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Online Webinar | 25th Septmeber 2025

AI Governance in Tax: Building Trust in the Era of Digital Transformation

Speakers:

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Overview

Agenda for Today's Presentation

1. **Understanding** Enterprise AI Processes
2. **Establishing** Effective AI Governance
3. **Building** a Fit-for-Purpose AI Governance Framework

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Context

Why Trust in Tax AI Matters

- **Business demand:** company executives & tax authorities expect explainable, evidence backed numbers
- **Risks:** GenAI introduces errors (hallucinations, data leaks)
- **Risk mitigation:** Certified people + certified processes + certified technology (preferred roadmap for handling tax relevant data flows)
- **Regulatory pressure:** EU AI Act, GDPR, OECD Guidance, internal audits

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What Tax AI Touches

- **Workflows:** data collection, validation, analytics, report drafting
- **Artificats:** datasets, prompts, dashboards, filings
- **Actors:** tax teams, IT auditors, regulators

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Key Takeaway

Governance is about managing all moving parts. This includes the people, the processes, and the digital outputs they produce.

People, Process, Technology Backbone

- **People** – Clear roles, accountability, training paths
- **Process** – Documented SOPs, controls, audit trails
- **Technology** – Secure document change controls

Most tax teams already run on this "spine." AI governance does not start from scratch – it bolts onto what you already have.

From Data Integrity to Legal Liability

Why Clean Inputs Matter

Manual Tax Processes
- Ad Hoc spreadsheet calculations

Tax Processes Improvement
- Some standardization and limited automation

Tax Data Automation
- Single Data source, Structure-Data Medium level automation

Tax Calculation & Analytics
- Insight in tax performance, low data manipulation

Vision State
- Detailed tax data readily available, manual processes at a minimum

Source: TPA Global

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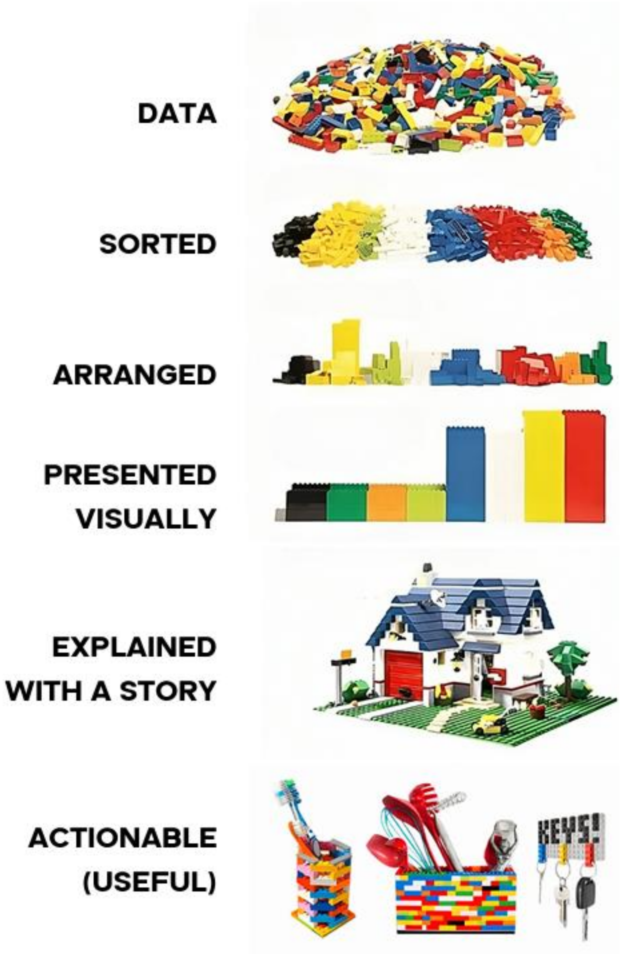
From Data Integrity to Legal Liability

Why clean inputs matter

- **Clean & Sort the Bricks:** raw data must be cleaned & organized
- **Follow the Rulebook:** legal & ethical use (privacy, consent, fairness)
- **Build with a Blueprint:** AI governance starts the moment you touch data
- **Automate the Pipeline:** move from ad-hoc extracts → governed feeds
- **Data Contracts Defined:** owners, quality checks, refresh cadence
- **One Source of Truth:** central repository + audit trails



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Key Takeaway

AI is only as trustworthy as its inputs. Good governance starts with fit-for-purpose, traceable data.

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AI Supply Chain

Governance from the start & throughout

Extract
Pulling raw data from, systems, websites, APIs, or data bases.

Governance: access controls, consent, source logging

Transform
Preprocessing raw data into useable forms

Governance: document rules, test for bias, version control

Load
Storing prepped data in structured systems for future use

Governance: retention rules, encryption, role-based access

AI-Ready Data

Governance: alerts, exception logs, explainability

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AI Supply Chain

Governance from the start & throughout

1. **Extract**
   Pull data from ERP, HR, Finance, etc.
2. **Transform**
   Clean, structure, and prepare data for use
3. **Load**
   Move into secure, structured repositories
4. **Controls**
   Run checks: reconciliation, exception logging, alerts
5. **Report Generation**
   Push structured data into forms (e.g. DAC6, SAF-T, CbCR)
6. **Digital Submission**
   File directly to tax authorities via APIs/mailboxes

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Key Takeaway

When every step is compliant and monitored, AI and automation becomes safe, scalable, and defensible

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Identifying Key Risks in AI Systems

Risk 1 Data

- Poor data quality, missing values, or biased sources
- Cross-border data transfers raise privacy & regulation concerns
- Without data governance, AI inherits flaws of the input

Risk 2 AI Model

- Models can drift over time as business conditions & inputs change
- Bias may be introduced unintentionally during training
- If decisions cannot be explained, accountability & compliance are at risk

Risk 3 Legal & Compliance

- Misuse of third-party data can trigger liability
- Confidental information may be exposed or mishandled
- Inaccurate outputs can lead to false filings, misstatements, or regulatory violations

Risk 4 People

- Unclear ownership or weak maker–checker can let unreviewed outputs slip into filings
- “Shadow AI” use and prompt leakage may expose confidential/client data
- Insufficient training or over-reliance on AI undermines professional judgment & oversight

Roles & Responsibilities In AI Systems

- **Product Owner (Tax) –** defines value & scope
- **Data Owner (Finance/IT) –** ensures data integrity
- **Data Trash Officer (Finance/IT) -** owns minimization & deletion kills ROT (redundant/obsolete/trivial data), enforces retention, and certifies secure disposal.
- **Model Owner (Tax Tech) –** manages risk, monitors drift
- **Ops (IT) –** runs deployments, backups
- **Legal –** aligns to laws & policies

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Key Takeaway

Avoid **“ownership by committee.”** Every role must have a named person to keep AI accountable.

Developing an AI Protocol

- A **“living manual”** that governs AI is use across the company
- Ensures legal compliance with:
  - **EU AI Act →** risk classification, transparency, human oversight
  - **GDPR →** data privacy, consent, cross-border transfers
- Covers: scope, data, tools, roles, controls, evidence, monitoring
- Updated quarterly, tied to training & audits

Key Takeaway

AI Protocol is the practical tool that ties everything together – ensures AI use is operationally sound and legally compliant.

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Steps to Create an AI Protocol

1. Decide What It's For
Define where and why your company will use AI

2. List the AI Tools You Use
Make an inventory of all systems and use cases

3. Set the Data Rules
Explain what data can be used, what cannot, and how long it can be kept (GDPR)

4. Define Who's Responsible
Assign clear roles for approval, monitoring, and escalation

5. Plan Ongoing Checks
Explain how the protocol will be updated

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Key Takeaway

An AI Protocol is a living process – it must be reviewed and updated regularly to stay compliant, effective, and trusted.

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Assurance Checklist

- ❑ Accuracy testing and reconciliations
- ❑ Bias/error detection
- ❑ Compliance review (GDPR, AI Act, ISO 27001, SOC2)
- ❑ Documentation: logs, approvals, evidence folder

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Key Takeaway

A simple checklist makes assurance concrete – allows you to easily see what to track to prove your system is trustworthy.

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Success Factors & Pitfalls

SUCCESS FACTORS

- Governance embedded in company culture
- Innovation balanced with compliance
- Evidence kept simple and usable

COMMON PITFALLS

- Jumping into “tool-first" projects
- Weak data ownership & accountability
- Shadow AI outside governance
- Missing audit evidence

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Thank you

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