

Artificial Intelligence and the Global Minimum Tax: Using Technology and Policy to Close the Tax Haven Loophole

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ABSTRACT

This note examines the feasibility of using artificial intelligence (“AI”) and international tax policy to address the negative externalities flowing from widespread tax haven use. Tax haven use, which drains hundreds of billions of dollars annually from global tax revenues, exacerbates inequality by enabling wealthy individuals and multinational corporations to evade their fair share of taxation. Current initiatives, including the OECD’s Automatic Exchange of Information (“AEOI”), the U.S. Foreign Account Tax Compliance Act (“FATCA”), and the Common Reporting Standard (“CRS”), have improved financial transparency but remain fragmented and vulnerable to circumvention. Against this backdrop, this note argues for the development of a coordinated, AI-driven global tax reporting and compliance framework capable of systematically uncovering and preventing tax evasion. It explores how governments already use AI to detect fraud, enhance audits, and increase efficiency. Building on these successes, this note proposes a multi-step plan: (1) broad adoption of the global minimum corporate tax (“GMT”), (2) strategic use of incentives and sanctions to ensure compliance, (3) creation of a multinational AI task force to integrate existing frameworks, (4) establishment of an international regulatory body, and (5) implementation of robust deterrence mechanisms. By leveraging AI and international cooperation, this note contends that curbing offshore tax evasion is both technically feasible and politically necessary to restore fairness, strengthen state capacity, and reduce global inequality.

I. INTRODUCTION

Over the past century, tax havens have transformed from niche financial tools employed by the European elite into widely used instruments for wealth preservation by affluent individuals and corporations. The effort to eliminate—or at the very least, curtail—the harmful externalities of tax havens has become a pressing priority for governments worldwide, and the rationale is clear. Tax havens drain an estimated \$500 to \$600 billion annually in corporate tax revenue from national budgets.¹ In addition to untaxed corporate profits, private individuals have concealed over \$36 trillion in personal wealth in offshore accounts, contributing to approximately \$200 billion in lost global tax revenue each year.²

These figures likely understate the true scale of the problem as financial secrecy and fragmented data reporting standards make it nearly impossible for governments to accurately measure the capital hidden beyond their jurisdictions.³ The economic and social consequences of sheltering wealth in jurisdictions with stringent banking secrecy are profound.⁴ This practice has fueled a humanitarian crisis that is deepening global inequality and entrenching the separation of the world’s wealthiest from the societies in which their wealth is generated.⁵

Unlike many global crises, the current trajectory of the international tax system’s deterioration can be altered. Global organizations such as the OECD, along with numerous national legislatures, have already taken meaningful steps to address the negative externalities of the widespread use of tax havens.⁶ These efforts have yielded some success as some tax evasion has been both detected and deterred. Yet, isolated initiatives are not enough. What is urgently needed is a coordinated, multinational, and technology-

1 Nicholas Shaxson, *Tackling Tax Havens*, INT’L MONETARY FUND: FIN. & DEV. MAG. (Sep. 2019), <https://www.imf.org/en/Publications/fandd/issues/2019/09/tackling-global-tax-havens-shaxson> [<https://perma.cc/2D7Y-ZF5P>].

2 *Id*; *Sunny Places for Shady People: Offshore Tax Evasion by the Wealthy and Corporations*, 118th Cong. 2 (2024) [<https://perma.cc/BDH6-LFPR>] (statement of Sen. Sheldon Whitehouse, Chairman, S. Comm. on Budget Comm. explaining that in the United States, the IRS estimates that individuals cheating the tax systems cost the U.S. at least \$688 billion in 2021 with Fortune 500 companies alone holding over \$2.6 trillion in tax havens).

3 Shaxson, *supra* note 1; *see also State of Tax Justice 2023*, TAX JUST. NETWORK (Aug. 23, 2023), <https://taxjustice.net/wp-content/uploads/SOTJ/SOTJ23/English/State%20of%20Tax%20Justice%202023%20-%20Tax%20Justice%20Network%20-%20English.pdf> [<https://perma.cc/SB3Y-XK8H>].

4 Matthew Jenkins, *The Many-Headed Hydra: How Grand Corruption Robs Us of A Sustainable Future*, MEDIUM MAG. (Dec. 16, 2019), <https://voices.transparency.org/the-many-headed-hydra-how-grand-corruption-robs-us-of-a-sustainable-future-ef48da5eb26d> [<https://perma.cc/CV85-PAMG>].

5 *Inequality and Poverty: The Hidden Costs of Tax Dodging*, OXFAM INT’L., <https://www.oxfam.org/en/inequality-and-poverty-hidden-costs-tax-dodging> [<https://perma.cc/YYF7-RFJB>] (Corporate tax dodging costs poor countries *at least* \$100 billion annually. \$100 billion is enough money to provide education for 125 million children and to prevent the death of almost 8 million mothers, babies, and children annually.).

6 The “efforts” referenced will be addressed Section III.

driven framework capable of systematically uncovering and preventing tax evasion facilitated through offshore financial networks.

This note examines the feasibility of – and advocates for – the implementation of a global, AI-driven tax reporting and collection system. Such a system has the potential to fundamentally transform tax compliance and enforcement thereby enabling a more equitable application of tax laws. By leveraging advanced technologies, tax burdens could be administered fairly and uniformly thereby ensuring that individuals and corporations, regardless of socioeconomic status, are held to the same standards and obligations as their peers.

Following this introduction, Section I provides an overview of how tax havens operate and the significant monetary and social costs associated with their continued use. Section II examines the current applications of AI by taxing authorities in the administration of both domestic and international tax law. Section III explores ongoing global initiatives aimed at establishing an AI-driven international tax system, including: the Automatic Exchange of Information on Financial Accounts (“AEOI”), the Foreign Account Tax Compliance Act (“FATCA”), the Common Reporting Standard (“CRS”), and emerging AI technologies supporting the implementation of the global minimum corporate tax. Section IV then outlines a detailed, multi-step proposal to develop and deploy a global AI-driven tax reporting framework.

Ultimately, this note aims to provide a high-level analysis of the severe consequences of unchecked use of tax havens while offering a forward-looking solution by creating a robust, data-driven global compliance system. Considering current technological capabilities and interconnected communication networks, curbing the abuse of tax havens is no longer an aspirational ideal—it is an attainable and necessary goal.

II. TAX HAVENS

A. Defining Tax Havens

There is no universally accepted definition of a tax haven. However, both scholars and legislative bodies commonly describe a tax haven, in basic terms, as a jurisdiction that (1) deliberately enacts policies to tax individual or corporate wealth at substantially lower rates than other jurisdictions; and (2) provides a regulatory environment that ensures financial secrecy for non-residents through allowing assets to be relocated without generating a paper trail.⁷ Some academics and lawmakers extend this definition, arguing that tax havens are not merely tools for strategic profit shifting to minimize tax liability, but rather mechanisms for evading legal obligations

⁷ *Tax Havens*, GLOB. FIN. INTEGRITY, <https://gfintegrity.org/issue/tax-havens/> [https://perma.cc/MED6-Q4E6].

altogether.⁸ In this view, the terms “secrecy jurisdiction” and “tax haven” are used interchangeably to underscore the role such jurisdictions play in undermining the rule of law by shielding assets from scrutiny.⁹ While some countries openly embrace their tax haven status as a competitive advantage, others reject the label as derogatory.¹⁰

B. Tax Havens in Practice

The primary objective of utilizing a tax haven is to shift income from high-tax jurisdictions to low- or no-tax jurisdictions. Shifting the assets artificially reduces taxable income in the high-tax jurisdiction and increases it in the low-tax jurisdiction. This income shifting is typically facilitated through legal entities such as trusts, personal holding companies, or corporate subsidiaries.¹¹ The principal mechanisms employed to execute these strategies include transfer pricing¹², contract manufacturing¹³, and cross-crediting¹⁴. While low or zero tax rates are often cited as the main appeal of tax havens, an equally compelling factor is the strict enforcement of banking secrecy laws. The secrecy laws, combined with the ability to conduct business beyond the reach of regulatory oversight, make tax havens particularly attractive to individuals and corporations seeking to minimize their tax liabilities while also avoiding scrutiny.¹⁵

To better understand how tax havens operate in practice, consider how the world’s most profitable company, Apple Inc. (“Apple”), used tax haven strategies in 2017 to offshore over \$252 billion in profits, thereby avoiding an estimated \$79 billion in U.S. taxes.¹⁶ Like many Fortune 500

⁸ See, e.g., *Sunny Places for Shady People: Offshore Tax Evasion by the Wealthy and Corporations*, *supra* note 2.

⁹ See *Tax Havens and Secrecy Jurisdictions*, TAX JUST. NETWORK, <https://taxjustice.net/topics/tax-havens-and-secrecy-jurisdictions/> (last visited Jan. 25, 2026) [<https://perma.cc/ZM4U-TMZR>].

¹⁰ *Id.*

¹¹ Milka Casanegra de Jantscher, *Tax Havens Explained: The Advantages and Disadvantages of Tax Havens, and How They Operate*, INT’L MONETARY FUND (Mar. 1, 1976), <https://www.elibrary.imf.org/view/journals/022/0013/001/article-A011-en.xml> [<https://perma.cc/2UQ2-5TPH>].

¹² *Id.* (discussing the strategically manipulated process of goods and services bought and sold between a parent company and its foreign subsidiary to minimize the enterprise’s total tax burden).

¹³ JANE G. GRAVELLE, CONG. RSCH. SERV., R40623, *TAX HAVENS: INT’L TAX AVOIDANCE AND EVASION* (2022) (contracting with desirable manufacturing company as a contract manufacturer while keeping income attributable to tax haven jurisdiction).

¹⁴ *Id.* (using excess foreign taxes paid in one jurisdiction or on one type of income to offset tax due on other income).

¹⁵ Casanegra de Jantscher, *supra* note 11.

¹⁶ *Fact Sheet: Apple and Tax Avoidance*, INST. ON TAX’N & ECON. POL’Y (Nov. 2017), <https://itep.sfo2.digitaloceanspaces.com/applefactsheet1117.pdf> [<https://perma.cc/N3WU-RHZ4>]; *Paradise Papers: Apple’s Secret Tax Bolthole Revealed*, BBC NEWS (Nov. 6, 2017), <https://www.bbc.com/news/world-us-canada-41889787> [<https://perma.cc/47RY-GLQ9>]; *How Apple Managed To Pay Almost No Tax On Billions In Profits*, CBC RADIO (Nov. 10, 2017), <https://www.cbc.ca/radio/day6/episode-363-apple-s-tax-shelters-marvel-vs-dc-london-s-wartime->

companies¹⁷, Apple employed a combination of transfer pricing arrangements and strategic “check-the-box” elections to minimize its domestic tax liability. The core of Apple’s value lies in its intellectual property (“IP”).¹⁸ Apple develops its IP in the U.S. and deducts the research and development expenses for U.S. income tax purposes.¹⁹ The U.S. subsidiary of Apple that developed the IP then licenses the IP rights to a company that is incorporated in Ireland.²⁰ Through legal arrangements, the Irish subsidiary is considered a resident of Bermuda for tax purposes.²¹ The Irish company makes very small annual payments to the U.S. parent to use the IP.²² Apple’s non-U.S. subsidiaries and affiliates pay the Irish entity—not the U.S. entity—for the right to use the IP.²³

The IP licensing payments received by the Irish subsidiary are funneled through an Irish holding company and distributed to disregarded “check-the-box” entities as dividends.²⁴ Because both the payor and payee are treated as disregarded entities for U.S. tax purposes, the transactions effectively disappear from the U.S. tax system, resulting in no taxable flow.²⁵ In essence, Apple’s IP functions as a conduit in a global income-shifting scheme—one that strategically uses corporate structuring and regulatory gaps to avoid U.S. taxation.

The tax benefits of this arrangement are substantial. The U.S. parent company reports minimal income from licensing fees paid by its Irish subsidiary. The U.S. parent can then offset the licensing income and other U.S.-source income by deducting its research and development expenses attributable to IP development.²⁶ Meanwhile, Apple’s international affiliates deduct the IP usage fees paid to the Irish entity from their own local revenues, reducing taxable income in those jurisdictions. The Irish

stretcher-fences-lost-jewish-music-more-1.4391482/how-apple-managed-to-pay-almost-no-tax-on-billions-in-profits-1.4391505 [https://perma.cc/C2JK-DV8W].

17 See, e.g., Maarten Hietland, *The Tax Avoidance Structures of ViacomCBS*, SOMO (June 1, 2021), <https://www.somo.nl/wp-content/uploads/2021/06/ViacomCBS.pdf> [https://perma.cc/4D2V-VAGA] (Google, Uber, ViacomCBS, Microsoft, Pfizer, Goldman Sachs, Walmart, IBM, and Tesla employ similar IP tax shifting schemes as Apple.); Carlos Vargas Alencastre, *TP Mazes and the Global Tax for Multinational Companies*, ITR (May 12, 2022), <https://www.internationaltaxreview.com/article/2a68rfy5bw2ycq1zyey2e/tp-mazes-and-the-global-tax-for-multinational-companies> [https://perma.cc/8YZH-EDP5].

18 Lee Sheppard, *How Does Apple Avoid Taxes?*, FORBES (June 29, 2013), <https://www.forbes.com/sites/leesheppard/2013/05/28/how-does-apple-avoid-taxes/> [https://perma.cc/KN4N-WYG6].

19 *Id.*

20 *Id.*

21 *Id.*

22 *Id.*

23 *Id.*

24 *Id.*

25 *Id.*

26 See generally, I.R.C. § 41 (credit for increasing research activities); I.R.C. § 74 (amortization of research and experimental expenditures).

affiliate, considered a tax resident of Bermuda, pays no corporate income tax on the royalties received, as Bermuda imposes no such tax. These payments are then distributed as dividends to a disregarded holding company and funneled through additional disregarded affiliates, shielding the income from U.S. taxation under rules governing foreign-based sales income. The European Commission calculated Apple's tax rate for one year had been just 0.005% (compared to the 35% U.S. corporate tax rate in 2017).²⁷

C. Current Estimated Use of Tax Havens

Tax avoidance is a widespread phenomenon in both the U.S. and abroad²⁸, often perceived as a routine feature of modern capitalism. However, the scale and consequences of this practice are far more severe than commonly understood. For example, 35% of multinational foreign profits (profits originating outside a corporation or person's home country) are invested in places such as Switzerland, Singapore, Bermuda, and the Cayman Islands. The amount of revenue sheltered from taxation in these jurisdictions is estimated to range from \$240 to \$600 billion annually.²⁹ This wide range reflects the challenges of quantifying offshore wealth due to financial secrecy laws and fragmented reporting standards which hinder tax authorities from obtaining accurate data.³⁰

D. Social Consequences of Tax Haven Use

The existence of offshore financial centers outside the reach of the current tax reporting system leads to a substantial rise in income

²⁷ *Paradise Papers*, *supra* note 16.

²⁸ *Sunny Places for Shady People: Offshore Tax Evasion by the Wealthy and Corporations*, *supra* note 2 (The United States Senate Committee on the Budget published Senator Sheldon Whitehouse's remarks discussing the 2024 report on offshore tax evasion by corporations. In Senator Whitehouse's remarks, he stated that wealthy American's stash nearly two trillion dollars in offshore tax havens. The IRS estimates that individuals cheating the tax systems cost the U.S. at least \$688 billion in 2021. Further, the IRS Commissioner told the Senate Finance Committee that this gap could soon rise to a trillion dollars); *see also* Clemens Fuest, Felix Hugger, & Florian Neumeier., *Corporate Profit Shifting and the Role of Tax Havens: Evidence from German Country-by-County Reporting Data*, 194 J. ECON. BEHAV. & ORG. 454 (2022) (Another country that has lost a catastrophic amount of tax revenue due to the offshoring of income is Germany. Large multi-national enterprises headquartered in Germany transfer approximately \$5.8 billion USD out of Germany and into tax havens. This amount is about 4.3% of the total profits reported in Germany annually. Due to the transfer of capital to tax havens, Germany is estimated to annually lose \$1.7 billion USD in tax revenues. Of the tax haven profits, 87% are reported to be sheltered in European tax havens such as Switzerland, Ireland, and the Netherlands.).

²⁹ Joseph Stiglitz et al., *Global Tax Evasion Report 2024*, EU TAX OBSERVATORY (Oct. 22, 2023), https://www.taxobservatory.eu/www-site/uploads/2023/10/global_tax_evasion_report_24.pdf [<https://perma.cc/YT2D-D6FV>].

³⁰ *See* Casanegra de Jantscher, *supra* note 11; *State of Tax Justice 2023*, *supra* note 3.

inequality.³¹ When wealthy individuals and multinational corporations shift income to tax havens, they effectively circumvent domestic tax obligations. This practice undermines national tax bases and deprives governments—both local and federal—of the financial resources necessary to fund essential public services such as education, healthcare, and infrastructure.³²

As a result of these losses, governments are often forced to make difficult fiscal decisions: either cut back on vital services or increase tax rates to compensate for the shortfall. In practice, the burden of these tax increases falls on lower- and middle-income citizens who lack the means to engage in offshore tax planning. Meanwhile, the wealthy continue to shield their growing assets abroad. This dynamic accelerates income and wealth inequality, contributing to what economists describe as a “race to the bottom” in tax competition and the erosion of social welfare.³³

The far-reaching consequences of income offshoring have been documented by economist Gabriel Zucman, a leading scholar in international tax evasion. Zucman is a vocal critic of jurisdictions such as Switzerland, which he argues plays a central role in facilitating global tax avoidance.³⁴ According to his research, approximately \$7.6 trillion in privately held individual wealth—about 8% of the world’s net financial wealth—is currently sheltered in tax havens.³⁵ Of this total, around \$6.1 trillion remains undeclared to tax authorities, resulting in an estimated annual tax revenue loss of \$190 billion.³⁶

Zucman’s work, supported by more than 300 economists from over 30 countries, underscores a critical point: the massive volume of untaxed offshore wealth distorts the global economic system.³⁷ Beyond the economic ramifications, tax havens pose serious social, political, and

31 Silvia Marchesi & Giovanna Marcolongo, *Financial Crises and Tax Havens*, CTR. FOR ECON. POL’Y RSCH. (Mar. 7, 2024), <https://cepr.org/voxeu/columns/financial-crises-and-tax-havens> [<https://perma.cc/JSY6-VNH5>].

32 *Inequality and Poverty: The Hidden Costs of Tax Dodging*, *supra* note 5 (For example, Africa loses approximately \$14 billion annually due to tax haven use. \$14 billion is enough money to provide healthcare and education to 4 million children annually.).

33 Esmé Berkhout, *Tax Battles: The Dangerous Global Race to the Bottom on Corporate Tax*, OXFAM POL’Y PAPER 3 (Dec. 12, 2016), <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/620159/bp-race-to-bottom-corporate-tax-121216-en.pdf> [<https://perma.cc/H6JZ-K79X>] (citing *World Investment Report 2015*, UNCTAD (2015), https://unctad.org/system/files/official-document/wir2015_en.pdf) (“Ending the corporate tax race to the bottom and protecting corporate tax revenues is particularly important to developing countries. In poor countries, corporate tax revenues as a proportion of total tax revenues are twice as important as they are for rich countries.”); see generally Marchesi & Marcolongo, *supra* note 31 (The issue of untaxed wealth accrual is more acute in low- to middle-income jurisdictions as the ability of the state to detect tax evasion and pursue enforcement action is weaker. These jurisdictions face significant challenges in enforcing tax compliance; thus, capital flight is largely unchecked.).

34 Gizela Lénártová, *The Economic and Social Consequences of Tax Havens in the World*, 83 SHS WEB CONF. 01041 (2020) (Switzerland shelters more than a third of the wealth in the world).

35 *Id.*

36 *Id.*

37 *Id.*

humanitarian threats. They erode public trust, reduce government legitimacy, contribute to underdevelopment in vulnerable regions, and provide avenues for corruption, money laundering, and illicit financing.³⁸ The use of offshore tax havens undermines the fundamental principle of fiscal fairness by allowing the wealthy to avoid contributing their fair share to the societies in which they operate while leaving others to shoulder the cost.

III. THE EMERGENCE OF AI IN TAX ADMINISTRATION

A. *Ways in Which AI is Used in the Administration of Tax Law*

AI provides an extraordinary opportunity to close the long-standing and rapidly expanding tax gap.³⁹ By integrating AI into tax administration, governments can significantly enhance their ability to enforce compliance, detect fraud, and streamline internal operations. AI systems can automate data retrieval, apply optical character recognition to extract data from paper files and upload it to databases, cross-check databases in a fraction of a second to identify errors, and send an error report to the appropriate government official responsible for administering tax law.⁴⁰ Another common use of AI in the taxing sphere is using machine learning to select representative samples of taxpayer returns for audit.⁴¹ At a more systemic level, advanced AI algorithms are being developed to detect complex forms of tax fraud, including offshoring and the sheltering of reportable income, by analyzing large datasets and flagging anomalies against predefined criteria.⁴² More illustrations of how AI can transform the tax compliance system are provided in the following paragraphs of this section.

³⁸ *Id.*

³⁹ See *Tax Gap Projects for 2022*, IRS (Updated Jan. 27, 2026), <https://www.irs.gov/statistics/irs-the-tax-gap#> [<https://perma.cc/BS8H-4GMC>] (The tax gap is the difference between what is owed and what is actually paid by taxpayers.).

⁴⁰ Chintal Shah & Emily Wielk, *AI Use in Tax Administration*, BIPARTISAN POL'Y CTR. (July 10, 2024), <https://bipartisanpolicy.org/blog/tax-administration-and-ai/> [<https://perma.cc/D2DB-MDXE>].

⁴¹ *Id.*

⁴² Christophe Gaie, *AI, A Weapon Against Tax Fraud*, POLYTECHNIQUE INSIGHTS (Oct. 3, 2023), <https://www.polytechnique-insights.com/en/columns/economy/ai-a-weapon-against-tax-fraud/> [<https://perma.cc/L523-57CS>] (For example, Christophe Gaie, the head of the Engineering and Digital Innovation Division for the Prime Minister's Office in Paris, created an algorithm to close the tax gap through the detection of financial fraud. Gaie configured the algorithm to detect individuals with high expenses and/or high assets in relation to income, low expenses and/or assets compared to income, and high wealth compared to similar people in the same socio-professional category. The AI system will then comb through massive stores of data within a fraction of a second and return a list of taxpayers for audit that meet the specified inputs.).

B. Examples of Taxing Authorities Using AI to Improve Tax Compliance

Numerous countries have already implemented advanced AI systems to support fraud detection, enhance the taxpayer experience, and improve the overall efficiency of tax administration.⁴³ Nations such as Poland, Singapore, Ireland, and Italy offer compelling examples of both the feasibility and effectiveness of integrating AI into tax systems. These countries have demonstrated that AI can play a critical role in minimizing the consequences of tax evasion, streamlining compliance processes, and ensuring fairer enforcement of tax laws.⁴⁴

Italy has made substantial strides in closing the tax gap and currently leads Europe in its use of AI for tax enforcement.⁴⁵ Within a single year, the Italian Revenue Administration leveraged AI to identify approximately one million high-risk fraud cases, valued at approximately \$7.4 billion USD.⁴⁶ The Italian government authorized the Italian Revenue Administration to employ the VeRa AI algorithm, a system designed to cross-reference a wide array of data sources—tax returns, earnings reports, property records, bank accounts, electronic transactions, etc.—to identify taxpayers at the highest risk of non-payment.⁴⁷ Importantly, this initiative complies with the European Union’s General Data Protection Regulation (“GDPR”), one of the strictest data privacy frameworks in the world.⁴⁸ In Italy, this AI system has been of incredible benefit in collecting tax revenue as organized crime and corruption have decimated the tax base and weakened funding to public-sector services.⁴⁹

Poland, like Italy, has implemented a robust AI-driven tax system to combat tax fraud, specifically fraud related to Poland’s value added tax (“VAT”).⁵⁰ In 2017, Poland launched the System Teleinformatyczny Izby Rozliczeniowej (“STIR”), a centralized clearinghouse platform designed to

43 Richard Asquith, *Tax Authorities Adopt AI for Tax Fraud And Efficiencies*, VAT CALC. (Feb. 8, 2025), <https://www.vatcalc.com/artificial-intelligence/tax-authorities-adopt-ai-for-tax-fraud-and-efficiencies/> [https://perma.cc/W4W7-36UY].

44 *Id.*

45 Janna Brancolini, *Italy Turns to AI to Find Taxes in Cash-First, Evasive Culture*, BLOOMBERG TAX (Oct. 31, 2022), <https://news.bloombergtax.com/daily-tax-report-international/italy-turns-to-ai-to-find-taxes-in-cash-first-evasive-culture> [https://perma.cc/J3UD-F6C8].

46 *Id.*

47 Francesco Marconi et al., *AI Can Help to Find Taxes in Cash-First, Evasive Culture*, ANDERSEN GLOB. (Nov. 4, 2022), <https://it.andersen.com/en/ai-can-help-to-find-taxes-in-cash-first-evasive-culture/> [https://perma.cc/MH5R-LXTQ].

48 Brancolini, *supra* note 45 (GDPR includes a provision permitting data processing by authorized officials for tasks carried out in the public interest).

49 *Id.*

50 Asquith, *supra* note 43.

facilitate real-time monitoring of financial transactions.⁵¹ Under this system, banks and credit unions submit a daily report of all transactions carried out by individuals and entities.⁵² AI then analyzes these transactions using risk indicators such as customer residence, the complexity of ownership and entity structures, and any irregularities in transaction patterns.⁵³ Based on this analysis, the AI system generates a detailed risk report to send to the Polish National Revenue Administration, enabling agents to promptly investigate suspicious activity, and, if needed, place a hold on high-risk bank accounts.⁵⁴ The coordination between financial institutions and taxing authorities, coupled with real-time analysis, has significantly strengthened Poland's ability to detect and prevent fraud, drastically enhancing both compliance and revenue collection.⁵⁵

Additionally, both Singapore and Ireland have adopted AI systems to support and streamline the auditing process once potentially fraudulent tax returns are flagged.⁵⁶ In Singapore, the Inland Revenue Authority has developed AI-powered visualizer tools that analyze complex, multi-tiered relationships between entities. These tools enable auditors to quickly uncover intricate corporate structures designed to obscure income and facilitate tax evasion.⁵⁷ As a result of this initiative, Singapore has successfully recovered more than \$58 million in previously sheltered corporate income tax.⁵⁸

Similarly, Ireland—along with countries such as Malta, the United Kingdom, Canada, and the Netherlands—employs AI systems to conduct daily analyses comparing declared wealth on tax returns with wealth indicators drawn from publicly available sources.⁵⁹ These systems aggregate data from public registers and financial institutions to detect discrepancies in reported income, identify undeclared assets, and analyze

51 Aleksandra Bal, *Poland Wields AI in the Battle Against VAT Fraud*, VERTEX (Nov. 25, 2019), <https://www.vertexinc.com/resources/resource-library/poland-wields-ai-battle-against-vat-fraud> [https://perma.cc/4GKX-2WQ6].

52 Sylwia Orzeszyńska, *Digitization of Taxes in Poland – A Utopian Vision or the Near Future?*, APOLLOGIC (May 23, 2024), <https://apollogic.com/2024/05/digitization-of-taxes-in-poland-a-utopian-vision-or-the-near-future/> [https://perma.cc/6M35-WB79].

53 Bal, *supra* note 51.

54 *Id.*

55 Sean Sutton, *How is AI & Machine Learning Revolutionizing the Tax Landscape?*, TAINA TECH. (Sep. 21, 2023), <https://www.taina.tech/resources-news-and-awards/how-is-ai-machine-learning-revolutionizing-the-tax-landscape> [https://perma.cc/5NC5-TNCJ].

56 Asquith, *supra* note 43.

57 *Id.*

58 David Hansen, *AI Helped Recover \$58M in Corp. Tax, Singapore Says*, LAW360: TAX AUTHORITY (Oct. 23, 2023), <https://www.law360.com/tax-authority/articles/1735069/ai-helped-recover-58m-in-corp-tax-singapore-says> [https://perma.cc/QEM6-YJBS].

59 Asquith, *supra* note 43.

taxpayer spending patterns.⁶⁰ This use of AI significantly enhances taxing authorities' ability to conduct targeted audits and recover lost revenue.⁶¹

Beyond the countries specifically mentioned, numerous other nations have either implemented or are actively developing AI systems to support tax fraud detection and deterrence.⁶²

IV. GLOBAL COLLABORATION TOWARDS A UNIFIED TAX SYSTEM

Following the 2007 exposure of unethical Swiss banking practices, as the world became increasingly globalized and public concern grew over the scale and impact of tax evasion, international organizations such as the Organization for Economic Co-operation and Development ("OECD"), the European Union ("EU"), and the Global Forum on Transparency and Exchange of Information for Tax Purposes began collaborating to enhance financial transparency and improve the international exchange of financial information.⁶³ A global dialogue emerged among jurisdictions—OECD and non-OECD members alike, both large and small, developed and developing—centered on the shared interest of preserving the integrity of national tax systems through robust international information sharing.⁶⁴ From 2009 to 2013, extensive discussions were held on the necessity of addressing offshore tax evasion through coordinated information exchange frameworks.⁶⁵

These discussions ultimately laid the groundwork for several major international initiatives—most notably the Automatic Exchange of Information ("AEOI"), the U.S. Foreign Account Tax Compliance Act ("FATCA"), and the OECD's Common Reporting Standard ("CRS")—

⁶⁰ *Id.*

⁶¹ *Id.*

⁶² There are many examples of taxing authorities using AI to support a broad range of tax administration activities. *Id.* Vietnam has adopted an AI system that flags firms that issue invoices too often or for unusually high amounts as it may be a sign of an attempt to slash taxable revenue. *Id.* France uses AI satellite image scanning to identify conspicuous consumption such as multiple cars or swimming pools appearing at the residence of a person under tax investigation. *Id.* India uses an AI algorithm that can identify an unusual ratio between reported income and political or charitable deductions. *Id.*

⁶³ OECD, STANDARD FOR AUTOMATIC EXCH. OF FIN. ACCOUNT INFO. IN TAX MATTERS (2d ed. 2017), <http://dx.doi.org/10.1787/9789264267992-en> [<https://perma.cc/ZC6U-QF4C>].

⁶⁴ *Id.*

⁶⁵ *Id.* (Notably, in 2012, the OECD issued a report to the G20 titled, *Automatic Exchange of Information: What it is, How it Works, Benefits, What Remains to be Done*, which outlined the key features of an effective automatic exchange model. The key features include: (1) a common standard for information reporting, due diligence, and exchange of information; (2) a legal and operational basis for the exchange of information; and (3) common or compatible technical solutions. This report established the framework for the modern Automatic Exchange of Information system employed today, a critical global mechanism in the fight against tax evasion and offshore financial secrecy. By May 2014, over 60 jurisdictions had committed to swiftly implement the Common Reporting Standard, including translating it into domestic law. Further, 44 jurisdictions have agreed to a common timetable for the implementation of the Standard.)

which collectively marked a turning point in the global effort to combat offshore tax evasion through systematic and standardized data sharing.⁶⁶

A. Automatic Exchange of Information on Financial Accounts

The AEOI, established by the OECD, has been widely adopted by countries through the enactment of corresponding national legislation.⁶⁷ As of June 2024, more than 100 jurisdictions are participating in the AEOI framework with several other jurisdictions announcing plans to join.⁶⁸ The AEOI aims to prevent cross-border tax evasion by fostering international cooperation and enhancing financial transparency.⁶⁹ Under this system, participating jurisdictions commit to the reciprocal (or non-reciprocal) exchange of information on financial accounts held by non-residents, thereby enabling tax authorities to more effectively identify and address undeclared offshore assets.⁷⁰ Switzerland is among the jurisdictions that have implemented AEOI agreements, though it has done so with certain limitations and conditions specific to its national laws and privacy regulations.⁷¹

The AEOI functions as a broad, umbrella framework by which different countries can adopt model AEOI provisions in their own multi-national

⁶⁶ *Id.* (timeline of initiatives).

⁶⁷ See generally, Daniel Marek, *Automatic Exchange of Information (AEOI) on Financial Accounts for Tax Purposes*, BAYERN LB, https://www.bayernlb.com/internet/en/blb/resp/meta_6/about_us/who_we_are/rechtliche_hinweise_2/automatic_exchange_of_information_aeoi_on_financial_accounts_for_tax_purposes/automatischer_austausch_steuertlicher_daten.jsp (last visited Mar. 23, 2025) [<https://perma.cc/D7HX-FV6Q>]; see also, OECD, PEER REV. OF THE AUTOMATIC EXCH. OF FIN. ACCOUNT INFO. 2023 UPDATE 5 (Nov. 29, 2023), https://www.oecd.org/en/publications/2023/11/peer-review-of-the-automatic-exchange-of-financial-account-information-2023-update_5fa5e3e3.html [<https://perma.cc/SG8M-WSBE>].

⁶⁸ Marek, *supra* note 67.

⁶⁹ *Automatic Exchange of Information on Financial Accounts*, STATE SECRETARIAT FOR INT'L FIN. SIF (Nov. 28, 2025), <https://www.sif.admin.ch/en/automatic-exchange-information-aeoi> [<https://perma.cc/D2CK-SBGX>]; MINISTRY OF FIN. AND ECON. OF BRUNEI, FREQUENTLY ASKED QUESTIONS (FAQ) ON AUTOMATIC EXCH. OF FIN. INFO. IN TAX MATTERS (AEOI) AND COMMON REPORTING STANDARD (CRS) I, <https://www.mofe.gov.bn/SiteAssets/Divisions/Automatic-Exchange-of-Information/Frequently%20Asked%20Questions-%20AEOI%20and%20CRS%20v.3.pdf> (last visited Mar. 23, 2025) [<https://perma.cc/E7YM-274G>].

⁷⁰ *Automatic Exchange of Information on Financial Accounts*, *supra* note 69.

⁷¹ See, e.g., *Activated Exchange Relationships for CRS Information*, OECD, <https://web.archive.org/web/20250323100000/https://www.oecd.org/tax/automatic-exchange/international-framework-for-the-crs/exchange-relationships/index.htm> (last visited Mar. 23, 2025) [<https://perma.cc/38NZ-3KSN>]; *Automatic Exchange of Information on Financial Accounts*, *supra* note 69 (Not all jurisdictions exchange information with those who have signed up to CRS. The British Virgin Islands, Bahamas, Cayman Islands, Isle of Man, Panama, St. Kitts and Nevis, and Switzerland only accept reports on those jurisdictions with which they have bilateral exchange agreements.); *Implementing Automatic Exchange of Information (AEOI) Reporting – Things to Consider*, JTC: INSIGHTS (Nov. 2, 2021), <https://www.jtcgroup.com/insights/implementing-automatic-exchange-of-information-aeoi-reporting-things-to-consider/> [<https://perma.cc/6KZG-6VBA>].

agreements.⁷² Unlike traditional exchange-of-information models that require a specific request from the receiving country, the AEOI facilitates automatic transmission of pre-agreed data on a recurring basis. The pre-agreed information typically includes details on financial accounts, tax rulings, and cross-border arrangements.⁷³ The primary objective of the AEOI is to detect and deter cross-border tax evasion by ensuring that tax authorities receive timely and accurate information about offshore assets, income, and accounts held by their residents.⁷⁴ Two of the most significant regulatory frameworks governing the automatic exchange of financial account information are FATCA and CRS.⁷⁵ The global AEIO framework is implemented primarily through the OECD's CRS, and FATCA operates as a parallel U.S. regime that helped catalyze the development of AEOI.⁷⁶

B. Foreign Account Tax Compliance Act

At its core, FATCA requires that foreign financial institutions, along with a select few non-financial foreign entities, report information on financial accounts held by U.S. taxpayers or on foreign entities in which a U.S. taxpayer holds a substantial ownership interest.⁷⁷ Foreign financial institutions that fail to comply with FATCA's reporting requirement may be subject to 30% withholding penalties on certain U.S.-source income.⁷⁸ U.S. taxpayers who fail to disclose foreign assets as required may face an additional understatement penalty of 40% on any underpaid tax attributable to those undisclosed assets.⁷⁹

FATCA was enacted by the U.S. Congress in 2010 with the primary goal of addressing non-compliance with reporting requirements by U.S.

⁷² *Automatic Exchange of Information (AEOI)*, REVENUE IRISH TAX AND CUSTOMS, <https://www.revenue.ie/en/companies-and-charities/international-tax/aeoi/index.aspx#> (last visited Mar. 23, 2025) [<https://perma.cc/F7N4-DLV7>].

⁷³ REVENUE IRISH TAX AND CUSTOMS, GUIDE TO EXCHANGE OF INFORMATION UNDER COUNCIL DIRECTIVE 2011/16/EU, IRELAND'S DOUBLE TAXATION AGREEMENTS AND TAX INFORMATION EXCHANGE AGREEMENTS AND THE OECD/COUNCIL OF EUROPE CONVENTION ON MUTUAL ADMINISTRATION ASSISTANCE IN TAX MATTERS 11–18 (2026), <https://www.revenue.ie/en/tax-professionals/tm/income-tax-capital-gains-tax-corporation-tax/part-35/35-01-01a.pdf> [<https://perma.cc/GMT9-N7EZ>].

⁷⁴ FREQUENTLY ASKED QUESTIONS (FAQ) ON AUTOMATIC EXCH. OF FIN. INFO. IN TAX MATTERS (AEOI) AND COMMON REPORTING STANDARD (CRS), *supra* note 69.

⁷⁵ Itai Grinberg, *The New International Tax Diplomacy*, 104 GEO. L.J. 1137, 1150 n.46 (2016).

⁷⁶ *Id.*

⁷⁷ Foreign Account Tax Compliance Act, 26 U.S.C. §§ 1471–1474 (2010); *Foreign Account Tax Compliance Act*, I.R.S. (Sep. 23, 2025), <https://www.irs.gov/businesses/corporations/foreign-account-tax-compliance-act-fatca> [<https://perma.cc/MW6F-VDCB>]; *Foreign Account Tax Compliance Act*, U.S. DEPT. OF TREAS., <https://home.treasury.gov/policy-issues/tax-policy/foreign-account-tax-compliance-act> (last visited Mar. 23, 2025) [<https://perma.cc/F4C3-X93B>].

⁷⁸ JANE GRAVELLE & DONALD MARPLES, CONG. RSCH. SERV., IF12166, THE FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA) (July 15, 2022).

⁷⁹ *Id.*

taxpayers who use foreign financial accounts to evade taxes.⁸⁰ Currently, 113 countries have entered model FATCA agreements with the U.S., including the United Kingdom, Australia, Singapore, and Switzerland. However, 95 countries still lack a FATCA agreement with the U.S., including several jurisdictions widely regarded as tax havens, such as Belize, Argentina, and Monaco.⁸¹ The absence of formal agreements with these countries highlights ongoing challenges in establishing truly global financial transparency.

C. Common Reporting Standard

CRS is a standard the OECD developed following FATCA in 2014 to fight tax evasion. CRS only applies to countries that have formally committed to it by codifying it into law.⁸² CRS requires participating jurisdictions to collect data from the financial institutions in their jurisdiction and to automatically exchange this information annually with other jurisdictions that have adopted CRS.⁸³ CRS builds on FATCA by enabling automatic data-sharing among participating jurisdictions, eliminating the need for piecemeal, treaty-by-treaty exchanges.⁸⁴

CRS is a step in the right direction to promoting financial transparency for tax purposes, but it is far from flawless. The CRS is flexible as it allows jurisdictions to execute either bilateral or multilateral agreements.⁸⁵ During the agreement process, the participating countries can amend provisions of the model CRS reporting scheme to adopt different and more nuanced reporting requirements than those provided in the model CRS agreement.⁸⁶ The inconsistencies between CRS agreements make data-reporting incredibly complex among the participating jurisdictions.

⁸⁰ See generally *Foreign Account Tax Compliance Act*, *supra* note 77; *Summary of FATCA Reporting for U.S. Taxpayers*, I.R.S., (Sep. 18, 2025) <https://www.irs.gov/businesses/corporations/summary-of-fatca-reporting-for-us-taxpayers> [<https://perma.cc/W48U-E47K>].

⁸¹ Thomson Reuters: *Glossary*, FATCA (Nov. 16, 2023), <https://tax.thomsonreuters.com/en/glossary/fatca> [<https://perma.cc/T875-H2GJ>].

⁸² *Understanding the Common Reporting Standard*, SOCIETE GENERALE, <https://www.societegenerale.com/en/societe-generale-group/ethics-and-compliance/common-reporting-standard-csr> (last visited Mar. 23, 2025) [<https://perma.cc/TYQ7-37HK>].

⁸³ *Id.* (financial institutions use data analytics to identify non-resident clients and subsequently report them to their local tax administrations).

⁸⁴ *Id.*

⁸⁵ *Navigating the Challenges and Risks of Complying with CRS and FATCA Reporting Obligations*, MAP FINTECH, <https://mapfintech.com/navigating-the-challenges-and-risks-of-complying-with-crs-and-fatca-reporting-obligations/> (last visited Feb. 7, 2026) [<https://perma.cc/M4NF-NVPB>]; *Common Reporting Standard (CRS) – Understanding the Intention and Overcoming Challenges*, ICC ACAD.: INT'L TRADE. (Feb. 9, 2021), <https://academy.iccwbo.org/international-trade/article/common-reporting-standard-crs-understanding-the-intention-and-overcoming-challenges/> [<https://perma.cc/M4NF-NVPB>].

⁸⁶ *Id.*

For financial institutions managing global clients, navigating these inconsistencies is both complex and resource-intensive.⁸⁷ The lack of consistency among agreements that have adopted the CRS makes it difficult for financial institutions that house client information from residents all over the world to comply with numerous, nuanced foreign reporting standards.⁸⁸ Another major drawback of the CRS is the risk that individuals can simply offshore their income to a jurisdiction that does not participate in the CRS.⁸⁹ This fragmentation not only weakens the CRS but also complicates the implementation of a unified, AI-driven global tax compliance system.

D. Global Minimum Corporate Tax

A major event shift in international tax policy is accelerating the need for a global AI-driven compliance system.⁹⁰ As of January 2024, the OECD has begun implementing Pillar Two – a 15% global minimum tax rate for certain multinational corporations. Designed to curb profit shifting to low – or no-tax jurisdictions, Pillar Two allows a corporation’s home country to collect the tax difference if it pays below 15% elsewhere. This directly targets tax-planning strategies like those used by Apple, which route profits through disregarded entities in 0% tax havens to avoid domestic taxation. In response, corporations are expected to adopt new, complex tax-planning tactics to remain competitive. The OECD has acknowledged that enforcing Pillar Two will require extensive use of digital tools—highlighting the urgent need for AI systems capable of monitoring global compliance at scale.⁹¹

V. MULTI-STEP APPROACH TO IMPLEMENTING A GLOBAL, AI-DRIVEN TAX REPORTING SYSTEM

Establishing, and more importantly, sustaining a global financial data sharing system will be a challenging feat requiring international communication and cooperation. However, this initiative is feasible as

⁸⁷ *Id.* (jurisdictional reporting requirements typically consist of over 300 pages of complex legal writing).

⁸⁸ *Id.*

⁸⁹ Sihang Zhang, *Common Reporting Standard (CRS): Development and Limitations*, MICH. J. INT’L L. BLOG (Nov. 2015), <https://www.mjilonline.org/common-reporting-standard-crs-development-and-limitations/> [<https://perma.cc/T82V-DFBV>].

⁹⁰ Anastasia Taran, *Global Tax Initiatives 2025: Minimum Corporate Tax and Cryptocurrency Taxation*, FEOD GROUP, <https://feodgroup.com/en/news-en/global-tax-initiatives-2025> (last visited Feb. 7, 2026) [<https://perma.cc/R7KX-U244>].

⁹¹ *Id.* (describing the operation of top-up taxes under a global minimum tax regime); *Global Minimum Tax, What You Need to Know*, WINDES 100 (Aug. 17, 2021), <https://windes.com/global-minimum-tax-what-you-need-to-know/> [<https://perma.cc/57UE-7762>] (For example, if a company in a country that has adopted the GMT of 15% makes overseas earnings that are taxed at 5%, the home government may charge the corporation an extra 10% to bring it into conformity with the minimum tax).

similar global initiatives have been successful in recent years.⁹² There are multiple pathways to achieving an effective international agreement that could promote both the implementation of Pillar Two and robust data sharing. One potential approach to combating tax evasion through policy, technology, and global cooperation could involve five key components:

- (1) international collaboration to widely adopt the Pillar Two global minimum tax;
- (2) utilizing a balanced mix of economic incentives and sanctions to guide holdout countries to adopt Pillar Two and the associated data sharing infrastructure;
- (3) forming a multi-national data engineering team to develop a global information system incorporating AEOI, CRS and FACTA;
- (4) establishing a regulatory body to support the ongoing functionality of the information system; and
- (5) implementing an effective system of deterrence to enforce the adopted Pillar Two and data-sharing rules.

This multifaceted approach blends diplomacy, technology, and enforcement to lay the groundwork for a sustainable, AI-powered global tax transparency regime.

A. Step 1: Engage Pillar Two Non-Adopting Jurisdictions and Refine the Pillar Two Framework to Incentivize Adoption

Currently, over 140 countries have committed to implementing Pillar Two or a legislative scheme closely resembling its framework. Notably, long-standing tax havens such as Ireland, Luxembourg, Switzerland, and Barbados have adopted the Pillar Two standard. In contrast, key jurisdictions including the United States, China, Bermuda, Cyprus, the Cayman Islands, and Panama have not adopted Pillar Two.⁹³ The effectiveness of Pillar Two in combating tax havens relies heavily on near-universal adoption by countries with a significant presence of multinational

⁹² See, e.g., *Kunming-Montreal Global Biodiversity Framework*, UNCTAD, <https://unctad.org/topic/trade-and-environment/biotrade/kunming-montreal-global-biodiversity-framework> (last visited Feb. 7, 2026) [<https://perma.cc/QR9X-ZS43>] (illustrating successful multilateral cooperation); *The Paris Agreement*, U.N. CLIMATE CHANGE, <https://unfccc.int/process-and-meetings/the-paris-agreement> (last visited Feb. 7, 2026) [<https://perma.cc/3T23-8TC5>]; Richard Dicker, *Moving Ahead to a Crimes Against Humanity Treaty*, HUM. RTS. WATCH (Jan. 9, 2025), <https://www.hrw.org/news/2025/01/09/moving-ahead-crimes-against-humanity-treaty> [<https://perma.cc/C4TU-BKDX>].

⁹³ *Pillar Two Country Tracker*, PWC (May 12, 2023), <https://www.pwc.com/gx/en/tax/international-tax-planning/pillar-two/pwc-pillar-two-tracker-full-data-v2.pdf> [<https://perma.cc/946Z-AU7W>]; *Pillar Two: Country-by-Country Implementation Status*, WTS GLOBAL (2025), <https://wts.com/wts.com/hot-topics/pillar-two/implementation-status/wtsglobal-pillar-two-country-by-country-implementation.pdf>.age=80 [<https://perma.cc/U5JT-Q34Y>].

entities.⁹⁴ Without broad participation, Pillar Two will lack any regulatory teeth to combat tax evasion as profits would simply be shifted to non-adopting jurisdictions.⁹⁵ Therefore, it is imperative that remaining countries adopt Pillar Two promptly to ensure its success.

The most commonly cited reasons for jurisdictions' hesitation to adopt Pillar Two include: increased competition, the complexity of the Pillar Two rules, and enforcement challenges.⁹⁶ Pillar Two shifts international competition from a "race to the bottom" for the lowest tax rates (tax havens) to a "race to the top" for what country can offer the highest subsidies to offset the 15% minimum tax.⁹⁷ For example, Bermuda has adopted the Pillar Two tax. However, Bermuda is offering a robust package of refundable credits to multinational entities to, as an official from the Bermuda Ministry of Finance states, "maintain Bermuda's attractiveness."⁹⁸ The ability of countries to issue subsidies to offset the minimum tax will harm developing countries without the financial wherewithal to pay them; thus, these countries will lose the ability to attract business that were previously attracted through their low tax rates.

In addition to concerns about competition, the Pillar Two rules constitute a complex web of regulations that require countries to monitor and report on each other's compliance with the GMT.⁹⁹ Multinational entities operate across many countries, and each country must independently verify that the multinational entities within its borders comply with the 15% minimum rate. If the entity is not in compliance, there must then be a determination of which country will levy and collect the additional top-up tax. This multilayered process creates significant administrative burdens and legal ambiguity.¹⁰⁰

Given the concerns expressed by several jurisdictions regarding Pillar Two, the OECD (or a similar governing body) should proactively solicit feedback from non-adopting jurisdictions to better understand and address their specific objections to adoption. Effective international negotiations often hinge on engaging key domestic constituencies that can champion

94 *Pillar Two: Country-by-Country Implementation Status*, *supra* note 93; Peter Kavelaars, *Pillar 2 Misery*, DELOITTE (Sep. 5, 2024), <https://www.deloitte.com/an/en/services/tax/perspectives/pillar-2-misery.html> [<https://perma.cc/4ZLP-UNDH>].

95 Kavelaars, *supra* note 94.

96 *Id.*

97 Izabella Sara & Sean Bray, *Pillar Two's Unintended Consequences*, TAX FOUND. (Aug. 22, 2024), <https://taxfoundation.org/blog/pillar-two-unintended-consequences/> [<https://perma.cc/JD9Q-DS2K>].

98 Alan Cole, *The Fatal Flaw of Pillar Two*, TAX FOUND. (Feb. 27, 2024), <https://taxfoundation.org/blog/pillar-two-flaw/> [<https://perma.cc/GZE8-RLPW>].

99 Peter Kavelaars, *supra* note 94, at 3.

100 *Id.* (describing the tax system as "virtually unworkable").

policy adoption from within.¹⁰¹ Persuading influential internal stakeholders is often more impactful than external pressure from transnational actors alone.¹⁰² For instance, the OECD could speak directly with the U.S. Chamber of Commerce (“USCC”), the largest business lobbying group in the U.S., to understand why they are hesitant to adopt Pillar Two.¹⁰³ With its substantial political influence, the USCC could play a pivotal role in lobbying the U.S. Congress to support Pillar Two.¹⁰⁴

In short, the OECD must establish direct lines of communication with non-adopting countries to build consensus around two core principles: (1) that tax evasion is a shared global challenge, and (2) that coordinated measures like the GMT are essential to address the challenge.

B. Step 2: Leverage Economic Incentives and Sanctions to Promote Pillar Two Adoption and Enforcement

Policymakers typically rely on two primary tools to encourage international compliance: economic sanctions and targeted incentives.¹⁰⁵ Sanctions are typically used to coerce, deter, punish, or shame entities that violate international norms or threaten the interests of the sanctioning body.¹⁰⁶ Economic sanctions involve withdrawing from customary trade and financial relations as a means of coercing entities into compliance with established policy.¹⁰⁷ Examples of these sanctions include broad prohibitions on commercial activity with an entire country or targeted restrictions on specific businesses, groups, or individuals.¹⁰⁸ However, sanctions can produce unintended consequences, including worsening the very issues they aim to address.¹⁰⁹

Conversely, incentives resemble a “prize” for doing what is desired.¹¹⁰ These may include economic aid, security assurances, or eligibility for

¹⁰¹ Emily O’Brien & Richard Gowan, *What Makes International Agreements Work: Defining Factors for Success*, N.Y.U. CTR. ON INT’L COOP. (2012), <https://media.odi.org/documents/7839.pdf> [<https://perma.cc/R8WB-GDGF>].

¹⁰² *Id.* at 5.

¹⁰³ U.S. DEP’T OF STATE, U.S. CHAMBER OF COMMERCE, <https://2001-2009.state.gov/p/io/unesco/members/48811.htm> (last visited Feb. 8, 2026) [<https://perma.cc/W3CW-SEQS>].

¹⁰⁴ *Id.*

¹⁰⁵ David Cortright & George Lopez, *Bombs, Carrots, and Sticks: The Use of Incentives and Sanctions*, ARMS CONTROL ASS’N, <https://www.armscontrol.org/act/2005-02/features/bombs-carrots-and-sticks-use-incentives-and-sanctions> (last visited Feb. 7, 2026) [<https://perma.cc/FZF2-HGJU>].

¹⁰⁶ Jonathan Masters, *What Are Economic Sanctions?*, COUNCIL ON FOREIGN RELS. (June 24, 2024), <https://www.cfr.org/backgrounder/what-are-economic-sanctions> [<https://perma.cc/B2BP-G2Q3>].

¹⁰⁷ *Id.*

¹⁰⁸ *Id.*

¹⁰⁹ Cate Malek, *Nonviolent Sanctions and Incentives*, BEYOND INTRACTABILITY, <https://www.beyondintractability.org/coreknowledge/nonviolent-sanctions-incentives> (last visited Feb. 7, 2026) [<https://perma.cc/JA3S-6CAZ>].

¹¹⁰ *Id.*

membership in influential international organizations. Unlike sanctions, incentives tend to foster collaboration rather than conflict, making them a more sustainable tool for driving global adoption of tax reforms like Pillar Two.¹¹¹

A variety of economic incentives can be leveraged to promote broader adoption of Pillar Two and participation in a global data exchange system. For example, the EU already facilitates free trade among its member countries, and it has expressed interest in opening up global trade as well.¹¹² The EU already has trade agreements with other countries and regional groupings that grant mutually beneficial market access.¹¹³ This trade framework could serve as a model for incentivizing non-adopting countries to join the Pillar Two initiative. In exchange for adopting the GMT and committing to data-sharing protocols, countries could be granted preferential trade terms such as reduced tariffs or the removal of import/export restrictions on specific goods and services.¹¹⁴ Such incentives should lower external transaction costs, stimulate cross-border economic activity, and advance the OECD's goal of curbing international tax evasion through multilateral cooperation.¹¹⁵

In contrast to incentives, economic sanctions can be used by compliant countries to pressure non-adopting jurisdictions to embrace Pillar Two and participate in global data-sharing. One potential sanctioning mechanism would involve participating countries jointly imposing trade embargoes on non-compliant nations, effectively banning all trade with those jurisdictions.¹¹⁶ For example, France could limit Airbus from conducting business with the U.S. which could result in flight shortages, rising unemployment, and significant disruption to the U.S. commercial economy. A secondary option is to freeze the assets of individuals from a non-compliant jurisdiction until their government commits to the Pillar Two framework.¹¹⁷ In democratic nations, sanctions will lead to economic decline, and thus the public will be more likely to vote to align its policies with the sanctioning country.¹¹⁸ In authoritarian nations, targeted or "smart sanctions" aimed at influential elites can be implemented, thereby

111 *Id.*

112 *Towards Open and Fair World-Wide Trade*, E.U., https://european-union.europa.eu/priorities-and-actions/actions-topic/trade_en (last visited Feb. 7, 2026) [<https://perma.cc/A5FK-JK8H>].

113 *Id.*

114 *Id.*

115 *Id.*

116 Masters, *supra* note 106, at 3.

117 *Id.*

118 Mark Duckfield, *Economic Sanctions*, MIL. REV., 6 (Oct. 2022), <https://www.armyupress.army.mil/Portals/7/military-review/Archives/English/SO-22/Duckenfield/Duckenfield.pdf> [<https://perma.cc/QM8T-QKE2>].

threatening the wealth and power of key figures and incentivizing them to push for policy change or risk destabilizing their own leadership.¹¹⁹

Given that ongoing cooperation through data sharing is essential for the global tax system to function, the OECD should prioritize using economic incentives to encourage countries to adopt Pillar Two and participate in the country-by-country reporting framework. Sanctions, by contrast, should be reserved for extreme cases in which non-compliance threatens to undermine the policy's core objectives. For example, the U.S. could pass legislation denying business tax deductions for expenses incurred in operating affiliates in countries that have not adopted Pillar Two. This would pressure multinational corporations to relocate operations to compliant countries, thereby compelling tax-haven jurisdictions to adopt Pillar Two to remain economically viable.

Historically, international policymakers have successfully combined incentives and sanctions to punish undesirable behavior while rewarding favorable behavior.¹²⁰ Crafting a balanced approach is critical to ensuring that compliant countries remain committed to transparency and data sharing, while deliberately non-compliant jurisdictions face clear and escalating consequences.

C. Step 3: Establish a Multinational Task Force to Develop an AI-Driven System Integrating FATCA and CRS

The primary objective of this step is to establish a multinational task force to design and implement an AI-driven information system that integrates existing frameworks such as CRS, FATCA, and the internal data systems of participating jurisdictions. Implementing a cross-border information system is challenging due to data privacy concerns, cultural variations, and differences in technical infrastructure.¹²¹ To overcome these obstacles, the task force must comprise experts with diverse backgrounds—spanning international tax law, data governance, cybersecurity, and regional

119 *Id.* (For example, the recent sanctions placed on Russian oligarchs and their assets in western Europe are considered “smart sanctions.” The sanctions aim to identify the assets of powerful individuals whereby the powerful individuals exert pressure on political decision-makers in the target state to alter their policies or to encourage overthrow of the government).

120 Malek, *supra* note 109.

121 *Cross-border Data Flows*, OECD, <https://www.oecd.org/en/topics/cross-border-data-flows.html> (last visited Feb. 8, 2026) [<https://perma.cc/62U6-45XC>]; Alexander Stubb et al., *Achieving Cross-Border Government Innovation*, OECD (Oct. 2021), <https://cross-border.oecd-opsi.org/wp-content/uploads/2021/10/2021-08-09-OECD-Report1-Print-Final.pdf> [<https://perma.cc/WXJ9-KPX8>]; see generally Simon Hoddinott, *Translating Numbers, Currency, Dates and Time*, MEDIUM (Jan. 8, 2021), <https://simonhoddinott.medium.com/translating-numbers-currency-dates-and-time-3d5d0638fbc7> [<https://perma.cc/SR8R-BVGV>] (discussing the challenges of integrating data systems when data sources contain inconsistent formatting for numbers, units, currency, dates, times, and ages).

legal and cultural norms—to ensure the system is technically sound, legally compliant, and culturally sensitive.¹²²

A successful team should include specialists in machine learning, AI, and data science to provide the technical expertise needed to build the system’s architecture.¹²³ Equally important, regulatory experts from various jurisdictions must be involved to ensure the platform complies with differing legal and policy frameworks, thereby fostering trust and long-term adoption among member countries.¹²⁴ Given the public hesitancy to adopt the system due to data privacy concerns, cybersecurity professionals must also play a central role in securing it and addressing potential vulnerabilities.¹²⁵ Additionally, a group of reputable professionals must return to their country of residence to guide the country’s government and financial institutions in transitioning to the new system.¹²⁶ Ultimately, a global task force must comprise of not only technical and legal experts but also culturally informed leaders capable of navigating the social and political intricacies of implementation.¹²⁷

There are three main capabilities that the AI system must possess: (1) a central system that can integrate and build upon both existing FATCA and CRS reporting frameworks; (2) a real-time analytics engine to constantly collect and scan accounts for compliance issues; and (3) the ability to set

122 Maria Korolov, *How Diverse Teams Lead to Better Data*, CIO (June 28, 2023), <https://www.cio.com/article/643141/how-diverse-teams-lead-to-better-data.html> [https://perma.cc/72AK-H8XX]; Tsedal Neeley, *Global Teams that Work*, HBR (2015), <https://hbr.org/2015/10/global-teams-that-work> [https://perma.cc/NDJ7-5DBA].

123 Trinh Nguyen, *How to Successfully Build an AI Team for Your Organization*, NEUROND, <https://www.neurond.com/blog/how-to-build-an-ai-team> (last visited Feb. 8, 2026) [https://perma.cc/KW3E-X5D9].

124 Shayna Joubert, *What Does a Regulatory Specialist Do?*, NORTHEASTERN UNIV. (Oct. 23, 2024), <https://graduate.northeastern.edu/knowledge-hub/what-does-a-regulatory-affairs-specialist-do/> [https://perma.cc/G7M9-J4NJ].

125 Larry Letow, *The Significance of a Global Perspective/Team in Cybersecurity Planning*, U.S. CYBERSECURITY MAG. (2023), <https://www.uscybersecurity.net/csmag/the-significance-of-a-global-perspective-team-in-cybersecurity-planning/> [https://perma.cc/BU8B-HN7D].

126 *Leading Across Country Cultures: Navigating the Complexities of a Global Team*, GLOB. COACH CTR. (Sep. 16, 2024), <https://www.globalcoachcenter.com/leading-across-country-cultures-navigating-the-complexities-of-a-global-team/> [https://perma.cc/BC6P-N5XY] (Leading a successful global team requires recognizing cultural norms, values, and communication styles that influence how people interact and work together. It is important for purposes of encouraging buy-in to a new system to have culturally competent individuals on the team that can effectively communicate ideas); *What is In-Country Representation, and What’s the Benefit?*, QUACQUARELLI SYMONDS (Mar. 12, 2024), <https://www.qs.com/insights/articles/what-is-in-country-representation> [https://perma.cc/N6BH-ZTYN].

127 Katie Reynolds, *How Cultural Differences Impact International Business in 2017*, HULT INT’L BUS. SCH., <https://www.hult.edu/blog/cultural-differences-impact-international-business/> (last visited Feb. 8, 2026) [https://perma.cc/FA6D-NSXE]; Vasyi Taras et al., *Research: How Cultural Differences Can Impact Global Teams*, HBR (June 9, 2021), <https://hbr.org/2021/06/research-how-cultural-differences-can-impact-global-teams> [https://perma.cc/TJR3-PBPX].

metadata-only access to minimize data privacy concerns.¹²⁸ These three capabilities are critical to developing a global tax information system that is efficient, secure, and scalable.¹²⁹

First, a central system that can integrate and build upon the existing FATCA and CRS reporting frameworks is essential.¹³⁰ FATCA and CRS are already widely used data collection systems.¹³¹ It is likely that countries will be less hesitant to allow the AI-system to access data within the country when the system is marketed as an expansion and improvement of FATCA and CRS rather than an entirely new system.¹³² Incorporating familiar user elements from FATCA and CRS will also ease the learning curve and promote user confidence as the users have already undergone training on the existing FATCA and CRS systems.¹³³ Framing the AI system as a natural evolution of existing protocols, rather than an entirely new infrastructure, will be a persuasive strategy to encourage global buy-in and facilitate widespread use.¹³⁴

128 Sara Brown, *3 Requirements for Successful Artificial Intelligence Programs*, MIT SLOAN SCH. OF MGMT. (Jan. 6, 2021), <https://mitsloan.mit.edu/ideas-made-to-matter/3-requirements-successful-artificial-intelligence-programs> [<https://perma.cc/GWW3-J47N>].

129 Oyebola Okunogbe, Fabrizio Santoro & Celeste Scarpini, *The Promise and Limitations of Information Technology for Tax Mobilization*, WORLD BANK GRP. (Mar. 15, 2023), <https://blogs.worldbank.org/en/developmenttalk/promise-and-limitations-information-technology-tax-mobilization> [<https://perma.cc/HKT2-E5Q3>]; *Five Key Components of a Scalable Integrated Tax System*, VOYATEK, <https://www.voyatek.com/insights/five-key-components-of-a-scalable-integrated-tax-system/> (last visited Feb. 8, 2026) [<https://perma.cc/XY3C-R9C9>].

130 *Multi-Jurisdictional Data: Why It Matters, and How It's Possible with CivicRMS*, CIVICEYE BLOG, <https://www.civiceye.com/multi-jurisdictional-data-why-it-matters-and-how-its-possible-with-civicrms/> (last visited Feb. 8, 2026) [<https://perma.cc/369P-8PGF>]; Felicity Flack et al., *The Complexities of Accessing Linked Data from Multiple Jurisdictions, Simplified*, IJPDS, <https://ijpds.org/news/27-04-2022-multiple-juristictions> (last visited Feb. 8, 2026) [<https://perma.cc/B8KV-N8AL>].

131 *Thomson Reuters: Glossary, supra* note 81; *An Overview the Common Reporting Standard (CRS)*, AUTHORITYSOFTWARE, <https://authoritysoftware.co.uk/an-overview-the-common-reporting-standard-crs/> (last visited Feb. 8, 2026) [<https://perma.cc/M2DK-WSJQ>]; *Switzerland: Signed Reciprocal FATCA Agreement with the U.S.*, KPMG (July 1, 2024), <https://kpmg.com/us/en/taxnewsflash/news/2024/07/tnf-switzerland-fatca-agreement-united-states-signed.html> [<https://perma.cc/N6S8-7H5C>] (FATCA signed 2024 and implemented 2027 calls for an automatic data transition to U.S. of all U.S. taxpayer data in Swiss banks).

132 *The Psychology of Brand Trust to Enhance Your Business*, GRIN, <https://grin.co/blog/psychology-of-brand-trust> (last visited Jan. 19, 2026) [<https://perma.cc/VTF8-KH3Y>]; Mark Ford, *5 Marketing Psychology Factors to Build Awareness & Trust in Your Business*, RED WEBSITE DESIGN, <https://red-website-design.co.uk/build-awareness-trust/> (last visited Jan. 19, 2026) [<https://perma.cc/UMY5-HPVE>] (trust built through social influence of existing trusted sources as well as transparency and consistency).

133 Matt Humphreys, *The 5 Best Ways to Get Company-Wide Buy-In and Adoption of Software*, ZOKRI, <https://zokri.com/blog/agile/get-company-buy-in-on-new-software/> (last visited Jan. 19, 2026) [<https://perma.cc/UF7G-P5SE>]; Brett Mundell, *You Must Get User Buy-In for a Successful CRM Implementation*, LEVERAGE TECHNOLOGIES, <https://www.leveragetech.com.au/blog/get-user-buy-in-successful-crm-implementation/> (last visited Jan. 19, 2026) [<https://perma.cc/FM7M-CLP5>]; *Guide to Getting Buy-In with New Technology*, DUDE SOL., <https://www.brightlysoftware.com/sites/default/files/2020-09/4-Tips-for-Getting-Buy-in-with-New-Technology.pdf> (last visited Jan. 19, 2026) [<https://perma.cc/VBP5-8H3M>].

134 *See generally* *Guide to Getting Buy-In with New Technology, supra* note 133.

As to the second capability, an AI-driven system used for real-time compliance monitoring would significantly reduce the administrative burden on both financial institutions and tax authorities.¹³⁵ The system could integrate the core banking systems and transaction data of major financial institutions worldwide to scan accounts and transactions for compliance issues in real time.¹³⁶ The system can pinpoint entities and individuals linked to transactions, indicating a high likelihood of non-compliance, and subsequently generate immediate alerts and detailed reports for further human investigation.¹³⁷

Finally, the third capability is of paramount importance to limiting privacy concerns while still allowing for sufficient analysis.¹³⁸ The system can be designed whereby only account metadata is assessed and processed—such as transaction frequency, amounts, and counterparties—without accessing sensitive personal or financial details during initial processing.¹³⁹ Machine learning algorithms would use this metadata to assess and categorize entities or individuals by risk level.¹⁴⁰ Only those

135 *AI in Financial Regulatory Compliance*, RAPID INNOVATION, <https://www.rapidinnovation.io/post/ai-in-financial-regulatory-compliance> (last visited Jan. 19, 2026) [<https://perma.cc/R6UR-PZM6>] (Currently, there is a bifurcated system of regulatory bodies and frameworks that oversee financial compliance including, but not limited to, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Basel Committee on Banking Supervision, the Dodd-Frank Act, the Anti-Money Laundering Regulations, and the Payment Card Industry Data Security Standard).

136 *What is Core Banking System? Integration & Deployment*, KMS TECHNOLOGY, <https://kms-solutions.asia/blogs/what-is-core-banking-software> (last visited Jan. 19, 2026) [<https://perma.cc/DB4Z-ZA59>]; Christine Barry & David Albertazzi, *AIM Evaluation: The Leading Providers of U.S. Core Banking Systems*, DATOS INSIGHTS (Feb. 5, 2019), <https://datos-insights.com/reports/aim-evaluation-the-leading-providers-of-u-s-core-banking-systems/>; *Financial Crime Mitigation*, TEMENOS, https://www.temenos.com/products/financial-crime-mitigation/?utm_medium=organic-search&utm_page_title=Temenos+Financial+Crime+Mitigation+-+AML+&+Fraud+Software+Solutions=undefined&utm_page_url=https%3A%2F%2Fwww.temenos.com%2Fproducts%2Ffinancial-crime-mitigation%2F&utm_source=google (last visited Jan. 19, 2026) [<https://perma.cc/5LX9-CHG6>] (Temenos is a financial crime mitigation platform currently being used by over 300 banks worldwide. The software program incorporates sanctions screening, PEP matching, KYC risk scoring and categorization, AML transaction monitoring, and fraud mitigation).

137 *What is Transaction Monitoring in AML? Transaction Monitoring Guide*, SAN SCANNER (Jan. 8, 2020), <https://www.sanctionscanner.com/knowledge-base/transaction-monitoring-for-aml-65> [<https://perma.cc/PC6Y-PA5H>]; Aaron Ricalde, *Anti-Money Laundering AI Explained*, ORACLE (Aug. 28, 2024), <https://www.oracle.com/middleeast/financial-services/aml-ai/> [<https://perma.cc/V5L5-THZ6>]; Financial Crimes Enforcement Network, *The SAR Activity Review: Trends, Tips, & Issues*, BSA ADVISORY GRP. (Oct. 2011), https://www.fincen.gov/sites/default/files/shared/sar_tti_20.pdf [<https://perma.cc/K68V-JDTL>].

138 Rob Matheson, *Protecting Sensitive Metadata so It Can't be Used for Surveillance*, M.I.T. (Feb. 26, 2020), <https://news.mit.edu/2020/protecting-sensitive-metadata-from-surveillance-0226> [<https://perma.cc/FFD8-K6CA>].

139 *Id.*; Chris Conley, *Metadata: Piecing Together a Privacy Solution*, ACLU OF CAL. (Feb. 2014), <https://www.aclunc.org/sites/default/files/Metadata%20report%20FINAL%202%2021%2014%20cover%20%2B%20inside%20for%20web%20%283%29.pdf> [<https://perma.cc/DVB5-2A52>]; *INDIGO*, UNI. OF ILL. CHI. (June 24, 2025), <https://researchguides.uic.edu/indigo/metadataonly> [<https://perma.cc/FZ7J-LLRQ>].

140 *Internal Control Types and Activities*, SYR. UNIV., <https://finance.syr.edu/audit/general-internal-controls/internal-control-types-and-activities/> (last visited Jan. 19, 2026) [<https://perma.cc/A5FE-4ZUZ>]; *Standards and Statements*, AICPA & CIMA, <https://www.aicpa->

flagged as high-risk would be escalated for human review, at which point authorized personnel could access more detailed information if necessary. This approach balances robust compliance monitoring with strong privacy protections.

D. Step 4: Create an International Regulatory Body to Oversee Implementation and Governance of the Global Tax Information System

For the global tax intelligence system to succeed, there needs to be a regulatory body established to implement, consistently monitor, and guide system-wide updates. The OECD is best positioned to lead this effort due to its existing infrastructure and international credibility in the tax policy arena.¹⁴¹ The main focus of the OECD is to analyze mismatches between tax systems of different countries and examine how multinational enterprises exploit these gaps to minimize tax liability.¹⁴² The OECD then uses this information to draft policy initiatives aimed at detecting and deterring tax evasion.¹⁴³ The OECD has already demonstrated its capacity for leading complex, technology-driven reforms—most notably through the Base Erosion and Profit Shifting project and the development of country-by-country tax reporting standards.¹⁴⁴

Typically, it is more effective to use an established organization when launching a new initiative as it provides a preexisting framework, clear communication channels, and access to institutional resources.¹⁴⁵ Some argue that a new organization should be formed when a project's needs fundamentally diverge from an existing structure, rendering it inefficient or outdated.¹⁴⁶ However, that argument fails in this situation as the OECD is an organization established to manage global taxation.¹⁴⁷ The OECD is already the primary institution tasked with coordinating global tax policy, and it has repeatedly demonstrated its capacity to manage complex,

cima.com/resources/landing/standards-and-statements (last visited Jan. 19, 2026) [https://perma.cc/774A-TAY3].

141 *OECD Pillar Two: Time to Act on the Global Minimum Tax*, PWC (Jun. 21, 2023), <https://www.pwc.com/us/en/services/tax/library/in-depth-oecd-pillar-2-time-to-act-on-the-global-minimum-tax.html> [https://perma.cc/GEG4-9LMY] (Through its “Inclusive Framework,” which includes all 38 OECD member states and 102 additional jurisdictions, the OECD facilitates broad-based cooperation on global tax matters).

142 *Id.*

143 *Id.*

144 *Id.*; *Base Erosion and Profit Shifting (BEPS)*, OECD, <https://www.oecd.org/en/topics/policy-issues/base-erosion-and-profit-shifting-beps.html> (last visited Feb. 13, 2026) [https://perma.cc/5PBL-Y8LE] (Base erosion and profit shifting is where multinational individuals and entities shift profits to no or low tax locations where they have little or no economic activity. Some base erosion and profit shifting schemes are illegal, but most of the schemes are not).

145 *Base Erosion and Profit Shifting (BEPS)*, *supra* note 144.

146 *Id.*

147 *OECD Pillar Two: Time to Act on the Global Minimum Tax*, *supra* note 141.

technology-driven initiatives, such as the BEPS project and the country-by-country reporting framework.¹⁴⁸ Given its mandate, global reach, and proven expertise, the OECD is the most suitable entity to lead the implementation, oversight, and ongoing refinement of an AI-driven international tax information exchange system.

E. Step 5: Develop a Robust Enforcement Mechanism to Ensure Long-Term Compliance

The final step in establishing a global tax information system is creating a robust international enforcement framework.¹⁴⁹ This system should blend penalties, incentives, sanctions, and diplomacy to create a global environment in which facilitating evasion becomes a high-risk, high-cost endeavor for any jurisdiction that participates. Regardless of the system's technical sophistication or potential benefits, it cannot succeed without credible enforcement mechanisms to compel action and ensure compliance.¹⁵⁰ For example, the Paris Climate Accord was signed by nearly every country in 2015; however, its lack of concrete enforcement measures allowed countries to circumvent their obligations under the agreement.¹⁵¹ Thus, the international agreement corresponding to the proposed global tax information system must include language outlining legal obligations, the enforcement mechanism for violations, and significant deterrent penalties.¹⁵²

¹⁴⁸ *Id.*

¹⁴⁹ Joseph Stiglitz et al., *Global Tax Evasion Report 2024*, EU TAX OBSERVATORY (2024), https://www.taxobservatory.eu/www-site/uploads/2023/10/global_tax_evasion_report_24.pdf [<https://perma.cc/PSW6-VEMU>].

¹⁵⁰ Wilson Prichard et al., *Innovations in Tax Compliance*, World Bank Grp.: Macroeconomics, TRADE & INV. GLOB. PRAC. & GOVERNANCE GLOB. PRAC. (Oct. 2019), <https://openknowledge.worldbank.org/server/api/core/bitstreams/7225ce2e-99d7-50b7-9ae7-a640a95ae2c0/content> [<https://perma.cc/74ET-8RBD>].

¹⁵¹ U.N. CLIMATE CHANGE, KEY ASPECTS OF THE PARIS AGREEMENT, <https://unfccc.int/most-requested/key-aspects-of-the-paris-agreement> (last visited Jan. 21, 2026) [<https://perma.cc/7DZK-2XXD>]; U.N. CLIMATE ACTION, *The Paris Agreement*, <https://www.un.org/en/climatechange/paris-agreement> (last visited Feb. 13, 2026) [<https://perma.cc/P9KK-MX5A>]; Kathryn Tso & Michael Mehling, *How Are Countries Held Accountable Under the Paris Agreement?*, M.I.T. Climate Portal (Mar. 8, 2021), <https://climate.mit.edu/ask-mit/how-are-countries-held-accountable-under-paris-agreement> [<https://perma.cc/9F82-3SFX>] (The Paris Climate Accord was signed by nearly every nation in 2015. The Climate Accord set ambitious targets for reducing global carbon emissions and mitigating climate change. However, its lack of concrete enforcement measures—relying on voluntary national commitments and self-reporting—resulted in uneven progress and limited accountability. Some countries failed to meet their targets, and others found ways to circumvent or downplay their obligations. The absence of “teeth” in enforcement meant that the most ambitious climate goals were undermined by countries that did not face real consequences for non-compliance).

¹⁵² See Office of Foreign Assets Control, *OFAC Consolidated Frequently Asked Questions*, U.S. DEP'T OF TREASURY, <https://ofac.treasury.gov/faqs/all-faqs> (last visited Jan. 21, 2026) [<https://perma.cc/RF34-KEQK>].

Including enforcement mechanisms in treaties increases effectiveness.¹⁵³ To build a sustainable global tax enforcement system, it is essential to incorporate a range of tools, including targeted sanctions, binding dispute resolution mechanisms, and access to the international judiciary.¹⁵⁴ Empirical research on the effectiveness of economic sanctions has shown that sanctions are not always effective as an international policy tool and can at times be more costly than beneficial.¹⁵⁵ However, targeted sanction regimes pinpointed on a specific, strategic export have proved to have a much higher success rate.¹⁵⁶ Further, treaties mandating the use of binding dispute resolution mechanisms can be employed to enforce international policy.¹⁵⁷ These devices include mediation,¹⁵⁸ arbitration,¹⁵⁹ and litigation.¹⁶⁰ Further, the International Court of Justice (“ICJ”) is available as a tool to settle legal disputes submitted by member states or to provide advisory opinions on legal questions referred to it by authorized agencies.¹⁶¹ However, it is crucial to recognize that ICJ jurisdiction is based

153 Steven Hoffman et al., *International Treaties Have Mostly Failed to Produce Their Intended Effects*, 119 PROC. NAT’L ACAD. SCI. U.S.A. e2122854119 (2022), <https://doi.org/10.1073/pnas.2122854119> [<https://perma.cc/VZ5X-9BR2>].

154 U.N., UPHOLD INTERNATIONAL LAW, <https://www.un.org/en/our-work/uphold-international-law> (last visited Jan. 21, 2026) [<https://perma.cc/676E-EPXU>].

155 Kimberly Elliott, *Evidence on the Costs and Benefits of Economic Sanctions*, PIIE (Oct. 23, 1997), <https://www.piie.com/commentary/testimonies/evidence-costs-and-benefits-economic-sanctions> [<https://perma.cc/VY8W-L85S>]; AGATHE DEMARAIS, BACKFIRE: HOW SANCTIONS RESHAPE THE WORLD AGAINST U.S. INTERESTS (COLUM. UNIV. PRESS 2024); *Do Economic Sanctions Work?*, NORWICH UNIV., <https://online.norwich.edu/online/about/resource-library/do-economic-sanctions-work> (last visited Jan. 21, 2026) [<https://perma.cc/H3JA-7Q9M>].

156 Céline Antonin, *How Effective Are Economic Sanctions?*, OFCE (Dec. 6, 2022), <https://www.ofce.sciences-po.fr/blog/how-effective-are-economic-sanctions> [<https://perma.cc/B2C5-SMT2>] (estimating success rate of 54% when main measure of sanctions concerns one of the main export resources of the target country compared to average success rate of 18% when looking at all sanctions combined).

157 U.N. OFF. OF LEGAL AFF., *Treaty Handbook* (2013), <https://treaties.un.org/doc/source/publications/thb/english.pdf> [<https://perma.cc/87SV-TDSS>]; Chris Noonan & Victoria Plekhanova, *Mandatory Binding Dispute Resolution in the Base Erosion and Profit Shifting (BEPS) Two Pillar Solution*, 72 INT’L & COMP. L.Q. (2023), <https://www.cambridge.org/core/journals/international-and-comparative-law-quarterly/article/mandatory-binding-dispute-resolution-in-the-base-erosion-and-profit-shifting-beps-two-pillar-solution/77DE7E35CDBAB4CD1F9E06AAD99B9C52> [<https://perma.cc/75M9-MRMR>].

158 *International Dispute Resolution Procedures*, INT’L CENTRE FOR DISP. RESOL. (Mar. 1, 2021), https://www.adr.org/sites/default/files/ICDR_Rules_1.pdf [<https://perma.cc/R537-P3JT>]; *What is International Mediation?*, HARV. L. SCH., <https://www.pon.harvard.edu/tag/international-mediation/> (last visited Mar. 25, 2025) [<https://perma.cc/9NCT-L9CB>].

159 Katie Shonk, *International Arbitration: What It Is and How It Works*, HARV. L. SCH. BLOG (Mar. 20, 2025), <https://www.pon.harvard.edu/daily/international-negotiation-daily/international-arbitration-what-it-is-and-how-it-works/> [<https://perma.cc/6M3J-8AVA>].

160 U.S. CHAMBER OF COM. INST. FOR LEGAL REFORM, *What is Litigation?* (Sep. 6, 2023), <https://instituteforlegalreform.com/blog/what-is-litigation/> [<https://perma.cc/J3K2-HKMZ>].

161 Mariano-Florentino Cuéllar & Oona Hathaway, *The International Court of Justice’s Balancing Act*, CARNEGIE ENDOWMENT FOR INT’L PEACE (Jan. 26, 2024), <https://carnegieendowment.org/posts/2024/01/the-international-court-of-justices-balancing-act?lang=en> [<https://perma.cc/S4GT-PXE8>].

on state consent, meaning member countries must explicitly agree to submit to the Court's authority.¹⁶²

As for sanctions, the international agreement should include clear, binding clauses outlining the possibility of immediate, or graduated sanctions in the event of non-compliance. These sanctions could take the form of targeted economic measures such as restrictions on access to financial markets, trade limitations, or financial penalties. The sanctions regime should be flexible and scalable, allowing for a tiered response based on the severity and frequency of violations.

The section discussing dispute resolution should include the rules governing the dispute resolution process including specifying the applicable legal rules, the selection of arbitrators or mediators, and the timelines for resolution. Adding specific details to the dispute resolution process will ensure conflicts are resolved quickly and fairly with minimal disruption to the tax system or the global economy.

Finally, the agreement should include a provision explicitly acknowledging and affirming the signatory jurisdictions' consent to the ICJ's jurisdiction in cases where disputes remain unresolved after exhausting alternative dispute resolution methods. Including this clause would provide a definitive legal mechanism for interpreting treaty provisions and addressing violations through a recognized and authoritative international forum. The availability of the ICJ as a final recourse would strengthen the legal legitimacy of the global tax system and underscore the seriousness of non-compliance by subjecting violators to binding judicial oversight.

In short, the international agreement must establish a robust, multi-tiered enforcement and dispute resolution framework—one that balances the need for prompt, graduated sanctions, efficient conflict resolution mechanisms, and ultimate authority vested in the ICJ. This layered approach is essential to maintaining long-term compliance with the global tax system.

VI. CONCLUSION

Given the profound social and economic costs that tax haven use imposes on both global and domestic economies, implementing an effective, AI-driven global tax system is a necessity. As nations confront pressing global challenges such as climate change, pandemics, and social

¹⁶² Tom Ginsburg, *The Institutional Context of the International Court of Justice* (Pub. L. & Legal Theory Working Paper Series, No. 779, 2021) (The ICJ has jurisdiction to decide disputes between states pending the consent of all states that are parties to the case. States may provide consent in one of three ways – consent to the ICJ's compulsory jurisdiction, consent to its jurisdiction to resolve disputes about a treaty, and consent to its jurisdiction to resolve a specific dispute.); Karen Sokol, Cong. Rsch. Serv., R48004, *The International Court of Justice and the International Criminal Court: A Primer* (2024), <https://www.congress.gov/crs-product/R48004> [<https://perma.cc/A33N-MX2C>].

inequality, reliable tax revenue is essential to fund public investment in education, health, infrastructure, and technology.¹⁶³ When countries pursue self-interested tax policies without regard for their external impacts, the result is collective harm and diminished global prosperity.¹⁶⁴

Without swift and coordinated international action, large-scale tax base erosion will continue to weaken the economic and social foundations of both developing and developed nations. The five-step framework outlined in this paper offers a practical and scalable path forward, integrating technological innovation with cooperative policymaking to create a system that enhances transparency, equity, and accountability.

Implementing such a system will not be without challenges. Historically, global institutions and governments have resisted transformative change. Yet, meaningful progress requires bold thinking, modern tools, and a willingness to adapt. By embracing AI and collaborative governance, the international community has an opportunity to reshape the future of global taxation.

163 Joseph Stiglitz et al., *supra* note 149.

164 Vitor Gaspar et al., *Tax Coordination Can Lead to a Fairer, Greener Global Economy*, IMF BLOG (Apr. 12, 2022), <https://www.imf.org/en/Blogs/Articles/2022/04/12/blog041222-sm2022-fm-ch2> [<https://perma.cc/9WQ5-GJT4>].