



THE REPUBLIC OF UGANDA

IN THE TAX APPEALS TRIBUNAL AT KAMPALA

APPLICATION NO. 234 OF 2024

T&L FAMILY TRADING COMPANY LIMITED.....APPLICANT

VERSUS

UGANDA REVENUE AUTHORITY.....RESPONDENT

**BEFORE: HON. CRYSTAL KABAJWARA, HON. EDWARD BIRYETEGA,
HON. REBECCA NASSIMBWA NSUMBA**

RULING

I. Introduction

1. This Ruling is in respect of an application challenging additional Income Tax assessments amounting to Shs. 63,958,738 issued by the Respondent against the Applicant. The impugned assessments span the financial years 2016/2017 and 2018/2019 and arise from the Respondent's administrative recharacterization of certain credits on the Applicant's corporate bank accounts as taxable commission income derived from the provision of cross-border money remittance services.

II. Background facts

2. The Applicant is a private limited liability company duly incorporated under the laws of Uganda, engaged in general trading with a principal focus on the

importation and exportation of cereals and foodstuffs. It is an associate sister company to M/s T&L Family Company Limited, an entity incorporated in the Republic of South Sudan operating within the same commercial sector. The two entities share identical shareholders, directors, and ultimate beneficial owners.

3. The material facts out of which this dispute arises are stated sequentially below:

- (i) The Respondent conducted an administrative review of the Applicant's tax affairs and financial transactions for the period 2016 to 2019.
- (ii) By a letter dated 8 June 2023, the Respondent communicated its audit findings, asserting that a technical analysis of the Applicant's transactional data and bank account credits established that the Applicant was actively conducting financial and cross-border money remittance services between the Republic of South Sudan and the Republic of Uganda.
- (iii) Operating on this premise, the Respondent determined that the Applicant had generated undeclared commission income. It retrospectively applied an industry commission rate of 0.5% which the Respondent asserts was the prevailing market rate within the money remittance sector to the total volume of funds passing through the Applicant's corporate bank accounts, recharacterizing the resultant figures as taxable business income earned by the Applicant.
- (iv) Consequently, the Respondent raised two additional Income Tax assessments under Assessment Numbers ID012300439964 and ID012300439864, demanding Shs. 43,621,383 for the 2016/2017 period and Shs. 25,291,787 for the 2018/2019 period, totaling a global principal tax liability of Shs. 63,958,738 as maintained in the Objection Decision.

- (v) On 22 August 2023, the Applicant formally lodged a Notice of Objection against the assessments on the sole ground that the applicable commission rate ought to have been calculated at 0.05% instead of 0.5%, asserting that the lower rate was the actual premium contractually agreed upon with its South Sudanese sister company.
- (vi) During a reconciliation meeting held on 20 September 2023, the Applicant explained its operational modalities, stating that because the Republic of South Sudan faced severe restrictions from international banking networks, its South Sudanese sister company remitted funds to the Applicant's Ugandan accounts, which the Applicant subsequently remitted to foreign jurisdictions to procure commercial cargo on behalf of the South Sudanese entity.
- (vii) The Respondent requested the Applicant to adduce accounting documentation to validate this defense. In response, the Applicant availed corporate bank statements, localized commission schedules, and a written agreement executed between the Applicant and M/s LEM International Co. Ltd reflecting a commission rate of 0.05%. However, the Applicant failed to provide audited books of account for the periods under review despite formal requests from the Respondent.
- (viii) At a subsequent technical engagement on 11 October 2023, the parties established that both the Applicant and LEM International Co. Ltd were legally registered exclusively for general trading rather than licensed money transfer or remittance services. Furthermore, neither entity possessed any corresponding customs documentation or records of physical importations into Uganda, notwithstanding the Applicant's contention that the funds were routed solely for the procurement of regional trade goods.
- (ix) On 26 October 2023, the Respondent issued its Objection Decisions disallowing the Applicant's objections on the ground that the Applicant had failed to adduce sufficient, reliable accounting

evidence to substantiate the 0.05% rate, thereby maintaining the market-derived 0.5% rate applied by the Respondent.

III. Issues for determination

4. The issues for determination are:

- 1) Whether the Applicant is liable to pay the tax as assessed by the Respondent; and
- 2) What remedies are available to the parties.

IV. Representation and evidence

5. Ms. Hope Brenda of M/s Sebugwawo & Co. Advocates, appeared for the Applicant, alongside Mr. Bruce Turyamureeba (Accountant and Auditor of the Applicant), Mr. Mark Manzi, and Mr. Farouk Nanduli. The Respondent was represented by Ms. Christine Mpumwire from its Department of Legal Services and Board Affairs.
6. The matter proceeded by way of affidavit evidence and written submissions pursuant to the Tribunal's scheduling directives of 6 January 2026 issued under Rule 26 of the Tax Appeals Tribunal (Procedure) Rules. The Applicant was directed to file a Joint Scheduling Memorandum, affidavit evidence, and written submissions by 27 January 2026, while the Respondent was directed to file its affidavit evidence and submissions by 16 February 2026, with the Applicant's Rejoinder due by 22 February 2026.
7. In support of its case, the Applicant relied on the affidavit deposed by Mr. Bruce Turyamureeba, the Applicant's Accountant and Auditor, sworn in February 2026, wherein it is deposed as follows:
 - (i) The Applicant and its South Sudanese sister company share identical shareholders, directors, and ultimate beneficial owners, and the Respondent's recharacterization of the Applicant's bank transactions as

money remittance income is completely devoid of factual or legal foundation.

- (ii) The impugned transactions were mere intra-group transfers of funds between the two sister companies to facilitate cross-border trade, necessitated by strict international banking sanctions that restrict South Sudan's capacity to execute international payments directly. Consequently, no commercial or financial gain accrued to the Applicant from these flows.
 - (iii) In the interest of preserving business continuity, specifically to secure vital Tax Clearance Certificates, the Applicant pragmatically executed a written agreement with its South Sudanese counterpart applying a nominal commission rate of 0.05% and had proactively remitted more than fifty percent (50%) of the total disputed tax. The Applicant accordingly prayed that the additional assessments be vacated.
8. In reply, the Respondent filed an affidavit deposed by Mr. Masiko Tumwebaze, an Officer attached to the Respondent's Department of Legal Services and Board Affairs, sworn in May 2026, wherein he stated as follows:
- (i) The Applicant is a private company operating an undocumented money remittance and transfer business between the Republic of South Sudan and the Republic of Uganda. A technical audit of the Applicant's tax affairs for the 2016 to 2019 period established a substantial volume of undeclared commission income, which sharply contradicts the Applicant's officially declared line of business as an exporter of foodstuffs.
 - (ii) The Applicant consistently received heavy fund inflows from South Sudan into its local bank accounts and systematically distributed those funds to designated third-party recipients within and outside Uganda, thereby earning an undeclared commercial commission on the sums remitted.

- (iii) Both the Applicant and M/s LEM International Co. Ltd are registered exclusively for general trading rather than regulated money transfer services, and neither entity possesses any accompanying customs documentation or records of physical importations to validate the Applicant's claim that the funds were used to purchase trade goods.
- (iv) The Applicant failed, neglected, or refused to provide audited books of account despite formal requests, leaving the Respondent's application of the prevailing industry market commission rate of 0.5% entirely un rebutted on the record.

V. Submissions by the Applicant

- 9. The Applicant did not file written submissions in this matter. Despite the explicit directives issued by this Tribunal on 6 January 2026 requiring the Applicant to file its written submissions by 27 January 2026, and notwithstanding the extensive lapse of that deadline as of 26 May 2026, the date on which the Respondent ultimately filed its own documents, the Applicant chose to rely solely on its affidavit evidence summarized at Part IV above, failing to lodge or serve any written submissions upon the Respondent or the Tribunal.

VI. Submissions of the Respondent

- 10. As a preliminary matter, the Respondent submitted, in reliance on Section 26(3) of the Tax Appeals Tribunal Act, Cap. 341, that where an applicant fails within a reasonable time to comply with a procedural direction, the Tribunal may dismiss the application. Counsel for the Respondent prayed that this matter be determined strictly on the basis of the Respondent's affidavit evidence and written submissions alone, given the severe procedural prejudice that would be occasioned to the state were the Applicant permitted to file its pleadings out of time.
- 11. On the merits, the Respondent submitted that the Applicant is fully liable to pay the assessed additional income tax of Shs. 63,958,738.

12. The Respondent relied on Section 4(1) of the Income Tax Act, which imposes income tax on every person who has chargeable income for a given year of income. Counsel further anchored the Respondent's recharacterization power on Section 117(1) of the Income Tax Act, which explicitly empowers the Commissioner General to disregard a transaction that lacks substantial economic effect, or to recharacterize a transaction whose form does not reflect its true economic substance, for purposes of determining accurate tax liability.
13. The Respondent further relied on Section 25(b) of the Tax Procedures Code Act, which provides for the raising of additional tax assessments. It was submitted that the Commissioner General is legally clothed with the power under Section 28 of the Tax Procedures Code Act, read together with Section 32 of the Value Added Tax Act and Section 117 of the Income Tax Act, to estimate a taxpayer's liability where such a taxpayer fails to provide accurate information or neglects to maintain full and accurate records.
14. In support of this estimation and recharacterization framework, the Respondent cited the following judicial authorities:
 - ***Uganda Revenue Authority v Balondemu David*, High Court Civil Appeal No. 0002 of 2023**, wherein the High Court accepted that the tax authority may estimate income where a taxpayer's underlying records are unreliable or incomplete;
 - ***Commissioner of Taxes v Faraday* (Zambia Supreme Court, 1978)**, which held that the Commissioner may raise estimated assessments where a taxpayer's books cannot be relied upon, provided there is baseline material supporting the estimate;
 - ***MKU v Kenya Revenue Authority*, Tax Appeal No. 298 of 2018**, which expressed a similar legal position; and
 - This Tribunal's decision in ***Tinasah Investments Ltd v Uganda Revenue Authority*, TAT Application No. 170 of 2023**, which emphasized that while the URA may resort to estimated assessments, it must demonstrate

a rational basis for the estimate and cannot reject a taxpayer's records without objective, justifiable reasons.

15. The Respondent submitted that, having established from the Applicant's own bank statements, localized commission schedules, and its contract with LEM International Co. Ltd that the Applicant earned commission on funds received from its South Sudanese sister company, and the Applicant having failed to provide audited books of account or any documentation substantiating its claimed 0.05% rate, the Respondent was fully justified in applying the prevailing market commission rate of 0.5%, which is uniformly applicable to all taxpayers within the money remittance industry.
16. The Respondent further relied on this Tribunal's decision in ***Bullion Refinery Limited v Uganda Revenue Authority, TAT Application No. 87 of 2021***, where the Tribunal held that the Respondent was justified in treating unexplained credit sums in an applicant's bank accounts as undeclared income and taxing the same accordingly.
17. On the burden of proof, the Respondent relied on Section 19 of the Tax Appeals Tribunal Act, read together with Section 28 of the Tax Procedures Code Act. These provisions place the legal burden squarely on an applicant to prove, in respect of an objection decision on an assessment, that the assessment is excessive, and in any other case, that the taxation decision should not have been made or should have been made differently.
18. The Respondent argued that the Applicant has failed to discharge this statutory burden, having produced no evidence of physical importation of cargo on behalf of its South Sudanese sister company, nor any verified audited records to substantiate its claimed commission rate of 0.05%. The Respondent therefore prayed that the Application be dismissed and the additional tax assessments of Shs. 63,958,738 confirmed as lawfully due and payable.
19. On remedies, the Respondent submitted that it was entitled to costs under Section 27(1) of the Civil Procedure Act, Cap. 71, which vests the trial court or

tribunal with absolute discretion over costs, which ordinarily follow the event. Counsel cited ***Donald Campbell & Co. v Pollak (1927) A.C. 732***, regarding the judicial nature of that discretion, and prayed that the costs of this Application be awarded to the Respondent.

VII. The Determination

Issue 1: Whether the Applicant is liable to pay the tax as assessed by the Respondent

20. The Tribunal has carefully considered the Respondent's preliminary submission that this Application ought to be determined solely on the Respondent's evidence and submissions, given the Applicant's total failure to file written legal submissions despite the explicit scheduling directions of 6 January 2026. While Section 26(3) of the Tax Appeals Tribunal Act empowers the Tribunal to dismiss an application for such default, the Tribunal is guided by the overarching mandate under Article 126(2)(e) of the Constitution of the Republic of Uganda, 1995, which requires that substantive justice be administered without undue regard to technicalities. Out of an abundance of caution, the Tribunal has therefore had regard to the Applicant's affidavit evidence on record in reaching its decision, notwithstanding the total absence of subsequent legal submissions amplifying or explaining that evidence.
21. It is trite law, as provided under Section 19 of the Tax Appeals Tribunal Act, read together with Section 28 of the Tax Procedures Code Act, that the primary legal burden rests squarely upon the Applicant to prove that the deficiency assessment issued by the Respondent is excessive or erroneous. This foundational position was fortified in ***Williamson Diamonds Ltd v Commissioner General (2008) 4 TTLR 167***, where it was held that the burden of proving an assessment excessive or erroneous lies strictly on the taxpayer and may not be shifted to the Respondent under any circumstances.
22. Section 4(1) of the Income Tax Act imposes income tax on every person who has chargeable income for a given year of income. Furthermore, Section

117(1) of the Income Tax Act explicitly empowers the Commissioner General, for purposes of determining chargeable income, to look past the form of a transaction, disregard an arrangement that lacks substantial economic effect, or recharacterize a transaction whose form does not reflect its true economic substance. The Tribunal finds that the Respondent was fully entitled to invoke this statutory provision upon establishing that the Applicant's corporate bank transactions bore the practical character of commission-earning cross-border money remittance activity, notwithstanding the Applicant's officially declared line of business as general trading.

23. The Tribunal further finds that the Respondent was entitled, under Section 25(b) of the Tax Procedures Code Act, to raise additional assessments upon discovering undeclared business income. The Commissioner General is equally empowered under Section 28 of the Tax Procedures Code Act, read together with Section 32 of the Value Added Tax Act and Section 117 of the Income Tax Act, to estimate income where a taxpayer's records are unreliable.
24. This accords directly with ***Uganda Revenue Authority v Balondemu David, High Court Civil Appeal No. 0002 of 2023***, and with the persuasive regional authorities of ***Commissioner of Taxes v Faraday (Zambia Supreme Court, 1978)*** and ***MKU v Kenya Revenue Authority, Tax Appeal No. 298 of 2018***, all to the effect that a tax authority may lawfully estimate income where a taxpayer's records are unreliable, provided the objective basis of the estimate is demonstrated. The Tribunal is also guided by its own decision in ***Tinasah Investments Ltd v Uganda Revenue Authority, TAT Application No. 170 of 2023***, emphasizing that the Respondent must demonstrate a rational basis for any estimate applied.
25. The Respondent estimated the Applicant's income on the basis of a 0.5% commission rate. While the Applicant challenges the estimate as baseless, they have not provided sufficient evidence showing the irrationality of the Respondent's estimate. Instead, the Applicant has asserted a 0.05% rate which rests on a private written agreement executed with M/s LEM

International Co. Ltd. The Tribunal notes, from the uncontradicted evidence of Mr. Masiko Tumwebaze, that LEM International Co. Ltd was itself registered exclusively for general trading and possessed no regulatory licenses or clearances to operate money transfer services, a critical licensing defect which the Applicant did not, by affidavit or otherwise, satisfactorily explain.

26. More critically, the Applicant did not provide audited books of account or general ledgers for the assessed periods, despite formal administrative requests, and failed to adduce any customs documentation or entry bills proving the physical importation of goods into South Sudan, which it claimed the remitted funds were used to procure. The absence of such corroborating evidence, coupled with the Applicant's failure to file written submissions, leaves the Tribunal unable to find that the Applicant has discharged the statutory burden placed on it to show that the Respondent's assessment was excessive or erroneous.
27. The Tribunal is heavily guided by its previous decision in ***Bullion Refinery Limited v Uganda Revenue Authority, TAT Application No. 87 of 2021***, where the Respondent was found fully justified in treating unexplained credit sums passing through a taxpayer's bank accounts as undeclared income. The Tribunal reaches a similar conclusion in the present case: the Applicant has failed to substantiate, on a balance of probabilities, that the commission earned on the cross-border funds passing through its account ought to have been assessed at the nominal rate of 0.05% rather than the standard market rate of 0.5% applied by the Respondent.
28. Accordingly, the Tribunal finds that the Applicant is liable to pay the income tax as assessed by the Respondent.

Issue 2: What remedies are available to the parties

29. Having found under Issue One that the Applicant has failed to discharge its statutory burden of proving that the Respondent's additional assessments were excessive or erroneous, the Tribunal finds that the Respondent's

Objection Decisions dated 26 October 2023 were lawful and are hereby upheld.

30. Regarding the question of costs, Section 22 (6) of the Tax Appeals Tribunal Act empowers the Tribunal to make an order as to damages, interest or any other remedy against any party. As established in *Donald Campbell & Co. v Pollak (1927) A.C. 732*, this discretion is judicial in nature and must be exercised strictly on the basis of the facts on record, and an appellate body will not interfere with it where it is properly grounded. Finding no exceptional circumstances to depart from the ordinary rule, the Tribunal awards the full costs of this application to the Respondent as the substantially successful party.

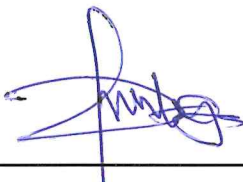
VIII. Orders

31. The Tribunal makes the following orders:
- (a) The Application is dismissed;
 - (b) The assessments are upheld; and
 - (c) Costs of this application are awarded to the Respondent.

Dated at Kampala this 18th day of September 2026.



HON. CRYSTAL KABAJWARA
CHAIRPERSON



HON. EDWARD BIRYETEGA
MEMBER



HON. REBECCA NASSIMBWA NSUMBA
MEMBER