

Indirect Taxes in the AI Era: Navigating Digital Compliance Challenges

Aviation Services Ireland

Aviation Services Ireland

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ASI Services



Interline Billing Audit

Interline Support

Inward Billing audits, 1st & 2nd pass

Interline taxes audit & compliance

Outward Billing audit

Quality Assurance on Sampling/VOD

Audit of Recharges/Rebills

SIS Billing Support

Correspondence Management



Sales Audit

Sales/Fare Audit

1st pass & 2nd pass audit services

Sales tax reporting & compliance

Quality Assurance



Business Process Support

BPO support services

Revenue accounting support services

Direct access to airline system

Frequent Flyer Review

Refund processing

Cargo audit



Training & Support

Consultancy

IATA approved trainer

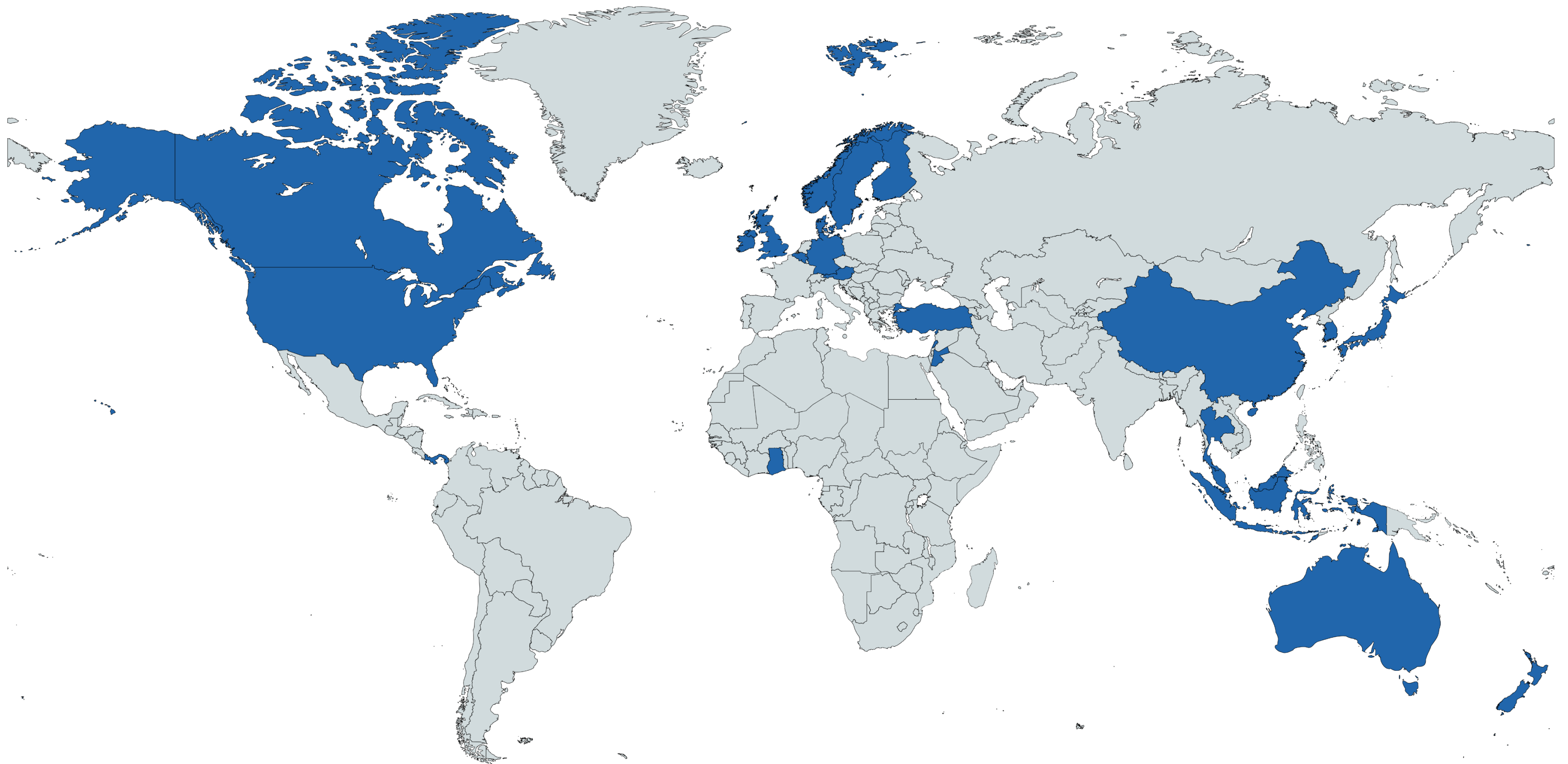
Airline Specific Training

Industry feedback



Aviation Services Ireland

ASI –a global services provider



What do we mean by ‘AI’?



Artificial Intelligence is

“the art of getting computers to do things that seem smart to humans”

Navigating Digital Compliance Challenges

Artificial Intelligence Examples



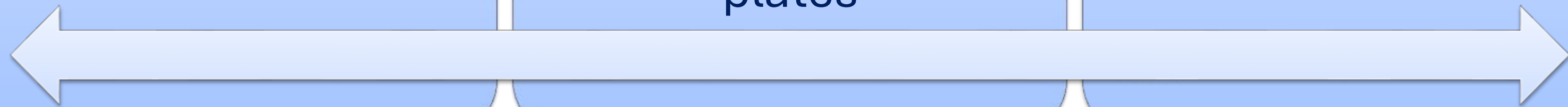
Satnav software use search algorithms to find quickest routes



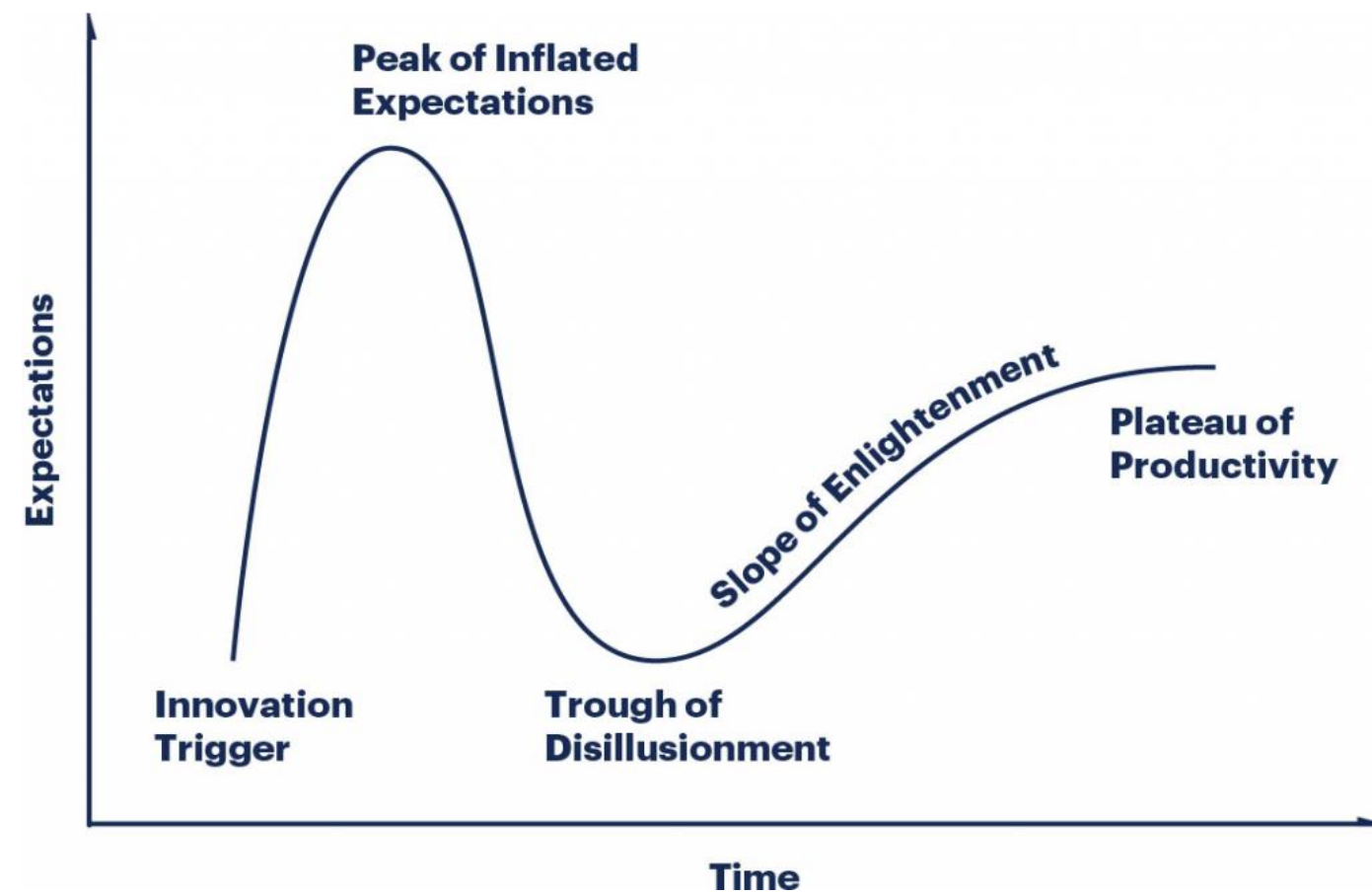
Traffic cameras use Optical character recognition to recognise number plates



Thermostats adjust home temperatures to match who is in home



The AI Buzz



Gartner Hype Cycle of emerging technology

- Artificial Intelligence has been around since 1948.
- What is trending now is **Generative AI** or **Deep Learning** – still in its infancy
- May be used in predictive tax planning

AI implementation at ASI



- AI is used to track tax billing errors in interline billings between airline partners
- We use interrogations to track errors in ticket tax collections
- When we find one error we track that error throughout the database



Challenges in the AI era



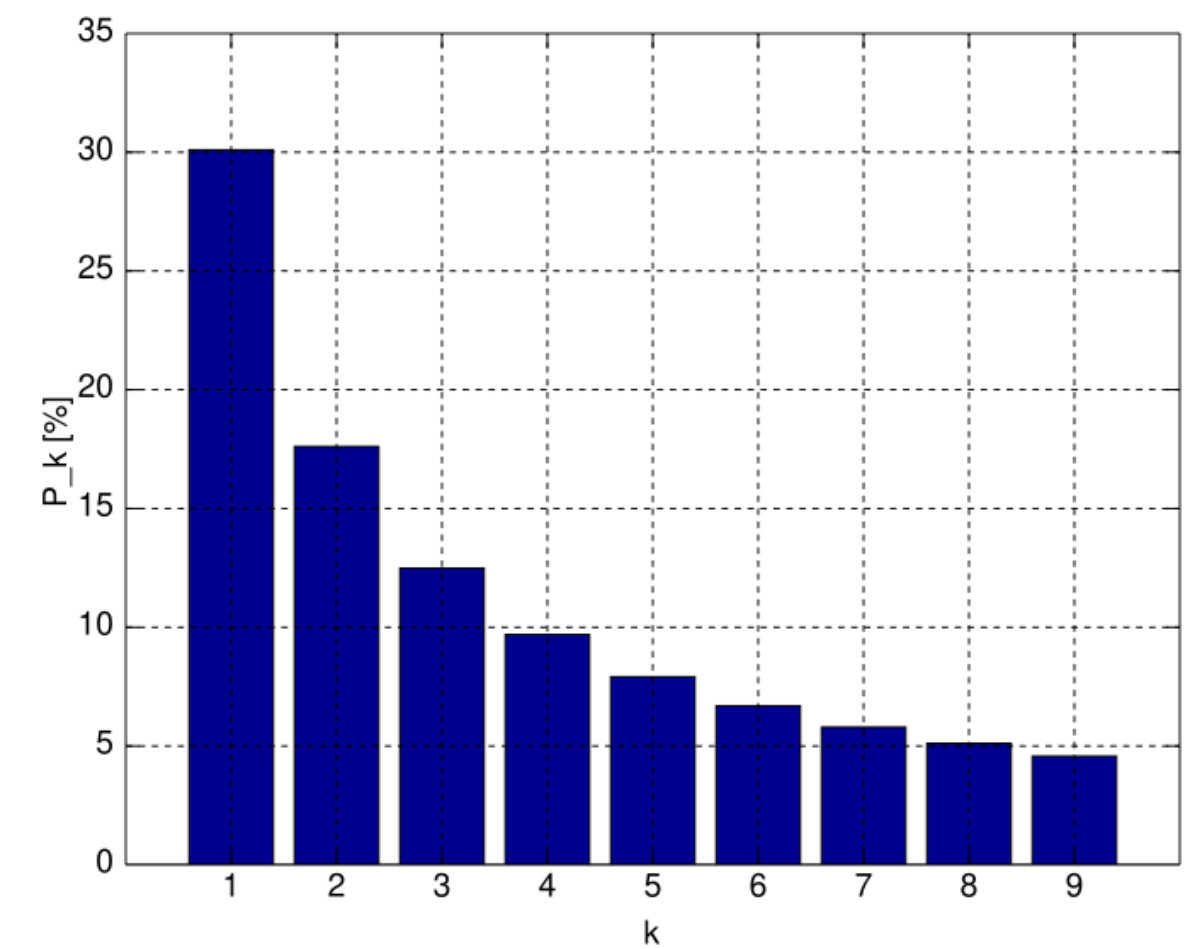
- Tax authorities are embracing the digital age
- Vat in a Digital Age (ViDA)- European commission reports
- E- invoicing & Digital reporting - July 2030
- Online platforms - July 2027
- Single VAT registration in EU member states

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Benfords Law



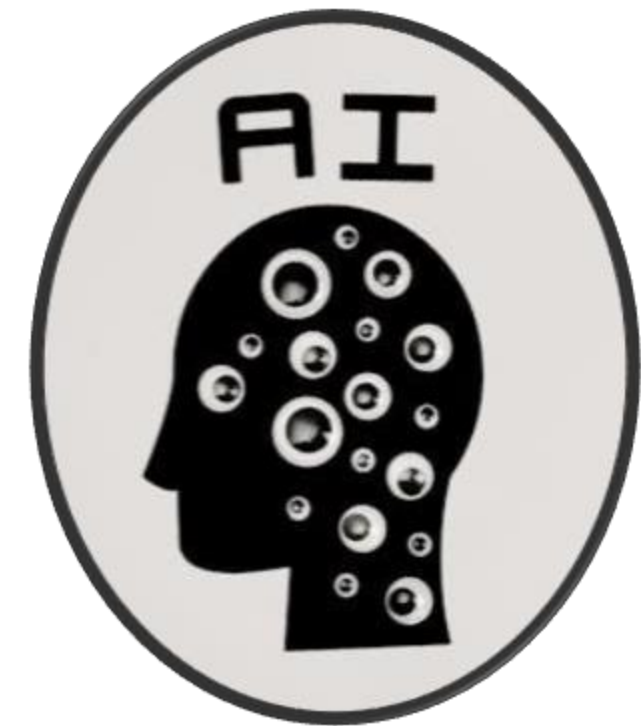
- Frequency distribution of the Leading digit in a number
- In any data set Number 1 should appear 30% of the time
- The Number 9 should appear 5% of time
- Used by Tax authorities to isolate a tax return for inspection & detect fraud



Challenges in the AI era



- Airlines need to respond to digital developments
- Global cross border approach to evolving regulations
- Requirement to extract relevant information and analyse data to plan for the impact of changes
- Automate data extraction and reporting as much as possible and test for data accuracy and completeness



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US Ticket taxes:

Accuracy of data collection



Tax code	Tax name	ARR-DEP-TKT level
US	Transportation Tax Domestic not wholly within US	TKT
US	Transportation Tax Domestic wholly within US and 225 mile buffer zone	TKT
US	Transportation Tax International Departure	DEP
US	Transportation Tax International Arrival	ARR
ZP	Flight Segment Tax	DEP
YC	Custom User Fee	ARR/ TKT
XY	Immigration User Fee	ARR/ TKT
XA	APHIS User Fee	ARR/ TKT
AY	Passenger Civil Aviation Security Services Fee	TKT
XF	PFC – Passenger Facility Charges	DEP



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Use of AI in Airlines



- In the digital age tax authorities will be able to determine ticket tax liability with greater accuracy
- Penalties for inaccurate reporting can be significant
- AI assists in detecting errors in ticket tax collection or use of trend analysis to detect abnormal conditions
- **Aviation Services Ireland** prepares a GST report for one airline that calculates the tax liability on agent ticket sales for the market – similar reports can be prepared across all markets and different tax types

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Examples of where AI may assist in future



Airlines operate in many countries across the globe

- Use AI to bring together legislation from countries in which the Airline operates and then use AI to plan strategy
- Airlines are using AI tools to generate predictive insights to help plan for future tax implications based on their financial decisions.
- assess tax audit risks,
- propose favorable tax strategies within the framework of complex global laws

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AI Limitations



A word of caution

- **Hallucinations** – outputs non sensical or inaccurate
- **Bias** – Human bias in the training/input data will skew results
- **Requirement for continuing oversight and human expertise**

2+2=5
Proved !!

Navigating Digital compliance challenges

The ASI Slogan



**“Revenue and Taxation Expertise
with Smart Technology”**



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