

New frontiers of tax control: artificial intelligence as a driver of performance in the fight against fraud

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Abstract:

Artificial intelligence is reshaping the legal landscape, both within businesses and public administrations. In this context of change, tax law is facing a profound transformation of its control methods. The integration of AI for detecting atypical tax behavior promises increased efficiency, but it also raises the risk of algorithmic drift. This duality poses significant challenges regarding the governance of control tools, the rules of evidence in tax matters, and respect for taxpayers' fundamental rights. This study offers a comparative analysis of the opportunities offered by AI-enhanced taxation and its inherent limitations. This assessment will be conducted in light of the structuring principles and safeguards inherent in contemporary tax law.

Keywords: AI; tax control; tax fraud; opportunities; limitations.

Jel Classification Codes: O33, H83, H26.

1. INTRODUCTION

Indeed, data has become a major strategic asset—as Clive Humby so aptly put it with his famous phrase: 'data is the new oil.' In this context, artificial intelligence now acts as both the refinery and the regulator of this asset. Today, AI is establishing itself as an essential and structural tool in all administrative and legal spheres. It is profoundly changing the way we manage, forecast, and control.

Tax law is a superposition law, meaning a body of law that is intended to apply to situations already governed by other branches of law. This perspective allows us to grasp that new technologies inevitably bring with

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them tax-related considerations. This algorithmic revolution takes on a unique dimension: by enabling the processing of massive volumes of data, predictive analysis, and the automated detection of atypical behaviours, it is reshaping the landscape of traditional tax control, historically based on spontaneous declaration, manual data cross-referencing, and occasional human verification.

1.1 Research Context and Problem Formulation

The advent of this technological advancement in tax control, which potentially allows for increased efficiency, accuracy, fairness, and responsiveness of taxation systems, simultaneously raises fundamental legal and ethical questions. It becomes imperative to evaluate the justifiability and admissibility of a decision or suspicion originating from an algorithm within the legal framework. More specifically, the automated detection of transactions leads us to question the legal classification of a potential abuse of law. Furthermore, deep reflection is necessary regarding the place of the taxpayer's intent in procedures primarily based on numerical correlations and predictive models.

Consequently, the central problem guiding this research is formulated as follows: "To what extent can the integration of artificial intelligence optimize the detection of abusive tax practices while preserving the fundamental safeguards inherent in contemporary tax law, particularly concerning the burden of proof, the intelligibility of control mechanisms, and the respect for the principle of proportionality of these mechanisms?."

1.2 Research objectives and thematic scope

In order to address the central research question, this study pursues the following specific, interlinked objectives:

- Analyze the legal challenges posed by AI-driven tax control concerning the definition of 'abuse of law' and the evaluation of taxpayer intent.
- Evaluate the compatibility of algorithmic findings with established legal principles of evidence, focusing on the burden of proof in tax disputes.
- Examine the role of explainable AI in meeting the legal requirement for intelligibility and transparency of control mechanisms.

- Develop a set of principles to ensure the proportionality of AI-powered tax interventions, balancing efficiency against fundamental taxpayer rights.

1.3 Study significance

This study addresses a critical gap in the academic literature regarding the recent digitization of Algerian public administration. By exploring the intersection of technology and fiscal oversight, it provides an essential foundation for knowledge in an emerging field.

Beyond its academic value, the research offers significant managerial utility for Algerian businesses. As digital transformation makes tax controls more rigorous and efficient, the criteria for assessing fiscal risk are shifting. Understanding this evolution is vital for businesses, as the increased precision of digital audits is expected to foster voluntary compliance and, ultimately, strengthen the national tax framework.

1.4 Methodological framework

To address our research question and ensure the relevance of our positioning, we adopted dual-methodological methods:

- **The descriptive method:** This involved a structured review of academic literature, including peer-reviewed journals, Books, and institutional reports from organizations such as the OECD. We utilized databases including Web of Science and Springer. This method was adopted to establish a theoretical baseline and ensure that our work is grounded in the latest technological and legal frameworks.

- **The analytical method:** Using the data gathered, we applied a thematic analysis. This allowed us to map the technical requirements -such as data quality and interoperability- against the practical outputs of tax control. By synthesizing these findings, we were able to critically evaluate how AI enhances fraud detection performance while identifying systemic risks, such as algorithmic bias and data privacy constraints. This analytical lens directly addresses the research question by determining whether the "driver of performance" is hindered by these limitations.

1.5 Structural organization of the research

To address the research question and achieve the objectives of this study, our work has been structured around three (3) sections:

- AI - Definitions and regulatory challenges;
- AI in tax administration;
- AI and tax control.

2. AI - Definitions and regulatory challenges

Despite the growing enthusiasm for AI in academic, industrial, and public circles, there is no consensus on what AI actually entails. Below, we will outline some key definitions that will serve as the basis for our study.

AI, defined as the ability of machines to simulate human cognitive processes such as learning, reasoning, or language comprehension, is now ubiquitous in our societies (Russell & Norvig, 2021, p. 1). AI is considered synonymous with cognitive technology or cognitive computing, with the level of intelligence adapted to perform cognitive tasks (Kokina & Davenport, 2017, p. 117). It relies on sub-domains such as machine learning and natural language processing, and has experienced explosive growth since the beginning of the 21st century thanks to increased computing power, the massive availability of data, and the evolution of algorithms (European Commission, 2020, p. 3).

In 2024, the OECD published a memorandum on an updated definition of an AI system, in which it is defined as: “An AI system is a machine-based system that, for explicit or implicit objectives, infers, from the input it receives, how to generate outputs such as predictions, content, recommendations, or decisions that can influence physical or virtual environments. Different AI systems vary in their levels of autonomy and adaptiveness after deployment” (OECD, 2024, p. 4).

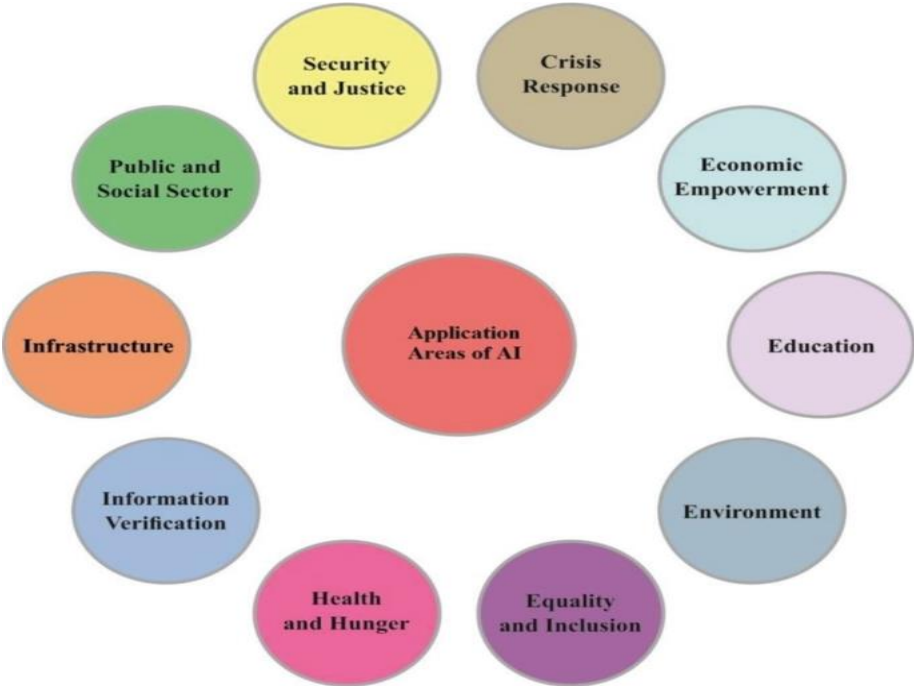
The primary ambition of this technology lies in modeling human cognition and its thought processes, while integrating significant autonomy. AI is indeed intended for development and progression that do not require systematic and continuous human intervention (Jacquemin & De Streel, 2017, p. 74). To meet its assigned objectives, the AI system must demonstrate substantial adaptability. This quality translates into the

fundamental ability to incrementally improve its performance by capitalizing on the experience and data accumulated throughout its learning journey. This dynamic of continuous improvement is central to the development of an AI that is both high-performing and scalable.

The McKinsey Global Institute (MGI) report, "Applying Artificial Intelligence for Good," underscores the immense potential of AI to generate substantial benefits for humanity across diverse sectors such as health, education, and environmental conservation (Chui, et al., 2018). Grounded in economic and social analysis, the study illustrates that AI transcends its role as a mere productivity driver; it is, more importantly, a powerful instrument that must be intentionally directed to resolve the fundamental challenges of modern society.

The figure below illustrates, in a non-exhaustive manner, a selection of social domains where artificial intelligence (AI) can be deployed. It highlights the priority areas that benefit from AI's contribution to improving quality of life and providing solutions to fundamental societal challenges.

Fig.1. Social areas in which AI could be applied



Source: (Elhoseny, Abdel-Basset, & Shankar, 2021, p. 4)

The integration of artificial intelligence into the legal and tax sectors is currently achievable through Legal Analytics, a methodology centered on the identification and extraction of critical data from a vast corpus of case law, legislation, and professional documentation. By converting this raw data into actionable knowledge, the process enables the detection of patterns and anomalies that might otherwise remain obscured. Ultimately, this sophisticated analytical capacity is essential for modernizing oversight, as it empowers authorities to proactively identify fraudulent behavior and significantly enhance the efficiency of audit and compliance procedures (DAMBLY, 2019, p. 133).

It is vital to acknowledge that the current legal framework for AI is fragmented, relying on disparate instruments that were not originally designed for the nuances of fiscal oversight. For instance, the EU AI Act classifies predictive systems used by public authorities for tax and customs as "high-risk," yet it remains a general-purpose regulation that does not address the specific procedural rights of taxpayers. Similarly, while the GDPR provides a "right to an explanation" under Articles 15 and 22, this is often insufficient to penetrate the "black-box" nature of complex fraud-detection algorithms (MENECEUR, 2020, p. 275). This scattered approach—relying on a mix of civil liability and data privacy—fails to provide specific rules for the unique ethical challenges of tax administration, such as the risk of "algorithmic bias" against certain socio-economic demographics.

To bridge this regulatory gap, a comprehensive legislative framework must incorporate specific international standards and ethical principles:

- Explainability and Transparency: Aligning with the OECD AI Principles, tax authorities must ensure that AI-driven audits are not just accurate, but interpretable. Taxpayers must be able to understand the "logic" behind an automated risk score to exercise their right of defense
- Algorithmic Accountability: Drawing from the UNESCO Recommendation on the Ethics of AI, the framework should mandate regular "algorithmic impact assessments" to prevent discriminatory outcomes in tax profiling

- Human-in-the-Loop: A core principle ensuring that no tax assessment or fraud accusation is final based solely on automated processing. Human intervention is required to maintain the Principle of Legality and prevent the dehumanization of the taxpayer-administration relationship.
- Given the cross-border nature of AI, such intervention must be coordinated at an international level-perhaps through the OECD's Forum on Tax Administration -to ensure a harmonized standard of "Digital Due Process" that transcends national jurisdictions.

3. AI in tax administration

The concept of AI is suffering the same fate as previous waves of new technologies: a partial understanding of its capabilities, coupled with the assumption that it can achieve far more in the short term than is realistically possible. This phenomenon is fueled by a combination of hype and a genuine desire for technology-enabled tax solutions. In this environment, managing expectations about what AI can accomplish in the field of tax administration is crucial.

3.1 Inadequacy of the traditional tax framework in the digital age

Tax law abhors a vacuum. As it is structured, the Tax Code allows us to address most of the tax issues raised by digital technology. This inadequacy of the tax system is fundamentally designed to meet the challenges of the 20th century. At that time, the taxable base – primarily linked to manufacturing activity and real estate assets – was easily locatable (factories having visible chimneys). This is mainly explained by the fact that the framework of the General Tax Code (Douet, 2018, p. 1).

It is observable that tax administrations have seen a substantial strengthening of their powers in the fight against fraud. This consolidation has manifested itself in improved information collection and processing systems, increased audit capabilities, a greater range of available enforcement instruments, and targeted educational efforts aimed at deterring fraudulent behavior. However, this context of intensified state resources contrasts sharply with the recurrence of major tax scandals in recent times. High-profile cases such as Cahuzac, Swissleaks, Luxleaks, the

Panama Papers, the Pandora Papers, and the Paradise Papers (SIVIEUDE, 2018, p. 36) demonstrate the notable and sophisticated persistence of large-scale fraud. These revelations highlight the existence of complex, often transnational, tax evasion and fraud mechanisms that initially escape the authorities' attention. Alongside these large-scale schemes, the fraud ecosystem has seen the emergence or consolidation of more or less sophisticated tax evasion techniques. Examples include highly structured mechanisms such as carousel fraud (or Missing Trader Intra-Community fraud, MTIC), which exploits loopholes in intra-community taxation, or the use of fraudulent point-of-sale software by some businesses, revealing the adaptability of fraudsters to the constraints and opportunities of the tax system.

The tension between strengthening the legislative and operational powers of public authorities and the persistent resilience and ingenuity of fraud mechanisms constitutes a major societal and economic challenge. This underscores the need for ongoing reflection, not only on enforcement tools, but also on the human and systemic factors that perpetuate this dynamic. The digital age has generated new tax issues structured around intangible assets, globalization, and the high frequency of transactions. These characteristics make taxable income much more difficult to define territorially. This complexity is further exacerbated by the intense tax competition between states.

The urgent need for tax reform in the digital economy rests on a dual requirement: reconciling systemic efficiency and intelligence with a fundamentally human and equitable dimension. Efficiency is essential to prevent the erosion of the tax base and ensure fair competition between traditional and digital enterprises, thereby safeguarding public finances from destabilizing revenue losses. Simultaneously, a "smart" tax framework must ensure that administrative complexity and the threat of penalties do not stifle innovation or investment; rather, it should stimulate growth by reducing bureaucratic burdens. Ultimately, this overhaul aims to transform the tax system into a driver of development that aligns with the imperatives of a fair and dynamic digital society (Douet, 2018, p. 2).

3.2 How does AI apply to taxation?

Tax is one of the most arduous processes for businesses. In this context, what is the relevance of artificial intelligence (AI) for tax administration?

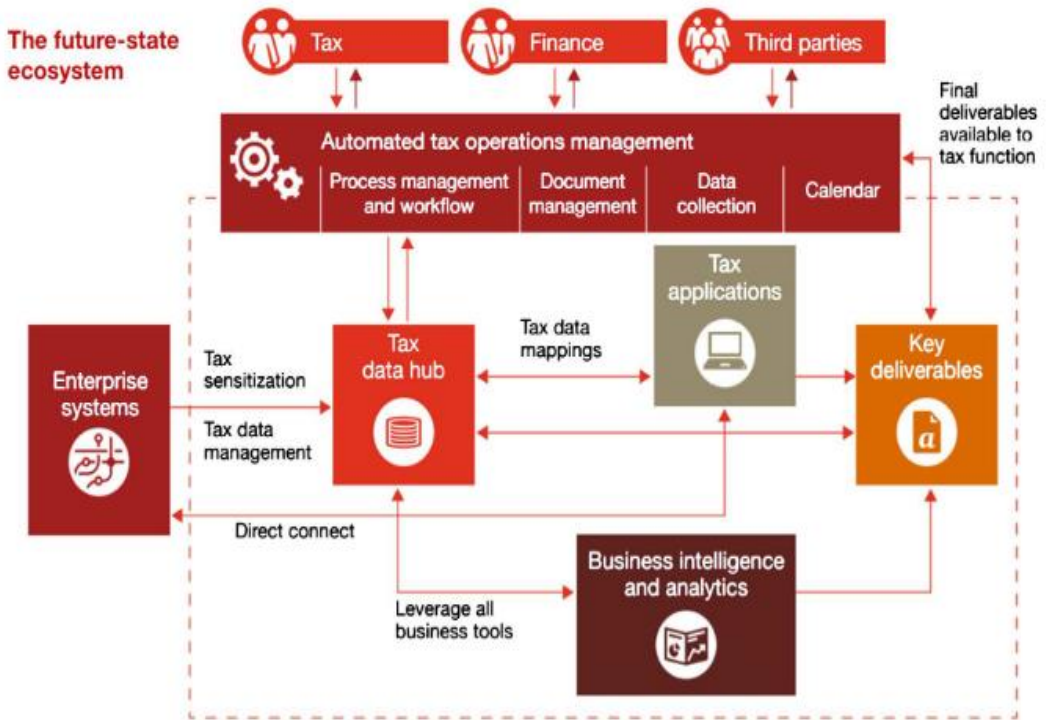
Advancing technological capabilities and internal expertise have enabled AI techniques to analyze unstructured data, such as handwritten texts and social media content, uncovering complex connections indicative of non-compliance or tax evasion. Beyond investigative use, these methods serve a critical defensive function by detecting and preventing large-scale, AI-generated fraud attempts orchestrated by malicious actors seeking to compromise the tax system. However, as these powerful tools are deployed to protect the integrity of the financial system, the ethical and responsible application of technology—specifically regarding its impact on taxpayer privacy—remains a fundamental concern (OECD, 2025, pp. 169-170)

To understand the application of AI in taxation, one must view it as software capable of autonomously adapting to data and making decisions without explicit instructions (Milner & Berg, 2017, p. 8). This technology is increasingly vital for its ability to sift through massive datasets to identify anomalies and fraudulent behaviors, thereby securing government revenue and strengthening taxpayer compliance (OECD., 2021, p. 157). Beyond its investigative prowess, AI enhances the user experience through personalized digital services that encourage voluntary compliance, while the automation of administrative tasks reduces costs and redirects human resources toward higher-value activities. Ultimately, AI serves as a sophisticated pillar for strategic decision-making, providing predictive insights into shifting tax behaviors, economic trends, and emerging risks.

While we can't yet imagine AI robots replacing tax accountants, they can nevertheless take on a wide variety of tasks: helping tax auditors identify errors, classifying accounts and transactions, conducting tax controls, or even, increasingly, suggesting advantageous tax strategies in the face of complex international laws. The opportunities for applying AI in this area are vast. Figure 1 below presents an automated system that acts as

an integrated tool. This system allows for increased efficiency, improved data quality, and adaptation to evolving risks, thanks to a continuous flow of information between the three stakeholders.

Fig.2. The future-state ecosystem



Source: (Huang, 2018, p. 1819)

AI offers a range of possibilities for modernizing tax administration. For example, it allows us to move from simple data mining to the development of risk models for tax analysis. In practical terms, AI can be used to (DJELLABA, ATROUS, & Afra Alfadil, 2024, p. 6):

- ✓ Implement combined search systems using queries;
- ✓ Send notifications or alerts to taxpayers;
- ✓ Report abnormal bank fund flows or below-average declared corporate income ratios to tax authorities;
- ✓ Efficiently process the considerable volumes of data generated, often referred to as "Big Data";
- ✓ Computer applications, particularly automated administrative measures, can improve services to citizens by providing them

with immediate and more tailored responses. In other cases, this automation simplifies tasks for taxpayers themselves.

Below, in table format, we present a summary of the main artificial intelligence applications used in the tax field.

Table 1. Main applications of AI in the tax field

Scope of application	AI technology used	Expected effects on tax legitimacy
Data collection and processing	Automated extraction, natural language processing (NLP), document recognition.	Improved data quality, reduced human error, and enhanced transparency and fairness.
Analysis of tax behavior	Machine learning (supervised and unsupervised), deep neural networks.	Proactive fraud detection, targeted audits, and reduced arbitrariness.
Personalized taxation	Predictive models, recommendation systems, usage data analysis.	Adjusting contributions based on public service usage, increasing perceived tax fairness.
Evaluation of tax policies	Algorithmic simulation, multi-agent impact models, decision trees.	Measuring redistributive effects and designing more inclusive and socially acceptable policies.
Communication and services to users	Intelligent chatbots, voice interfaces, personalized interactive platforms.	Improving the taxpayer-government relationship and strengthening consent and trust.
Transparency and governance	Traceable algorithms, automated data publishing, open visualization interfaces.	Combating opacity, ensuring budget transparency, and enhancing accountability.

Source: (NASRI & ABA, 2025, p. 85)

The latest OECD survey revealed that the main areas of AI application in tax administration within OECD member countries are the detection of tax fraud and evasion, decision support, and the improvement of tax services.

Fig.3. AI deployments in OECD member countries that use AI in tax administration

Source: (OECD, 2025, p. 169)

However, automation raises legal risks. These programs can make automated decisions that directly affect taxpayers' legal status, leading to clear negative consequences. This situation raises important questions that require answers: Do taxpayers have the right to know how the IT applications used by tax authorities operate in their decision-making processes? How can taxpayer information and data be protected against potential threats of disclosure? These crucial questions relate to transparency and data protection in the digital age, fundamental issues for maintaining trust in tax administration.

4. AI and tax control

Tax controls, conducted by the tax authorities, are a cornerstone of our system. As the "legitimate counterpart to the trust placed in the taxpayer" (Grosclaude & Marchessou, 2014) within the framework of the self-assessment system, they are a fundamental guarantor of fairness in taxation and tax compliance. Generally speaking, their objective is threefold: to encourage voluntary tax compliance, to combat fraud, and to ensure that everyone is treated fairly under tax law. This landscape is currently being transformed by online procedures, which are defined as the fully digital exchange of information between public authorities and taxpayers.

4.1 How does AI make tax control smarter?

To effectively combat tax fraud, improving tax control procedures is crucial. The challenge is twofold: not only to ensure the optimal recovery of illegally evaded taxes, but also to punish offenders with tax penalties and, if necessary, criminal sanctions. Legislators have consistently sought to adapt and strengthen the existing system, thus aligning themselves with the constitutionally enshrined objective of combating tax fraud. This places the government under an obligation to use appropriate means and, increasingly, an obligation to achieve results. In this context, the use of the numerous techniques offered by digitalization has become a natural and tempting avenue to explore (Dussart, 2022, p. 168).

The adoption of predictive analytics by tax authorities is completely changing the game when it comes to controls. Thanks to AI, algorithms can now process astronomical amounts of data to anticipate and detect fraud with unprecedented accuracy. This technology doesn't just identify past errors; it can predict emerging fraud trends, making audits far more targeted and effective. In short, predictive analytics transforms the tax administration into a proactive and preventative player, significantly reducing the risk of misconduct.

AI-assisted risk profiling is the new cornerstone of control strategy. By analyzing patterns of tax behavior and identifying warning signs, AI allows us to prioritize cases where fraud is most likely. This highly focused approach has a dual advantage: not only does it improve the effectiveness of controls, but it also ensures better resource allocation. AI helps tax authorities better understand fraud schemes, making them more agile and responsive to new techniques.

The integration of AI into tax controls results in a significant reduction in the costs and time spent on these operations. By automating data analysis and anomaly detection, AI frees tax officials from repetitive tasks. They can then focus on more complex and strategic investigations (BENSAID & OUAIRY, 2025).

This increased efficiency generates substantial savings for the administration, while simultaneously strengthening the overall performance of tax controls. The shift to automated processes marks the advent of smarter and more cost-effective tax management.

4.2 A delicate balance between efficiency and rights

Indeed, the use of AI tools has raised concerns and, consequently, led to the development of principles and rules aimed at guaranteeing fundamental taxpayer rights (Dussart, 2022, p. 167). The increasing automation of methods to detect suspicious or abusive tax behavior creates significant friction with the fundamental principles of our tax law. This law is deeply rooted in key concepts such as proportionality, the right of reply (adversarial proceedings), and the human and subjective interpretation of actions. Take the example of tax avoidance: it is not simply a matter of accumulating statistics or numerical indicators. It is necessary to determine whether a fictitious act occurred or whether it was motivated solely by tax considerations. Artificial intelligence excels at identifying abnormal patterns or anomalies; that much is undeniable. However, it is inherently incapable of inferring legal intent from raw data. This is where the major problem lies: the algorithm cannot replace the reasoning of the tax inspector. Only the latter has the necessary authority to give a transaction a legal classification.

Furthermore, the massive use of personal data and the merging of vastly different databases risk leading to disproportionate processing. Moreover, the General Data Protection Regulation (GDPR) is clear: it prohibits individual decisions made entirely by an automated system, except in very specific circumstances.

Critics of strict algorithmic regulation argue that the urgency of closing the "tax gap" justifies a more aggressive use of AI, even at the expense of traditional procedural delays. From a utilitarian perspective, the efficiency of automated cross-referencing could be seen as the ultimate tool for fiscal justice, ensuring that no fraudster evades contribution due to the limitations of human oversight. However, this "efficiency-first" argument falters when confronted with the principle of legal certainty. If AI-driven

tax control becomes a "black box," it risks undermining the voluntary compliance upon which modern tax systems rely. Evidence suggests that when taxpayers perceive a system as arbitrary or opaque, tax morale decreases. Thus, maintaining human-in-the-loop (HITL) protocols is not an obstacle to performance, but a prerequisite for the long-term legitimacy and effectiveness of AI in tax administration.

In this context, a tax reassessment procedure based solely on algorithmic analysis would be highly likely to be overturned. The reason is simple: taxpayers must have a right to an explanation. These guarantees are not mere formalities; they represent a vital democratic requirement: the right to understand, challenge, and debate any public decision that impacts our assets.

4.3 Ensuring AI-powered taxation and protecting the taxpayer

The road to hell is paved with good intentions, and sometimes the use of an artificial intelligence system, however well-intentioned, can prove harmful and detrimental to the taxpayer. For AI to be sustainably integrated into the tax landscape without compromising fundamental taxpayer rights, it is crucial to define a specific algorithmic governance framework for tax law.

It is therefore necessary to develop an algorithmic governance framework tailored to tax law. This framework could take the form of an AI-assisted tax ruling mechanism. In practice, companies would submit their tax structuring projects via a secure platform. The AI would then perform an automated pre-interpretive analysis, providing a probability of compliance based on current case law and legal doctrine. This assessment would not be legally binding, but could serve as a basis for enhanced dialogue with the tax authorities.

In parallel, it is essential to create a public repository of the analysis criteria used by these tax AI systems. This framework should be validated by independent authorities to guarantee complete transparency in the targeting methods. The goal is no longer to pit technology against the law, but to make them work together for enhanced tax justice that respects fundamental rights.

It is essential to train professionals (tax specialists, judges, auditors) in the use of these tools. Their purpose is not to replace humans, but to enable them to better interpret, contextualize, and critically evaluate AI results. Only under these conditions will AI become a credible and legitimate tool for modernizing tax controls.

5. CONCLUSION

Ultimately, AI can be used to combat tax fraud and evasion. Automating the processing of taxpayer data is indeed a major technological advancement in the design of tax controls. Access to information useful for detecting behavior allows for improved efficiency in scheduling tax controls. The prospects are promising for the tax administration, but the system of rights guarantees does not permit everything. Therefore, the development of AI in control procedures could quickly reach its limits. Integrating AI to identify tax abuses should not be seen as a mere dream of fully automated taxation. On the contrary, it requires a robust and well-considered legal framework. Every technological advance in this area must be inseparable from an obligation of transparency, a guarantee of proportionality, and effective human oversight. "Augmented taxation" will only gain acceptance if it is also a tax system that promotes accountability.

Despite the findings of this study, several avenues for future research remain. First, longitudinal studies are needed to evaluate the long-term implications of AI-driven audits on taxpayer psychology and voluntary compliance behavior; specifically, whether "augmented taxation" fosters trust or increases perceived surveillance. Second, future research should adopt a comparative approach to examine how AI integration varies across different legal systems—such as Civil Law versus Common Law jurisdictions—where the protection of taxpayer rights may be interpreted differently. Finally, as AI models become more complex, investigating the implementation of explainable AI will be crucial to ensure that automated tax assessments can withstand judicial scrutiny and uphold the principle of transparency.

Suggestions and Recommendations:

Based on the analyses presented above, and with a view to rationalization and fairness, the authors formulate concrete and strategic recommendations for the future integration of artificial intelligence in tax control. These avenues for reflection are essential for reconciling administrative efficiency with respect to taxpayers.

A- Strategic Recommendations by Stakeholder

To ensure the successful integration of AI, we propose the following targeted actions:

➤ For Policymakers:

- ✓ Establish "Regulatory Sandboxes": Create controlled environments where AI tax tools can be tested under judicial supervision before full-scale rollout;
- ✓ Legislative "Right to Explanation": Codify the right for taxpayers to receive a human-understandable explanation for any AI-generated risk score or automated audit selection;

➤ For Tax Authorities:

- ✓ Hybrid Intelligence Teams: Move away from siloed IT departments. Form multidisciplinary units comprising tax inspectors, data scientists, and legal ethicists to oversee algorithm design;
- ✓ Data Quality Standardization: Prioritize the "cleaning" of legacy databases to prevent "Garbage In, Garbage Out" scenarios that lead to biased audits;

➤ For Businesses and Civil Society:

- ✓ External Audits: Large corporations should be encouraged (or required) to perform "tax algorithm readiness" audits to ensure their internal reporting systems align with administrative AI;

B- The Algorithmic Governance Framework (Implementation Steps)

We propose a four-stage lifecycle for governing AI in tax control:

- ✓ Inception & Impact Assessment: Before deployment, conduct a "Fundamental Rights Impact Assessment" to identify risks of

- bias or disproportionate interference in taxpayer privacy;
- ✓ Validation & "Human-in-the-loop": Ensure that no tax penalty is issued solely by an algorithm. Every AI output must be validated by a human officer who has the authority to override the system;
 - ✓ Continuous Technical Auditing: Implement automated "monitoring dashboards" that track the performance of the AI in real-time, checking for "drift" (where the AI starts targeting specific demographics unfairly);
 - ✓ Public Accountability & Recourse: Publish annual transparency reports detailing the types of AI used (without revealing trade secrets or anti-fraud logic) and provide a clear administrative channel for taxpayers to contest AI-driven decisions.

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