

## TAX ALERT:

# The Depo Limited V URA – Customs Valuation Disputes and the Limits of Reference Pricing

The Applicant, an importer of building and construction materials, challenged an uplifted customs value based on a reference price of USD 1.75 per kilogram drawn from the customs database.

The Applicant raised three principal issues, on which the Tax Appeals Tribunal provided the following guidance:

### » Verification Powers

While the East African Community Customs Management Act empowers customs officers to verify the truth or accuracy of declarations and supporting documents, that power must be exercised within the statutory valuation framework. Verification is intended to test evidence and cannot be used to displace transaction value on the basis of unresolved suspicion.

### » Burden of Proof

Although the legal burden generally lies on the taxpayer to show that an assessment is excessive or erroneous, customs valuation disputes require a careful application of this principle. Once an importer produces coherent and verifiable documentary evidence of the price actually paid or payable, the evidential burden shifts to the customs authority to demonstrate why that evidence does not satisfactorily establish the transaction value.

### » Database Values / Reference Pricing

Database or reference prices are not valuation methods recognized under the Fourth Schedule to the EACCMA. At most, they may serve as informational tools within a recognized valuation method most commonly the fallback method but they cannot replace the structured valuation exercise required by law. Even where fallback is applied, the customs authority must demonstrate reliance on objective data, make appropriate comparability adjustments (including quantity, commercial level, timing, origin, and condition), and provide a clear explanation enabling the importer to understand and challenge the adopted value.

### » Tribunal's Position

The Tribunal reaffirmed that database tools do not constitute independent valuation methods under Section 122 of the EACCMA. Where recourse is had to the fallback method, the Respondent must show, on the record, that all preceding valuation methods were considered and found inapplicable. Any reliance on reference values must be clearly situated within that framework and supported by a reasoned explanation of comparability, adjustments made, and why the adopted value reasonably reflects the customs value of the imported goods.



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