

# TAX EVASION IN THE DIGITAL AGE

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**NEW POWERS,  
NEW EVIDENCE**

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# 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**

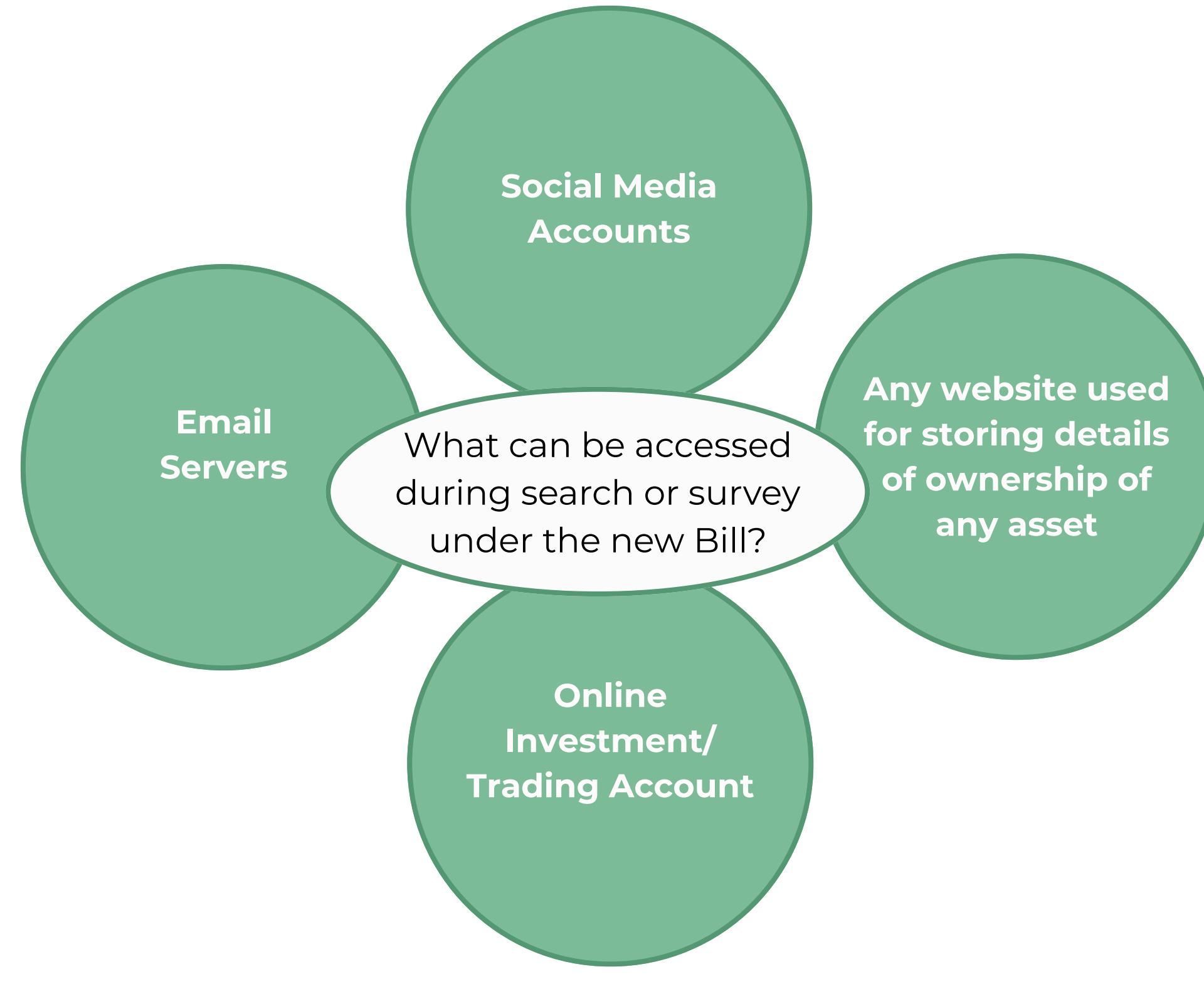
The Income tax Bill, 2025 goes a step further by explicitly codifying and expanding **“virtual digital space”** and **permitting access** (including by overriding access codes) during search and seizure, subject to authorisation and procedure.

# 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:

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



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# 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.