

# An Investigation into the Use of Artificial Intelligence in the Indian Tax System

Dr.C.D. N. Rakkini<sup>1</sup>, G. Madhu Sudhanan<sup>2</sup>

<sup>1</sup>Assistant Professor, Department of Commerce, S.I.V.E.T College.

<sup>2</sup>Research Scholar, Assistant Professor, Department of Management Studies, S.I.V.E.T College.

## Abstract:

Indian taxation is main source of public finance in developing economy. The Indian tax system has long been plagued by issues including tax evasion and ineffective administration. Tax administration systems must constantly be designed to reduce errors and speed up decision-making. The Indian tax system is beset by a shortage of workers to do labor-intensive duties including data input, return inspection, tax audits, etc. The Indian government recently announced the use of artificial intelligence and machine learning in the tax assessment system in order to handle the evolving tax landscape in conjunction with the use of analytics. In the field of taxes, artificial intelligence, or AI, is a relatively recent development. The Indian government recently said that it will employ a faceless tax assessment system powered by AI. The purpose of this paper is to investigate the role of artificial intelligence (AI) in the Indian tax system. Based on variables like tax knowledge, tax education, legal sanction, tax system complexity, relationship with tax authority, perceived fairness of the tax system, ethics and attitudes toward tax compliance, awareness of offenses and penalties, tax education, possibility of an audit, etc., we are interested in learning how taxpayers view these variables.

## INTRODUCTION:

Recent advancements in artificial intelligence have given tax professionals access to new statistical and analytical tools, which have improved efficiency and provided convenience. These instruments have served as the cornerstone for methodical frameworks that eschew the chaos and intricacy of spreadsheet-based data processing and analytics. A simulated tax risk is provided by artificial intelligence, which can aid in the making of more complex human decisions.

Politicians are constantly interested in taxes. It is the primary source of funding for the government. Due to the complexity of the Indian tax system, which makes it difficult for taxpayers to grasp, taxpayers are reluctant to file their returns, which results in revenue losses for the government. Because of the tax system's complexity, tax payers are encouraged to seek expert assistance, which leaves open the possibility of tax evasion. Taxpayers also describe instances of corruption in the tax department and harassment by Income Tax officials. The major goal is to use this technology to give taxpayers timely services and improve the accuracy and transparency of the tax system.

The Indian tax system will benefit greatly from artificial intelligence. The Indian government indicated in 2019 that artificial intelligence and machine learning will be used in the tax assessment process due to the taxation system's shortage of staff and labor-intensive duties involved in examining tax returns and conducting scrutiny. The primary goals of this plan's implementation are to simplify the tax code,

enable faceless evaluation and appeal to do rid of corruption, expedite compliance times, and execute the taxpayer charter.

### OBJECTIVES OF THE STUDY:

1. To discover the role of Artificial Intelligence in Indian Taxation System.
2. To find out the perception towards adoption of Artificial Intelligence in tax payers.

### Research Methodology of Data Collection:

In addition to primary data, information was also gathered from secondary sources through the use of references from a variety of publications, research papers, bulletins, reports from the Reserve Bank of India, the GST, the CBDT, and other online resources.

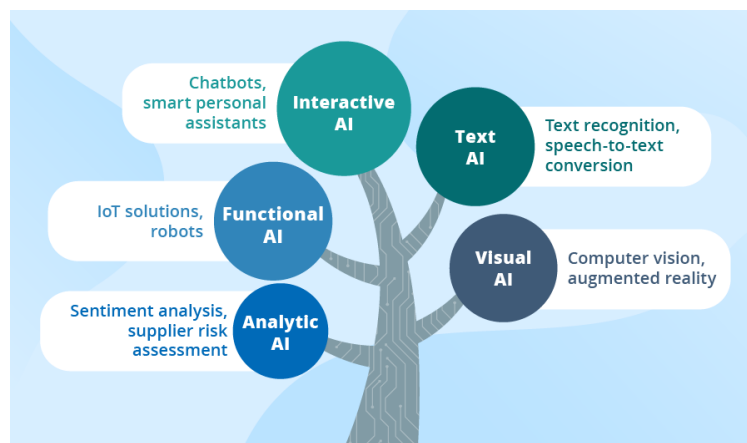
Sample and Population: The individual taxpayers are the study's population. Purposive sampling was utilized in the method sampling, meaning that the samples were chosen based on predetermined criteria.

- PAN CARD holders among taxpayers.
- Individuals who actively file annual tax returns.
- Taxpayers who hold a master's or post-graduate degree.
- Taxpayers who are prepared to answer the questionnaire

### Artificial Intelligence and Tax:

According to Merriam Webster Artificial intelligence is “A branch of computer science dealing with the simulation of intelligent behavior in computers. It is the capability of a machine to imitate intelligent human behavior.”

behavior.”



### Indian tax system:

The Central government, State governments, and local bodies are in charge of the country's three-tiered tax structure. The self-assessment procedure is the foundation of the Indian tax system, where taxpayers disclose their income based on their own. People's confidence in the current tax assessment procedure was declining as a result of the massive problems with tax evasion and corruption that the Indian tax system was experiencing. Complaints regarding corruption and fraudulent calls regarding tax compliance are also being received by the tax department from the assessing officer. The Indian government is now implementing AI/ML mostly for administrative purposes; it is not doing so to make

life easier for taxpayers. Artificial intelligence will be utilized in this process to eliminate monotonous, repetitive tasks like processing paperwork and responding to complaints, among other things. It will also be used to make choices on the accuracy of tax returns and identify any instances where tax laws are not being followed. It will also be used to assist people with virtual support systems and collect data with the use of natural language processing.

### **CONCLUSION:**

To improve the government's tax revenue in a rising nation like India, we must make some revolutionary adjustments to the tax code or tax structure. By utilizing AI and machine learning, we can improve the administration of taxes in India, increase tax process transparency, identify new taxpayers, and stop tax evasion and fraud. We are aware that change is unavoidable; artificial intelligence (AI) will usher in the fourth industrial revolution, much as how computers and electrical energy existed a century ago. AI is being used in many different industries these days, and its use is expanding daily. However, in order for the Indian tax system to benefit from this, we must comprehend this. The government needs an artificial intelligence-based system, and while taxpayers are prepared for impending technical changes to the system, they do not want to stop human intervention. The overwhelming consensus among taxpayers is that an artificial intelligence-based tax system will be easy to use, safe, and secure. The government must raise public awareness of the tax system and make it transparent in order to gain the trust of taxpayers and gain their acceptance of it as a helpful tool for an equitable and transparent tax system in India. Only then will taxpayers provide accurate data, and as a result, we will be able to establish a very strong tax administration system.

### **References and Review of Literature**

1. Zhang, J., & Zheng, L. (2020). "Artificial Intelligence in Tax Administration: Opportunities and Challenges." *International Journal of Information Technology & Decision Making*. This paper discusses general applications of AI in tax systems and highlights potential benefits and challenges.
2. Chui, M., Manyika, J., & Miremadi, M. (2016). "Where machines could replace humans—and where they can't (yet)." *McKinsey Quarterly*. This report explores various sectors, including public services, where AI is being integrated.
3. Rai, A. K., & Singh, M. (2023). "Artificial Intelligence and Machine Learning in Indian Taxation: Current Trends and Future Directions." *Journal of Indian Business Research*. This paper reviews recent trends in AI adoption within India's tax administration