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TECHNOLOGY INSIGHT

Phase One of Artificial Intelligence Act implemented by European Union



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The Artificial Intelligence Act (Regulation (EU) 2024/1689) entered into force on 1 August 2024 and will become fully applicable on 2 August 2026. The phased implementation of the Act began on 2 February 2025, when the first provisions related to prohibited AI practices and AI literacy requirements took effect. This legislation establishes a comprehensive regulatory framework for the development, deployment, and use of AI systems across the European Union. The Act's primary objective is to ensure that AI technologies align with EU values, promote trustworthy AI, protect fundamental rights, and foster innovation while maintaining fair market competition. The regulation seeks to balance technological advancement with ethical safeguards, ensuring that AI contributes positively to society without causing harm or deepening inequalities.

The AI Act adopts a risk-based classification approach to regulate AI systems according to their potential societal impact. Unacceptable risk AI systems, such as social scoring, subliminal manipulation, and manipulative AI techniques, are banned outright. High-risk AI systems, which include applications in law enforcement, healthcare, and education, are subject to strict transparency, oversight, and risk management requirements. Meanwhile, limited and minimal-risk AI systems face fewer restrictions but must still comply with transparency obligations. The Act also establishes an AI Office within the European Commission, which will oversee compliance and enforcement, while national supervisory bodies will monitor AI implementation across Member States. Non-compliance with the AI Act may result in fines of

up to €35 million or 7% of a company's global turnover, ensuring accountability and adherence to ethical AI practices.

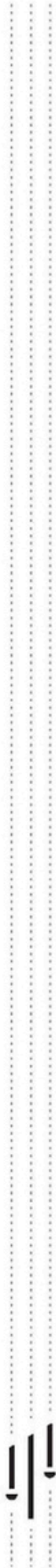
Article 5 of the AI Act bans specific AI applications deemed harmful, including facial recognition databases compiled through online scraping, biometric identity verification, manipulative AI techniques, social scoring, criminal prediction software, and emotional detection in workplaces and schools. AI systems that exploit age, disability, or socioeconomic status to influence behavior are also strictly prohibited. These prohibitions reflect the EU's commitment to ensuring that AI systems do not reinforce discrimination, violate privacy, or undermine democratic principles.

To further protect fundamental rights, the AI Act prohibits certain AI practices that could cause harm or infringe on individual freedoms. AI systems designed to manipulate individuals' behavior through subliminal, deceptive, or coercive techniques are banned if they impair decision-making in a way that leads to significant harm. Additionally, social scoring AI, which evaluates individuals based on their behavior over time, is outlawed if it results in unjustified discrimination or disproportionate consequences in unrelated areas of life. Similarly, AI-driven predictive criminal risk assessment is only permitted when used to support human decision-making based on objective evidence, rather than solely relying on AI-generated predictions. The Act also imposes restrictions on biometric and facial recognition technologies. Facial recognition databases compiled from internet scraping or CCTV footage are strictly prohibited to prevent mass surveillance and privacy violations.



Emotion-detection AI in workplaces and educational institutions is banned, except in cases where it serves medical or safety purposes. Furthermore, biometric categorization AI, which infers sensitive personal characteristics such as race, political opinions, or sexual orientation, is forbidden, with limited exceptions for law enforcement under strictly regulated conditions.

The EU AI Act represents a landmark regulatory framework, setting a global standard for AI governance. By establishing clear rules, ensuring transparency, and enforcing ethical AI development, the regulation aims to foster responsible AI innovation while preventing harm. As the full enforcement date approaches in August 2026, businesses and AI developers must ensure compliance with these regulations to avoid penalties and contribute to a trustworthy and fair AI ecosystem.





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