



Tax & Business Lawyers

NEWSLETTER

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MAGNIFICA HUMANITAS, SMART ROBOTS,
ARTIFICIAL INTELLIGENCE AND THE NEW
ELECTRONIC TAX CAPACITY
WHEN TAXATION SEEKS CONSCIENCE

The development of Artificial Intelligence (AI) and the widespread adoption of smart robots challenge the tax system as we know it, requiring us to reflect on whether its structure is suited to the new reality. This debate has now been joined by Pope Leo XIV's encyclical Magnifica Humanitas, which, from the perspective of applied social doctrine, challenges us to consider how societies should respond, including in fiscal terms, to this ongoing revolution.

Advisory



BACKGROUND

The development of Artificial Intelligence (AI) and the widespread adoption of intelligent robots challenge the tax system as we know it, requiring in-depth reflection on the suitability of its structure to this reality. The impacts of this technological evolution and of AI are explored, and the attribution of legal personality and tax capacity to smart robots is discussed. The debate regarding the tax solutions emerging from this technological advance and automation is prompted, and to this debate has now been added, on 25 May 2026, the encyclical *Magnifica Humanitas* by Pope Leo XIV, published on the 135th anniversary of *Rerum Novarum* of 1891, which directly challenges us all on how societies should respond (including in fiscal terms) to the ongoing revolution brought about by AI.

This technological advance confronts us with a rapidly changing reality, both socially and economically, and is profoundly reshaping the labour market, gradually replacing human labour with automated solutions – a phenomenon that highlights fiscal issues of the utmost importance: how will the development of AI and smart robots impact employment and unemployment? How will – and should – tax systems adapt to this evolution?

The replacement of human labour by AI applications and autonomous, intelligent robots may bring with it an exponential increase in efficiency, but it will also have a direct impact on traditional tax revenue collection, particularly that derived from human labour, which is why there is an urgent need to reassess the traditional concepts of ‘work’ and ‘productivity’ in light of these dynamics.

Magnifica Humanitas addresses precisely this point of tension, starting from a premise of direct legal and fiscal relevance: regulatory and tax choices regarding AI are not exclusively technical; they are choices with structural consequences for the distribution of wealth and the sustainability of public systems.

Regarding the “fourth industrial revolution” represented by this digital transition, the encyclical emphasises the importance of protecting the dignity of work by designing person-centred systems; when applied to the fiscal sphere, this points to the need to ensure that the productivity gains generated by automation do not escape taxation.

To maintain the current fiscal state model, we face a challenge that requires reflection on the existing fiscal structures, systems and policies (both national and international) that still exist, so that they can meet the demands arising from this new digital age.

SMART ROBOTS AND TAX LEGAL PERSONALITY

The negative impact on tax revenue arising from the proliferation of AI and smart robots is not merely an academic issue and carries profound implications, particularly regarding the potential erosion of tax revenue.

This has already led to a discussion on the feasibility of attributing 'personality' to robots – a proposal initially motivated by the need to clarify issues of liability, but which quickly proved to be of unequivocal relevance in the tax sphere. Indeed, granting tax personality to smart robots is proposed as a potentially effective solution for classifying them as taxable persons, although this confronts us with unprecedented challenges, particularly regarding their autonomy and capacity for action.

This debate goes beyond mere legal classification, forming part of a broader context that encompasses ethical, political and economic dimensions. The possibility of considering smart robots as taxable entities raises intricate questions regarding the rights and duties that could be attributed to them.

In this regard, Magnifica Humanitas makes a highly significant contribution: for AI to respect fundamental rights and promote the common good, it is essential that responsibilities are clearly defined at every stage, from those who design and train the systems to those who use them and those who decide to entrust them with specific decisions. And this chain of accountability corresponds directly to the logic of tax liability: if it is possible to identify who decides, who controls and who profits, it is also possible to construct a legally sustainable tax base.

Nevertheless, the complexity of these issues is exacerbated by the need to adapt the legal and tax framework to new emerging realities, a task that calls for an innovative approach that recognises all their specific characteristics.

Although it is possible to confer legal personality on non-human entities, this does not automatically imply that smart robots can be attributed tax personality, as the capacity to be considered a taxable person for tax obligations criteria that go beyond the mere existence of legal personality, focusing on economic capacity for taxation and the possibility of attributing autonomous assets.

Consequently, the central issue lies not so much in the attribution of legal personality *per se*, but in the identification of an economic structure that justifies tax liability. And whilst this approach suggests a critical reflection on the concept of tax capacity – which need not be seen as an automatic consequence of legal personality, but as the manifestation of an

economic capacity liable to taxation – it also aligns with the principle that tax law should prioritise (economic) substance over (legal) form. A principle that appears particularly relevant in the context of AI and smart robots.

ELECTRONIC TAXPAYING CAPACITY AND THE DESTINATION OF TECHNOLOGICAL GAINS

Determining the tax capacity of smart robots involves striking a balance between technological innovation and tax justice, a challenge that calls on us to rethink the foundations of the legal and tax system in the 21st century. As we know, the transition to an increasingly automated economy is an inescapable reality that presents us with new challenges, much like the industrial revolution of the 19th century. The replacement of humans by machines or the shift from the physical workplace to the digital realm will lead to a reduction in state tax revenues and, at the same time, an increase in social security payments.

It is in the need to correct such imbalances and mitigate these losses that the first proposal to tax robots (automation) as the cause of job losses arises, the so-called “*robot tax*” – an idea which, although rejected by the European Parliament in 2017, is currently in force in South Korea (EP Resolution 2015/2103 INL).

Magnifica Humanitas does not directly address this ‘*robot tax*’, but it provides a conceptual framework for the debate. The papal document revisits the classic principle of the “universal destination of goods” – a pillar of the Church’s social doctrine – and applies it to these new realities of the 21st century: algorithms, digital platforms, technological infrastructure and data are, in the Pope’s view, goods that should be at the service of all, and not sources of enrichment and control for a minority. Transposed to the fiscal sphere, this principle points to the legitimacy – and the necessity – of redistributive mechanisms that capture part of the gains generated by automation and reallocate them to the funding of public systems and social protection. The document also calls for independent audits, transparency regarding algorithms and equitable access to data – tools which, from a regulatory perspective, are equally necessary for the effective taxation of AI.

In this regard, Magnifica Humanitas alerts us to a structural risk that tax legislators cannot ignore. The concentration of power in the hands of private companies and groups capable of controlling digital infrastructure, data and algorithms can lead to dependencies, manipulation, exclusion and inequality – a diagnosis that reinforces the relevance of a tax system that penalises the excessive concentration of value generated by automation and encourages a model of broader sharing of its economic benefits.

TAX CHALLENGES AND SOLUTIONS IN AN UNCERTAIN FUTURE

In this context, it is imperative to definitively determine who will be liable for the new tax. At first glance, this role could fall to the robot's owner, although it remains conceivable that the robot itself—as an 'autonomous and intelligent entity' with possible legal personality—could assume such capacity. However, the exact methodology for implementing this taxation remains an open question and subject to debate.

A more rigorous scrutiny of the legal and practical foundations of the new taxation of smart robots will be inevitable in an era of continuous digital and industrial transformation, which opens new avenues for innovation in tax law but also demands adaptations to existing legal, economic and institutional structures to accommodate the changes that automation brings to modern societies.

Tax neutrality is likely to require a more balanced approach between human labour and smart robots, avoiding distortions in the labour market. Tax incentives, in turn, for retaining or hiring human workers could act as a counterbalance to the trend towards automation.

At the same time, one solution that seems to emerge is the imposition of higher taxes on companies that benefit exclusively or predominantly from automation, without the use of human labour – thereby offsetting the social impact of technological unemployment – although this must be carefully calibrated so as not to discourage innovation.

An alternative solution may lie in the introduction of a new Guaranteed Minimum Income (GMI), as a safeguard for workers affected by automation. The encyclical emphasises that technological innovation must respect the dignity of workers and cannot turn people into disposable parts of the system, which gives such a GMI, funded by taxation on automation, a justification rooted in a logic of systemic balance.

This GMI could provide a safety net for all those whose jobs are replaced by technology and automation, guaranteeing minimum living standards and thereby mitigating social tensions. However, it also raises questions of financial sustainability and its effects on motivation to work.

Another conceivable approach could focus on the direct taxation of the use of smart robots, attributing the income attributable to them to their owners, so as to encourage a measured use of automation. On the other hand, such income (attributable to robots) could be subject to social security contributions, thereby also promoting a new balance in the face of a decline in the workforce.

In a first stage, we would have a tax based on a ratio between revenue and the number of workers, and in a second stage, the tax would be levied directly on the robot, already reflecting an electronic capacity to pay here — a measure which, although innovative, raises the questions regarding the tax personification of non-human entities that we have already discussed.

Another possible tax solution — similar to taxes levied on cars, boats or aeroplanes — is to create a new tax on the ownership of the smart robot by its owner. In practice, a tax (separate taxation?) with an annual rate based on the value and capacity of the 'equipment', a tax that would lead to some administrative simplicity, although it would require careful assessment so as not to simultaneously discourage investment in technological innovation.

Finally, one might also suggest the creation of a simple compensatory fee for the use of smart robots. This fee would function as a kind of 'licence to use', proportional to the robot's capacity or time of use. The link between the use of smart robots and the advantages granted by the State could be established in such a way that companies contributing significantly to social or economic development through automation would receive tax incentives or benefits more readily.

On this point, Magnifica Humanitas provides useful guidance for the legislator: data and technological infrastructure should be classified as human resources and shared, which suggests that the tax consideration for the use of AI systems should be proportional to the magnitude of the value extracted from an asset that is, in its essence, collective.

CONCLUSION

Each of the solutions discussed presents benefits and challenges.

The key to their implementation will lie in striking a careful balance between encouraging innovation and automation, and protecting the (human) workforce, whilst maintaining the sustainability of the state's public tax revenues.

The publication of Magnifica Humanitas represents, in this context, a landmark moment, systematically addressing the significant structural challenges of AI, with implications that, going beyond the theological debate, directly challenge legislators, regulators and tax experts.

The document does not propose concrete solutions but sets out parameters that tax law must not ignore. Technology is not neutral; its benefits must not be captured by the few; and the dignity of human labour must be protected even when machines replace it.

Tax law in the 21st century, partly due to automation, AI and smart robots, has a mission that goes far beyond revenue collection and must be – even more so – an instrument of justice.

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