

Tax Clearance Certificate (TCC)

- Section 230(1A) of the Income Tax Act, 1961 states that every person domiciled in India, at the time of departure from India, should furnish the details of PAN, purpose of visit and estimated stay outside India in Form 30C.
- The section further states that no person who is domiciled in India at the time of departure and in respect of whom circumstances exist, which in the opinion of the income tax authority render it necessary for such person to obtain TCC, shall leave the country without obtaining a TCC stating that he/she has no liabilities under the Direct Tax Laws (The Income-tax Act, 1961, The Wealth-tax Act, 1957, The Gift-tax Act, 1958, and The Expenditure-tax Act, 1987).
- For this purpose, the Central Board of Direct Taxes (CBDT) had issued an instruction mentioning the requirements to obtain a TCC vide Instruction No. 1/2004, dated 5th February 2004. According to this instruction, TCC will be required only by the following:
 - Where the person is involved in serious financial irregularities and his presence is necessary for investigation under the Direct Tax Laws and there exists a likelihood of a tax demand to be raised against him.
 - Where the person has direct tax arrears exceeding Rs. 10,00,000 outstanding against him which have not been stayed by any authority.
- As per the aforesaid instruction, TCC need to be obtained only by such of those persons who have been previously informed by the AO requiring him to obtain TCC. The AO in such cases would also inform the immigration authorities of the requirement of such persons to obtain TCC. Such of those persons would also need to produce a copy of TCC to the immigration authorities, if requested.
- Therefore, not all persons (even though they could have arrears of tax) are required to obtain TCC.
- The Finance Act 2024 has included the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 to the existing list of Acts.
- The amendment in the Finance Act 2024 has been misinterpreted and misreported that every citizen of India should obtain a Tax Clearance Certificate prior to departure from India.
- To put to rest all the erroneous interpretations, the CBDT has clarified in a press release on 20th August 2024 that only those persons in the above-mentioned instruction no. 1/2004 issued by the CBDT, will be required to obtain Tax Clearance Certificate.
- If a person has been required to obtain TCC, he shall make the application in Form 31, and it will be valid for the period mentioned in the Certificate.

Disclaimer: The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. This note provides general information existing at the time of preparation. We request that none should act on such information without examination of the particular situation and professional advice.