UNTC 31st Session
Stakeholder Input Template

UN Tax Committee

Help inform the Committee's deliberations on their work programme for 2025-2029 by sharing your perspectives on challenges in tax policy and administration facing developing countries, emerging issues that need attention, and where there is a need for more or different guidance. Submissions should be made in one of the six (6) UN languages. All valid submissions will be published on the UN Tax Committee website in the language submitted.

Submission details: Deadline: **1 September 2025**, Email to: **taxcommittee@un.org**

Subject: Input for UN Tax Committee Work Programme (2025-2029)

INFORMATION

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Type: Academia

Organization (unless submission is in personal capacity): Personal Capacity

BACKGROUND (Maximum of 200 words) – Please respond on page 2.

Please provide a brief summary of your organization's mandate and areas of work unless this submission is in personal capacity, how they relate to international tax cooperation, domestic resource mobilization, sustainable development, or any other field. This will help us map and better contextualize your perspective and input.

WORK PROGRAMME PRIORITIES (Maximum of 2000 words inclusive of any footnotes) – Please respond on page 3.

What should be the Committee's priority issues for 2025-2029? Consider, in light of the Committee's mandate, both the provisional agenda topics and any additional areas you believe are important.

For each priority you recommend, please explain:

a) Why is this issue important for developing countries?
b) What specific guidance or tools should the Committee produce?
c) How would this output be practical and valuable for countries?

SUPPORTING REFERENCES Please list any hyperlinks to relevant reports, studies, or other materials that support your recommendations. Do not attach files. – Please respond on page 4.

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Dr Bernard Schneider is Senior Lecturer (Associate Professor) in International Tax Law and Academic Director of the Institute of Tax Law at the Centre for Commercial Law Studies, the postgraduate law programme of Queen Mary University of London. His main areas of research and teaching include international and comparative tax law, tax administration and taxation in developing countries. In addition, Queen Mary's Digital Environment Research Institute conducts research in many areas of digitalisation, including artificial intelligence. Queen Mary is an active member of the Turing University Network of the Alan Turing Institute, the UK's national institute for data science and artificial intelligence.

Mr TY Sim (LLM Tax, MA) is an adjunct professor at the Singapore University of Social Sciences, a board member of Tax Analysts and co-chair of the Tax Notes International Council of Eminent Persons. He is also a member of the International Association of Tax Judges and a senior advisor to the Vienna University of Economics and Business (WU) Global Tax Policy Centre. He served as an expert for the United Nations on the Taxation of the Digital Economy and was a research fellow at the Singapore Management University Centre for Artificial Intelligence and Data Governance.

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Artificial intelligence and taxation

Artificial intelligence (AI), including generative AI, promises to revolutionise all areas of taxation, including taxpayer compliance, taxpayer interactions with tax authorities and various aspects of tax administration. The area is critical for developing countries.

The AI revolution in taxation poses serious challenges for developing countries for three reasons.

First, AI encompasses a range of technologies, including rules-based algorithmic systems and more advanced systems that enable machines to perform tasks that typically require human intelligence. Not all of these technologies are currently used by all tax administrations, and their uptake varies widely across jurisdictions. This means that we must distinguish clearly between these technologies and outline suitable use cases, particularly for tax administrations in developing countries, which need to prioritise the use of AI based on limited resources.

Second, the AI revolution in taxation primarily impacts three main constituencies: taxpayers, tax professionals and tax administrations, as well as four main practice areas: tax research and analysis; taxpayer compliance processes; tax administration processes; and communication and other interactions between tax administrations and taxpayers. Developing countries lack capacity across all three constituencies and in all four areas.

Considered another way, the primary use cases for AI by tax administrations are:

- **Data manipulation and form filling:** AI can automate a range of repetitive administrative tasks, including data extraction and data reconciliation, as well as form filling and tax return preparation, for those administrations that do this on behalf of taxpayers.

- **Analysis of tax laws, regulations and cases:** AI can be used by tax administrations to prepare explanations of the law and to understand where loopholes and other opportunities for tax planning may exist.

- **Tax research and knowledge management:** AI can help tax administrations prepare explanations and summaries of tax laws, regulation and guidance for both internal training and public dissemination. It can also help tax administrations understand developments in other jurisdictions, thus levelling the playing field between well- resourced, often multinational, taxpayers and tax administrations in developing countries.

- **Communication with the public:** Generative AI creates possibilities for portals and chatbots that make tax administrations more accessible to taxpayers in a way that remains efficient for tax administrations.

- **Tax risk assessment and audit preparation:** AI can assist tax administrations in identifying fraudulent and high-risk transactions by detecting previously hidden correlations and highlighting suspicious activities. It can also help predict audit outcomes. This has the potential to increase tax collection and reduce the tax gap.

Third, there is the question of how best to tax income derived from AI outputs. The distribution and nature of the AI value chain pose similar issues as other aspects of the digital economy, for example as regards nexus, but AI should be treated as a specific subset of the digital economy to determine whether there are particular tax issues raised by AI.

Issues

The use of AI in tax administration raises a range of issues.

Taxpayer data provided to AI agents should be protected by privacy safeguards, for example by the anonymisation of taxpayer data.

Currently, tax administrations use AI primarily to automate routine tax functions like data entry, compliance checks and report generation, and tax officials remain the primary decision makers. However, the use of AI for automated decision making, particularly where tax officials have discretion, would represent a fundamental shift away from humans being the primary decision makers. Post hoc review would not fully substitute for human decision making, nor would it allow for the same degree of accountability.

Perhaps the most salient AI-affected, taxpayer-facing tax administrative function is- communication with taxpayers. This raises concerns regarding the information imparted to taxpayers, which may be insufficiently nuanced or may be slanted towards the position of the tax authorities, rather than the law.

In some jurisdictions, informal guidance provided to taxpayers is not binding on the tax administration. Presumably similar logic applies to information provided by chatbots and other interfaces; to the extent that such applications and portals become the primary interface for taxpayers, is this position still tenable?

Existing and proposed codes, standards and frameworks for the use of AI are mostly non- binding and not specific to taxation. They therefore do not provide taxpayers with legally enforceable rights. They also do not address where human oversight is needed, nor do they provide guidelines for where the use of AI should not be permitted in taxation.

Most of these issues apply, to a greater or lesser extent, to all tax administrations. However, the perspective of developing countries is somewhat different and needs to be better understood. For instance, whilst tax administrations in developed countries may have the capability to develop and train their own large language models, developing countries must develop AI solutions with a smaller budget and fewer expert staff. Purchasing an off the shelf solution from a large multinational enterprise (MNE) may not be appropriate, given data confidentiality and the need to be independent from foreign institutions and governments.

In fact, developing countries need to understand and harness AI both defensively and pro-actively. They need to understand AI defensively, because AI is increasingly being used by taxpayers, particularly large MNEs. They also need to address AI pro-actively, because AI offers developing countries the opportunity to implement organisational reforms and to 'leapfrog' to more advanced systems. However, developed country approaches may not be appropriate for developing countries.

Furthermore, in order for developing countries to realise gains from the use of AI in tax administration, it is essential that the playing field be level. At present, AI innovation and adoption occurs primarily in developed countries, and most of the available solutions are offered by large digital MNEs based in the developed world. Such solutions may be expensive, unsuited for developing countries and, perhaps most worryingly, may hold developing countries captive if their data are stored by and the algorithms are provided by commercial solution providers or governments in developed countries. There is therefore a need for neutral, unbiased, unconflicted expertise to help developing countries understand AI, map out appropriate frameworks, set roadmaps for adoption, independently and transparently select the most appropriate solutions and audit and test such AI solutions.

In addition, developing countries face revenue pressures and need to mobilise domestic resources to fund development. At present, they generally lack the capacity to implement and enforce complex international tax regimes such as controlled foreign corporation rules and the BEPS global minimum tax. AI can help overcome resource constraints and improve tax administration and revenue collection. However, whilst AI has the potential for to boost productivity and improve the delivery of public services, it also raises concerns about job losses and greater inequality, particularly in developing countries with labour-intensive industries. Fiscal policy will need to adjust, to make up for the fall in revenue collection due to declining taxes on workers and to fund higher social transfer needs to cushion the disruption.

Recommendations

We propose that one of the main focuses of the Committee of Experts on International Cooperation in Tax Matters during 2025-2029 should be to consider these and other issues in the use of AI and generative AI in taxation. In this connection, we propose that the Committee establishes a sub-committee or panel of independent academics and other experts to advise the Committee on governance frameworks, guidance, implementation roadmaps and tools for tax administrations and domestic taxpayers in developing countries, as well as regimes for taxing AI.

Tax-specific frameworks, guidance, roadmaps and tools for the use of AI and principles for the taxation of AI should be drafted, taking into consideration the circumstances and needs of developing countries.

Guidance should be drafted for digitising the existing corpus of tax materials in developing countries, with a view to disseminating the information and creating small or private large language models of these materials. Developing countries should be assisted in digitising this information, among other things by the establishment of a platform for exchange of information and best practices.

The authors of this submission would be glad to contribute to the creation of this sub- committee or panel of AI tax experts.

SUPPORTING REFERENCES *Please list any hyperlinks to relevant reports, studies, or other materials that support your recommendations. Do not attach files.*

- **ATAF**, 'Digital Transformation in the ATO Countries: Standards, Opportunities, Challenges, and Policy Imperatives' (2022), https://ataftax.org/library/digital-transformation-in-the-ato-countries-standards-opportunities-challenges-and-policy-imperatives-2/

- **Fernanda Brollo, Era Dabla-Norris, Ruud de Mooij, Daniel Garcia-Macia, Tibor Hanappi, Li Liu, and Anh Dinh Minh Nguyen**, 'Broadening the Gains from Generative AI: The Role of Fiscal Policies' IMF Staff Discussion Note 2024-002 (2024), https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2024/06/11/Broadening-the-Gains-from-Generative-AI-The-Role-of-Fiscal-Policies-549639?cid=bl-com-SDNEA2024002

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- **OECD**, Tax Administration 3.0: The Digital Transformation of Tax Administration (2020), https://www.oecd.org/en/publications/2020/12/tax-administration-3-0-the-digital-transformation-of-tax-administration_886337a7.html

- **OECD,** Tax Administration 2023 (2023), https://www.oecd.org/en/publications/2023/09/tax-administration-2023_87655bc9.html

- **Oyebola Okunogbe and Fabrizio Santoro**, 'The Promise and Limitations of Information Technology for Tax Mobilisation', ICTD Working Paper 135 (2024), https://opendocs.ids.ac.uk/articles/online_resource/The_Promise_and_Limitations_of_Information_Technology_for_Tax_Mobilisation/26432752?file=48183283

- **World Bank**, 'TaxTech: Leveraging digitalization to improve tax compliance and revenue mobilization' (2024), https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099061225023042590