



STRATEGIC BRIEFING · FOR EU TAX ADMINISTRATIONS & POLICYMAKERS

# AI: Two Sides of the Coin

An invitation to dialogue: getting the sequence right before AI is scaled across Europe's VAT system.

## SPEAKERS



**Anna Valchanova**

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Over 20 years across tax administration, multinational audits, VAT, transfer pricing transfer pricing and digital tax transformation. Specialises in e-invoicing, SAF-T, real-SAF-T, real-time reporting and the responsible integration of AI into modern tax modern tax systems.



**Melanie V Katsaris**

Co-Founder & CEO

Melanie V Katsaris is a Co-Founder and CEO of a global compliance and a platform a platform supporting cross-border commerce. An expert in indirect tax, customs, customs, and regulatory compliance, she has built multiple 7 and 8-figure figure businesses and leads operations across 12+ countries with a team of over 450 of over 450 professionals. Melanie is recognised as one of the UK's Top 500 Women 500 Women and advises marketplaces, and international businesses on global trade global trade and compliance.

## We are here to help get the sequence right.

AVASK sits on the front line of EU VAT compliance, across markets, marketplaces and member states. We see, every day, where the system holds and where it leaks. This briefing shares that view, and proposes a working dialogue on how AI can strengthen enforcement without repeating mistakes Europe has already paid for.



### A frontline view

What compliance actually looks like across 50+ jurisdictions and 70+ marketplaces.



### A shared goal

Closing the VAT gap and protecting honest traders, the same outcome you are working toward.



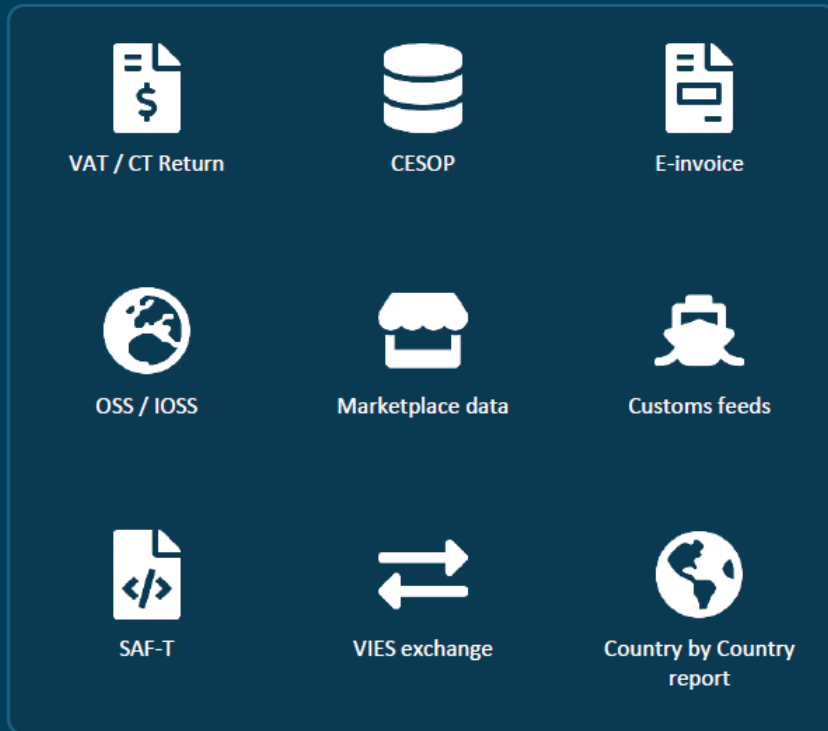
### An open hand

Frontline data, consultation input and a partnership, not a sales pitch.

# API + AI algorithms: data exchange by tax authorities

## Connected data footprint

Machine-readable feeds consolidated through secure APIs



## API engine



### Ingest

Collect API data



### Normalise

Clean and match



### Detect

Patterns + anomalies



### Explain

Rank and report

## Authority outputs with AI-integrated algorithms

### Risk scoring

Prioritise cases and forecast tax revenue

### Error + anomaly detection

Find mismatches, duplicates and unusual patterns

### Tax treatment checks

Validate rules against legal and transaction data

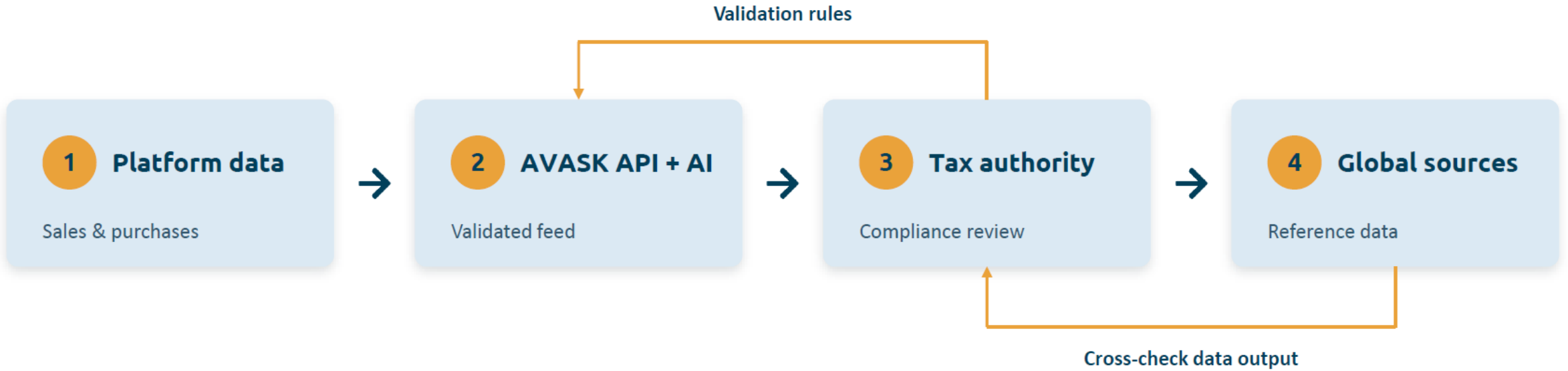
### Audit recommendations

Explainable evidence for advisor review

Controls: audit trail | privacy | human review

# The reality of modern e-commerce compliance flow

Closed-loop validation connects platform data, AI review and official sources.



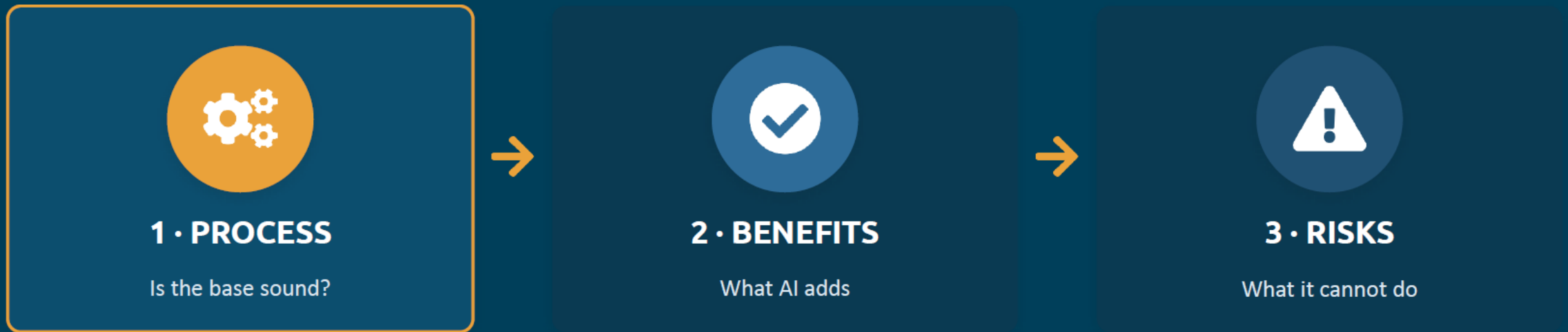
Checks are explainable, auditable and reviewed by people before enforcement decisions.



**The scale and speed of modern e-commerce now exceeds human-led enforcement capacity, requiring intelligent systems.**

# AI is being asked to carry the system. Process has to come first.

The promise of AI in tax is real, and so is the risk of placing it on a foundation that cannot yet support it. AI is a layer on top of a process. On a sound process it multiplies enforcement; on a broken one it simply runs the faults faster. So the order matters, and this briefing follows it.



*Process is number one. AI is the multiplier, once the base exists.*

# Europe is pulled by two instincts at once

Read the EU's conduct over the past five years and a pattern emerges: governments are racing to deploy AI against VAT fraud, while the Union deliberately restrains it. Both instincts are rational, and the tension between them is the real story.



## Deploy

Member states are investing heavily in AI and data-mining to detect VAT anomalies, and reporting real revenue gains. The appetite is strong and growing.



## Restrain

The Union is building guardrails, the AI Act, data-protection limits, and explicit bans on AI-driven scanning of tax data, wary of the harm automated systems have already caused.

# Governments already run AI across the VAT system

## Italy & Spain

Mandatory e-invoicing (Fattura Elettronica, SII) feeds AI that screens supply chains and refund claims in near-real time.

## France

AI analysis of aerial imagery detects undeclared property and signs of unreported wealth for tax purposes.

## Austria

The Predictive Analytics Competence Center Center uncovered a €195m carousel-fraud fraud scheme (2024).

## Malta

AI built to predict and prevent VAT evasion evasion was credited with ~€400m of additional revenue.

## Poland & Hungary

Real-time invoice systems let authorities flag carousel fraud in days, not months.

## EU-wide

CESOP captures cross-border payment data (since 2024); Eurofisc shares risk intelligence between states.

*Source: European Parliament (EPRS 2025); vatcalc; Innovate Tax. Figures as reported; to be confirmed before external citation.*

# Yet the Union is deliberately holding AI back



## The AI Act

Risk-based law (in force 2024) requiring human oversight, transparency and data governance. Its high-risk rules, due Aug 2026, are off-track and may be delayed. Fines reach €35m or 7% of turnover.



## VAT-data access, capped

A 2026 proposal would let OLAF and the EPPO query national VAT data, but only case-by-case. It bans bulk extraction and AI-driven anomaly detection, and does not harmonise data formats across states.



## A governance gap

Most tax administrations still have no dedicated rules for how AI may be used in tax, a gap between automated speed and the safeguards of good administration.

*Source: European Commission; vatcalc (May 2026); Gibson Dunn. Status as at briefing date.*

# What happens when AI runs ahead of process

The Netherlands offers Europe's clearest warning. The Dutch tax authority ran a self-learning risk-scoring algorithm that treated dual nationality and low income as fraud indicators. Tens of thousands of families were wrongly branded fraudsters and ordered to repay child-benefit allowances.

A related profiling system, SyRI, was struck down by the courts in 2020 as a breach of breach of human-rights law. The technology was not the whole failure, the missing missing process around it was.

≈26,000

families wrongly flagged

Jan 2021

the government resigned

€3.7m

data-protection fine on on the tax authority

***AI on a weak process did not fail quietly, it discriminated, broke the law, and brought down a government.***

Source: OECD AI Incidents Monitor; Hague District Court (SyRI, 2020); Dutch DPA. Figures vary by source.

# The brake on AI is not the technology, it is the foundation



## The appetite is real

Governments are investing in AI and seeing genuine revenue results. No one needs persuading of the upside.



## The caution is real

The Union is holding AI back, through law and through hard limits, because it has already seen the harm.



## The bottleneck is process

Fragmented data, no harmonisation, and harmonisation, and missing rules. The foundation, not the tooling, is what limits AI today.

**So the right place to start the conversation** is the process, exactly what the rest of this briefing sets out.

# Before AI, there is a process not yet fixed



## Policy gaps

Holes inside a single jurisdiction. Registration and verification verification let businesses operate across platforms and and borders before they are detected, and enforcement enforcement reacts only after the VAT is already lost.



## Lack of harmonisation

The framework is not aligned market to market. Even ViDA ViDA harmonises domestic e-invoicing only by 2035, and the and the 2026 VAT-data proposal leaves formats inconsistent. inconsistent. Risk migrates to the weakest link.

**Policy is number one.** AI is the multiplier, and only once that base exists.

# The fraud was the output. The broken process was the input.

Germany's experience with VAT syndicates shows the pattern. The damage was not driven by foreign sellers, it was driven by local syndicates registering and running networks of companies that the registration process never stopped. The gate that failed was the process, not the tax.

**100+**

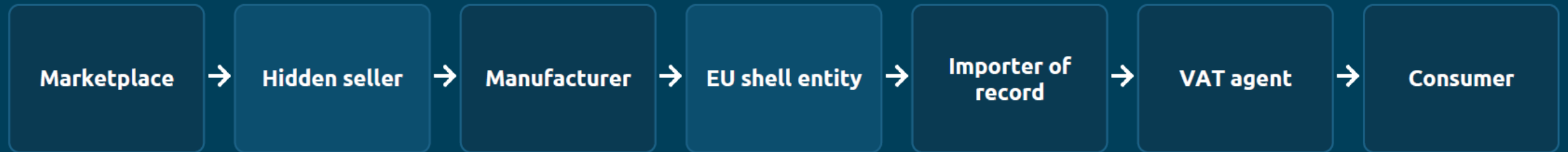
**companies**  
run by a single domestic syndicate



*Local syndicates, not foreign sellers, the failure was the registration process.*

# Risk sits where accountability is fragmented

Online trade has outpaced the EU VAT and customs framework. The chain has split into parts, and each party can argue responsibility sits elsewhere.



**If nobody is clearly visible, nobody is clearly accountable.**

# Four failures the process leaves open



## Invisible sellers

On newer marketplaces, neither consumers nor authorities reliably know who the legal seller is, seller is, enforcement breaks at the point of sale.



## No economic substance

A VAT number is not VAT compliance. A business can hold a number and still have no real footprint or accountability.



## Fragmented accountability

Manufacturer, seller, platform, importer, logistics and agent roles are split, each can claim claim responsibility lies elsewhere.



## Low-cost providers

Offshore and AI-only models scale without expertise, expertise, controls, indemnity or audit trails, automating poor compliance at scale.

# On a sound base, AI is a powerful multiplier



## Speed at volume

Faster analysis of large volumes of tax, platform and transaction data.



## Seller-network detection

Shared directors, addresses, banks and IPs reveal networks, not isolated VAT numbers.



## Import risk scoring

Flags undervaluation, suspicious codes and abnormal low-value parcel patterns.



## Return anomaly detection

Cross-checks sales, returns, customs and OSS/IOSS data to surface mismatches.



## Provider supervision

Identifies agents with abnormal volumes, late-filing clusters or virtual-office patterns.

# What AI cannot do, and why that matters for policy

## RISKS & CHALLENGES

- Opacity: taxpayers may not understand how an automated tool shaped a decision.
- Bias and poor data quality can produce unfair or inconsistent outcomes.
- Over-reliance weakens accountability unless human oversight stays active.

## AI CANNOT...

- ✘ fix an unclear legal framework
- ✘ make an invisible seller accountable
- ✘ create economic substance where none exists
- ✘ replace local professional judgement
- ✘ assign liability when the law lets every party avoid it

**If the legal framework is wrong, AI only processes bad data faster.**

# Fix the framework before scaling the technology

Regulation should focus on accountability, not just on collecting more data.

1



## Seller transparency

Disclose the real seller, seller, importer and operator behind every listing.

2



## Platform liability

If a platform controls the transaction but hides the seller, it carries the duty.

3



## Economic substance

A VAT number is not establishment: real directors, premises, operations.

4



## Regulate VAT agents

Standards, indemnity cover, audit trails and due diligence for intermediaries.

5



## Unified data

Connect VAT, customs, customs, EPR, product-product-safety and beneficial-ownership data.

## Process first, then AI delivers, with confidence



**Without these, AI creates a false sense of security. With them, it becomes a powerful enforcement tool.**

# Pro-fair-trade. Responsibility must follow control.

**Not anti-platform. Not anti-technology, pro-fair-trade.**

Europe's focus on large, visible platforms underestimates the risk from smaller, faster, less transparent models. The greatest VAT risk now sits where seller identity, product origin, import responsibility and tax accountability are separated.

**If the platform controls the transaction, the platform carries the compliance obligation.**

## AVASK is the process layer

- Fiscal representation & guarantees
- Economic substance & KYC
- Audit trails and indemnity cover
- Real professional judgement

## A compliance layer already operating at scale

**18,000+**

active clients

**€16B+**

client sales processed

**500K+**

VAT filings / year

**50+**

jurisdictions covered

**70+**

marketplaces supported

**82%**

automation rate



# An invitation to dialogue

AI can identify the risk. Only process and regulation can assign responsibility. We'd welcome a working conversation on how to build that foundation together.

- Share frontline compliance data and case patterns
- Contribute to ViDA and AI-in-tax consultations
- Co-design a process-first enforcement pilot

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**Anna Valchanova**, Head of Business & Indirect Tax

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# Questions for discussion

## Transparency & Explainability

- How transparent should AI-assisted tax compliance decisions be?
- What information should taxpayers receive when an automated tool influences a decision?
- How can administrations explain complex model outputs in plain language?
- Are there limits to transparency where fraud detection or enforcement is concerned?

## Accountability & Human Oversight

- Who is accountable when an AI-supported decision is wrong?
- What role should tax officials play in reviewing or validating automated outputs?
- Should certain decisions always require human approval?
- How can administrations avoid over-reliance on algorithmic recommendations?