

Why tax disputes take so long to clear

Tax. |

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Think of Uganda's tax system as a crowded city served by a single arterial highway. When an accident blocks a lane, traffic grinds to a halt, fuel is wasted, and deliveries miss deadlines.

The Tax Appeals Tribunal (TAT) acts as both tow truck and traffic police, clearing blockages so money can move again.

In the 2024/25 financial year, TAT resolved tax disputes worth Shs506b, the highest amount in its 26-year history.

That money had been frozen in litigation. Once released, it returned to circulation: back to businesses to pay salaries, restock inventory, service loans, or to government where tax was genuinely due. Resolving tax disputes, therefore, is less about legal closure than restoring liquidity to the economy.

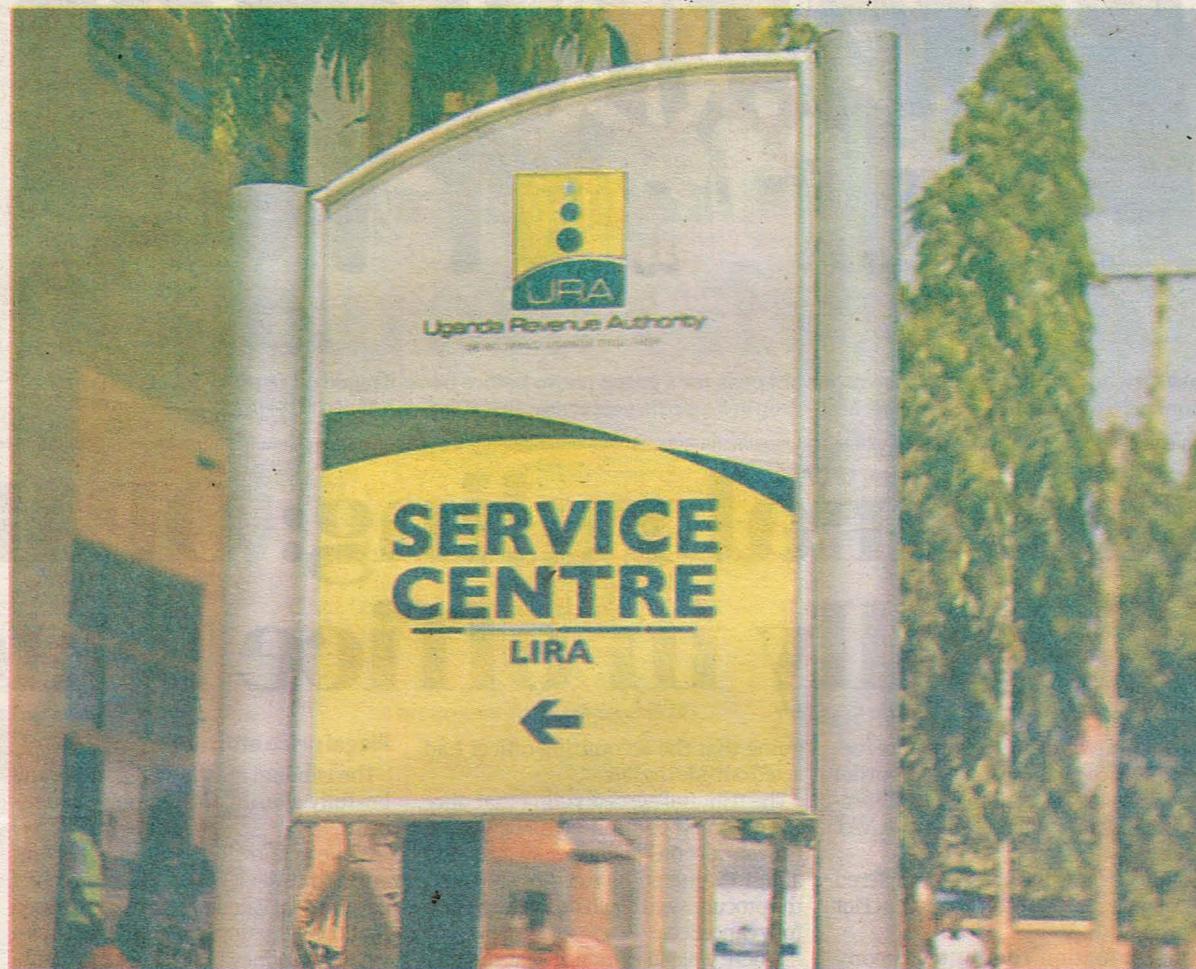
Yet congestion persists. While TAT is clearing cases faster, new disputes are arriving even faster. On average, about 34 new cases are filed each month, while only around 22 are concluded.

That net inflow, roughly 12 additional cases every month, explains why the backlog continues to grow despite efficiency gains. As a result, the average case duration has fallen only modestly, from 13 months to about 11 months.

Progress, but ...

That is progress, but still far from the six-month resolution window most businesses consider commercially workable. The real story lies in the composition of the backlog. At the top end, around 41 high-value cases account for nearly three-quarters of all disputed tax; about Shs920b.

Clearing just a few of these would have an outsized impact, easing pressure on borrowers, suppliers, and corporate balance sheets. At the other end are hundreds of small and medium-sized enterprise disputes, many below Shs200m. Individually modest, they collectively overwhelm the system. For a small business, having Shs50m or Shs100m locked up for a year can determine whether staff are



Key figures

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If government can fix audits upstream and lets Alternative Dispute Resolution do the heavy lifting, tax disputes can stop choking cash flow and start reinforcing growth, credibility, and predictable revenue collection. PHOTO / FILE

retained, branches remain open, or loans fall into default.

The most uncomfortable insight is how disputes are resolved. When cases are settled by mutual consent rather than through a full TAT ruling, URA typically collects only about 30 percent of the original assessment, with roughly 70 percent written off during reconciliation. The Tribunal itself has repeatedly pointed to weaknesses in initial audits and assessments.

Many disputes appear better suited to early correction than prolonged litiga-

tion. Yet large numbers still enter the formal system, where they stall or are later reduced.

The result is: firms lose working capital while disputes drag on; URA expends staff time defending assessments that are later scaled back; and TAT's docket fills with cases that could have been resolved earlier.

This points to a structural failure upstream, not a judicial one. As TAT chairperson Crystal Kabajwara has argued, "the remedy lies in stronger audits, clearer documentation standards, and

shared digital records, so disputes are resolved before they harden."

URA wins more cases by number; about 56 percent, and, crucially, wins most of the high-value cases by monetary value. This suggests that assessments against the largest taxpayers are generally built on firmer legal and evidentiary foundations. Many smaller disputes, by contrast, are not genuine disagreements over tax law at all; they are bookkeeping, reconciliation, or procedural issues.

Picture the tax-dispute system as a hospital. Most patients arrive with routine issues: misposted payments, mismatched ledgers, missing forms. A few require complex surgery; transfer pricing, cross-border transactions, or large assessments with serious cash-flow implications. Alternative Dispute Resolution is the clinic at the front: quick triage and fast fixes. TAT is the operating theatre inside, slower and more formal, reserved for the hardest cases.

"Mediation is encouraged as an alternative means of dispute resolution because it is speedy and less adversarial," Kabajwara notes. "Over 70 percent of the cases that are filed with the TAT are settled via mediation."

Alternative Dispute Resolution is now largely working as intended. In 2024/25, it resolved 2,547 cases; slightly more than it received, processing roughly 10 cases per day. That speed matters because it reduces the quiet tax on the economy: interest costs, legal fees, and management time wasted on disputes that are easy to resolve.

TAT, meanwhile, had a record year. But inflows remain high, driven by growing tax complexity and inconsistent audit quality upstream.

"We need a simple e-docket that time-stamps when taxpayers submit documents and when URA reviews them; that alone would reduce adjournments," Kabajwara says.

Thus, Alternative Dispute Resolution should absorb most arithmetic disputes quickly, leaving only genuine disagreements of law or complex fact patterns for TAT, which could ensure that the cost of doing business is lowered, faster and more predictable.