

▲ 28 days

Hopeful. For the current financial year, Uganda Revenue Authority (URA) has set an internal target of resolving Alternative Dispute Resolution ADR matters within 28 days.

Issue. Taxpayers currently have only seven days to apply for ADR after receiving an objection decision.

Uganda's tax dispute framework is not short of mechanisms, but many practitioners say it still struggles with coordination, clarity and time.

BY DEOGRATIUS WAMALA

Tax disputes in Uganda rarely begin in a calm room. They usually start with an audit, an assessment or a penalty issued by the Uganda Revenue Authority (URA). Once that happens, the relationship between the tax collector and the taxpayer can quickly turn tense.

To ease that tension, URA introduced an Alternative Dispute Resolution (ADR) system, a process designed to settle disputes through dialogue rather than long legal battles. In theory, ADR should be faster, cheaper and less confrontational than taking a case through the courts or the Tax Appeals Tribunal (TAT). But the experience on the ground has been mixed.

Exceptions

Part of the debate centres on the rules governing the process itself. Taxpayers currently have only seven days to apply for ADR after receiving an objection decision. Many practitioners argue that this window is simply too short, even for relatively straightforward cases, because they may still be reviewing the decision or seeking professional advice before the deadline passes.

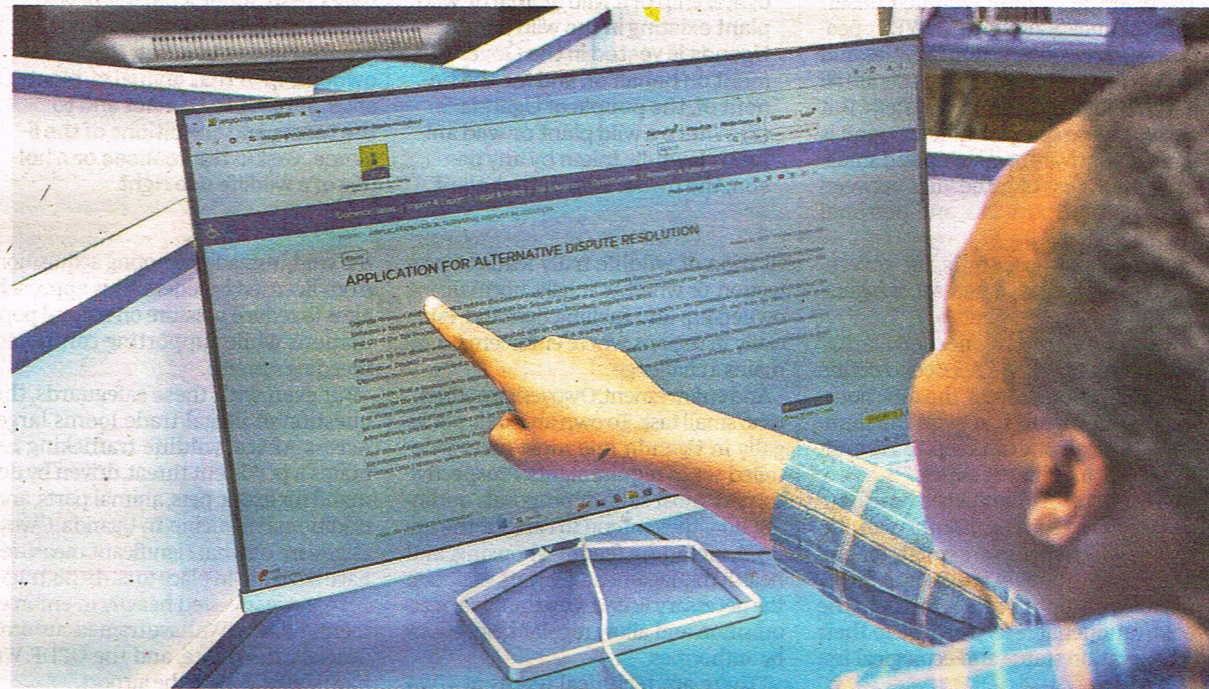
The Tax Procedures Code (Alternative Dispute Resolution) Regulations, 2023, which govern how ADR operates within the URA's tax dispute framework, do not clearly provide for exceptions. While the tax authority has occasionally exercised discretion where exceptional circumstances exist, many tax professionals say this flexibility should be clearly embedded in law to avoid uncertainty.

As it stands, a taxpayer may be liable to pay a certain tax based on the objection decision, even when evidence later emerges showing that the tax should not have been applied.

Consider a situation where a taxpayer is assessed tax, but later obtains evidence showing that the transaction was actually exempt. If that evidence surfaces after the objection timelines have passed, the taxpayer may be left without a clear legal path to challenge the assessment. Currently, there is no court or mechanism to recognise such evidence after the fact.

Even when taxpayers manage to file within the seven-day window, another frustration can emerge once the ADR process begins. Disputes are occasionally redirected between different units within URA, with taxpayers being told that certain matters fall outside the ADR process and must instead be handled by departments such as legal or investiga-

Why tax dispute system in Uganda needs reform



URA introduced an Alternative Dispute Resolution (ADR) system, a process designed to settle disputes through dialogue rather than long legal battles. PHOTO/GEOFREY MUTUMBA

tions.

URA officials acknowledge that some of these concerns are valid. Ms Catherine Donovan Kyokunda, the commissioner for legal and board affairs, says the regulations may need adjustment to accommodate exceptional cases. "The regulations, therefore, need to be amended to explicitly allow for exceptions based on credible evidence, ensuring fairness while providing legal clarity."

Timelines

The time it takes to resolve a tax dispute can be staggering. A typical audit alone can stretch to three years, and transfer pricing audits may take up to five. Add the objections process and ADR, and a dispute can easily drag on for a decade, a timeline that Crystal Kabajwara, the chairperson of the TAT, describes as "not commercial."

Part of the problem lies in the lack of statutory deadlines for ADR. Currently, the duration of a case is largely influenced by how long taxpayers have to escalate disputes to the TAT. For the current financial year, URA has set an internal target of resolving ADR matters within 28 days.

"To meet this goal, URA has increased the number of staff handling ADR matters and strengthened their capacity," says Ms Kyokunda.

Ms Kabajwara emphasises the urgency of introducing formal timelines. "We need to reduce the time the dispute resolution process takes. ADR currently has no statutory deadlines, and with each additional stage, more layers are added. It is time to ask: how long should an au-

ADR PROCEDURE

Alternative Dispute Resolution (ADR) begins when a taxpayer applies within seven days, proposing a resolution method. The Commissioner reviews eligibility and invites parties to a preliminary meeting. Both sides present evidence confidentially. Parties may withdraw if unresolved. If agreed, a binding settlement is signed, and URA amends the tax assessment accordingly within set timelines.

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Audit flaws

Tax disputes rarely emerge in isolation. The disputes seen at later stages—objections, ADR, or the Tribunal itself—are often symptoms of deeper issues, rooted in a breakdown of trust between the URA and taxpayers.

But there is a problem at the very start of the process: audits, whose procedures and outcomes are often not properly documented from the word go.

"Even URA faces challenges with record-keeping, much like taxpayers do. For instance, when a supervisor leaves or is transferred, there is often no handover, and the process effectively starts from scratch. The taxpayer has to resubmit documentation, which creates unnecessary delays and frustration," Ms Kabajwara notes.

This problem is compounded by duplication of information. Data submitted at

the audit stage is frequently requested again during objections, and yet again at the Tribunal or during ADR.

An integrated system could prevent repeated requests and streamline the process. It would be ideal if information provided at audit was visible to the objections team, and later to TAT, so taxpayers aren't repeatedly asked to provide the same documents.

"Automation is critical," Kyokunda says. "If we have electronic systems from the start of the appeal, all evidence is properly recorded and tracked. URA is already working to automate ADR processes, aiming to give both the authority and taxpayers full visibility over evidence."

The provisional tax issue

In Uganda, businesses and self-employed individuals whose income is not taxed at source are required to estimate their annual tax and pay it in advance. This is called provisional tax, and the payments are later credited against the final tax assessment.

However, many tax practitioners say URA's practices around provisional tax create unnecessary hurdles for taxpayers. For example, even when a business correctly reports zero provisional tax, because it expects no profit, URA may still refuse to issue tax clearance or tax credit certificates.

There have also been concerns about tax exemptions. In practice, URA often takes a long time to review applications for written confirmation of exemption status, and sometimes officers are hesitant to confirm exemptions due to fear of losing tax revenue. Practitioners say

these delays and cautious approaches "undermine taxpayer confidence and trust in the system."

The 30 percent rule

There is also a case about the 30 percent prepayment requirement before a taxpayer can appeal a tax assessment to the TAT. Under the Tax Appeals Tribunal Act, a taxpayer challenging an assessment by the taxman must first pay 30 percent of the assessed tax or the amount not in dispute, whichever is greater.

The rule was introduced to protect government revenue and discourage frivolous appeals, with the payment held separately until the dispute is resolved. In practice, however, the requirement can block legitimate disputes, particularly for businesses with limited cash flow.

Practitioners note that when the rule was introduced, paying the 30 percent deposit effectively shielded taxpayers from enforcement while the dispute was pending, a protection that is not always automatic today.

Recent decisions have clarified aspects of the law. In *Aggreko International Services Ltd versus URA*, the Tribunal held that the 30 percent deposit does not apply where the dispute concerns purely legal interpretation rather than a specific tax assessment.

Sources within URA acknowledge that the 30 percent rule remains a sensitive issue. While the law allows instalment arrangements in exceptional circumstances, tax officials understand that the authority must balance flexibility with the need to protect revenue. At the same time, they note that some cases do not justify strict application of the rule, suggesting clearer legal provisions could prevent decisions from appearing discretionary.

URA officials also point to systemic process conflicts. Benchmarking visits to the Rwanda Revenue Authority and the UK's HM Revenue & Customs (HMRC) showed that clearer procedures can prevent overlaps between review mechanisms. In Uganda, overlapping timelines for ADR and appeals to the TAT can push taxpayers to file appeals simply to avoid missing deadlines while ADR is ongoing.

Tax officials say reforms that pause appeal timelines during administrative review, while maintaining clear ADR deadlines, could reduce unnecessary litigation.

"We do need to amend our regulations to reflect real-life situations and strengthen taxpayer sensitisation, because anyone in business can end up with a tax dispute and may need to object," Ms Kyokunda notes.

Ultimately, Uganda's tax dispute framework is not short of mechanisms, but many practitioners say it still struggles with coordination, clarity and time.

From audits and objections to ADR and appeals, the process can become long, technical and, at times, inaccessible for taxpayers seeking resolution.

Addressing issues such as rigid timelines, procedural overlaps and the 30 percent prepayment rule could go a long way toward restoring confidence in the system.