

NDA Update on Income Tax Clearance Certificate

Section 230 (1A) of the Income-tax Act, 1961 relates to obtaining of Income Tax Clearance Certificate (ITCC) at the time of departure from India by persons domiciled in India, **in certain circumstances. It does not apply in all cases.**

The Finance (No.2) Act, 2024 has made an amendment in Section 230(1A) of the Act, vide which, reference of the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015) has been inserted in the said Section along with Income Tax Act or Wealth Tax Act or Gift Tax Act etc.

This amendment was wrongly interpreted that obtaining the ITCC will be mandatory in every case by the persons domiciled in India before leaving the country.

To remove this confusion, CBDT vide a press release dated 20th August 2024 has clarified that Section 230 does not mandate every individual domiciled in India to obtain ITCC before departure.

It has further clarified that as per section 230 of the Act, every person is not required to obtain ITCC. Only certain persons, **in respect of whom circumstances exist which make it necessary to obtain ITCC**, are required to obtain the said certificate. This position has been in the statute since 2003 and remains unchanged **even with the amendments** vide Finance (No. 2) Act, 2024.

In view of CBDT's Instruction No. 1/2004, dated 05.02.2004, CBDT has reiterated that the IITCC under Section 230(1A) of the Act, is needed by residents domiciled in India, **only in rare cases**, such as (a) where a person is involved in serious financial irregularities or (b) where a tax demand of more than Rs. 10 lakh is pending which is not stayed by any authority.

<https://incometaxindia.gov.in/Lists/Press%20Releases/Attachments/1196/Press-Release-CBDT-issues-clarification-in-respect-of-Income-tax-clearance-certificate-ITCC-dated-20-08-2024.pdf>