



TAX NEWS & VIEWS PODCAST

Episode - GenAI for Tax: Lessons learned from early adopters

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Carrie Falkenhayn: From Deloitte Tax, welcome to the Tax News and Views Podcast. In this series, we talk to specialists from Deloitte about the latest business issues and developments. I'm Carrie Falkenhayn, your host for Tax News and Views. And today, I'm excited. We're recording the fourth episode in our micro-series focused on Gen AI for tax. And in this episode, we're going to explore how those early adopters of Gen AI are really transforming tax operations. These pioneers, by leveraging GenAI technologies, are impacting tax processes, enhancing data insights, and allowing for greater regulatory compliance. So, in this discussion, we're going to examine some emerging trends. And explore future strategies for modernizing tax functions. All with an emphasis on transparency and advanced analytical capabilities. So, joining me today for this discussion are three leaders from Deloitte's tax technology practice. With me are Ankush Bhatia, Brandy Horton, and Danielle Leeman. And, Ankush, I'm going to start with you.

Now that Gen AI now that Gen AI has been around for some time, what has changed, and what's the interest level? How has it evolved?

Ankush Bhatia: Thanks, Carrie. So, with GenAI being around for a while now, I think a lot of shift has happened from, like, experimentation to, like, real-life scenarios, right? Over the last year and a half. IT departments have been able to put together a governance and path to production in their businesses, and business teams like Tax are being able to leverage that path governed by IT to really drive from an

experimentation phase into more agentic-enabled agents who can help develop these digital workforces which can work side-by-side with humans to help them do their job better. Some of the scenarios we are seeing in this space are agents helping review large volumes of data to come up with data anomalies, helping driving accuracy, helping optimizing the process itself. We're also seeing a lot of focus being driven towards insights into data from a strategic planning perspective on how historical data can be used or leveraged from a tax planning perspective, as well as from a compliance and risk reduction perspective where agents are able to harness historical data and come up with recommendations, etc, in different jurisdictions, which can help reduce risk and drive compliance.

Carrie Falkenhayn: That's terrific, and it's great to see that all the interest in Gen AI is resulting in some, interesting use cases. So, Danielle, let's get you involved. Given that, what steps should organizations take to support successful AI adoption?

Danielle Leeman: Yeah, thanks, Carrie. It's a really, really great question, and what's key to remember is that AI adoption isn't just a technology initiative. It's really a business transformation, and so that means keeping your people at the center and really rethinking the processes that are necessary to get work done, given this massive and really hugely beneficial shift this AI technology capability allows. So, there are some key steps that we're seeing, and the first is aligning AI initiatives with business strategy. They should not be separate. So, AI projects should address specific business pain points or opportunities within tax and finance, and that could be things like automating compliance, improving forecasting, or enhancing risk management. Now, the second step is investing in data quality and governance. AI is only as good as the data it uses, and I know Brandi's gonna touch on this more here in a bit, so I'll let her dig into that more. The third step is engaging stakeholders early and often. So, you need to involve tax, finance, IT, and legal teams from the outset. Because early engagement helps identify risks and clarify objectives, which is really important, and then build the buy-in across those functions.

And this is also key because the AI enhancements that you want to make in your tax or finance department likely need to be aligned with or even planned within the broader IT roadmap for your organization. The next step is upskilling and reskilling your talent. So, equipping teams with the skills to really work alongside AI. And this might mean training on new tools, data literacy, or change management itself. But we really want to highlight the value of human judgment in interpreting AI outputs in this training, because humans are still the differentiator. And especially, you know, this is critical for reviews and quality assurance in the tax and finance space.

And then something else organizations want to do. And think about it in terms of piloting and then measuring that pilot and scaling. So, you want to start with these small, well-defined pilots, because then you can measure the outcomes and learn from the failures which do happen, and that's expected in this space. And then scale those successful initiatives. This really reduces the risk, and most importantly, it builds organizational confidence on those successes. And then, finally, really prioritizing change management across the board. We need to be communicating transparently about the why behind AI adoption. Why are we doing this? Organizations need to address directly the concerns about job impact and create a culture that embraces innovation and continuous learning. And this part's huge. So, in Deloitte's latest Global Human Capital Trends Report, we talk about the Employee Value Prop, or EVP. This is EVP is why an employee should want to work for your company. And in the age of AI, it's critical that we're rethinking our organization's EVPs because, as the article says, we can't realize the value of AI without accounting for its impact on the human experience, and we can't create a compelling human experience without accounting for the impact of AI. So, I really recommend that people go check out this report. It's got a lot of great stuff in it. But ultimately, why all these steps matter is because tax and finance functions are often pretty risk-averse and highly regulated. So having a structured, people-centric approach allows organizations to achieve the value that AI can deliver while maintaining compliance and trust. And ultimately, you need all of that to lead to successful AI adoption and the ROI of why we're doing it in the first place.

Carrie Falkenhayn: Yeah, Daniel, I agree. I think that people plus technology is really important in this area. Brandy, let's get you involved. So, it seemed at first that AI might have been viewed as a novelty. How are we seeing organizations view the value of AI compared to its initial knowledge?

Brandy Horton: Thanks, Carrie. You know, just a little bit over a year ago, every client conversation about GenAI started with, you know, what can AI actually do for tax? There was lots of curiosity, excitement, and, you know, creative brainstorming about all the possibilities. But today, those conversations have shifted in a huge way. Clients are not just impressed by what's new anymore. They're asking, how does GenAI help us work smarter, faster, and with fewer headaches? The cool demos are great, but what really matters is whether Gen AI can tackle everyday tax challenges, like automating data analysis improving compliance, reducing the time spent on manual reconciliations. So, I'll give you a real-world example. We recently worked with a client on a GenAI proof of concept, and after the initial rollout, their team took the time to analyze the results. So, not just the features, but the true impact. And what they found was a game changer for them. Error rates were dropping, the team saved hours with automated data review, and they had real-time insights into their data. So now Gen AI was not just this new, shiny thing, it proved its worth in action with tangible, measurable improvements to their tax processes. And here's another big shift. Transparency and measurability are front and center. Clients want to see the numbers. How much time did we save? How many errors did we catch? Can we trace every step for audit purposes? So, GenAI solutions are being held to a higher standard, and that's a good thing. It means we're moving from, you know, trust us, it works, to here's the proof, and here's how you can check it. Plus, scalability is key. Clients aren't just asking for one-off wins. They want solutions that fit into their long-term modernization strategies. So, they're looking for use cases that have been proven, like compliance monitoring or reporting automation, and they want to know how to get started in a way that's sustainable. So the big takeaway is that GenAI's value is now measured by real business impact, and not just the novelty. So the question has shifted from, is this possible, to how can we make this work for us, and how do we measure success? And that's a sign of a maturing technology, and it's really exciting to see.

Carrie Falkenhayn: Well, thank you for that, Brandi, and I want to go back to something that Dania said earlier around data, and your comments around the lessons that early adopters have learned about data quality and its reliability as it impacts GenAI applications for tax.

Brandy Horton: So, Carrie, this is actually one of my favorite topics, because it's where Gen AI can truly deliver, or if you're not careful, where things can go sideways. So, early adopters have learned that GenAI is only as good as the data you feed it, as Danielle mentioned. So, we like to think of it like building a house. If your foundation isn't solid, it doesn't matter how pretty it is, everything, the whole structure is at risk. And so, the same goes for GenAI and Tax. Your data is the foundation, and everything else depends on getting it right. But here's the twist. Not only is thorough data preparation absolutely essential, it's just as important to make sure your process for preparing that data is solid and streamlined. I've seen teams spend hours wrangling spreadsheets and chasing down missing fields, only to realize that a repeatable, well-documented process could have saved them a ton of time and headaches. When your data prep is smooth and the process is reliable, you can trust your results and scale your GenAI projects much more easily. So, what does that look like in practice? Well, it means having clear steps for cleaning, standardizing, and structuring your data, and making sure everyone knows that playbook. Automation helps here too, right? The more you can automate those routine checks and fixes, the less you're relying on manual effort, and the more reliable your GenAI outcomes become. Another consideration is going to be continuous monitoring and governance. That is critical. Gen AI models can drift over time, and data can change. Sometimes the change is subtle, sometimes it's dramatic, but early adopters have set up robust, comprehensive governance frameworks and regular

reviews to keep everything running smoothly, and to quickly address any data quality concerns that might pop up.

Cross-functional collaboration is another big lesson. Tax, IT, data teams, they all need to work closely together to make sure Gen AI solutions actually meet business needs and regulatory requirements. We had a client, they started holding periodic stand-ups, that brought together all of those teams from all of those areas, because these quick, structured sessions helped surface dependencies and changes early. So that teams could adapt quickly, keep everyone aligned on objectives, and ensure solutions don't get stalled waiting for clarification. We also can't forget about advanced analytical capabilities. The best Gen AI platforms offer explainable AI features, which means you can easily see how decisions are made, which is crucial for auditability and compliance. So clients love being able to say, here is how we got this result, and here is the evidence. And finally, an iterative approach works wonders. We start small, we learn from each phase, and then scale up gradually. One client started with GenAI for tax provision, they learned a ton, and then now they're expanding to indirect tax automation. So, it's all about building confidence and reducing risk as you go. But in summary, we have strong data, streamline processes, frequent cross-team alignment, and an incremental approach all set the stage for success with GenAI and Tax.

Carrie Falkenhayn: That all sounds great. Maybe to wrap us up, Ankush, I'm gonna go to you. Given all the things that we talked about, what organizations are wondering, should they try to do this on their own, or should they outsource it? So what have early adopters learned about build versus buy considerations?

Ankush Bhatia: Thank you. That is a great question. And there are many factors which we need to consider as we think of build versus buy. Some of the main factors I would consider is the timeline, and where we are, or where the organization is in terms of their IT journey on GenAI. If they're kind of kicking off, I would definitely want to make sure that you have the right governance, the right models in place for you to be able to do a build of the model or build of an agent. This requires time from SMEs to work closely with the technology team so that the tax technical and technology can come together to build a solution that can meet business needs. And that definitely is a journey, and a lot of time needs to be spent as we go through that build journey. On the other side, buy or licensing a product gets you quick ROI as compared to build, but then it is a product that you need to implement to customize based on your needs. So the way we have been targeting the buy market is we are building agents and working with our clients to configure the last mile. So the agents we build typically handle 80% of your problems, and the last 20-mile configurations are done with the clients as a last-mile configuration. Apart from build versus buy, a third option exists is buying a half-baked solution, or buying a solution which is billed up to a certain point and then configuring that solution in-house to meet the rest of its needs. And that has been a very attractive option for some of our clients, because they are able to get a pre-built solution, and then do the last mile configuration or changes into it to meet their specific needs and then move that forward.

Carrie Falkenhayn: Alright, well, thank you all for sharing these insights. If our audience wants more information, I would encourage you to listen to the other episodes in this Gen AI miniseries. There's 3 others. You can go to [Deloitte.com](https://www.deloitte.com) and search under Gen AI for tax. You'll find these, podcasts, as well as a wealth of other information. Thank you all for listening in today, and I hope you join us next time. Be well, everyone! Take care.

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