Role of Artificial Intelligence in Enhancing Tax Compliance and Planning Efficiency among Salaried Class in India

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ABSTRACT:

Artificial Intelligence (AI) is increasingly influencing the way taxation is administered and managed in India. Over the past decade, the Indian tax system has adopted several digital reforms such as online filing, pre-filled returns, and faceless assessments. Along with government initiatives, private AI-based tax platforms have made tax compliance easier for salaried employees. This study examines the role of Artificial Intelligence in improving tax compliance and enhancing tax planning efficiency among salaried taxpayers in India. The research is based on secondary data collected from government reports, academic studies, and fintech industry publications. The findings suggest that AI reduces filing errors, improves accuracy, supports quick comparison of tax regimes, and encourages voluntary compliance. However, concerns related to data privacy and transparency remain important. The study concludes that AI has simplified routine tax compliance for salaried individuals and has contributed to a positive shift in tax-related behaviour.

KEYWORDS: Artificial Intelligence, Tax Compliance, Tax Planning, Salaried Taxpayers, Digital Taxation, FinTech, E-filing, India

INTRODUCTION:

Artificial Intelligence (AI) is no longer limited to large companies or advanced technology sectors. It has slowly entered everyday financial activities, including taxation. In India, the tax system has changed significantly over the last decade. The introduction of online return filing, pre-filled returns, Annual Information Statement (AIS), and faceless assessments shows the government's effort to make tax compliance simpler and more transparent.

For salaried employees, filing income tax returns has traditionally been a yearly task that often-created confusion. Most individuals depended on tax consultants or manual calculations using Form 16 and investment proofs. However, with the growth of AI-based platforms such as Clear Tax, Quicko, and Tax Buddy, much of the process has become automated and user- friendly.

Salaried taxpayers are in a unique position because their income is structured, tax is deducted at source (TDS), and most data is already recorded in official systems. This makes them ideal users of AI-based compliance tools.

This study therefore examines whether AI only simplifies tax filing or whether it actually improves compliance behaviour and tax planning efficiency among salaried individuals in India.

REVIEW OF LITERATURE:

Tanzi (2018) – *Artificial Intelligence and the Future of Tax Administration*

Tanzi (2018) discussed how AI is changing tax administration systems around the world. The study explains that AI helps in identifying risks, detecting errors, and automating routine tasks. It concludes that automation reduces compliance costs and improves voluntary tax reporting. The author also highlights that technology improves transparency in tax systems. This study provides the basic understanding of how AI supports tax compliance.

OECD (2019) – *Digital Transformation in Tax Administration*

The OECD report (2019) explains how countries are using digital tools to improve tax systems. It highlights the use of pre-filled returns and automated systems to reduce mistakes and administrative burden. The report suggests that digital systems increase efficiency and taxpayer confidence. It also emphasizes that simple and user-friendly systems improve voluntary compliance. This study supports the idea that technology strengthens tax administration.

Kokina & Davenport (2017) – *The Emergence of Artificial Intelligence in Accounting*

Kokina and Davenport (2017) studied the use of AI in accounting and auditing. They found that AI reduces human errors in routine and rule-based tasks. The study also explains that automation improves accuracy and saves time. However, the authors mention that human judgment is still important in complex cases. Since salaried tax filing is mostly rule-based, this study is relevant to the present research.

Central Board of Direct Taxes (2021) – *Faceless Assessment Scheme Report*

The CBDT (2021) report describes the implementation of faceless assessment in India. It explains that reducing human interaction improved transparency and efficiency. The report also notes faster processing of returns and better accountability. This initiative shows the government's shift toward technology-based compliance. It forms the background for AI- driven tax platforms in India.

Sharma & Kulkarni (2025) – *Artificial Intelligence and Taxation in India: Emerging Trends in Digital Compliance*

Sharma and Kulkarni (2025) examined recent developments in AI-based tax systems in India. The study found that AI reduces filing errors by automating Form 16 extraction and checking TDS details. It observed that salaried taxpayers benefit more because their income pattern is structured. The authors conclude that AI simplifies filing and improves voluntary compliance. This study directly supports the present research topic.

RESEARCH METHODOLOGY:

Nature of Research-

This study is descriptive and analytical in nature. It is based entirely on secondary data.

Research Gap-

Although technology in taxation has been widely studied, the specific impact of AI-based platforms on salaried taxpayers' compliance and planning efficiency remains less explored. Most earlier studies focus on digital tax administration or fintech adoption in general. However, very few studies specifically examine how AI improves tax compliance and planning efficiency among salaried taxpayers in India. This study attempts to fill that gap.

Objectives of the Study-

1)   To examine the role of Artificial Intelligence in Indian taxation.
2)   To analyze AI-based tax platforms used by salaried employees.
3)   To evaluate AI's contribution to improving tax compliance.
4)   To assess AI's role in enhancing tax planning efficiency.
5)   To identify challenges and policy implications of AI-driven tax systems.

Scope of the Study-

- The study focuses only on salaried taxpayers in India.
- It is based on secondary data from 2018 to 2026.
- It examines AI-driven compliance and planning systems.

Limitations of the study-

- No primary data has been collected.
- The study depends on published reports and secondary sources.
- Limited data is available about internal performance of private platforms.

FINDINGS, CONCLUSION AND SUGGESTIONS:

FINDINGS-

- **Digital Filing and Behavioural Shift**

Reports from CBDT show a steady increase in online return filing in recent years. While digitization played an important role, AI features such as pre-filled data and automatic checks have reduced the fear of making mistakes. When taxpayers feel guided by the system, they are more confident in filing independently. This shows that AI not only improves efficiency but also influences taxpayer behaviour positively.

- **Planning Efficiency and Decision-Making**

One major benefit of AI platforms is the quick comparison between old and new tax regimes. Earlier, taxpayers needed

professional help to calculate this manually. Now, they can instantly compare tax liabilities and choose the better option.AI platforms also help in identifying eligible deductions and estimating final tax liability. This makes tax planning more proactive instead of being a last-minute activity. However, for complex income cases or legal matters, professional advice is still necessary.

- The study finds that AI improves filing accuracy among salaried taxpayers. Automated checks and deduction suggestions reduce mistakes and increase confidence.

- AI also improves tax planning by helping taxpayers compare tax regimes and use deductions efficiently. This reduces dependence on tax intermediaries for simple returns.

However, adoption depends on digital literacy and trust in technology. Concerns about data privacy and transparency remain important.

CONCLUSION-

Artificial Intelligence has brought meaningful change to tax compliance for salaried individuals in India. It has simplified procedures, improved accuracy, and encouraged timely filing. While AI cannot completely replace professional advice in complicated cases, it effectively manages routine tax compliance tasks.

More importantly, AI has changed the mindset of salaried taxpayers. Tax filing is no longer seen only as a yearly burden but as a manageable financial activity supported by technology.

SUGGESTIONS-

- Strong data protection measures should be ensured to build trust.
- AI systems should be transparent and easy to understand.
- Digital awareness programs should be promoted.
- A combination of AI tools and expert supervision may be encouraged.
- Future research may include surveys to measure Behavioural impact in detail.

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