

New Income Tax Bill defines virtual digital space for searches, seizures

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Once passed by Parliament, the new law will likely come into effect on April 1, 2026. (Express Photo by Tashi Tobgyal)

The [new Income-tax Bill](#) proposes to give powers to tax officers to access social media and other digital accounts including online investment, trading and banking accounts, as well as

email servers. The new I-T bill has defined “virtual digital space” in the powers to call for information by income tax authorities during surveys, searches and seizures.

It defines a virtual digital space as “any digital realm that allows users to interact, communicate and perform activities” through computer technology.

Sources said the new provision under Section 247 of the I-T Bill to override the access code of a virtual digital space is “only the reiteration of the already existing provision in a simpler language”. “No additional power has been given to the tax authorities,” a source said.

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Similar powers for searches and seizures are currently there under Section 132 of the existing I-T Act, 1961, wherein authorities can inspect and seize books of accounts and other documents in the form of electronic records. However, the new bill specifically outlines virtual digital spaces.

As per Section 132 of the I-T Act, tax authorities can enter and search “any building, place, vessel, vehicle or aircraft” where persons are suspected to have kept books of account, other documents, money, bullion, jewellery or other valuable articles to evade tax. Authorities have the powers to break open doors, locks, safes, other repositories, and seize any such suspected books of account, other documents, money, bullion, jewellery or other valuable articles.

Now, the new bill — **tabled in the Lok Sabha last month** — explicitly includes “virtual digital space” under the ambit of such searches and seizures as it attempts to define books of accounts and other valuable items in physical or electronic form. This also allows tax authorities to override the access code to any said computer system, or virtual digital space, where the access code thereof is not available. “The authorised officer may, during the course of any search or seizure, examine on oath any person who is found to be in possession or control or access holder of any computer systems, books of account, other documents or asset, or any other person who is present in the premises or is being searched,” the bill states.

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Sources said that under Section 132 of the existing I-T Act, tax authorities have been seizing electronic devices such as desktops and hard disks, and collecting evidence from communication platforms such as emails, WhatsApp, and Telegram. “These evidence are not

only essential to prove the tax evasion in the court of law but also computing the amount of tax evasion,” a source said.

The provision of 132(1)(iib) via Finance Act, 2002 has mandated the person in possession or control of any books of account or other documents maintained in the form of electronic record to facilitate the authorised officer’s access to such documents, sources said. This facilitation includes providing necessary credentials required for access as well as seizure of such documents, they added. Section 132 provides powers to designated tax authorities to conduct search and seizure operations based on information of tax evasion.

The Income-tax Bill, 2025, which was introduced in Lok Sabha last month, intends to simplify India’s six-decade-old structure of direct taxation by streamlining provisions, removing obsolete references, and creating a crisper and simpler legal framework. The proposed bill will be reviewed by the Select Committee of Parliament. Once passed by Parliament, the new law will likely come into effect on April 1, 2026.



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