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The ai accountability framework for tax:

building systems that reason, record & reassure

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SINGHVI
DEV & UNNI LLP

Context

Understanding the urgency of AI governance in taxation

AI is entering core tax workflows

- Risk assessment & stratification

- Anomaly detection

- Virtual assistants

- Document drafting

- Data extraction & classification

Regulation is catching up

- OECD AI Accountability guidance

- EU AI Act

- Expanding digital reporting regimes

Rising expectations from authorities & boards

- "We should get instant analysis in today's world"

- "Show me your workings."

- "Explain the AI-assisted position."

Key Insight: Tax authorities worldwide are already using AI for fraud detection and risk scoring. Tax teams must ensure their AI outputs are **defensible, not just efficient**.

The Tax Trust Gap

AI is Powerful - But Opaque
Modern AI systems, especially large language models, operate as "black boxes" making decisions that even their creators cannot fully explain and concerns around safety & security.

Professionals will now need to interrogate the system to understand why a model arrived at a conclusion.

Tax Demands Transparency
- Repeatability of calculations
- Defensibility before authorities
- Complete traceability of decisions
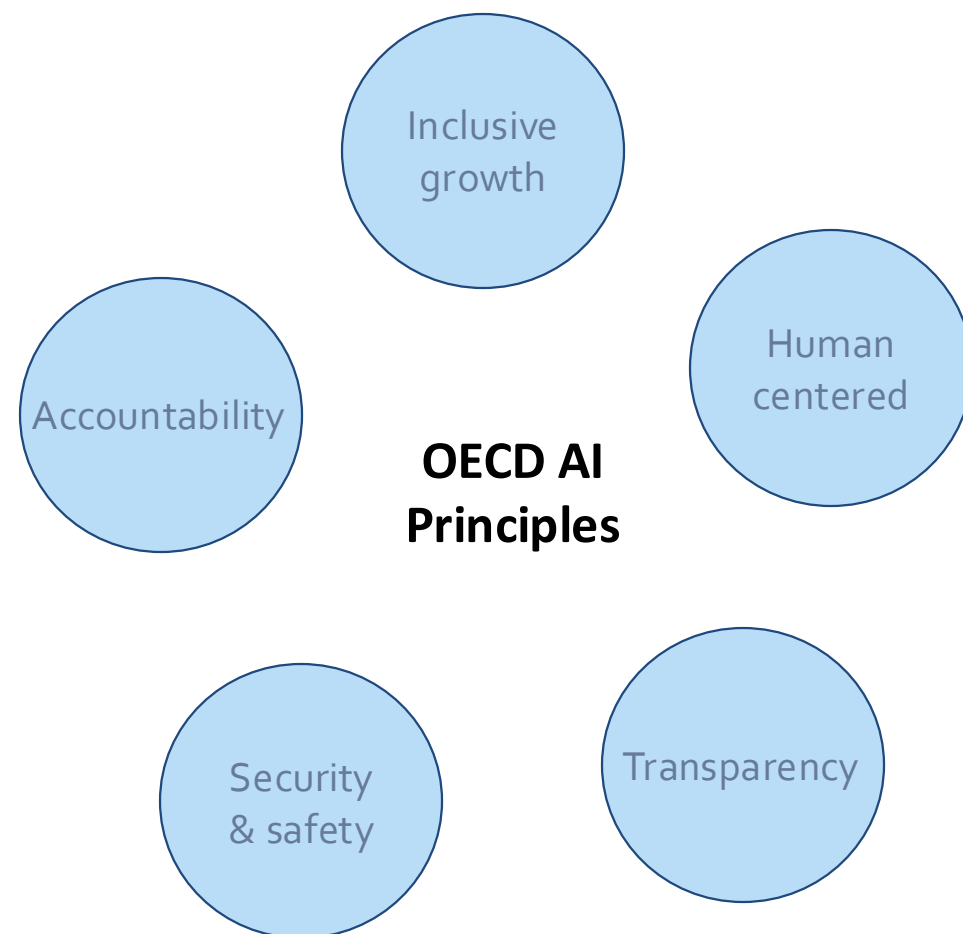
The Core Question
Can you show **how** you arrived at the conclusion?

OECD Alignment: Direction of Travel

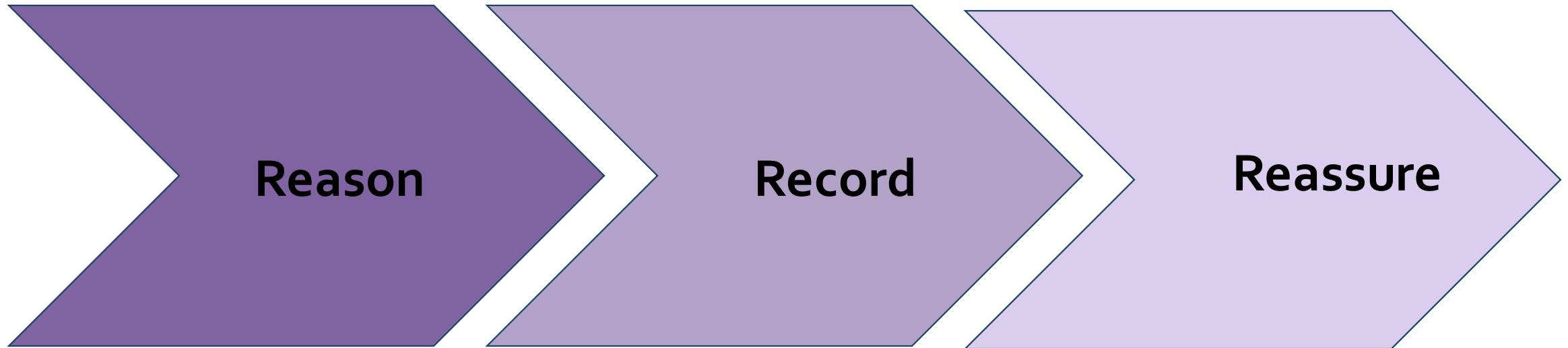How international standards shape AI governance in tax

OECD AI Principles (2024)
The OECD's updated AI principles emphasize that high-impact domains require explainable and reconstructible AI systems.

Inclusive growth

Human centered

OECD AI Principles

Accountability

Security & safety

Transparency

The 3R Accountability Framework for AI in Tax

A practical model for responsible AI in tax

Reason

Record

Reassure

This framework lets tax functions adopt AI without losing control

Pillar 1: Reason

Key Requirements

1. Clear Rulebook
Define explicit boundaries for interpretation

2. Approved Sources
Specify authoritative data and legal references

3. Policy Alignment
Ensure AI follows organizational tax policies

4. Human Escalation
Route grey areas to professionals

Why Reason Matters
AI can handle volume but struggles with nuance.

Defining rules, thresholds, and allowed sources ensures the system's behavior matches tax logic, not creative inference.

Human Judgement needed
When AI encounters ambiguity, uncertainty, or novel scenarios, it must flag for human review rather than proceeding autonomously.

Reason: Standardizing the workplace

What must be standardised is the AI-enabled workspace, not the intelligence itself

Standardize

Input formats & templates

Mapping rules & logic

Adjustment lists

Validation criteria

Allow Controlled Flexibility

Reviewer overrides

Interpretation notes

Exception routing

Commentary fields

Pillar 2: Record

Every action the agent takes is logged: which data sources it accessed, which analysis framework it applied

Prompts & Inputs
All queries sent to AI systems

Model Versions
Specific versions used for each task

Data Lineage
Source and transformation of data

Applications
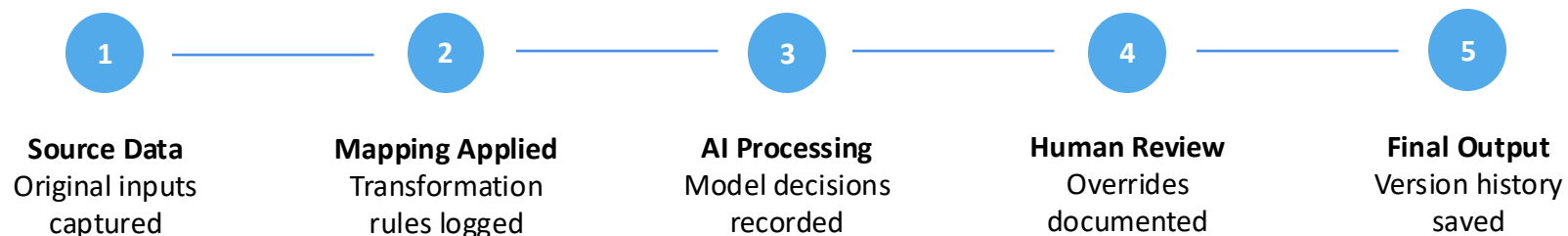Which rules triggered and why

Overrides
Manual adjustments with rationale

Why Record Matters
Without logs, you cannot defend positions. Without traceability, auditors will not accept AI-enabled steps. Record is where **accountability becomes auditable**.

Record: What a Good Audit Trail Looks Like

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Creating defensible documentation

1 — **2** — **3** — **4** — **5**

Source Data	**Mapping Applied**	**AI Processing**	**Human Review**	**Final Output**
Original inputs captured	Transformation rules logged	Model decisions recorded	Overrides documented	Version history saved

Component	What to Capture	Purpose
Source Data	Raw files, timestamps, checksums	Prove data integrity
Rule Applications	Which rules fired, parameters used	Explain calculations
Reviewer Notes	Comments, rationale, concerns	Document professional judgement
Evidence Pack	Supporting documents, references	Substantiate positions
Version History	All changes with timestamps	Enable reconstruction

Pillar 3: Reassure

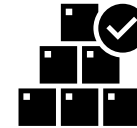Make system behavior understandable to all stakeholders

Interpretability
Plain-language explanations of AI decisions

Confidence Statements
Probability scores and uncertainty flags

Role Clarity
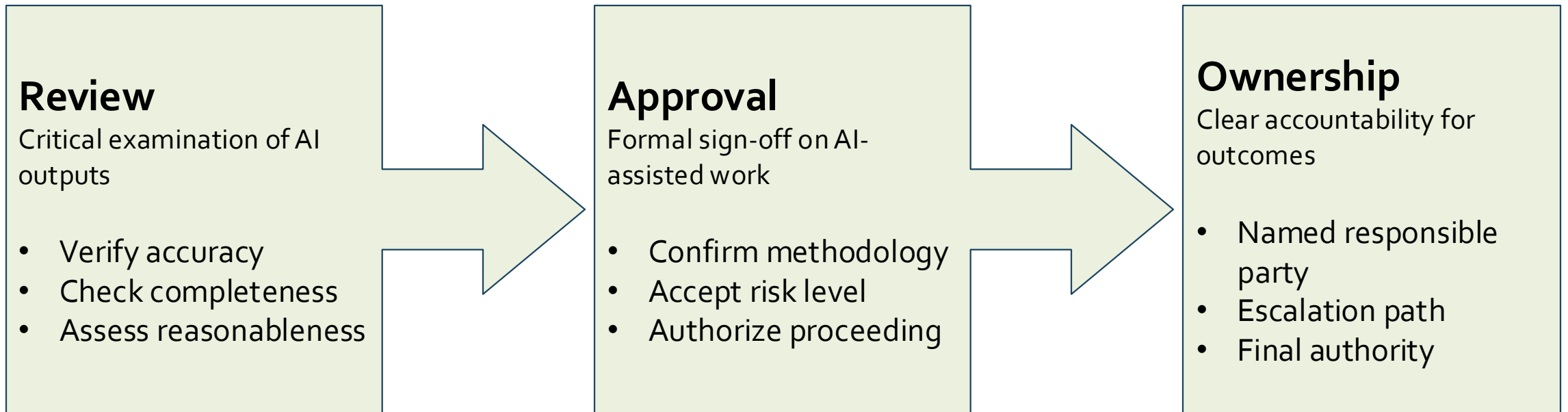Clear ownership and accountability chains

Decision Explanations
Step-by-step reasoning documentation

Stakeholder Docs
Board and auditor-ready reports

Accountability Nodes

Review
Critical examination of AI outputs

- Verify accuracy
- Check completeness
- Assess reasonableness

Approval
Formal sign-off on AI-assisted work

- Confirm methodology
- Accept risk level
- Authorize proceeding

Ownership
Clear accountability for outcomes

- Named responsible party
- Escalation path
- Final authority

Individuals responsible for reviewing, signing off, and taking ownership of outputs form the backbone of AI accountability.

AI Use Cases Across the Tax Function

Corporate Tax Preparation
Automated computation and adjustments

GST/VAT Classification
Smart categorization of transactions

WHT Automation
Withholding tax rate determination

Transfer Pricing Schedules
TP documentation and analysis

Notice Response Drafting
AI-assisted reply preparation

Risk Scoring
Anomaly detection & risk stratification

Tax Control Framework
Continuous monitoring & compliance

Deep Dive: Corporate Income Tax

Why CIT preparation is ideal for AI automation

CIT Preparation

- **Rule-heavy:** Clear legislative requirements
- **Highly structured:** Standard forms and schedules
- **High volume:** Many entities, many periods
- **Year-on-year consistency:** Similar patterns repeat
- **Strong audit requirements:** Documentation essential

OECD Perspective
The OECD identifies data preparation as one of the most automatable tasks in tax administration.

However, every extraction, mapping, and flag must be logged, otherwise this introduces blind spots.

CIT Deep Dive: Data Gathering
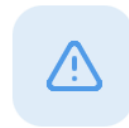
STEP 1   How AI handles data preparation

TB / GL Extraction
Automated data pull from accounting systems

Consistency Checks
Validation against prior period data

Mapping to Schedules
Intelligent categorization

Missing Data Flags
Automated gap identification

Prior Year Comparison
Variance analysis and trending

AI Preparer Actions
✓ Extract trial balance from ERP
✓ Map GL accounts to tax schedules
✓ Flag incomplete or unusual entries
✓ Compare with prior year patterns

Record Requirements
Every extraction, mapping, and flag must be logged with timestamps, source references, and the specific rules applied. This creates the foundation for an auditable workflow.

CIT Deep Dive: Reason Layer

STEP 2 The system applies approved tax rules across key computation areas:

Depreciation
- Asset categorization
- Rate application
- WDV calculations

Disallowances
- Personal expenses

Interest Limits
- Thin cap rules
- ALP requirements

Loss Set-offs
- Carry forward
- Set-off sequence
- Time limits

Timing Adjustments
- TDS compliance
- Payment dates

Prior-Year Consistency
The system validates that rule applications are consistent with prior year treatments, flagging any changes for human review and documentation of the rationale

CIT Deep Dive: Record Layer

Building the audit-ready evidence pack

Log Category	Data Captured	Audit Purpose
Inputs	Source files, timestamps, checksums	Prove data integrity
Transformations	Mapping rules, calculation steps	Explain methodology
Model Version	AI model ID, parameters used	Enable reconstruction
Rule Applications	Sections applied; thresholds checked	Justify positions
Overrides	Manual changes with rationale	Document judgement
Evidence Pack	Supporting documents, references	Substantiate claims
Reviewer Notes	Comments, concerns, approvals	Record oversight

CIT Deep Dive: Human Reviewer Node

STEP 4   Where professional judgement takes over

Compare with FS
Reconcile with financial statements

Review Anomalies
Investigate flagged items

Validate Rules
Confirm correct rule application

Add Notes
Document interpretations

Approve/Override
Accept or modify AI output

Final Sign-off
Take accountability

The reviewer can cross-check with prior filings, detect red flags, or reconcile with financial statements

Minimum Viable Controls (MVC)

Scaling controls with AI maturity

For Pilots
Getting started

- Light logging requirements
- Human override enabled
- Basic rule set defined
- Manual review mandatory

For Scaling
Growing adoption

- Role definitions established
- Rule versioning system
- Structured audit trail
- Automated validation

For BAU
Full Deployment

- Integrated governance
- Evidence pack export
- Periodic testing & reviews
- Continuous monitoring

Maturity →   Sophistication

The AI-Ready Tax Professional

Tax knowledge alone is no longer enough

Deep Tax Knowledge
Core foundation remains essential

Process Understanding
Know how workflows operate

Data Literacy
Understand data structures & quality

Interpreting AI
Evaluate algorithmic outputs

Challenging AI
Question automated decisions

Model Literacy
The future professional doesn't need to code.

They need the ability to:
- Question algorithmic choices
- Understand model limitations
- Identify when AI may be wrong
- Document AI-assisted reasoning

Thank you

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