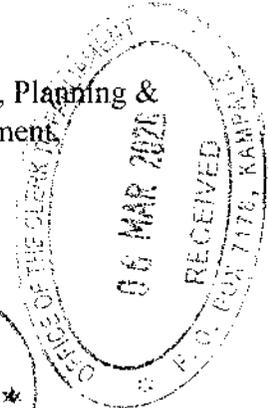


Telephone: 256 41 707000/232095
Fax : 256 41 4233524
Email: finance@finance.go.ug
treasury@finance.go.ug
Website : www.finance.go.ug
Plot No. 2-8 Sir Apollo Kagame Road
In any correspondence on
This subject please quote No. **MPD 280/304/01**

Place on the paper.
13/26



Ministry of Finance, Planning &
Economic Development
P.O. Box, 8147
Kampala, Uganda



February 26, 2026

The Rt. Hon. Speaker
Parliament of the Republic of Uganda
KAMPALA



PARLIAMENTARY APPROVAL OF WAIVER FOR TAX ARREARS OF INNOVATIONS FOR POVERTY ACTION (1001888598) PURSUANT TO SECTION 43 OF THE TAX PROCEDURES CODE ACT, CAP.343

Pursuant to Section 43(1) of the Tax Procedures Code Act, Cap.343, Uganda Revenue Authority (URA), vide letter Ref: URA/CG/10.0, dated September 15, 2025 (copy attached), has recommended waiver of Pay As You Earn (PAYE) liability and interest amounting to Shs. 2,518,017,968 owed by Innovations for Poverty Action. The arrears arose from the payment allocation rule as per Section 38 of the Tax Procedures Code Act (now section 41), where the tax payer's payment was allocated towards accumulated interest rather than exclusively clearing the agreed principal tax.

Section 43(2) of the Tax Procedures Code Act, Cap.343 provides that where a taxpayer's case is referred to the Minister by the Commissioner General Uganda Revenue Authority and the Minister is satisfied that the tax due cannot be effectively recovered, the Minister shall, with the approval of Parliament, remit in whole or part of the tax payable by the taxpayer. This Ministry is satisfied with URA's submission that the tax due cannot be effectively recovered.

The purpose of this letter is to request for Parliament's approval to remit the aforementioned tax liability, in accordance with the law.

[Signature]
Matia Kasaija (MP)

MINISTER OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

- c.c. The Clerk to Parliament, Parliament of Uganda
- c.c. The Commissioner General, Uganda Revenue Authority
- c.c. Director, Innovations for Poverty Action

1AA (here)

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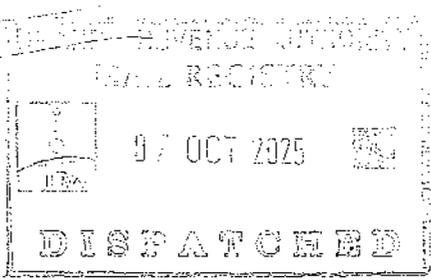
Mission

"To formulate sound economic policies, maximize revenue mobilization, ensure efficient allocation and accountability for public resources so as to achieve the most rapid and sustainable economic growth and development"

05/03/26

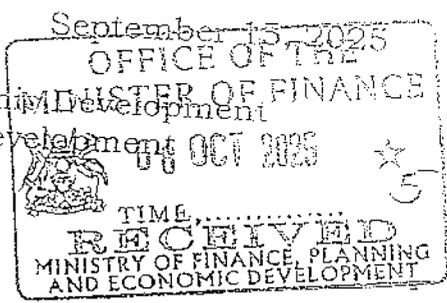
Uganda Revenue Authority

URA/CG/10.0



Telephone: 011 254 20
Fax: 011 254 20
Toll Free: 0800 20 20
E-mail: info@ura.gov.ug
www.ura.gov.ug

Hon. Minister of Finance, Planning and Economic Development
Ministry of Finance, Planning and Economic Development
Plot 1-12, Apollo Kaggwa Road
P O Box 8147
KAMPALA



RECOMMENDATION FOR WAIVER OF INTEREST FOR INNOVATIONS FOR POVERTY ACTION (1001888598).

Reference is made to your letter referenced TPD 137/167/05 TC dated August 27, 2024 on the above subject.

In our letter dated July 23, 2024, we recommended a waiver of interest accrued on the late payment of PAYE liability of Innovations for Poverty Action, in accordance with Section 43(2) of the Tax Procedures Code Act.

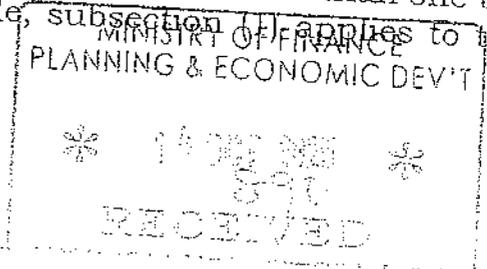
In your response, you advised that the outstanding interest is waived in accordance with Section 47A of the Tax Procedures Codes Act, 2014, provided the principal tax was fully paid. However, we are constrained to apply Section 47A, and now Section 47B of the Tax Procedures Codes Act, 2014 as elaborate below;

Payment Allocation Rules

Section 41(1) of the Tax Procedures Codes Act, 2014, previously referred to as Section 38 (1) provides that when a taxpayer is liable for penal tax and interest in relation to a tax liability and the taxpayer makes a payment that is less than the total amount of tax, penal tax, and interest due, the amount paid is applied in the following order -

- (a) in payment of the principal tax
- (b) in payment of penal tax; and
- (c) the balance remaining is applied against the interest due.

Section 38(2) further provided that if a taxpayer has more than one tax liability at the time a payment is made, subsection (1) applies to the earliest liability first.



Therefore, whereas the taxpayer completed payment of the principal tax of UGX 2,062,806,942 under the agreed instalment payment plan by November 28, 2018, the payments were applied by the system automatically in recovery of the outstanding interest which had accumulated in accordance with section 38.

In addition, by the time of the payment, the taxpayer had earlier unpaid PAYE self-assessed tax returns for the for the period March 2019 to June 2021, which were also automatically recovered as the earliest liability in accordance with the payment allocation rule under Section 38 of the TPC Act. However, we are constraint to apply Section 47A or (currently Section 47B) of the TPC Act.

After the automatic application of section 38 in the above two scenarios, the taxpayer was left with unpaid principal PAYE liability amounting to UGX 2,104,918,424 and accumulated interest of UGX 413,099,544.

Tax Position as at 26th September 2025

Tax Period	Principal tax (UGX)	Interest (UGX)	Total Tax Due (UGX)
Jan 2012 - June 2016	2,104,918,424	413,099,544	2,518,017,968

Recommendation

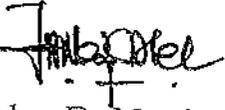
Therefore, in fulfilment of our commitment under the MOU, we still recommend a remission of the total taxpayer's outstanding PAYE liability amounting to **UGX 2,518,017,968** in accordance with Section 43(1) and (2) of the TPC Act, 2014 on the following grounds;

- i. The taxpayer made a voluntary disclosure of the outstanding PAYE liability in 2017 on the understanding that the interest would be automatically waived. However, Section 84(1) and (2) of the TPCA providing for voluntary disclosure came into force in 2019. Hence interest could not be waived under the above provision.
- ii. Due to the absence of the law on voluntary disclosure and the automatic application of the payment allocation rules under Section 38 of the TPCA, neither section 47A nor 47B of the TPCA providing for waiver of outstanding interest upon payment of principal tax is applicable to the taxpayer's benefit.

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 ECONOMIC DEVELOPMENT

- iii. The taxpayer is facing financial hardship because the liability arose from past projects which have since been closed and the current donors are not willing to meet past financial costs not related to the current projects.

“Developing Uganda Together”

pp 

John R. Musinguzi
COMMISSIONER GENERAL

Copy: Commissioner Domestic Taxes
Uganda Revenue Authority

Commissioner Legal Services and Board affairs
Uganda Revenue Authority

The Director,
Innovations for Poverty Action

