meaning of Sections 25(5) and 2 of the Income Tax Act;
(ii) Whether the Applicant is exempted from interest limitation under Section 25(3) on account of being part of a group of dormant companies;
(iii) Whether the interest limitation under Section 25(3) applies to the borrowings or funds from independent third-party lenders; and
(iv) Whether the Applicant is protected by their income tax exemption.

The Applicable Law

60. Section 25 of the Income Tax Act provides as follows:

"25. Interest

(1) Subject to this Act, a person is allowed a deduction for interest incurred during the year of income in respect of a debt obligation to the extent that the debt obligation has been incurred by the person in the production of income included in gross income.

(2) In this section, 'debt obligation' includes an obligation to make a swap payment arising under a swap agreement and shares in a building society.

(3) The amount of deductible interest in respect of all debts owed by a taxpayer who is a member of a group, other than a financial institution, microfinance deposit-taking institution, tier 4 microfinance institution or person carrying on insurance business, shall not exceed thirty percent of the tax earnings before interest, tax, depreciation and amortization.

(4) A taxpayer whose interest exceeds thirty percent of the tax earnings before interest, tax, depreciation and amortization may carry forward the excess interest for not more than three years, and the excess interest shall be treated as incurred during the next year of income.

(5) In this section—

"group" means persons other than individuals, with common underlying ownership;

"tax earnings before interest, tax, depreciation and amortization" means the sum of—

(a) gross income less allowable deductions, except a deduction under subsection (1);

(b) depreciation; and

(c) amortization.

Further, Section 2 of the Income Tax Act defines "underlying ownership" as follows:

> *"Underlying ownership", in relation to a person other than an individual, means an interest held in, or over, the person directly or indirectly through interposed companies, partnerships, or trusts by an individual or by a person not ultimately owned by individuals.*

Whether the Applicant is a Member of a Group

61. The Applicant argues that although certain shareholders appear across several entities, the ownership structures of those companies are materially different and therefore do not constitute a "group" within the meaning of Section 25(5) of the Income Tax Act. The Applicant further contends that some of the referenced entities are dormant and economically inactive. However, beyond assertions contained in the affidavits and submissions, no documentary evidence such as financial statements, tax returns, bank records, or regulatory filings was produced before the Tribunal to substantiate the alleged inactivity of those entities.

62. The Respondent, on the other hand, maintains that the Applicant shares common underlying ownership with Premier International Medical Education and Care (PIMEC) Limited, Caroga Microhaem Limited, Crestline Farms Limited, and Microhaem Scientifics Rwanda Limited, thereby bringing the Applicant within the statutory definition of a group.

63. The Tribunal has carefully examined the Memoranda and Articles of Association produced by the parties. The evidence reveals the following:

Micro-Haem Scientifics & Medical Supplies Limited

- Dr. James Bruce Kirenga
- Dr. Cedric Akwesigye
- Nahabwe Dianah Akwesigye

Premier International Medical Education & Care (PIMEC) Limited

- Dr. James Bruce Kirenga – 55 shares
- Dr. Cedric Akwesigye – 20 shares
- Mrs. Betty Kiwumulo Kirenga – 5 shares
- Caroga Microhaem Limited
- Peter Muchira – 50 shares
- Dr. Cedric Akwesigye – 40 shares
- Komujuni Monica – 10 shares

Crestline Farms Limited

- Dr. Cedric Akwesigye – 80 shares
- Mrs. Dianah Akwesigye – 20 shares

64. The Tribunal observes that Dr. Cedric Akwesigye is a shareholder in all the relevant entities. Dr. James Bruce Kirenga is a shareholder in both the Applicant and PIMEC Limited. There is also overlap in directorship and management across the entities.

65. In ***Aponye Uganda Limited v Uganda Revenue Authority, TAT Application No. 80 of 2021***, the Tribunal held that companies with common shareholders and directors may constitute a group for purposes of Section 25 of the Income Tax Act. Similarly, in ***Moil Uganda Limited v Uganda Revenue Authority, TAT Application No. 149 of 2023***, the Tribunal reiterated that common underlying ownership may be established through overlapping shareholding structures.

66. More recently, in ***Africa Oil Limited v Uganda Revenue Authority, TAT Application No. 39 of 2024***, the Tribunal stated:

"The plain and ordinary meaning of this provision is that where companies have the same shareholders, they are a group of companies under the ITA."

67. The High Court in ***Moil Uganda Limited v Uganda Revenue Authority, Civil Appeal No. 0072 of 2024***, affirmed the Tribunal's position that common underlying ownership is established where entities share common shareholders.

68. This Tribunal is bound to interpret Section 25(5) in accordance with its ordinary meaning. The statute does not require identical ownership structures, nor does it require that all shareholders be common across all entities. What is required is the existence of common underlying ownership. The Tribunal therefore finds that the overlap in shareholding and control across the entities is sufficient to establish common underlying ownership within the meaning of Sections 25(5)(b) and 2 of the Income Tax Act.

69. The Applicant's argument that some entities are dormant or non-operational does not negate the existence of common underlying ownership. The Tribunal agrees that dormancy and absence of economic substance may, in appropriate cases, affect the applicability of Section 25(3), as held in Techno Three Uganda Limited v Uganda Revenue Authority. However, the determination must depend on the factual evidence adduced in each case.

70. Accordingly, the Tribunal finds that the Applicant is a member of a group within the meaning of Section 25(5) of the Income Tax Act.

Whether the Applicant is exempted from interest limitation under Section 25(3) on account of being part of a group of dormant companies.

71. In the present case, the Applicant stated that all its related entities are dormant and adduced the following evidence to that effect:

i. The entities relied upon by the Respondent had different shareholders and directors from those of the Applicant, despite the existence of some overlapping shareholding.
ii. The entities were incorporated at different periods, with some having been incorporated as early as 2016, long before the incorporation of the Applicant in 2022;
iii. The entities had never conducted any business operations since incorporation because the opportunities for which they had been incorporated never materialised;
iv. The Applicant had never transacted with, cooperated with, partnered with, or received any benefits or assistance from the said entities;
v. The loans in issue were obtained from independent third-party financial institutions, namely SFC Finance Limited, Stichting Medical Credit Fund, and Standard Chartered Bank Uganda, and not from the alleged group entities; and
vi. The financing obtained by the Applicant was used wholly for the construction and operation of its manufacturing plant for medical products and diagnostics.

72. The Respondent, however, disputed the Applicant's assertion that the entities were dormant. The Respondent relied on the objects clauses contained in the Memoranda and Articles of Association of the entities and argued that the companies carried on related or complementary business activities. The Respondent further relied on the fact that Caroga Micro Haem Limited acted as a signatory and guarantor to the Applicant's loan agreement with SFC Finance Limited as evidence that the entity was active and operational.

73. The Tribunal has carefully considered the evidence on record together with the holding in ***Techno Three (supra).*** Whereas the Tribunal in ***Techno Three*** held that Section 25(3) ought not to apply to entities that merely exist on paper without active business operations, significant assets, employees, or economic substance, the facts in the present Application are distinguishable.

74. In the instant Application, the Respondent adduced evidence demonstrating operational and commercial linkage between the Applicant and some of the alleged group entities. In particular, the participation of Caroga Micro Haem Limited in the execution and guarantee of the Applicant's loan agreement demonstrates financial involvement beyond mere formal incorporation. Furthermore, unlike in ***Techno Three*** where the Applicant presented evidence of dormancy, such as nil income tax returns, the Applicant in the present case has not adduced any evidence to substantiate the alleged dormancy.

75. In the instant Application, the Respondent adduced evidence demonstrating operational and commercial linkage between the Applicant and some of the alleged group entities. In particular, the evidence that Caroga Micro Haem Limited acted as a signatory and guarantor to the Applicant's loan agreement demonstrates more than mere formal incorporation.

76. Moreover, unlike in ***Techno Three*** where the Tribunal found no evidence of operational interaction between the entities, the present application discloses evidence of participation by one of the related entities in the Applicant's financing arrangements. This, in the Tribunal's view, constitutes evidence of economic and operational nexus beyond the mere existence of incorporation certificates.

77. The Tribunal therefore finds that the Applicant has not sufficiently demonstrated that the alleged group entities were wholly dormant, inactive, or devoid of economic substance so as to warrant exclusion from the application of Section 25(3) of the Income Tax Act on the basis established in ***Techno Three (supra).***

Whether Section 25(3) Applies to the Applicant's Borrowings from Independent Third-Party Lenders

78. We now address the question as to whether the interest limitation under Section 25(3) applies to its borrowings from independent third-party lenders.

79. The Applicant submitted that Section 25(3) should be interpreted purposively in light of its legislative history and global anti-avoidance standards, specifically targeting intra-group financing and Base Erosion and Profit Shifting (BEPS) practices rather than genuine third-party commercial loans.

80. The Respondent submitted that the statutory language of Section 25(3) is plain, unambiguous, and admits no exceptions, applying automatically to "all debts owed by a taxpayer who is a member of a group" without distinguishing between related and third-party lenders. The Respondent has also argued that in interpreting this taxing provision, the Tribunal should adopt the principle of strict statutory interpretation as espoused in ***Cape Brandy Syndicate v Inland Revenue Commissioners [1921] 1 KB 64,*** where Rowlatt J. established that in a taxing act, one has to look merely at what is clearly said, as there is no room for any intendment, equity, or presumption.

81. The Tribunal has carefully evaluated the respective submissions of both parties. However, the Tribunal is also guided by the recent decision of the High Court in ***Moil Uganda Limited v Uganda Revenue Authority, Civil Appeal No. 0072 of 2024***. The High Court departed from this Tribunal's application of the strict statutory interpretation of section 25 of the ITA.

82. The High Court, in departing from the decision of this Tribunal, addressed section 25 (3) of the ITA in the context of taxpayers who incur interest expense as a result of loans from third-party lenders. In analysing section 25 (3) of the ITA, the High Court stated that while the courts historically applied the strict rule of interpretation as espoused by the case of Cape Brandy Syndicate, they have since moved on from the literal meaning of the text to looking into the words, the context, and the purpose of the law.

83. The High Court cited ***Collector of Stamp Revenue v Arrowtown Assets Ltd [2003] HKCFA 46,*** cited in ***Barclays Mercantile Business Finance Limited Vs Mawson (Her Majesty's Inspector of Taxes 2004 UKHL 51*** where it was held:

> *"The driving principle in the Ramsay line of cases continues to involve a general rule of statutory construction and an unblinkered approach to the analysis of the facts. The ultimate question is whether the relevant statutory provisions, construed purposively, were intended to apply to the transaction, viewed realistically... it is clear that the UK has since moved on from the position in the* ***Cape Brandy Syndicate*** *case that, in the interpretation of tax cases, one must only look at the literal meaning of the text and not the purpose of the law."*

84. The High Court determined the Legislature's intent by referring to the Hansard, which is the official record of parliamentary debates. The court established that the legislature's intention in enacting section 25(3) was to prevent persons from abusing interest deductions to reduce chargeable income, and, secondly, to target multinational companies that lend amongst themselves.

85. Consequently, the High Court held that the Hansard indicates that Section 25(3) was not intended to apply to companies borrowing from sources outside the "group" as defined in Section 25(5) of the ITA. Specifically, Justice Patricia Kahigi Asiimwe stated:

> *"...this provision was not meant to apply to companies borrowing from sources outside the "group" defined in Section 25(5)."*

86. In the present case, the Applicant stated that they borrowed the impugned funds from third-party lenders, namely SFC Finance Limited, based in Mauritius, and Stichting Medical Credit Fund (MCF), a foundation in the Netherlands, as well as from various local banks. The Applicant also stated that they locally acquired loan facilities from Standard Chartered Bank Uganda to the tune of Shs. 3,500,000,000 and USD 6,392,948. The Respondent has not disputed these facts.

87. In view of the above, to the extent that the Applicant's borrowings were from third-party lenders, we are bound by the decision of the High Court in Moil Uganda Limited, which held that this provision was not meant to apply to companies borrowing from sources outside the "group" defined in Section 25(5)."

88. Having disposed of the issue of interest limitation under Section 25(3), the next issue for determination by this Tribunal is whether the Applicant's asserted tax exemption bars the impugned income tax assessment. The Tribunal finds it necessary to address this issue despite having resolved the dispute over the interpretation of section 25(3) of the ITA.

89. The Applicant submitted that it is a manufacturer of medical appliances and diagnostic supplies, and as such, it enjoys a 10-year income tax exemption under

Section 21(1)(z) of the Income Tax Act, which completely immunizes it from the Respondent's additional assessment.

90. The Respondent submitted that the Applicant failed to provide strict proof of the said exemption certificate, and further, that a tax exemption does not absolve a taxpayer from statutory obligations relating to the proper computation of income, tax returns filing, or compliance with interest deduction limits.

91. At the outset, the Tribunal observes that the exemption certificate referred to by the Applicant was not attached to the record, despite a bare reference to "Annexure A12."

92. It is a fundamental principle of the law of evidence, as codified under Section 101 of the Evidence Act, Cap. 43, that the burden of proof lies on the party who desires any court or tribunal to give judgment as to any legal right or liability dependent on the existence of facts which he or she asserts.

93. In ***Allied Industries Ltd v Uganda Revenue Authority, TAT Application No. 24 of 2011***, this Tribunal held that a taxpayer who claims the benefit of a tax exemption bears the absolute burden of pleading and strictly proving the existence and validity of that exemption before the Tribunal. The Applicant did not produce the physical exemption certificate or secondary evidence thereof; the Tribunal cannot act on external assumptions or mere pleadings to find that a valid statutory exemption exists.

94. Assuming the exemption certificate is available, the Tribunal finds that the existence of a tax exemption does not automatically exempt a taxpayer from compliance with the provisions of the Income Tax Act relating to the calculation of gross income, the deductibility of expenditures, or assessment procedures. As affirmed in ***Portman Square Limited v Uganda Revenue Authority (TAT Application No. 179 of 2025),*** a tax exemption provides substantive relief from liability, but it does not excuse a taxpayer from standard administrative compliance, statutory reporting, or the URA's regulatory right to audit and verify that the conditions of the exemption are being met.

95. In ***Value Aski Limited v Uganda Revenue Authority, TAT Application No. 15 of 2020***, this Tribunal observed that tax exemptions are exceptions to the general rule of taxability and do not suspend the statutory machinery of the Income Tax Act regarding corporate compliance, audits, and adjustments. Furthermore, it is a well-settled principle of tax jurisprudence that tax exemptions must be construed strictly against the taxpayer and in favour of the state. Nothing is to be implied, and the taxpayer must fit squarely within the four corners of the exempting provision.

96. In ***Mangalore Chemicals & Fertilisers Ltd v Deputy Commissioner of Commercial Taxes [1992] Supp (1) SCC 21***, the Supreme Court of India, whose persuasive reasoning this Tribunal adopts, held that choice of language in an exemption provision must be obeyed strictly, and failure to comply with mandatory statutory prerequisites is fatal to an exemption claim.

97. This position is fortified by the ***Supreme Court of Uganda in Uganda Revenue Authority v British American Tobacco Uganda Ltd, Supreme Court Civil Appeal No. 19 of 2005,*** which commands that where the statutory language is clear, courts must give effect to the precise text without introducing subjective commercial or developmental context.

98. The Tribunal therefore rejects the proposition that the Applicant's investment in local medical manufacturing, or its alignment with national industrialisation objectives, can legally override its statutory duty to strictly prove its exemption or comply with the mandatory provisions of the Income Tax Act in the absence of a tax exemption certificate.

Conclusion

99. The Tribunal, however, finds that although the Applicant qualifies as a member of a group under Section 25(5) of the Income Tax Act, the impugned borrowings were obtained from independent third-party lenders outside the group structure. In light of the binding decision of the ***High Court in Moil Uganda Limited v Uganda Revenue Authority, Civil Appeal No. 0072 of 2024***, the Tribunal finds that Section 25(3) was not intended to apply to third-party borrowings obtained

from outside the group. Consequently, the Respondent improperly disallowed the Applicant's interest expenses and unlawfully issued the additional assessment of Shs. 706,657,213.

100. Having found that Section 25(3) does not apply to the Applicant's third-party borrowings obtained from outside the group structure, the Tribunal finds that the additional assessment issued by the Respondent cannot stand. The Applicant is therefore entitled to the remedies sought in the Application, including a refund of the statutory deposit paid under Section 15 of the Tax Appeals Tribunal Act. Under Section 27(1) of the Civil Procedure Act, Cap 282, costs follow the event unless the court or tribunal directs otherwise.

VII. ORDERS

101. The Tribunal accordingly makes the following orders:
   (i) The Application is hereby allowed.
   (ii) The Respondent's objection decision and the additional income tax assessment amounting to Shs. 706,657,213 are hereby set aside
   (iii) The Applicant is awarded costs of this Application.

DATED at Kampala this **29th** day of **May** 2026.

HON. CRYSTAL KABAJWARA
CHAIRPERSON

HON. STELLA NYAPENDI CHOMBO
MEMBER

HON. ROSEMARY NAJJEMBA
MEMBER