



# The Rise of Intelligent Tax and Compliance

*Making a back office process a front office revenue accelerator*

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**Topic:** How will Intelligent Tax and Compliance evolve?

**Issues:** What role will AI play in the process of automating tax calculations, tax compliance and tax-based documents?

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## SUMMARY

One of the most challenging areas for enterprises is understanding and calculating tax payments that are owed for both the business itself and the goods that are sold on a daily basis. Aragon is predicting the rise of Intelligent Tax and Compliance (ITC) that will help enterprises automate the process of calculating taxes and creating the documents that are related to tax payments and compliance. This changes what is a back-office process into an approach that can lead to enterprise growth.

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## Introduction

The need to automate tax compliance is no small feat. It is a complex process that is increasing in complexity as e-commerce continues to grow and as businesses continue to expand globally. Given the combination of rules-based automation, content generation, and the rise of AI assistants, enterprises are poised to be able to deal with tax calculations and compliance issues without slowing down the business. In a global economy, doing this at scale can help enterprises avoid costly mistakes as they grow their business across multiple tax jurisdictions.

Intelligent Tax and Compliance will help enterprises streamline and automate their tax calculation and compliance processes to improve accuracy, reduce effort, and create opportunities for enterprise growth and efficiency. In this research note, we will provide an overview of the market, what enterprises need to know to get started, and what to consider in an AI platform for tax and compliance.

## The Compliance Complexities Surrounding Transactions

One of the many issues that has persisted since the dawn of business is maintaining compliance amid the many rules and laws surrounding the calculation, issuance, and collection of compulsory taxes. In the era of e-commerce, the issue has become exacerbated because both tax rate and rule changes, as well as the sheer volume of transactions, are increasing at a rate that makes it impossible for enterprises to remain compliant without the benefit of modern automation tools.

## What are Intelligent Tax and Compliance Platforms and Why Do They Matter?

Businesses are under pressure to accurately meet tax compliance regulations. This becomes complicated as their business volume increases and as they interact with different industries and customers globally. This is particularly true for enterprises that do business via e-commerce, where transaction volumes are growing substantially, and there is a need to be compliant with tax laws and regulations.

For businesses, expanding their footprint and growth in transaction volumes should be seen as a positive gain, due to revenue potential. Still, this potential can be lost if businesses do not carefully and accurately plan for and determine the taxes associated with new business deals. When supported by a platform that treats compliance as a strategic advantage, enterprises can transform tax from a cost center into a catalyst for growth.

Conducting business daily and globally means the scale of tax calculations is massive. It requires painstaking attention to detail and strict organization, coupled with a knowledge of ever-changing industry regulations, compliance issues, and applicable taxes, as well as knowing when specific payments are due. To date, this process has

been manual and has relied on siloed systems such as modern tax preparation software, in-house CPAs, or hired tax professionals. But even with these tools, the pressure is still on enterprises to do a significant amount of manual labor and take on unnecessary risk.

Intelligent Tax and Compliance platforms solve the problem of not only calculating, reporting, and remitting taxes, but automating the entire process—including compliance, starting with licenses and registrations, management of tax forms (1099s, W9s, etc.) and exemption certificates, receiving and transmitting compliant e-invoices, calculating customs duties and tariffs, and many other regulatory requirements. By doing so, they can help enterprises improve efficiency, reduce errors, and reduce costs.

A key benefit of these platforms is that they allow enterprises to identify opportunities to accelerate revenue growth. ITC also includes a growing level of intelligence that enables critical content extraction from documents, including creating important summaries of what took place. AI assistants will help professionals by guiding them through the process and enabling them to surface information that can help validate a new or existing process.

## **What Are the Key Elements of Intelligent Tax and Compliance Platforms?**

The five key elements for ITC Platforms include:

### **1. Indirect or transactional tax calculation capabilities and integration with existing product catalogs.**

This includes the ability to calculate the correct tax rate in the geography where the product or service is being purchased or sold. It also offers tax data extraction: the ability to retrieve the tax data from key systems once transactions are completed to enable compliance reporting. Tax and license registration is another feature, the ability to assist providers with the registration process for licenses and sales tax payments at the local, state, and federal levels. This includes professional licenses, contracts, leases, vehicle licenses, and violations.

### **2. Compliance Document Management and process automation.**

This includes exemption certificate management to validate and store documentation for tax-exempt transactions. It also offers the ability to automate the process of filing tax returns by leveraging captured transactional data. E-invoicing is a core capability, providing the means to create and generate invoices across multiple geographies while supporting the simultaneous calculation of indirect taxes, such as sales and use tax, VAT, and GST. Additionally, the system manages compliance timelines by tracking deadlines, issuing automated reminders, and generating detailed reports on actions required to maintain regulatory standing.

Examples of important documents that can be automated include:

- Exemption certificate management
- Tax returns: automate the process of filing tax returns.
- E-Invoicing: the ability to create and generate invoices across multiple geographies. It includes the ability to support the calculation of indirect taxes (sales and use tax, VAT, GST, etc.).
- Deadlines, reminders, and reports on actions to stay compliant

### **3. Content Management**

This includes the ability to manage and store all tax and compliance documents within a secure, centralized content repository. It also leverages structured metadata to provide a significant advantage in orchestrating Intelligent AI to deliver higher accuracy and deeper analytical insights. By organizing documentation in this manner, the system ensures that critical data is both protected and optimized for advanced automated processing and retrieval.

### **4. Content AI-based Assistants**

This includes the ability to generate specific documents by leveraging AI in conjunction with existing application rules. It also provides verifiable citations for any recommendations that reference tax laws or regulations, ensuring transparency and legal accuracy. The capability to summarize complex documents and reports serves to increase productivity by reducing manual effort, while the ability to identify patterns across a series of documents allows for broader strategic insights and data analysis.

### **5. APIs and Integrations**

- Platforms imply integrations not only with e-commerce offerings but also with many existing applications, such as CRM, ERP, and government portals. APIs help streamline integrations and updates.

See Figure 1, which summarizes the components of ITC.

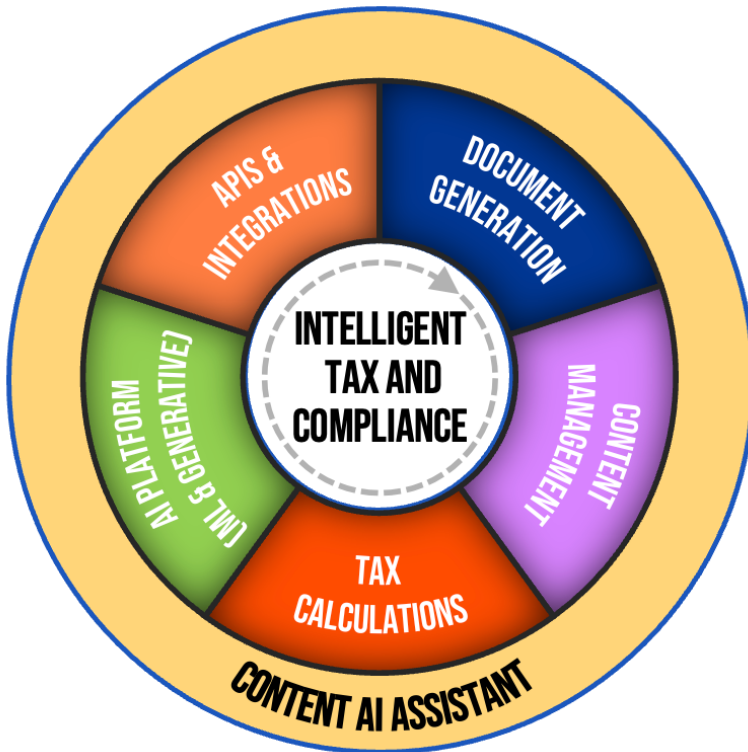


Figure 1: The key components of Intelligent Tax and Compliance.

## The Key Trends Driving the Inception of the Intelligent Tax and Compliance Market

Advances in content automation, workflow automation, document generation, and generative AI have all led to the formation of the ITC market. Key trends that will allow this market to grow and flourish include:

**A major shift from rules-based processes to AI-based processes is happening now, thanks to advances in content algorithms, and will continue to evolve over the next five years.**

The reality of 2026 is that there are still many paper-based document processes that have yet to go digital. Enterprises are now more excited about the possibility that generative AI offers. Custom generative content models (e.g., Custom LLMs) that leverage bring-your-own-data will be the focus of content automation, and this has paved the way for ITC. By utilizing their own data, organizations can create tax calculation models that are tailored to their specific needs and requirements. This will enable them to create highly customized and relevant calculations.

- 1. AI-based Content Assistants are enabling richer interactions across content creation and automation processes, including tax calculations.**

- With an AI-based Content Assistant, the process of collecting information can take a significant leap forward. Conversational interfaces allow for richer interactions across the content creation and automation process. Providers are gradually shifting from click-based processes to a fully conversational process to allow for faster, easier, and more accurate information collection.
- 2. Content assistants are emerging to help automate and speed up workflow and content-based processes.**
- Content assistants are emerging thanks to advances in AI. They can read, summarize, and understand existing tax documents. Conversational search and retrieval are also part of these capabilities, and providers are currently testing their offerings. The impact these assistants will have on workflows cannot be understated. Via an intelligent content assistant, for example, a user will be able to identify the people that a tax document needs to go to, and the application can add them and then have the human approver sign off.
- 3. Content understanding and summarization are unlocking potential new revenue sources for enterprises.**
- The era of understanding means that enterprises can leverage unstructured documents in ways that were not possible before. The vast majority of document data is unstructured. Document understanding opens up a wide realm of opportunities for doing new things with document data—including and especially tax documents.
  - This means that large enterprises, or any enterprise with more unstructured content than its associates, will now be able to analyze this data with AI, which can reveal a previously unseen dimension of business content and identify opportunities for growth, cost savings, and show enterprises where they may be taking on unnecessary risk.
- 4. A growing need for compliance automation is forcing providers to innovate.**
- Compliance regulations are one of the most complex challenges enterprises face, especially tax compliance. Compliance is dynamic; it differs from industry to industry and country to country and is also constantly changing.
  - Enterprises need a reliable way to ensure that they are up-to-date with the compliance laws where they are doing business to avoid costly penalties, as well as to assure customers they can effectively and confidently meet regulations. Leveraging an ITC can significantly reduce the complexities involved in maintaining compliance and reduce the manual effort involved.

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## **The Race to Intelligence in Tax Calculations, Compliance, and Document Generation**

Enterprises deal with a vast amount of documents and document-based processes each and every day that are critical to their business. Even in 2025, the reality is that many of these processes—including tax processes—are still paper-based. A majority of enterprises have still not gone fully digital with their processes, though AI advances are pushing for faster adoption. As generative AI continues to grow, evolve, and improve its accuracy, business leaders are excited to add intelligence to the areas that are bogged down by high manual effort and that stand to have the greatest risk to their business if errors occur. The status quo in document generation and content automation is effectively changing for the better.

One of the key shifts in the use of AI for document and content analytics is the ability of a business analyst to tune algorithms to focus on a certain type of document or a certain part of the document. This will become critical for analyzing tax documents and can greatly reduce the manual effort involved in reading and interpreting them. Given the rise of large language models powering generative AI, there is a mandatory requirement to be able to understand critical documents in order to construct new documents or modify existing ones. This race to intelligence represents a new component of the race to digitally-enabled business processes.

### **The Importance of Integration and APIs for ITC**

One of the main issues with current tax automation software is that it is siloed and not integrated into the enterprise's tech stack. Integration is critical when it comes to reducing manual effort and improving accuracy. Intelligent Tax and Compliance Platforms need to integrate with tools such as accounting, ERP, e-commerce, point-of-sale, mobile commerce, payments, and CRM applications, and/or should offer an API so that enterprises can ensure their ITC platform can connect to the areas of the business that are part of their tax calculations, returns, and remittances.

This ensures that no information is lost and all relevant information is fed into the ITC to allow for the most accurate and up-to-date tax and compliance calculations and reporting. Competitive ITC providers will have native integrations with major providers in these areas.

### **What Is the Role of AI in Intelligent Tax and Compliance?**

Intelligence will play a key role in ITC and will set it apart from traditional, siloed tax calculation and reporting applications. Content AI is the ability of machines and deep learning applications to read and understand documents, and will help enterprises

automate the process of reading and extracting critical information from tax and compliance documents, especially when assessing where the enterprise faces tax risks.

Generative AI will enable enterprises to automate the process of constructing new tax documents and modifying existing ones. Content assistants will help enterprises read, summarize, and understand tax and compliance documents to speed up the process. As frameworks for AI deployment, such as MCP and A2A, come online, there may be a need for offerings to integrate with these systems.

An important part of recommendations on any recommended actions is to provide references to the key regulation in question. This will become a standard capability for providers. One of the providers that offers an AI-powered tax compliance platform (see Note 1).

### **The Benefits of Intelligent Tax and Compliance That Can't Be Ignored**

Transforming the way enterprises handle tax calculations requires leaving legacy systems behind. Legacy tax calculation apps and software often contain valuable data, but their detriment is that they are siloed. The legacy documents apps used to calculate, prepare, file, and remit taxes are often still paper-based and/or manual-based processes (requiring a human to upload a paper or digital document). Moreover, it does not integrate with an enterprise's broader tech stack, meaning relevant information can slip through the cracks.

Added to this is the real risk of human error; miscalculations in taxes and misfiling of returns have real consequences, and because tax rules and laws are constantly evolving, your business is faced with increased risk. These mistakes can force enterprises to pay more in fees and penalties to correct their errors, or worse, cause them to lose business with a customer or within a territory completely.

#### **Note 1: Avalara Overview**

Avalara is one of the pioneers of the ITC market and offers a broad array of products and services to help with tax automation and tax document generation and management.

**Location:** Avalara is based in Durham, NC, with locations in Seattle, WA; Denver, CO; and Monsey, NY and global locations in Brighton, UK; Izmir, Turkey; Brussels, Belgium; Karlsruhe, Germany; Milan, Italy; Paris, France; Timisoara, Romania; Pune, India; Noida, India; and São Paulo, Brazil.

**CEO:** Scott McFarlane

**Key Offerings:** Avalara Global Tax & Compliance, which includes AvaTax, Avalara Returns, Avalara Exemption Certificate Management, Avalara E-Invoicing and Live Reporting, Avalara Cross-Border, Avalara Business Licenses, Avalara Sales Tax Risk Assessment, Avalara Tax Research, and Avalara Capital.

Avi and new Avi AI Agents:

- Cross Border Agents
- E-Invoicing Agents
- Exemption Agents
- Notice Management Agents
- Property Tax Agents
- Registration Agents
- Research Agents

**Website:** [Avalara.com](https://www.avalara.com)

With Intelligent Tax and Compliance, these issues become obsolete. Leveraging intelligence and automation, these platforms can handle complex and sophisticated tax and compliance issues at a global scale. They make tax calculation and reporting faster, easier, and more accurate, saving enterprises money and time, building trust with their customers, and reducing risk. Avalara is one of the ITC providers that is bringing these benefits to its customers (see Note 2).

### **How Will Enterprises Manage the Migration from Analog Tax Calculations and Manual Document Creation to Intelligent Tax and Compliance?**

Many enterprises struggle with manual transactional tax calculation processes for online purchases, leaving them exposed both financially and legally.

The benefits of automating the entire tax calculation and compliance process include risk mitigation in the event of an audit and ensuing financial and other penalties – in addition to business efficiencies gained through technology modernization. Migrating from analog calculations and manual document creation can be a smooth transition when partnered with the right ITC provider who is equipped for the unique needs of your business and its industry.

Making the switch will involve creating a roadmap for implementation, and part of this involves integrations, which is why it is a key evaluation criterion. With integrations into your major tech stack, your Intelligent Tax and Compliance will be able to gather all the documents necessary for tax and compliance, allowing enterprises to start using an automated approach in very little time.

#### **Note 2: Avalara Platform and Product Overview**

**Description:** Avalara is a global leader in AI-powered tax and compliance automation. It helps businesses of all sizes calculate, collect, file, and remit transaction taxes across more than 75 countries. Their cloud-based platform delivers real-time tax determination, exemption certificate management, returns filing, e-invoicing, and cross-border compliance. Their core products include AvaTax, Managed Returns, Exemption Certificate Management, Tax Research, License Management, Cross-Border solutions, E-Invoicing & Live Reporting, 1099 & W-9, Property Tax, Avalara Capital, and Agentic AI-powered compliance capabilities embedded across the Avalara platform. The platform integrates with major technology providers to work with an enterprise's existing tech stack.

#### **Key AI Offerings**

Avalara's ~~Avi~~ AI ~~Agent~~ capabilities are underpinned by the industry's richest metadata layer and a commitment to continuous feedback loops from real-world enterprise use, making its platform uniquely suited for evolving regulatory environments.

## Key Markets Where ITC Will Be Critical

Enterprises in all markets will find that they can reduce risk and save money and time with ITC. Some of the benefits in specific markets include:

**Manufacturing:** Intelligent Tax and Compliance will help manufacturing organizations stay compliant with their tax obligations and can manage documents for exempt sales, prepare for audits, and keep organizations up to date with changing rules.

**Retail:** With the shift to online eCommerce sales, Retail organizations need to be able to compile sales data from multiple systems and channels and know where they have sales tax obligations. ITC can help them do this to improve accuracy, file more efficiently, and provide a better customer experience.

**Communications and Software:** ITC will help tech companies stay up to date with ever-changing tax rules and regulations, manage tax on sales outside the US, and stay compliant across multiple billing models.

**Hospitality:** ITC will help hospitality businesses and short-term rental businesses prepare, file, and remit lodging-related taxes and improve compliance and reporting. Given that sales taxes and local taxes vary by location, ITC is an important component of this market.

**Government and Public Sector:** ITC will help automate returns and reduce complex tax audits for constituents and remote sellers, domestically and internationally.

**Supply Chain:** ITC will help supply chain companies reduce risk and streamline operations with an automated cross-border solution. Sourcing parts and components from different locations has significant tax implications, and ITC addresses this unique and complex challenge for businesses.

## How to Get Started with Intelligent Tax and Compliance

Enterprises first need to assess their risk of non-compliance. This can be done through a detailed analysis of where they have physical and economic nexus in the US, where they have VAT or country-specific obligations, and reviewing past audits and fines they have incurred. Second, they need to evaluate the resourcing and effectiveness of their current tax compliance strategy.

Enterprises should then begin evaluating ITC providers using the key elements of AI Platforms and Tax Compliance, which are detailed in this research note. A critical evaluation point is technology integrations: your ITC provider should integrate with your main tech stack, especially accounting, cloud, CRM, ecommerce, and anything that is

related to a point-of-sale. They should also help you with the migration process, have a roadmap for installation to ensure a successful adoption, and have ongoing customer support options to troubleshoot issues or questions as they arise. When evaluating vendors, enterprises should consider not just technical capabilities but strategic orientation - whether the provider views compliance as a back-office function or a growth enabler.

**Aragon Advisory**

- The Intelligent Tax and Compliance market and the capabilities that can be leveraged represent a huge leap in what is possible when it comes to both domestic and international tax calculations.
- Enterprises that conduct business that involves taxes on products and services should look to automate that entire process with ITC.
- Besides automation, enterprises should evaluate new use cases and business models that ITC can unlock.

**Bottom Line**

Automating both tax calculations and the documents involved with taxes is a daunting process that has been siloed and isolated until now. The Intelligent Tax and Compliance market represents the future and a new way forward. Many enterprises are still leveraging analog approaches, which is slowing down their enterprise and impeding growth. With AI at the core, ITC represents a fundamental shift in business processes that will enable faster revenue generation and increased efficiency due to the automation that ITC provides. Enterprises should evaluate Avalara as one of the key providers that helped to launch and define this market.