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NAVIGATING TAXATION IN THE DIGITAL AGE: UNDERSTANDING SECTION 247 OF INDIA'S NEW INCOME TAX BILL, 2025

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ABSTRACT

The modern sophistication of technology has greatly impacted the financial world, giving birth to new virtual spaces such as digital wallets, cryptocurrency platforms, and decentralized financial systems. Alongside these developments, The New Income Tax Bill of 2025 proposes Section 247 which is highly strategic in automated finance regulation as it deals with search and seizure clauses for virtual monetary spheres. This analysis focuses on the development of tax regulations, particularly the features of Section 247 and how impactful it is in reinforcing tax payment compliance as an obligation in an advanced economy driven by technology.

The limitation allows tax administrators to obtain encrypted virtual assets and examine fraudulent tax activities associated with online dominions with the aim of keeping up with new algorithms of cyberspace transactions. All the while, the broadening of subsection 247's scope continues to raise questions about the balance that is often struck between protecting data privacy, consumers' right to civil privacy, and potential exposure to misuse of protective frameworks leading to becoming cybersecurity risk prevention boundaries. This analysis highlights the equilibrium between effective law enforcement and individual freedoms alongside the breach of confidential matters in intrusion from authorities to private sensitive digital files.

Additionally, a comparative analysis highlights similar provisions in international tax laws, drawing lessons from global best practices. The discussion extends to the technical challenges posed by advanced encryption and the necessity of robust frameworks to ensure data protection during enforcement actions. By addressing these multifaceted aspects, the article proposes solutions to safeguard individual privacy while enabling effective tax administration.

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Ultimately, Section 247 reflects India's attempt to adapt its fiscal policies to the realities of a digital economy. The provision not only seeks to curb tax evasion but also sets the stage for a broader discourse on the intersection of taxation, technology, and ethical governance in the digital age.

Keywords: *New Income Tax Bill, 2025, Tax compliance and enforcement, Virtual digital spaces, Data privacy and cybersecurity and Search and seizure provisions.*

INTRODUCTION

With the new framework of The New Income Tax Bill, 2025, India's economy will undergo a tremendous shift and will invite even more growth with simplify the changes brought by the digital world. One of the most highlighted parts of the bill includes the search and seizure of encrypted digital files, e-wallets, social networking sites, and crypto exchange accounts which fall under the Section 247 provisions.[1] This shows that the government tax authorities are keen to regulate misuse of tax burdens in new and more adaptive ways that best suit modern day intergern of technology.

The new bill strives to add sections not covered in the 1961 Income Tax Act, unlike move issued in Ife Tax Act of 1961,[2] Sec132, which additional focused inspection of physical and virtual documents. This latest change shifts the definition of taxable assets to include virtual properties which are less common in contemporary finance.[3] Although this new change is being perceived as an advancement to taxa ethical enforcement of regulation though invasion of privacy, risk to polys-controlled cybersecurity,[4] and morality in governance raised questions about such advances.[5]

This article provides a comprehensive analysis of Section 247, delving into its legal, ethical, and technological implications. It explores the challenges posed by encrypted technologies, examines international practices for search and seizure in digital taxation frameworks, and proposes balanced solutions to safeguard individual privacy while ensuring effective enforcement.

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[1] New Income Tax Bill, 2025, § 247, Bill No. 15 of 2025 (India).
[2] Income Tax Act, 1961, § 132, No. 43, Acts of Parliament, 1961 (India).
[3] S.K. Malhotra, *Understanding Digital Assets in Modern Taxation*, Tax World Journal 35 (2025).
[4] K.S. Puttaswamy v. Union of India, (2017) 10 S.C.C. 1 (India).
[5] Ramesh Gupta, *Privacy vs. Enforcement: A Debate on Section 247*, Law Review India 48 (2025).

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HISTORICAL CONTEXT

The concept of search and seizure in Indian taxation laws has evolved significantly over the decades, reflecting the changing dynamics of economic activities and the need for robust enforcement mechanisms. The primary objective of these provisions has been to curb tax evasion, unearth undisclosed income, and ensure compliance with tax laws.

The provisions for search and seizure were first introduced in the Income Tax Act, 1922. However, these were undeveloped and lacked the procedural safeguards and comprehensive scope seen in later repetitions. With the enactment of the Income Tax Act, 1961, the framework for search and seizure was significantly overhauled, particularly with the introduction of Section 132.

Section 132 of the Income Tax Act, 1961, laid the foundation for modern search and seizure operations. It empowered designated authorities to conduct searches and seize assets, documents, and records based on credible information suggesting tax evasion.[6] The provision was designed to address situations where individuals or entities were suspected of concealing income or assets that were not disclosed in their tax filings.

Key structures of Section 132 include- *Authorization:* Searches could only be initiated with proper authorization from designated officers, such as the Principal Director General or Principal Commissioner of Income Tax;[7] *Grounds for Belief:* The authorized officer must have "reason to believe" that the person in question possesses undisclosed income or assets;[8] *Scope of Search:* The provision allowed for the inspection of physical premises, electronic records, and other relevant materials;[9] *Seizure of Assets:* Officers could seize money, bullion, jewellery, or other valuable articles suspected to represent undisclosed income.[10]

Over the years, Section 132 has undergone several amendments to address emerging challenges and incorporate technological advancements in 1976 Amendment it expanded the scope of search and seizure to include electronic records and introduced procedural safeguards.[11] After that in 2009 Amendment it strengthened the requirements for authorization to prevent misuse

[6] Income Tax Act, 1961, § 132, No. 43, Acts of Parliament, 1961 (India).
[7] Ibid.
[8] Pooran Mal v. Director of Inspection, (1974) 93 ITR 505 (SC).
[9] Income Tax Rules, 1962, Rules 112, 112A, and 112B.
[10] S.K. Malhotra, *Understanding Digital Assets in Modern Taxation*, Tax World Journal 35 (2025).
[11] Raja Chellaiah Committee Report, 1976.

of power.[12] And in Recent Developments The New Income Tax Bill, 2025, builds on the legacy of Section 132 by introducing provisions like Section 247, which extends search and seizure to virtual digital spaces, reflecting the growing importance of digital assets in the economy.[13]

While Section 132 focused on physical and electronic records, Section 247 of the New Income Tax Bill explicitly incorporates virtual digital spaces, such as cryptocurrency wallets and online trading platforms. This evolution highlights the government's efforts to adapt to the changing landscape of financial transactions and ensure comprehensive tax compliance.

PRIVACY AND ETHICAL IMPLICATIONS

The overview of Section 247 in the New Income Tax Bill, 2025, has brought to the front serious debates surrounding privacy and ethical governance in the digital age. This provision, which grants tax authorities the power to access virtual digital spaces, including encrypted financial records, social media accounts, and online trading platforms, has raised significant concerns about the balance between effective tax enforcement and the protection of individual rights.

A. Privacy Concerns

Section 247 empowers tax officials to bypass encryption and access sensitive digital data if they have "reason to believe" that tax evasion has occurred. While this aims to modernize tax enforcement, it has been criticized for potentially infringing on the right to privacy, as upheld in the landmark *K.S. Puttaswamy v. Union of India* case.[14] This judgment recognized privacy as a fundamental right under Article 21 of the Indian Constitution, emphasizing the need for proportionality and safeguards in state actions. Critics argue that the broad powers granted under Section 247 could lead to misuse, selective targeting, and erosion of personal freedoms.[15]

The provision also raises concerns about the lack of judicial oversight. Unlike traditional search and seizure operations, which often require prior approval from a magistrate, Section 247 allows tax authorities to act without such checks, increasing the risk of arbitrary actions.[16] This has led to fears of surveillance overreach, where individuals' digital lives could be scrutinized without adequate justification.

[12] Kelkar Committee Recommendations, 2009.
[13] New Income Tax Bill, 2025, § 247, Bill No. 15 of 2025 (India).
[14] K.S. Puttaswamy v. Union of India, (2017) 10 S.C.C. 1 (India).
[15] Anadi Varma, *I.T. Bill 2025 and Privacy Invasion*, ITAT Online Digest (2025).
[16] Income Tax Act, 1961, § 132, No. 43, Acts of Parliament, 1961 (India).

B. Ethical Dilemmas

The ethical implications of Section 247 revolve around the potential for overreach and lack of accountability. The provision allows tax authorities to access personal and corporate digital data, raising questions about the ethical boundaries of state surveillance.[17] Additionally, the absence of robust safeguards could lead to harassment or misuse of power, undermining public trust in the taxation system.

The ethical debate also extends to the issue of consent. Section 247 mandates that individuals and organizations provide access codes and other technical support to facilitate searches.[18] This raises questions about the voluntariness of such compliance and the potential coercion involved in enforcing these provisions.

To address these concerns, it is essential to implement procedural safeguards, such as requiring judicial oversight for accessing digital records and ensuring transparency in enforcement actions. Drawing lessons from international practices, India could adopt a more balanced approach that respects individual privacy while enabling effective tax compliance. For instance, countries like Germany and Canada have established stringent protocols for digital searches, including judicial warrants and data minimization principles.[19]

Another critical aspect of Section 247 is its potential impact on cybersecurity. By granting tax authorities access to encrypted data, the provision could inadvertently expose sensitive information to breaches and misuse.[20] This underscores the need for robust technological infrastructure and data protection measures to safeguard individuals' digital assets during enforcement actions.

TECHNOLOGICAL AND CYBERSECURITY CHALLENGES

The introduction of Section 247 in the New Income Tax Bill, 2025, represents a watershed moment in India's taxation framework, addressing the complexities posed by digital financial ecosystems. Empowering tax authorities to access virtual digital spaces—including encrypted financial records, social media accounts, and decentralized platforms—this provision reflects

[17] Ramesh Gupta, *Privacy vs. Enforcement: A Debate on Section 247*, Law Review India 48 (2025).
[18] New Income Tax Bill, 2025, section 247, Bill No. 15 of 2025 (India).
[19] Vikrant Rana et al., *Digital Data Access and Privacy in the Income Tax Bill, 2025*, S.S. Rana & Co. (2025).
[20] Mohammed S. Chokhawala, *Income Tax Officials Can Access Emails and Social Media Accounts Under Section 247*, ClearTax (2025).

India's commitment to combating tax evasion in the digital age.[21] By modernizing enforcement mechanisms to accommodate the prevalence of digital assets such as cryptocurrencies and digital wallets, Section 247 aims to enhance fiscal transparency and accountability. However, the provision has sparked debates around individual privacy, ethical considerations, and cybersecurity risks, emphasizing the need for careful implementation.

The historical evolution of search and seizure provisions provides critical context for understanding Section 247. Initially introduced in the Income Tax Act, 1922, search and seizure laws were rudimentary and lacked procedural safeguards.[22] A substantial overhaul occurred with Section 132 of the Income Tax Act, 1961, which laid the foundation for modern enforcement practices.[23] Section 132 granted designated authorities the power to inspect premises, seize assets, and access electronic records, based on "reason to believe" that tax evasion had occurred.[24] Over the years, amendments to Section 132 enhanced its scope to incorporate electronic data while introducing procedural safeguards to prevent misuse.[25] Section 247 builds on this legacy by expanding the scope to virtual domains, redefining taxable assets to include encrypted and decentralized digital spaces.

A key concern associated with Section 247 is the technological and cybersecurity challenges it poses. Accessing encrypted or sensitive digital records requires sophisticated tools and expertise, heightening the risks of data breaches, unauthorized access, and operational challenges. Advanced encryption algorithms like AES-256 and RSA complicate decryption efforts, while vulnerabilities in technological infrastructure could expose sensitive information.[26] To address these risks, robust frameworks for data protection and cybersecurity are essential. This includes encryption management systems, real-time monitoring, and GDPR-compliant practices to safeguard privacy. Lessons from international practices—such as Germany’s judicial oversight requirements and Canada’s data minimization principles—offer valuable insights into balancing effective enforcement with privacy protections.[27]

Ultimately, Section 247 reflects India’s endeavour to modernize its fiscal policies to meet the challenges of a digital economy. While its potential to enhance transparency and accountability

[21] New Income Tax Bill, 2025, section 247, Bill No. 15 of 2025 (India).
[22] Raja Chellaiah Committee Report, 1976.
[23] Income Tax Act, 1961, § 132, No. 43, Acts of Parliament, 1961 (India).
[24] Pooran Mal v. Director of Inspection, (1974) 93 ITR 505 (SC).
[25] Kelkar Committee Recommendations, 2009.
[26] Mohammed S. Chokhawala, *Income Tax Officials Can Access Emails and Social Media Accounts Under Section 247*, ClearTax (2025).
[27] Vikrant Rana et al., *Digital Data Access and Privacy in the Income Tax Bill, 2025*, S.S. Rana & Co. (2025).

is undeniable, the provision necessitates careful consideration of privacy concerns, ethical governance, and technological capabilities. By addressing these challenges comprehensively, India can set a precedent for responsible taxation in the digital age.

COMPARATIVE ANALYSIS: CASE STUDIES OF SIMILAR PROVISIONS IN OTHER COUNTRIES

The introduction of Section 247 in the New Income Tax Bill, 2025, which extends search and seizure provisions to virtual digital spaces, aligns with global trends in digital taxation. Several countries have implemented similar provisions to address tax evasion in the digital economy. A comparative analysis of these practices provides valuable insights into the challenges and opportunities associated with such measures.

A. United States: IRS and Digital Asset Compliance

The Internal Revenue Service (IRS) in the United States has established robust mechanisms for tracking digital assets, including cryptocurrencies. The IRS requires taxpayers to report digital asset transactions on their annual tax returns, and failure to comply can result in penalties.[28] The agency has also partnered with blockchain analytics firms to trace transactions and identify tax evasion.[29] However, these measures have raised concerns about privacy and the potential misuse of data, highlighting the need for transparency and accountability.

B. Germany: Judicial Oversight in Digital Searches

Germany has implemented stringent protocols for accessing digital records during tax audits. Tax authorities must obtain judicial warrants before conducting searches, ensuring that enforcement actions are subject to legal scrutiny.[30] This approach balances the need for effective tax compliance with the protection of individual privacy rights. Germany's emphasis on judicial oversight serves as a model for India to incorporate similar safeguards in Section 247.

C. Canada: Data Minimization Principles

Canada's tax authorities adhere to data minimization principles, limiting the scope of digital searches to information directly relevant to tax investigations.[31] This approach reduces the risk

[28] IRS, *Digital Asset Reporting Requirements*, Internal Revenue Service (2025).
[29] Chuck Brooks, *Blockchain Analytics and Tax Compliance*, Forbes (2025).
[30] *Germany's Digital Taxation Framework: Lessons for India*, Tax World Journal 35 (2025).
[31] Vikrant Rana et al., *Digital Data Access and Privacy in the Income Tax Bill, 2025*, S.S. Rana & Co. (2025).

of overreach and ensures that sensitive personal data is not unnecessarily exposed. By adopting data minimization practices, India can enhance public trust in the implementation of Section 247.

D. Australia: Cryptocurrency Regulations

Australia has introduced comprehensive regulations for cryptocurrency transactions, requiring exchanges to register with the Australian Transaction Reports and Analysis Centre (AUSTRAC).[32] These measures enable tax authorities to monitor digital asset transactions and enforce compliance. Australia's focus on regulatory oversight highlights the importance of collaboration between tax authorities and financial institutions.

Lessons that can be drawn by India

India can draw several lessons from these international practices to enhance the implementation of Section 247:

- **Judicial Oversight**: Incorporating judicial warrants for accessing digital records can ensure accountability and prevent misuse of power.
- **Data Minimization**: Limiting the scope of searches to relevant information can protect individual privacy and reduce the risk of overreach.
- **Technological Collaboration**: Partnering with blockchain analytics firms and financial institutions can strengthen enforcement mechanisms.
- **Public Awareness**: Educating taxpayers about their obligations and the scope of Section 247 can enhance compliance and reduce resistance.

By adopting these measures, India can strike a balance between effective tax enforcement and the protection of individual rights, setting a precedent for responsible governance in the digital age.

CONCLUSION

The executive exposition on Section 247 of the New Income Tax Bill of 2025 articulates the issues and recommendations as it attempts to make sense of the broader implications for

[32] Australian Transaction Reports and Analysis Centre (AUSTRAC), *Cryptocurrency Regulations in Australia*, AUSTRAC (2025).

taxation in the context of a digital economy. India's taxation system has sorely lagged behind other global systems, and Section 247, which allows search and seizure operations to extend to virtual digital spaces, marks a notable attempt at updating it. On the other hand, its execution poses significant challenges in terms of privacy, moral governance, eminent technology, and requires a suitable blend.

The key issues with concern to Section 247 pertain to the breach of privacy on an individual as well as a personal level, moral states surveillance and the legal challenge of accessing encrypted files. Suggested measures to mitigate these risks place a dominant focus on perception of judicial review, principles of data minimisation, and strong protection of information. Clear accountability guarantees enforcement in a judicious manner devoid of capricious undertakings. Data minimisation, on the other hand, confines the range of the search to information pertinent to the investigation. Strong protection of information, such as encryption systems and GDPR-compliant policies, during undertaking protection actions, ensures that sensitive digital assets are not exposed to risks.

Pondering on the impacts, Section 247 emphasizes the need for taxation policies to fit the structure of a digital economy. The emergence of virtual ecosystems like cryptocurrencies and other decentralized systems has changed the context regarding taxable assets and transactions. India can adopt these concerns as responsibly addressing governance issues in the digital age to set an example. The provision demonstrates the need for a balance between effective tax collection and the violation of personal freedoms which affect trust and acceptance in the public domain.

In conclusion, Section 247 highlights the interplay, however different, between technology and taxation. As the volume of commercial activities done over borders electronically increases, measurement of taxation should also adapt in ensuring no obscurity, avoidance of responsibility, and discrimination. The implementation of discussed recommendations can allow India to augment it's taxation system without infringing the citizens' rights and achieving economic growth in the age of digitalization.