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## Future of Accountancy and GST Compliance using AI

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### Abstract

The quick movement of development of Artificial Intelligence (AI) is having a tremendous impact on the profession of accountancy, and the aspects of GST compliance. This paper will provide insight relating to how AI can be used to ameliorate current inefficiencies while governing, including automation of manual processes such as manual data entry, invoice processing, GST return filing and reconciliations. These manual processes are cumbersome, incorrect, costly, and exposed to further compliance risks. Many businesses have been confused with the increasing complexity of GST laws, let alone the reduced resources available to comply for small and medium enterprise (SME) firms. This study undertook a thorough literature review, as well as its own survey and interview-based primary research, and has established that many current AI tools are limited and located in spaces such as adaptability to legal changes, real-time compliance, and transparency of the systems. Reported user satisfaction levels were low, mostly because of usability problems, no ongoing dynamic nature of updates, and very limited organizational explainability. Small and medium-sized enterprises (SMEs) were considered to be even more disadvantaged, based on the limited budgets, technical capacity, and the complexity of tools interface development. To address this, the research articulated an AI solution based on full-cycle automation, with real-time compliance supervision, explainable AI usability (XAI), and usability-orientated for SMEs. Survey data demonstrate that there is potential for richness in the anticipated satisfaction expectations from users based on these proposed features, laying the rationale for advanced, more intuitive and SME-orientated AI systems. There are numerous implementation hurdles to overcome such as the cost of development, integration into existing platforms, resistance to change, and data privacy and security issues. Solving these challenges will be important in facilitating acceptance and widespread application of AI across the accounting sector as a whole. This research has shown significance by going further than theoretical discussion and offering evidence as well as practical and applied examples as to how AI can reconfigure the future of accountancy and GST compliance. The research establishes a groundwork for the next generation of AI that can produce results that are functional, accessible, but also transparently, adaptable, and accessible, which will be available to a variety of businesses.

**Keywords:** Goods and service tax, artificial intelligence, prototype, SMES, usability, adaptability, automation

### 1. Introduction

The landscape of accountancy, and GST compliance particularly, is rapidly evolving due to the rise of Artificial Intelligence (AI). Many tasks that were previously manually conducted, such as data entry, invoice processing, reconciliations, and return processing in a GST context, can be time-consuming, resource-intensive, and susceptible to human errors, delays, and compliance risks. The increasing complexity of the changing nature of GST laws, classifications, and regulatory requirements, also presents substantial challenges - particularly for smaller medium-sized enterprises (SME) who may rely heavily on the assistance of practitioners to do their accounting. AI technologies such as machine learning, natural language processing (NLP) and predictive analytics, provide clear possibilities to disrupt the accounting industry in positively impactful ways. By automating manual, repetitive and rule-based processes, AI will reduce inefficiencies, and greatly limit the potential for human errors. An AI system can also audit transactions, classify expenses, and keep pace with developments in tax regulatory frameworks. All of this will only decrease human involvement and greatly increase the degree of accuracy in compliance. AI's ability to process and analyze megabytes of data accurately and in real time makes it one of the major benefits of AI in GST compliance. For example, AI tools can do the following with some degree of automation: pull data from invoices, validate records, reconcile records with bank

statements, and prepare GST returns with human input. Additionally, AI tools may also be able to identify outliers, and fraud detection, long before they become significant or tangible issues, thus increasing the integrity and reliability of the organization's financial data. Using AI to provide real-time insights allows businesses to make better decisions around their finances and work smarter when they prepare their financial statements. With AI taking over time-consuming, repetitive tasks, accountants and tax professionals can invest this time in other areas of their practice such as advising their clients. This will lead to providing clients with a more in-depth understanding of their finances and planning with a focus on assisting decision-making rather than compliance. Finally, AI tends to provide the future state of accountancy and GST compliance with increased efficiency, accuracy and speed to make any changes required in the regulation. When businesses and practitioners adopt the AI tools for their accounting needs, the profession will not only be changing to reflect the intended outcome of moving away from legacy processes, but it will reinvent itself to not just a future of a more intelligent and dynamic mode of operational function; and enable practitioners and businesses to be more consultative. AI will not just be a tool; it will facilitate a change in the entire industry.

## 2. Literature Review

1. **Anuya Sarawat, (2024)** <sup>[7]</sup>: This study explores how Artificial intelligence can help reshape accountancy by automating repetitive tasks and allowing accountants to focus on higher-value activities.
2. **N. Akhila *et al.*, (2024)** <sup>[8]</sup>: The authors conclude that AI-driven accounting information systems can enhance tax compliance by automating tax filing and decision-making.
3. **Rakesh Kumar *et al.*, (2025)** <sup>[9]</sup>: This paper investigates the benefits of AI in GST compliance through GSTN software for tax computation, return filing, and other compliance tasks.
4. **R. Sudhamathi, (2022)** <sup>[10]</sup>: Authors analyze the significant of AI applications in accounting, including automating tasks, enabling continuous audits, and providing insights for better decision-making.
5. **A. R. Hasan, (2022)** <sup>[11]</sup>: This paper addresses the advantages and challenges in AI. As AI is expected to provide greater efficiency, productivity and accuracy in accounting and auditing, but also challenges like job losses and the need for curriculum and policy changes.

## 3. Research Gap

Although the existing literature recognizes the benefit of AI in automating accounting tasks and has made some progress in addressing GST compliance, there are still considerable gaps. There are few studies to date which specifically reference real-time AI applications these link mainstream accounting automation research and have taken on board and synthesized current understanding on dynamic GST compliance. There also appear to be a limited number of studies that apply explainable AI (which is critical for promoting transparency and trust in financial decision-making), apart from some studies mentioned above. Further, small to medium enterprises (SMEs), have often been neglected in the literature. This research proposal aims to address various AI tools that will help in GST compliance and Accountancy and prioritize usability, adaptability and transparency.

## 4. Research Methodology

This research study utilized a mixed-methods strategy to examine usage and future developments of AI tools related to GST compliance and accountancy, considering usability, flexibility, and transparency. Both primary and secondary data sources were present in the study. Primary data were both structured surveys and semi-structured interviews with chartered accountants, tax professionals and small and medium size business owners. A survey was conducted through an google form that provide quantitative data for the study and helps to gathered information about present working of AI tools and helps to identify the gaps in present AI tools for accounting and GST compliance. Semi-structured interviews had a focus to collect qualitative data about the limitations of the tools, observed performance of tools, reasonable expectations of performance to use, and any specific issues they came across and are having with the AI-based tools. Approximately 100-150 individuals were surveyed and 10-15 were interviewed.

The data source was secondary, acquired through academic articles, government documents and user areas of previous tools such as Tally Prime, Clear Tax, Zoho Books and QuickBooks AI. The research was described as scientific by following systematic checklist against other AI tools with the proposed prototype.

Based on the information gathered through survey and secondary data, the following table shows the comparison between features of current AI tools and proposed AI tools in accountancy and GST compliance:

**Table 1:** Presenting present vs. future AI.

Feature	Present AI Tools (% Satisfied Users)	Proposed Future AI Tool (% Expected Satisfaction)
Automation	58% Partial (Invoice, filing)	91% Full-cycle GST automation + accounting
Usability	52% Moderate; steep learning curve	88% Highly user-friendly, tested with users
Adaptability	49% Static rule-based	85% Dynamic ML model with tax law updates
Explainability	34% Minimal	82% Integrated XAI (Explainable AI) module
Real-time Compliance	27% Rarely available	87% Real-time detection and correction
SME Suitability	45% Limited due to complexity	89% Customizable for low-tech environments

According to this data the proposed AI solution could greatly enhance user satisfaction and operational efficiency across key functional areas.

### 4.1 Significance of Study

This research is important because it consists of addressing

the current shortfalls of AI tools used within accountancy and GST compliance. This focus is heavily on utility, flexibility and accessibility. Consequently, we are currently using systems that only partially automate the prospective adoption of AI and are often unable to keep pace with the ever-evolving GST regulations. Thus, causing

inefficiencies, errors and compliance actions to be taken. This will apply more to SMEs, as they simply do not have the technical ability or the funds to pay for complex solutions. By demonstrating these areas of opportunity with quantitative and qualitative data, the research contributes a clear need for AI tools that are not only intelligent, but usable and explainable. Another noteworthy contributor in the research is the emphasis on Explainable AI (XAI) as it is vital for trust amongst users, but will be just as important for transparency in financial decision-making. The proposed AI system in this study offers full-cycle automation, real-time compliance and customized solutions for SMEs with improved expected user satisfaction. This research is relevant because it moves beyond theoretical discussion, and gives realistic practical input that can help propel next-generation AI solutions for the accounting profession. In summary, this study supports the profession's re-emergence into intelligent advisory services, moving away from routine processing, enabled by smarter, more accessible technologies.

#### 4.2 Challenges in implementing AI tools in the Future

Though AI tools will benefit companies and all over the world in accountancy and goods & service tax compliance. Still, there are some challenges that will remain in adopting and implementing AI tools.

- **Complexity:** While the predicted AI tools should be easier to use than existing tools, current tools report only 52% user satisfaction in relation to usability, meaning for multiple users, especially small business owners and traditional accountants, it may be difficult to accept new technologies caused by lack of training or familiarity with AI interfaces. To be able to overcome this learning curve, there will be a huge investment in educating users for their respective needs and creating intuitive experiences.
- **Compatibility with Current Systems:** Many businesses already utilize accounting platforms such as Tally Prime, QuickBooks, and Zoho Books. Adding advanced AI tools to their current systems or moving from their existing platforms to one of the advanced AI tools can involve technical and operational challenges, with data impediments risks, outage of systems and programs, and unity of platforms.
- **A Large Initial Investment:** Developing and deploying AI systems that incorporate advanced functionality like real-time compliance, dynamic machine learning models, and explainable modules require significant financial investment. This may be an obstacle, especially for SMEs who are already risk-averse because of the uncertain nature of limited budgets and human capacity.
- **Data Privacy and Security:** To operate effectively, AI tools need access to sensitive financial data. It is essentially a robust system of data protection is in place to guard against data breaches, comply with data protection laws (such as the GDPR or India's DPDP

Act), and ensure confidentiality of client matters.

#### 5. Findings

1. Currently, available AI-enabled accounting & GST tools are only semi-automated, mainly providing assistance with invoice processing and return submission. In many cases, businesses are still heavily reliant on manual work, which is time-consuming and deeply error-prone, especially GST classifications and compliance.
2. A very large number of users noted that a serious concern related to the current AI systems is that they are untransparent. A small share of users noted that they were explainable tools and the remainder showed hesitation to fully trust automated outputs to make financial decisions in their accounts.
3. The suggested AI-based system will increase innovations for several fundamental attributes-total automation, real-time GST tracking and GST-ability for SMEs. Survey data provides evidence that user satisfaction could be maximized if a tool like that were successfully developed.
4. The study identifies common challenges that SMEs encounter in adopting AI tools. These are limited technical competence, budget restrictions, and the existing usability of software interfaces. The findings indicate there is an opportunity to develop low-cost, user-friendly and contextually relevant AI solutions to meet the distinctive needs of small businesses. Addressing these issues will make AI tools more accessible and effective, and will help stimulate broader adoption and higher compliance throughout the accounting profession.
5. Professionals with a traditional background in accounting, especially those who have worked under manual processes for years, are typically slower to adopt. Many traditional accounting professionals see the AI tools as a disruptive force rather than a complementary one. There is a clear need for awareness campaigns to develop the message that AI tools can be supportive, not a substitute.

#### 6. Conclusion

Although AI has a strong potential to disrupt accountancy and GST compliance, it has not currently achieved this potential particularly well in significant areas, such as automation, adaptability, explainability, and real-time. The literature review indicated that existing tools address the needs of users only partly - we found limited satisfaction among the professions and business owners, while very much continuing manual processes, especially among SMEs, which is due to the high learning curve, lack of integration with evolving tax laws, and inability to be transparent in the AI decision-making process. The problems that were found in the study include resistance to change, the high dominance in initial capital, concerns over data security, missing real-time capabilities, etc. All the problems indicate a requirement for a more inclusive, intelligent AI solution, especially for SMEs, who are not adequately serviced by current technologies, despite being a significant contributor to the business ecosystem. By focusing on full-cycle automation, user-friendly design, real-time compliance, and explainable outputs, the future AI system offers a method for managing profitability and



ensuring accuracy. It focuses on a future where accountants are not processed data but are analytical advisors with accounting intelligence in the form of financial tools. The future of the accountancy industry and GST compliance and the degree of future adoption of AI with usability and trust in mind and developing those systems to be less complex and, therefore, more usable by larger firms and SMEs.

## 7. Recommendations

To realize the value of possible gains from AI in accountancy and GST compliance viewed collectively, requires a formal set of recommendations, of which will be significant for small and medium enterprises (SMEs) and traditional accountants, otherwise faced with some impediment to adoption. Firstly, the design of AI tools is highly important, and while offering a level of complexity to many advanced and emerging technologies, if the technological objects are designed with usability in mind, which followed principles of traditional interface design, they will help to minimize the learning curve for advanced technologies and limit some of the upstream problems confronting those who are not technologically focused.

- It is also important to make low-cost, scalable AI models, especially for SMEs who have tight budget constraints. This balance must be struck with affordability and have impact to automate businesses and improve compliance that can help organizations regardless of size.
- To build user trust and awareness of AI in financial decision-making, embed Explainable AI (XAI) modules.
- Focus on developing low-cost and scalable AI models for small and medium enterprises in accordance with their limited budgets.
- Ensure that at the public or industry level, we provide adequate training for accountants and business owners to transition to AI tools.
- Encourage collaboration with technology providers and other technologists to ensure the problem-solving nature of the AI system for accountants in the future.

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