



# Tax Flash News



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## CBDT clarifies that tax clearance certificate is required only in specified circumstances

Every person domiciled in India, at the time of departure from India, is required to obtain a tax clearance certificate (TCC) stating that the person has no tax liability or that the satisfactory arrangements have been made for the payment for the taxes<sup>1</sup>

The TCC is required to be obtained only in specified circumstances. In this regard, the CBDT vide Instruction No.1 dated 5 February 2004 has directed that the TCC is required only in the following circumstances:<sup>2</sup>

- (a) The person is involved in serious financial irregularities and his presence is necessary in investigation under the Income-tax Act or the Wealth-tax Act and it is likely that a tax demand will be raised against him, or
- (b) the person has direct tax arrears exceeding INR10 lakhs which have not been stayed by any authority.

The tax liability could be under (i) the Income-tax Act, 1961, (ii) the Wealth-tax Act, 1957, (iii) the Gift-tax Act, 1958 or (iv) the Expenditure-tax Act, 1987.

<sup>1</sup> Proviso to section 230(1A) of the Income-tax Act, 1961

<sup>2</sup> Person can be asked to obtain the TCC only after recording the reasons for the same and after taking approval from the Principal Chief Commissioner of Income-tax or Chief Commissioner of Income-tax.

The Finance (No.2) Act, 2024 has amended the above provision to include a reference to the Black Money Act<sup>3</sup> in the above list of the laws.

Concerns have been raised whether, after the amendment, every person domiciled in India is required to obtain a TCC at the time of departure from India.

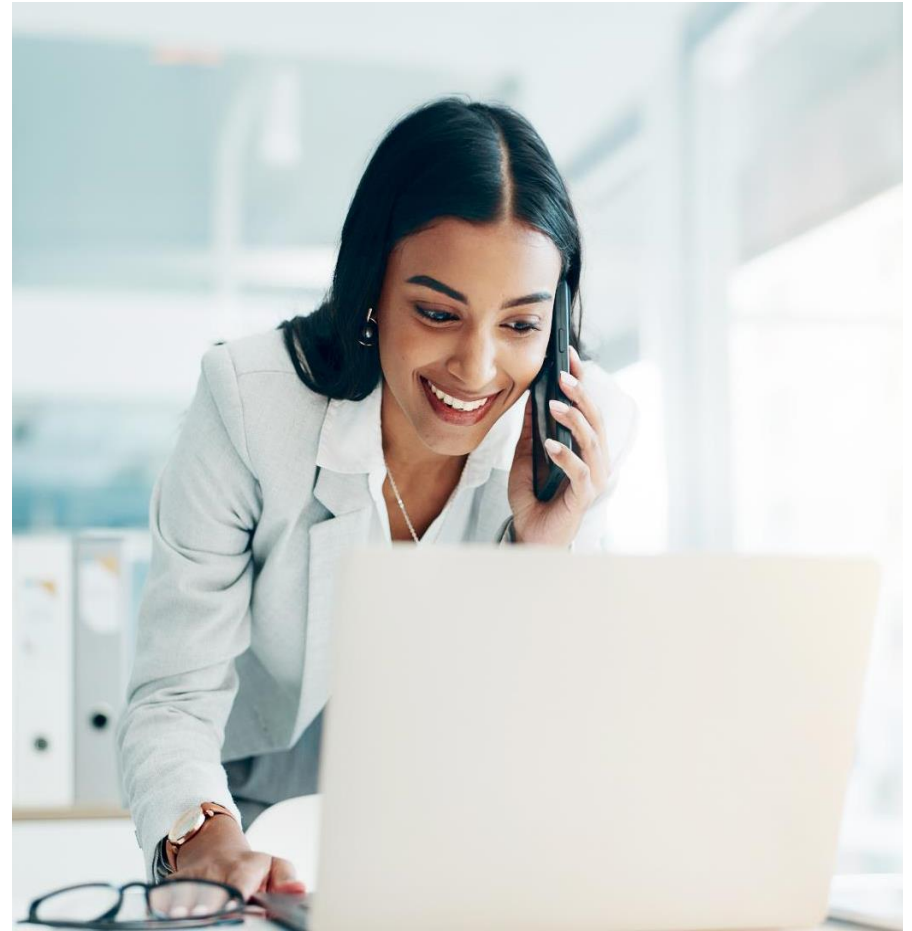
Recently, the CBDT vide a press release<sup>4</sup> has clarified that even after the amendment, the TCC is required to be obtained only in the above-mentioned circumstances and not in all cases.

## Our comments



The amendment has only added the Black Money Act in the list of the prescribed laws. There is no change in the prescribed conditions and circumstances in which the TCC is required.

For instance, after the amendment, the person may be required to obtain TCC if he has an outstanding demand exceeding INR10 lakhs under the Black Money Act which has not been stayed by any authority.



<sup>3</sup> Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015

<sup>4</sup> CBDT press release, dated 20 August 2024

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