

IT bill arms taxman with power to tap assessee devices, social media

Reuters

NEW DELHI

India's new Income Tax bill proposes sweeping powers for authorities to access taxpayers' emails, trading and social media accounts during searches, activities not covered in the current tax law.

Indian Finance Minister Nirmala Sitharaman presented a revamped and condensed version of the income tax law in parliament on Thursday, as the country moves to simplify the six-decade old legislation. The proposed bill will be screened first by a select committee in Parliament, Ms. Sitharaman said.

According to the new Income Tax Bill, 2025, tax authorities during a search will be able to access tax-



Nirmala Sitharaman

payers' email servers, online investment accounts, trading and bank accounts, social media accounts and digital application servers, among other things.

Under the present law, tax authorities were still demanding access to taxpayers' laptops, hard disks and emails, but it was open

to contention as the law did not explicitly mention accessing devices or such records, said Sanjay Sanghvi, a partner at law firm Khaitan & Co.

Virtual digital space

Under the new bill, taxpayers on whom a search is being conducted by the tax authorities would have to provide access to their electronic records and "virtual digital space".

Virtual digital space, a concept not covered in the current decades-old law, has been defined as platforms that allow users to interact using computers, and includes email servers, accounts for banking and trading, and social media and cloud servers.

If access to such records is declined, tax authorities

can override the systems, the bill says.

The federal Finance Ministry did not respond to an email seeking comment outside office hours.

Notable departure

"This represents a notable departure from the present Income-Tax Act, 1961, which did not explicitly cover such digital domains," said Vishwas Panjiar, a partner at law firm Nangia Andersen LLP.

"Without clear safeguards, these extensive powers could lead to taxpayer harassment or unnecessary scrutiny of personal data," Mr. Panjiar said, adding a balanced approach is necessary to ensure legitimate tax investigations do not infringe on digital rights and privacy.