

THE AI-ENABLED TAXMAN

Relevant for: Indian Economy | Topic: Issues relating to Growth & Development - Public Finance, Taxation & Black Money incl. Government Budgeting

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Mark Twain needs an update. Three things in life are inevitable: death, taxes and, now, artificial intelligence (AI). According to a news report, the Delhi government might take the help of AI to detect tax evaders and identify bogus firms. It expects the state exchequer to gain 300 crore annually by plugging leaks. Now, AI is all the rage across techland, and this marvel of "learning software" has been touted as a solution to all manner of problems that involve troves of raw data without anyone to make sense of them. Could AI do what tax officers can't?

Possibly. AI could conceivably scan lots of data, spot patterns and even join the dots, so to speak, to highlight suspicious cases. Though it would be a first for India, some Nordic countries have already deployed it as a tool to bust tax evasion—and with impressive results, reportedly. For instance, in Denmark, AI tools are said to flagged 85 of every 100 cases, with 65 of them found to outright tax frauds. Since then, various governments have been exploring the potential of AI to nab culprits.

In India, taxation is moving along an automation path in any case, with the Union government having promised "faceless" tax assessments, designed to ensure that questions don't even arise of whether the pocket of some officer needs to be lined for an assessee to be left off the hook. If AI join's the toolkit of Indian tax authorities, it could take arbitrary notices out of the equation entirely. But then again, the software would need a lot of programming, given the complexity of our tax system. If done poorly, we could end up with a problem of false alarms. If done well, it could justifiably be argued that AI is not an oxymoron.

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