

Guidelines for
TAX CLEARANCE CERTIFICATE

Department of Revenue & Customs
Ministry of Finance
Thimphu: Bhutan

Preface

This guidebook is intended to explain procedures involved in applying Tax Clearance Certificates (TCC) for election and other general purposes. The requirement for TCC is stipulated by the following legislations:

- a. The Constitution of the Kingdom of Bhutan, 2008;
- b. The Income Tax Act of the Kingdom of Bhutan, 2001;
- c. The Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000.

We hope this guidebook will prove useful in understanding all procedural aspects concerning processing and issuing of TCCs.

Director
Department of Revenue & Customs,
Ministry of Finance.

Table of Contents

Sl.No.	Topics	Page No.
	Preface	2
1.	What is a Tax Clearance Certificate?	4
2.	What is the scope of TCC?	4
3.	What is the legal basis and purpose of TCC?	4
4.	What constitutes Tax Dues or Outstandings?	4
5.	Who is required to obtain a TCC?	5
6.	What are the different types of TCC?	5
7.	What is the procedure for applying for TCC?	5
8.	What is the validity period of TCC?	5
9.	How will a TCC be issued for Partnership Businesses?	5
10.	How can you obtain application Form for TCC?	5
11.	Where should you submit the Application Form?	6
12.	Who is the Issuing Authority?	6
13.	What are the reporting requirements of RRCO for issuing TCC?	7
14.	Annexure I – Application Form I	?
15.	Annexure II - Checklist	?

1. What is a Tax Clearance Certificate (TCC)?

A TCC is a written confirmation certifying that a person's tax affairs are up-to-date, and that no taxes are due to the department as at the date of issue of the certificate.

2. What is the Scope of TCC?

The scope of General and Specific TCC is limited to only those areas or taxes covered by the Income Tax Act of the Kingdom of Bhutan, 2001, and the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000. This includes BIT, PIT and CIT under Direct Taxes, and Customs Duty, BST and Excise Duty under Indirect Taxes. Other fiscal dues, which are collected and monitored by other government agencies, are not covered.

3. What is the Legal Basis and Purpose of Tax Clearance Certificate?

The legal authority and requirement for a Tax Clearance Certificate are provided by the following two legislations:

A: Article 23 of the Constitution of the Kingdom of Bhutan, 2008, wherein it is stated that

“A person shall be disqualified as a candidate or a member holding an elective office under this constitution, if the person is in arrears of taxes or other dues to the government.”

B: Section 44 of the General Provisions, the Income Tax Act of the Kingdom of Bhutan, 2001,

&

Section 28 of the General Provisions, the Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000, wherein it is stated that

“A person shall produce a tax clearance certificate

- a) Before leaving the country for 6 months or more;*
- b) At the time of obtaining and renewal of licence or bidding for any work or service contracts;*
- c) At the time of transfer of ownership or location of business; or*
- d) At the time of closing of business.”*

4. What constitutes Tax Dues or Outstandings?

Tax outstandings mean the amount of taxes and duties that a taxpayer is liable to pay but has not paid, including non payment of fines and penalties. This however, does not include arrear payments on an instalment basis, and clearance of goods on bond or an undertaking with the department.

5. Who is required to obtain a TCC?

Any person standing for elections to either House of the Parliament, local government elections, and for the purposes stipulated in the Direct and Indirect Income Tax Act of the Kingdom of Bhutan, are required to obtain a TCC from the department.

6. What are the different types of TCC?

The department shall, based on the purposes required, issue two types of TCCs, i.e., General TCC and Specific TCC.

- a) General TCC will be for general matters relating to taxes and duties as required by the Income Tax Act of the Kingdom of Bhutan, 2001, and The Sales Tax, Customs and Excise Act of the Kingdom of Bhutan, 2000. General TCC will be issued by the concerned RRCOs.
- b) Specific TCC will be for those individuals or persons standing for elections to either House of the Parliament and local government elections as stipulated in Article 23 of the Constitution of the Kingdom, 2008. It will be issued by DRC, HQ, MoF, Thimphu.

7. What is the procedure for applying for TCC?

The applicant must complete a standard application form (FORM-I) given in Annexure I and submit it to the department or RRCO concerned. They should clearly mention the purposes for which TCC is required in the Form.

Upon receipt of the application, TCC shall be issued within one week from the date of submission of the application form. However, the information provided in the Form must be correct, complete and full, to avoid unnecessary delay in issuing TCC.

8. What is the validity period of TCC?

The TCCs for both specific and general category issued at any given time shall remain valid until the 31st March of the following year.

9. How will a TCC be issued for Partnership Businesses?

TCC for partnership businesses will be issued only if both or all the partners have no tax dues to the department. The details of each partner, as specified in Form I, must be provided in full for processing the TCC.

10. Where can you obtain application Form for TCC?

Application Form (FORM-I) which is given in Annexure I of this guidebook can be obtained at the following offices:

- Department of Revenue & Customs website (www.mof.gov.bt/drc)

- Regional Revenue & Customs Offices in Thimphu, Phuentsholing, Samtse, Gelephu, Samdrup Jongkhar, Paro and Mongar.
- Tax Administration Division, Head Office, Department of Revenue & Customs, MoF, Thimphu.

11. Where should you submit the Application Form?

The duly completed application form (FORM-I), for specific TCC, must be submitted to the Director in original, at the postal address given below:

The Director,
Department of Revenue & Customs,
Ministry of Finance,
P.O Box 211,
Thimphu, Bhutan.

For General TCC, the duly completed Forms must be submitted to the Regional Commissioner in original, at the postal address given below:

The Regional Commissioner,
Regional Revenue & Customs Office,
Phuentsholing, Thimphu, S/Jonkhar, Mongar, Paro, Gelephu, Samtse
Ministry of Finance,
Bhutan.

12. Who is the issuing authority?

- a) Specific TCC, for election purposes both at the national and local government level, shall be the Head of the Department, or issued by a person fully authorised by the Head of the Department not below the rank of commissioner. Specific TCC will be administered centrally at the DRC, HQ, with Tax Administration Division as a focal division to administer, issue, monitor, and coordinate with other Divisions. Other divisions shall complete the checklist given in Annexure II and submit the information and clearances within one day of the intimation to the Tax Division.
- b) General TCC, for purposes stipulated in the Income Tax Act of the Kingdom of Bhutan, and the Sales Tax, Customs Duty and Excise Duty Act of the Kingdom of Bhutan, shall be the Regional Commissioners of the Regional Revenue & Customs Office concerned, or issued by a person fully authorised by the Regional Commissioner not below the rank of joint/deputy commissioner. The Head of the assessment team/assessing tax officer shall be authorised to issue TCC only for estimated assessments.

13. What are the reporting requirements of RRCOs for issuing TCC?

- RRCOs shall be required to submit a list of units having outstanding taxes or dues, to the Head Office on a quarterly basis.
- DRC, HQ shall be informed immediately as and when new outstanding cases occur or when outstanding dues are settled during the three month period by RRCOs.
- This information shall be used for verification and issuing Tax Clearance Certificates thereof.
- The outstanding list submitted by RRCOs must be countersigned by the section heads and Regional Commissioners concerned.

ANNEXURE I

Application for Tax Clearance Certificate

FORM I

From:

Name and address of the applicant

Citizen ID No.:

TPN for registered taxpayer:

Tele/fax no.:

Please specify for which purpose the Tax Clearance Certificate is required

Renewal of license

Closure of Business

Transfer of ownership of Business

Transfer of location of business

Bidding/ Service Contracts

Election Purpose

Others

Find mentioned below my declaration on businesses under my ownership:

(Use separate sheet if necessary)

a) Business details:

Sl. No	Name of Business	TPN/Entity Code	License No.	Address of Unit

b) If the applicant, is or was, a member of partnership

Name of Partnership

Applicant's period of membership

c) If the applicant a partner

Name of Partner		TPN	
Name of Partner		TPN	
Name of Partner		TPN	

I hereby declare, to the best of my knowledge and belief that the information contained in this application form is correct and true. In case if any information is found untrue and false, I shall be liable for fines and penalties as per Chapter 5 of the General Provisions of the Income Tax Act of the Kingdom of Bhutan, 2001.

Signature _____

Signatory's Name _____

Date: _____

Affix Legal Stamp

ANNEXURE II

Checklist of Information to be verified. If there are tax dues, indicate the region, year of dues and tax outstanding details in the Remarks column.

1. Tax Division

PIT

Is there any outstanding Yes No

Remarks _____

BIT

Is there any outstanding Yes No

Remarks _____

CIT

Is there any outstanding Yes No

Remarks _____

Commissioner
Tax Administration Division

Date:

2. Customs & Excise Division,

Import Duty

Is there any outstanding Yes No

Remarks _____

Excise Duty
Is there any outstanding Yes No

Remarks _____

Commissioner
Customs & Excise Division
Date:

3. BST Division
 BST
Is there any outstanding Yes No

Remarks _____

Commissioner
Bhutan Sales Tax Division
Date:

4. Revenue Accounts & Audit Division

Is there any outstanding Yes No

Remarks _____

Commissioner
Revenue Accounts & Audit Division
Date:

Director

Department of Revenue & Customs
Ministry of Finance
Tashichhodzong, Thimphu, Bhutan