



IMPORTANCE OF ITCC

- ① **TAX COMPLIANCE VERIFICATION:**
The ITCC serves as proof that an individual or business has settled all due taxes with the Income Tax Department. This is particularly important for non-residents and those engaged in specific professions or business activities.
- ② **CERTAIN TRANSACTIONS:**
Despite the reduction in its general use, the ITCC remains mandatory for certain high-value transactions and specific situations. For instance, it is still required when leaving the country or engaging in transactions where tax clearance is essential.
- ③ **REGULATORY COMPLIANCE:**
ITCCs are used to ensure compliance with tax regulations, particularly for non-residents who have earned income in India. This helps in verifying that all taxes have been paid before certain actions, such as emigration or significant financial dealings.

INCOME TAX CLEARANCE CERTIFICATES (ITCC) IN INDIA: OVERVIEW AND IMPORTANCE

In India, an Income Tax Clearance Certificate (ITCC) is a significant document that confirms an individual's or entity's compliance with tax obligations. Historically, ITCCs were required for various transactions, including bidding on government projects, registering real estate purchases, and renewing import/export or shipping licenses. However, with the introduction of the Permanent Account Number (PAN) system and economic liberalization, the role of ITCCs has been notably reduced. It has gained traction again when Finance Minister Nirmala Sitharaman's Union Budget 2024 introduced a new provision requiring individuals domiciled in India to clear all tax dues and obtain a clearance certificate before moving abroad. However, the government has clarified that this requirement does not apply to every person.

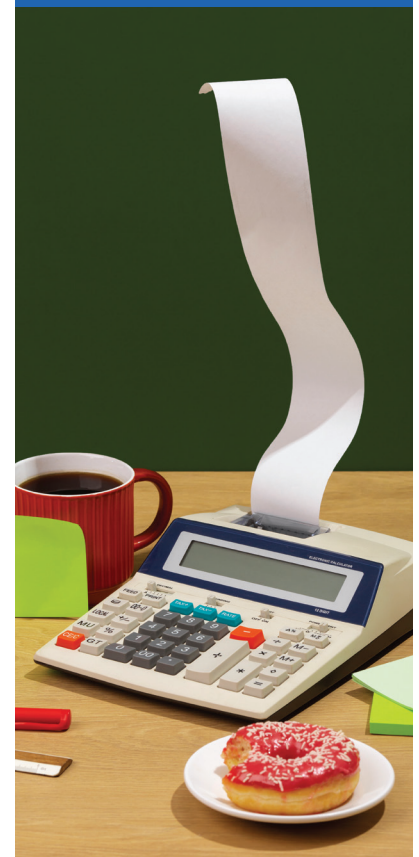
WHAT IS AN INCOME TAX CLEARANCE CERTIFICATE?

An Income Tax Clearance Certificate (ITCC) is an official document issued by the revenue department of a state government, confirming that an individual or business has settled all their tax liabilities or is not required to pay additional taxes. This certificate acts as proof of tax compliance up to a specified date, encompassing various tax obligations such as sales tax, use tax, franchise or corporation tax, and unemployment tax, depending on the jurisdiction's specific tax laws.

The process for obtaining an ITCC involves submitting the necessary documentation and an undertaking to the tax officer. If the officer deems the information satisfactory, the ITCC is issued in **Form 30B**, which details the validity period of the certificate.

For non-residents who have earned income in India, the ITCC is particularly significant as it ensures all tax responsibilities are met before leaving the country. This provides formal confirmation to the authorities that no further taxes are owed.

Although the requirement for ITCCs has been reduced with the introduction of the Permanent Account Number (PAN) system and economic reforms, making them less common in everyday transactions, they remain crucial for specific high-value transactions and compliance situations. The ITCC is not just a formal document; it carries legal weight and serves as an official endorsement of tax compliance.





WHO NEEDS AN IT CLEARANCE CERTIFICATE?

An Income Tax Clearance Certificate (ITCC) is a key document issued by Indian tax authorities to confirm that an individual or business has fulfilled their tax obligations. This certificate is particularly important for non-residents and certain Indian citizens under specific circumstances.

FOR NON-RESIDENTS:

Non-residents of India who have earned income from Indian sources during their stay—through business, employment, or other professional activities—must obtain an ITCC before leaving the country. The criteria for needing an ITCC are:

- Non-Indian Citizens:** Individuals who are not Indian citizens.
- Business or Employment in India:** Those who have been in India for business, employment, or professional reasons.
- Income from Indian Sources:** Individuals who have derived income from any source in India.

The ITCC is required for these non-domicile individuals to ensure they have met all tax obligations before their departure from India.

FOR INDIAN CITIZENS:

Indian citizens generally do not need an ITCC for regular travel. However, there are specific scenarios where an Indian citizen might be required to obtain one:

- Tax Irregularities:** If the individual is involved in tax irregularities and is under investigation by the Income Tax or Wealth Tax departments.
- Outstanding Tax Arrears:** If the individual has outstanding direct tax arrears exceeding Rs 10 lakh, which have not been resolved by the Direct Tax department.

In these cases, the ITCC may be needed to settle all tax matters and ensure compliance before leaving the country.

How to receive an Income Tax Clearance certificate?

An Income Tax Clearance Certificate (ITCC) is essential for non-residents who have earned income in India and are planning to leave the country. Here's a streamlined process to obtain your ITCC:

- 1.DETERMINE ELIGIBILITY:** Confirm that you need an ITCC. It is generally required for non-residents who have earned income from Indian sources and are about to depart India.
- 2.FILE A PROCLAMATION:** Submit a formal declaration to your employer or the entity from which you are receiving income. This declaration is the initial step in requesting an ITCC.
- 3.SUBMIT FORM 30A:** Non-residents must complete and submit Form 30A. This form is an undertaking that outlines your request for an ITCC and includes a commitment from your employer or income source in India. The commitment should state that the employer will handle any future tax liabilities that may arise after your departure.
- 4.OBTAIN EMPLOYER'S UNDERTAKING:** If employed in India, obtain a written undertaking from your employer. This document should affirm their responsibility for any tax liabilities that may come up after you leave the country.

5. GATHER NECESSARY DOCUMENTS: Collect all required documents, including Form 30A and the employer's undertaking. Ensure that all documents are complete and accurate to facilitate a smooth review process.

6. SUBMIT YOUR APPLICATION: Present your completed application, including Form 30A and supporting documents, to the local income tax office. This office is typically the one with jurisdiction over the area where you have been residing or working.

7. VERIFICATION PROCESS: The tax officer will review your application and documents. If additional information or clarification is needed, be prepared to provide it.

8. RECEIVE ITCC: Once the tax officer is satisfied with the provided information, they will issue the ITCC in Form 30B. This certificate will detail the validity period, confirming that you have met all tax obligations up to the specified date.

9. VALIDITY AND EXPIRATION: Note that the ITCC has a validity period, which will be mentioned on the certificate. If your plans change and you stay in India longer than expected, you may need to apply for a new certificate or an extension.

NON-APPLICABILITY OF ITCC

The requirement for an ITCC does not extend to everyone. Specifically, it does not apply to:

- **Resident Indians travelling abroad:** Resident Indians who are travelling outside of India for reasons other than permanent relocation do not need to obtain an Income Tax Clearance Certificate. They are simply required to furnish their Permanent Account Number (PAN) and detail the purpose and duration of their trip abroad. This information should be submitted using Form 30C.

- **Non-Resident Indians (NRIs):** NRIs who visit India for reasons not related to business, professional engagements, or employment are not mandated to secure an Income Tax Clearance Certificate before departing from the country.



WHAT DOCUMENTS ARE REQUIRED TO APPLY FOR AN ITCC?

Form 30A: This is the primary application form required for the ITCC. It includes an undertaking that you must complete accurately.

Passport Details: Provide your passport number and its validity to establish your identity and residency status.

Visa Details: Include information about your Indian visa, such as its type and expiration date, to show your legal status in the country.

Employment Details: If employed, supply details about your job and employer to verify your source of income within India.

Income Details: Submit a summary of all income sources and the amounts earned in India to demonstrate your tax obligations.

Tax Payment Proofs: Present evidence of any taxes you have paid in India, such as receipts or tax payment records.

PAN Card: If you possess an Indian Permanent Account Number (PAN), provide a copy as it is a key identification for tax purposes.

Reason for Leaving India: Explain your reason for departing the country, which helps in processing your application for clearance.

Employer's Undertaking: Obtain a statement from your employer confirming they will manage any potential tax liabilities that may arise after you leave India.

These documents collectively ensure that you have fulfilled your tax obligations and are necessary for the ITCC application process.

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Important Note:

Currently, the ITCC application process cannot be completed online. All submissions must be made physically to the tax authorities. Ensure to start the application process well in advance of your planned departure to accommodate any potential delays.

By following these steps, you can ensure that you meet all tax obligations and obtain the necessary clearance before leaving India.

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HOW TO DOWNLOAD TAX CLEARANCE CERTIFICATE?

Currently, there is no straightforward online method to download an Income Tax Clearance Certificate (ITCC) in India. The process for applying and receiving an ITCC generally involves the following steps:

- 1. Application Submission:** Submit Form 30A and all required documents to the relevant tax office. This step initiates the process of obtaining the ITCC.
- 2. Review Process:** The tax authorities will review your application and supporting documents to ensure all tax obligations are met.
- 3. Issuance:** If the review is satisfactory, the ITCC will be issued on Form 30B, detailing the validity period of the certificate.
- 4. Collection:** Typically, you need to collect the physical ITCC from the tax office. Although some parts of the application process, such as filling out Form 30A, might be available online, the final ITCC is usually provided as a physical document.

SPECIAL FORMS AND REQUIREMENTS

- **Form 30C:** This declaration is used by Indian residents traveling abroad temporarily (not for permanent relocation). It informs the tax authorities of the travel purpose and estimated duration. For such travellers, a valid PAN card is often sufficient, but an ITCC may be required if there are significant financial or tax concerns.
- **Non-Residents:** For individuals who are not Indian citizens but have earned income in India, obtaining an ITCC is crucial for smooth international transitions. The absence of an ITCC can affect tax matters in the individual's home country or other jurisdictions, especially where international tax treaties with India are involved.
- **Indian-Domiciled Individuals:** Those traveling abroad and involved in financial irregularities or with significant tax arrears may be required to obtain an ITCC upon directive from the Chief Commissioner of the Income Tax Department.

WHAT HAPPENS WHEN THE INCOME TAX CLEARANCE CERTIFICATE IS NOT SUBMITTED

RESPONSIBILITIES OF CARRIAGE OWNERS:

Verification Requirement:

Commercial Transport: Carriage owners, such as airlines or shipping companies, must ensure passengers have a valid ITCC before allowing departure. Failure to verify could result in the operator being held liable for any outstanding taxes the passenger owes.

Chartered Transport: For chartered ships or planes, the owner is responsible for settling any taxes owed and obtaining the ITCC. This avoids the risk of the government treating it as a tax arrears and pursuing recovery.

Compliance:

Tax Regulations: Carriage owners must comply with tax regulations to prevent legal and financial consequences. Ensuring all passengers have cleared their tax dues is part of this responsibility.



IMPLICATIONS OF NOT HAVING AN ITCC:

Travel Restrictions: You might be prevented from departing India by immigration authorities if you lack the required ITCC.

Legal Trouble: Leaving India without an ITCC when required is illegal and could result in legal action for not adhering to tax regulations.

Future Visa Issues: Non-compliance with tax laws could affect your ability to obtain an Indian visa in the future if you plan to return.

Financial Penalties: You might incur fines or penalties for failing to settle tax matters before leaving India.

Employer Liability: If you are employed in India, your employer might be held responsible for any unpaid taxes, which could strain professional relationships.

Carrier Liability: The owner of the aircraft or ship could be held liable for your unpaid taxes if they allowed you to leave without an ITCC.

Recovery Proceedings: The Indian tax authorities may initiate international legal processes to recover unpaid taxes even after you have left the country, making it a complex and costly issue.

Impact on Future Financial Dealings: A negative tax record in India could affect your ability to conduct business or financial transactions in the country.

Steps to Take:

Communication with Tax Authorities: If you face challenges in obtaining an ITCC, communicate with the tax

authorities for guidance. In some cases, they may offer alternatives such as providing a bond or other security to ensure tax obligations are met while awaiting the certificate

By understanding these responsibilities and potential consequences, you can better manage your tax obligations and avoid complications related to your departure from India.

CLARIFICATION ISSUED BY CBDT

Section 230(1A) of the Income-tax Act, 1961, pertains to the requirement for a tax clearance certificate (ITCC) for certain individuals domiciled in India. This provision was introduced through the Finance Act, 2003, effective from June 1, 2003. **An amendment to this section was made by the Finance (No. 2) Act, 2024, which incorporates references to the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 (the 'Black Money Act'). This addition ensures that liabilities under the Black Money Act are treated similarly to those under the Income-tax Act and other direct tax laws concerning the ITCC requirement.**

There has been some misinformation about this amendment, with incorrect reports suggesting that all Indian citizens must obtain an ITCC before traveling abroad. This is not accurate.

Under Section 230, not everyone is required to obtain a tax clearance certificate. The requirement is specific to certain circumstances where it is deemed necessary. This stipulation has been in place since 2003 and has not changed with the recent amendments.

According to the CBDT's Instruction No. 1/2004 dated February 5, 2004, an ITCC is required only in the following situations:

1. When a person is involved in serious financial irregularities, and their presence is needed for investigating cases under the Income-tax or Wealth-tax Acts, with a likelihood of a tax demand being raised.
2. When a person has outstanding direct tax arrears exceeding Rs. 10 lakh that have not been stayed by any authority.

Additionally, a tax clearance certificate can only be requested after recording the reasons and obtaining approval from the Principal Chief Commissioner of Income-tax or Chief Commissioner of Income-tax. The new provision will come into effect from October 1, 2024. It should be noted that the old provisions for taxpayers planning to leave India under the Income Tax Act remain the same.

In conclusion, the requirement for an ITCC under Section 230(1A) applies to residents domiciled in India only in specific, rare situations, such as serious financial irregularities or substantial unpaid tax demands not stayed by any authority.

