



**THE REPUBLIC OF UGANDA.**

**IN THE TAX APPEALS TRIBUNAL AT KAMPALA**

**TAT APPLICATION NO. 10 OF 2024**

**SCOVIA GATETE SANYU..... APPLICANT**

**VERSUS**

**UGANDA REVENUE AUTHORITY..... RESPONDENT**

**BEFORE: HON. CRYSTAL KABAJWARA, MR. SIRAJ ALI,  
MS. CHRISTINE KATWE**

**RULING**

**I. Introduction**

1. This ruling concerns a claim for input VAT of Shs. 171,868,138, which the Respondent rejected on the ground that it could not verify the input tax against the third-party VAT declarations.

**II. Background facts**

2. This application is supported by an affidavit deponed by Mr Kyambadde Andrew Mukasa, a tax and legal representative of the Applicant, sworn on 17 September, 2025, stating as follows:
  - (i) The Applicant owns commercial properties situated in downtown Kampala from which she derives rental income.
  - (ii) The Respondent conducted a review of the Applicant's tax affairs and issued an additional assessment of Shs. 217,419,850.
  - (iii) On 6 September 2023, the Applicant duly objected to the said additional assessment on the basis that the Respondent had failed to take into

account the Applicant's valid input tax credits, which were duly supported.

- (iv) Upon further review, the Respondent completely disallowed the Applicant's objections, maintained the tax payable at Shs. 217,419,850 and alleged, without justification, that the Applicant did not provide supporting documentation.
- (v) Upon filing this application, the matter proceeded for TAT-guided mediation where both parties sought to reconcile the issues in question.
- (vi) At the first reconciliation meeting, the Respondent informed that Applicant that it had verified the Applicant's claimed input tax using URA systems such as E-Hub, E-Tax, and third-party information and that they had confirmed that the Applicant had legitimately incurred and declared VAT input of Shs.171,611,826 as per the URA systems and third-party information.
- (vii) However, in an abrupt and inconsistent turn, the Respondent departed from reliance on their own tax systems and instead purported to use only the Applicant's physical records, resulting in a drastically reduced verified input tax of Shs. 89,963,395, as some records had not been considered.
- (viii) It is reasonable, just and fair that if the Respondent received Output VAT of Shs. 171,611,826 as verified on the E-tax system, the Applicant should also be entitled to the corresponding input VAT credits as provided by the law.
- (ix) Further, on 4 March 2025, the Respondent conducted an inspection visit of the Applicant's buildings to ascertain whether the water and electricity meters were indeed under the Applicant's name.
- (x) Following the visit, the Respondent unreasonably informed the Applicant that it had disallowed the input on water and electricity utilities on the basis that it could not verify that the Applicant, and not her tenants, paid for the utilities.
- (xi) The Applicant informed the Respondent that it provided proof of payment for the water and utility bills. However, the Respondent ignored the evidence showing that the Applicant's tenants pay rent, while the Applicant, as landlord, directly pays for utilities to UMEME and NWSC.

- (xii) The Applicant conducts her business that way because when utility bills are left to the tenants to pay, they sometimes do not pay or delay paying, which leads to disconnections and disruptions to other tenants in the building.
- (xiii) In a subsequent meeting on 7 May 2025, the Respondent subjectively allowed only Shs.45,500,000 of input VAT as creditable while stating that the balance would only be resolved by this Honourable Tribunal.
- (xiv) The parties thereafter entered into a partial consent, wherein they agreed that the additional VAT assessment for July 2017 - June 2022 be revised from Shs. 217,405,451 to Shs. 171,868,138, and that the revised VAT assessment of Shs. 171,868,138 should be referred to the Tribunal for determination on its merits.
- (xv) Therefore, the remaining dispute before this Tribunal concerns denied input VAT credits, particularly utilities, that were incurred correctly and paid for by the Applicant in the ordinary course of running her rental business.
- (xvi) That the Respondent erred in denying input VAT credit to the Applicant as they are wholly and exclusively incurred for purposes of the rental business, leading to an inflated and unlawful tax liability contrary to the provisions of the Value Added Tax Act.
- (xvii) The Applicant has discharged the burden of proof under the Tax Procedures Code Act by producing documentary evidence, yet the Respondent has acted unreasonably in disregarding such evidence.
- (xviii) It is therefore just and equitable that this Honourable Tribunal sets aside the disputed portion of the assessment of Shs. 171,868,138 and recognises the Applicant's entitlement to VAT input tax credits as supported.
- (xix) The Respondent did not file an affidavit in reply.

### **III. Representation**

3. Mr Andrew Kyambadde, Mr Trevor Ntege and Ms Connie Buganzi Treasure represented the Applicant, while Ms Christine Mpumwire and Mr Kenan Aruho represented the Respondent.

#### IV. Issues for Determination

4. The issue for determination is whether the Applicant is liable to pay the tax assessed.

#### V. Submissions of the Applicant

5. The Applicant submitted that the key question for determination is whether the Respondent is legally justified in rejecting the Applicant's claims for input tax on the basis that it could not verify the input tax against third-party declarations, notwithstanding that the Applicant furnished sufficient documentation in support of the claims. The Applicant submitted that it is necessary to set out the sequence of events that led to the disputed tax adjustment during TAT-guided mediation.
6. The Applicant quoted **Rule 18(2) of the Judicature (Mediation) Rules, 2013** which infers that;

*"The confidentiality of mediation does not override the legal obligation to disclose information in court (Tribunal) when such disclosure is necessary for the fair and proper determination of the proceedings."*

7. During the reconciliation exercise held on 27 August 2025, the Respondent confirmed, through its own systems, including E-Hub and E-Tax, and third-party data, that the Applicant had legitimately incurred and declared input VAT amounting to Shs. 171,611,826. This confirmation was formally recorded in the reconciliation minutes and on 8 November 2024, the Respondent, by email, forwarded to the Applicant its verification of the input tax, particularly in respect of utilities paid to UMEME and NWSC, and requested the Applicant to review the same.
8. This correspondence included the various verified batches and amounts for utilities, which the Respondent had itself confirmed as creditable. By issuing this communication, the Respondent effectively acknowledged that the Applicant had legitimately incurred the utility expenses and that such expenditures were properly claimable as input VAT under the law. Having verified and admitted these claims through its own systems and correspondence, it was inconsistent, unreasonable, and unfair for the

Respondent to subsequently depart from its earlier position and disallow what it had already validated.

9. The Applicant argued that the Respondent subsequently disregarded the verification obtained from its own systems and instead insisted on relying solely on the Applicant's physical records, thereby reducing the verified input VAT to Shs. 89,963,395. The Respondent also undertook an inspection of the Applicant's premises on 4 March 2025, and the stated purpose of this visit was to establish whether the electricity and water utility accounts were indeed in the Applicant's name. The account meters were found in the name of the Applicant or the Previous owners, Mr Godfrey Mbirizi, because the transfer had not yet been implemented, but proof of purchase was provided to the Respondent.
10. Following the inspection, the Respondent concluded that the Applicant was not entitled to claim input VAT on electricity and water bills, as it could not verify whether the Applicant or her tenants paid the utilities. This conclusion was reached notwithstanding that the Applicant had presented bank statements, electricity and water account statements evidencing payments made directly to UMEME and the NWSC.
11. The Applicant also submitted that she furnished the Respondent with sample tenancy agreements and property ownership documents, all of which confirmed that the Applicant, as landlord, was commercially responsible for the utilities. The Applicant further explained that the decision to settle utility bills directly is a deliberate business practice, designed to avoid the frequent defaults and delays that arise when tenants are left to make payments individually, which often result in disconnections and consequent disruption to the business operations of all tenants in the buildings.

#### **VAT**

12. The Applicant cited **Section 28 of the Value Added Tax Act (VAT Act), Cap. 344**, which states that;

*"A registered taxpayer is entitled to claim credit for input tax incurred on goods and services acquired for the purpose of making taxable supplies provided there is proof of purchase and payment"*

13. The Applicant contended that the law recognises that the key requirement for claiming input VAT is that the taxpayer has actually incurred the expense and can substantiate it. In the present case, the Applicant has fully complied with these statutory requirements by producing invoices, bank statements, tenancy agreements, and title documentation, all of which confirm that the claimed input VAT was incurred for business purposes. The Respondent's insistence on requiring third-party declarations as a precondition for granting input VAT credits has no support in the VAT Act. The law does not impose a duty on the taxpayer to ensure that suppliers or third parties have filed accurate or timely declarations with the Respondent. Once the taxpayer has furnished sufficient and credible evidence to substantiate the claim, the burden shifts to the Commissioner to independently verify that evidence.
14. The Applicant relied on the principle in the case of **Target Well Control Uganda Ltd V Commissioner General URA, HCCS No. 751 of 2015**, where the Hon. Justice David Wangutusi ruled that;
- "Where a taxpayer provides sufficient documentation to support tax claims, the Commissioner cannot reject the claims on the basis of unverifiable third-party information alone".*
15. Furthermore, the Tribunal has consistently applied the same principle in the matters of **Red Concepts Limited V URA, TAT Application No. 36 of 2018** and **Leds Uganda Limited V URA, TAT Application No. 3 of 2018**, where it was emphasised:
- "The duty to verify third-party declarations rests with the Respondent, provided the taxpayer facilitates the verification process with accurate and complete information."*
16. The Applicant further argued that she went beyond merely providing documentary evidence and even facilitated an on-site inspection of the premises, submitted utility account statements and tenancy agreements, and produced bank statements showing direct payments to UMEME and the NWSC. These documents conclusively demonstrate that the Applicant bore the economic burden of utility costs. The fact that some utility accounts were still in the names of previous property owners due to administrative delays in

transferring the accounts does not negate the reality that the Applicant paid the bills. Furthermore, the tribunal must note that the law recognises “the substance over form principle” and focuses on the actual economic expense rather than the nominal account holder when it comes to payments on utilities vis-à-vis claims for VAT input.

17. The Applicant also relied on the **Premier Recruitment Limited V URA Application No. 73 of 2023**, where the Tribunal ruled:

*“Uganda Revenue Authority has no basis and should not reject claims for the input tax claims on the basis that it could only verify the input tax against third-party declarations”*

18. The Applicant prayed that the tax liability of Shs.171,868,138 be set aside and that this Honourable Tribunal recognises and upholds the Applicant's entitlement to input VAT as supported by the documentary evidence on record and verifiable by the Respondent.

#### VI. Submissions of the Respondent

19. The Respondent submitted that the term input tax is defined under Section 1 of the VAT Act Cap 344, as follows:

*“input tax” means the tax paid or payable in respect of a taxable supply to or an import of goods or services by a taxable person.*

20. In **Margaret Rwaaheru Akiiki & 13945 Others Vs URA, Civil Suit No. 117 of 2013**, the court elaborated on the meaning of input tax, stating that it is:

*“...a cost to the importer or taxable person that generates a credit in favour of the taxable person...”.*

21. A taxable person is entitled to claim input tax as provided under **S. 34 (1) of the VAT Act**, which states:

*“If, for any tax period, a taxable person's input tax credit exceeds his or her liability for tax for that period, the Commissioner General shall refund him or her the excess.”*

22. Additionally, **Section 18 (1) of the VAT Act** defines a taxable supply as:

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

23. **S. 18 (2) of the VAT Act** further provides:

*"a supply is made as part of a person's business activities if the supply is made by him or her as part of, or incidental to, any independent economic activity he or she conducts, whatever the purposes or results of that activity".*

24. The Respondent argued that input tax is claimable by way of refund by the taxable person who made the taxable supply and subsequently declares the same to the Respondent. In the case of **Manilla North Tollways Corporation Vs. Commissioner of Internal Revenue C.T.A EB No. 812 of 2012**, the court held:

*"Tax refunds are in the nature of tax exemptions and are to be construed in strictissimi juris against the entity claiming the same; the law does not look with favour on tax exemptions; and he who claims an exemption must be able to point the provision of the law creating the said right and justify it by words too plain to be mistaken and too categorical to be misinterpreted."*

25. This holding implies that the burden of proving entitlement to a tax credit lies squarely with the Applicant. Section 28(1) of the Value Added Tax Act Cap 344 provides that;

*"A credit is allowed to the taxable person for the tax payable in respect of-*  
a) *All taxable supplies made to that person during the tax period;*  
b) *All imports of goods made by that person or imports of services made by the contractor, licensee, or a person providing business process outsourcing services during the tax period. If the supply or import is for use in the business of the taxable person."*

26. **Section 28(7) of the VAT Act Cap 344**, clarifies the meaning of *use in the business*, and provides:

*"For the purposes of subsection (1), (2), or (3) "business use" or "use in the business" applies only to the related business, generating a taxable supply".*

27. The Respondent submitted that it is a well-established principle in the interpretation of tax statutes; one must look at the plain language of the Act without reading into it any assumptions or *implications*. This means that the courts must adhere to the clear and precise language of the tax statute, without inferring or adding meaning that is not explicitly stated (***National Social Security Fund Vs Uganda Revenue Authority HCCA No. 29 Of 2020***).
28. Applying the literal rule to Section 28(1) and (7) of the VAT Act, it is evident that the language of *the* provisions is straightforward and unambiguous. Section 28(1) provides that a credit is allowed to a taxable person for tax payable in respect of all taxable supplies made to that person during the tax period, provided the supply is for use in the business of the taxable person. Section 28(7) further limits "use in business" to activities directly linked to generating taxable supplies.
29. In *the* case of ***Enviroserv (U) Limited v URA TAT Application 24 of 2017***, this Honourable Tribunal held:
- "For the applicant to be entitled to the input tax credit under Section 28(1) of the VAT Act (as it was then), the Applicant has to prove the following; (i) The Applicant is a taxable person (ii) Taxable supplies have been made to the Applicant during the tax period (iii) The taxable supplies were for use in the business of the Applicant"*.
30. The *Respondent* submitted that the Applicant has failed to meet these requirements and is therefore not entitled to the claimed input tax credit. In the present case, there is no dispute regarding the Applicant's status as a taxable person.
31. The Applicant was registered for VAT on 1 August 2022 for its commercial properties, ABC, Spare World Korana, and Savannah. This registration confirms that the Applicant is a taxable person under Section 6 of the VAT Act.
32. The Respondent cited Section 18 of the VAT Act, which defines a taxable supply to mean a supply of goods or services, other than an exempt supply, made in Uganda by a taxable person for consideration as part of his or her

business activities. In ***Quickway Property Services v Uganda Revenue Authority TAT Application No. 105 of 2021***, the Tribunal held:

*"For the Applicant to succeed in proving that taxable supplies were made to it, it must present its invoices and demonstrate that payments corresponding to those invoices were made".*

33. The Respondent contended that the disputed supplies were not made to the Applicant, but rather to the Applicant's tenants, for supplies that were unconnected to the Applicant (not used for the Applicant's business), but for the respective Tenants' businesses/activities. The Applicant refused to support the claimed expenses and the Respondent disallowed the expenses and upheld the assessments. During TAT-guided mediation, the Applicant provided the necessary supporting documentation, to wit: bank statements, expense receipts, and tenancy agreements, which the Respondent verified and entered the tax of Shs. 45,537,313 arising from expenses incurred for repairs, security, and other items was verified.
34. The parties entered into a partial consent, under which the Administrative additional VAT assessment for the period from July 2017 to June 2022 was revised from Shs. 217,405,451 to Shs. 171,868,138.
35. The Respondent also argued that part of the Applicant's E-tax submissions were not supported with documents in her names but the Respondent upon review resolved to allow part of the input tax pursuant to Section 28 (12) of the VAT Act which empowers the Commissioner General to allow an input tax credit in the tax period in which the credit arises where the Commissioner General is satisfied that:
  - a) the taxable person took all reasonable steps to acquire a tax invoice;
  - b) the failure to acquire a tax invoice was not the fault of the taxable person;
  - c) the amount of input tax claimed by the taxable person is correct.
36. Furthermore, in addition to the allowed input, the Applicant also claimed utility bills borne by tenants who consume the services, and all the receipts provided in support of this claim were not in her name but in the respective

tenants'/consumers' names. The Applicant failed to prove that the claimed water and electricity bills were incurred exclusively and wholly for her rental business, as required by law. The provided bills were not in the Applicant's name. The Applicant also provided bank statements, which did not sufficiently demonstrate the nexus between the payments and the Applicant's taxable supplies since the meters, electricity, and water accounts were not in the Applicant's name. The Respondent could not verify that utility bills that are ordinarily borne by tenants/consumers and not the landlords/landladies were actually incurred by the Applicant as claimed or for use in her business.

37. The Respondent submitted that the Applicant relied on tenancy agreements as the basis for the argument that the Applicant, as Landlord, was commercially responsible for the utilities. A critical reading of the said paragraph is clearly to the effect that the Landlord (Applicant) is strictly responsible for any outstanding utilities incurred before the commencement of the tenancy relationship that is the subject of the said tenancy. This is strictly in relation to scenarios where the previous tenant defaulted on payment of incurred utility bills and the Applicant paid the same to ensure a clean slate for the new tenant.
38. Further, paragraphs 4(d) and 4 (p) of the tenancy agreement mandate the Tenant to settle all utility bills as a covenant. It is solely the Tenant's duty to pay any utility bills. This is not surprising, as the Tenant benefits from the utilities supplied, and their billing is strictly based on the Tenant's consumption. This has nothing to do with the Landlord or her business. Each Tenant is assigned their own meter number. The Tenant uses the utilities solely for their respective business, which is the sole consumer thereof. The tenant is the beneficiary of the utility services, and NOT the Applicant.
39. The Respondent also argued that the term use in the business applies only to the related business, generating a taxable supply. In ***Warid Telecom Uganda Limited v Uganda Revenue Authority Civil Appeal 24 of 2011***, the court noted that a credit is allowed on all taxable supplies made to the taxable person, provided that the supply is for use in the business of the

taxable person. The supplies must directly contribute to the generation of taxable output. This requirement is answered in both positive and negative. All the supplies that were incurred by the Applicant for use in her rental business, to wit: repairs, security, and other expenses, were fully allowed at TAT-guided mediation. The utility bills in issue lacked proof that the Applicant incurred them. The respective tenants incurred the same in their respective businesses. Therefore, the Respondent rightly disallowed them.

## **VII. Submissions of the Applicant in rejoinder**

40. In rejoinder, the Applicant reiterated her earlier submissions. However, in reply to specific arguments made by the Respondent, the Applicant submitted as follows:
41. It is impractical for the landlord to transfer utility meters to each tenant, mainly when more than 50 tenants are occupying different properties. In the present case, the landlord bills the tenant a single amount that includes utility costs and rent. The landlord declares and pays output VAT on the total amount billed as rent (i.e., the taxable supply). Upon receipt of the utility bills from UMEME and NWSC, the landlord pays them directly through the bank and claims input VAT on them. Therefore, premised on this transaction model, the landlord made taxable supplies as part of her commercial rental business for which output VAT has been paid and confirmed by the Respondent during the audits.
42. The Respondent did not make any effort to verify with the NWSC or UMEME whether the Applicant had paid or had not paid these utilities. If the Respondent doubted the authenticity of the Applicant's payments, it had every opportunity to contact the utility providers directly to confirm them. Instead, it relies on an assumption that the Applicant never paid, even in the face of receipts, statements, and a physical inspection which confirmed the contrary.
43. The Applicant clarified that she acquired various properties over time; while transfers for some properties were completed, others were still in

progress. Nonetheless, the Applicant holds valid purchase agreements for all the properties concerned, confirming her ownership. These agreements were provided to the Respondent, and the Respondent inspected the buildings.

44. Regarding individual meters, while these are typical for residential tenants, they are impractical for commercial tenants in downtown Kampala arcades/buildings. The Respondent deliberately conceals the fact that, during the inspection visit which it conducted together with the Applicant, it verified that the meters in question were registered either in the Applicant's name or in the names of previous landlords. Therefore, it would be an injustice for the Respondent to say that they could not verify the input VAT credit.

### VIII. The Determination by the Tribunal

45. We have considered the evidence and read the parties' submissions and this is our decision.
46. The right to claim for input tax credit is provided for under **Section 28(1) of the VAT Act**, which states as follows:

*"Where Section 25 applies for the purposes of calculating the tax payable by a taxable person for a tax period, a credit is allowed to the taxable person for the tax payable in respect of:*

- a). all taxable supplies made to that person during the tax period;*
- b) all imports of goods made by that person during the tax period, if the supply or import is for use in the business of the taxable person."*

47. **Section 1(I) of the VAT Act** defines the term input tax to mean

*"the tax paid or payable in respect of a taxable supply to or an import of goods or services by a taxable person."*

48. For the Applicant to be entitled to input tax credit under Section 28, she must prove the following:
- i) that the Applicant is a taxable person;
  - ii) that taxable supplies have been made to the Applicant during the tax period; and
  - iii) that the taxable supplies were for use in the business of the Applicant.

49. Similarly, in *Enviroserve Uganda Limited v Uganda Revenue Authority*, TAT No. 24 of 2017, the Tribunal held:

*“For a claim for input tax credit to succeed, it must be proved that the Applicant is a taxable person, that taxable supplies were made to the Applicant during the tax period, and that such taxable supplies were for use in the business of the Applicant.”*

50. **Section 1(x) of the VAT Act** provides:

*“a taxable person” has the meaning in Section 6, which defines a taxable person as one registered under Section 7.*

51. Thus, to succeed on a claim for input tax, a taxpayer must show that the expense was incurred on a taxable supply or import used in the business and that the tax has in fact been paid, normally by producing verifiable invoices/receipts and proof of payment.

52. Therefore, the Tribunal will allow input tax credit where:

- i) the supplier of goods or services is a VAT-registered person;
- ii) the goods/services were used wholly or partly in making taxable supplies;
- iii) the taxpayer paid the supplier (i.e., VAT liability arose)
- iv) the taxpayer has credible documentary proof (tax invoices, receipts or equivalent) demonstrating the purchase and payment.

53. It is undisputed that the Applicant is a registered VAT taxpayer and that the disputed utilities (electricity and water).

Further, the Applicant is in the rental business, renting commercial properties to the public. This constitutes a taxable activity. It follows that a person becomes a taxable person from the time registration takes effect. The Tribunal notes that the Applicant was duly registered for VAT and is therefore a taxable person, and this is not in contention.

54. The Applicant has produced tax invoices, tenancy agreements, and bank statements showing direct payments for electricity and water bills in her name or in the name of the previous property owner. These documents meet the literal requirements of Section 28 of the VAT Act. The expenses were incurred

for taxable supplies, and there is proof of purchase in the form of invoices and bank payment records.

55. Although some utility accounts remained in a previous owner's name, this is merely a matter of form. The economic reality, evidenced by the bank payments and tenancy contracts, is that the Applicant bore the cost of those utilities. This satisfies the substantive test for input VAT.
56. The Applicant explained that she, as the landlord, pays utilities for her buildings to avoid frequent disconnections when tenants delay payments. The Tribunal accepts this practical business reason and notes that tax law follows the principle of *substance over form*. Although some meters were still registered in a former owner's name, the economic reality is that the Applicant paid the bills.
57. As noted by the Applicant's counsel, the law focuses on who bore the economic burden of the expense when granting input tax credit. No evidence suggests that any part of the utility use was for non-business purposes. Therefore, the utilities VAT was "wholly and exclusively" incurred for the rental business and qualifies as creditable input tax under Section 28.
58. The documentary record comprising tenancy agreements, invoices, and bank statements provided in the trial bundle as annexures G, H, and I is consistent and coherent. The Respondent has not challenged the authenticity of the documents, nor identified any specific irregularity in the invoices. The only reason for rejecting the documentation was the Respondent's inability to verify the third-party supplier's VAT filings.
59. The Respondent has argued that the tenants incur the utility expenses for use in their (tenants') businesses. Therefore, the tenants, not the Applicant, are the proper persons to claim the VAT. However, the Applicant explained that, under their business model, they charge tenants a block rental fee that includes utilities. It is not uncommon for property owners to charge tenants an all-inclusive rental fee. Moreover, the Applicant adduced bank statements and invoices, as evidenced in annexure 'G' of the joint trial bundle, which shows that she (and not her tenants) incurred the costs. She also produced utility account statements from UMEME and NWSC and bank payment records as per annexures 'H' and 'I' of the joint trial bundle, showing that she

settled the bills. While some of the accounts were still under the previous owner's name, the statements are genuine sequential billing documents from the utility providers and bear VAT. They thus qualify as evidence of a taxable supply having been made to the Applicant.

### **Verification of Third-Party Declarations**

60. The Respondent did not recognise the utilities' input VAT on the ground that it could not verify via third-party declarations that the suppliers had remitted the VAT.

61. However, as held by Justice David Wangutusi in ***Target Well Control Uganda Ltd V URA, HCCS NO. 751 OF 2015:***

*“That it does not make sense to require a taxable person to follow up a payment and find out whether the agent has remitted the tax so collected from him or her. This would require the Plaintiff to perform a very difficult task, because, first of all, he has no access to the agent’s returns and books of account. Secondly, it is the Defendant who has access to the books of businessmen in the country.”*

62. The law does not impose on the Applicant a duty to ensure that UMEME and NWSC have all their declarations in order.

Instead, once the Applicant furnishes all admissible evidence, it is for the Commissioner to verify the transactions using the tools at his disposal.

63. It was the Respondent, through its initial system check, that confirmed Shs. 171,611,826 of input VAT had been legitimately declared. Having done so, it would be inconsistent and unfair to refuse later to credit that input simply because of an inability to trace the supplier's records.

64. The Respondent's approach here was precisely the opposite of what the law contemplates. Rather than rejecting the Applicant's claims because some third-party declarations were lacking, the Respondent should have used the reconciliation process and audits to verify the transactions.

65. In ***Target Well Control (supra)***, the court recognised that verification is primarily the Respondent's burden:

*“It is the duty of the Respondent to track the person making the taxable supply.”*

66. In the present case, the Respondent itself had already validated the transactions in its reconciliation minutes and correspondence. The subsequent insistence on third-party declarations alone, effectively disregarding the Applicant's credible evidence, has no support in the VAT Act.
67. Therefore, we find that the Applicant has discharged the burden of proving that the assessment is incorrect as required by section 26 of the Tax Procedures Code Act. Having presented documentary evidence that she paid the relevant utility bills, the evidential burden shifted to the Respondent to prove that the tenants, not the Applicant, incurred those bills. Merely claiming that the tenants paid the utility bills is not sufficient. The Respondent should have adduced evidence showing utility payments by the Applicant's 50 tenants to NWSC and UMEME, or called the tenants to testify regarding the payments. None of this was done.
68. In the circumstances, the Applicant's claim succeeds, and the Tribunal hereby makes the following orders:
- (i) The assessed VAT liability of Shs. 171,868,138 is set aside; and
  - (ii) Costs are awarded to the Applicant.

We so order.

Dated at Kampala this 5<sup>th</sup> day of March 2026.



---

**HON. CRYSTAL KABAJWARA**  
**CHAIRPERSON**



---

**MR. SIRAJ ALI**  
**MEMBER**

**THE REPUBLIC OF UGANDA.**  
**IN THE TAX APPEALS TRIBUNAL AT KAMPALA**  
**TAT APPLICATION NO. 10 OF 2024**

**SCOVIA GATETE SANYU.....APPLICANT**

**VERSUS**

**UGANDA REVENUE AUTHORITY.....RESPONDENT**

**BEFORE: MS. CRYSTAL KABAJWARA, MR. SIRAJ ALI, MS. CHRISTINE KATWE**

**RULING**

**I. Introduction**

1. This ruling is in respect of an application challenging the Respondent's decision to deny input tax credit to the Applicant on the basis that it could not verify the input tax against the third-party declarations, which is wholly and exclusively incurred for the purpose of a rental business that resulted into an additional Value Added Tax (VAT) assessment of Shs. 171,868,138.

**II. Background facts**

2. This application is supported by an affidavit deposed by Mr. Kyambadde Andrew Mukasa, a tax and legal representative of the Applicant, sworn on 17 September, 2025, stating as follows:
  - i. The Applicant owns commercial buildings/properties and operates a rental business as an individual situated in downtown Kampala.
  - ii. The Respondent conducted a review of the Applicant's tax affairs and issued an additional assessment of Shs. 217,419,850.

- iii. On 6 September, 2023 the Applicant duly objected to the said additional assessment on the basis that the Respondent had failed to take into account the Applicant's valid input tax credits, which were duly supported.
- iv. Upon further review, the Respondent completely disallowed the Applicant's objections, maintaining the tax payable at Shs. 217,419,850 alleging, without justification, that no supporting documentation had been provided.
- v. The Applicant accordingly applied to the Tribunal for review of the Respondent's objection decision and the matter proceeded for TAT-guided mediation, where records were presented, reviewed and the Respondent relented on the input tax credit from security, insurance, roofings materials, Eron Mpoza and Mulukwe Enterprises but completely denied the credit on utilities reducing the liability to Shs. 171,868,138.
- vi. The Applicant alleged that in the first reconciliation, the Respondent informed the Applicant that it had verified the Applicant's claimed input tax using URA systems such as E-Hub, E-Tax, and third-party information and that they had confirmed that the Applicant had legitimately incurred input tax credit of Shs.171,611,826 as per the URA systems and third-party information.
- vii. However, in an abrupt and inconsistent turn, the Respondent departed from reliance on their own tax systems and instead purported to use only the Applicant's physical records, resulting in a drastically reduced verified input tax of Shs. 89,963,395, as some records had not been considered.
- viii. It is reasonable, just and fair that if the Respondent received Output VAT of Shs.171,611,826 as verified on the E-tax system, the Applicant would also be entitled to the corresponding input tax credits as provided by the law.

- ix. The Respondent conducted an inspection visit to the Applicant's buildings on the 4 March, 2025 to ascertain whether the water and electricity meters were in the Applicant's names.
- x. The Respondent then unreasonably informed the Applicant that it had disallowed the input on water and electricity utilities on the basis that it could not verify that indeed the landlord pays the utilities and not the tenants.
- xi. The Applicant informed the Tribunal that it provided proof of payment for the water and utility bills but the Respondent ignored the evidence provided and the Applicant's tenants pay rent, while the Applicant, as landlord, directly pays for utilities to UMEME and National Water.
- xii. The Applicant conducts her business that way because once you leave it to the tenants to pay utilities on their own, they never or delay to pay which leads to disconnections and disruptions in business of other tenants on the building.
- xiii. That's when the Respondent subjectively allowed only Shs.45,500,000 of Input VAT as creditable while stating that the balance would only be resolved by this Tribunal.
- xiv. The parties then entered into a partial consent, wherein they agreed that the additional VAT assessment for July 2017 - June 2022 be revised from Shs. 217,405,451 to Shs. 171,868,138 which was referred to the Tribunal for determination on the merits.
- xv. This is how the remaining dispute before this Tribunal concerns denied input VAT Credits, particularly utilities, that were properly incurred, paid for by the Applicant in the ordinary course of running their rental business.
- xvi. The Respondent erred in denying input tax credit to the Applicant as they are wholly and exclusively incurred for purposes of the rental business, leading to an inflated and unlawful tax liability contrary to the provisions of the Value Added Tax Act.

- xvii. The Applicant has discharged the burden of proof under the Tax Procedures Code Act by producing documentary evidence, yet the Respondent has acted unreasonably in disregarding such evidence.
  - xviii. Therefore, it is just and equitable that the Tribunal sets aside the disputed portion of the assessment of Shs. 171,868,138. and recognizes the Applicant's entitlement to VAT input tax credits as supported.
3. The Respondent also filed the Affidavit in support of its taxation decision in which Mr. Ceasar Kisoro deponed that;
- (i) The Respondent conducted a review of the Applicant's tax affairs for the above-mentioned period lawfully in accordance with the Tax Procedures Code Act, 2014 and the Value Added Tax Act Cap 349.
  - (ii) The VAT Additional Assessment of Shs.217,405,451 was raised due to the Applicant's failure to provide sufficient documentary evidence. And that upholding the Assessment at the objection decision was on the ground that the corresponding income relating to claimed input tax credit on utilities was not accounted for as per third party declarations.
  - (iii) During the TAT guided Mediation the parties verified the information provided then and the Respondent allowed input tax credit worth Shs. 45,517,313 where both parties entered into a partial consent in which the assessment was revised to Shs. 171,868,138.
  - (iv) The Respondent lawfully relied on both URA's electronic Tax systems and physical records on the reduction of the liability. But denied the credit as several claimed records were either incomplete, not in the Applicant's name or not directly attributable to the Applicant's rental business
  - (v) The Applicant's E-Tax submissions were not supported with documents in her names but the Respondent resolved to allow input tax credit pursuant to Section 28(12) of the VAT Act which empowers the Commissioner General to allow an input tax credit in the tax period

in which the credit arises where the Commissioner General is satisfied that;

- (a) the taxable person took all reasonable steps to acquire a tax invoice
  - (b) the failure to acquire a tax invoice was not the fault of the taxable person
  - (c) the amount of input tax claimed by the taxable person is correct
- (vi) This led to an allowable credit of Shs. 45,537,313 on repairs, security, and other expenses completely denying utility bills that they are ordinarily borne by the tenants who consume the services. The Applicant failed to prove that the claimed water and electricity bills were exclusively and wholly incurred for purpose of her rental business as required by the Law and the provided bills were not in the names of the Applicant. And the Bank Statements provided did not sufficiently demonstrate nexus between the payments and the Applicant's taxable supplies since the meters and accounts were not in the Applicant's names.
- (vii) That the Respondent at all times acted fairly, reasonably and within the Law in rejecting the unsupported claims contrary to the Applicant's allegations of unreasonableness and high handedness. That Section 32 of the Tax Procedures Code Act provides that the burden of proof lies on the Applicant to substantiate her entitlement to Input tax credit which she failed to discharge.
- (viii) Mr. Kisoro asserted that the outstanding tax assessment of 171 million was lawfully issued and is valid and ought to be enforced.

### **III. Representation**

4. The Applicant was represented by Mr. Andrew Kyambadde, Mr. Trevor Mark Ntege and Ms. Buganzi Connie Treasure while the Respondent was represented by Ms. Christine Mpumwire and Mr. Kenan Aruho.

### **IV. Issues for Determination**

5. Whether the Applicant is liable to pay the tax liability of Shs. 171,868,138?

## V. Submissions of the Applicant

6. The Applicant submitted that the key question for determination when resolving this issue by the Tribunal is whether the Respondent is legally justified to reject the Applicant's claims for input tax credit on the basis that it could not verify the input tax against third party declarations, notwithstanding that the Applicant furnished sufficient documentation in support of the claims. The Applicant submitted that it is necessary to set out the sequence of events that led to the disputed tax adjustment during TAT guided mediation.

7. The Applicant quoted Rule 18(2) of the Judicature (Mediation) Rules, 2013 which infers that;

*“The confidentiality of mediation does not override the legal obligation to disclose information in court (Tribunal) when such disclosure is necessary for the fair and proper determination of the proceedings”.*

8. During the reconciliation exercise held on 27 August 2025, the Respondent confirmed through its own systems, including E-Hub, E-Tax, and third-party data that the Applicant had legitimately incurred and declared input tax amounting to Shs. 171,611,826. This confirmation was formally recorded in the reconciliation minutes and on the 8 November 2024, the Respondent, by email, forwarded to the Applicant its verification of the input tax, particularly in respect of utilities paid to UMEME and NWSC, and requested the Applicant to review the same.

9. This correspondence included the various verified batches and amounts for utilities which the Respondent had itself confirmed as creditable. By issuing this communication, the Respondent effectively acknowledged that the Applicant had legitimately incurred the utility expenses and that such expenses were properly claimable as input tax credit under the law. Having verified and admitted these claims through its own systems and correspondence, it was inconsistent, unreasonable, and unfair for the Respondent to subsequently depart from its earlier position and disallow what it had already validated.

10. The Applicant argued that the Respondent subsequently disregarded the verification obtained from its own systems and instead insisted on relying solely on the Applicant's physical records, and in doing so, reduced the verified input tax to Shs.89,963,395. The Respondent also undertook an inspection of the Applicant's premises on 4 March 2025 and the stated purpose of this visit was to establish whether the electricity and water utility accounts were indeed in the Applicant's name. It is indeed true that the account meters were found in the names of the Applicant or those of the Previous owners Mr. Godfrey Mabirizi because the transfer had not yet been effected but proof of purchase was provided to the Respondent.
11. Following the inspection, the Respondent concluded that the Applicant was not entitled to claim input VAT on electricity and water bills on the ground that it could not verify whether the utilities were paid by the landlord (Applicant) or by the tenants. This conclusion was reached notwithstanding that the Applicant had presented bank statements, electricity and water account statements evidencing payments made directly to UMEME and National Water.
12. Lastly, the Applicant submitted that she furnished the Respondent with sample tenancy agreements and property ownership documents, all of which confirmed that the Applicant, as landlord, was commercially responsible for the utilities. The Applicant further explained that the decision to directly settle utility bills is a deliberate business practice, designed to avoid the frequent defaults and delays that arise when tenants are left to make payments individually, which often result in disconnections and consequent disruption to the business operations of all tenants in the buildings.
13. The Applicant quoted Section 28 of the Value Added Tax Act (VAT Act), Cap. 344 which states that;

*"A registered taxpayer being entitled to claim credit for input tax incurred on goods and services acquired for the purpose of making taxable supplies provided there is proof of purchase and payment"*

14. The Applicant contended that the law recognizes that the key requirement for claiming input VAT is that the taxpayer has actually incurred the expense and can substantiate it and that the Applicant has fully complied with these statutory requirements by producing invoices, bank statements, tenancy agreements, and title documentation, all of which confirm that the claimed input tax was incurred for business purposes. The Respondent's insistence on relying solely on third-party declarations as a precondition for allowing input tax credits has no support in the VAT Act. The law does not impose a duty on the taxpayer to ensure that suppliers or third parties have filed accurate or timely declarations with URA. Once the taxpayer has furnished sufficient and credible evidence to substantiate the claim, the burden shifts to the Commissioner to independently verify that evidence.
15. The Applicant relied on the principle in the case of ***Target Well Control Uganda Ltd V Commissioner General URA, HCCS No. 751 of 2015***, where the Hon. Justice David Wangutusi ruled that;
- "Where a taxpayer provides sufficient documentation to support tax claims, the Commissioner cannot reject the claims on the basis of unverifiable third-party information alone".*
16. Furthermore, the Tribunal has consistently applied the same principle in the matters of ***Red Concepts Limited V URA, TAT Application No. 36 of 2018 and Leds Uganda Limited V URA, TAT Application No. 3 of 2018***, where it was emphasized that;
- "The duty to verify third-party declarations rests with the Respondent, provided the taxpayer facilitates the verification process with accurate and complete information".*
17. The Applicant further argued that she went beyond merely providing documentary evidence and even facilitated an on-site inspection of the premises, submitted utility account statements and tenancy agreements, and produced bank statements showing direct payments to UMEME and National Water. These documents demonstrate conclusively that the Applicant bore the economic burden of paying for utilities. The fact that some utility accounts were still in the names of previous property owners

due to administrative delays does not negate the reality that the Applicant paid the bills. Furthermore, that it is imperative for the tribunal to note that the law recognizes “the substance over form principle” and focuses on the actual economic expense rather than the nominal account holder when it comes to payments on utilities vis-à-vis claims for VAT input credit.

18. The Applicant also relied on the **Premier Recruitment Limited V URA Application No. 73 of 2023**, the Tribunal ruled:

*“Uganda Revenue Authority has no basis and should not reject claims for the input tax credit on the basis that it could only verify the input tax against third party declarations”.*

19. The Applicant prayed for the remaining liability to be set aside.

## VI. Submissions by the Respondent

20. The Respondent submitted that, the term input tax is defined under Section 1 of the VAT Act Cap 344, as follows:

*“Input tax” to mean the tax paid or payable in respect of a taxable supply to or an import of goods or services by a taxable person.*

21. In **Margaret Rwaheru Akiiki & 13945 Others Vs URA, Civil Suit No. 117 of 2013** the court elaborated on the meaning of input tax, stating that it is

*“...a cost to the importer or taxable person that generates a credit in favour of the taxable person...”.*

22. A taxable person is entitled to claim input tax as provided under S. 34 (1) of the VAT Act which states;

*“If, for any tax period, a taxable person’s input tax credit exceeds his or her liability for tax for that period, the Commissioner General shall refund him or her the excess”.*

23. Additionally, Section 18 (1) of the VAT Act defines a taxable supply as;

*“a supply of goods or services, other than an exempt supply, made in Uganda by a taxable person for consideration as part of his or her business activities”*

24. The Respondent submitted that S. 18 (2) of the VAT Act further provides:

*"a supply is made as part of a person's business activities if the supply is made by him or her as part of, or incidental to, any independent economic activity he or she conducts, whatever the purposes or results of that activity.*

25. The Respondent argued that Input tax is claimable by way of refund by the taxable person who made the taxable supply and subsequently declares the same to the Respondent. In the case of **Manilla North Tollways Corporation Vs. Commissioner of Internal Revenue C.T.A EB No. 812 of 2012**, court held:

*"tax refunds are in the nature of tax exemptions and are to be construed in strictissimi juris against the entity claiming the same; the law does not look with favour on tax exemptions; and he who claims an exemption must be able to point out the provision of the law creating the said right and justify it by words too plain to be mistaken and too categorical to be misinterpreted".*

26. The Respondent submitted that this holding implies that the burden of proving entitlement to a tax credit lies squarely with the Applicant. The Respondent cited Section 28(1) of the Value Added Tax Act Cap 344 provides:

*"A credit is allowed to the taxable person for the tax payable in respect of-*  
a) *All taxable supplies made to that person during the tax period;*  
b) *All imports of goods made by that person or imports of services made by the contractor or licensee or a person providing business processes outsourcing services during the tax period.*

*If the supply or import is for use in the business of the taxable person".*

27. The Respondent further cited Section 28(7) of the VAT Act Cap 344, which clarifies the meaning of use in the business; it provides:

*"For the purposes of subsection (1), (2), or (3) "business use" or "use in the business" applies only to the related business, generating a taxable supply".*

28. The Respondent submitted that to easily understand the importance of Section 28(1) of the VAT Act, which provides for input tax credit, it is crucial to adopt a literal interpretation. It is a well-established principle that in the

interpretation of tax statutes; one must look at the plain language of the Act without reading into any assumptions or implications. This principle is underscored by judicial precedent. In ***Uganda Revenue Authority Vs Siraje Hassan Kajura Scca No. 009 Of 2015***, the court relying on ***Cape Brandy Syndicate vs Inland Revenue Commissioners (1920) KB 64***, emphasized that:

*"In a taxing Act, one has to look merely at what is clearly said. There is no room for any intendment. There is no equity about a tax".*

29. This means that the courts must adhere to the clear and precise language of the tax statute without attempting to infer or add meaning that is not explicitly stated.
30. The Respondent submitted that similarly, the case of Cape Brandy it was held that: *"...There is no equity about tax. There is no presumption as to tax. Nothing is to be read in it, nothing to be implied. One can only look fairly at the language used"*.
31. The Respondent submitted that applying the literal rule to Section 28(1) and (7) of the VAT Act, it is evident that the language of the provisions is straightforward and unambiguous. Section 28(1) simply provides that a credit is allowed to a taxable person for tax payable in respect of all taxable supplies made to that person during the tax period, provided the supply is for use in the business of the taxable person. Section 28(7) further limits "use in business" to activities directly linked to generating taxable supplies.
32. The Respondent submitted that in the case of ***Enviroserv (U) Limited v URA TAT Application 24 of 2017***, (before Section 7 of the VAT Act clarified the meaning of "use in the business" this Honourable Tribunal held:

*"For the applicant to be entitled to the input tax credit under Section 28(1) of the VAT Act (as it was then), the Applicant has to prove the following; (i) The Applicant is a taxable person (ii) Taxable supplies have been made to the Applicant during the tax period (iii) The taxable supplies were for use in the business of the Applicant".*

33. The Respondent submitted that the Applicant has failed to meet these requirements, and is therefore not entitled to the claimed input tax credit. In the present case, there is no dispute regarding the Applicant's status as a taxable person. The Applicant was registered for VAT on 1 August 2022, for the purposes of its commercial properties, ABC, Spare World Korana and Savannah. This registration confirms that the Applicant is a taxable person under Section 6 of the VAT Act. The Respondent quoted Section 18 of the VAT Act cap 344 which defines a taxable supply to mean a supply of goods or services, other than an exempt supply, made in Uganda by a taxable person for consideration as part of his or her business activities.
34. The Respondent contended that the disputed supplies were not made to the Applicant, but rather to the Applicant's tenants, for supplies that were unconnected to the Applicant (not used for the Applicant's business), but for the respective Tenants' businesses/activities. The Applicant refused to support the claimed expenses and the Respondent disallowed the expenses and upheld the assessments. Pursuant to TAT guided mediation, the Applicant provided the necessary supporting documentation to wit bank statements, expense receipts and tenancy agreements which were verified by the Respondent and the Applicant's claimed Input tax of Shs. 45,537,313 as verified expenses, being repairs, security, and other expenses were verified and allowed as shown in the table below:

<b>SUPPLIER</b>	<b>EXPENSE CLAIMED</b>	<b>AMOUNT ALLOWED INPUT</b>
Tight Security Limited	74,630,002	13,433,401
Jubilee Insurance Company Ltd/GATETE	13,075,941	600,323
Roofings	46,475,852	7,089,536.78
Eron Mpoza Rental	117,700,000.00	17,954,237.29
Mukalwe Enterprises Limited (U)	35,887,858.00	6,459,814.44
<b>TOTALS</b>	<b>287,769,653</b>	<b>45,537,313</b>

35. The parties entered into a partial consent where the Administrative additional VAT assessment for the period of July 2017 to June 2022 was revised from Shs. 217,405,451 to Shs. 171,868,138.
36. The Respondent also argued that part of the Applicant's E-tax submissions were not supported with documents in her names but the Respondent upon review resolved to allow part of the input tax.
37. The Respondent submitted that furthermore, on top of the allowed input, the Applicant also claimed utility bills which were borne by tenants who consume the services and all the receipts provided in support of this claim were not in her names but the respective tenants/consumers. The Applicant failed to prove that the claimed water and electricity bills were exclusively and wholly incurred for purposes of her rental business as required by law. The provided bills were not in the Applicant's names.
38. The Applicant also provided bank statements which did not sufficiently demonstrate the nexus between the payments and the Applicant's taxable supplies since the meters and electricity and water accounts were not in the Applicant's name. The Respondent could not verify that utility bills that are ordinarily borne by tenants/consumers and not the landlords/landladies were actually incurred by the Applicant as claimed or for use in her business.
39. The Respondent submitted that the Applicant relied on tenancy agreements referred to in paragraph 5(a) of the Applicant's annexure 1 as being the basis for the rather flawed argument that the Applicant as the Landlord was commercially responsible for the utilities. This is strictly in relation to scenarios where say the previous tenant defaulted on payment of incurred utility bills and the Applicant paid the same to ensure a clean slate for the new tenant. No evidence whatsoever was led in respect to any unpaid utilities incurred prior to the current period. Accordingly, the Applicant's argument is fundamentally flawed and ought to be rejected.

40. Further, paragraph 4 (d) and (p) of the Applicant's annexure 1, clearly mandates the Tenant to settle all utility bills, as a covenant. It is the Tenant's duty to settle any utility bills and not the Applicant as she wants this Tribunal to believe. This is not surprising as the Tenant is the one who benefits from the utilities supplied and the billing thereof is strictly according to the Tenant's consumption. This has nothing to do with the Landlord or her business.
41. Each Tenant is assigned their own meter number. The utilities are solely used by the Tenant in their respective business, who is the sole consumer thereof. The tenant is the beneficiary of the utility services, and NOT the Applicant.
42. The Respondent also argued that the term use in the business applies only to the related business, generating a taxable supply. In *Warid Telecom Uganda Limited v Uganda Revenue Authority Civil Appeal 24 of 2011* the court noted that a credit is allowed on all taxable supplies made to the taxable person provided that supply is for use in the business of the taxable person. The supplies must directly contribute to the generation of taxable output. This requirement is answered in both positive and negative. All the supplies that were incurred by the Applicant for use in her rental business to wit; repairs, security, and other expenses were fully allowed at TAT guided mediation. The utility bills in issue lacked proof that they were incurred by the Applicant. The same were incurred by the respective tenants in their respective businesses. The same were rightly disallowed by the Respondent.

**VII. Applicant's submissions in rejoinder.**

43. The Applicant in rejoinder submitted that the Respondent's submissions in which they contended that the Applicant's tenants not the Applicant, are the proper persons to claim for input tax on the premise that the supplies were made to the tenants. The Applicant's business model is such that when you leave the bills to the tenants to pay, they never pay or pay on time which leads to disconnections and business interruptions. It is impractical for the

landlord to transfer utilities meters to each tenant and in this situation, they are more than 50 tenants occupying the different properties.

44. The Applicant submitted that in the present case, the landlord bills the tenant consolidated an amount which includes utility costs and rent. The landlord declares and pays output VAT on the total amount billed as rent (taxable supply). Upon receipt of the utility bills from UMEME and NWSC, the landlord pays the bills directly through the bank and claims input VAT on those bills. Therefore, premised on this transaction model, the landlord made taxable supplies as part of her commercial rental business for which output VAT has been paid and confirmed by the Respondent during the Audits. It would follow as per the VAT mechanism that the taxable supplies by UMEME and NWSC are made to the Landlord and this is evidenced on record through the meter numbers and proof payment and that the Applicant/ Landlord is the right person to claim for the input VAT.
45. Further, the Applicant contended that the Respondent allegation that the Applicant failed and refused to support the claimed expenses is unequivocally incorrect. The Applicant provided the Respondent with all documentation to substantiate the claimed expenses. If the Respondent doubted the authenticity of the Applicant's payments, it had every opportunity to contact the utility providers directly for conformation. Instead, it relied on an assumption that the Applicant never paid, even in the face of receipts, statements, and a physical inspection which confirmed the contrary.
46. The Applicant contended that failure to verify from primary sources cannot be used against the Applicant, especially where the law places the burden on the Respondent to properly investigate and reconcile input VAT claims before rejecting them. The Applicant relied on the cases of ***Red Concepts Limited V URA, TAT Application No. 36 of 2018*** and ***Leds Uganda Limited V URA, TAT Application No. 3 of 2018***, where it was emphasized that: "*The duty to verify third-party declarations rests with the Respondent,*

*provided the taxpayer facilitates the verification process with accurate and complete information".*

47. The Applicant submitted that she facilitated the verification process by providing receipts, invoices, NWSC and UMEME statements, bank payments proofs and several physical inspections of the buildings and the meters. Therefore, the Respondent's position is therefore not founded on evidence and the law and the Respondent has chosen to ignore the utilities documents to the utter detriment of the Applicant.
48. The Applicant clarified that she acquired various properties overtime; while transfers for some properties were completed, others were still in the process. Nonetheless, the Applicant holds valid purchase agreements for all the properties concerned confirming her ownership. These agreements were provided to the Respondent, the buildings inspected by the Respondent and the Applicant aid output VAT on these buildings during its audits and investigations. If the Respondent collected VAT on the properties which were not in the names of the Applicant after confirming that in substance, they are owned and being used by the Applicant, why then would the Respondent deny the Applicant input tax credit on these properties verified by it?
49. The Applicant submitted that the Respondent's claim that that there is "no nexus" between the utility bills and the Applicant's rental business is unsupported by any evidence. It is not disputed that the utilities relate to the very premises from which the Applicant earns taxable rental income. It is also not disputed that the Applicant provided bank statements, meter statements, tenancy documents, and proof of actual payment clearly linking the utilities to those business premises.
50. The Applicant submitted that the tenancy clause serves a purpose that it is a commitment by the Landlord to the tenant that at the time of entry into the premises, the Landlord would have cleared all the outstanding utility bills which confirms indeed that it is the Landlord who incurs the input tax on these utilities.

51. For precision, the aforementioned paragraph in the tenancy agreements means that in case tenant 'A' was paying one million shillings inclusive of all the utilities and vacates the unit with an accrued bill, and tenant 'B' is desirous of entering possession, it is the sole responsibility of the Applicant as the Landlord to cover the outstanding bill prior to tenant B's occupation of the premises. This is because the initial responsibility to pay such bills was on the Applicant considering the total rent paid by the tenants is inclusive of the utility bills.
52. The Applicant submitted that, the Respondent alleged that the Applicant's tenants are each assigned their own meter number. This assertion is commercially untenable. While individual meters are typical for residential tenants, they are impractical for commercial tenants in downtown Kampala arcades/ buildings. The Respondent during the inspection visit verified that the meters in question were registered either in the Applicant's name or in the names of previous landlords. The Respondent physically inspected the premises, reviewed the meter details, and made no objection at that time. Their position is therefore not only unsupported but is contradicted by their own factual findings. The Respondent also had full access to all records and the ability to cross-check the Applicant's payments, yet chose instead to rely narrowly on whose name appeared on the utility bills. This ignores the substance of the transactions and the requirements of the VAT Act, which focuses on actual expenditure, not apparent formalities.
53. Therefore, it would be injustice for the Respondent to say that they could not verify the input tax credit.

#### **VIII. Determination by the Tribunal**

Having read all the Affidavits in support of both parties and the submissions, this is the ruling of the Tribunal:

54. The applicant owns commercial properties down town which she runs as rental business or lets out to various traders /shopkeepers to conduct their daily business. The shopkeepers carry out various businesses to the public

and use utilities i.e. electricity to light up the shops and water for cleanliness and hygiene as they carry on their businesses. The Applicant credited in put tax from these utilities against its output tax which the Respondent disallowed. The Respondent issued additional VAT assessments of Shs 217,405,451 for the period from July 2017 to June 2022, which the Applicant objected to and the Respondent issued its objection decision disallowing the objection. At mediation, the respondent reduced the tax liability from Shs 217,405,451 to Shs 171,868,128.

55. Section 4 of the Value Added Tax Act (VATA) Cap 344 provides that “a tax to be known as VAT shall be charged in accordance with this Act on (a) every taxable supply in Uganda made by a taxable person”.

56. Section 25 of the VAT Act provides that the calculation of tax payable by a taxable person for the tax period in accordance to the formula specified in paragraph 1(b) of Schedule 5 to this Act. Section 1(b) of Schedule 5 provides that for the purposes of section 25, the following formula shall apply:

X - Y, where:

X is the total of the tax payable (output tax) in respect of taxable supplies made by the taxable person during the tax period.

Y is the total credit (input tax) allowed to the taxable person in the tax period under the Act.

57. Section 1 interprets input tax as the tax paid or payable in respect of a taxable supply or an import of goods or services by a taxable person. The Section interprets output tax as the chargeable under Section 4 in respect of a taxable supply.

58. Section 28 of the VAT Act provides for the credit for input tax. (1) states that where Section 25 applied for the purposes of calculating the tax payable by the taxable person for the taxable period, a credit is allowed to the taxable person for the tax payable in respect of :-

a) All taxable supplies made to that person during the period or

...If the supply or import is for use in the business of the taxable person.

59. Section 28(2) provides that where Section 26 applies for the purposes of calculating the tax payable by a taxable person for a tax period, a credit is allowed in the taxable person for any tax paid in respect of taxable supplies to, or imports by, the taxable person where the supply or import is for use in the business of the taxable person.
60. Section 28 (7) provides that "business use" or "use in the business" applies only to the related business generating a taxable supply.
61. In a nutshell, output tax is on sales while input tax is on purchases and imports and other necessary or incidental services in a business-like utilities e.g. water, electricity, etc.
62. It is not dispute that the Applicant is a taxable person making taxable supplies. The dispute is on input tax on utilities which is water and electricity. Whether these utilities are taxable supplies made to the Applicant or to the shopkeepers who rent the Applicant's rooms on its property as shops. The actual dispute in summary is who uses(d) these utilities in his or her business.
63. The Tribunal is to identify whose business qualifies for this input tax credit. In his affidavit Mr. Mukasa stated that the Respondent informed them that it had verified the applicant's claimed input tax using URA system such as E-hub, E-tax, and third-party information. But then the Respondent resorted to verification of physical records which the Respondent agrees to.
64. Third party information by google is the information not owned or generated by the primary party, such as data from external sources, vendors or users. On monthly and some on the sixth or annual basis as the Law requires, taxpayers file returns and make declarations. This provides the Respondent with information which comes in through e-tax, EFRIS, Asycuda, DTS which forms an e-hub full of information from all sources which the Respondent stores as taxpayers give accountability.
65. However, in Mr. Kisoro's affidavit, he asserted that the Applicant's E-Tax submissions were not supported with documents in her names but the

Respondent resolved to allow input tax pursuant to Section 28(12) of the VAT Act which empowers the Commissioner General to allow input tax credit in the tax period in which the credit arises where the Commissioner General is satisfied that:

- (a) the taxable person took all reasonable steps to acquire a tax invoice
- (b) the failure to acquire a tax invoice was not the fault of the taxable person
- (c) the amount of input tax claimed by the taxable person is correct.

66. The Tribunal noted that there is an issue of two unrelated businesses. One is providing rental services and another receiving rental services from the land lord to offer sales of other goods. The amount of input tax may be correct but who qualifies for the input tax credit is the issue.

67. The following input tax on such services was allowed:

- a) Security
- b) Insurance
- c) Repair by roofing materials
- d) Input tax from Eron Mpoze
- e) Mukakwe Enterprises limited Uganda

68. The Respondent informed the Applicant that it had disallowed the input tax credit on water and electricity on the basis that it could not verify that indeed the landlord pays the utilities but not the tenants ignoring the Applicant's proof of payment by way of utility payments presented in the bank statements and receipts.

69. Mr. Mukasa stated that the Respondent conducted physical inspection visits to the Applicant's buildings and ascertained that the water and electricity meters were indeed under the Applicant's names. Then the Respondent disallowed the input tax credit on water and electricity on the basis that it could not verify that indeed the landlord pays the utilities and not the tenants which the Applicant as landlord directly pays for. He stated that if the Applicant leaves the utility payments to the tenants on their own,

the tenants never or delay to pay which leads to disconnections on the building.

70. He asserted that the Respondent erred in denying input tax credit to the Applicant as the utilities are wholly and exclusively incurred for purposes of the rental business leading to a tax liability.
71. In paragraph 13, Mr. Kisoro states that the Respondent maintains that utility bills are ordinarily borne by tenants who consume the services.
72. Furthermore, in its submission the Respondent stated that on top of the allowed input tax, the Applicant also claimed utility bills which were borne by tenants who consume the services and all the receipts provided in support of this claim were not in her names but the respective tenants/consumers. The Applicant failed to prove that the claimed water and electricity bills were exclusively and wholly incurred for purposes of her rental business as required by law. The provided bills were not in the Applicant's names.
73. The Applicant also provided bank statements which did not sufficiently demonstrate the nexus between the payments and the Applicant's taxable supplies since the meters and electricity and water accounts were not in the Applicant's name. The Respondent could not verify that utility bills that are ordinarily borne by tenants/consumers and not the landlords/landladies were actually incurred by the Applicant as claimed or for use in her business.
74. The Tribunal notes that this dispute revolves around one issue; whether the utilities were put to business use by the Applicant or its tenants. The Applicant offers commercial property to many business men/women by dividing each floor into outlets to rent. The commercial building will have no value and remain with no value when not occupied. These rooms are rented and the business persons put in their merchandise for sell. The issue is who puts these utilities to use. The Landlord in this case the Applicant or the Tenants.

75. The Tribunal imagines who among the two will raise an alarm if the Tribunal walks into these buildings and puts off the lights or switches off the water of the building.
76. In the affidavit of Mr. Mukasa, he depones that the Respondent visited the buildings 2 times but in the Affidavit of Mr. Kisoro or the submissions of the Respondent, nothing is mentioned on any information on utilities from the Tenants.
77. International Standards on auditing guides auditors to do their work diligently and one of the key aspects is to circularize while doing their work for proper reporting. The Respondent visited the Applicant businesses twice where tenants carry out their businesses but only stopped at checking out the meter numbers and sequences without asking the tenants who operate the businesses there how they pay and who pays for the utilities. Both parties are silent on this crucial information from the horses' mouth. If these rooms remain with no light, the public or buyers will not be attracted to the merchandise. So, the businessmen put in light to their satisfaction and decoration to attract buyers. If the business man does not attract the buyers, he or she will have no use to rent these rooms.
78. In "H" attached to the affidavit for Mr. Kyambadde, paragraph 1 reads: *"that the land lord is the registered and lawful proprietor of the property comprised in Plot 24, Mackay Road, Kampala and all of the developments, fixtures and fittings there on the premises. The paragraph states that, "The land lord is desirous of letting the property of the premises to the tenant and the tenant is desirous of renting the same from the landlord up on the terms and conditions herein contained"*.
79. Paragraph 4 (d) provides:  
*"the tenant hereby covenants with the landlord to pay or cause to be paid and discharged all electricity charges incurred during the term hereby created and for any period over and above the said period during which the tenant remains in occupation of the premises whether with or without the landlord authority".*

80. Paragraph 5 (a) states that *"the landlord hereby covenants with the tenant as follows: To clear and or take responsibility for all the outstanding utility bills including as applicable but not limited to electricity, water and Sewage and telephone touching on the premises as let to the tenant that were incurred before the commencement of the term of this tenancy and that should there be a disconnection of the said utilities owing to non-payment by the landlord herein above obliged, the expense incurred upon re-connection of the same shall be borne by the landlord"*.
81. This is clear that the landlord will meet the unpaid bill of any utility should there be any disconnection of the utility due to non-payment. It is mentioned in the agreement that it happens when the tenant leaves the outlet with pending bills. No new tenant would take the outlet for business when electricity has been connected. The electricity and water (utility) used is for the use in the business of the tenant.
82. The landlord put up a commercial property and leaves the rest to the tenants and the tenants are the ones who put the light to use by putting light in their shops, so that the merchandise is seen by the shoppers and the shop keepers use the lights to decorate the shop to attract customers.
83. The tenants are the ones who use the water to clean their shops, and a toilet as a place of convenience for a nature call or that of their customers. The shop keepers sit all day in the shops, eat and drink thus using water for washing and convenience. In most times to access the toilet the user of these convenience places go through a person who collects money from them and this person would deny access to those who do not part with the coins. These people use the money to clean up the place and pay for the water. This money comes from the shop attendants, not the landlord.
84. So, whether the electricity or water may be paid for by the landlord or their managers who manage and supervise the building, this money is raised by the tenants and the tenants are the ones who put the supply of electricity and water to their business use.

85. In rejoinder, the applicant clarifies that in the present matter, the bills are borne and paid for by the Applicant/landlord. In so many commercial properties, the landlord charges service charge to the tenants which the landlord uses to pay for common area usage. The Applicant narrates that when it leaves the bills to the tenants to pay, the tenants never pay or pay on time which leads to disconnections and business interruptions. The Tribunal asks itself that whose business is interrupted, that of the landlord or the tenant? The landlord puts up a building and, in most cases, may be residing elsewhere when electricity is off, the land lord's business of renting the outlet continues when the shop keeper's (tenant's) business is in darkness and no customer would enter his shop for failure to see the merchandise. So, the electricity is put to use by the shopkeeper. In so many commercial buildings and apartments, service charge and its treatment is mentioned in the tenancy agreement. In this present case, there was no service charge mentioned.
86. In the same rejoinder, the landlord states that it bills the tenants a consolidated amount which includes utility costs and rent. However, it is stated in paragraph 5(a) of the Tenancy Agreement that the landlord hereby covenants with the tenant to clear and or take responsibility for all outstanding utility bills including as applicable but not limited to electricity, water and sewerage and telephone touching on the premises as let to the tenant that were incurred before the commencement of the term of this tenancy AND THAT should there be disconnection of the said utilities owing to non-payment..... the expense incurred upon re-connection of the same shall be borne by the landlord.
87. This means that there are utility bills paid by the landlord (Applicant) before tenants' occupancy of the building and utility bills unpaid by a tenant who has vacated the building or property.
88. The Applicant had a duty to separate such bills and to inform the Respondent when the Respondent visited the properties. This input tax credit ought to have been credited to the Applicant. Similarly, both parties

did not mention the electricity that is incurred when the tenants/shopkeepers close their shops and go home at night and during holidays and weekends.

89. This the Tribunal is not to look into it since it was not raised by the Applicant on how it is treated and to whose benefit it is. This clearly shows that the utility bills are paid by the tenants. Paying through the bank does not show business use in this context. The agent of the landlord may collect the money for utilities and pay it into the bank.
90. The Applicant reiterated that the Respondent did not make any effort to verify with National Water and Sewerage Corporation or UMEME to ascertain whether the Applicant paid or never paid these utilities. The issue is not on payment, but business use. Who puts the utilities to business use in this case. It is the tenant not the landlord. Although some utility accounts remained in the previous owner's name, this is merely a matter of form.
91. Our focus is on who put the utilities to business use. Even though the Utility companies declared the output tax, the corresponding input tax from the Applicant was not put to use by the Applicant. The Applicant accepted that some of its input tax was not in its name but in the names of Mr. Mbirizi the former landlord. The Applicant cannot claim the corresponding input tax to the output tax when the Applicant never put this input tax to its business use. The Applicant transferred the use in business when it contracted the tenant after putting up the property to use in form of rent but not operating the shop/outlet itself.
92. The Tribunal will allow input tax credit where:
- (i) the supplier of goods or services was a VAT-registered person;
  - (ii) A registered person put to use the utility services whether used wholly or partly for business use.
93. The Tribunal would look at who uses the utilities of commercial properties before spacing for public use and who uses the utilities in conducting

business after opening to public use and how the issue of common use is treated in the agreement/real use.

94. Taking the above in consideration, the Respondent was justified to deny the input tax credit of Shs.171.868,138 to the Applicant. The Respondent was justified to raise the additional Assessment which has been reduced to this amount.
95. In the circumstances, I dismiss this application with costs to the Respondent.

Dated at Kampala this 5<sup>th</sup> day of **March** 2026.



**MS. CHRISTINE KATWE**  
**MEMBER**