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Riding the wave: A framework to plan for AI

AI-enabled Tax Transformation

After "testing the water" or even "diving in", many tax leaders are now considering how to ride the artificial intelligence (AI) wave deliberately. AI is advancing rapidly, investment is increasing, and expectations—from boards, finance leadership, and tax authorities—are rising. Yet progress remains uneven. While most tax leaders recognize AI as strategically important, many are still experimenting, piloting, or hesitating to commit at scale.

For tax departments in multinational organizations, this uncertainty can create a planning challenge. Decisions made today on data, operating models, governance, and talent may play out differently depending on how the AI landscape evolves.

For CFOs and CEOs, these dynamics extend well beyond the tax function itself. As AI increasingly informs pricing decisions, supply chain design, capital allocation, and M&A activity, tax outcomes become intertwined with broader governance questions around transparency, accountability, and control. In this context, the tax function can become a stress test for how effectively an organization is managing AI-driven risk and complexity across the enterprise.

At this stage, the question is not whether tax functions will engage with AI, but under what conditions they will operate at various stages of adoption. Rather than assuming a single future, scenario thinking allows tax and finance leaders to explore a range of plausible outcomes.

A framework for the future

The following framework is based on two independent but interrelated dimensions: the level of AI adoption within the tax department and progress by the tax authority in implementing AI. These dimensions evolve independently, and misalignment between them can shape the complexity tax departments must manage. Scenario thinking helps leaders anticipate where they are likely to sit over time (such as by 2030 or 2035) and plan for differences between their own AI adoption and the progress of tax authorities.

Four potential future scenarios: A framework

HIGH

Progress in AI implementation in tax authorities

Scenario 3: Uneven progression

- Heightened audit and dispute exposure
- Forced, high-pressure transformation
- Real-time data-driven oversight from tax authorities
- Complex issues remain manual

Scenario 4: Tax transformed

- Tax "just happens"
- Continuous or near real-time compliance
- Preventative, AI-driven controls
- Human role shifts to judgment and strategy

Tax administration 3.0

LOW

HIGH

Scenario 1: Limited progress

- Manual and fragmented processes with limited interaction with tax authority
- Limited systems integration or automation beyond basic GenAI
- Reactive compliance and risk management

Scenario 2: Advanced automation and systems integration

- AI embedded across tax and finance, a mix of tax and information returns, automated workflows
- Parallel processes across jurisdictions
- High internal efficiency, external complexity
- Human in the loop

Tax administration 2.0

LOW

Tax department AI adoption

Scenario 1: Limited progress
Low enterprise AI adoption and low tax authority AI implementation

This scenario assumes a world where tax authorities remain at a Tax Administration 2.0 model and the company's tax team has not embraced AI beyond basic GenAI tools.

In this scenario, AI adoption progresses slowly on both sides. Tax departments continue to rely largely on limited systems integration, using AI selectively for productivity or simple automation. Tax authorities operate within a Tax Administration 2.0 model, characterized by e-filing, increased digital data collection, and traditional audit approaches supported by basic analytics, rather than embedded AI.

This scenario is increasingly unlikely for most large multinational tax departments, though it may apply to some smaller or less digitally mature organizations. Even so, it carries inherent long-term fragility: continued reliance on manual processes, fragmented data, and limited AI capability may reduce the tax function's ability to adapt as expectations evolve.

At first glance, the environment may appear stable. However, persistent data fragmentation, skills gaps, and manual controls can constrain responsiveness and erode resilience over time. As vendors and ERP platforms embed AI, legacy tax technology can quickly fall behind—increasing costs and error risk, and making it harder to justify future investment when benefits are not immediately visible.

Tax departments that see this scenario as likely in the medium term may choose to treat it as a transitional or legacy state. This means acknowledging its limitations early and focusing limited effort on immediate risk mitigation—such as improving data hygiene and strengthening detective controls. An example could be use of AI agents to flag common anomalies in source data and account reconciliations for human review.

A practical response could include setting out a short roadmap to move beyond basic GenAI tools, alongside agreeing a minimum set of governance and accuracy checks to support responsible use.

Scenario 2: Advanced automation and systems integration
High enterprise AI adoption and low tax authority AI implementation

In this scenario, the tax department has advanced significantly with AI adoption and routinely uses AI agents, but the tax authority remains at Tax Administration 2.0. This is a more realistic scenario for most multinationals, although it is more likely they will have to contend with a patchwork of tax authorities in different jurisdictions at various stages of AI progress.

In this scenario, organizations will have embedded AI across finance and core business processes, while tax authorities lag behind. AI will be used internally for analysis and decision-making on a variety of business issues such as pricing, supply chain, forecasting, and M&A – but with humans in the loop to review and validate the AI outputs. For example, for indirect taxes, an AI agent can act as a digital tax analyst, extracting, validating, and cross-checking invoice data to continuously monitor transactions and route exceptions to the appropriate reviewer, improving accuracy and compliance through automated processing and supporting data verification.

This version of the future may bring increased compliance complexity and potentially higher operational burdens, as some countries would require manual or bespoke filings, while others will be more automated. There is also likely to be additional stress on the talent model because Tax will need people who can manage both tech-enabled processes and legacy compliance demands. This may create a tension between the speed of AI-enabled decision-making and the tax function's responsibility to stand behind outcomes that are accurate, compliant, and defensible.

This scenario presents an opportunity for tax leaders to build a compelling business case for investment in tax-specific AI solutions and governance, demonstrating how tax can protect value and enable business growth. Tax functions would need to engage earlier in governance and oversight as accountability becomes harder to trace in AI-driven processes, shifting the role of tax upstream into enterprise decision-making. For instance, agentic corrections to source data will need to be stored back to the relevant system of record to maintain an audit-ready tax posture.

When planning for this scenario, tax leaders may want to consider:

- a hybrid compliance model that supports both modern, AI-enabled processes and legacy government requirements;
- investing in flexible integrations and an audit trail to support results from automated processes in the files/formats required by less advanced authorities; and
- a managed service or selective outsourcing with specialist resources for the complexity where local tax authorities are not capable of real-time interaction.

Scenario 3: Uneven progression
Low enterprise AI adoption and high tax authority AI implementation

In this scenario, tax authorities have moved to a real-time, data-driven model (Tax Administration 3.0) that expects upstream data quality and integration, while the company's tax function has not adopted advanced AI and remains limited in automation.

In Tax Administration 3.0, tax authorities will have implemented AI to analyze large datasets, issue more frequent, granular data requests, and more easily identify anomalies indicating possible errors, potentially giving rise to more tax audits. In this environment, the traditional reliance on detective controls and reactive issue management would become unsustainable. Tax departments may struggle to respond using legacy ERP systems and manual processes, as identifying and correcting errors after submission would no longer be sufficient. The talent model in this scenario would shift toward individuals with strong data analytics, technology integration, and project management skills, capable of driving rapid transformation and managing complex data environments.

The imperative would shift to implementing proactive, AI-driven preventive controls upstream in business processes. Without this, organizations may face higher audit exposure and could struggle to achieve "first-time right" compliance or maintain data integrity. This could force accelerated transformation under pressure, with limited strategic choice. Failure to adapt in this scenario could lead to significant penalties, operational disruptions, and, in extreme cases, impact the ability to operate effectively in certain jurisdictions due to non-compliance.

Tax departments planning for this scenario may wish to consider:

- prioritizing upstream data quality and preventive controls to embed tax requirements into business processes;
- building the business case for AI or automation and securing funding by linking compliance with business continuity; and
- creating stronger links between the tax, finance, and operations functions.

Scenario 4: Tax transformed

High enterprise AI adoption and high tax authority AI implementation

In this scenario, both tax authorities and companies operate in an AI-enabled, largely automated environment. Compliance shifts toward continuous or near real-time reporting, and the focus moves from detection to prevention.

Human judgment remains instrumental. In this scenario, tax operations, particularly routine compliance and data processing, would largely be automated and may become further integrated with the broader finance function. The result: the tax department's role changes, with fewer routine tasks, but more emphasis on the strategic and advisory aspects of tax. Tax professionals would transition from preparation to oversight, interpretation, policy interaction, and dispute resolution, embedded within enterprise decision-making rather than operating at its margins.

While the digital workforce would handle routine tasks, human tax professionals would be needed to interpret complex scenarios, ask nuanced questions, validate AI outputs, and provide strategic advice on the most complex issues that AI cannot fully resolve due to the human-made and interpreted nature of tax law. Tax professionals would leverage AI tools to enhance their analytical capabilities, identify trends, and provide more sophisticated, data-driven insights.

The future talent model would require highly skilled professionals with deep tax expertise, strong analytical capabilities, and a solid understanding of AI and data governance. Tax leaders can also expect an evolution in the relationship with tax authorities, which could become more collaborative and data-exchange driven. This closer relationship would also need tax professionals to invest more heavily in relationship building.

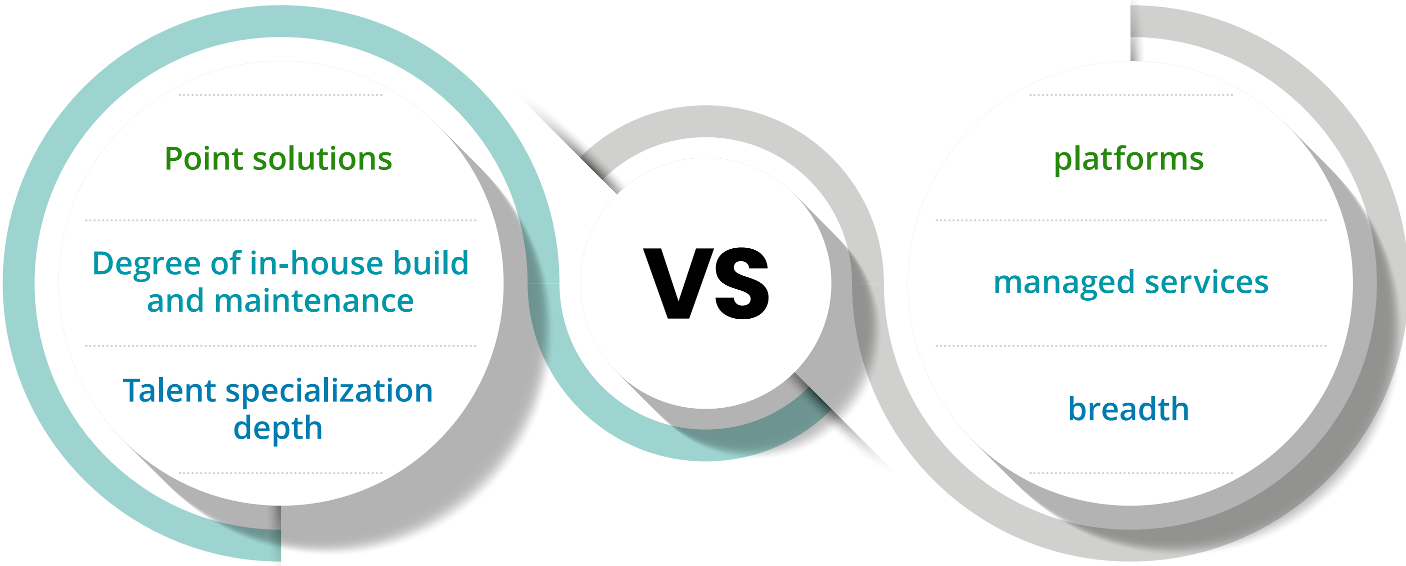
When devising an approach to this future state, tax leaders could consider splitting strategic planning between the two streams of (a) tax operations: largely automated, tightly integrated with finance, and (b) tax advisory: complex questions and strategic planning.
It may be worth investing in AI validation, model governance, and "expert-in-the-loop" capability so that humans can interpret outputs, craft correct prompts and resolve exceptional cases.

A combination of scenarios

It is likely that many companies will find themselves in a combination of scenarios. Decisions that apply across all four include:

- Data integrity and common data models
- Clear ownership of AI-driven tax outcomes
- Explainability and audit trails
- Cross-functional integration with Finance, IT, and Operations

Some decisions, however, need to remain flexible, such as:



Anticipating the waves

Across all four scenarios, one thing remains constant: the outcome will depend as much on preparation as on the pace of AI adoption. Waiting for certainty may limit strategic options. Acting without considering alternatives can introduce unnecessary risk.

While the future cannot be predicted, a reasonable assumption may be that AI implementation will move at different speeds across the world. Multinational organizations will need to manage compliance across this patchwork of Tax Administration 2.0 and 3.0, increasing complexity and the burden on fragmented systems. Proactive engagement and strong relationship management with tax authorities will become even more important to navigate increased scrutiny and data demands.

The specific impact and optimal response to these scenarios may vary significantly based on an organization's size, geographical footprint, and digital transformation journey. Across scenarios, organizations that invest early in data integrity, clarity of decision ownership, and cross-functional collaboration are likely to be better positioned, regardless of how quickly AI adoption accelerates.

As AI continues to reshape the business landscape, the challenge for tax leaders may no longer be whether to engage, but how to evolve deliberately, positioning the tax function to move with the wave rather than being shaped by it.

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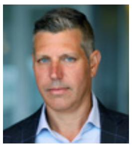

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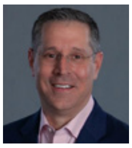

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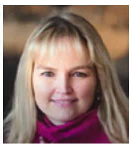

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