

Overview

What is the EU AI Act and why was it developed?

The European Union's AI Act is a legal framework for regulating the development and use of Artificial Intelligence (AI) systems.

It aims to ensure AI is developed and used in a safe, fair and transparent way that aligns with EU values and 'fundamental rights', while also promoting innovation and the EU digital economy.

As the world's first comprehensive and targeted AI law, the AI Act is expected to set a global standard for regulating the potential harmful effects of AI. It takes a risk-based approach to AI and introduces very large fines for compliance failures.

Fundamental rights is EU-speak for protected rights and freedoms of people in the EU, including what we typically call human rights in Aotearoa New Zealand, as well as things like borderless travel in the EU.

Why should I care?

If you're looking to develop, deploy or use an AI system in the EU, you need to be aware of the AI Act's requirements and understand how they might apply to you.

But this isn't just about compliance and avoiding fines. If you take a responsible approach to AI in line with the AI Act's requirements, you're more likely to drive trust in your AI activities – giving you an ongoing licence to continue innovating.

What counts as ‘AI’?

The AI Act can be complex, so we have simplified some of the definitions to help you understand what’s involved. If you want to read the full text and formal definitions, you can cure your insomnia [here](#).

- **AI Systems** are defined in the AI Act as machine-based systems operating with varying levels of autonomy that may exhibit adaptiveness after deployment and that infer from data inputs how to generate outputs like predictions, content, recommendations or decisions that can influence physical or virtual environments.
- **General-purpose AI (GPAI) models** essentially refers to Generative AI, like Open AI’s ChatGPT. GPAI models display significant generality, are capable of competently performing a wide range of distinct tasks and can be integrated into a variety of downstream systems or applications. For more information, see [EU AI Fact Sheet 5: General Purpose AI Systems](#).

Does the AI Act apply to us in New Zealand?

The AI Act applies to organisations that are based in the EU, that market their AI systems in the EU or whose AI system’s outputs will be used in the EU.

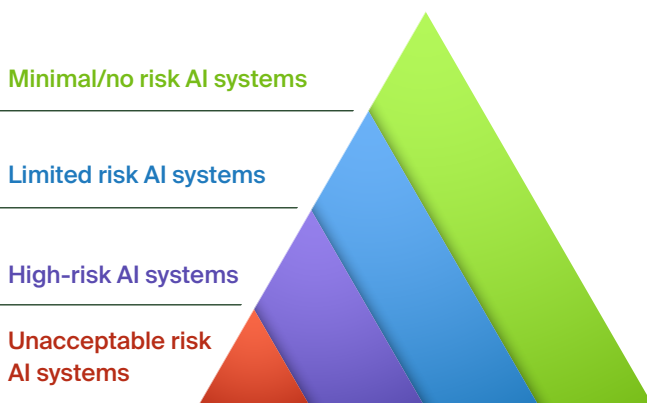
So if you’re part of a Kiwi organisation that sells AI systems to European customers or uses AI in a way that will impact people in Europe, your organisation is likely to be subject to the AI Act’s requirements.

The extent of your obligations will depend on your role in the AI supply chain (e.g. are you a Provider? A Deployer?) and the risk profile of your AI system.

For more information, see [EU AI Fact Sheet 2: Scope](#).

What are the requirements?

The AI Act takes a risk-based approach to AI systems, with a sliding scale of requirements based on the level of risk: the higher the risk, the stricter the rules.



- **Minimal/no risk AI systems** can be freely developed and used, like AI-enabled video games or spam filters. Most AI systems currently used in the EU fall into this category.
- **Limited risk AI systems** have transparency obligations to ensure users know they are interacting with an AI system. That includes disclosing where content was generated or modified by AI (e.g. deepfakes) and publishing summaries of any copyright material used for training. For example, generative AI chatbots like ChatGPT.
- **High-risk AI systems** have the most extensive requirements because of the risks they pose to health, safety and fundamental rights. For example, AI systems used in employment, education, credit assessment and immigration.
- **Unacceptable risk AI systems** are banned. For example, social scoring and predictive policing.

For more information, see [EU AI Fact Sheets 3: Prohibited Systems](#), [4: High-risk AI Systems](#) and [5: General Purpose AI Systems](#).

What are the penalties?

For each category, the greater of:

- **Prohibited AI violations:** up to €35 million or 7% of global annual turnover for the previous year.
- **Most other violations:** up to €15 million or 3% of global annual turnover.
- **Supplying incorrect information to authorities:** up to €7.5 million or 1% of global annual turnover.

For SMEs and start-ups, the threshold will be the lower of the two amounts.

When will it take effect?

The AI Act will come into force 20 days after it is published in the Official Journal of the European Union. It will be fully applicable 24 months after that date, with a graduated approach as follows:

- **6 months:** Prohibitions on unacceptable risk AI apply.
- **12 months:** Obligations for general-purpose AI models apply.
- **24 months:** Obligations for certain specified high-risk AI systems apply.
- **36 months:** Obligations for all other high-risk systems apply.

Timeline

