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Can you trust AI with tax advice? Exploring the benefits and boundaries of AI in accounting



Today, AI is part and parcel of the daily workflow for many accountants and bookkeepers. The technology can streamline processes, reduce errors and save time when working with clients. But should its role extend to the high-stakes arena of giving tax advice?

Here's what you need to know about where AI fits - and where it doesn't - in modern accounting and why human expertise matters more than ever.

The regulatory landscape for AI use in UK accounting

So far, the UK has taken a light-touch approach to AI regulation. In February 2024, the previous government published its "**pro-innovation" framework**, outlining five core principles for responsible AI use:

1. Safety, security and robustness
2. Appropriate transparency and explainability
3. Fairness
4. Accountability and governance
5. Contestability and redress

Although the paper didn't introduce new laws, it did provide a guide for responsible AI use across industries. Commenting on the paper's publication, **Deloitte** urged firms to "prepare for increased AI regulatory activity including guidelines, information gathering, and enforcement."

With this in mind, practice leaders may want to consider:

- Creating (or reviewing) internal policies to guide employees' AI use
- Documenting when AI is used in client-facing work
- Decide which activities (like client communications) should always involve human review

HMRC's evolving use of AI

While there's currently no formal guidance on how accountants should use AI for tax advice, we do have some insight into HMRC's internal position on the technology.

In late 2024, HMRC's CEO announced trials of generative AI to support customer service and complaint-handling processes. Since then, a **2025 press release** has confirmed that "Investment in AI is expected to improve the targeting of compliance work and help make HMRC staff more productive."

It's clear that HMRC is open to the benefits of AI, at least in certain areas of its own operations.

Industry bodies' position on AI

With **AI shaping the accounting industry** at pace, industry bodies are emphasising the importance of using tools ethically. At the start of this year, **ICAS updated its Code of Ethics** to include guidance on training internal AI systems. And the **ICAEW has encouraged members** to be "mindful of ethics, biases and accountability" when using

AI.

However, the view of industry bodies towards the use of AI in accounting isn't altogether negative. When former Chancellor Jeremy Hunt wrote in *The Times* that "AI is coming for accountants' jobs", the ICAEW issued a swift rebuttal. President Malcolm Bacchus said: "Rather than killing the profession, AI is likely to make it more exciting and more attractive as it frees us up from the mundane tasks to deal with more important issues."

How AI adds value in accounting

For some time now, AI has been quietly improving the way accounting and bookkeeping firms approach aspects of their work. Here are just some of the ways **accountants and bookkeepers are leveraging AI** as part of their daily workflows:

- **Saving time:** AI is particularly effective at streamlining repetitive admin processes. Tasks like expense categorisation, bank reconciliation and invoice matching can now be performed more effectively thanks to AI-driven features in cloud accounting software. For example, **FreeAgent uses AI** to improve the accuracy of bank transaction categorisations.
- **Reducing errors and risk:** AI can help flag inconsistencies and detect anomalies in large datasets, helping with risk management and even fraud detection. In FreeAgent's 2023 Accountant Monitor survey, 65% of accountants said they would most welcome AI tools that prevented clients from entering incorrect information, like miscategorised expenses.
- **Improving client service:** With AI handling routine processes in the background, accountants and bookkeepers can focus on strategic advice and relationship-building. AI can even identify clients with similar needs or financial patterns, helping practices offer a more personalised approach to their communications.

Where AI falls short: tax advice

Tax advice is a high-stakes area of accounting, to put it mildly. Even small mistakes can carry serious financial and legal consequences.

AI tools, especially those trained on static or outdated data, can miss recent legislative changes or fail to interpret a client's unique situation. Worse, AI often presents incorrect information with confidence, creating a false sense of security.

As a result, this can lead to

- inaccurate or inappropriate tax advice
- penalties and compliance breaches
- missed opportunities for claiming tax relief

To make matters worse, the lack of transparency in AI systems would make it difficult for industry professionals to justify AI-driven recommendations to clients or to HMRC. With

so much on the line, it's no surprise that many professionals remain cautious.
In Thomson Reuters' **Future of Professionals Report 2025**, 91% of professionals said computers should be held to higher standards of accuracy than humans. And 40% said that, without human review, they would only trust AI-generated outputs if they were 100% accurate.

AI risk management checklist

✔️ Review every AI-generated output for accuracy
✔️ Check AI findings against up-to-date tax legislation
✔️ Document the reasoning behind any client-facing advice

Accountants as "data guardians" in the AI era

So, where does this leave today's accountants and bookkeepers when it comes to the responsible use of AI?
Software can spot patterns, but it can't always account for nuance, business context or ethical decision-making. In fact, the more AI handles, the more critical it will become for accountants to provide professional oversight and uphold ethical standards.
A 2025 study by Chartered Accountants Worldwide and Ipsos UK found that 79% of accountants believe their role as "data guardians" – responsible for "fostering trust, ensuring good governance and upholding professional standards" – will only grow in importance as AI use increases. In the same study, 71% of participants cited "critical thinking" as the most important skill to teach in accountancy training.
Commenting on the report's findings, Ainslie van Onselen, Chairman of Chartered Accountants Worldwide said: "AI is a tool for innovation, not a replacement for human expertise."
The profession may be evolving thanks to AI, but accountants and bookkeepers remain responsible for working accurately and ethically – and clients continue to trust them to do so.
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