

Sustainable Economic Growth Through Artificial Intelligence - Driven Tax Frameworks Nexus on Enhancing Business Efficiency and Prosperity; An Appraisal

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Abstract: The article examines the nexus between Artificial Intelligence (AI)-driven tax frameworks and sustainable economic growth, with a focus on enhancing business efficiency and prosperity. The research made use of explorative method. As governments and businesses face challenges like climate change, resource depletion, and income inequality, AI offers transformative potential in optimizing tax frameworks. By leveraging AI technologies such as machine learning, data analytics, and natural language processing, tax systems can become more efficient, equitable, and transparent. The paper proposed optimized tax collection strategies driven by artificial intelligence. The paper recommended the need to address technical, regulatory, and operational challenges by focusing on strategies targeting each of them can tax authorities and businesses employ the full potential of AI-driven tax frameworks.

Keywords: Artificial Intelligence (AI), Machine Learning, Economic Growth, and Tax Optimization

I. Introduction

Economic sustainability has thus been gaining popularity among governments and enterprise as the world over faces challenges such as climate change, income disparities and depletion of resources. The creation of the most effective and equitable tax systems that might contribute to the development of the economies and social progress is essential. Other advancements in modern artificial intelligence have the capability of changing tax systems where analysis will reach another level, compliance will be enhanced and of course more revenues will be collected. Using Artificial Intelligence enables the governments to develop tax systems that can enhance the productivity of business entities as well as spread the benefits across majority of the population. Integrated AI into tax systems means a shift not only in the coverage of the economic management technology, but also points to a shift in focus toward a concept of provable sustainable and inclusive economic growth (Brynjolfsson & McAfee, 2017).

Tax frameworks powered by AI show great potential in tackling the challenges of contemporary economies, where conventional tax systems frequently struggle to adapt to changing business methods and the digital marketplace. AI technologies like machine learning and data analytics can be utilized to identify tax avoidance, improve tax strategies, and customize tax rates according to current economic circumstances (Eichhorst & Marx, 2021). These abilities have the potential to greatly lessen the tax deficit and enhance the effectiveness of tax management. For example, governments can use predictive analytics to forecast economic trends and proactively modify tax policies instead of reacting to them. This enhances both income generation and offers a consistent and foreseeable setting for businesses to succeed.

Additionally, tax systems powered by AI can improve the transparency and fairness of tax administration. AI has the potential to decrease biases and inconsistencies in conventional tax systems by automating tasks and decreasing human involvement (Hoffman et al., 2020). This implies that businesses will have an equal opportunity to succeed, with rewards for following rules and fair distribution of tax responsibilities. AI offers governments the means to guarantee that tax policies support wider economic and social objectives, like lessening inequality and encouraging sustainable growth. Consequently, tax systems powered by AI can help create fairer economic results, nurturing a business atmosphere that encourages sustainable development and success.

Incorporating AI into tax systems presents a major chance to improve operational productivity and promote long-lasting economic development. Through utilizing AI's capabilities, governments can create tax structures that are increasingly adaptive, open, and fair, hence leading to a more thriving and equal economy. It is important to think about the wider effects on economic sustainability and make sure AI-driven tax systems benefit everyone as businesses and governments delve into their potential (Acemoglu & Restrepo, 2020).

II. Overview of the importance of sustainable economic growth

The concept of sustainable economic growth means that the development of the economy of a country should be steady and long term without plundering resources and without having a negative impact on the environment. Sustainable economic growth on the other hand makes use of and equals the traditional growth models but looks at economic, social and environmental objectives for the improvement of the economic status of the current and future generations. This method acknowledges that unregulated economic growth could result in exhaustion of resources, harm to the environment, and disparities in society, ultimately hindering

sustainable development and progress (Sachs, 2015). Hence, sustainable economic growth is not just important for the economy but essential for maintaining ecological and social systems.

Additionally, sustainable economic growth helps to decrease poverty and inequality through fostering inclusive development. Through investing in human capital, enhancing access to necessary services, and encouraging innovation, nations can generate fairer chances for all individuals, thereby boosting social unity and stability (Stiglitz, 2018). Inclusive growth guarantees that the advantages of economic progress are distributed evenly throughout society, lessening inequalities among various social groups and areas. This is especially crucial in developing nations, where significant portions of the population frequently continue to be excluded from the formal economy. Creating job opportunities, enhancing educational standards, and encouraging social integration can help narrow this divide with the help of sustainable growth strategies.

Additionally, sustainable economic progress is strongly connected to international environmental objectives, like reducing climate change impacts and safeguarding biodiversity. Businesses that focus on sustainability are more inclined to implement eco-friendly measures, decrease carbon emissions, and cut down on waste, which helps in reaching global climate goals (Elliott, 2019). There is an increasing awareness of eco-development policies as part of economic planning as countries embrace the fact that there is interaction between economic and environmental health. Integrating economic goals with the environmental objectives can enable economic development for the betterment of the climate change impacts.

The role of taxation in economic development and business efficiency

It is the collection of money from the public which is very important when it comes to supplementing government's financial resource for providing social amenities such as schools, hospitals, roads and other infrastructural facilities. Public investments are crucial in establishing a steady and efficient atmosphere that promotes economic expansion. Quality education systems prepare workers to drive innovation and productivity, while well-maintained infrastructure helps facilitate trade and investment (Acemoglu & Robinson, 2012). Taxation plays a role in the economic development of a country by providing sufficient funding for public goods, thus setting the stage for future prosperity.

Taxation not only funds public services but also helps redistribute income and lessen economic inequalities. Progressive tax systems, which involve taxing higher income earners at higher rates, can contribute to narrowing gaps in wealth and income distribution, which is crucial for upholding social stability and economic unity (Piketty, 2014). Moreover, specific tax benefits can be utilized to encourage economic growth in regions or industries that are lacking support, therefore fostering a more even economic development. For example, providing tax incentives to businesses that support renewable energy can spur growth in the environmentally friendly economy, benefitting economic and environmental aspects (Eichner & Pethig, 2019).

Taxation is important for improving business efficiency through its impact on corporate behavior and investment choices. Governments can use different tax policies to motivate businesses to implement more effective practices, put resources into innovation, and participate in long-term strategic planning. For instance, the tax credit on expenses incurred on an R&D basis encourages companies to take on more innovation which leads to increased productivity and competitiveness (Bloom et al., 2019). Further, tax initiatives that include low corporate taxes or faster depreciation of capital assets can encourage/force firms to expand their businesses and adopt better technologies, thus, pulling up the economy.

The design and implementation of tax policies determine the effectiveness of taxation in promoting economic development and business efficiency. Inefficiencies, such as tax evasion, distortions in economic behavior, and an unfair business environment, can result from poorly structured tax systems (Slemrod & Gillitzer, 2013). Hence, it is essential for governments to create tax systems that are equitable, clear, and effective, which promote economic growth and reduce adverse impacts. An effective tax system should find a middle ground between generating income, redistributing wealth, and promoting economic efficiency, leading to a wealthier and fairer society in the end.

AI technologies used in Tax Systems

The use of AI technologies in tax systems is rapidly growing across the globe to change the whole dynamics of the tax administrations. Such options as machine learning, data analytics, and natural language processing imply a lot of opportunity in the sphere of tax compliance and its improvement, effectiveness, and minimization of mistakes. With the help of advance technologies such as learning mechanisms, complex tasks could be executed efficiently and when large databases are processed, the conclusions reached are unlikely to be realized by humans therefore efficient and efficient tax systems can be established. With more governments searching for such tools, application of AI in tax management has shifted to be part and parcel of modern economic governance (Cockfield, 2020).

Machine learning (ML) is one of the most significant sub categories of AI and is employed in practically all modern tax systems known today. It can use past data to make forecasts, discover trends and make some decisions without the necessity for users to code them. In the field of tax administration, ML can be employed to work out evasion through pattern recognition of the taxpayers' behavior, potential suspicious transactions, or fraud incidents (Tadesse & Shiferaw, 2021). For instance, using ML models, tax authorities can then go through the big databases of transactions with a general aim of identifying instances of underdeclaration of income or exaggerated declarations of deductions. These models get better with time, the more data they handle, they are one of the best tools that tax authorities can use in a bid to increase co-operation and reduce tax evasion.

Data analytics is another of the crucial AI technologies used in the work of tax systems. The use of big data can help in analysis of taxpayers' conduct, economic processes and, therefore, predictions of revenues. These insights can help the tax administrations to develop better tax policies to control the tax evasion effectively; can help the tax administration to deploy its resources efficiently; and can help them to take efficient decisions for running the organization smoothly (Chen et al. , 2019). For example, the governments and their agencies may use the predictive analytics to forecast the tax revenues for the fiscal year depending on the prevailing economic factors in readiness for prior planning of budget and finance. Further, through sophisticated computer models, people can be segmented into different risk classes and selective audit and other interventions can be targeted at such classes to optimise use of resources in exercising tax enforcement.

Another AI technology in use is the Natural Language Processing (NLP) with efficiency in the communication of the tax authorities with the taxpayers. NLP enables understanding, interpretation, and processing of human language; therefore, it becomes easy to automate reply to taxpayers' queries, mining from informal data, and meeting legal requirements on taxes (Kokina & Davenport, 2017). For instance, NLP based chatbots can help taxpayers in understanding the various tax laws, responding to frequently asked questions or even help the users file returns. This not only enhances the experience of the taxpayer but also allows the human capital within tax administrations to do more higher value-added activities.

AI solutions are also used in attempt to increase the precision of tax calculations. With the implementation of the AI solutions, there's much minimized risk of errors that may occur in the tax filing and these may be fraudulent or otherwise. For example, there are alerts on inconsistencies in income reported from one source and another, the deductions and the credits (Alonso & Li, 2021). The use of computers to undertake the work decreases the task of correcting mistakes on the side of the taxpayers and equally on the side of the tax authorities to undertake audits therefore enhance the efficiency and effectiveness of the tax system. Also, with AI it possible to achieve harmonization of the tax measures across different regions and across/ within taxpayers of different classes and improve tax equity.

However, it is not without its drawbacks especially on data privacy and ethical issues when implementing and incorporating AI in tax systems. The enormous volume of data necessary for successfully implementing AI technologies also can generate issues as to how the data used by these technologies is gathered, preserved and managed. To encourage compliance and public acceptance of AI systems within the tax collection processes, governments must ensure that the process used is transparent, secure but more importantly, meet the highest privacy standards (Veale & Brass, 2019). In addition, there is a lack of sufficient rules and recommendation towards the application of AI popular as the technologies in the administration of taxes to avoid adverse effects including bias and surveillance.

III. AI-Driven Tax Frameworks: Mechanisms and Applications

AI in the specifications of Taxes uses artificial intelligence in its operations to increase rates of returns as well as fairness of the Taxes. Both of these frameworks employ the use of machine learning algorithms to scan through a humongous amount of financial data and credit any suspicious behavior that may be associated to tax evasion or fraud hence enhancing the compliance rates of taxes as well as decreasing the tax gap (Tadesse & Shiferaw, 2021). Using data analytics, tax authorities are able to develop probabilistic models that can be used to predict tax revenues that accrue from economic indicators so that Governments can make appropriate decisions about its expenditure and revenue collection policies. Furthermore, the use of AI frameworks assist in performing repetitive tasks including the processing of tax returns, selection of audits hence saving more time for humans to engage in more critical tasks and increasing the efficiency of the administration of taxes (Alonso & Li, 2021).

The use of artificial intelligence in tax frameworks is not in the realm of compliance and revenue collection only. It is also useful in personalizing the tax experiences for individuals or entities involved including the Income Tax Division. For example, it can implement customized solution in terms of taxes for the target clients, thereby improving their satisfaction and involvement (Kokina & Davenport, 2017). Also, AI applications might be employed to create evolutionary tax structures, which means that the tax systems will be able to evolve and adjust to the new circumstances in real time, thus being relevant in the context of the growing globalization. These applications show that AI holds the capacity to bring in improvements in the form of flexible and fair taxation practices for the sustenance of the economy.

Role of AI in improving tax collection efficiency

Artificial intelligence (AI) is gradually assuming important function in improving efficiency in tax collection functions globally. Modern economies have made tax governance an even more herculean task than before hence AI technologies provides governments with efficient ways of automating many of the tax processes, thus lowering compliance costs while boosting revenue mobilisation. Firstly, AI is used to automate the process of collection and processing of large amounts of data and information to assist the tax authorities. Some of the activities that can be delegated for performance by Automated systems are data entry, error identification and tax return preparation, thus eliminating the need to spend a lot of time on those activities (Alonso & Li, 2021). This not only helps to increase the pace of tax collections, but as well cuts out errors that result in loss of the revenue.

Obviously, ML which is a branch of AI helps in more elaborative analysis of taxpayers' data for better and efficient collection of tax revenues. Suppose ML algorithms explain past experiences to recognize standard and recurrent odd activities in financial

operations that facilitate tax evasion and fraud detection for tax authorities (Tadesse & Shiferaw, 2021). For instance, using different ML algorithms, it is feasible to derive from historical tax information which taxpayers are most likely to commit non-compliance so that the tax administering authority may direct its audit and enforcement efforts towards the likely defaulters. It also enhances the chances of identifying people who are engaged in tax evasion to a greater extent but with the added advantage of gunning efforts where such misdeeds are most rife.

More generally, though, AI technologies are involved in optimizing revenue forecasting and collection strategies, not just in tax evasion detection. Within this context, AI-driven predictive models would allow for deriving tax revenue predictions based on the analysis of general economic trends and taxpayer behavior in the past, so that governments could make well-informed decisions on budgeting and appropriate fiscal policy design. Furthermore, these models can be used to identify the possible shortfalls in tax collection and suggest possible remedies so that revenue loss can be curbed. Better performing revenue forecasts help the tax authorities in better planning and ensuring that necessary public services are funded.

The other key benefit of AI in taxation is enhanced taxpayer compliance through Hyper personalization. AI systems can provide individual guidance to taxpayers on exactly what they need to do about their taxes or how to manage the complicated tax laws themselves. In this sense, AI-based chat bots may provide a prompt response to the questions asked by any taxpayer in real time, reducing the necessity and enhancing the overall experience of manual support. AI reduces chances of mistakes hence eases the effort that a taxpayer would put in while trying to comply with their obligation and therefore encourages willing compliance, leading to efficiency in tax collection.

Apart from these advantages, there are issues related to data privacy and ethics that come along with the introduction of AI into tax collection. The mainstreaming and effectiveness of AI are data-hungry, hence raising a critical concern on data collection, storage, and use (Veale & Brass, 2019). There is a present demand for tax authorities to be sure that their AI systems are transparent, secure, and accord with regulations and privacy requirements in light of the high level of public scrutiny that work under the authorities. In connection with this, it is important for guidelines to be developed clearly, not only the guidelines but also for providing sufficient oversight to avoid any misuse through AI in the form of biased decisions or enhancing surveillance. Overcoming these obstacles is a necessity to fully exploit AI's potential in improving the efficiency of tax collection.

AI in designing tax policies that promote economic growth

Artificial Intelligence (AI) is becoming a potent tool in crafting tax policies that support economic development. AI technologies can offer policymakers new insights by analyzing large datasets and simulating different economic scenarios, leading to the development of more effective tax policies. AI's capability to analyze various economic data, such as real-time information from multiple sources, is a significant advantage in making informed tax policy decisions (Cockfield, 2020). This feature enables governments to create tax systems that can adapt to present economic circumstances, fostering growth and maintaining fiscal stability.

Machine learning (ML), a part of AI, is essential in predicting the potential effects of various tax policies on economic growth. Machine learning algorithms have the ability to examine past data in order to discover the connections between tax policies and different economic factors like investment, employment, and productivity (Alonso & Li, 2021). ML models offer policymakers evidence-based predictions on how indicators may be impacted by fluctuations in tax rates, incentives, and regulations, assisting in the development of growth-focused tax policies. For instance, ML can assist in identifying the best corporate tax rates that promote investment while maintaining government revenue, ultimately fostering sustainable economic growth.

AI also plays a role in creating tax policies aimed at tackling income inequality, crucial for fostering inclusive economic growth. Data analytics, a different form of AI technology, allows governments to analyze how tax policies impact different groups within society, guaranteeing that a wide range of people benefit from them (Eichner & Pethig, 2019). By analyzing the impact of tax policies on different income groups, regions, and sectors, AI can help design progressive tax systems that reduce income disparities while stimulating economic activity. This approach not only supports social equity but also enhances the overall stability of the economy, as reducing inequality is often associated with stronger and more sustainable growth.

In addition, AI-based tax policy design can support innovation and entrepreneurship as drivers of growth. That is accomplished through the identification of sectors that have high growth potential, with AI contributing to the making of fiscal incentives that provide rewards for investment in innovation, R&D, and technology adoption. For instance, AI is able to analyze the effectiveness of the existing R&D tax credits and suggest adjustments that would maximize its impact on innovation. It can also help design SMEs-supportive policies; SMEs are, in many countries, key drivers of job creation and economic diversification. AI-driven policies aimed at creating a favorable tax environment for innovation and entrepreneurship will ensure long-term economic growth with sustainability.

Despite the benefits, important ethical and practical challenges also befall the use of AI in tax policy design. Policies came through AI to be made transparent, fair, without bias, and such that they command trust from the general public, thus facilitating the attainment of projected economic goals. But neither should there be any illusion among policymakers about the limitations of AI models, which are only as good as the quality and representative nature of the data on which they are trained. Clear guidance, along with investment in the underlying technical and regulatory infrastructure, will be needed if governments are to exploit the

full potential of AI in using tax policy to drive growth. It is in accounting for these challenges that AI may become a very transformative tool when it comes to the making of tax policies that drive economic prosperity.

AI applications in helping businesses optimize their tax strategies

Artificial intelligence is transforming how businesses meet their challenges of tax strategy optimization through the innovation of advanced tools for improved decision-making, better compliance, and reduced costs. The aspects of the applications of artificial intelligence, such as machine learning, data analytics, or natural language processing, help a business assess complex taxation requirements and financial data with an aim to determine tax-saving opportunities and track fulfillment within the boundaries of the law. These helps navigate companies through the increasingly complex global tax landscape, enabling such companies to make tax-efficient decisions and minimize liabilities while still remaining compliant.

One of the big ways in which AI has been helping businesses optimize their tax strategies in the predictive analytics phase: ML algorithms are now projected with the use of historical and current financial performance data to project future tax liabilities, thus planning for the same. This facility allows predictive models to be sensitized, for example, to cases whereby changes have occurred in the tax law or even in the economic environment, enabling firms to estimate whatever the changes would have implied for their tax exposures. Such a forward-looking approach allows companies to make strategic changes, for example, in the timing of income and deductions, to reduce their tax burden and maximize cash flows.

AI-based analytics helps identify this opportunity—the one that would go unnoticed without its application. For instance, utilizing AI, large volumes of financial and transaction data can be crunched to disclose patterns and correlations that infer tax-saving opportunities, whether through credits, deductions, or incentives. These insights suit a business striving to exploit every available tax break and minimize tax liability. AI will further help companies to drive efficient tax strategies across jurisdictions and foster the analysis of taxability in relation to a wide range of international operations and transactions, cumulatively developing effective worldwide tax planning.

Another application of AI to help businesses deal with the understanding and interpretation of complex tax regulations with the help of NLP is Natural Language Processing. NLP algorithms will thus also have no difficulty with legal tax texts—tax codes, rulings, and treaties—to extract the necessary information needed for decision-making purposes (Kokina & Davenport, 2017). Such a capability would allow businesses to be aware of any change in regulation and, therefore, adjust their tax strategies in compliance with such a change in the law. On the other hand, AI-enabled tools automate the filings and documentation preparation for tax, thereby saving a lot of time and effort in performing the job, with less chance of errors.

AI use in tax strategy optimization is also used to increase the levels of efficiency and effectiveness in the fields of tax audits. Such AI applications can also help businesses prepare for an audit by pinpointing areas of risk and confirming that the required documentation is available. AI will automate the audit process and analyze the audit trails to provide audit requests with really quick and accurate responses, thus lowering the possibility of disputes and related penalties. Such a proactive approach not only protects business enterprises from such costly mistakes but also helps refine the overall taxation strategy by gaining much deeper insights into the tax compliance and risk management practices.

Challenges and Ethical Considerations

The incorporation of Artificial Intelligence (AI) in tax systems and business tax strategies brings about notable obstacles and moral concerns. One of the key obstacles is making sure that AI algorithms are accurate and dependable. AI systems, especially those using machine learning, heavily depend on the quality and representativeness of their training data. Unfair tax assessments or misguided business strategies can result from biased or incomplete data, causing AI models to generate skewed results. Moreover, the intricate nature of AI algorithms can pose challenges for tax authorities and businesses in grasping and analyzing the decisions produced by these systems, leading to worries regarding transparency and accountability.

When implementing AI in tax-related applications, ethical considerations are extremely important. Privacy and data security concerns arise with the implementation of AI in tax administration, as these systems typically necessitate access to extensive sensitive financial data (Alonso & Li, 2021). It is essential to maintain the public's trust by securely handling taxpayer data and ensuring AI systems adhere to privacy regulations. Furthermore, there is a possibility for AI to uphold current disparities, especially if the algorithms show prejudice towards specific groups or areas. Policymakers and businesses need to create specific rules and monitoring systems to deal with these moral concerns and guarantee that AI is employed responsibly in the field of taxation.

IV. Technical, regulatory, and operational challenges in adopting AI-driven tax frameworks

The use of AI in tax frameworks has various technical issues that make it hard to implement it. Another technical challenge is the compatibility of AI systems with current structures of taxation that are weak and not able to accommodate the features of AI technologies (Cockfield, 2020). AI may not work properly on old platforms due to its high demand in computational power and data processing from the legacy systems. Also, the creation and application of AI models depend on the availability of extensive quantities of high-quality data, however, quality data is a challenge because of its inconsistency, privacy concerns, and

restrictions in data sharing (Eichner & Pethig, 2019). Such technical challenges are therefore likely to hamper the application of AI-based framework and reduce their impact in taxation. Some of these challenges are:

i. Regulatory Challenges

Regulatory challenges also provide significant barriers to the widespread adoption of AI in tax administration. Particularly, the use of AI in the tax systems may raise concerns for compliance with pre-existing legal frameworks since AI algorithms can make decisions that are not absolutely transparent or understandable to human users (Veale & Brass, 2019). This opacity has often been referred to as the "black box" problem, which might render it very challenging for tax authorities to ensure that fairness and consistency are maintained in AI-driven decisions. Moreover, the high speed of artificial intelligence development is usually ahead of regulators who manage to come up with proper guidelines and enforce them in time, hence creating a regulatory lag, which may consequently result in possible misuse of AI technologies within the administration of taxes (Alonso & Li, 2021). To that effect, regulative challenges require informed collaboration by policymakers, the legal fraternity, and developers of AI to come up with a strong regulatory framework that balances innovation with accountability.

ii. Operational Challenges

Operational challenges complicate the adoption of AI-driven tax frameworks, most especially in areas relating to human resources management and organizational readiness. In fact, deploying AI technologies in tax administration requires several specialized knowledge and skills, which typically are lacked by tax authorities, hence creating a skill gap likely to impede successful deployment and management of AI systems. Up-skilling and re-skilling of existing staff and bringing on new talent with AI and data science skills is highly required but may turn out to be really time-consuming and very expensive. While introducing AI systems may put them at risk from the employees who actually are scared of the automation going to substitute people's jobs at work; this may result in possible push back and non-buy-in from key stakeholders. Workforce development and change management strategies will eat up huge investments to ensure that tax authorities are ready to manage and operate AI-driven frameworks effectively.

iii. Challenge of Interoperability of AI-driven tax Frameworks

Another operational challenge is how to ensure the interoperability of AI-driven tax frameworks both across jurisdictions and levels of government. Tax systems are inherently complex, involving several layers of governance; each level not only entails its own laws and regulations but also rules and policies. AI systems must therefore be designed to traverse all such complexities while maintaining consistency and accuracy in their outputs. Interoperability may be challenging because of the differences in data formats, standards, and legislations. The second problem—bringing about alignment among the stakeholders with respect to AI adoption among the federal, state, and local tax authorities—requires a perfect communication-collaboration, which is quite difficult in a real scenario.

iv. Ethical Implications

The ethical dimensions of embracing AI-driven tax frameworks cannot be wished away. One such issue relates to the responsible usage of AI systems and how they might increase existing inequalities. For example, AI algorithms, when trained on biased data, can easily spit out biased outputs likely to impact some sets of taxpayers more than others, thus leading to assessment or enforcement practices that are unfair to those taxpayers (Veale & Brass, 2019). Moreover, the use of AI in tax administration increases the risks to data privacy and raises the possibility of higher levels of surveillance, both of which will tend to undermine public trust in tax authorities. The ethical challenges in these areas call for a way to develop clear guidelines and ethical standards in using AI in tax systems, to be continuously monitored and evaluated to ensure that AI technologies are fairly, transparently, and in accordance with public values applied.

V. Strategies for overcoming the challenges**i. Modernize existing IT infrastructure**

Indeed, the technical challenges that naturally arise in integrating AI-driven tax frameworks inherently imply a multi-faceted approach. Modernization of the existing IT infrastructure can be done to support the computational and data processing needs that the technologies of AI entail. Legacy system upgrade and cloud-based solutions use would help in scaling up and bringing flexibility to AI applications. It also invests in robust data management practices. It involves data quality, coherence, and integration from numerous sources to form the basis for AI algorithms. Data governance frameworks also contributed to the improvement of the reliability of AI systems and their successful integration into current tax infrastructure by standardizing data collection, storage, and usage.

ii. Develop and implement comprehensive regulatory frameworks

The development and implementation of open and broad regulatory frameworks would be important to take into consideration the special features of AI technologies and the modalities of their integration that create regulatory challenges within tax systems. To achieve this, policymakers will need to work together with AI developers and experts in the law to come up with guidelines that

allow transparency, accountability, and fairness in AI-driven tax administration. This would spell out very clear rules on algorithmic transparency, to include the requirements of AI systems to give an account of their decisions, which might probably reduce the "black box" problem. This could also apply to the regular auditing and evaluation of AI systems as a tool to check compliance with regulatory standards and point out problems early enough—problems that, if recognized in time, could easily be resolved before bloating into big issues.

iii. Investing in training and development programs to equip tax professionals

Notably, such operational challenges pertaining to workforce readiness will have to be overcome by investing in some relevant training and development programs to equip tax professionals with the necessary skills to manage and operate AI systems effectively. This includes education in AI technologies, data analytics, and change management strategies. Specialised training programs can be designed and delivered with the collaboration of academics and professional bodies to fill the gap in skills to make the workforce ready to work up to the requirements of AI-driven tax administrations. Moreover, a culture of innovation and adaptability can be fostered inside the tax authorities to reduce any kind of resistance to change for the smooth integration of AI technologies.

iv. Develop collaborative approach involving multiple stakeholders

Interoperability challenges require a collaborative approach by the various stakeholders. Governments and tax authorities should cooperate in developing their jurisdictions' data sets and protocols in a way that various AI systems can be plugged into them within such jurisdictions. A collaboration on establishing cross-jurisdictional working groups will align the efforts to ensure that AI-driven tax frameworks fit varying regulatory requirements and data standards. In addition, international cooperation and sharing best practices is further institutionalized for efforts toward making AI implementations more effective and supporting more consistent and efficient tax administration in general.

v. Develop comprehensive ethical guidelines and frameworks

The human element in such ethical considerations can be addressed by developing comprehensive ethical guidelines and frameworks guiding the use of AI in tax systems. This paper emphasizes concerns about AI systems related to data privacy, prevention of algorithmic bias, and fairness in AI systems (Veale & Brass, 2019). Impact assessments and periodical auditing for the effects of AI systems in ensuring ethics are very instrumental, and concerns identified in ensuring that concern is addressed before damage is done. It can also enhance the trust and ensure responsible use of AI technologies in tax administration by creating and improving relations with stakeholders beyond general public involvement, through such activities as collecting feedback and transparency in exercising AI. Overcoming these ethical challenges can make the acceptance of AI-driven tax frameworks more widespread and effective.

VI. Conclusion

The application of Artificial Intelligence to tax systems holds immense opportunities and significant challenges. In that respect, an AI-driven tax framework can make tax administration an efficient, compliant, and business-friendly component of planning optimal tax strategies. Equipped with machine learning, data analytics, and predictive modeling, tax authorities can ease processes, detect anomalies, and forecast revenues more effectively. These developments offer a better route of tax collection and strategic planning that will yield economic growth and improved services in the public sector.

However, there exist challenges to the full deployment of AI in tax systems. The first ones are technical, such as the integration of AI with the existing infrastructure and ensuring data quality. On the other hand, regulatory challenges—transparency and adherence to legal standards—add complexity to the deployment of AI technologies. This would entail careful management of operational issues regarding the implementation, including closing the gap in workforce skills and ensuring interoperability across jurisdictions.

Some of these challenges can be overcome by applying several strategies. Among such techniques are the enhancement of IT infrastructure and better data management practices to overcome some of the technical issues in using AI; detailed regulatory frameworks and guidelines for dealing with the legal complexities and ensuring ethical use of AI. Furthermore, investment in the training of the workforce and development of a collaborative environment among stakeholders would help resolve all operational issues and make the integration of AI technologies into tax administration much smoother.

Although AI is a very critical element in the revolutionizing of tax systems and increasing business efficiency, attaining all these benefits requires careful planning and execution. Only by addressing technical, regulatory, and operational challenges by focusing on strategies targeting each of them can tax authorities and businesses employ the full potential of AI-driven tax frameworks. Ultimately, successful AI adoption in tax systems has very great potential to create outsized improvements in tax administration, economic growth, and general public sector effectiveness that will pave the way for a more efficient and more effective tax environment.

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