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How To Increase Value Of Tax Advisory With Diminishing Gap In Tax Preparation Between Accountant Prepared V/S AI Based Tax Softwares

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ABSTRACT

The performance gap between AI-driven tax software and conventional accountant-prepared returns has been substantially reduced due to the fast advancement of AI in tax preparation. The perceived value of tax services led by humans is being eroded by the rise of more accessible, accurate, and cost-effective automated systems. This article delves at how tax experts might improve the worth of tax advice in a world where AI is more prevalent. The research finds critical differentiators that may reimagine tax advisers' roles, shifting them from data processors to strategic partners, by drawing on current developments in tax technology, analytics of client behaviour, and advice service models. Current AI systems aren't up to the challenge of complicated, context-sensitive jobs like proactive financial advise, cross-border compliance, risk management, and personalised tax planning. The article goes on to suggest an integrated advice structure that uses AI technologies in conjunction with human knowledge to get better results. In an increasingly computerised fiscal world, tax advisers may re-establish themselves as vital navigators by utilising empathy, ethical reasoning, and a deep grasp of client objectives.

Keywords: *Tax Advisory Services; AI Tax Preparation; Accountant vs AI; Tax Technology; Value-Added Tax Services Automation in Taxation.*

INTRODUCTION

The term "artificial intelligence" refers to the ability of computers or algorithms to behave in a manner that is similar to that of intelligent humans. It is also a scientific subject that "combines computer science and robust datasets, to enable problem-solving" via the construction of intelligent machines, according to another definition of the term. Artificial intelligence may be broken down into three primary categories: weak, strong, and super AI (see Figure 1 for further information). As of right now, everything that is accessible in the field of artificial intelligence is weak AI, which is also referred to as narrow AI, and it is only trained to do a single specialised task. Despite the fact that it is superior than the human brain in terms of its performance at its chosen task, it is limited in its functioning and cannot go beyond the limitations that it has been preset with. Strong artificial intelligence, also known as artificial general intelligence (AGI), and super artificial intelligence, also known as artificial superintelligence, are the two categories of artificial intelligence that may be seen in theory. Strong artificial intelligence is capable of learning and doing many of the same activities as humans, while super AI is capable of thinking, reasoning, learning, and performing a great deal more than humans.

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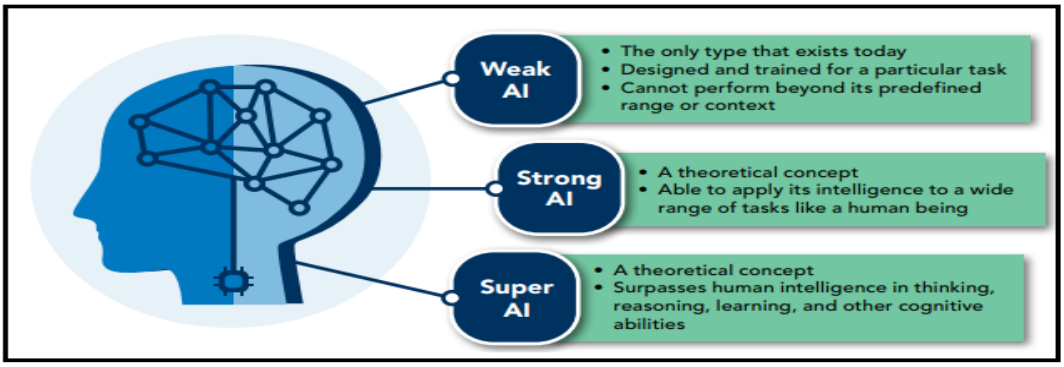

Figure 1: AI Types Depending on Capabilities

FINANCIAL AND ACCOUNTING CONSEQUENCES

Businesses in the accounting and finance industries stand to benefit a great lot from the use of artificial intelligence, which has the potential to significantly boost their productivity and innovation. There are a lot of accounting duties that are anticipated to be automated by artificial intelligence. Some of these tasks include accounts payable and receivable, monthly and quarterly closure, processing of costs, procurement, and supplier management operations. Those who work in accounting and finance may now employ algorithms driven by artificial intelligence to get real-time insights via the use of advanced data analytics. This data may then be utilised to impact company decisions, such as identifying trends and optimising strategies, among other things. As a result of this transformation, the accounting and finance department is transitioning from a cost centre to a strategic partner that contributes to the development of insights and value.

Accountants and financial professionals need to strategically incorporate artificial intelligence in order to stay up with the increasing duties that have been assigned to them. This will allow them to concentrate on strategic analysis and decision support rather than boring activities. In order to keep their advantage in the market, major players in the accounting and finance industries are investigating the ways in which generative artificial intelligence may increase the efficiency of their day-to-day operations. Deep-learning systems that strive to produce unique content, such as writing, photographs, and other forms of media, are the defining characteristics of generative artificial intelligence, which is a subfield of machine learning. An increasing number of businesses, like Zoom and Ford, have begun to use artificial intelligence in order to accomplish tasks such as anticipating analyst enquiries, investigating competitors, and managing internal enquiries. There have been concerns raised over the reliability of artificial intelligence technologies and the security of data, despite the fact that many leaders in accounting and finance are still in the testing phase.

APPLICATIONS OF AI

Following this, we shall investigate the realm of accounting and finance in relation to artificial intelligence. The results and examples shown here are derived from the responses that the individuals who took part in our research provided during interviews and roundtable discussions. These experts have shed light on the innovative ideas and new views that are affecting the future of the accounting and finance sectors. In addition, they have called attention to the transformative influence that artificial intelligence is having in these disciplines.

Case 1 Financial Transformation Driven by AI

The goal of a leading artificial intelligence company that is known for its smart speech is to introduce artificial intelligence to the financial sector in order to transform financial operations. This will be accomplished by improving processes, using optical character recognition (OCR), and doing research on cognitive intelligence. It is necessary for the company to go through a three-stage procedure in order to achieve intelligent finance. In the beginning, the firm will concentrate on standardising its internal procedures and accounting procedures. This is due to the fact that its portfolio is rather varied, consisting of business-to-business (B2B) projects, consumer software, government efforts, and hardware. The areas of education, healthcare, public safety, and legal issues are among the fields that it operates in. During the second step, the data acquired by the firm is incorporated into its various systems. During the third step,

data mining is used to locate potential applications for artificial intelligence. It is important to identify two key applications.

In the first one, the emphasis is placed on the implementation of optical character recognition (OCR), which makes use of large models to enable a training platform with a limited sample size. Our system is capable of automating a wide variety of activities, including the recognition of warehouse receipts, data collected from contracts, and information about purchases. In the second use case, we will investigate how artificial intelligence and knowledge engineering may enable computers to comprehend accounting rules, take responsibility of bookkeeping, and offer management reports that are tailored to the various levels of management. In order to achieve success in these applications, it is necessary for experts working in the area of business to effectively collaborate with those who specialise in model training.

Case 2 Automation of Financial Operations with the Use of AI

The potential of artificial intelligence has been used by a prominent multi-brand smart device firm to optimise its financial processes, including billing, auditing, payment, reconciliation, tax management, and reporting. To simplify spending on international ads, for instance, the corporation turned to AI. Intelligent technology streamlined the once laborious process of coordinating purchases and reconciliations across nations, leading to substantial cost reductions. Artificial intelligence (AI) has taken up the complexity of international tax regulations in the field of intelligent tax administration. Managers in charge of taxes and finances were notified of any discrepancies via an integrated AI tax engine. It brought together separate subsidiary systems, connecting front-end business activity with back-end financial data, and allowed intelligent reporting using AI. With this connection, you may get sales reports for the whole world every day. By demonstrating AI's ability to drive efficiency and accuracy, these breakthroughs demonstrate the technology's tremendous potential to transform the financial sector. The path taken by the firm exemplifies how AI may revolutionise the future of finance.

Case 3 AI-Powered Supply Chain and Inventory Management

At his production plant, which received an immense amount of eggs every day, the chief financial officer of a major North American egg producer encountered a substantial supply chain-related issue. It was difficult and error-prone to physically count and handle such a vast number. Due to inefficiency and financial losses, the corporation was uncertain about the precise quantity of eggs created. The chief financial officer was of the opinion that significant savings might be achieved by just reserving a tiny fraction of the eggs. The business overcame this challenge by creating a system that could precisely count eggs by analysing photographs of them using artificial intelligence. The AI was able to identify different types of eggs and even calculate their sizes after being trained with hundreds of photos. Consequently, the business saw it was losing money throughout manufacturing and set out to fix it. The business was able to save almost $6 million thanks to the AI-powered solution, which also improved their financial performance and supply chain efficiency.

MAKING AI READY FOR THE FUTURE

From a personal and business standpoint, becoming ready for an AI future is essential. With the rise of AI-driven analytics and decision-making, it is more important than ever for workers to be flexible and continuously improve their abilities. Organisations need talent plans that help employees acquire new skills and improve existing ones so they can take use of artificial intelligence (AI) to their full potential and keep up with the ever-changing digital world.

Is AI Going to Replace You?

In spite of the fact that ChatGPT has said that artificial intelligence is "not a threat to accountants," there is a great deal of concern that AI may eventually take over accounting roles or perhaps replace them in the not-too-distant future. These professionals in the fields of accounting and finance need not be concerned that artificial intelligence will completely replace their human expertise; yet, the technology will have significant repercussions for their employment. According to the Future of Professions Report 2023 published by the World Economic Forum, the adoption of technology and the digitalisation of certain employment fields will be the driving forces behind the growth and fall of certain employment sectors between the years 2023 and 2027. The analysis investigated how different professions and skill sets would change over the course of the next five years.

According to the study, occupations in the accounting and finance industries that need a modest level of expertise are in risk of being displaced by digital transformation and advanced technologies such as artificial intelligence. It is important to keep in mind that specialists in accounting and finance should not ignore the chance that artificial intelligence might open up new opportunities for them. The findings of our study participants have led us to the conclusion that the capacity of artificial intelligence to enhance and simplify the procedures involved in financial function might potentially open up new job opportunities for people. Accountants and finance professionals may find themselves less engaged in ordinary accounting and more involved in the study of detailed data patterns and the offering of strategic advice as a result of the development of AI's advanced data analytics. This has the potential to transform the job landscape of accountants and finance professionals. Using forecasting tools that are powered by artificial intelligence, these specialists may soon be able to have a greater voice in the planning and direction of the organisation. An opportunity to develop artificial intelligence systems that might assist in compliance monitoring has presented itself as the complexity of regulatory requirements continues to increase. As a result, this might result in the establishment of new employment for accounting and finance professionals.

These professionals could utilise artificial intelligence to do compliance analysis in order to ensure that all financial operations are in accordance with all relevant rules and regulations. Additionally, as a consequence of the advancements that AI has made in its ability to handle big data sets, new professions in risk assessment and management may arise. These positions would combine financial expertise with AI expertise, which might result in more accurate risk detection and forecasting. In order to adapt to the era of artificial intelligence and keep their relevance and competitiveness, professionals in the fields of accounting and finance need to learn new skills or further their education in current ones. According to study conducted by the World Economic Forum, the 10 skills that will be most significant in the next five years are as follows: cognitive, self-efficacy, managerial, technical, and interpersonal (see Figure 2). For the purpose of enhancing the performance of the organisation, these capabilities are necessary for the development of reskilling and upskilling strategies.

It is essential for accountants and bankers to improve these skills since they will be required to work together with artificial intelligence (AI) as well as to give insights that AI cannot supply on its own for the foreseeable future. As a result of artificial intelligence taking over boring activities, professionals will have more time to engage in higher-order thinking, think strategically, and make judgements when confronted with potentially unpredictable consequences. Because of this shift in paradigm, it is reasonable to anticipate that professionals in the accounting and finance fields would see continuous learning as an essential component of their plans for career advancement.

Figure 2: Top 10 Skills of Workers

ACCEPTING SHIFTS IN THE AI AGE

Accounting and finance experts would be wise to react to the new realities brought about by artificial intelligence (AI), as the technology is only likely to have a bigger effect on their industry in the years to come. Not only does this have an impact on those members of the accounting and finance workforce, but it also has an impact on the function as a whole. In order to meet the demands of businesses in today's cutthroat market, many companies' finance departments have shifted their focus from accounting and reporting to providing strategic advice and working closely with other departments to generate insights, create value, and back up decisions. This is according to studies that were conducted by the Institute of Management Accountants (IMA) and Deloitte.

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The relevance of the finance department as a business partner becomes more significant as the firm moves further on its road towards the use of artificial intelligence. A significant amount of involvement at the strategic level should be provided by the finance department in the process of creating, verifying, and implementing artificial intelligence initiatives inside the company. At the same time, the finance function is responsible for evaluating the overall performance of the artificial intelligence-based system. Using artificial intelligence, the accounting and finance department will be able to maximise the growth of the whole business and provide insights that look ahead, both of which will illustrate the division's ability to produce value.

THE STATE OF TAX PREPARATION TODAY

A paradigm shift is occurring in the field of tax preparation as a result of developments in cloud computing, machine learning, and artificial intelligence (AI). Tax preparation software that is intelligent is capable of processing difficult returns in a more timely and correct manner than accountants and tax experts were able to do in the past. This presents a significant challenge to the conventional tax preparation business. Intuitive user interfaces, real-time data integration, and automated error checks are some of the features that popular platform like TurboTax and H&R Block, as well as more modern applications driven by artificial intelligence, provide to individuals who file their taxes and employees of small businesses. Customers are beginning to question the value of traditional tax services as a consequence of the narrowing of the quality and efficiency gap between software-prepared returns and human-prepared returns, which has been brought about by the democratisation of technology. Tax professionals need to rethink their work and move their focus to strategic advice, customised planning, and services that go beyond compliance in order to remain competitive and relevant in a market that is always shifting.

GROWTH OF TAX SOFTWARE BASED ON AI

It is difficult for small businesses to deliver the highest possible level of service to their clients because of the limited resources they have and the constantly changing guidelines that govern taxes. Both machine learning (ML) and artificial intelligence (AI) have the potential to automate and improve the process of preparing taxes. There are a number of benefits that may be derived from the mechanics that form these two technologies, both from a personal and a professional perspective. There is a reduction in the amount of time and effort required to prepare and file tax returns, as well as an increase in the accuracy of those returns. Additionally, there is an identification of any problems or areas of danger, as well as recommendations to rectify them. These are some of the benefits.

Artificial intelligence (AI) tax software is capable of comprehending and interpreting human languages, analysing massive quantities of data, automating procedures, and making predictions. This is the most general level description of AI tax software.

OBJECTIVE OF THE RESEARCH

1. To see how people feel about the use of artificial intelligence-powered tax filing tools.
2. To determine if tax compliance will rise as a consequence of AI-powered tax filing software.

RESEARCH METHODOLOGY

Design/Methodology: A questionnaire was used to collect data, and secondary sources such as publications, research papers, and reports from CBDT were also used in the data collection process.

Limitations Of the Study: Due to the fact that the study was cross-sectional, it was not possible to monitor or track any changes in behaviour. Based on the information that was collected from people living in Chennai, the findings could be applicable to other major cities in the world.

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RESULTS

Data Analysis and Interpretations:

Table1: Demographics

Social Factors	Classification	Frequency	Percentage%
Gender	Male	39	78.00
	Female	11	22.00
Age	Under 18	0	0
	18-25	23	46.00
	26-35	5	10.00
	36-45	11	22.00
	46-55	10	20.00
	Above 56	1	2.00
Occupation	Employed (Full-Time)	21	42.00
	Employed (Part-Time)	2	4.00
	Self-Employed	4	8.00
	Student	22	44.00
	Retired	0	0.00
	Unemployed	1	2.00
Annual Income Range	Less Than Rs.250000	23	46.00
	Rs.250,000 – Rs.5,00,000	4	8.00
	Rs.5,00,000 – Rs.7,50,000	7	14.00
	Rs.7,50,000 – Rs.10,00,000	2	4.00
	More Than Rs.10,00,000	14	28.00

For the purpose of this study, a survey was administered to fifty individuals who had either submitted their own income tax returns by using an income tax portal, a private tax website powered by artificial intelligence, or with the aid of a tax professional.

Table 2: Tax filers' occupations and the degree to which they are satisfied with their experience using tax websites driven by artificial intelligence may be seen here.

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	0.982993	4	0.245748	0.47654	0.752709	2.583667
Within Groups	22.69048	44	0.515693			
Total	23.67347	48				

In accordance with the information shown in the table that is located above, the p-value of 0.752709, which is more than 0.05, is regarded as being significant. A rejection of the alternative theory has occurred. It does not seem that the vocations of assessors have a significant influence on the use of AI-powered tax software. Assessors from a wide variety of professions have a high level of satisfaction with online tax filing websites, which is shown by the fact that they are highly appreciated.

Table 3: Demographics by age and how much people rely on AI-generated tax advice.

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	16.90656	4	4.22664	0.687598	0.604324	2.578739
Within Groups	276.6134	45	6.146965			
Total	293.52	49				

The table that was just presented demonstrates that the p-value is 0.387898, which is more than 0.05. As a result, the null hypothesis is permitted to be accepted. It is not possible to identify any clear association between age groups and the trustworthiness of tax advice offered by artificial intelligence.

Table 4: (A) Gender and income tax return filing method.

	Filing On Their Own Through Income Tax Portals Or Private Websites	Filing With The Help Of Tax Professionals	Total
Male	20	19	39
Female	6	5	11
Total	26	24	50

(B)

	Filing On Their Own Through Income Tax Portal Or Private Websites	Filing With The Help Of Tax Professionals	Total
Male	20.28	18.72	39
Female	5.72	5.28	11
Total	26	24	50

(C)

X^2	0.036609
DF	1
P- VALUE	0.848264

Based on the fact that the p-value is 0.848264, which is more than 0.05, as shown in the table that came before this one, the null hypothesis is accepted. It has been shown that there is no statistically significant association between gender and the manner of submitting income tax returns.

Table 5: occupation and their thoughts on whether or not human tax consultants will eventually be entirely replaced by AI-powered tax filing software.

Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	8.121558	4	2.03039	1.587387	0.194067	2.578739
Within Groups	57.55844	45	1.279076			
Total	65.68	49				

The p-value is 0.194067, which is more than 0.05, as seen in the table that was previously indicated; hence, we are willing to accept the null hypothesis. There is no connection between their professional life and their opinion on whether or not tax preparation software powered by artificial intelligence will one day completely replace human tax advisors.

Limitations of AI Tools:

The tax tools that are powered by artificial intelligence (AI) have certain limitations, but they are always improving more and more. It is possible that they do not always possess the contextual judgement and delicate understanding that seasoned tax specialists give, particularly when dealing with financial situations that are unique or sophisticated. When it comes to providing advice on long-term financial planning, understanding confusing documentation, or dealing with tax difficulties that include many countries, these technologies may not be up to the job. Additionally, the chance of errors occurring as a result of insufficient or erroneous data is increased when human input is relied upon. Considering that sensitive financial data is stored and processed online, there are extra concerns about the protection of personal information and data security. AI technologies are fantastic for frequent filings, but they cannot replace a human tax adviser in terms of expertise, ethics, and personalised attention. In the end, AI technologies are great for regular filings.

FINDINGS

- This research found that there is no association between the job status of taxpayers and their level of satisfaction with tax websites that are driven by artificial intelligence. Due to the fact that it saves them time and effort, individuals whose money is more plain, whether it comes from wages or other sources, are more inclined to utilise this software rather than others.
- According to the findings of the study, individuals of all ages are equally dependent on tax advice supplied by artificial intelligence, with the degree of dependency being proportional to the degree to which they gain an understanding of the tax system.
- The aforementioned study makes it very evident that the way in which individuals file their tax returns is not influenced by the gender of the individuals filing them.
- In addition, 52% of people have reported doing their own tax returns because of the streamlined procedure.
- It seems that there is no association between employment and the notion that income tax preparation software powered by artificial intelligence would ultimately replace human tax advisers. This conclusion is based on the findings of the study that was discussed earlier. Many customers continue to believe that artificial intelligence is unable to give them with the same level of tailored tax advice that tax professionals are able to despite the fact that AI has made many things simpler, such as removing redundant data entry and selecting the best investments.
- The majority of respondents to the poll indicated that they would be receptive to utilising AI for tax filing. It has been suggested that these technologies might potentially save time, improve accuracy, and reduce the number of errors that are caused by human intervention.
- If these systems are used to file income taxes, there are certain individuals who are concerned about the safety and privacy of their data, as well as the difficulty of understanding the algorithms that are utilised by artificial intelligence.

CONCLUSION

Is there a strong conviction that artificial intelligence can one day replace human tax professionals in delivering tax advice and suggestions, as well as in executing tax filing procedures? This research study seeks to explore how tax filers view the use of AI in tax filing and whether or not there is a strong believe that AI can one day replace human tax experts. All of the information that was discussed before is only relevant to one particular area, which is Chennai. According to the results of the poll, we can see that artificial intelligence-driven tax filing software is now receiving positive feedback; nonetheless, there are considerable concerns around the privacy and security of data. With the help of future developments in artificial intelligence and technology, these issues might be resolved, which would be highly appreciated by society.

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