

The Legal Brief

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URA'S NOTICE ON THE NEW METHOD OF PAYMENT FOR THE MANDATORY 30% TAX FOR APPEALS: LEGAL AND PROCEDURAL CONCERNS

On 11th March 2025, the Uganda Revenue Authority (URA) issued a public notice introducing a new method for payment of the 30% tax required under the Tax Appeals Tribunal (TAT). A taxpayer required to pay 30% of the tax assessed must now generate a Payment Registration Number (PRN) by selecting '30% TAT payment' under 'Basis of Payment' on the Payment Registration Page of the URA web portal. The notice further highlighted how the 30% tax when paid will be treated in the accounts of the taxpayer at the URA.

This article provides a commentary on each of the three notes in the notice from the perspective of a tax practitioner.

NOTICE 1

The payment made under this option will not be applied against any outstanding tax liability of the taxpayer until the matter is disposed of by the Tax Appeals Tribunal:

Every registered taxpayer has an account called a tax ledger accessible through the URA web portal, which reflects their outstanding liabilities, payments, accruing interest and penalties. When a tax liability arises, interest begins to accrue immediately. However, under this new framework, the 30% payment is not applied to the taxpayer's ledger until the matter is resolved by the Tax Appeals Tribunal.

1. Accumulation of Interest:

Since the 30% payment is not credited to the taxpayer's account, interest is deemed to continue to accrue on the full 100% of the assessed tax, rather than on the remaining 70%. This significantly increases the taxpayer's financial burden without justification, especially in cases where the dispute takes years to resolve.

2. Accounting and Transparency Issues:

The taxpayer's ledger remains unchanged, creating uncertainty about how and where the 30% payment is recorded. If it is not reflected as a partial settlement of the liability, how does URA account for it, and how does this impact the taxpayer's financial standing? Where is this money held, to whose credit, and for what purpose?

3. Fairness and Taxpayer Rights:

This measure appears to prioritize administrative convenience for URA at the expense of fairness. A taxpayer is required to make a substantial payment that neither reduces their outstanding liability nor halts the accumulation of interest—effectively turning the requirement into a punitive measure rather than a procedural safeguard.

4. Proposal:

To ensure fairness, the government should consider either suspending interest accrual on the 30% once it is paid or allowing it to offset the taxpayer's liability while the appeal is pending. Such an approach would align with principles of equitable taxation and prevent unnecessary financial strain on taxpayers.

NOTICE 2

Upon disposal of the matter, the taxpayer will be able to either apply for a refund of the 30% tax paid or utilize the payment to offset any other outstanding tax liability depending on the outcome of the case:

While this provision aligns with the current legal position, its execution presents challenges that must be addressed for fairness and efficiency.

1. Bureaucratic Bottlenecks:

Historically, URA's refund process has been slow and bureaucratic, with refunds often triggering audits, leading to further delays. This creates significant cash flow challenges for businesses. Streamlining the refund procedure is essential to avoid placing additional financial strain on successful appellants.

2. Interest and Penalty Considerations:

If a taxpayer wins their appeal and is entitled to a refund, URA should upon reimbursing the 30% and also pay any interest or penalties that accrued due to the non-application of the 30% payment to their ledger. Otherwise, taxpayers could still suffer financial losses despite a favourable ruling, undermining the fairness of the appeal process.

3. Recommendation

URA should streamline the refund process, clarify timelines, and pay any interest or penalties due to delays. Allowing taxpayers to offset liabilities directly would improve efficiency and fairness in the appeal process.

PROVISION 3

Where the tax not in dispute is greater than 30% of the tax assessed, the basis for payment will be either “Assessment” or “Audit” whichever is applicable:

- The tax not in dispute should have already been paid, making this provision somewhat unclear.
- In practice, the 30% payment applies only to the disputed portion of the tax, so referencing the undisputed tax may create confusion in compliance.

Final Thoughts

While URA’s notice aims to clarify the payment process for the 30% tax required under the Tax Appeals Tribunal, it raises several procedural concerns that require further clarification. URA should address the uncertainty surrounding how the 30% payment is recorded, its impact on interest accrual, and the efficiency of the refund process.

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