



EVALUATION OF THE TAX INCOMES IN BUDGET FROM MACROECONOMIC PERSPECTIVE AND TAX AUDIT IN TURKEY ¹

Dr. Mustafa Göktuğ KAYA

Ministry of Treasury and Finance, Tax Inspector, Turkey

ORCID ID:0000-0003-4124-4733

Assoc.Prof. Ning HOU

Department of Management and Entrepreneurship, Herberger Business School, University of Saint Cloud State, Minnesota, USA

Ömer ÖZYILDIZ

Ministry of Treasury and Finance, Tax Inspector Assistant, Turkey



ABSTRACT

Throughout the centuries of human history, economic and financial events, taxes, have been very effective in social systems. Changes in taxes affect the human being, the smallest unit of the society, especially in times of economic turmoil, therefore it continues to be a sensitive issue that needs to be addressed and updated. In fact, taxes have a very important place in social life by dealing with their socio-political, political, and economic dimensions rather than the purpose of financing public services. The purpose of this study is to evaluate the concept of tax by considering the evolution of taxes from past to present, the function of the special taxes forming in the Turkish Tax System, and the functioning, development, and effectiveness of the tax auditing system in terms of macroeconomics in Turkey.

Keywords: Financial And Economic System, Taxes, Fiscal Policies, Tax Audit, Double Taxation

1. INTRODUCTION

In globalizing world order, information spreads via technology at an incredible speed. The governments moving together with utilizing supranational organization formed important gains to the public that lives in terms of the law. As a result, the mindsets countries have are not similar to each other, law rules in practice also differ from each other. The globalization process in our country, increased in the 1950s, accelerated completely in 1980 and post-1980, and continued to the present time. In this process, radical changes occurred in our tax system.

Tax law is an idiosyncratic sub-branch of public law containing specific definitions and processes. Therefore, in juristic interpretations to be done, it is practical to use specific methods. The unique aim of tax policies applied in our country, rather than improving general macroeconomic order, is to provide finance for public expenses that are being made. In government incomes, the relative share of tax incomes is at relatively high levels.

In the post-1980 period, the Turkish Tax System, with contributions of IMF programs and the EU membership process, has begun to slowly show similarity to tax systems applied in Western countries. Value Added Tax implemented after 1985, combining 8 laws of indirect tax in the scope of a single

¹ This article is presented as a paper at the 4th The Economics Research and Financial Markets Congress with International Participation (2020) "IERFM 15-16-17 October".

law, formed the first tangible example of this case. In the following years, given that the debt load of the public, a search for diversifying the income resources of the budget has emerged. This search has ended by implementing special consumption tax, one of the most important income resources of the budget as of 2002 with the effect of the 2001 Crisis. In 2006, Corporate Tax Law was renewed by being subjected to a comprehensive revision.

In budgetary incomes of central administration, that the share of tax incomes reached 88.4% in 2015 increases the importance of tax applications every day. The fact that the share of indirect taxes in tax incomes shows an increase brings various problems, particularly the justice of income distribution. Most of all, studying the effect of economic recession periods on taxes, in the periods of Covid-19 Pandemic we are in, being able to predict the effect of change of consumption patterns that emerge has a great value.

Besides having a share in the increase of tax incomes, the tax auditing mechanism was also restructured in 2011, incorporating the duty of providing tax justice. Both evaluating the effects of this change on the increase of tax incomes and measuring its effects on examination rates and identifying its effectiveness have value, especially tax justice, in reaching macroeconomic targets such as unrecorded economy, tax auditing application, undertakes critical duties.

The aims of this study, considering evolution taxes passed from the past to the present time in Turkey, are to evaluate what means tax concept, how specific taxes forming Turkish Tax System works, the place and importance of these taxes in budgetary incomes, and the operation, development, and effectiveness of tax auditing from a macroeconomic point of view.

2. TAX IN CONCEPTUAL FRAMEWORK

In our country, until the 1950s, when mentioned public finance, what comes to mind first was only tax concept and working area of fiscal administration consisted of only taxes. However, over the economic processes, the taxing concept has changed together with the developing economic policies (Akalin, 2006: 419). In the early days, taxing process was to collect tax in exchange of government presented services to its citizens (i.e., as the price of that government-produced goods and services). In the following years, it evolves to achieve economic growth (i.e., full employment), and as one of the important macroeconomic indicators, taxes were being collected as an instrument of fiscal policy.

Tax as economic elements is forcibly collected by public institutes and organizations with taxing authority from the individuals or companies without being discretionary on the condition that it is following certain juridical rules and without being pricy of any service presented by the government. In this framework, if we define the existing tax law, among juridical rules drawing the framework of taxing from rules and procedures, [we can say that] it is a sub-branch of public law about the relationships arising from tax event between individuals and companies paying their taxes, and government collecting tax and examining the rules [related to them] (Aksoy, 1999:3).

Taxes to finance public expenditures generally have three main elements: taxpayers, tax rates, and taxable bases. The taxable base is a subject enabling taxpayers to be taxed and subject to tax. There are three general taxable bases, through which taxes are levied. These are consumption, income and earnings, and wealth. According to these taxable bases, taxes imposed are classified as taxes collected through consumption (taxes collected from goods and services), income, and wealth in respect to its subjects. Since they have important effects on the taxes levied, tax rates are very important. In general, there are two sorts of the tax rate as proportional tax and variable tax (progressive tax and regressive tax). In proportional taxes, whatever taxable base is, the tax rate is always applied to base the same way. Otherwise, in variable taxes, as the tax rate increases, the tax rate increases relatively applied to the base (Oats et. al. 2017: 2–3). Taxpayers are real and legal persons who must pay for tax accrued on their names.

Tax incomes are one of the biggest income resources government has in most countries (Lymer and Hasseldine, 2002: 3). There are two different sectors: paying the tax and collecting the tax. Among these, the sector that pays includes the individuals, sole companies, capital companies, and state institutes and organizations we call “taxpayer”. The sector collecting tax is public administration qualified as the state treasury. Taxpayers, who are also assigned as the market actor, are taxed according to the output they produced. The tax concept is not only related to financial science but also economics.

2.1. Sorts of Tax

The tax was ensured by the provision in 73rd articles of the constitution of the Republic of Turkey in the form that “Everyone is responsible for paying tax according to financial power, to meet public expenses”. Our tax system determined the three main elements as indicators of financial power and was fictionalized on these. These are the elements of income, wealth, and consumption.

Income taxes and wealth taxes: They are direct taxes and are levied from those acquiring income or wealth in the rate of income or wealth they acquire; namely, they are collected following the principle of our constitution that taxes are proportionally levied with paying power of the people. Consumption taxes are indirect taxes. They are levied without directly associating with the paying power of people, and these taxes are applied to everyone at the same rate through goods and services purchased.

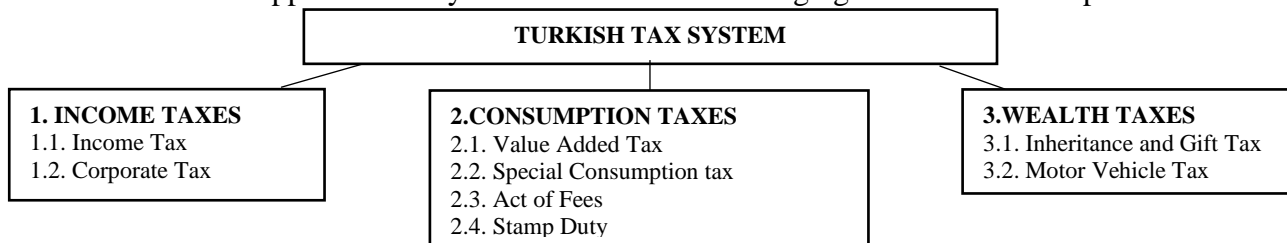


Figure 1: Sorts of Tax to Turkish Tax System²

In the first item of no.193 Income Tax Law (ITL), it is said that “Incomes of real persons subject to taxation” (Tosuner and Arıkan, 2012: 12-13). It must not be thought that every income is subject to income tax. In the 2nd item of ITL, it is declared that income elements will subject to income tax, and these are counted as 7 paragraphs. These are commercial earning, agricultural earning, self-employment income, wage, income from immovable capital, income from movable capital, and other earnings and incomes (Gök, 2017: 116).

Corporate Tax: The second of direct taxes taking place in our tax system is corporate tax. This tax collected from earning like income tax, in contrast to income tax, is collected from legal personality. Every legal personality does not subject to corporate tax. In the 1st item of the law, it is expressed that earnings of capital companies, cooperatives, public economic enterprises, economic enterprises belonging to associations or waqfs will subject to corporation tax (Yereli, 2004:107)

Value Added Tax: It is an indirect tax, which is applied most commonly in our country, and with the highest share in the budget. It is not a sort of tax collected from earning, and payer of tax is all of the final consumers. However, in every stage until reaching consumers, the added value that forms is taxed, and it is collected by applying the relevant tax rate through added value forming in the last stage. Although the general rate of the law was determined as 10 % in its 28th item, in the framework of the same item, based on the authorization given to the council of ministers, it was differentiated for the various groups of products like 1%, 8%, and 18%.

Special Consumption tax: Special Consumption Tax (SCT), numbered 4760, which was included in our tax system in 2002, and which forms the most important second resources in tax incomes, is a tax

² In the study, main tax laws forming Turkish Tax System and being in force will be processed, considering their shares in tax incomes. In this scope, only domestically collected taxes will be processed and externally collected taxes (from foreign trade) will not be given place in this section.

levied from certain goods and whose scope is limited (Edizdoğan,2007: 303). It is not a general-qualified indirect tax like VAT, and this tax, which is also qualified as a luxurious consumption tax among people, just as it takes place in 1st item of the law, is taken as ad-hoc. Which products will be subject to taxation is determined through lists, again depending on the law. Besides consumption elements known by everyone such as tobacco products, alcohol products, oil fuel, and white appliance, it is a tax also levied from the products such as fruit juices, gaseous drinks, and shaving foam.

Fees: Fees are a sort of tax, whose payment is kept obligatory in exchange of utilizing some part of public services, due to its carrying quality, the difficulty of share procedure, which is discriminated from the other taxes (Tosuner and Arıkan, 2012: 409-410). It is only paid by those who utilize it. Judgment fees, title deed fees, and passport fees are the most known types of fees.

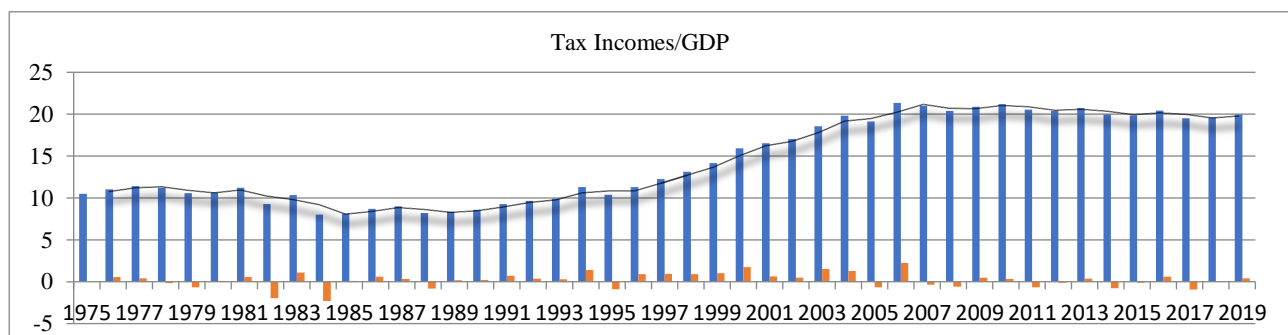
Stamp Duty: The subject of Stamp Duty, dated 1964 and numbered 488, consists of the valued papers pointed out in its 1st item. These papers, at the same as the lists taking place in SCT, were determined through the table annexed. Its taxpayers, as stated in 3rd item, are those signing these papers. Therefore, naming the tax as a valued paper tax will be appropriate.

Inheritance and Gift Tax: In 1st item of interest of Inheritance and Gift Tax, dated 1959 and numbered 7738, it is declared in the form of “Transfer of a person to Properties belonging to persons in the nationality of the Republic of Turkey and properties that gratuitously are in Turkey from a person to another person via inheritance and gift or anyway subjects to Inheritance and Gift Tax ”. In this scope of this item, it is understood that the law comes into force to tax a donation i.e. gratuitous transfers between persons. Donation occurs in two ways. First is via inheritance, in other words, via inheritance law. Secondly, it emerges in the form of providing a gratuitous economic value realizing between those being alive or transferring its ownership (Ortaç, 2002: 218).

Motor Vehicle Tax: As a result of the definition of having a motor vehicle as an indicator of an income state, when having these vehicles (without discriminating real and legal person), it is a tax paid. It is collected from land vehicles as well as ships and aircraft, driven by motor power (Arslan, 2004; 217).

3. BUDGETARY INCOMES

In summary, the budget can be defined as a government balance sheet, in which the income and expense prediction of government associated with a period (Tügen, 2005:1).



Graph 1: The share of budgetary incomes in GDP³
Source: (BUMKO, 2020), (TUIK, 2020)

When we generally examine the data taking place in Graph 1, it is necessary to evaluate the rate of public incomes to GDP in 3 distinct periods. It is seen that the first period taking place between the years of 1975-1996 showed fluctuations without forming trends and that it could not be mentioned about an increase or decrease. The average of a period covering 22 years actualized as 0.86. In the

³ It was formed by processing the data of Budget Fiscal Control General Directorate associated with budgetary incomes, and GDP data, published by TUIK.

2nd period covering the years of 1997-2006, it is clear that [this period] is in the tendency of increase as a net trend, that it rises to the level of 21.35 from the level of 11%, almost rising two folds, thus, that the period showing the most rise is this period. Although the last period covering the years of 2007-2019, shows fluctuations like the first period, it is seen that wavelengths are short compared to the first period. The average of this period actualized as 20.35% that is the highest mean value among the periods. This value is more than even two folds of the value between the years of 1975-1996 that is the first period. The highest decrease among all periods actualized in 1984, while the highest increase was seen in 2006 and, in the same year, the rate of budgetary incomes to GDP reached to peak.

In general, when the graph including the rate of budgetary incomes to GDP is examined, as of the years of 1975-2019, as a result of the increases that this rate shows by beginning the levels of 10%, it is explicitly that it reaches the level of 20s %. For this increase to be able to be positively interpreted, it is necessary to examine the resources of increase. For, if this increase arises from increasing tax rates, namely, if the resource of income reveals a result in the form of an increase per capita tax load, this cannot be a positive development. However, the resource of this increase provided this increase via increase of incomes of public enterprises taking place in economic life and institutes similar to these or by increasing public incomes, in other words, enlarging tax base in the way of putting unrecorded economy under record, it will be able to be evaluated as a positive development. Another case here is that if this rate increases due to a decrease of GDP taking place in the numerator, certainly, there is no possibility to positively evaluate this case, and currently, there is no validity of such a case in GDP of the relevant period. Of course, what is meant as positive or negative is related to the viewpoint. That is, that income has been increased in terms of publics is always a positive development, because the increase of resources enables possibilities to increase the services and investments that will be able to be introduced by government; however, being able to positively perceive this case is only possible with both increase of incomes individuals acquire and having a belief regarding that tax is fairly distributed without increasing individual tax load.

Table 1: Incomes and Distribution in Central Administration Budget

YEARS	TOTAL INCOME	TAX INCOMES	%	ENTERPRISE AND PROPERTY	%	INTEREST, DIVIDENDS AND PENALTIES	%
2006	168.547	137.480	81,6	7.531	4,5	19.439	11,5
2007	184.803	152.835	82,7	8.239	4,5	15.706	8,5
2008	203.027	168.109	82,8	7.422	3,7	17.126	8,4
2009	208.610	172.440	82,7	9.948	4,8	23.058	11,1
2010	246.051	210.560	85,6	9.804	4,0	21.114	8,6
2011	286.554	253.809	88,6	9.063	3,2	19.739	6,9
2012	320.277	278.751	87,0	13.976	4,4	22.588	7,1
2013	375.564	326.169	86,8	14.312	3,8	23.651	6,3
2014	408.676	352.514	86,3	16.125	3,9	28.302	6,9
2015	464.188	407.818	87,9	19.662	4,2	26.560	5,7
2016	533.203	459.002	86,1	23.748	4,5	34.910	6,5
2017	607.138	536.617	88,4	19.762	3,3	35.560	5,9
2018	729.063	621.536	85,3	26.128	3,6	71.848	9,9
2019Ö	867.296	756.495	87,2	33.978	3,9	59.122	6,8
2019G	853.148	673.315	78,9	93.692	11,0	68.019	8,0

Source: (BUMKO, 2020)⁴

Except for the items taking place in Table 1 in Budgetary Incomes, there are the donations received and aids as well as special expenses. Although the second largest income element of the budget are the interests, dividends, and penalties, the majority of the incomes under this title consists of tax-based penalties and interests. Therefore, using the data regarding the economic resources of the government was preferred. In Table 1, since the sub-items are better scrutinized, and the study is effective, it is directed to the actual [values], the data belonging to pre-2006 years were not given a place in the study. However, it was considered that briefly giving information about the process of

⁴ Figures were expressed as TL million.

calculating and publicizing the GDP data regarding the years in data scope would be useful in terms of continuing analysis. In this scope, GDP data in our country were formed by Turkey Statistics Institutes (TSI). As of years, it is necessary to measure the relationship and make analysis through these parameters. In Tables and graphics, the data are belonging to 2016 and the next years. Therefore, in analyses made, this case will be considered and evaluated.

Budgetary incomes increased more than 5 times in the period from 2006 to 2019. Besides, between these years GDP rose 5.41 times and tax incomes, 4.71 times. These data, as explained in the previous part, do not express any meaning alone. Hence, it is necessary to analyze by looking at in terms of the resources of income. When regarded through Table, it is seen that the share of tax incomes in the budget does not fall below 80% except for the year 2019 and, as an average of 14 years, that they are at the level of 85%. Here, the year 2019 shows a specific case with a rate of 78.9%. Due to regression experienced in the years of 2018-2019 years, it is considered that this case has formed and slowed in economic activity results in a proportionally decrease of the share of tax incomes in the budget. Therefore, acting by looking at income figures predicted belonging to the year 2019 has great importance in terms of making healthy analysis. The figures of the predicted income and actualizing income belonging to the year 2019, are generally in favor of actualizing income except for recession periods. Namely, the figures for actualizing income are above the predicted one. Also, another remarkable element for the year 2019 is that the enterprise and property incomes, showing a variation in contrast to the fall occurring in tax incomes, rise to the level of 11% that is a record.

Recession including the period 2018-2019 made an important effect on budgetary incomes. It will be in place to evaluate the effect that forms in two stages. The first effect has directly occurred on tax incomes. While the share of tax incomes is 85% for the year 2018 and 87% for 2019, the increasing rate remained at the level of 78% and regressed to the lowest level in 14 years. Here, the case that attracts attention is that it arrives lower level even the 2008 global economic crisis. Here, studying sources of approx. 4% difference occurring between two periods and analyzing the falls occurring tax incomes as a result of slowing in economic activity have great importance in terms of predicting the effects of slowing to be experienced due to the Covid-19 pandemic and being able to analyze the risky areas of tax policy. This evaluation will be analyzed in detail in light of the data taking place in Table 2.

Over the 2006-2009 Period, it will be wrong to interpret the increase taking place in tax incomes as an increase of direct tax rates. There may be many different reasons for the increase experienced in tax incomes. Among these reasons, what first comes to mind is to take unrecorded economy under record, because “as is in many other developing countries, unrecorded economic activities are highly prevalent in Turkey” (Erkuş and Karagöz, 2009:133). As the other reasons, increasing the number of taxpayers, being increased tax and the other incomes via auditing, and tax incomes obtained from new economic enterprises coming via foreign investments can be counted.

Table 2: Distribution of tax incomes in respect of their sorts

YEARS	INDIRECT TAXES	DIRECT TAXES	TOTAL TAX INCOMES	SHARE %	
				INDIRECT TAXES	DIRECT TAXES
2006	97.340	40.141	137.480	71%	29%
2007	104.637	48.198	152.835	68%	32%
2008	113.174	54.935	168.109	67%	33%
2009	115.972	56.469	172.440	67%	33%
2010	149.243	61.317	210.560	71%	29%
2011	178.009	75.800	253.809	70%	30%
2012	193.240	85.511	278.751	69%	31%
2013	233.421	92.749	326.169	72%	28%
2014	246.308	106.207	352.514	70%	30%
2015	288.674	119.144	407.818	71%	29%
2016	319.427	139.574	459.002	70%	30%
2017	371.311	165.306	536.617	69%	31%
2018	403.871	217.666	621.536	65%	35%

2019	431.792	241.522	673.315	64%	36%
------	---------	---------	---------	-----	-----

Source: (BUMKO, 2020)⁵

When regarded in respect of sorts of tax, what it is first remarkable, besides that the rate of indirect taxes is almost above 65%, although the fall experienced in the years of 2008- 2009 and 2018 – 2019, it takes place at the level of 69% in average. When generally regarded in this case, it is evident that it will not positively contribute in terms of the income distribution. However, when regarded in this case in terms of developing countries, it is accepted as ordinary. In developed countries, it comes into existence as the total opposite (Türk, 1999: 207-219). When a comparison is made based on OECD countries, it reveals that the share of indirect taxes is over the OECD average (Inaltong, 2012:25).

As a result of indirect tax arrangements that especially actualized in 2020, this difference can be opened to some extent. That the rate of indirect taxes is so high can also form negative result budgetary balance other than failing justice of income distribution. In the periods of 2008-2009 and 2018-2019, when economic activities slow down and consumption decreases, indirect tax income fell to the lowest rates compared to the other years. That is, while its average out of these periods actualizes at the level of 70%, the average of 4 years covering the crisis period is at the level of 66%. In this case, besides that 4% of loss that forms leads to budget deficits, as a result of slowing in economic activity, it partly shows that the dimension of the risk forming on tax incomes. While making evaluation here, considering GDP and inflation in the relevant years will be useful in terms of evaluating real effect (2008-10,06, 2009-6,53)(2018-20,30, 2019-11,84).

If we individually evaluate two crisis periods, although Turkey is less affected by the 2008 Crisis, this variation in incomes of indirect taxes introduces the risk of that the high rate of indirect tax forms in terms of budget. In the year 2009, when crisis more intensively showed its effects, in the fact that incomes of indirect tax do not fall as sum, the effect of SCT discount, basically applied supportively automotive sector has been at an unresectable level (Karakurt, 2010:167-168).

Although the effect of recession experienced from 2018 to 2019 on tax incomes is similar to 2008, here, recession actualized especially not generally. Namely, the recession was experienced locally i.e. Turkey –specific, and the feature to be exchange rate shock-sourced. However, actions taken were again similar to the period 2008, and they actualized in the form of tax discounts in the sectors such as automotive, white appliances, and furniture and discounts in fees and credit rates in the processes of house purchasing. These actions are very normal because consumers modify consumption habits in the cases, where uncertainty forms in the economy, even if their incomes do not fall. The government takes action in stimulating the economy.

In ordinary economic periods, the rate of indirect taxes is high can be viewed as even advantage from certain aspects, because the most practical taxes are indirect taxes. But crisis periods are the periods, in which government is obliged to more come into the forefront in economic life, namely, increases social-aimed transfer expenditures, and takes actions stimulating economic life (as is in arrangements made in 2009). For, in crisis periods, it is known that unemployment increases, and serious decreases occur in GDP (Özatay, 2015: 534-537).

In case that the majority of incomes of government, whose resource need increases and incomes decrease, consists of indirect taxes, the government will be obliged to compensate most of its resource need via borrowing, and making this from domestic market will not be logical, because in case that this resource that is necessary to be used by economic enterprises is used by government, crowding out effect will emerge, and economic activity will much more slow down. Government, which is obliged to search for resources from abroad, rationally behaving, in case of that crisis has

⁵ Figures were expressed as TL million.

international quality, will get into a dilemma and slog on. In this case, it emerges the result that the government will slog on making the necessary interventions to the crisis.

As of 2020, Covid-19 pandemic, spread all over the world, beginning in China, has currently impacted millions of people, and countries take serious actions to prevent the disease from spreading. In our country, especially lockdown, many limitations were put into action. This case has begun to affect economies particularly in respect of 2nd quarterly. Almost all of the analyses even recently made show that all economies of the world, generally, face to recession risk.

This case triggered due to the pandemic is highly different from those faced in the recent period. Here, the crisis is two-directional: health and the economy. The changes such as that people lock themselves in the house for a long time, that they keep away from closed areas, and that they avoid close touch to each other point out that the accustomed consumption patterns will change from many aspects, and they require this case to be examined from neuro- economy aspects as well.

When we analyze this behavioral change that will emerge in consumption habits with the perspective of tax incomes, it will not be wrong to say that the risk the share of indirect taxes that is 69% in tax income forms for 2020 can be very beyond the other crises. For, when regarded to the crisis in terms of behavioral economics, besides that consumption patterns that emerge change, it is evident that crisis will show its first effect in the dimension of classical economics and from the aspect of unemployment in macroeconomic scale, Unemployment directly reduces both indirect and direct tax incomes. It will be more appropriate to make a more comprehensive analysis of this case in the framework of the data taking place in Table 3.

Table 3 below shows the distribution of budgetary incomes from the period of 2018-2019. It will be useful to examine this table in detail because it shows the share and importance of tax items taking place in Turkish Tax System.

Table 3: 2018-2019 Distribution of Budgetary Income Actualizations

(Million TL)	2018	2019	Variation %
I-Tax Incomes	621.536	673.315	8,33%
1. Taxes levied from the incomes and earnings	217.666	241.522	10,96%
a) Income Tax	138.992	162.695	17,05%
b) Corporation Tax	78.673	78.828	0,20%
2. Taxes from Property	13.766	15.605	13,36%
3. Goods and Service Taxes Domestically Levied	213.038	230.939	8,40%
a) Value Added Tax Domestically Levied	56.354	55.449	-1,61%
b) Special Consumption Tax	133.906	147.129	9,87%
Oil and Natural Gas (I)	55.593	60.997	9,72%
Motor Vehicle (II)	17.328	13.807	-20,32%
Alcoholic Drinks (III-a)	12.402	14.715	18,65%
Tobacco Products (III-b)	42.725	50.358	17,87%
Cola Drinks (III-c)	859	1.022	18,96%
Durable Consumption and Other Goods (IV)	4.998	6.230	24,64%
c) Bank and Insurance Transaction Tax	18.184	22.669	24,66%
d) Tax on Games of Chance	1.155	1.681	45,54%
e) Special Communication Tax	3.440	4.014	16,67%
4. Tax Levied from International Trade and Transactions	138.221	142.266	2,93%
a) Custom Duties	15.276	16.771	9,79%
b) Value Added Tax Levied in Import	122.262	124.867	2,13%
c) Other Foreign Trade Incomes	683	627	-8,19%
5. Stamp Duty	16.961	18.850	11,13%
6. Fees	21.689	24.128	11,25%
7. Oher Taxes That Are Not Classified in Other Places	197	5	-97,25%
II-Enterprise and Property Incomes	26.128	93.692	258,58%
1. Goods and Service Sale Incomes	3.755	4.943	31,64%
a) Goods Sale Incomes	2.933	3.729	27,14%
Bank Cheques/Valuable Paper Fees	123	134	8,77%
Other Valuable Paper Fees	2.809	3.594	27,95%
b) Service Incomes	822	1.214	47,69%

Road, Bridge, and Tunnel Fees Incomes	42	45	9,20%
Other Service Incomes	781	1.169	49,73%
2.Public Economic Enterprise and Public Banks Incomes	16.993	82.452	385,21%
a) Treasury Portfolio and Accession Incomes	15.671	81.038	417,11%
b) Incomes Provided from PIEs and State -Owned Enterprises (SOESs)	1.322	1.414	7,00%
3.Institute Profits	1.840	2.225	20,93%
a) Revenue Assets	1.840	2.223	20,86%
b) Profits from Other Institutes	0	2	419,22%
4.Rental Incomes	3.025	3.114	2,91%
a) Immovable Property Rents	1.325	1.550	17,00%
b) Movable Rents etc.	1.701	1.564	-8,06%
5.Other Enterprise and Property Incomes	515	959	86,11%
III-Donations and Aids Received and Special Incomes	1.190	9.702	715,09%
1.Donations and Aids Received from Abroad	0	1	931,01%
2.Special Incomes	1.190	9.700	715,07%
Apprenticeship, Vocational and Technical Education Incomes	52	161	212,49%
Other Special Incomes	1.138	9.539	737,87%
IV-Interests, Dividends, and Penalties	71.848	63.257	-11,96%
1.Interest Incomes	6.869	9.853	43,43%
a) Interest Income From Borrowing Transaction	267	556	108,22%
b) Default Interest of Debt Instrument Income, and etc.	1.979	3.119	57,63%
c) Default Interests of Tax, Levies, and Charges	189	365	93,57%
d) Other Interests	4.435	5.813	31,06%
2.Dividends Received People and Institutes	19.157	22.685	18,42%
a) Government Dividends	1.408	1.759	24,99%
b) Dividends Belonging to General Budget Institutes	17.749	20.926	17,90%
3.Fines	10.184	14.375	41,15%
a) Tax Fines	527	648	23,01%
b) Administrative Fines	4.712	6.328	34,29%
c) Tax Penalties	4.710	7.124	51,23%
d) Other Fines	235	276	17,23%
4.Other Miscellaneous Incomes	35.637	16.344	-54,14%
V-Capital Incomes	7.809	6.895	-11,71%
1.Immovable Property Sale Incomes	2.280	2.361	3,55%
2.Movable Property Sale Incomes	6	102	1671,55%
3.Other Capital Sale Incomes	5.523	4.432	-19,75%
VI-Collection from Receivables	551	1.525	176,98%
Special Budget Institutional Income	23.761	20.748	-12,68%
Regulating and Supervising Institute Incomes	5.173	6.663	28,79%

Source: (BUMKO,2020)⁶

When the data belonging to Table 3 are generally analyzed, it is seen that the tax having the most vocal in the items of incomes in 2018 -2019 budget actualization is VAT with 28.74-26.78%.⁷ As seen from here, in 2019, when the effects of the crisis are remarkable, the decrease of 9.3% emerged in VAT incomes. The second most important income item of indirect tax income is SCT, which has been included in our indirect tax legislation in recent times. From 2018 to 2019, SCT took place between 21.54% and 21.85%, respectively. However, any decrease was not observed in SCT like VAT. To study, when sub-items are examined, thanks to new tax regulations made for alcohol and tobacco products in 2019, a tax loss that can emerge here was prevented. That these regulations are in the form of an increase in tax rate is evident. The total share of these two consumption taxes in the budget is at the level of 48.63 % as of 2019. In summary, almost half of our tax incomes consist of these two main indirect taxes and, crisis periods, constitute one of the most important risks for the budget.

Income tax, as of the period of 2018 -2019, contributing to the rate of 22.36-24.19%, takes place as the second most import tax income. As seen, in contrast to the decrease actualizing in VAT, the importance of income tax increased in the crisis period showed a decrease of approx. 8%. The actualization of corporation tax was in the rate that can be deemed relatively lower like 12.66-12.71%.

⁶ These rates are reached by classifying data ,and sums are expressed as TL million.

⁷ It is expressed as total of VATs collected internally and externally.

However, it should not be ignored that it showed a decrease of 7.5% compared to the previous year. It is seen that slow economic activity was also felt by taxpayers of corporate tax.

One of the highest rate increase in budgetary incomes actualized in enterprise and property incomes with a rate of 385%. When the details belonging to this increase are examined, it formed due to the transfer of accumulated dividends and legal reserves of Central Bank in 2019 and, if considered that this income is temporary, it can be said that income increase is at the level of 8s %. Here, when considered that inflation of the year 2019 is at the level of 11.84% and regarded to tax incomes by comparing with inflation, it will reveal the result that there is a real decrease.

When the effect of economic recession emerging due to Covid-19 Pandemic are evaluated together with budgetary actualizations taking place in the previous periods especially in the direction of the data taking place in Table 3, it is possible to better understand the risk that forms in terms of tax incomes that is the main item of the budget. For example, due to Covid -19;

- ✓ It was recommended/forbidden consumers not to leave their houses and not to travel.
 - The share of SCT, levied from oil and natural gas products, in tax incomes is 9% and, when regarded to this with VAT, this rate reaches 10%.
- ✓ Places of entertainment were closed in the scope of protection precautions.
 - The share of alcoholic drinks in tax incomes is at 2%.

Besides these examples, when we consider a decrease of 4% is considered due to recession in 2019, the dimension of the risk of indirect tax form in recession periods is more clearly seen.

4. AUDITING TAX INCOMES

Tax auditing in our country, in the scope of the taxes, levied internally and externally, is individually made by the units. While auditing the taxes levied externally are realized in the Ministry of Trade⁸, auditing internally taking place are made by auditing staff taking place in the Ministry of Treasury and Finance

4.1. Effectiveness of Tax Auditing

The aim of tax auditing is defined as identifying the accuracy of the tax that is necessary to be paid. Its main function is to minimize the gross tax deficit. Gross tax deficit is expressed as difference that emerges between aggregate amount of tax that is necessary to be paid in a certain time range as a result of applying tax laws completely and perfectly and a total of taxes paid by taxpayer's self-statement (Bickley, 2012:1). While auditing engenders the result of correcting the tax paid less or more for the person audited in the strict sense, in a broad sense, it affects to close tax deficit directly or indirectly. For example, tax difference and penalty emerging as a result of auditing are directly effective and reflects on budget as income. So, taxpayer directly feels his/her fault. Its indirect effect comes into existence in the next periods. Taxpayer subjecting to auditing feels that the works and processes he/she performed are controlled in the next periods, depending on this, shows the tendency to act at least in compatible with tax laws. However, it is not easy to measure this effect.

While tax auditing, on the one hand, makes a contribution to provide tax justice, on the other hand, to justice of income distribution. The difference between that the people having the same income, stating different incomes, paid tax sums and the statement that is necessary to be caused one part to become rich by paying the missing tax, namely, tax justice as well as income distribution to break down. Right here, there are also those obtaining income similar to those in example and those not stating it and the problems unrecorded economy reveal. Even if these problems can be reduced via auditing in a certain rate, it is not possible to be able to reach achievement alone. For, struggle with unrecorded economy is a complex process and, besides making all administrative arrangements and

⁸ Its former name: Ministry of Customs and Trade

auditing for its achievement, via increasing consciousness level of tax, it is necessary for individuals to control both themselves and other elements in economic life.

4.2. Tax Auditing in Turkey

While Tax auditing in Turkey is realized through the units having different titles and independently acting from each other under Ministry of Treasury and Finance⁹ before 2011, as of the year 2011, these units, combining in “Tax Inspection Board”, has begun to make tax auditing under the title of “Tax Inspector” in a single hierarchic structure. As a result of this combination, we can explicitly say that effectiveness in auditing has increased in the framework of the data taking place in Table 4. In this increase, restructuring tax auditing as well as the increase occurring in the number of staff, improving personal rights compared to the previous conditions, and beginning to adapt the daily conditions are effective (Özker, 2002:183).

Table 4: The Number of Taxpayers Investigated and Sums of Imposition Suggested As of Years

Years	The Number of Taxpayers Investigated	Tax Sum Suggested To Be Imposed (A)	Penalty Suggested To Be Imposed (B)	Total (A+B)
2011	16.267	3.926.153.961	6.540.331.412	10.466.485.373
2012	46.845	4.535.523.091	8.776.095.415	13.311.618.506
2013	71.352	8.561.313.250	19.086.884.477	27.648.197.727
2014	55.284	7.939.389.423	16.582.633.968	24.522.023.391
2015	58.676	9.803.999.983	18.843.082.627	28.647.082.610
2016	49.817	7.234.873.130	15.904.492.736	23.139.365.866
2017	44.182	5.878.506.580	14.370.585.724	20.249.092.304
2018	44.376	8.722.800.218	19.862.613.528	28.585.413.746
Average	48.350	7.075.319.955	14.995.839.986	21.140.552.254

Source: (VDK, Activity Reports)¹⁰

When we analyze the data taking place in Table 4, it is seen that the most important increase in the number of taxpayers investigated actualized with 52% in 2013. The year 2013 also became the most effective year in terms of both the taxpayers investigated and possible contribution to be made to budgetary (among the years taking place in the scope of the table). Tax Inspection Board, could able to manage to raise the number of taxpayers 4.5 folds in two years it went into action, This rate is over that of many OECD countries (Çetinkaya, 2014:1). However, in the next years, even if it follows a fluctuated course, except in 2017, it always caught a number over average.

When the sums of tax suggested to be imposed are analyzed, it comes into existence that how high “tax deficit” is. For, although the number of taxpayers investigated is at the limited level, the tax difference detected – even if it is specific to taxpayers- points out that tax consciousness is low and the tendency of tax aversion is more.

In 2016 and the following years, it is necessary to be separately analyzed, because in the same years, while the number of auditing staff increased, the number of taxpayers investigated decreased. That is, a negative correlation came into existence. Among the causes of this case, the case that the number of tax investigations does not reflect on the number of taxpayers investigated can emerge. For example, as a result of examining the activity report of the relevant period, while the number of investigations made was 159,500, the number of investigations made in 2016 reached 185,462. Namely, although an increase of 16,000 was, this case did not reflect on the number of taxpayers. In imposition made in these periods, a remarkable decrease was not seen, otherwise, in 2018, it reached its highest value. This case can be deemed as evidence regarding that the effectiveness increased in auditing. Among the other factors, besides the political and economic developments in the year of interest, by increasing the statements of taxpayers in the investigation stage like increasing taxable

⁹ The former name: Ministry of Finance

¹⁰ It was formed by compiled from 2012 -2018 Tax Inspection Board Activity Reports

base, it is also possible for the effect of the arrangements such as being able to complete investigations to be¹¹.

Table 5: Auditing Staff and Investigation Rates

Years	The Number of Staff ¹²	Investigation Rate (%)	Total Imposition Per Auditing Staff ¹³
2012	3.890	1,93	2.690.613
2013	4.509	2,90	2.952.233
2014	3.933	2,24	7.029.799
2015	4.051	2,32	6.053.326
2016	5.994	1,96	4.779.293
2017	6.449	1,68	3.588.055
2018	6.528	1,63	4.378.893
Average	5.050	2,09	4.496.030

Source: (VDK, Activity Reports)¹⁴

The number of auditing staff being in duty actively, except the year 2014, has increased every year and risen almost two folds. that average investigation rate is currently 2.09, even if this increase is considered inadequate, the increase actualizing in imposition per auditing staff as of years strengthens the idea in the direction of that more effective auditing is made compared to the previous years. Also, in the years of 2016, 2017, and 2018, the effect of the earlier declared reasons may reflect on investigation rates.

Another element attracting attention in the table is the total amount of imposition per auditing staff. The annual total amount of imposition per staff is very high. The result to be deducted from here is that the resource auditing staff directly provides to the public is over the load the resource itself brings to the public as staff. Hence, the increase in the number of staff will be useful, when regarded in terms of criterion of profit/loss for public

Here, while analyzing the data, the total amount of imposition per auditing staff must never be used as a criterion pointing out the effectiveness of auditing, because tax auditing aims to accurately identify tax sum. If there is no missing in sum, there is not also a difference to be able to emerge. Even if there is a tax more calculated, the return of this is also provided. Hence, any difference is not detected at the end of the investigation, the meaning that this investigation has not been effective must not be deducted.

In the period of Covid-19 Pandemic, due to limitations experienced obligatorily, as in all public processes, auditing processes also went wrong. Especially in certain stages of auditing, since interviewing with taxpayers is obligatory, besides that not being able to carry out these works and processes will affect the direction of decrease in investigation rates, it is also possible for [this case] to result in incomes provided to budget as a result of auditing. The increase of actively using technology compared to the past years, certainly, accelerated auditing processes; however, because there are certain physical necessities for processes, as seen in the Covid-19 process, the importance and necessity of the investigation process are fully electronic environment have increased. This necessity, from the aspect of both collecting tax and the aspect of auditing tax, is of the steps that are necessary to be firstly planned.

5. CONCLUSION

At present, by the market economy and justice and equality principles, the major sorts of tax are Income Tax, Corporate Tax, Value Added Tax, Special Consumption Tax, Motor Vehicle Tax,

¹¹ See, "the laws on Restructuring Some Receivables, numbered 6736 and 7111"

¹² It expresses the number of staff actively assigned for tax auditing activity

¹³ It was obtained by dividing by the number of active auditing staff the addition of the imposition taking place in Tax Inspection Board Activity Reports and sum of penalties suggested by deducting the tax sum suggested. It does not include accuracy regarding how much becomes accurate and is paid

¹⁴It was formed by compiled from 2012-2018 Tax Inspection Board Activity Reports

Special Communication Tax, Bank Insurance Transaction Tax, Inheritance and Gift Tax, Chance Games Tax, and Stamp Duty.

After 1990, as a result of tax reforms applied for various reasons, Value Added Tax that has the quality of general consumption tax firstly entered our legislation, and secondly, special consumption tax begun to be implemented in 2002. Together with that application areas of these two sorts of taxes that are in the scope of indirect taxes enlarge, the share of indirect taxes in tax incomes rose to the level of 70s%. This case generally was seen in developing countries, besides that it leads to a negative effect on the justice of income distribution, as a result of the decrease of consumption in recession periods, leading to decrease of public incomes, has also the potential of government to be able to prevent the government from making the necessary interventions to economic life, increasing the borrowing needs of the public. Due to these reasons, applying it for a long time forms a risk for the future. This risk is more clearly seen together with change emerging in consumption habits due to Covid-19 pandemic

That tax auditing, undertaken an important role in terms of struggling with informality and providing tax justice is restructured in 2001, producing successful results, raised the number of taxpayers 4 folds in some years and made extra contributed to budgetary incomes. This case is promising and forms the idea in the direction of that effectiveness increases in auditing. However, that average auditing is at the level of 2.09% shows that there is still a long way to be passed. For being able to provide these improvements, it is necessary to increase the number of auditing staff, make improvements in their personal and put regulations into operation in the direction of accelerating management process, and being able to perform auditing fully electronically. Intensive use of technology will contribute to Covid-19 and similar cases, which come to our face in today's conditions from the aspects of both health and not hindering auditing. Another element that is necessary not to be forgotten is that the average possible contribution sum auditing personnel made over 1 years to provide tax justice and prevent tax loss is far above the total income he/she obtains over professional life.

It will be important for the final targets of arrangements possible to be made in the next process regarding the tax system that is being applied in our country to include the following points. These must be strengthening social and economic structure the collected taxes include and raising their fiscal effectiveness to the top level; taking actions for increasing the rate of collecting the tax imposed by transforming the instruments to collect tax into a structure complied with economic requirements; shifting the share of direct taxes to income and wealth taxes that are indirect, to provide the justice of income distribution; and raising auditing elements providing tax justice to more active level by developing auditing mechanism.

REFERENCES

- Aksoy, Ş. (1999), Vergi Hukuku ve Türk Vergi Sistemi, Filiz Kitabevi, İstanbul
- Akalın, G. (2006), Kamu Ekonomisi, Hacettepe Üniversitesi Yayınları, Ankara
- Arslan, M. (2004). Türk Vergi Sistemi. Ankara: Nobel Yayın Dağıtım.
- Bickley, J. (2012). Tax Gap, Tax Compliance, and Proposed Legislation in the 112th Congress. CRS (Congressional Research Service) Report for Congress. Washington DC.
- Bütçe ve Mali Kontrol Genel Müdürlüğü (2020). Bütçe İstatistikleri. <https://muhasabat.hmb.gov.tr/genel-yonetim-butce-istatistikleri> , D.A.: 03.06.2020
- Çetinkaya, F. (2014). Dünya Gazetesi: <https://www.dunya.com/gundem/turkiyede-vergi-inceleme-oranlari-ve-vdknin-artan-etkinligi-haberi-277250> , D.A. : 11.05.2020
- Edizdoğan, N. (2007). Kamu Maliyesi. Bursa: Ekin Kitabevi.

Erkuş, H., and Karagöz, K. (2009). “Türkiye’de Kayıt Dışı Ekonomi ve Vergi Kaybının Tahmini”. Maliye Dergisi(156).

Gök, O. (2017). Gelir Vergisi Matrahının Tepiti ve Beyan. Ankara: Vergi Müfettişleri Derneği.

Inaltonç, C. (2012). "Vergi Yükü:Türkiye ve OECD Ülkeleri Karşılaştırması". Vergi Dünyası(369).

Karakurt, B. (2010). “Küresel Mali Krizi Önlemede Maliye Politikasının Rolü ve Türkiye’nin Krize Maliye Politikası Cevabı”. Atatürk Üniversitesi İktisadi ve İdari Bilimler Dergisi, 24(2).

Lymer, A., Hasseldine, J. (2002) , The International Taxation System, Kluwer Academic Publishers: Boston-Dordrecht- London

Oats, L., Miller, A., Mulligan, E. (2017), Principles of International Taxation (6th ed.), Bloomsbury Professional, London

Ortaç, F. (2002). “Yeni Yasal Mal Rejimi ve Veraset ve İntikal Vergisi”. G.Ü.İ.İ.B.F Dergisi, pp. 209-224.

Özatay, F. (2015). Parasal İktisat Kuram ve Politika. Ankara: Efil Yayınevi.

Özker, A. (2002). “Vergi Denetiminde Fonksiyonel Yapı ve Denetime Özgü Beklentiler”. Akdeniz İ.İ.B.F. Dergisi, pp. 172-185.

Tosuner, M., and Arıkan, Z. (2012). Türk Vergi Sistemi. İzmir: Kanyılmaz Matbaası.

Tügen, K. (2005). Devlet Bütçesi. İzmir: Bassaray Matbaası.

Türk, İ. (1999). Kamu Maliyesi. Ankara: Turhan Kitabevi.

Yereli, A. B. (2004). “Vakıfların Vergi Muafiyeti ve Üç Hukuki Yanlışı”, Vergi Sorunları Dergisi, V:184, Ocak 2004

İnternet Kaynakları

Türkiye İstatistik Kurumu. (2020). TUIK: http://tuik.gov.tr/PreTablo.do?alt_id=1105, D.A.: 03 06, 2020

Vergi Denetim Kurulu. (2012,2013,2014,2015,2016,2017,2018). Faaliyet Raporu. <https://www.hmb.gov.tr/vergi-denetim-kurulu-faaliyet-raporu>, D.A.: 03.06, 2020