Science & Technology · GS - III

Artificial Intelligence can improve tax administration but may also create concerns about transparency, accountability and taxpayer rights. Discuss the need for a robust governance framework for AI in India's tax system.

EXAM YEAR	PAPER	SUBJECT
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MARKS	WORD LIMIT
10	~150 words

Answer Hint

AI-driven tax compliance; data analytics and efficiency; algorithmic bias and false positives; human oversight; transparency and explainability; taxpayer rights and independent audits

Model Answer

Introduction

Artificial Intelligence can strengthen tax administration by analysing large datasets, detecting suspicious transaction patterns and identifying potential tax evasion. However, unchecked automation can undermine fairness and public trust.

Benefits and concerns

AI can improve compliance monitoring, reduce manual workloads and enable more targeted scrutiny. Nevertheless, biased data, inaccurate models and opaque algorithms may produce false positives. Taxpayers could face unnecessary investigations without understanding the reasons behind adverse decisions.

Essential governance safeguards

First, AI-generated alerts should ordinarily trigger appropriate human review rather than automatically establish tax liability. Second, authorities should provide understandable reasons for adverse decisions and meaningful opportunities to challenge errors. Third, regular independent audits should assess accuracy, bias, security and discriminatory outcomes.

Data collection and processing must also follow applicable privacy laws and safeguards. Clear accountability should identify officials responsible for decisions made with AI assistance.

Conclusion

India needs a risk-based AI framework for tax administration that combines technological efficiency with transparency, human accountability and procedural fairness. Responsible AI can improve revenue collection without compromising taxpayer rights.

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