AI IN FINANCE | TAX ADMINISTRATION · RISK SCORING · TAX COMPLIANCE

Tax authorities and AI: risk scoring, audit selection and what triggers a query

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Most tax authorities now use AI. HMRC says AI and analytics helped protect GBP 10 billion of revenue in 2025-26, and the IRS had 126 AI use cases by mid-2025. Inconsistent data is what gets flagged.

Global reference

- Scope: Tax administrations in OECD and partner countries
- Topic: AI in risk assessment, audit selection and fraud detection
- Key sources: OECD Tax Administration 2025; GAO report on IRS AI (March 2026); HMRC annual report 2025-26

The numbers

- OECD: 69% of tax administrations used AI in 2023, up from 9% in 2016, and a further 24% were implementing it, across 58 jurisdictions.
- United States: the IRS had 126 active AI use cases by June 2025, up from 10 in August 2022; 61% were still in development, according to the GAO.
- United Kingdom: HMRC says AI and advanced analytics helped protect and record GBP 10 billion of revenue in 2025-26. Its Connect platform links data from many sources.

How authorities use AI

- Scoring returns for risk and choosing cases for audit.
- Matching returns against third-party data: banks, payroll, property and customs.
- Detecting VAT fraud patterns across networks of companies.
- Reviewing large partnership and mid-market corporate returns, as the IRS reports.
- Monitoring open years continuously, not just at filing.

What triggers a query

- Differences between VAT returns, e-invoices and financial statements.
- Margins or expense ratios far from sector peers.
- Large related-party payments, especially to low-tax countries.
- Customs values that do not match transfer pricing.
- Repeated late filing or amended returns.

What to do now

- Reconcile what you report across taxes: corporate tax, VAT, payroll and customs.
- Run the same analytics on your own data before filing.
- Keep transfer pricing and related-party files current.
- Explain unusual items in the return or a note where the system allows.

Our take

Tax authorities are ahead of many taxpayers on data. Consistency across filings is now the best defence: what the AI flags is the mismatch, not the size of the business.

Sources

- OECD: Tax Administration 2025
- Policy Edge: OECD report on AI in tax administrations (November 2025)
- Olshan Frome Wolosky: IRS's use of AI in tax enforcement
- Pinsent Masons: UK firms warned following HMRC AI-powered tax crackdown (14 July 2026)

Important. This summary is for general information and is not tax, legal or financial advice. It is based on public OECD, US Government Accountability Office and HM Revenue and Customs information, together with adviser commentary, and may be incomplete or out of date. The official publications prevail; check the official source before acting.

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