TAX APPEALS TRIBUNAL
Justice in Taxation

THE REPUBLIC OF UGANDA

IN THE TAX APPEALS TRIBUNAL AT KAMPALA

MISCELLANEOUS APPLICATIONS NO. 18,19,20,21,22,26 and 27 OF 2026

(Arising from TAT. App No. 352,346,345,351,353,354 of 2024 & 121 of 2025)

1. **DAVID NATWETA (352)**
2. **GOTOVATE UGANDA LIMITED (346)**
3. **NASSOLO INVESTMENTS U LTD (345)**
4. **KITAGATI TRADERS LIMITED (351)**
5. **RICE CENTERS UGANDA LTD (353)**
6. **ZIMU CONSTRUCTION COMPANY (354)**
7. **ARMOUR TRADING COMPANY LTD (121) ....APPLICANTS**

VERSUS

UGANDA REVENUE AUTHORITY.. ...RESPONDENT

BEFORE: HON. CRYSTAL KABAJWARA, HON. GRACE SAFI,
HON. WILLY NANGOSYAH

RULING

I. Introduction

1. The Applicants bring this Application seeking for the review and setting aside of the consent settlement order entered by the parties in **TAT Applications No.352,351,353,345,351,353,354 and 121 of 2024,** dated 23 December 2025 in regards to the payment of Value Added Tax (VAT) interest as it was entered without the free will of the Applicants and further violets the law that requires interest on VAT refunds to be paid per rate set out in the VAT Act.

2. These applications are brought under Section 33 of the Judicature Act, Section 98 of the Civil Procedure Act, Order 9 rule 12 and Order 52 Rules 1 and 2 of the Civil Procedure Rules, S.I.71-1.

II. Background facts

3. The Applicants are engaged in import and export of agricultural produce among other trade mainly processed and sourced from the Republic of Tanzania within the East African Community. Between 2014 and 2023, they imported rice from Tanzania and paid VAT allegedly unlawfully imposed by the Respondent.

4. The Applicants allegedly protested continuous illegal collection of VAT and sought guidance from the Honourable Minister of Finance and the Attorney General and the correct position was communicated on 12 April 2024.

5. Accordingly, parties entered into a Memorandum of Understanding (MOU) on 29 April 2024, wherein it was agreed that the said claims of VAT refund would be verified and paid according to the terms agreed.

6. The Applicants asserts that whereas the parties entered into an MOU, the Respondent did not heed the refund claim of the VAT collected, and that compelled them to individually lodge the main TAT Applications No. 352,346,345,353,351,354 and 121 of 2024 seeking for orders that the Respondent refund the illegally collected VAT with interest provided under the Act.

7. The applications are supported by affidavits sworn by Mr. David Natweta, Mr. Anyijukire Wilber, Mr. Mutebi Bashir, Ms, Nassolo Magadelena, Mr. Natumanya Apollo, Mr. Zirinda Joram and Mr. Semakula Godfrey, Directors of Applicants 1,2,4 and 5 on 22 February 2026, on 18 February 2026 for Applicant 3 and on 3 March for Applicants 6 and 7.

8. The grounds of the application are set out as follows:

   a) That on 12 September 2024, the Applicants lodged TAT Application Nos. 352, 346, 345, 353, 351, 354 and 121 of 2024 seeking refund of

VAT allegedly unlawfully collected by the Respondent together with statutory interest.

b) That during mediation, the Respondent initially expressed willingness to refund the principal sums together with interest, but subsequently insisted on payment of interest at 6% per annum from the date of filing the applications and indicated that non-acceptance would result in non-payment.

c) That the Applicants executed the Consent Settlement Orders under compulsion in order to secure payment of the principal sums.

d) That the applicable interest on VAT refunds is prescribed under the Value Added Tax Act and that the agreed interest at 6% per annum was contrary to the law and improperly calculated.

e) That the Applicants were entitled to interest from the date of unlawful collection of the monies and not from the date of filing the applications as reflected in the Consent Settlement Orders.

f) That the Consent Settlement Orders are contrary to mandatory statutory provisions and liable to be set aside, and that the Applicants are entitled to payment of statutory interest until payment in full together with costs.

9. The Respondent opposed the applications through affidavits in reply sworn by Mr. Donald Bakashaba on 23 April 2026, wherein the Respondent states, inter alia, as follows:

   a) That the VAT in dispute arose from tax assessed and collected on rice imported from the United Republic of Tanzania before subsequent advisory guidance regarding the applicable tax treatment for imports originating from East African Community Partner States.

b) That the parties voluntarily engaged in Tribunal-guided mediation and freely executed Consent Settlement Orders providing for refund of the VAT together with interest agreed at 6% per annum from **12th September 2024**.

c) That the Applicants were represented by counsel from M/S H&G Advocates, participated in negotiations, confirmed the settlement terms before the Tribunal, and executed the Consent Settlement Orders voluntarily and without coercion, fraud, or misrepresentation.

d) That the Respondent fully performed its obligations under the Consent Settlement Orders and that the agreed interest rate formed part of a negotiated settlement package.

e) That the Consent Settlement Orders, having been voluntarily entered into and adopted by the Tribunal, are binding and incapable of being set aside absent proof of recognised grounds such as fraud, illegality, misrepresentation, or mistake, none of which have been established.

f) That the present applications are misconceived, devoid of merit, and constitute an abuse of the process of the Tribunal.

10. The Applicants filed affidavits in rejoinder sworn on 29 April 2026 by the respective directors of the Applicant companies, wherein they state, inter alia, as follows:

a) That the 6% interest rate was unilaterally imposed by the Respondent under threat of withholding payment of the principal VAT refunds.

b) That although represented by counsel and present during mediation, the Applicants accepted the settlement terms under financial pressure and compulsion.

c) That parties cannot contract out of mandatory statutory provisions and that the Consent Settlement Orders remain liable to be set aside on grounds of illegality and duress.

d) That the Consent Settlement Orders are null and void for contravening the law and having been procured through illegitimate pressure, and that the applications ought therefore to be allowed with costs.

III. Issues for determination

11. The main issues for determination are;

    i. Whether the Applicant has satisfied grounds for review and setting aside the consent order?

    ii. What remedies are available to the parties?

IV. Representation

12. At the hearing of these applications, Mr. Angura Joseph, Ms. Ajambo Joan and Mr. Amanya David from M/S Angura Advocates represented the Applicants, while Mr. Agaba Edmond and Ms. Mpumwire Christine from Legal Services & Board Affairs Department represented the Respondent.

V. Submissions of the Applicants

Issue 1: Whether the Consent Settlement dated 23 December 2025 should be set aside in relation to interest

(a) Principles Governing the Setting Aside of Consent Judgments

13. The Applicants submitted that although consent judgments are ordinarily binding on the parties, they may be set aside where obtained through **fraud, mistake, misrepresentation, duress, illegality, or where they are contrary to public policy**. In support of this principle, the Applicants relied on ***Makula International Ltd v His Eminence Cardinal Nsubuga & Another [1982] HCB 11***, in which the court held that once illegality is

brought to the attention of the court, the court cannot sanction or enforce the impugned transaction regardless of the parties' consent or admissions.

(b) Background to the Dispute

14. The Applicants further submitted that they are Ugandan companies engaged in the import and export of agricultural produce. Between 2016 and 2023, they imported rice from Tanzania and were charged VAT at 18% by the Respondent.

15. According to the Applicants, following objections raised against the tax and guidance from the Attorney General, it was established that the VAT had been unlawfully collected. The Respondent subsequently undertook to refund the taxes and entered into a Memorandum of Understanding with the Applicants and other affected traders.

16. The Applicants contended that when the Respondent failed to implement the Memorandum of Understanding, they instituted **TAT Applications Nos. 352, 351, 353, 345, 354 and 121 of 2024** seeking refund of the principal VAT sums together with statutory interest under Section 36 of the VAT Act.

(c) Illegality and Contravention of Public Policy

17. The Applicants submitted that it is settled law that parties may amicably settle disputes and record consent judgments either orally before a judicial officer or in writing for endorsement by the court/tribunal. However, such consent must be entered into freely, without duress, coercion, or compulsion, and must be based on full disclosure of material facts, free from fraud, illegality, or misrepresentation.

18. They further submitted that even after endorsement, a consent judgment may be set aside where it is shown to have been entered into under mistake, misapprehension, ignorance of material facts, fraud, illegality, or in contravention of court policy or public policy.

19. The Applicants argued that the impugned consent is illegal as it contravenes statutory provisions and public policy. They relied on Section

19(1) of the Contracts Act, 2010, which renders void agreements whose object is forbidden by law or which defeat the purpose of any written law.

20. They submitted that Section 36(1) and (5) of the VAT Act imposes a mandatory obligation on the Commissioner General to pay interest at 2% per month compounded on VAT refunds arising from Tribunal decisions, leaving no discretion for variation by agreement.

21. Section. 36 (1) of the VAT Act clearly provides as follows;

> *"Where the Commissioner General is required to refund an amount of tax to a person as a result of-*
>
> a. *A decision of the Tax Appeals Tribunal*; or
> b. *........, he or she shall pay interest at the rate of two percent per month compounded on the tax to be refunded".*

22. The Applicants further referred to related tax statutes, including Section 42 of the Tax Procedures Code Act and Section 148(1) of the Income Tax Act, to demonstrate a consistent legislative policy requiring interest on delayed tax payments, reflecting reciprocity and fairness.

23. They contended that the consent order unlawfully replaced the statutory rate with court interest, contrary to the VAT Act, and is therefore void under Section 19(1)(b) of the Contracts Act for defeating written law and public policy. They also argued that it is equitable that if taxpayers pay interest on late payments under Section. 40 of the VAT Act, Cap 344, the tax authority should likewise pay statutory interest on delayed refunds.

24. The Applicants emphasizing that the purpose of interest is compensation for the time value of money relied on ***AON (U) Ltd v Uganda Revenue Authority***, where the High Court held.

> *"The provision does not require the court to make an order awarding interest on the refund. it appears to me that the use the word "shall" implies that the payment of interest is mandatory... It follows that the applicant is statutorily entitled to interest at the rate of two percent per month compounded on the refund"* (underlining ours for emphasis)".

25. The Applicants reinforcing the mandatory nature of the obligation also cited ***Tradeworth Uganda Ltd v Uganda Revenue Authority***, where it was held that:

> "*Where the decision maker is required to refund an amount of tax to a person as a result of a decision of a reviewing body, the tax shall be repaid with interest at the rate specified in the relevant law on the amount of the refund for the period commencing from the date the person paid the tax refunded and ending on the last day of the month in which the refund is made*".

26. They further relied on Tribunal jurisprudence affirming that unlawful VAT collections must be refunded with interest at 2% per month compounded, subject only to statutory limitations.

27. The Applicants submitted that these authorities reflect binding law and public policy, and any deviation such as substituting statutory interest with a lower agreed rate is unlawful and void under Sections 19 and 20 of the Contracts Act.

28. In conclusion, they argued that courts and tribunals cannot enforce agreements that contradict statute. Once illegality is apparent, the Tribunal is duty bound to refuse enforcement and set aside offending terms, regardless of consent. They invoked the principle that no court should lend its authority to enforce an illegal contract, and maintained that the impugned interest clause is null and void and should be replaced with the statutory interest regime.

(d) Economic Duress

29. The Applicants pleaded economic duress and coercion as a ground for setting aside the consent order.

30. They defined duress as "**some kind of threat, violent or other action used to coerce somebody into doing something against their will.**" In contract law, duress refers to situations where one party compels another to enter into an agreement they do not want, or to accept unfavourable terms, through unlawful or illegitimate pressure.

31. The Applicants further submitted that economic duress arises where there is a threat to breach an existing obligation, to cancel performance unless new terms are accepted, or where demands are made unlawfully or in a manner amounting to economic "blackmail." It may also arise where a party threatens otherwise lawful action but uses it in a coercive and improper manner.

32. They submitted that a contract entered into under duress is voidable due to absence of free consent, and may be set aside by court.

33. The Applicants argued that for economic duress to be established, three elements must be proved:

    i. illegitimate pressure;
    ii. the pressure was a significant cause inducing entry into the contract; and
    iii. there was no practical alternative available to the victim.

34. They contended that in the present case, the Respondent had acknowledged liability to refund the principal VAT amounts following guidance from the Attorney General and had entered into an MOU undertaking to refund the same. When the Applicants filed proceedings before the Tribunal seeking refund with statutory interest, the Respondent entered negotiations for settlement.

35. The Applicants submitted that during negotiations, the Respondent initially offered to refund only the principal without interest. When the Applicants rejected this, the Respondent changed position and stated that it would refund the principal together with interest at 6%. When the Applicants protested and even left the meeting, the Respondent allegedly maintained that if they did not accept those terms, no refund would be made at all.

36. They submitted that such conduct amounted to illegitimate pressure because the Respondent effectively conditioned payment of admitted VAT refunds on acceptance of non-statutory and unlawful interest terms, contrary to the VAT Act and established legal obligations.

37. Relying on Chitty on Contracts, the Applicants submitted that economic duress is only available where the pressure is illegitimate in law, and that in determining illegitimacy, the Tribunal must consider whether the threat was made in good faith, within legal bounds, and in light of all circumstances including the parties' state of mind and relative bargaining positions.

38. The Applicants argued that the Respondent's conduct was illegitimate because it is a statutory body mandated to apply tax law consistently, including the mandatory requirement to refund VAT with statutory interest where applicable. They submitted that the threat to withhold admitted refunds unless unlawful terms were accepted constituted coercion inconsistent with statute, public policy, and the Respondent's own legal obligations.

39. They further contended that the pressure exerted was significant and left them with no practical alternative other than to accept the consent terms in order to recover funds already acknowledged as due. This, they argued, demonstrates both causation and absence of free choice.

40. The Applicants maintained that although they signed the consent order and received the principal sums, this was done under financial and institutional pressure and not as a result of genuine consent. They emphasized that they acted promptly in bringing the application, demonstrating that the challenge was not an afterthought but a timely attempt to correct an illegality.

41. The Applicants argued that the consent order was procured under economic duress, vitiating consent and rendering the agreement voidable and liable to be set aside.

Conclusion on Issue 1

42. The Applicants therefore submitted that while the Respondent validly refunded the principal VAT amount, the clause relating to interest is illegal, contrary to public policy, and was entered into under economic duress. It accordingly prayed that the consent settlement be set aside to that extent.

Issue 2: What Remedies Are Available to the Parties

43. Section 36(2) and (5) of the VAT Act obliges the Respondent to refund VAT together with interest at 2% per month compounded. Where the accrued interest exceeds the principal, it is capped by statute. The Applicants submitted that in the present case, the interest due exceeds the principal and must therefore be subject to the statutory cap.

44. The Applicants submitted that the proper remedy is to set aside the consent settlement only to the extent that it relates to interest, on grounds that it was entered without free consent and is contrary to law. They prayed that it be substituted with statutory interest under Section 36(1) and (5) of the VAT Act at 2% per month compounded on the refunded VAT, subject to the statutory cap.

45. They further prayed for post-judgment interest at 25% per annum from the date of judgment until full payment, under Section 22(6) of the Tax Appeals Tribunal Act, together with costs of the applications.

46. The Applicants submitted that since Misc. Applications Nos. 018, 019, 020, 021, 026, and 027 of 2026 arise from the same or substantially similar facts, the Tribunal should adopt and apply these submissions mutatis mutandis to those applications.

VI. Submissions of the Respondent

Issue 1: Whether the Consent Settlement dated 23rd December 2025 should be set aside to the extent that it relates to interest

(a) Principles Governing Setting Aside of Consent Judgments

47. The Respondent submitted that a consent judgment has the dual character of a contract and a court order, and can only be set aside on limited grounds, namely fraud, mistake, misrepresentation, illegality, or duress. Reliance was placed on **Purcell v FC Trigell Ltd, Brooke Bond Liebig (T) Ltd v Mallya [1975] EA 266, and Seton** on Judgments and Orders, for the

principle that courts and tribunals should be slow to interfere with consent orders absent clear proof of vitiating circumstances.

48. The Respondent further submitted that the burden rests on the party challenging the consent to prove the alleged vitiating factors. Mere dissatisfaction with the outcome of a settlement or a change of mind after agreement is insufficient to warrant setting aside a consent judgment.

(b) Background to the Settlement

49. The Respondent stated that the consent orders provided for payment of both principal VAT refunds and interest at 6% per annum from the date of filing the refund applications up to the date of settlement, with all payments effected by 30 December 2025. The specific amounts paid under each matter were as follows:

   i. **TAT Misc. Application No. 18 of 2026 (TAT Application No. 352 of 2024): David Natweta** — Principal: SHS. 132,977,282; Interest: SHS. 9,685,179.
   ii. **TAT Misc. Application No. 019 of 2026 (TAT Application No. 356 of 2024): Gotovate Uganda Limited** — Principal: SHS. 4,280,380,016; Interest: SHS. 371,679,665.
   iii. **TAT Misc. Application No. 020 of 2026 (TAT Application No. 353 of 2024): Rice Center Uganda Limited** — Principal: SHS. 357,404,236; Interest: SHS. 30,796,332.
   iv. **TAT Misc. Application No. 021 of 2026 (TAT Application No. 355 of 2024): Nassolo Investments Uganda Limited** — Principal: SHS. 800,158,762; Interest: SHS. 70,280,611.
   v. **TAT Misc. Application No. 022 of 2026 (TAT Application No. 351 of 2024): Kikagate Traders Limited** — Principal: SHS. 7,731,671,578; Interest: SHS. 673,944,039.
   vi. **TAT Misc. Application No. 026 of 2026 (TAT Application No. 354 of 2024): Zimu Construction Company Limited** — Principal: SHS. 643,374,115; Interest: SHS. 248,219,423.

vii. **TAT Misc. Application No. 027 of 2026 (TAT Application No. 121 of 2024): Armour Trading Company Limited** — Principal: SHS. 596,460,606; Interest: SHS. 50,102,691.

50. The Respondent submitted that all principal and agreed interest amounts were duly paid and received. It argued that the Applicants are now seeking to reopen fully settled matters, alleging compulsion and illegality in relation to the agreed interest, which amounts to an impermissible collateral attack on binding consent orders.

51. The Respondent further submitted that the parties, both represented by counsel M/S H&G Advocates for the Applicants and the Legal Services and Board Affairs Department of URA for the Respondent engaged in Tribunal-guided mediation and extensive negotiations culminating in the Consent Settlement of 23 December 2025, which was endorsed by the Tribunal on 24 December 2025.

52. It contended that the issue of interest at 6% per annum (from the date of filing the applications to settlement) was specifically discussed and agreed during negotiations. The Applicants were aware that this rate differed from the statutory interest claimed under Section 36 of the VAT Act but nonetheless accepted it as part of a full and final settlement.

53. The Respondent maintained that after endorsement, it fully performed its obligations under the consent orders, and the Applicants accepted and retained both principal and interest payments without immediate protest.

Issue 1: Whether the Consent Orders were Freely and Voluntarily Entered Into;

54. The Respondent submitted that a party seeking to set aside a consent order on grounds of duress or compulsion bears a heavy burden of proof. Mere allegations are insufficient; clear and cogent evidence is required to show that consent was vitiated. Reliance was placed on **Purcell v FC Trigell Ltd [1971] 1 QB 358 (CA),** where Lord Denning MR stated that a consent order may only be set aside on grounds that would justify rescission of a contract, such as fraud, misrepresentation, duress, undue influence, or fundamental

mistake of fact or law going to the root of the agreement. Mere regret, dissatisfaction, or change of mind is insufficient.

55. The Respondent further relied on **Ismail Sunderji Hirani v Noorali Esmail Kassam [1952] EA 131 and Attorney General & Uganda Land Commission v James Mark Kamoga & James Kamala (SCCA No. 8 of 2004),** where it was affirmed that a consent judgment may only be set aside on limited grounds including fraud, mistake, misapprehension, ignorance of material facts, illegality, or other reasons justifying vitiation of an agreement.

56. It was further submitted that where parties are legally represented and a consent order is recorded after negotiation, it carries the full force of a judgment and cannot be lightly interfered with. The Respondent relied on **Seton on Judgments and Orders (7th ed., Vol. 1, p. 124)**, which states that a consent order is binding unless obtained by fraud, collusion, illegality, or entered into under material mistake or misapprehension.

57. Additional reliance was placed on **Brooke Bond Liebig (T) Ltd v Mallya (1975) EA 266 and Mohamed Allibhai v W.E. Bukenya & Another (SCCA No. 56 of 1996)**, where it was held that a consent order embodies a contract between parties and represents the highest form of settlement whose sanctity must be preserved.

58. Against this legal framework, the Respondent submitted that the Applicants' allegation of compulsion is untenable for several reasons.

    a) Each Applicant was represented by M/S H&G Advocates, an experienced firm whose stamp and signature appear on the consent orders, making allegations of coercion against counsel's participation exceptional and requiring strict proof.
    b) The consent orders expressly state that the parties engaged in Tribunal-guided mediation. The process was supervised by the Tribunal, which would not endorse an agreement procured through duress.
    c) The parties appeared before the Tribunal Registrar on 24 December 2025 and confirmed the settlement terms without raising any complaint of coercion, despite having the opportunity to do so.

d) The consent orders are detailed and structured commercial agreements containing multiple clauses, including confidentiality and non-precedent provisions, indicative of negotiated settlement rather than coercion.

e) The Applicants' own affidavits acknowledge that the Respondent initially proposed payment of principal "with interest," a position which was acceptable at the time, undermining the claim that they were forced into wholly unacceptable terms.

f) Against this legal framework, the Respondent submitted that the Applicants' allegation of compulsion is untenable for several reasons.

59. The Respondent further submitted that a "take-it-or-leave-it" negotiating stance, even where commercial pressure exists, does not amount to duress where parties are legally represented and free to reject the offer. Citing **Pao On v Lau Yiu Long [1980] AC 614 (PC)**, it was emphasized that there must be "some factor which could in law be regarded as coercion of the will so as to vitiate consent."

60. Accordingly, the Respondent maintained that ordinary commercial pressure inherent in settlement negotiations does not constitute duress, and the Applicants have failed to meet the legal threshold required to disturb a valid consent judgment.

(c) No Illegality or Contravention of Public Policy

61. The Respondent submitted that although Section 36 of the VAT Act establishes the statutory regime governing interest on delayed VAT refunds, it does not expressly prohibit parties from compromising claims or agreeing on different terms during settlement negotiations.

62. According to the Respondent, the statutory interest rate applies where a matter is determined on its merits or in the absence of agreement.

63. However, where parties voluntarily elect to resolve a dispute through negotiation, they are legally entitled to compromise both principal and ancillary claims, including interest, so long as no statute expressly forbids such compromise.

64. The Respondent further argued that the Applicants' reliance on **Makula International Ltd v His Eminence Cardinal Nsubuga & Another [1982] HCB 11** was misplaced. It submitted that the principle in Makula applies only where the impugned transaction is expressly prohibited by law.

65. Since Section 36 of the VAT Act does not declare void any agreement varying interest payable under a negotiated settlement, the consent orders cannot be characterized as illegal, unlawful, or contrary to public policy.

(d) No Economic Duress

66. The Respondent denied that the consent orders were procured through economic duress and submitted that the Applicants failed to establish the three elements necessary for such a claim, namely: i) **illegitimate pressure**; (ii) **pressure significantly** inducing entry into the agreement; and (iii) **absence of a practical alternative**.

Illegitimate Pressure

67. The Respondent argued that its negotiating position offering refund of the principal together with interest at 6% per annum did not amount to an illegitimate threat. It submitted that maintaining a settlement position during negotiations cannot be equated to coercion, blackmail, or unlawful pressure merely because one party disagrees with the proposed terms.

Pressure as a Significant Cause

68. The Respondent further denied that any alleged pressure significantly induced the Applicants to enter the consent orders. It submitted that negotiations were conducted through legal counsel within Tribunal-supervised mediation, and the Applicants voluntarily executed the settlements after discussions and consideration of the terms.

69. According to the Respondent, the Applicants had the option of rejecting the offer, resuming the hearing before the Tribunal, and pursuing statutory interest through litigation. The decision to settle was therefore a commercial

and strategic choice by legally represented parties rather than a result of illegitimate pressure.

Absence of Practical Choice

70. The Respondent also rejected the Applicants' assertion that they had no practical alternative. It submitted that each Applicant had active proceedings before the Tribunal and could have instructed counsel to proceed to full hearing instead of settling. The Respondent argued that the ordinary litigation choice between settlement and trial does not amount to absence of practical alternatives in law.

71. Reliance was placed on ***Times Travel (UK) Ltd v Pakistan International Airlines Corporation [2021] UKSC 40***, where the Supreme Court held that lawful-act threats, including insistence on one's legal position, do not ordinarily constitute economic duress unless accompanied by unconscionable conduct. The Respondent maintained that proposing settlement at a particular interest rate was not unconscionable.

72. The Respondent further submitted that the Applicants' conduct after execution of the consent orders contradicted allegations of coercion. None of the Applicants raised complaints before the Tribunal at the time the consent orders were endorsed, nor did they immediately challenge the settlements after execution.

73. Instead, the applications were filed only after the Respondent had paid, and the Applicants had received, both the principal and agreed interest sums.

74. According to the Respondent, the timing of the applications strongly suggested that they were not motivated by duress but were instead an attempt to recover additional sums after performance of the settlement agreements.

75. The Respondent therefore submitted that all the consent orders were freely, knowingly, and voluntarily executed by legally represented parties, and that commercial pressure, hard bargaining, or insistence on settlement terms does not constitute economic duress where parties remain free to reject the offer and proceed to trial.

Issue 2: Whether the Interest Clauses in the Consent Orders are Contrary to Law

76. The Respondent submitted that Section 36 of the VAT Act establishes the statutory framework governing interest on delayed VAT refunds in the ordinary course of tax administration. However, the provision does not prohibit parties from resolving disputes through negotiated settlement, including agreeing on different terms regarding interest.

77. It was further submitted that party autonomy is a fundamental principle of contract law. Reliance was placed on ***Kakoza Yasin v Kaweesa Nicholas (Misc. Application No. 888 of 2021 arising from Civil Suit No. 26 of 2014),*** where Justice Musa Ssekana held that parties to a commercial dispute are free to settle on mutually agreed terms and that once such agreement is embodied in a consent order, it becomes binding and enforceable as a judgment of court.

78. The Respondent also relied on ***Section 27 of the Tax Appeals Tribunal Act***, which empowers the Tribunal to endorse consent settlements reached by parties. It argued that the statutory basis of a consent order lies in the parties' agreement, and therefore not every term must mirror the default statutory position.

79. According to the Respondent, adopting the Applicants' argument would undermine negotiated settlements in tax disputes and unnecessarily increase litigation.

80. Reliance was further placed on ***Oceanbulk Shipping & Trading SA v TMT Asia Ltd [2010] UKSC 44***, where the UK Supreme Court emphasized that settlement agreements are intended to achieve finality and avoid the expense and uncertainty of litigation. The Respondent argued that finality is particularly important in tax disputes where both the taxpayer and revenue authority must rely on negotiated outcomes.

81. The Respondent noted that each consent order expressly stated that it constituted "full and final settlement" of the respective TAT application. It argued that this clause reflected a deliberate agreement resolving all

claims, including interest, and that allowing the Applicants to reopen the issue would undermine the principle of finality and commercial certainty.

82. The Respondent further submitted that the Applicants' reliance on **Sections 19 and 20 of the Contracts Act** and the maxim *ex turpi causa non oritur actio* was misplaced because the doctrine of illegality applies only where the object or performance of a contract is itself unlawful.

83. According to the Respondent, the consent orders did not require any illegal act; they merely required payment of agreed sums which were subsequently paid. It argued that there is a distinction between agreeing to perform an unlawful act and compromising a legal claim on terms different from what a court might eventually award.

84. The Respondent also contended that the Applicants incorrectly treated Section 36 of the VAT Act as mandatory in a manner excluding party autonomy. It argued that Section 36 applies where refunds arise from administrative or judicial determination, whereas the present matters were resolved through negotiated settlement before any determination on merits.

85. Regarding ***AON (U) Ltd v Uganda Revenue Authority***, the Respondent submitted that although the decision correctly interpreted statutory interest under the VAT Act, it was distinguishable because the refunds in the present matters were not ordered after adjudication but arose from negotiated consent settlements.

86. Similarly, the Respondent argued that ***Tradeworth Uganda Ltd v Uganda Revenue Authority*** concerned interest awarded after a contested hearing and did not address the legality or effect of negotiated settlements. Applying its reasoning to consensual settlements, according to the Respondent, would amount to a misapplication of the case.

87. The Respondent further invoked **Article 26 of the Constitution**, arguing that having fully paid the agreed sums pursuant to Tribunal-endorsed consent orders, it had a legitimate expectation that the disputes were conclusively resolved. It contended that compelling payment of additional

sums beyond the settlement would unjustifiably interfere with its property rights.

88. The Respondent therefore urged the Tribunal to find that the interest clauses were lawful negotiated compromises, not contrary to statute or public policy, and to resolve Issue 2 in its favour in all seven applications.

Issue 3: Whether the Consent Orders Ought to be Set Aside

89. The Respondent submitted that the legal grounds for setting aside a consent order are limited and well established, namely fraud, misrepresentation, mutual mistake, or duress going to the root of the agreement.

90. Reliance was placed on ***Chanel Ltd v F.W. Woolworth & Co. Ltd [1981] 1 WLR 485***, where Buckley LJ held that courts should not lightly interfere with consent orders because doing so would undermine both finality in litigation and the freedom of parties to settle disputes.

91. The Respondent further relied on ***Kakoza Yasin v Kaweesa Nicholas (Misc. Application No. 888 of 2021 arising from Civil Suit No. 26 of 2014),*** where the High Court affirmed that consent orders have the same force and effect as judgments delivered after contested hearings and may only be varied or set aside in exceptional circumstances.

92. The Respondent submitted that none of the seven Applicants had discharged the burden of proving any recognised ground for setting aside the consent orders. According to the Respondent, the allegations of compulsion were unsupported by evidence, while the challenge to the interest clauses was legally unsustainable for the reasons already advanced.

(e) Finality of Consent Judgments

93. The Respondent submitted that consent judgments serve an important public purpose by bringing litigation to an end and promoting certainty, efficiency, and finality in dispute resolution. It argued that allowing parties to reopen settlements after execution and performance would undermine

the sanctity of consent judgments and erode confidence in Tribunal-assisted mediation and settlement processes.

94. Reliance was placed on the public policy principle of finality in litigation as articulated by Lord Diplock in ***Hunter v Chief Constable of West Midlands Police [1982] AC 529 (HL)***, where the court emphasized the need to prevent abuse of process through attempts to relitigate matters conclusively settled between parties.

95. The Respondent further contended that the Applicants, having accepted and retained the benefits of the settlement, are estopped from selectively challenging only the interest clause merely because they now believe they could have obtained a more favourable outcome through adjudication.

96. It was additionally submitted that the applications were not filed at the time the alleged duress was said to have occurred, but only after full payment of the agreed sums had been received and utilized.

97. According to the Respondent, a party genuinely acting under duress ordinarily seeks court intervention before or contemporaneously with submission to the pressure, rather than after accepting the benefits of the agreement. The Respondent argued that the delay indicated that the Applicants only later reconsidered the settlement after calculating that statutory interest might have yielded a larger recovery.

(f) Conclusion on Issue 1

98. The Respondent therefore submitted that the Applicants failed to establish any recognized ground for setting aside the Consent Settlement dated 23 December 2025. It maintained that the settlement constituted a lawful, valid, and binding compromise of all issues in dispute, including interest.

Issue 2: What Remedies Are Available to the Parties

99. The Respondent submitted that since no legal basis had been established for setting aside the consent settlement, the Applicants were not entitled to any of the remedies sought.

100. Accordingly, the Respondent prayed that all the applications be dismissed with costs and that the Consent Settlement dated 23 December 2025 be upheld in its entirety as valid, binding, and fully enforceable

Applicants' Submissions in Rejoinder (Confined to Respondent's Reply)

101. The Applicants reiterated their position but confined this rejoinder to the specific averments in the Respondent's reply which were not fully addressed in the main submissions.

Whether the Consent Orders Should be Set Aside to the Extent of Interest

102. In response to the Respondent's reliance on party autonomy and Tribunal endorsement, the Applicants submitted that the Respondent failed to engage with the legal effect of mandatory statutory provisions. Party autonomy cannot extend to variation of obligations imposed in peremptory terms by statute. It is trite that where a statutory provision is expressed in mandatory language, private agreement cannot derogate from it.

103. The Applicants submitted further that the Respondent's reliance on settlement finality and Tribunal endorsement does not cure illegality where the underlying term is inconsistent with statute. A consent order derives its validity from legality, not merely agreement of parties. Once illegality is apparent, the Tribunal is duty-bound to decline enforcement.

104. This position is consistent with the principle reaffirmed in **Makula International Ltd v Cardinal Nsubuga [1982] HCB 11(supra),** that courts cannot sanction illegality even where parties have consented. It is further supported by **ECO Swiss China Time Ltd v Benetton International NV (C-126/97),** where the European Court held that arbitral awards or settlements contrary to mandatory rules of law violate public policy and cannot be upheld.

Application of Section 36 VAT Act and Timing Argument

105. In response to the Respondent's contention that section 36 of the VAT Act applies only upon adjudicated outcomes, the Applicants submit that this interpretation is unsupported by the statutory text and purpose.

106. The Applicants argued that the Respondent's distinction between adjudicated and consent outcomes introduces a limitation not found in the statute. A consent order, once adopted by the Tribunal, is not a private compromise, but a judicial act with legal effect equivalent to a determination, thereby engaging the statutory regime governing VAT refunds and interest.

107. The Applicants asserted that the principle that consent orders assume judicial character upon endorsement is supported in **Brooke Bond Liebig (T) Ltd v Mallya [1975] EA 266,** which recognises that once adopted by court, a consent order attains the status of a judgment subject to legal compliance requirements.

Economic Duress

108. In reply to the Respondent's assertion that hard bargaining and settlement pressure do not amount to duress, the Applicants submitted that the issue is not negotiation strength but the alleged conditioning of payment of admitted principal sums on waiver of statutory entitlement.

109. The Applicants submitted that the Respondent's reliance on ordinary commercial negotiation fails to address the alleged use of withheld public funds as leverage. The law distinguishes between legitimate negotiation and illegitimate pressure that undermines free consent.

110. The Applicants relied on decisions in **Pao On v Lau Yiu Long [1980] AC 614,** the Privy Council set out that the court must consider whether pressure is illegitimate in nature and whether it vitiates genuine consent. Similarly, in Times **Travel (UK) Ltd v Pakistan International Airlines [2021] UKSC 40**, it was affirmed that lawful act duress may arise where pressure is exerted in bad faith or used to secure improper advantage.

111. The Applicants maintained that conditioning release of admitted statutory refunds on acceptance of non-statutory interest constitutes pressure that is legally capable of amounting to duress, particularly where one party is a public authority bound by statutory duties.

Finality and Conduct After Settlement

112. In response to the Respondent's reliance on finality and post-payment conduct, the Applicants submitted that acceptance of payment does not cure illegality nor validate consent obtained under duress. The Applicants added that finality cannot operate to shield agreements that are void or voidable ab initio for contravention of statute.

113. The principle that illegality overrides finality and procedural regularity is settled in **Makula International Ltd v Cardinal Nsubuga**, and remains binding authority that a court or tribunal cannot enforce an illegal arrangement regardless of subsequent performance.

Conclusion on Rejoinder

114. The Applicants therefore maintained that the Respondent's reply does not displace the central legal issue: that the impugned interest clause, to the extent it departs from section 36 of the VAT Act, is inconsistent with mandatory statutory provisions and contrary to public policy, and that the circumstances under which it was agreed are consistent with legally cognisable economic duress.

115. The Applicants accordingly prayed that the Tribunal sets aside the impugned interest clause and substitutes the statutory interest applicable under section 36 of the VAT Act.

VII. The Determination

116. The Tribunal has carefully considered the pleadings, affidavits, submissions of counsel, authorities relied upon by both parties, and the applicable law. This is the decision of the Tribunal.

117. The following issues arise for determination:

   i. Whether the Applicants have established grounds for review and partial setting aside of the Consent Orders dated 23rd December 2025.
   ii. What remedies are available to the parties.

Whether the Consent Settlement Orders dated 23 December 2025 should be set aside in respect of interest

Legal principles governing consent judgments

118. The Tribunal has considered the principles governing consent judgments. It is settled law that a consent judgment possesses a dual character. It is both a contract between the parties and an Order of the Tribunal. Consequently, and once adopted, it is ordinarily binding and enforceable and cannot be lightly interfered with.

119. A court or tribunal may only set aside a consent judgment upon proof of circumstances that would justify the setting aside of a contract, including fraud, illegality, duress, collusion, mistake, misrepresentation, or any other factor vitiating free consent.

120. This principle was stated in **Brooke Bond Liebig (T) Ltd v Mallya, Purcell v FC Trigell Ltd,** and reaffirmed by the Supreme Court in **Attorney General v James Mark Kamoga (SCCA No. 8 of 2004)**, where the Court adopted the position in *Seton on Judgments and Orders* that a consent order may only be interfered with were obtained by fraud, collusion, illegality, or where consent was given in ignorance or misapprehension of material facts.

121. The rationale for the principle is that consent judgments promote certainty, finality, and efficient resolution of disputes. Courts therefore ordinarily uphold settlements voluntarily negotiated by represented parties.

122. However, the sanctity of consent judgments is not absolute. it is equally settled law that no court or tribunal may sanction or enforce an illegality merely because it is contained in a consent order or agreements that offend statute or public policy.

123. In **Makula International Ltd v His Eminence Cardinal Nsubuga & Another [1982] HCB 11**, the Court emphatically held that "*once illegality is brought to the attention of the court, the court must not sanction or enforce the illegal act, irrespective of the parties' acquiescence or consent.*"

124. The Tribunal must therefore determine whether the Applicants have established recognised grounds warranting interference with the impugned Consent Settlement Orders and, if so, the extent of such interference with a consent judgment.

Whether Parties may contract out of the statutory interest Regime Under Section 36 of the VAT Act and the Legality of the impugned 6% Consent interest Clause

125. The principal issue for determination is whether parties may, through a consent settlement, contract out of the mandatory statutory interest regime prescribed under Section 36 of the Value Added Tax (VAT)Act and Section 31 of the Tax Appeals Tribunal (TAT)Act by agreeing to an alternative interest rate of 6% per annum, and whether such a consent clause can be upheld in law.

126. Closely related is whether a consent judgment adopted by the Tribunal can validate a term that is inconsistent with written law.

127. The Applicants contended that the consent terms providing for interest at 6% per annum contravened Section 36 of the VAT Act, which prescribes interest on VAT refunds arising from decisions of the Tribunal or court at the rate of 2% percent per month compounded.

128. They further argued that Section 31 of the Tax Appeals Tribunal Act reinforces this statutory obligation by requiring that refund interest be paid at the rate specified under the relevant tax law, and therefore the applicable rate is fixed by statute and not subject to negotiation.

129. Accordingly, the Applicants maintained that the 6% interest clause unlawfully displaced a mandatory statutory regime imposed by Parliament.

130. The Respondent submitted that the impugned interest rate formed part of a valid and binding consent settlement voluntarily negotiated between the

parties. The Respondent argued that parties are at liberty to compromise disputes, including issues of interest, and that the agreed 6% per annum represented a lawful resolution of the matter.

131. The Respondent further submitted that the consent judgment reflects party autonomy and should be upheld as a complete settlement of all claims, including interest

Statutory Framework

132. **Section 36(1) of the VAT Act provides as follows:**

"*Where the Commissioner General is required to refund an amount of tax to a person as a result of a decision of the Tax Appeals Tribunal or court, he or she shall pay interest at the rate of two percent per month compounded on the tax to be refunded.*"

133. **Section 36(5) further provides** that; "Notwithstanding sub-sections (1), (2) and (4), the **interest due and payable on overpayments and late refunds shall not exceed the principal tax."** and

134. **Schedule 6** prescribes computation of interest which provides that *"The rate of interest chargeable as penalty shall be 2% per annum compounded."*

135. The provision is couched in mandatory terms. The use of the word "shall" imposes a legal obligation arising automatically upon establishment of refund liability.

136. Section 31(2) of Tax Appeals Tribunal Act provides that:

"Where a decision maker is required to refund an amount of tax to a person as a result of a decision of a reviewing body, ***the tax shall be repaid with*** **interest at the rate specified in the relevant law on the amount of the refund** ***for the period commencing from the date the person paid the tax refunded and ending on the last day of the month in which the refund is made.***

137. Under Section 31(3) for purposes of this provision, the Tribunal is the reviewing body. This provision is significant in two respects:

(a) It confirms that refund interest is a statutory consequence of a judicial or quasi-judicial decision, not a matter of agreement; and

(b) It expressly ties the applicable rate to the "relevant law", thereby directing attention back to Section 36 of the VAT Act.

Whether Parties Can Contract Out of Section 36 VAT Act and Section 31 TAT Act

138. The Tribunal considers that Sections 36 of the VAT Act and 31 of the Tax Appeals Tribunal Act form part of an integrated statutory framework governing tax refunds and interest.

139. Section 31 establishes the entitlement framework, while Section 36 supplies the rate and computation mechanism. Read together, they create a complete statutory regime that operates automatically once a refund is ordered by a reviewing body.

140. The critical question is whether parties may, by consent, displace this statutory regime.

141. The Tribunal finds that where Parliament has fixed a statutory consequence in mandatory terms, that consequence cannot be altered by private agreement unless the statute expressly permits such variation.

142. Neither Section 31 nor Section 36 confers any discretion upon the parties, the Commissioner General, or the Tribunal to substitute an alternative negotiated interest rate.

143. The mandatory nature of the regime is underpinned by the statutory language employed by Parliament, **"shall"**, which denotes obligation by operation of law rather than choice. It is therefore not dependent on agreement between the parties, nor can it be varied by consent or private arrangement.

144. To permit contractual variation would amount to permitting parties to rewrite a fiscal statute, thereby undermining the supremacy of legislation in the regulation of public revenue.

Distinction Between Compromise and Statutory Obligation

145. The Tribunal accepts the general principle that parties may compromise disputes, including tax disputes, as part of settlement. However, a clear distinction must be drawn between: compromise of disputed facts or quantum, which is permissible; and alteration of statutory consequences imposed by law, which is impermissible.

146. Once a refund is lawfully established under Section 31, interest arises automatically under Section 36. That statutory obligation is not a matter for negotiation.

Effect of Waiver Provisions; Sections 47 and 40E of The Tax Procedure Code Act (TPCA) 343

147. The Tribunal has considered Sections 47 and 40E of the Tax Procedures Code Act, which provide express mechanisms for waiver or remission of interest and penalties in defined circumstances.

148. Although not directly applicable to Section 36 for refund of interest, these provisions are instructive to all principal taxes under the Act. They demonstrate that where Parliament intends interest obligations to be varied or waived, it does so expressly and within a structured statutory framework.

149. The absence of any comparable mechanism permitting variation of VAT refund interest under Section 36 reinforces the conclusion that such variation cannot be achieved through consent.

Authorities and Legal Principle

150. The Tribunal is guided by **AON Uganda Limited v Uganda Revenue Authority(supra)** and **Trade Worth Uganda Limited v Uganda Revenue Authority**(supra), which affirm that VAT refund interest is statutory, mandatory, compensatory, and accrues strictly in accordance with Section 36 once refund liability is established.

151. The rationale underlying these decisions is that the State ought not to unjustly retain money unlawfully collected from taxpayers without compensating them for the deprivation occasioned thereby. Parliament therefore enacted Section 36 to ensure reciprocity and fairness within the tax system. Just as taxpayers are mandatorily required to pay interest and penalty upon delayed remittance of taxes under **Section 39(3)** of the VAT Act, the Respondent is equally obligated to compensate taxpayers where money is wrongfully retained and later refunded

152. Further reliance is placed on **KM Enterprises Limited and Ors v Uganda Revenue Authority (HCT-00-cc-cs-0599-2001)** and the principle in **Maritime Electric Co Ltd v General Diaries Ltd (1937),** which underpin those statutory provisions cannot be overridden by agreement, estoppel, mistake or consent to alter, fetter or displace statutory tax obligations.

153. These authorities confirm the underlying rationale that tax law is a public law regime, and parties cannot by agreement defeat mandatory fiscal provisions enacted by Parliament.

Effect of Consent Judgment

154. The Respondent submitted that the consent judgment should be upheld as a complete and final settlement of the dispute, including interest.

155. While the Tribunal accepts that settlements are encouraged. However, that freedom is not unlimited. it is equally settled that consent cannot validate illegality.

156. **Sections 19 and 20 of the Contracts Act, Cap 284** provide those agreements whose object or consideration defeats written law are void to the extent of inconsistency.

157. Accordingly, where a consent term contradicts a statutory provision, it is unenforceable notwithstanding judicial adoption.

Section 27 Section 27 of the TAT Act and jurisdictional control

158. Section 27 permits parties to enter into consent settlements and empowers the Tribunal to adopt them as orders of the Tribunal.

159. However, this power is not automatic. It is subject to an implied jurisdictional duty: the Tribunal must be satisfied that the consent terms are lawful and within statutory competence.

160. A consent judgment does not enlarge jurisdiction nor validate an otherwise unlawful term. Judicial endorsement cannot cure statutory illegality.

161. Accordingly, even where a consent is recorded as a consent judgement , the Tribunal retains the duty to disapply any term inconsistent with mandatory statutory provisions.

Constitutional Mandate and Structural Context

162. Section 36 of the VAT Act and Section 31 of the Tax Appeals Tribunal Act derive their legitimacy from Article 152(1) of the Constitution, which provides the constitutional foundation for taxation in Uganda. All tax obligations, including refund mechanisms and interest consequences, must therefore be grounded in legislation and not private agreement.

163. The Respondent, Uganda Revenue Authority, as the statutory body charged with tax administration, is bound to act strictly within the law and cannot, even by consent, deviate from statutory prescriptions.

164. The Tribunal finds that, this would be inconsistent with Article 152(1) if taxpayers were strictly bound by statutory obligations while the State could negotiate away its own mandatory fiscal duties.

165. Permitting contractual deviation from Section 36 regime would undermine legislative uniformity, distort fiscal governance, and defeat the protective purpose of Parliament's prescribed refund

166. This position is consistent with the reasoning in **KM Enterprises Limited and Ors v URA (supra)** where the court held that, "*The authority of the Uganda Revenue Authority is to administer certain tax laws, collecting the tax due. The Uganda Revenue Authority cannot, in breach of duties imposed by statute, agree to collect less tax than due from any particular taxpayer. Such an agreement as the one in question would simply be void. Neither officials of the Defendant(URA), nor taxpayers such as the Plaintiffs, or their combined agreement, can substitute the statutory scheme for levying, collection, and*

payment of taxes due by agreement between themselves without first complying with the law in the first place, which determines what tax is to be levied, collected, and paid. To determine the actual tax liability of the Plaintiffs, recourse must be ***made to the relevant law and not to a compact between the parties."***

Conclusion

167. The Tribunal finds that Sections 31 of the Tax Appeals Tribunal Act and 36 of the VAT Act establish a mandatory, integrated, and self-executing statutory regime governing VAT refund interest.

168. Once a refund is ordered, interest accrues automatically at the statutory rate prescribed by law and hence, parties cannot, by consent or agreement, contract out of this statutory regime or substitute a different interest rate.

169. Accordingly, the impugned clause providing interest at 6% per annum is inconsistent with Sections 31 and 36 of the applicable tax statutes, contrary to public law principles, and is therefore unenforceable.

Effect of the Respondent's conduct from inception of the dispute and its relevance to legality and consent

170. The Tribunal considers the Respondent's conduct from the inception of the dispute to be relevant in context in assessing the legality and enforceability of the impugned settlement.

171. It is not disputed that the dispute arose from VAT amounts which were subsequently acknowledged, including through engagement with the Office of the Attorney General and related institutional processes, to have been unlawfully collected. This position was reflected in earlier memoranda of understanding between the parties, demonstrating administrative acknowledgment of liability.

172. Despite this, the Respondent did not promptly effect refund of the principal sums, necessitating proceedings before this Tribunal. The Applicants therefore approached the Tribunal not to establish liability in principle, but to enforce an acknowledged obligation that had not been discharged.

173. The Tribunal further observes that it was only during several conferencing and hearing proceedings of the main applications that the Respondent

proposed settlement. The mediation occurred within active proceedings where liability for principal VAT was no longer seriously in dispute. However, even within that framework, the Respondent proposed an interest arrangement that departed from the statutory regime under Section 36. The Tribunal emphasises that while mediation encourages compromise, it cannot validate terms that contradict mandatory statutory provisions.

174. The Tribunal further finds that the Respondent, as the statutory authority charged with enforcing tax laws, occupies a unique institutional position. Its conduct from acknowledgment of liability to delayed restitution, to conditional settlement terms must be assessed in light of its public mandate. Viewed cumulatively, this conduct created a context in which access to admitted refunds was practically linked to acceptance of non-statutory interest terms.

175. While this does not, on its own, amount to duress in the strict legal sense, it is highly relevant in reinforcing the Tribunal's conclusion that statutory obligations cannot be displaced by consent, particularly where one party holds statutory control over payment of admitted sums.

Whether the Applicants proved economic duress

176. The Applicants further contended that they accepted the impugned interest terms under economic duress. They alleged that the Respondent insisted that unless they accepted interest at 6% per annum, no payment would be made at all, thereby leaving them with no practical alternative but to sign the Consent Orders.

177. The Respondent denied those allegations and argued that the settlement resulted from Tribunal-guided mediation conducted between legally represented parties.

178. The law regarding economic duress requires proof of three essential elements:

a) illegitimate pressure;
b) inducement of the agreement by that pressure; and
c) absence of a practical alternative available to the complaining party.

179. The burden lies upon the party alleging duress to establish those elements by cogent evidence.

180. The Tribunal accepts the Respondent's submission that mere hard bargaining or a "take-it-or-leave-it" negotiating position does not automatically amount to economic duress. Commercial pressure is a common feature of settlement negotiations and does not necessarily vitiate consent.

181. The Tribunal further accepts that the Applicants were represented by counsel throughout the negotiations and execution of the Consent Orders. Representation by counsel is an important consideration because it ordinarily demonstrates that parties had the benefit of independent legal advice before compromising their claims.

182. The Tribunal also notes that the Consent Orders were endorsed before the Registrar without contemporaneous protest or complaint regarding coercion. Ordinarily, those circumstances would strongly militate against a finding of duress.

183. However, the Tribunal cannot consider the issue of duress in isolation from the broader factual context of the dispute. By the time of settlement negotiations, the Respondent had already acknowledged that the VAT had been wrongfully collected and refundable. The Applicants were therefore negotiating for release of monies already admitted to be due to them.

184. The Tribunal further notes that the Respondent is not an ordinary commercial litigant. It is the statutory authority entrusted with administration and enforcement of tax laws and fully aware of the mandatory interest regime prescribed under Section 36 of the VAT Act.

185. In those circumstances, insisting that the Applicants either accept a substantially reduced interest regime or risk non-payment of admitted refunds created significant economic pressure upon the Applicants. The pressure arose not merely from ordinary commercial bargaining but from the Respondent's control over release of admittedly refundable tax sums.

186. The Tribunal accepts that the Applicants technically retained the option of rejecting the settlement and proceeding to full hearing. However, the existence of a theoretical legal alternative does not automatically negate economic pressure where the surrounding circumstances demonstrate substantial inequality of bargaining power and immediate financial vulnerability.

187. The Tribunal finds that the Applicants accepted the impugned interest terms principally to secure immediate release of the principal VAT sums admittedly due to them. The surrounding circumstances demonstrate that the consent regarding interest was not negotiated on an equal footing.

188. Nevertheless, the Tribunal is not persuaded that the pressure exerted invalidated the entirety of the Consent Orders. The Applicants voluntarily accepted and received the principal VAT refunds, and there is no allegation that the principal refund itself was unlawful. The vice identified by the Tribunal relates specifically to the clauses concerning interest.

189. The Tribunal therefore finds that while the evidence of economic duress may not independently suffice to nullify the entire settlement, it materially reinforces the conclusion that the impugned interest clauses were inconsistent with the statutory framework under Section 36 of the VAT Act and were not products of a genuinely free and lawful compromise.

Severability of the Consent Orders

190. The doctrine of severability permits a court or tribunal, where an agreement, contains both lawful and unlawful clauses, to excise the offending portion while preserving the remainder, provided that the valid and invalid parts are not so interdependent as to render the whole agreement or an Order incapable of independent operation.

191. The underlying rationale is that courts should, where possible, give effect to the lawful intentions of the parties rather than defeat an entire agreement merely because one component is unlawful. The test is whether the contract or consent order remains coherent, executable, and meaningful after removal of the impugned term.

192. In determining severability, the Tribunal considers whether:

i. the lawful obligations are complete and capable of standing independently;
ii. the unlawful term is subsidiary or ancillary rather than central to the settlement; and
iii. excision of the unlawful term alters the commercial or legal substance of the agreement as a whole.

193. Applying these principles, in the present case, the Consent Settlement Orders contained two distinct components: the refund of principal VAT, and the payment of interest. The principal refund obligation is a concluded and executed liability, whereas the interest component constitutes a distinct and separately computed obligation.

194. The Tribunal further observes that the computation of interest does not affect the existence, validity, or quantum of the principal VAT refund, nor does it alter the parties' agreement on repayment of the principal tax. The two obligations are therefore structurally and legally separable.

195. The Tribunal accordingly finds that the interest clause is capable of independent assessment and removal without impairing the operation of the remaining settlement terms.

Whether the entire Consent Orders should be set aside

196. Having found that the impugned interest clauses contravened Section 36 of the VAT Act, the Tribunal must determine whether the illegality affects the entirety of the Consent Orders or only the offending provisions.

197. The law is settled that where an unlawful provision is severable from the lawful portions of an agreement, a court or tribunal may excise the offending provision while preserving the remainder of the transaction.

198. In the present matter, the provisions relating to refund of the principal VAT sums are distinct from the provisions relating to interest. The principal tax liability was acknowledged, lawfully refunded, and has since been fully

discharged. The Tribunal further notes that part of the interest was paid pursuant to the impugned settlement.

199. The illegality identified by the Tribunal concerns only the clauses substituting the statutory interest prescribed under Section 36 of the VAT Act with interest at 6% per annum. Those clauses are clearly severable and may be set aside without disturbing the remainder of the settlement.

200. Accordingly, the Tribunal finds that the Consent Settlement Orders remain valid and fully discharged in respect of the principal VAT refunds, but are unenforceable to the extent that they provide for interest contrary to Section 36 of the VAT Act. Sufficient grounds have therefore been established for partial setting aside of the Consent Settlement Orders dated 23rd December 2025 solely in relation to the computation and rate of interest.

Issue Two. What remedies are available to the parties

201. Having found that the clauses relating to interest contravened Section 36 of the VAT Act, the appropriate remedy is to set aside those clauses and substitute them with the statutory interest payable under Section 36(1) and (5) of the VAT Act, subject to the statutory cap.

202. The Tribunal declines to award post-judgment interest at 25% per annum as prayed by the Applicants. The statutory interest regime under Section 36 sufficiently compensates the Applicants in the circumstances of this matter.

203. As regards costs, the Tribunal notes that the Applications arose from a settlement process in which both parties participated. Since the Applicants have succeeded only partially, the interests of justice are best served by ordering each party to bear its own costs.

Sanctity of consent settlements

204. The Tribunal emphasises that this decision should not be interpreted as undermining the sanctity of consent settlements. Consent judgments remain a cornerstone of dispute resolution and are ordinarily binding and enforceable.

205. However, consent orders cannot operate to displace mandatory statutory provisions or alter legislated tax consequences. The Tribunal will only interfere in exceptional circumstances where clear statutory illegality jurisdictional defect, or contravention of mandatory statutory provisions has been established. This case is confined to such an exception for preservation of the statutory integrity of Section 36 of the VAT Act.

Conclusion

206. In the result, the Tribunal finds that the Applicants have established sufficient grounds for partial setting aside of the Consent Settlement Orders dated 23rd December 2025 only to the extent that they relate to the interest clause.

207. The clause providing for interest at 6% per annum is substituted with statutory interest prescribed under Section 36 of the VAT Act, to be computed in accordance with Schedule 6 thereto.

208. In computing the amount payable, the Respondent shall give credit for any interest already paid pursuant to the Consent Settlement, and only the outstanding balance, if any, shall be payable to the Applicants.

Orders

209. Accordingly, the Tribunal makes the following orders:

i. The Applications succeed in part.

ii. The portions of the Consent Settlement Orders dated 23rd December 2025 relating to the computation and rate of interest are hereby set aside.

iii. The Respondent shall pay the Applicant's interest in accordance with Section 36(1) and (5) of the VAT Act, namely interest at the rate of 2% per month compounded on the refunded VAT amounts, calculated from the date the tax was paid until the last day of the month in which the refund was made, subject to the statutory cap.

iv. In calculating the amount payable under Order (3), credit shall be given for all interest already paid by the Respondent pursuant to the Consent settlement, and only any resulting shortfall be payable to the Applicants.

v. Save for the variation relating to interest, the remainder of the Consent Orders shall remain valid, binding, and fully discharged.

vi. Each party shall bear its own costs.

It is so ordered.

Dated at Kampala this 29th day of May 2026.

HON. GRACE SAFI
MEMBER

HON. WILLY NANGOSYAH
MEMBER

THE REPUBLIC OF UGANDA

IN THE TAX APPEALS TRIBUNAL AT KAMPALA

MISCELLANEOUS APPLICATIONS NO. 18,19,20,21,22,26 and 27 OF 2026

(Arising from TAT. App No.352,346,345,351,353,354 of 2024 & 121 of 2025)

1. **DAVID NATWETA (352)**
2. **GOTOVATE UGANDA LIMITED (346)**
3. **NASSOLO INVESTMENTS U LTD (345)**
4. **KITAGATI TRADERS LIMITED (351)**
5. **RICE CENTERS UGANDA LTD (353)**
6. **ZIMU CONSTRUCTION COMPANY (354)**
7. **ARMOUR TRADING COMPANY LTD (121) ....APPLICANTS**

VERSUS

UGANDA REVENUE AUTHORITY.. ...RESPONDENT

BEFORE: HON. CRYSTAL KABAJWARA, HON. GRACE SAFI, HON. WILLY NANGOSYAH

RULING

1. I have read my colleagues' decision, and I wish to dissent as follows:

2. A court or tribunal may set aside a consent judgment only upon proof of circumstances that would justify setting aside a contract, such as fraud, illegality, duress, collusion, mistake, misrepresentation, or any other factor vitiating free consent. This principle was stated in ***Brooke Bond Liebig (T) Ltd v Mallya, Purcell v FC Trigell Ltd, and reaffirmed by the Supreme Court in Attorney General v James Mark Kamoga (SCCA No. 8 of 2004)***, where the Court stated that a consent order may only be interfered with were obtained by fraud, collusion, illegality, or where consent was given in ignorance or misapprehension of material facts.

3. The Applicants contend that the interest rate of 6% per annum as provided for in the consent terms contravenes Section 36 of the VAT Act, which requires the Respondent to pay interest at a rate of 2% per month compounded on VAT refunds, where the refund is pursuant to an order of this Tribunal or a court. The Respondent maintains that the 6% interest rate was part of a valid and binding consent settlement voluntarily entered into by the parties during settlement negotiations, and that the parties are generally free to compromise all aspects of a dispute, including interest.

4. While the statute does not confer discretion upon the Commissioner General as to whether interest should be paid or at what rate, the parties entered into negotiations as part of efforts to reach a settlement. Parties are free to compromise statutory claims and settle disputes on mutually acceptable terms, including claims relating to interest. This forms the bedrock of alternative dispute resolution approaches such as negotiation and mediation in civil matters and plea bargains in criminal matters.

5. The 6% interest rate that is at the centre of this dispute was an offer that the Respondent made to the Applicant. The Applicant agreed to the offer when they appended their signature to the consent agreement. The ***Black's Law Dictionary, 10th Edition, at page 1582***, defines a settlement offer to mean:

> *"An offer by one party to settle a dispute amicably (usu. by paying money) to avoid or end a lawsuit or other legal action."*

6. Such settlements are based on concessions from both sides, in which rights and entitlements are given up or surrendered in the interest of reaching an agreement. Consent settlements pursuant to alternative forms of dispute resolution are critical for a functional judicial system, acting as essential valves. They convert voluntary agreements into enforceable court orders, they reduce case backlogs, reduce litigation costs, and empower parties with mutually satisfactory, binding resolutions. A court will interfere with a settlement only if the parties adduce evidence that vitiates their consent.

7. In the present case, the Applicants, by agreeing to 6% simple interest, gave up their rights to a more generous interest rate in exchange for prompt payment. All the Applicants appended their signatures to the consent settlement agreements. They had full knowledge of the provisions of Section 36 of the VAT Act. There is nothing illegal for a taxpayer to concede or waive statutory interest during settlement negotiations with a tax authority, provided the concession is made as part of a legitimate, mutually agreed-upon compromise.

8. It's noteworthy that the Applicants voluntarily filed the consent settlement agreements in December 2024, tendering them to the Tribunal for endorsement. This proactive step indicates that the Applicants were not coerced into reaching a settlement. They had the option to decline to sign the agreement or to withhold it from the Tribunal, yet they chose to proceed. Their change of heart post-factum appears to be a case of buyer's remorse.

9. The Applicant's conduct can be seen as an afterthought, and condoning it would undermine the integrity of alternative dispute resolution processes and risk bringing the process into disrepute.

10. The Applicants further contended that they accepted the impugned terms of interest under economic duress. They alleged that the Respondent insisted that unless they accepted interest at 6% per annum, no payment would be made, thereby leaving them with no practical alternative but to sign the consent orders. The Respondent denied those allegations and argued that the settlement resulted from Tribunal-guided mediation conducted between legally represented parties.

11. The law regarding economic duress requires proof of three essential elements:
    (i) illegitimate pressure;
    (ii) inducement of the agreement by that pressure; and
    (iii) absence of a practical alternative available to the complaining party.

12. A party alleging duress must present evidence of duress or illegitimate pressure. Other than the allegations of duress, the Applicants did not present evidence of illegitimate pressure. Furthermore, as already mentioned, the Applicants had a practical alternative – they could have declined to sign the consent and opted to refer the matter to the Tribunal for determination. They did not have to take the additional step of walking, riding, or driving to the Tribunal (depending on their means of transport) to file the contested consents. It appears that the Applicants, all 7 of them, were in a hurry for a quick payout and made compromises they later regretted. Allowing for a change of heart with the benefit of hindsight would open up the floodgates of litigation that the very system of ADR is meant to prevent.

13. I agree with the Respondent's submission that commercial pressure is a common feature of settlement negotiations and does not necessarily vitiate consent. Furthermore, the Applicants were adequately represented by counsel who are well-versed in such matters. Therefore, I find no evidence of economic duress sufficient to nullify the settlement.

14. Consequently, for the above reasons, I would have dismissed the application in its entirety.

Dated at Kampala this......29......day of......May..................2026.

HON. CRYSTAL KABAJWARA
CHAIRPERSON