

TAX

MTN-URA tax row: A process failure and Shs169b at stake

Audit disputes test not just numbers but the rule of law, where process can matter as much as the tax itself in determining fairness.

Tax Justice |

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What began as a routine audit has evolved into one of Uganda's most closely watched tax disputes, pitting MTN against Uganda Revenue Authority (URA).

At the centre of the conflict is not only the size of the tax claim but also whether the proper legal process was followed in arriving at it.

Around 2023, URA initiated an audit into MTN's operations covering the period from December 2019 to December 2022.

Early findings suggested a tax exposure of about Shs1.54 trillion, a figure that immediately drew attention due to its scale.

However, as the audit progressed, the amount was significantly revised downward to about Shs260b.

URA attributed this largely to issues in airline reporting, including overstated and duplicated sales, undeclared revenue, and inconsistencies in transaction records used to track airline distribution.

These findings formed one component of the audit and followed a relatively clear administrative path.

At the same time, URA introduced a separate set of findings relating to mobile money, which would later become the more contentious aspect of the dispute.

On May 2, 2025, URA informed MTN that its review of mobile money transactions had uncovered undeclared revenue and discrepancies in reported data, resulting in a tax bill initially of Shs870b.

But the figure was revised multiple times, first to Shs688b and later to Shs566b as a result of reconciliations and exchange of information.

However, the mobile money findings were never formalized into a statutory tax assessment. Instead, they remained part of an evolving audit process, communicated through letters, meetings, and data reviews.

A tax liability with no assessment

Despite the absence of a formal assessment, URA on December 30, 2025, informed MTN of a tax liability of Shs169.9b, relying largely on the mobile money findings.

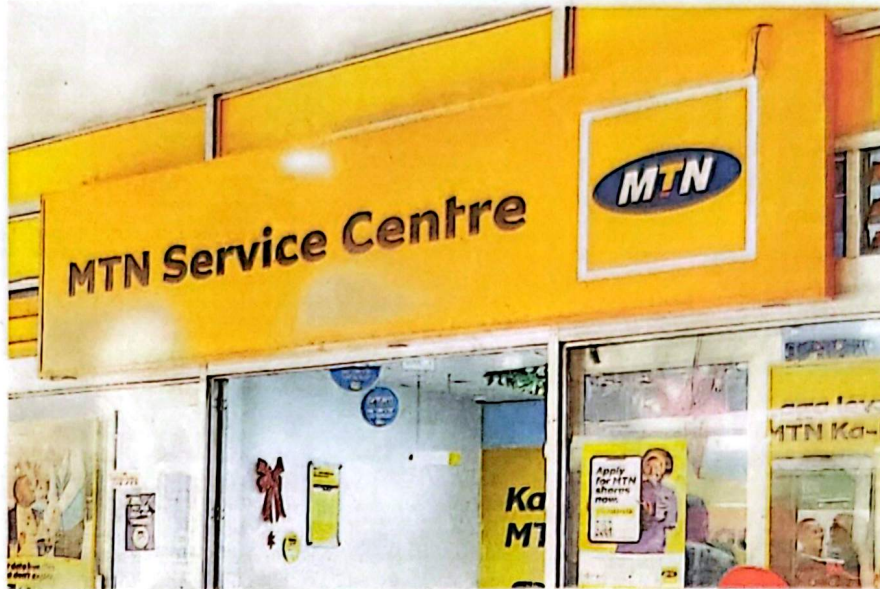
This was a turning point in the dispute. Under the tax framework, disputes are expected to follow a defined sequence: URA issues an assessment, the taxpayer may object, and unresolved matters proceed to the Tax Appeals Tribunal.

While the airline component followed this structure, the mobile money component did not.

Thus, MTN argued that without a formal assessment, there was no legal basis and that the process had effectively skipped a mandatory step.

URA, on the other hand, maintained that its audit communications and engagements with MTN were sufficient to establish the issues.

This divergence in interpretation shifted the dispute away from purely financial questions to a deeper legal issue: whether the statutory process had been



A high-stakes dispute between MTN and URA highlights how procedural missteps in tax audits can escalate into major legal and financial battles with national implications.
PHOTO / FILE

MTN subsequently petitioned the Tax Appeals Tribunal, challenging both the substance of the claim and the validity of the process.

30 percent requirement

URA responded by arguing that MTN had not complied with the requirement to pay 30 percent of the disputed tax before pursuing the case, which would amount to about Shs50.9b.

MTN countered that the 30 percent payment requirement only arises where there is a valid assessment and objection process.

Since those steps had not been properly completed in relation to the mobile money findings, it argued

that the requirement did not apply.

In its ruling, the Tribunal examined whether a formal assessment had been issued and found no clear evidence that one existed.

Thus, it concluded that a decision had been made without a valid underlying assessment. On that basis, the Tribunal held that the statutory process had not been properly followed. It ruled that the requirement for MTN to pay 30 percent of the disputed tax did not arise and granted an injunction restraining URA from enforcing collection of the Shs169.9b pending determination of the main case.

Importantly, the ruling did not determine whether the tax liability itself is valid or payable. Instead, it focused strictly on procedural compliance, emphasizing that legal steps must be followed before enforcement action can be taken.

In effect, the audit moved through multiple revisions and engagements but resulted in a final decision that did not fully align with the required legal sequence.

The case now stands as a significant test of how tax authorities balance administrative flexibility with strict adherence to statutory procedures.

Key figures

Shs870b

In May 2025, URA told MTN that a review of its mobile money transactions had uncovered undeclared revenue and discrepancies in reported data, resulting in a tax bill of Shs870b.

Shs169b

URA kept revising the figure, informing MTN in December 2025 that the liability stood at Shs169.9b.

Shs169b

URA had argued that MTN had not complied with the requirement to pay 30 percent of the disputed tax before pursuing the case.

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