

# TAX EVASION IN THE DIGITAL AGE

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NEW POWERS,  
NEW EVIDENCE

By Prakriti Kapoor  
Article Assistant  
A.C. Bhuteria & Co.  
Chartered Accountants





# Previously...

## Under the Income-tax Act, 1961

The search-and-seizure framework under Section 132 of the Income-tax Act, 1961 traditionally empowered the Department to:

- enter premises,
- break open lockers,
- seize books of account, documents, cash, bullion and other assets, and
- inspect electronic records only when such records were maintained as “books of account or other documents.”



The Act already permitted inspection of electronic records during the authorised search proceedings.

**Now...**

## **Under the Income-tax Bill, 2025**

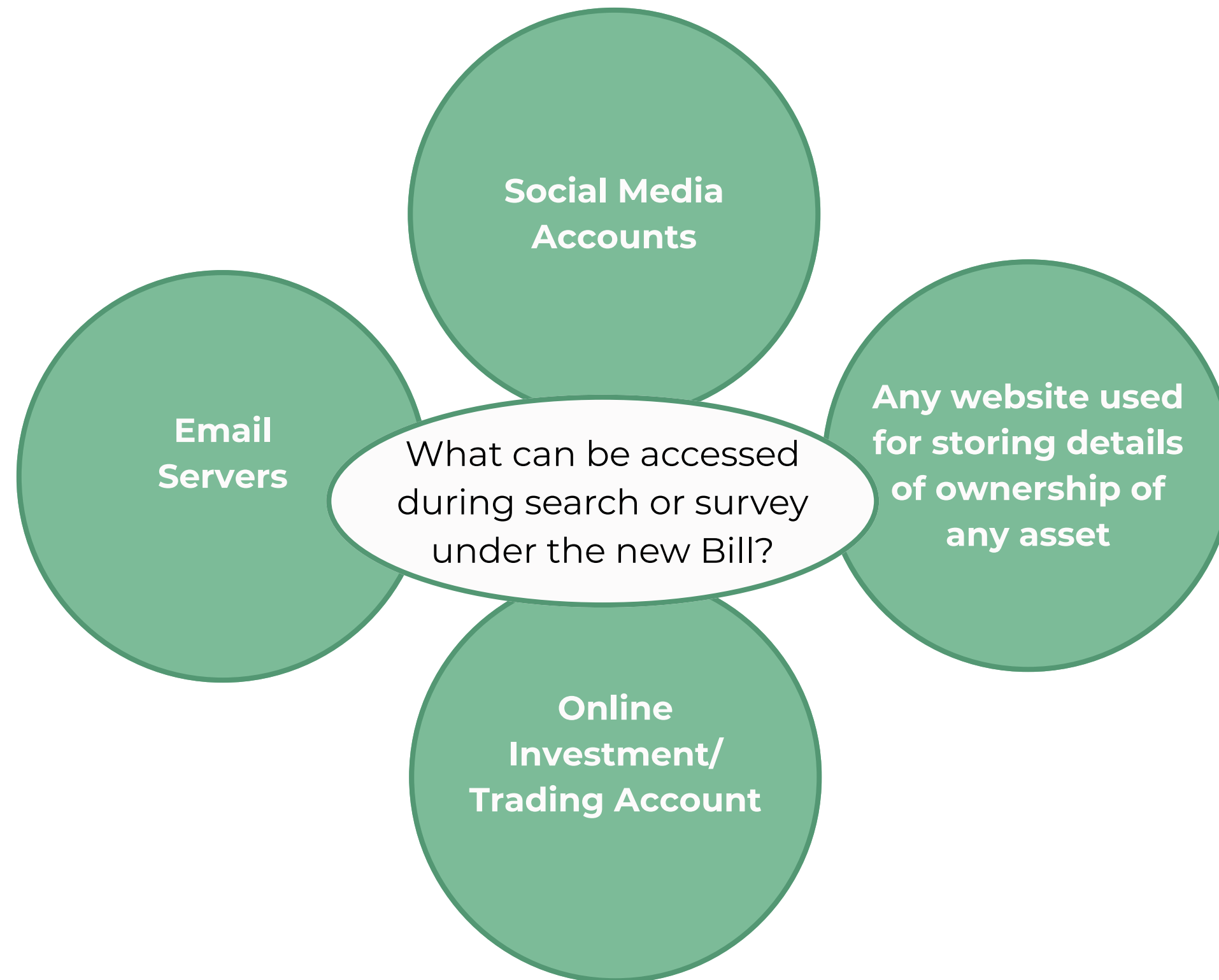
The Income tax Bill, 2025 goes a step further by explicitly codifying and expanding “**virtual digital space**” and **permitting access** (including by overriding access codes) during search and seizure, subject to authorisation and procedure.

# Income-tax Bill, 2025

In order to allow the Officer to inspect the data, the Assessee must also provide:

Access Code /  
Passwords

Technical  
Assistance



Such requirement is subject to lawful authorisation, relevance to proceedings, and procedural safeguards under the Act.



# Not seizable?

Suppose it is not practicable to seize the assets - what action can the Officer take instead?



## ORDER MAY BE SERVED

Cannot remove or deal with the Asset without prior permission.



Valid for up to 60 days from date of order

Order shall not be deemed to be seizure

# **Tax Effect: What can happen?**

## **What if the Assessee Cannot Explain the Source of Expenditure incurred by him?**

Such expenditure shall be deemed income and become taxable. Social-media content by itself does not automatically lead to tax additions. It is used as an input or corroborative material during proceedings.

## **On whom does the Burden of Proof lie?**

Additions for unexplained expenditure requires supporting material. Courts have held that in the absence of evidence showing expenditure over and above recorded amounts, addition u/s 69C of the Act cannot be sustained. (For eg., the Bombay High Court in the case of CIT Vs Lavanya Land Pvt. Ltd)



# Stay Vigilant, Stay Compliant

- Maintain full, accurate records of digital income / social-media earnings
- Make sure what you show online matches what you report to the tax department.
- If you are served a search or survey notice, cooperate fully - give access to digital records if required
- Ensure KYC, identity and disclosures across financial platforms are consistent

## Examples of Digital Footprint Sources:

- *Public social media posts (Instagram, YouTube, Facebook, X)*
- *Marketplace listings (e.g., selling luxury items)*
- *High-value events shared publicly*
- *Payment app screenshots shared online*
- *Influencer giveaways, PR packages, collaborations*

*Examples are indicative, based on publicly available information and common risk makers. This is not an exhaustive statutory list.*







## Advisory Tip:



*“What you display on Social Media should align with what you disclose to the Tax Department.”*





*Prepared by:*

A C Bhuteria & Co.  
Chartered Accountants

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[info@acbhuteria.com](mailto:info@acbhuteria.com)

# THANK YOU

This material is for general awareness and does not constitute legal/tax advice. Facts of the law may vary; please consult a professional for advice specific to your situation.