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# Digital Workshop

## Using AI Solutions to Detect Tax Evasion

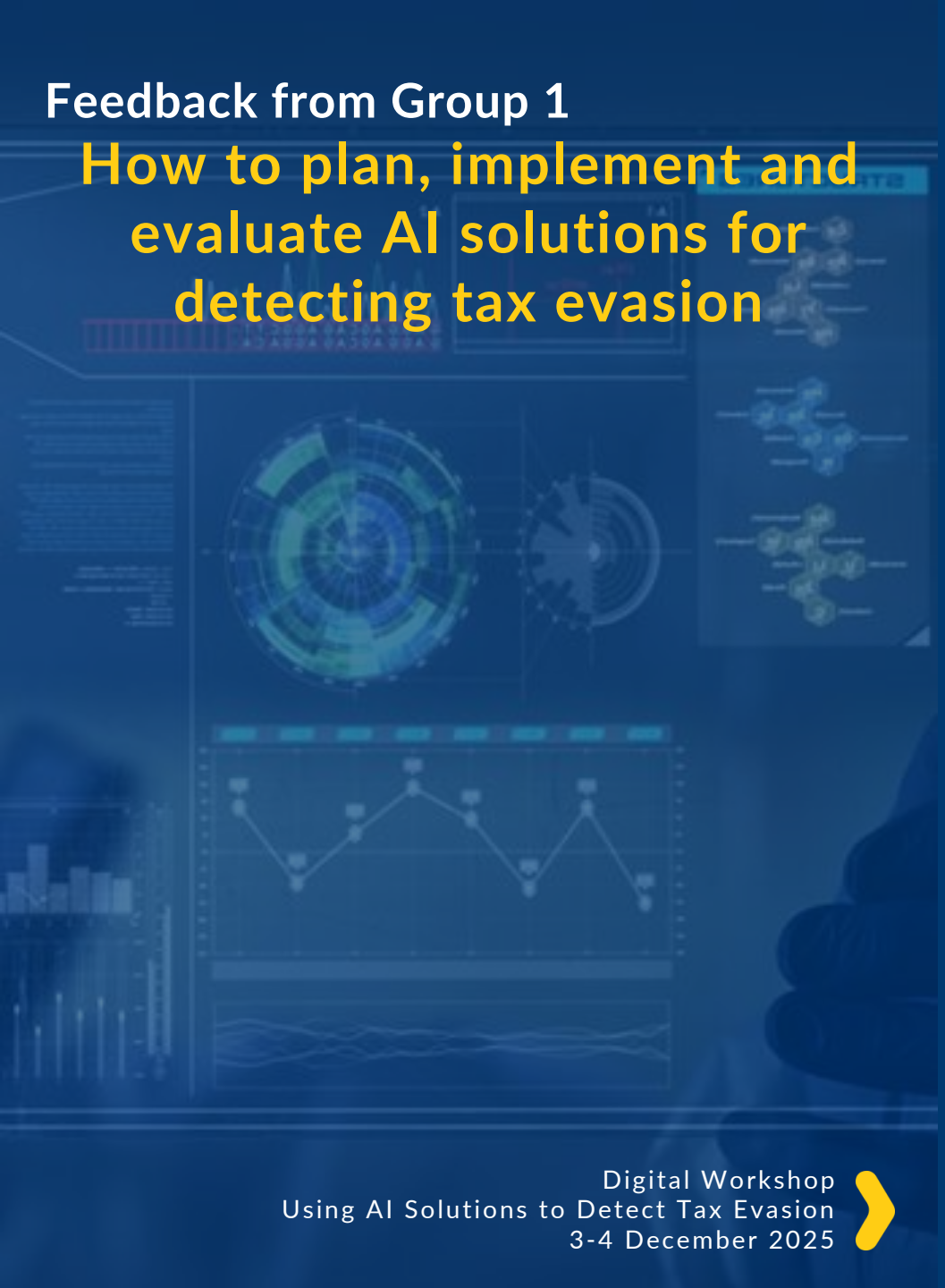
## Group Discussion 1

## How to plan, implement and evaluate AI solutions for detecting tax evasion

FEEDBACK FROM GROUP 1

Feedback from Group 1

# How to plan, implement and evaluate AI solutions for detecting tax evasion



Digital Workshop
Using AI Solutions to Detect Tax Evasion
3-4 December 2025

## Purpose and Context

### Discussion Focus Areas

The discussion centred on organisational, data, and regulatory prerequisites for AI in tax evasion detection.

### Integration Strategies

Strategies were explored for integrating AI insights into compliance and enforcement processes effectively.

### Effectiveness Assessment

Criteria for assessing AI solution effectiveness focused on transparency, fairness, and impact.

### Challenges and Opportunities

Challenges such as data quality and cultural readiness coexist with opportunities to enhance risk detection using AI.

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**Question 1**

**What key organisational, data, and regulatory conditions does a tax administration need in order to design and implement AI solutions for detecting tax evasion effectively and responsibly?**



# Building Multidisciplinary Teams and Skills

## Multidisciplinary Team Composition

Combining tax experts, IT specialists, and data scientists ensures aligned AI models with fiscal and regulatory needs.

## Training for Operational and Technical Staff

Training helps operational staff interpret AI outputs, and technical teams understand tax-specific contexts effectively.

## Investment in Resources and Infrastructure

Success requires dedicated time, personnel investment, and robust infrastructure for AI project implementation.

## Organisational Cultural Readiness

Staff must adopt AI as a supportive tool, fostering a positive culture toward AI integration.

Question 1

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# Ensuring Data Quality and Compliance

## Data Governance Framework

Effective data governance ensures data accuracy, completeness, and interoperability across tax systems.

## Clear Risk Definitions

Defining tax evasion and risk indicators is vital for training precise AI models.

## Regulatory Compliance

AI solutions must comply with GDPR and fiscal regulations to protect sensitive tax data.

## Pre-Implementation Risk Assessment

Conducting risk assessments before AI deployment prevents misuse and maintains public trust.

Question 2

**How can tax administrations integrate AI-driven insights into existing compliance and enforcement processes in a way that improves operational decision-making while maintaining transparency, proportionality, and taxpayer trust?**



# Operational Integration and Trust

## Human Oversight in AI

AI supports but does not replace human decision-making; auditors retain final enforcement authority.

## Workflow Integration

AI outputs should integrate seamlessly into case management systems with actionable recommendations.

## Transparency and Trust

Clear communication about AI as one tool among many builds taxpayer trust and transparency.

## Proportional Use of AI

Combining AI insights with traditional methods prevents over-reliance on automation in risk assessment.

## Question 2

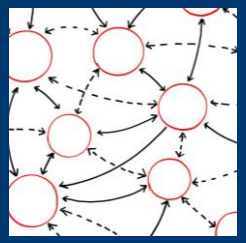
**How can tax administrations integrate AI-driven insights into existing compliance and enforcement processes in a way that improves operational decision-making while maintaining transparency, proportionality, and taxpayer trust?**



# Bias Mitigation and Continuous Improvement

### Bias Detection through Audits

Random audits evaluate AI model fairness and identify potential biases in selection processes.



### Continuous Model Refinement

Feedback loops use audit results and changing tax laws to continuously improve AI models.


### Risk Scoring and Cut-offs

Applying risk scores and cut-offs reduces false positives and limits unnecessary follow-ups, ensuring fairness.

**Question 3**

**What criteria and performance indicators could be used to evaluate whether an AI solution truly improves the detection and prevention of tax evasion?**

# Measuring Effectiveness and Impact

## Technical Metrics

Key technical metrics include accuracy, false positive rates, and model robustness over time for AI evaluation.

## Operational Indicators

Operational efficiency is measured by hit rates, faster case handling, and resource savings from AI implementation.

## Strategic and Ethical Considerations

Evaluations include bias detection, business impact, and continuous improvement through feedback loops for ethical AI use.

## Validation and Monitoring

Historical back-testing and stability monitoring ensure AI adaptability to changing conditions and laws.

Feedback from Group 1

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# Key Takeaways and Recommendations

## Organisational Coordination & Governance

Strong coordination and robust governance frameworks are essential for effective AI implementation in tax administration.

## Continuous Evaluation & Fairness

Regular evaluation using technical and strategic indicators ensures AI impact measurement and fairness.

## Transparency and Human Oversight

Transparency and human oversight are crucial to maintain taxpayer trust and uphold ethical standards.

## Capacity Building & Improvement

Investing in capacity building and benchmarking drives continuous improvement and accountability in tax AI systems.

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## Using AI Solutions to Detect Tax Evasion

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FEEDBACK FROM GROUP 2

**Question 1**

**What key organisational, data, and regulatory conditions does a tax administration need in order to design and implement AI solutions for detecting tax evasion effectively and responsibly?**



# Organisational Conditions

## Strategic Leadership and Commitment

Top management commitment and political decisions are crucial to prioritising AI investments and forming dedicated teams.

## Multidisciplinary Collaboration

Effective AI deployment requires collaboration among tax experts, IT specialists, and data scientists.

## Skills and Capacity Building

Continuous training and recruitment of AI programmers and analysts are vital to strengthen technical capabilities.

## Recruitment Challenges

Many jurisdictions face difficulties attracting AI talent due to competition with the private sector.

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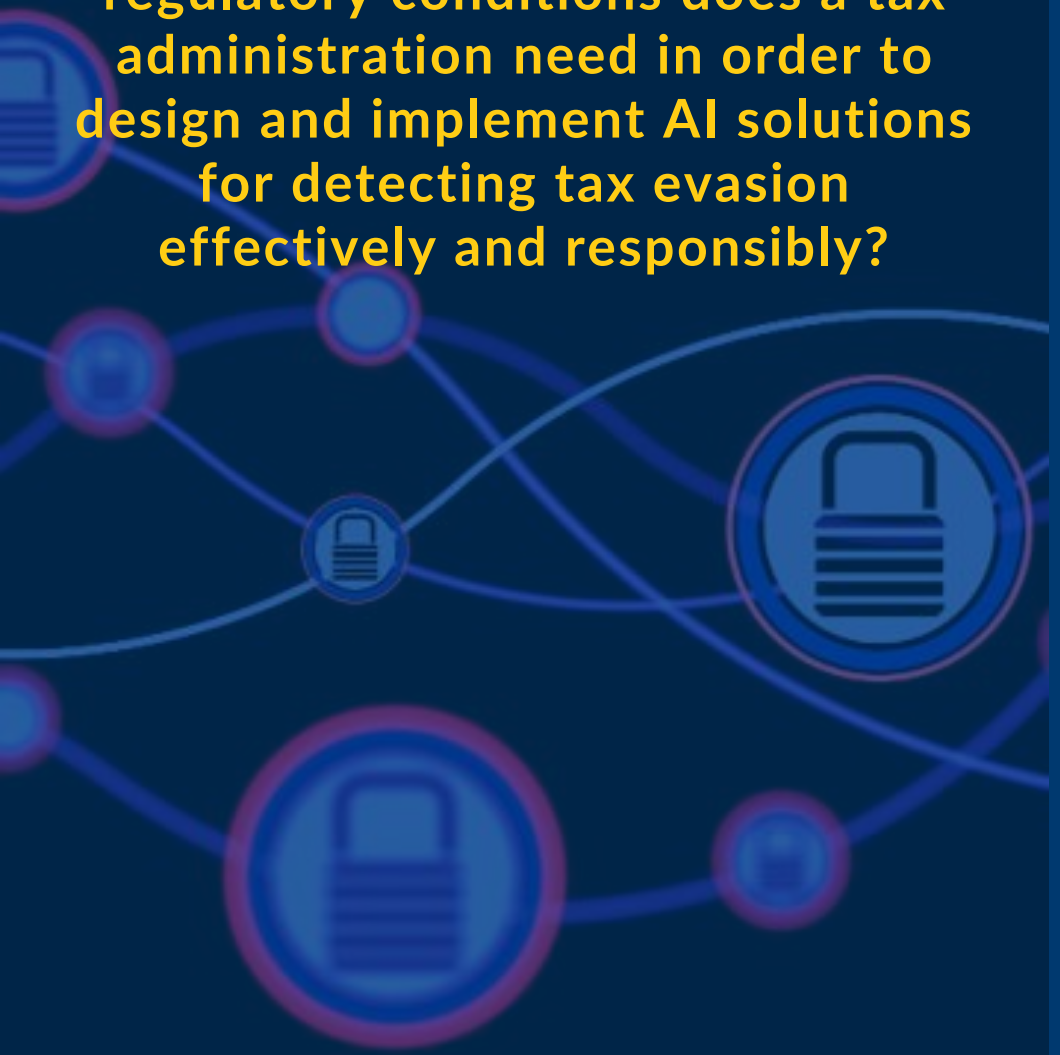



# Data and Regulatory Conditions

## Importance of Data Quality

High-quality, accurate, and timely data is essential for effective AI-driven tax compliance systems.

## Data Integration Strategies

Combining internal tax data with open-source datasets enhances fraud detection and compliance capabilities.

## Regulatory Compliance

Adoption and compliance with key regulations as GDPR and EU AI Act ensures lawful and ethical use of AI in tax enforcement.

## Governance and Accountability

Strong governance frameworks protect administrative bodies and taxpayers, ensuring clear accountability.

## Question 2

**How can tax administrations integrate AI-driven insights into existing compliance and enforcement processes in a way that improves operational decision-making while maintaining transparency, proportionality, and taxpayer trust?**

# Transparency and Explainability

## AI Transparency in Auditing

Denmark's models enable auditors to clearly explain to taxpayers the AI risk scores, ensuring transparency in compliance processes.

## Legal Scrutiny of AI Systems

An example of transparency mechanism for AI systems would be the UK public '*Algorithmic Transparency Records*'.

## Building Taxpayer Trust

Clear explanations of AI-driven decisions help reduce fairness concerns and foster accountability in tax systems.

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# Proportionality, Fairness, and Operational Integration

### Human Oversight and Bias Mitigation

Human review ensures fairness by auditing AI-generated output to prevent bias and uphold proportionality in enforcement.

### Operational AI Integration

AI should be embedded in risk scoring and followed up by tax auditors' case management to improve targeting and efficiency in enforcement processes.

### Ethical Compliance and Advisory Bodies

Advisory and oversight bodies could help monitor AI ethics mechanisms.

### Balancing Efficiency and Rights

Maintaining proportionality balances enforcement speed with taxpayer rights and adequate preparation time.

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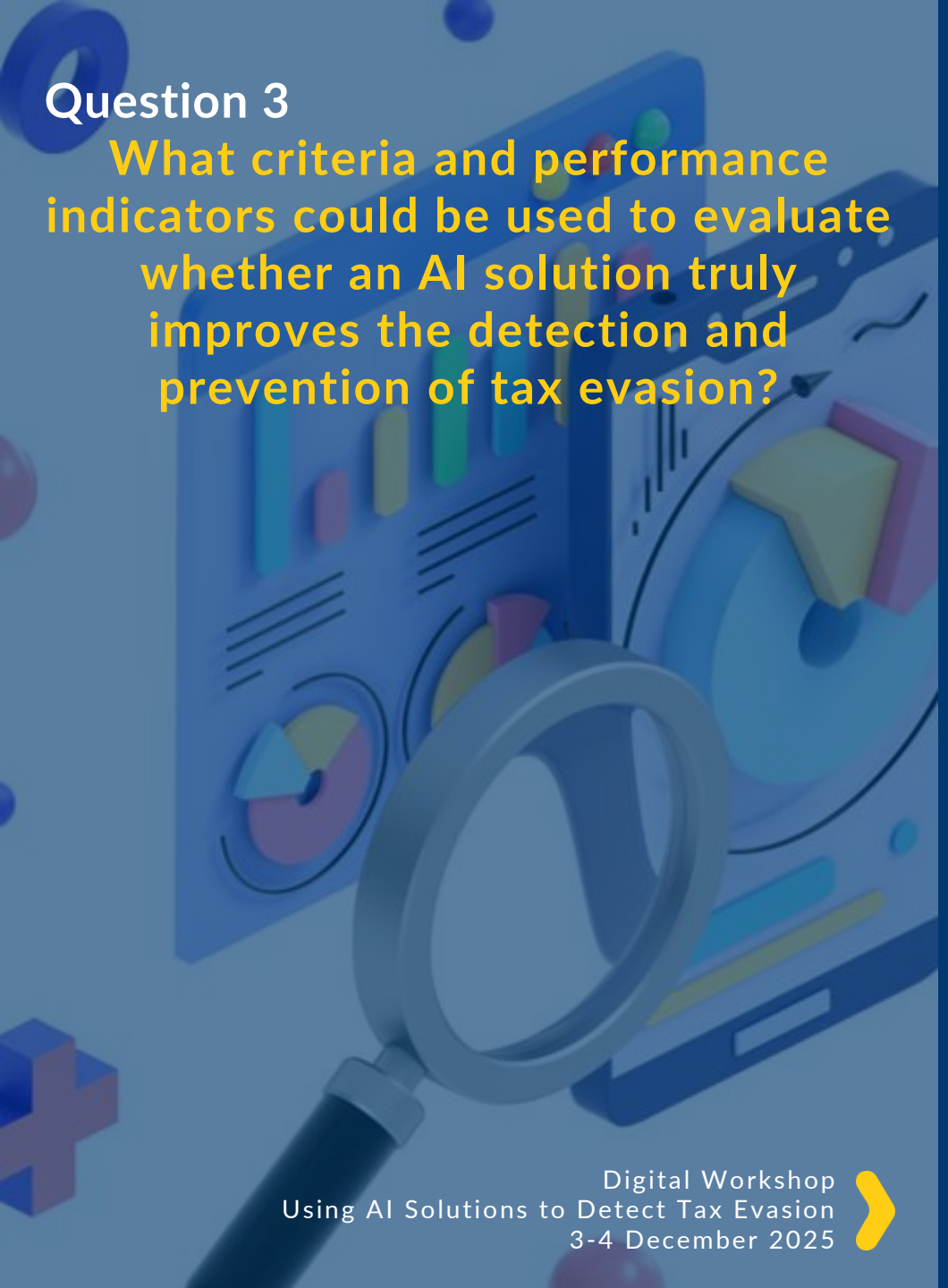

## Question 3

**What criteria and performance indicators could be used to evaluate whether an AI solution truly improves the detection and prevention of tax evasion?**

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# Effectiveness and Financial Impact

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### Detection Speed

Reducing the time from fraud occurrence to audit detection is critical for an effective AI solution.

### Accuracy and Error Reduction

Automated validation systems improve accuracy and minimise administrative errors in tax processing.

### Financial Impact Metrics

Tracking liabilities recovered from AI-flagged cases measures the financial success of AI solutions.

### Cost-Benefit Analysis

Comparing AI implementation costs against revenue gains ensures investments deliver real value.

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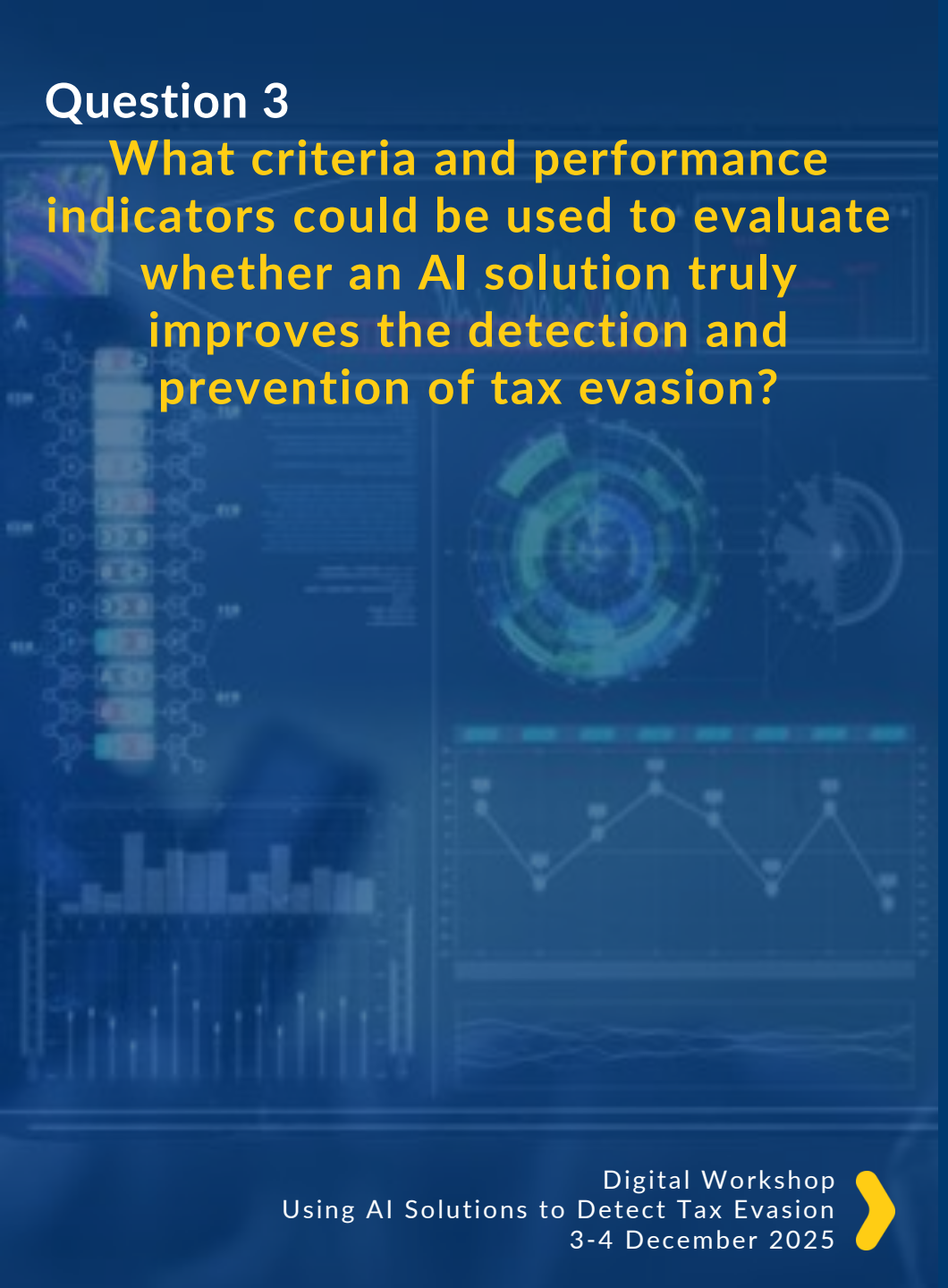

# Operational Efficiency and Compliance

## Real-time Error Detection

AI applications enable real-time detection of errors during taxpayer submissions, enhancing compliance and reducing audit timelines.

## Taxpayer Trust and Feedback

Taxpayer trust is evaluated via surveys and feedback to ensure acceptance of AI-driven processes in tax administration.

## Ethical AI Deployment

AI framework under the EU AI Act guides responsible AI deployment, balancing efficiency with fairness and transparency.

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## Purpose and Focus Areas

### Presentation Purpose

Summarise key insights from the Group Discussion on AI solutions for detecting tax evasion effectively.

### Main Focus Areas

Focus on organisational, data, and regulatory prerequisites for integrating AI in compliance processes.

### Evaluation Criteria

Criteria to evaluate AI effectiveness, ensuring responsible, transparent use while maintaining trust.

## Question 1

**What key organisational, data, and regulatory conditions does a tax administration need in order to design and implement AI solutions for detecting tax evasion effectively and responsibly?**



# Organisational Readiness

### Cross-functional Collaboration

Effective AI adoption requires cooperation between legal, IT, and compliance teams ensuring organisational alignment.

### Skills Development

Retraining current staff and recruiting new talent through internships builds essential AI skills within the organisation.

### Cultural Readiness

Fostering organisational awareness and acceptance of AI promotes a supportive culture for technology adoption.

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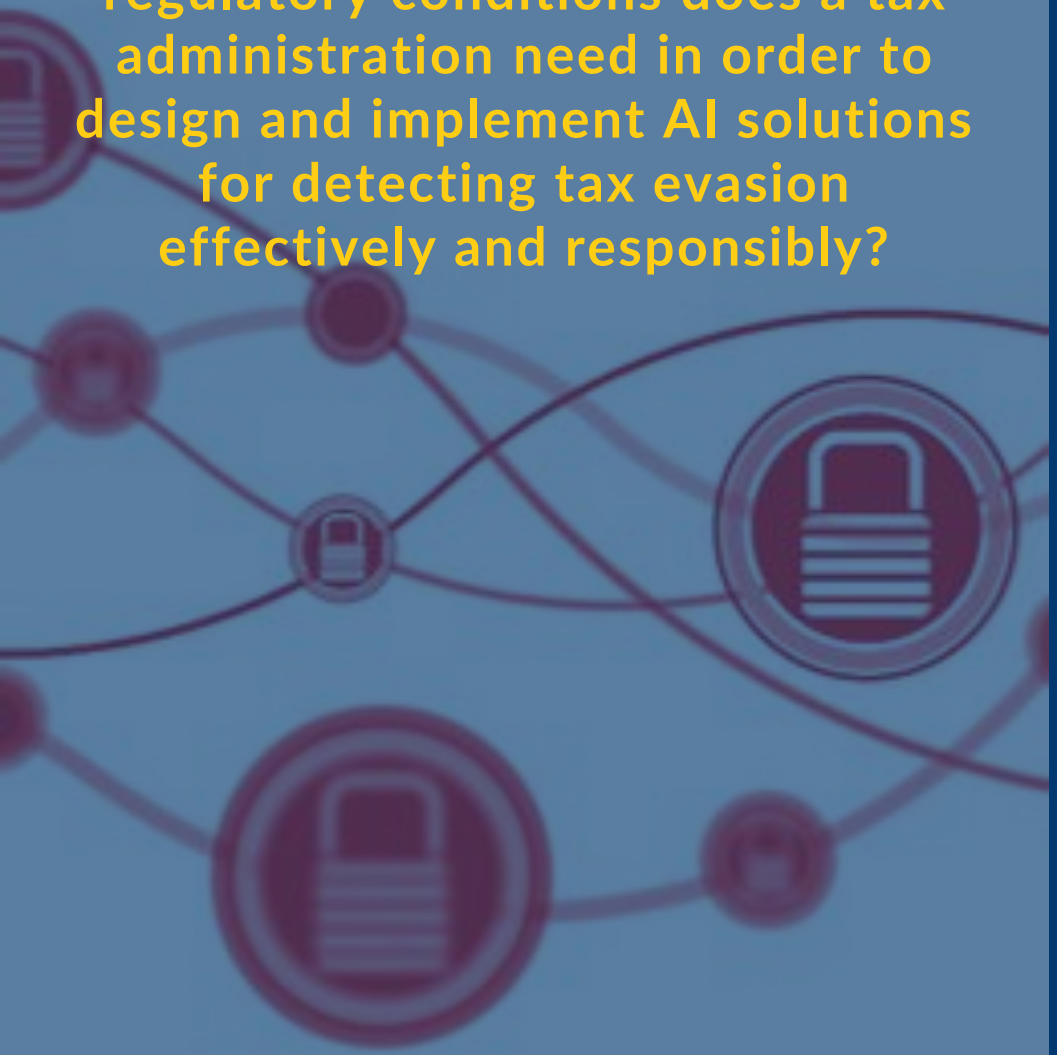

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# Data Management and Compliance

### Comprehensive Data Inventories

Maintaining detailed data inventories ensures effective AI deployment and robust quality management.

### Security and Privacy Measures

Implement secure environments and offline AI solutions to protect sensitive data and ensure privacy.

### Regulatory Compliance

Adhere to GDPR, EU Data Act, and prepare for the EU AI Omnibus to maintain legal compliance.

### Internal Rules and Governance

Establish internal policies for AI use and data sharing to uphold integrity and trust.

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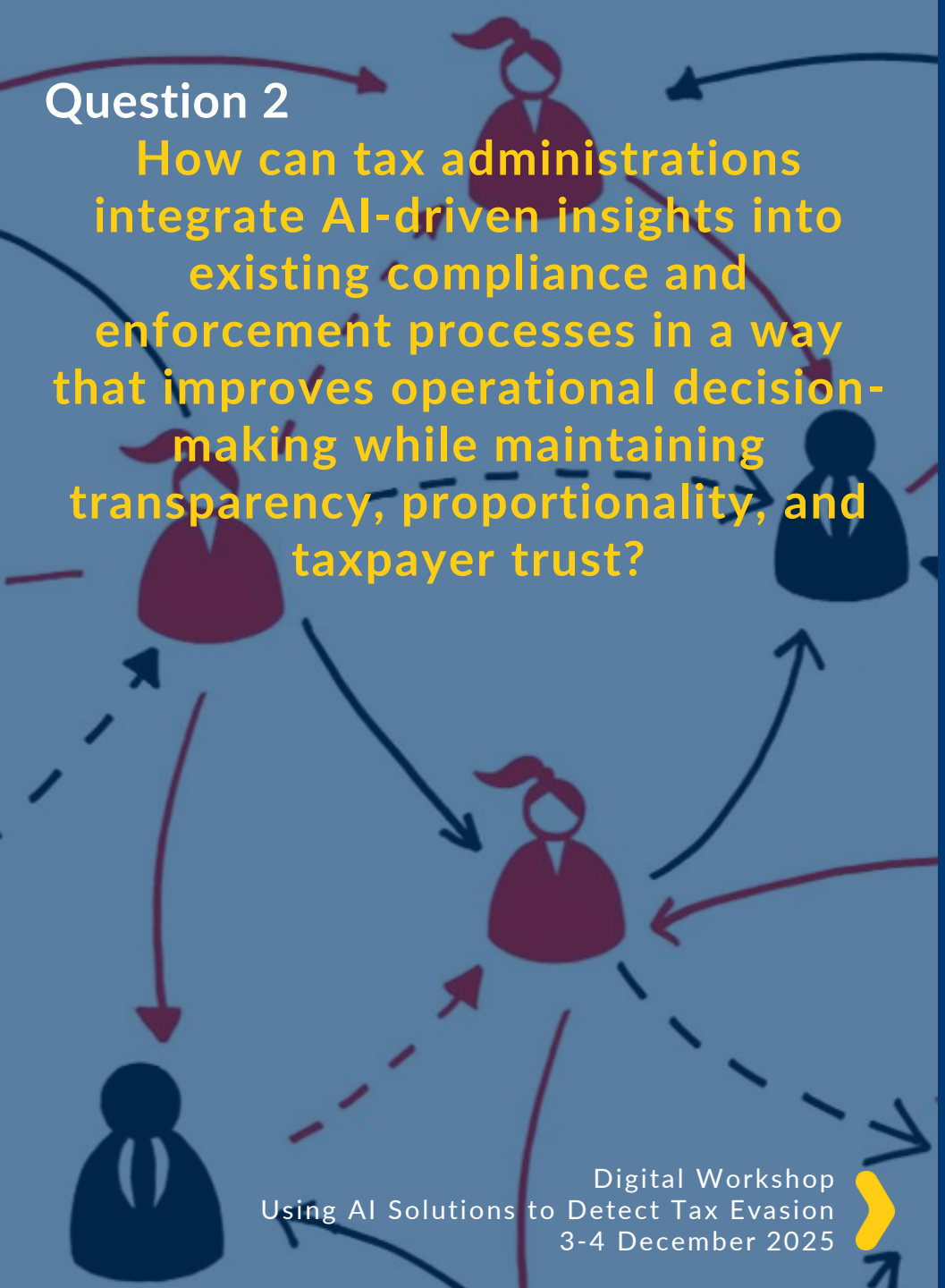

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# Integrating AI into Processes

## Human-in-the-Loop Approach

AI systems should support human decision-making to maintain accountability and transparency in operations.

## Explainability and Documentation

Models must be documented, reproducible, and interpretable to ensure transparency and trustworthiness.

## Feedback Loops for Improvement

Establishing feedback loops allows audit results to refine models, fostering continuous improvement.

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# Maintaining Trust and Fairness

### Clear Communication on AI Use

Transparent communication by tax administrations about AI use maintains taxpayer trust and confidence.

### Addressing Proportionality Challenges

Synthetic data and randomised audits help manage proportionality issues when datasets shrink during modelling.

### Collaboration with Auditors

Working closely with auditors improves data labelling accuracy and fairness in enforcement processes.

**Question 3**

**What criteria and performance indicators could be used to evaluate whether an AI solution truly improves the detection and prevention of tax evasion?**

# Performance Metrics

## Beyond Traditional Accuracy

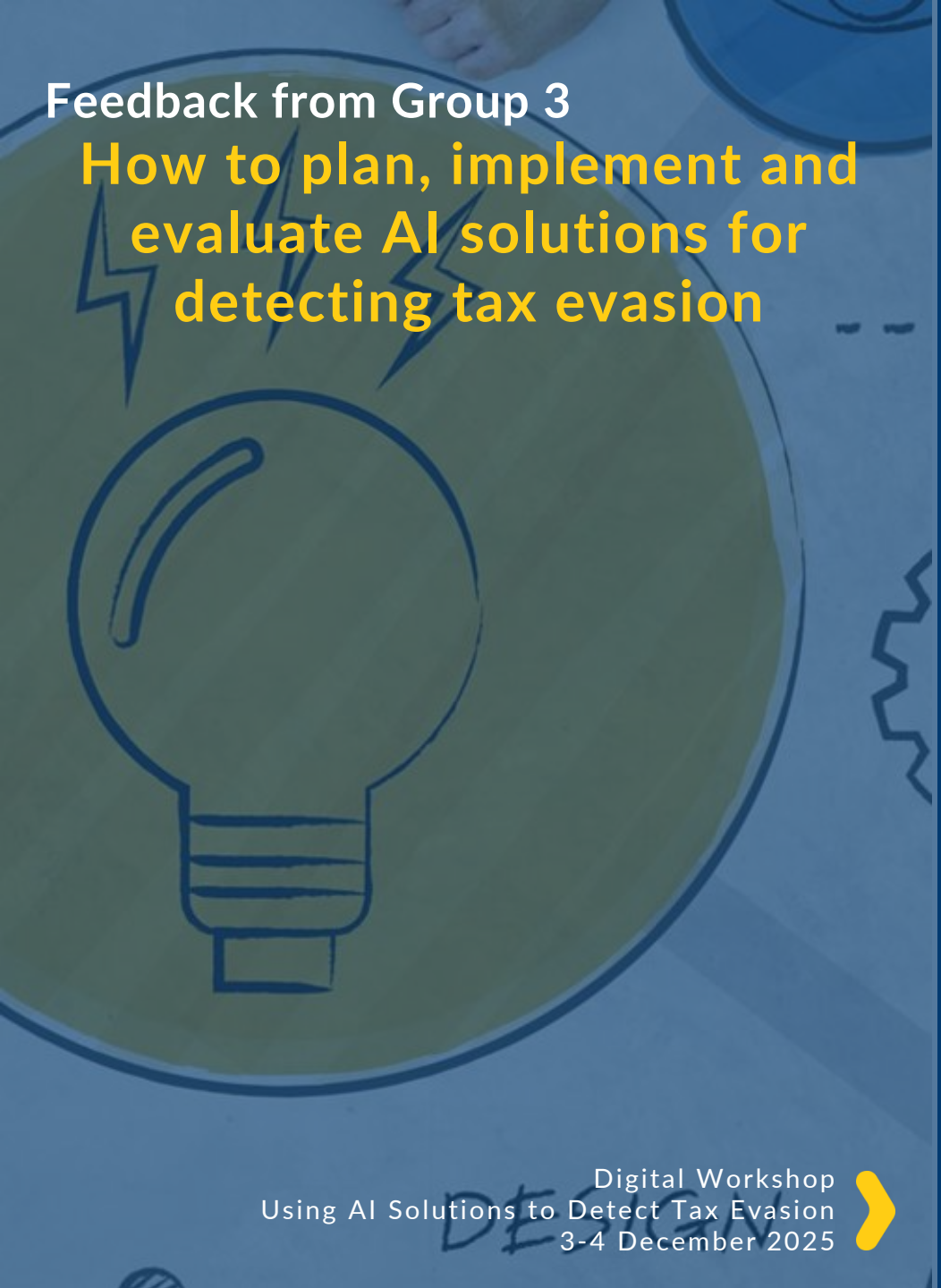
Evaluation should extend past accuracy to include forward-looking testing on future data for robustness.

## Operational Performance Indicators

Metrics like hit rate, desk audit success, and efficiency uplift provide actionable operational insights.

## Strategic and Ethical Considerations

Assessing economic impact, using composite KPIs, and ensuring transparency support responsible performance management.



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## Key Takeaways

### Organisational Coordination

Effective AI use requires strong collaboration across departments to streamline tax administration processes.

### Data Governance and Regulation

Robust data management and clear regulatory frameworks ensure responsible AI deployment and compliance.

### Continuous Evaluation

Ongoing assessment with multidimensional indicators is essential for AI effectiveness and improvement.

### Transparency and Human Oversight

Maintaining trust requires transparent AI processes combined with ethical human supervision.

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## Actionable Steps

### Capacity Building

Invest in developing expertise and recruiting skilled professionals to strengthen AI capabilities.

### Governance Frameworks

Establish policies for AI use, data security, and ethical standards to guide AI implementation.

### Transparency and Explainability

Prioritize explainability in AI models to promote transparency and user trust.

### Continuous Evaluation

Use feedback mechanisms and multidimensional evaluations to refine AI models and benchmark performance.