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**Committee of Experts on International Cooperation in Tax Matters**
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**Other areas for Committee consideration and guidance as part of its work program**

# Secretariat Note on Tax-related Artificial Intelligence issues

***Summary***

This note is presented to the Committee for information and discussion at its Thirty-first Session.

Artificial Intelligence (AI) represents a powerful tool for tax administrations but also has important risk factors. This note explores why and how the Committee could develop a *Practical Guide to Artificial Intelligence for Tax Administrations* - providing actionable practical guidance for developing countries on harnessing AI opportunities (fraud detection, risk assessment, taxpayer services etc.) while managing risks (algorithmic bias, data quality and security issues, impact on taxpayer rights etc.).

The Guide would cover AI applications, governance frameworks, and roadmaps for implementation calibrated to developing country contexts, focusing on tax administration—and would not address taxation of AI services (as to which see CRP.24). It would address development of use cases and the process of evaluating such cases, all from a developing country perspective. Such an AI work program would respond to the Committee's mandate under ECOSOC resolution 2004/69, FFD4 commitments on AI and on revenue modernization, recommendations from the 2021-2025 Committee membership's Working Group on Digitalization, and stakeholder demand.

*Questions* for Committee decision are:

- Should the Committee undertake work on tax-related AI issues?
- If yes, which approach should it take:
  - Option A: Comprehensive guide covering opportunities, risks, use cases, governance, and implementation (3-3.5 years)
  - Option B: Phased approach—priority tax administration guidance initially, with review at the Thirty-fifth Session on whether to expand to other issues (2 years Phase 1)
  - Option C: No action
- Should a Subcommittee on Tax-related AI Issues be established to undertake this work?

**I. Brief description**

1. This note explores and provides options for how the Committee (UNTC) could develop practical guidance on the use of artificial intelligence (AI) in tax administration, identifying and addressing both opportunities and risks for developing countries. AI tools are increasingly used by tax administrations for fraud detection, risk assessment, taxpayer services, and compliance management. Nonetheless, guidance specifically calibrated to developing country contexts - particularly for least developed countries - remains limited.

2. This proposed work program would produce *A Practical Guide to AI for Tax Administrations*, covering AI applications, implementation roadmaps, governance frameworks, and safeguards against risks such as algorithmic bias and data quality and security issues. The Guide would focus on tax administration rather than taxation of AI services (which could be addressed in other proposed work on tax issues relating to the digitalized and globalized economy, dealt with in a separate note – CRP.24). The guide would be written clearly, with practical examples for tax officials in developing countries. Both South-South and North-South learnings would be an important part of the Guide.

3. AI tools, and consideration of AI "use cases", are and will deeply and increasingly affect risk management and compliance approaches, as well as other aspects of tax administration and policy making. AI will also be used by taxpayers, those seeking to use it to help them meet their compliance obligations and those wishing to avoid them.[1]

4. A recent development is "generative AI". Generative AI is based on machine learning and can create wholly new, computer-generated content focussed on performing a specific task. It is focused on creativity and innovation, and it uses machine learning techniques – such as deep learning and neural networks – to generate new content.[2] One well-known example of generative AI is ChatGPT. Developed by OpenAI, ChatGPT is a natural language processing model that interprets human prompts and responds by generating new text. There are other such models also being used, as the Guide will recognize, and the existence of different models is itself an issue with opportunities and risks involved.

5. AI represents a powerful tool for tax administrations but also has important risk factors – will it be developed and used in a responsible and ethical manner, for example and will it respect accrued rights of taxpayers? How will AI errors be prevented, identified and addressed? Who will be the final decision-makers? How will it affect the composition and skilling up of tax administration workforces? Apart from general consideration of AI opportunities and risks, the development of, and decisions as to, "use cases" for the particular application of AI in different contexts (such as different aspects of tax administration) is an important aspect of any AI guidance project.

6. There are also issues of distribution of taxing rights relating to AI. In particular, how taxing rights will be shared if AI activities take place in various countries, bearing in mind also the importance (and commercial value) of AI algorithms. There are also issues about its impact on value creation as well as the treatment of AI-based facilities in terms of incentives or environmental impact. Issues related to the allocation of AI taxing rights are considered better addressed in the possible work on taxation of the digitalized and globalized economy, however, since they are so closely related to, or are integral to, the work proposed therein on the taxation of services (see CRP.24). If there is no such work program formed, these issues could be addressed as a distinct issue under this AI-related work.

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[2] Ben Nancholas (University of Wolverhampton) "What are the different types of artificial intelligence?" https://online.wlv.ac.uk/what-are-the-different-types-of-artificial-intelligence/

7. A significant amount of work has been done on AI and tax administration, including by the OECD, the IMF, the World Bank, the UK Institute of Fiscal Studies' Tax Law Review Committee and regional tax organizations. Such work needs to be drawn upon where relevant, but there is a need for informed, practical and pragmatic guidance that reflects UN approaches to tax cooperation, including the role of taxation in meeting the SDGs, and that draws especially upon the experience of developing (including least developed) countries and their priorities.

8. Such UNTC work would need to be geared in its focus, examples and assessments, to what is possible and preferable in the short-, medium- and long-term for developing countries in various situations. It would also need to be structured and written clearly and as simply as possible with that audience primarily in mind.

## II. Sources of the proposal

9. The proposal aligns with the Committee's mandate under ECOSOC resolution 2004/69 to consider how new and emerging issues affect international cooperation in tax matters, with special attention to developing country needs and priorities. At the Fourth International Conference on Financing for Development (FFD4), governments committed to "enhance support to developing countries for country-led efforts to modernize revenue administration, especially digitalization [...] and use of artificial intelligence" (para 27 l) and to "promote equitable and inclusive access to and development of artificial intelligence" with meaningful participation of developing countries in AI governance (para 59 k).

10. At the Committee's Thirtieth Session (March 2025), the Working Group on Digitalization and Other Opportunities to Improve Tax Administration [3] identified AI-related issues for potential consideration by the 2025-2029 Committee membership, including governance frameworks for new technologies, use of digitalization for risk management, electronic invoicing, and dispute resolution.[4] The issue of the implications of artificial intelligence for transfer pricing were also raised at that session.[5] These recommendations were built on observer comments and reflected sustained interest in practical guidance for revenue administrations that is further demonstrated by stakeholder inputs to this Thirty-first session.

11. Multiple stakeholder submissions, including from the African Tax Administration Forum, academic experts, and professional advisors—proposed work by the UN Tax Committee on AI-related tax administration issues. The common themes included the need for guidance on practical implementation calibrated to developing country contexts and to the potential role of AI in modernizing tax administration with efficiency and effectiveness benefits to all stakeholders.

12. Guidance on risk awareness and mitigation was especially sought. Some input addressed the issue of taxing rights over the provision of AI services, but this is proposed as more appropriately dealt with as an issue of taxation of services more generally, as part of the taxation of an increasingly digitalized and globalized economy. That is dealt with in a separate note for this Session (CRP.24).

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[3] E/C.18/2025/CRP.12, 12 March 2025, at para 8; available at https://financing.desa.un.org/sites/default/files/2025-03/CRP.12%20-%20Digitalization%20of%20Revenue%20Authorities.pdf, at

[4] Report of the Thirtieth Session, E/2025/45/Add.1 E/C.18/2025/3 at para. 52; https://financing.desa.un.org/sites/default/files/2025-07/2507467E.pdf

[5] Ibid at para. 31.

## III Prior UNTC work and identified gaps

*Existing Committee guidance*

13. There is no specific UNTC guidance product on AI, but the topic proposed would supplement the work the Committee has done on the Digitalization of Revenue Authorities. Specifically, Annex 4 (Innovative Technologies) of the (forthcoming) 2025 Guide to Digitalization of Revenue Authorities broadly identifies some of the opportunities, risks and issues surrounding use of AI by revenue authorities. As noted above, the Subcommittee drafting the guide noted AI as a possible area for further guidance by this new Membership. There are also potential links to other areas of existing UNTC work (such as in addressing transfer mispricing, in reducing backlogs in disputes, or in indirect taxation) that would be best handled by any Subcommittees formed to deal with such specific issues, with liaison as appropriate with any Subcommittee on Tax and AI.

*Gaps to be addressed*

14. The UN Guide to Digitalization of Revenue Authorities only dealt broadly with AI in tax administration and there is an opportunity to address the issues in more detail and provide practical solutions adapted to limited resource administrations and the specific situations and priorities of developing countries, including the least developed. There is a need for guidance that meets these tests, while being sustainable development goal-focused and recognising fully the various functions of tax policy and administration in (1) supporting domestic resource mobilization, including taxpayers wanting to meet their obligations; (2) promoting a coherent and knowable tax environment to encourage trade and investment for development; and (3) encouraging sustainable behaviours.

15. Other guidance products, including from international and regional organizations, represent potentially important inputs. They do not, however, fully address the need for guidance that is specially calibrated to the realities and priorities, including as to resourcing, of developing countries and having a sustainable development anchor.

16. The UNTC is in a strong position to provide the needed practical trusted guidance adapted to differing country situations and expressed as simply as the subject allows, drawing upon real developing country examples and experiences and the best work so far published, wherever published. A collaborative approach with other international and regional organizations and one that draws widely on subject-matter expertise, wherever it exists, would appear likely to be most productive.

17. The opportunities for AI to assist underserved and rural communities in their relationship with tax administrations should be an important part of any guidance.

## IV. Proposed UNTC outputs

*Outputs*

18. It is proposed that the Committee should develop "A Practical Guide to AI for Tax Administrations," providing actionable guidance for developing countries on harnessing AI opportunities while managing risks. The Guide would address[6]:

- opportunities and risks: AI applications in tax administration (fraud detection, risk assessment, taxpayer services) and safeguards against risks of AI being used to facilitate tax avoidance and evasion;
- use cases: practical AI implementation scenarios adapted to developing country contexts;
- enabling environments and governance: the policy-making issues involved in establishing an enabling environment for AI based tax administration, and combatting AI-facilitated

tax avoidance. This last item could be excluded from the initial workplan, if the Committee decides to start with a phased approach and a shorter initial time frame.

*Focus*

19. The Guide would focus on tax administration—how tax authorities use AI as a tool—rather than the taxation of AI services or allocation of taxing rights over AI-generated income. The latter could be addressed in the proposed works on tax issues related to the digitalized and globalized economy, as noted above and in CRP.24 The Guide would draw on developing country experiences and be written clearly with practical examples, avoiding technical jargon The Guide should acknowledge that AI changes rapidly, and should be written in a way that stays relevant despite those changes, though updates may still be needed.

*Audience*

20. The primary audience would be tax administrators and policy makers in developing countries, while also benefitting developed countries and taxpayers / stakeholders in the private sector.

*Timeframe*

21. The Guide could be completed within 3 to 3.5 years, based on the experience of previous similar guidance products, but a focus on the priority issues will be necessary. *A shorter Guide* could be produced within 2 years on priority topics if early guidance on specific areas would be particularly valuable for developing countries. The advice of the Subcommittee on this would be important, as the work progresses.

*Subcommittee*

22. The Committee should consider establishing a Subcommittee on Tax-related Artificial Intelligence Issues to under this work. Given the technical nature and rapid evolution of AI, the Subcommittee would benefit from an inter-disciplinary and multi-stakeholder approach, through Subcommittee composition and/or close and continuing liaison with subject matter experts from other international organizations, governments, academia, business, and civil society (such as through a Reference Group).

## V. Relationship with other work

*Links to other UNTC work*

23. This work would complement other Committee work on digitalization of revenue authorities, particularly the 2025 UN Guide's treatment of innovative technologies. AI applications in risk assessment, valuation, and compliance connect to the Committee's work on transfer pricing compliance assurance and on wealth taxation. If the 2025-2029 Committee membership establishes work on dispute resolution, transfer pricing, wealth taxation, or indirect taxation, close liaison with any Subcommittee on AI would be mutually valuable, given the potential applications of AI in those areas.

24. The work would directly support the SDGs, in particular SDG 16 (effective, accountable, and transparent institutions) by helping develop stronger tax administration capacity and SDG 17 (partnerships for the goals - strengthen the means of implementation and revitalize the global partnership for sustainable development) by a multistakeholder/ multidisciplinary approach to AI's role in furthering better tax systems for sustainable development. It is especially relevant to SDG Target 17.1: (strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection). By addressing both opportunities and risks of adopting AI, UNTC guidance would very pragmatically support developing countries in harnessing technology for domestic resource mobilization, while maintaining taxpayer trust and institutional integrity.

25. A Committee work program in this area would align with broader UN attention to responsible AI and AI governance, providing access to expert networks while maintaining the Committee's distinctive focus on tax administration and tax policy in developing countries.

## VI. Committee decision factors

26. The proposal work aligns with the Committee's mandate, as expressed in ECOSOC resolution 2004/69, to consider "how new and emerging issues could affect international cooperation in tax matters", with special attention to developing countries' needs and priorities.
Guidance produced by the UN Tax Committee would fill a distinct gap: non-prescriptive practical implementation advice calibrated to developing country contexts, written simply with real-world examples from such countries, and reflecting the realities of developing, including least developed, countries.

27. The Committee's expertise in tax administration and capacity building, combined with collaboration with subject matter experts, positions it to deliver practical guidance grounded in developing country priorities. Clear guidance on AI opportunities (fraud detection, taxpayer service) and risks (algorithmic bias, dependence on a small number of AI providers, data quality issues) would help administrations make informed decisions about AI adoption, supporting domestic resource mobilization and achievement in particular of SDGs 16 and 17.

## VII Summary of Options for Committee Consideration

28. The Committee is asked to decide whether to undertake work on tax-related AI issues and, if so, the scope and approach. Three options are presented:

- Option A: *Comprehensive practical guide*. Develop a Practical Guide to AI for Tax Administrations covering opportunities and risks, use cases, the enabling environment and governance for AI-based tax administration, and roadmaps for implementation. Broader policy issues, such as taxing rights, incentives for AI-based facilities or environmental impacts, *would not be addressed* under this work as they might be better dealt with in the work on digitalization of the global economy. Timeframe: 3 to 3.5 years. The potential advantage is an integrated product. The potential disadvantage is it might take longer for the essential guidance to be finalized than is necessary;
- Option B: *Phased approach*. Develop a Practical Guide to AI for Tax Administrations *focusing on the highest priority issues* (likely to be matters such as fraud detection, risk assessment, taxpayer services, governance frameworks -and therefore shorter than the version in Option A), with a review at the Thirty-fifth Session (October 2027) of whether to expand to other issues where guidance is needed. Timeframe: 2 years for Phase 1, with a decision point on a Phase 2. This has the potential advantage of an initial focus on the priority issues, and possible earlier completion of helpful guidance. The potential disadvantage is it might be difficult to integrate the Phase 2 work with the initial Phase 1 work; or
- Option C: No action. The Committee does not undertake work in this area.

# Annex on AI-relevant Stakeholder Submissions

The theme of tax aspects of AI featured in several stakeholder inputs as an important issue for UNTC guidance.

As part of the input process leading up to the 31st session, the following relevant comments were made:

- As part of the work on the taxation of the digital economy, the **Directorate General of Taxation of Cameroon** recommended the Committee to " (…) study the taxation of artificial intelligence and robots to compensate for the erosion of the traditional tax base";

- **The African Tax Administration Forum (ATAF)** mentions as one of its priorities the digitalization of tax administration as well as tax treatment of new and emerging technologies, such as AI. In particular, it recommends the Committee should "(d)raft model legislation and policy provisions (…), which should be specifically designed to assert taxing rights over income generated by non-resident providers of AI, cloud computing, and digitalized services." It also proposes "Guidance on approaches to valuation of user data and user participation as a key factor in value creation in the context of a creative or digitized economy";

- **Bernard Schneider (Queen Mary University of London) and Tzi Young Sim (Singapore University of Social Sciences)** 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";

- **Stefan E Weishar (University of Groningen)** suggests that the Committee "should aim to compile relevant information for developing countries that outline the impact of Data centres and potentially also the AI revolution for the fiscal domain and government income", with a particular emphasis on data centre's environmental impact and the eventual role that environmental taxes could play to address such impact;

- **DVS advisory group** also recommends the committee to work on AI with three objectives in mind: i) a Framework for Taxation of AI Value Chains, defining AI residency and attribution rules, ii) Exploration of agentic AI attribution models, ensuring equitable taxing rights and iii) a Draft Sample Treaty Language to cover AI and digital agents;

- **Gatti Pavesi Bianchi Ludovici (GPBL)** law firm suggests the committee should provide "guidance and policy recommendations addressed to tax administrations" with the aim of supporting "the modernization of tax administrations, particularly in countries with limited technical capacities, and help reconcile innovation with inclusion, thereby avoiding disparities between developed and developing economies";

- **The International Tax and Investment Centre (ITIC)** proposes to work with tax authorities to improve the efficiency of tax audits, including through the use of datadriven AI "to identify patterns of behaviour that support taxpayer risk categorization"; and

- **Eva Marie Marquez Campon** noted, in the context of AI's relationship to wealth taxation, that: "AI tools can be instrumental in this field: machine learning and network analysis can detect unusual transaction flows, identify links between pseudonymous accounts, and trace patterns of tax evasion. However, this requires robust international cooperation, access to data from exchanges, and shared standards of transparency".