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PROCEEDINGS BOOK

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Editors

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Süleyman ÖZDEMİR	Rector of Bandırma Onyedi Eylül University		

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Birol UBAY	Digital Economy-Aggressive Tax Planning Interaction		

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Gözde NALBANT EFE	The Effect of Tax Structure on Economic Growth in Developing Countries		
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Kadir AYYILDIRIM	Evaluation of the Electronic Notification Procedure in Turkish Tax Law		

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Plenary Session	**16.00-17.00**	**16 October 2021 Saturday**	**3rd Day**
General Meeting of The Congress			

Information and Public Decision-Making Process: What About Transparency?

Romilda Rizzo[1]

Public sector decision-making and policy implementation processes imply the interaction of several actors (politicians, bureaucrats, citizens/voters, organized groups) generating overlapping principal– agent relationships. In multi-tiered institutional systems, these relationships occur, horizontally, at any level of government, and vertically, between central and local levels. In such a framework, politicians can be considered as an agent of citizens and, at the same time, the principal of bureaucraticagents, which are due to implement the policies decided by them. The core feature of this relationship is asymmetric information and under these circumstances, unless an effective incentive system is designed, the agents tend to pursue their own interests rather than the principal's goals. Transparency can be a powerful tool to reduce the potential conflicts embedded in the agency relationship. In fact, the flow of economic, political and social information to the relevant stakeholders can increase the accountability of public administrations, improve the use of public resources and enhance citizens' trust in public institutions.

This presentation, building on previous work, provides some thoughts on this topic, from a theoreticaland empirical perspective, suggesting that the economic analysis of transparency may offer new interesting insights to improve the performance and integrity of public action.

To this aim, firstly different definitions of transparency as well as their implications are investigated. Then, focusing on the "top down" approach, the methodological issues of measurement are analysedand a rather innovative approach is proposed, with the construction of a new indicator of institutionaltransparency. Italy, where an extensive transparency regulation has been issued in recent years, is used as case study, with a special attention to the municipal level of government.

To throw some light on the relationship between transparency and public action, some preliminary empirical results obtained using the new indicator are presented. On the one hand, transparency appears correlated with the quality of institutions as well as with municipalities performance and, on the other hand, with equitable and sustainable well-being measures, referring to digital, social and political dimensions.

On these grounds, further empirical results are proposed to offer insights on the determinants of transparency. A first suggestion is that civic capital affects the transparency of public action with a positive effect on the accountability of politicians and rewards for more transparent politicians. Moreover, a pattern of spatial dependence seems to emerge, with 'transparency mimicking' taking place among

[1] Prof. Dr., University of Catania, rizzor@unict.it

neighbouring municipalities, mainly among small ones where citizens' political participation and the incentives for government accountability deriving by the electoral system are likely to be greater.

It appears that transparency 'matters' as a new dimension of society's well-being and institutional quality, which has not been investigated so far in the political economy literature, and that its potentialities to overcome asymmetrical information and the related policy implications are worth exploring.

Tax Avoidance and Base Erosion, the EU Experience and Remedies

Frans Vanistendael[1]

New rules on tax avoidance & BEPS

- 05.10. 2015: BEPS programme.
- 12.07.2016: Council Directive (EU) 2016/1164, Anti Tax Avoidance Directive (ATAD1).
- 01.01.2017 Multilateral Instrument, with the Principal Purpose Test of art. 29 OECD MC.
- 26.09.2019, joined cases C-115/16 etc., EUCJ Danish beneficial ownership cases.
- 01.01.2021, OECD Inclusive framework: agreement on pillar1 and pillar 2 (15%).

Can EU apply BEPS?

- The EU has implemented several BEPS recommendations: interest limitation rules, CFC rules, tax rules on hybrids
- EU GAAR rule in ATAD looks like a carbon copy of the OECD Principal Purpose Test in art. 29 MC (2017): there is abuse when the tax benefit is one of the **principal purposes of the arrangement.**
- Can EU apply OECD- GAAR?

EU integration <-> fiscal sovereignty

- 2 principal goals of TEU: (1) internal market and (2) EMU and common currency (€).
- Instruments to achieve 2 goals: (1) legal harmonisation of member state laws & (2) fair market competition between private businesses, but also competition between member states.
- EU competition is regulated by competition rules for undertakings and state aid rules for member states, in TFEU.

[1] Emeritus, Prof. Dr., KU Leuven, (It is with great sadness we inform you that Professor ***Frans Vanistendael*** has passed away on 27 October 2021, only 12 days after he presented this paper in our conference)

- EU competition between undertakings has been largely harmonised by EU regulation and directives, with the exception of CIT.
- Non-tax harmonisation is realised by qualified majority voting in Council, but harmonisation of tax requires unanimity voting (fiscal sovereignty!).
- Corporate income tax can only be harmonised, through economic (tax) competition.

EUCJ cases on national tax avoidance

- Case 270/83, Avoir Fiscal, 28.01.1986: the risk of tax avoidance is no legal basis to restrict the freedom of establishment (nr. 25)
- Case C-264/96, ICI, 16.07.1998: accepts the justification of tax abuse, but national law on tax avoidance is too wide and not specific enough to eliminate only "wholly artificial arrangements".
- Case C-446/03 Marks & Spencer, 13.12.2005 restricts cross-border loss carry-overs.
- Case 33/74, van Binsbergen, 03.12.1974: doctrine prohibiting abuse of the fundamental economic freedoms to circumvent national rules protecting legitimate interests of member states.
- Case C-110/99, Emsland Stärke, 14.12.2000: application of prohibition of abuse of freedoms to fully harmonised and uniform customs legislation.
- Case C-255/02, Halifax, 21.02.2006: doctrine prohibiting abuse of EU law is accepted as principle of interpretation of EU law in harmonised area of VAT, without specific anti-abuse provision.
- Case C-196/04, Cadbury Schweppes, 12.09.2006: a cross-border arrangement with the avowed purpose to benefit from a favourable tax regime does not in itself constitute abuse (nr.38).
- Case C-196/04, Cadbury Schweppes, 12.09.2006: in order for a national restriction on the freedom of establishment to be justified by prevention of tax abuse, the restriction must be specific to prevent **wholly artificial arrangements which do not reflect economic reality**.
- The EUCJ does **not** establish a proportional link between the amount of profit subject to lower tax and the size or volume of economic operations.
- Conclusion: an EU enterprise has the right to enjoy the benefits of **tax competition, caused by the absence of harmonisation**, provided the arrangement is genuine i.e. is not wholly artificial and reflects economic reality.
- There is no proportional link between the benefits, subject to lower tax, and the size or volume of cross-border operations

Exception for third countries:

- EUCJ case law for cross-border arrangements inside the EU, cannot be applied the same way to capital flows between the EU and third countries.
- Case C-101/105, Skatteverket, 18.12.2007(nr.35): legal integration between EU states cannot be compared with third countries & no imperative of economic integration by tax competition.

Case C- 115/16, Danish tax cases, 26.02.2019,

- nr108: ".. The right of taxpayers to take advantage of competition engaged in by the member states on account of the lack of harmonisation of taxation of income cannot be raised against .. the general principle that abusive practices are prohibited".
- nr155: in case of abuse, a taxpayer cannot claim the benefit of the TFEU freedoms, to challenge national legislation on taxation of interest.

Anti-Tax Avoidance Directive (ATAD)

- ATAD = partial implementation of BEPS: interest limitation, CFC, anti-hybrids provision + GAAR.
- ATADGAAR reflects almost literally the PP test:
- Art. 29 OECD MC: obtaining a tax benefit directly or indirectly is one of the principal purposes of the arrangement or transaction.
- Art. 6 ATAD: one of the main purposes of obtaining a tax advantage that defeats the object and purpose of the applicable tax law.
- Difference ATAD-BEPS: conditions for PPT.
- Art. 29: tax benefit in accordance with object and purpose (i.e. the interpretation) of the convention.
- Art. 6.1: PP test applies only to "**non genuine**" arrangements. Art. 6.2: arrangement is only non genuine, when **not** put into place for valid commercial reasons which reflect economic reality = par. 54 & 55 Cadbury Schweppes.

Interim conclusion

- Tax competition is an essential instrument for EU integration of national corporate taxes.

- Making use of different CIT regimes is tax competition. Using the instrument of economic integration cannot be abuse, when use is genuine.
- Conclusion: using tax abuse as a way to curb tax competition acts as a brake for economic integration of the EU.

Solution: uniform EUCIT for EU budget

- The root of tax competition is the budgetary competition between the EU member states.
- Each state maximizes national tax revenue to finance expenses by attracting companies through tax incentives & a low general CIT rate: -> i.e. tax competition.
- Tax competition is eliminated, when tax revenue flows to one single (EU) budget: ->custom duties.
- European Corporate Income Tax (EUCIT):
- Uniform tax as own resource, exclusively for EU budget.
- Scope: all large multinational groups & cos. operating in the EU internal market with revenue > 750 mill. €, including non-EU groups & cos.
- Base & rate: uniform common tax base & single rate.
- National CIT flowing to national budget remains for other (smaller) cos.
- Administrative compliance -> national tax administrations, like for custom duties.

Justification EUCIT

- EUCIT puts an absolute end to tax competition between EU member states and the uncertainty about tax abuse on cross-border operations.
- Profits should be taxed where profits are realised. Profits are made in the EU market not in national markets. EUCIT forces multinationals, contribute to the EU and not to the the state of residence/establishment, which has no political responsibility for the EU.
- The **EU budget needs new own resources** to meet financial challenges of COVID recovery, climate change and migration.
- The current EU budget of 1% of EU GDP is totally insufficient to meet these challenges.

Pandemic's Rising Value E-Sports and Upcoming Taxation Issues

Burçin Bozdoğanoğlu[1]

Abstract

Despite the existence of computer and video games for more than 30 years, there has been a great explosion in the development of the concept of e-sports, especially in the last few years. In particular, the COVID-19 pandemic process, in which the length of stay at home forcibly, has caused the traditional sports, where physical activity is used more intensively, to be replaced by computer and video games.
E-sports, which does not have a clear agreed definition, is basically the use of appropriate video and computer games on different devices and digital platforms under predefined rules. There are e-sports players who are professionally involved in e-sports, which is especially popular among young people, and whose "athlete" status is controversial in the literature. In addition to individual players, e-sports, which has become a sector that includes the teams that include e-sport players and the tournaments in which they compete with their organizers, is also a subject of study when the value created for these stakeholders is taken into account. Professional esports players have the opportunity to earn income through lucrative sponsorship contracts, as well as high-stakes cash prizes. This has led to the transformation of e-sports from a social phenomenon into a real sector, and in parallel, complex legal and tax issues become current issues.
In terms of taxation, important questions remain as to whether current international tax rules are appropriate to address this phenomenon or whether changes are necessary.

This study aims to examine the international tax issues related to e-sports from the players' point of view, especially focusing on the revenues that are closely related to performance, such as the cash prizes of esports players who are qualified as professionals.

Keywords: E-sports, Taxation, OECD Model Tax Convention, Digital economy
JEL Code: H2, K24, K34

1. Introduction

The Covid-19 pandemic is a process that forces most of the world to work, study or even live at home from their homes. In this period when life at home becomes compulsory, electronic games appear as an alternative to spending time. This event, which is dominated by young people in particular, has become a global-scale industry in which billions of dollars are created in return, beyond being an entertainment in terms of the dimensions it has reached.
Those operating in the e-sports industry or those in this value network are defined as the stakeholders of the industry. These; game producers, team owners, team/individual players, managers, organizers, team owners, spectators and sponsors. The cornerstone stakeholders of e-sports are teams or team members, that is, players. E-sports teams consist of professionally qualified players and club coaches. The income

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sources of the teams include sponsorship income, testimonial income and product sales income.
The main subject of the study is the evaluation of the "money prize" obtained by e-sports players from tournaments as an income element against taxation. International income tax issues related to esports will be examined from the players' point of view, with a particular focus on revenues closely linked to performance, such as prize money from esports players.
In addition, considering the digital infrastructure of esports, the current rules in terms of addressing certain tax issues of players, in other words, some evaluations will be made about the adequacy of Article 17 of the OECD Model Tax Convention, which determines the basic rules of taxation currently used for the income of esports players in international tax law.

2. The Concept of E-Sports and The Stakeholders of The Industry

2.1. The Concept of E-Sports and Its Comparison with Traditional Sports

E-sports is a form of sport in which the basic elements of sport are facilitated by electronic systems. E-sports usually covers competitive (professional or amateur) video games coordinated by different leagues, segments and tournaments, in which players belong to teams or other sports organizations, often sponsored by various business organizations (Hamari&Sjöblom,2017:212).

E-sports has recently gained wide international acceptance, especially with the pandemic. However, there is a contradiction as to whether e-sports should be considered a sport or not. One of the reasons for this is that the concept of e-sports does not have a clear definition agreed upon in the literature. Although there is no clear agreed definition about e-sports, a conceptual framework has been drawn as "e-sports are the fields of sports activities where people improve their mental and physical abilities by using information and communication technologies" (Wagner, 2006: 2).

This conceptual framework does not only define e-sports, but also draws the boundaries of the generally accepted phenomenon within the concept of "sports".

2.2. Stakeholders of the E-Sports Industry

Those operating in the e-sports industry or those in this value network are defined as the stakeholders of the industry. These; game producers, team owners, teams/individual players, managers, organizers, team owners, spectators and sponsors. Together, these stakeholders create the E-sports ecosystem and create value within this ecosystem.

Game manufacturers are one of the important stakeholders of the e-sports field, which is now considered an industry. Thanks to the innovations in internet technology, games that can run on almost any computer and can be played in teams from different parts of the world at the same time on the internet via a network connection have

enabled game manufacturer companies to establish their development plans on this field (Yıldız, 2020: 139).

Another stakeholder of the e-sports industry is sponsors. In particular, companies with brands and titles that want to reach more customers can sponsor tournaments, organizers, broadcasting platforms and teams in the field of e-sports. E-sports activities consist of games organized in the form of tournaments. The organizers of these are the game organizers. The organizers determine the tournament rules, the teams that can participate in the tournament, the qualifications of the team members, the physical platform where the tournament will be held and the companies that will broadcast the tournament online, the tournament time, the referees who will work during the tournament, the entrance ticket prices of the audience to the tournament platform and the monetary prizes to be given (Yıldız,2019:84).

The most critical stakeholder members of e-sports are teams or team members, i.e. players. E-sports teams consist of professionally qualified players and club coaches. The income sources of the teams include sponsorship income, testimonial income and product sales income. E-sports teams and their players, which are similar to traditional sports teams up to this point, are classified as wages since the relationship between the team owner and the E-sports players is an employee-employer relationship (Yıldız,2020:140).

3. An Evaluation of the Value Created in the E-Sports Sector and the Problems in Taxation in Terms of International Tax Law

3.1. The Problem of Characteristic of E-Sports Activities

Since e-sports players can win substantial prize money, it is necessary to first answer questions about how such income should be taxed in accordance with the applicable local tax law and which country has the right to tax in the context of international tournaments. Esports players can earn various types of income, including:

-Prize money: This group includes the prize money that esports players can obtain from tournaments individually or through a team.

-Sponsorship and endorsement arrangements: these deals include monthly payments, annual fees, and/or "exchange in kind" provided to the player in exchange for a listed set of "delivery" or requirements. Additionally, a company may provide a player with free equipment or other related fringe benefits.

In this respect, the study focuses solely on the problems of income taxation of tournament winnings ("Money Prizes") of professional esports players ("Pro-Gamers").

Athletes' income is handled within the framework of Article 17 of the OECD Model Tax Convention. There are two main questions that are very important for the implementation of this article:

a) Whether esports players are within the scope of Article 17 of the OECD MTC,

b) Where esports events take place (when the event is played both online and offline)

E-Sports is practiced in an international arena. This raises the possibility of double taxation. While most countries have a withholding tax on income earned by non-residents (deduction at source), almost every country tax its residents on their worldwide income. As a result of the evaluation of the revenues from e-Sports within the framework of the OECD MTC; It is seen that incomes are classified under four basic articles (Overbeek&Molenaar,2019). According to this; sponsorship will be taxed under article 7 (commercial profits), media rights under article 12 (copyrights), monetary awards under article 17 (entertainers and athletes) and players and supporting staff on teams will be taxed under article 15 (employment income) (Overbeek&Molenaar,2019).

The application of article 17 of the OECD MTC has a crucial role in determining whether an athlete's income can be taxed in the State in which it is exercised. However, for the purposes of Article 17, the idea of what constitutes an athlete is not always clear. In the Commentary on Article 17 of the MTC, a broad framework was drawn about "sports". Although no definite definition is given in this Comment, the concept of "sport" is not limited to traditional athletic activities; It has also been made clear that it covers other sports such as golf, cricket, tennis, billiards, snooker, chess and bridge. Therefore, it has been determined that the 17th article is not only about the athletes engaged in "traditional sports". The OECD interpretation explains that the provision of the article also applies to income from other activities that can be considered entertainment, such as those from billiards, chess and bridge tournaments. In this respect, it is thought that since the activities of e-sports players also carry entertainment content, these players should be evaluated within the scope of Article 17 of the OECD MTC (Overbeek&Molenaar,2019).

3.2 The Problem of Determining the Place of E-Sports Activities

In terms of offline tournaments in determining the place where e-sports activities take place; While it is easy to determine in which country the e-sports match or tournament took place, the situation is different for online tournaments or matches. Usually the host is located in a different country from the country where the players are located, and the organizer company that pays the prize money is located in a different country. It is therefore difficult for countries to propose a legitimate withholding tax in online esports tournaments.

In this respect, the most curious question when applying Article 17 of the OECD MTC to e-sports players is where their activities are carried out. Article 17 provides an exception to the general principle that income derived from the conduct of business activities by a resident of one State may be taxed in another State (“source state”) only if such activity is carried out for a certain degree of continuity (Parolini,2019:12). Article 17 does not require a minimum threshold for the duration of the activity (for example, a single exhibition).

Furthermore, Article 17 gives a decisive role to the place where the recreational activity is physically performed, whether in the form of a public exhibition or not. The provision specifically permits the State in which the performance takes place to tax the income arising therefrom. Given this framework, the application of Article 17 to esports raises some fundamental questions about where the activity takes place.
While for offline tournaments it is relatively easy to determine the country where the esports tournament takes place, this is not the case for online tournaments. For example, assuming that the participants of the tournament as a team connect from their own homes;
- Where are the events held for such a tournament?

- Where are the players attending the event?

- How will the taxpayer country of e-sports players/teams be determined?

- What is the country where the servers of the e-sports game platform are located?

- What is the taxpayer country of the tournament organizer/publisher?

At this point, it is thought that there are different solutions that need to be analyzed:

a) The first is to look at where players are physically when participating in an esports competition. As noted above, one of the grounds of Article 17 is physical presence in the territory of the other Contracting State(Cordewener,2016:128). In other words, for the purposes of Article 17, the source state is only the state in which the artist or athlete is physically present, personally engaged in such activity(Roeleveld&Tetlak, 2016).

b) The second solution is to look at the state where the tournament organizer resides, given that the prize money is mostly distributed/paid to the publisher.

c) The third solution is to look at the country of residence of the video game publisher. A video game publisher is a company that publishes and owns video games developed internally by the publisher or externally by a video game developer. Therefore, since the e-sports player performs the recreational activity through the video game, the place where the Video game platform is operated and the State where the publisher is taxpayer coincide/conflict can be considered as the place of performance for the purposes of Article 17.

At the point of which solution can be preferred, the statements in Article 17 of the OECD MTC gain importance. In this respect, it is indisputable that it is better aligned with the principle of physical presence, which relates to the wording of Article 17 referring to "such personal activities carried out in the other Contracting State". Therefore, the first solution based on the place where physical activity takes place stands out at this point.

4. Conclusion

In e-sports, there is a significant difference between the tax treatment of offline gaming (which can be taxed at source of income) and online gaming. Article 17 of the

OECD MTC is based on a general rule, taxation in the State of residence and, as an exception, taxation in the State in which recreational activities are physically carried out. Based on the requirement of physical presence, the concept of available source in Article 17 reveals a lack of provision in the face of new forms of online entertainment. E-sports is just one of many aspects of digital development. In this direction, it is recommended to make some changes in the current international tax rules:

First, the proposed change should aim to eliminate the ongoing difference in the tax treatment of online and offline games in order to ensure tax neutrality regardless of whether esports is played online or offline.

It should also not be ignored that e-sports players may face the risk of double taxation. Some States may seek to tax prize winnings paid to foreign players at source. Collecting a tax at its source will be a violation of the tax treaty (if applicable) and is therefore refundable if the treaty contains a clause in accordance with Article 17.

It can come into play as a general arrangement that can be realized in the e-sports industry, in which the awards are clearly decided, that is, taxation at the source, taking into account the practice.

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The Digital Tax Sovereignty

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Abstract

Digitalization represents a rapid process that brings the elements of the state to the edge of a transformation and closely touches tax sovereignty (TS). This process encourages improver actions to reidentify countries' TS and determine the new tax jurisdictions on national, regional, and global scales. This normative study may be mentioned as the history of the future by digital sovereignty. It propounds on generating a discussion current situation and future of TS in the 'Digital State' theme by starting at country, nation, and sovereignty perception has acquired new dimensions at digitalization process. Herein, it benefited by open-ended questions that put current and potential effects of digitalization in the center on TS and but each subject to independent research in itself. This study focuses on comparative inference from accepted concepts and institutions of tax doctrine. Beyond doubt that, when establishing TS in the digital sphere, the settled acceptance will shake off to its foundation, and the development level of nations will directly become determinant within the process. Evolutionary and probability oriented, this futuristic study claims and concludes that digitalization will create new tax liabilities and taxable resources, reveal new tax obligations by transforming existing ones, require new taxpaying methods, and raise supranational consensus-based system derivatives for defining and sharing digital tax sovereignty. In conclusion, under the de-link age, it is worth evaluating TS transformation as another prelude, instrumented with digitalization, of the globalist utopia (or dystopia).

Keywords: Digital, tax sovereignty, tax jurisdiction, taxing power, tax competition, tax planning.
JEL Code: H2, K24, K34.

1. Introduction

The importance of this study is to open the conventional tax sovereignty up for discussion about its transformation with digitalization. Naturally, this discussion requires a sophisticated view and an international prudential perspective. However, while countries are conducting conventional protective precautions for their tax sovereignty, multinational digital companies contemporarily operate without a permanent establishment and a physical presence. In these circumstances, plenty of open-ended questions are waiting for their turn to answer. For instance, Is the conventional state beside or against the digital formations? What sort of meaning and scope transformation in the new era are the elements of the state faced? What are the signs of tax sovereignty against the backdrop of conventional sovereignty? Is tax sovereignty exclusive or sharable? Mobilize digital providers, consultants, supporters, and users of the digital sphere will take place in which state's tax jurisdiction? May it possible to tax digital earnings with a shared basis on global consensus and tangible criteria? It is possible to multiply these questions even more. This study, prepared from the perspective of international tax law, aims to establish the doctrinal

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framework of "digital tax sovereignty" by providing interpretation-based answers to the questions mentioned above and others.

2. From Conventional State to the Digital State

The *state* is a permanent organization with a legal existence created by a particular group of people who dominate a specific territory by being subject to a superior power (Gözler, 2009: 4-5-6). A sovereign state possesses *three core elements*: nation, territory, and sovereignty (Akad et al., 2016: 122). Facing the possible risks and benefitting the new de-link age, each state should reconsider its normative elements and regulations according to the dynamics of digitalization for national unity, territorial integrity, and self-determination. Then, according to the conventional ones, what are the elements of the digital state, and how are they defined? Through the instruments of conventional acceptance, a digital state may be reputed to possess three new components: digital nation, digital territory, and digital sovereignty.

Each conventional state's primary element, *nation*, is a conscious community of people connected by material and or moral ties and reasons, separate and above from the individuals that compose it (Okandan, 1966: 677-677-693; Akad et al., 2016: 122; Gözler, 2009: 49-51-52-57-89). *Citizenship* is a status granted to full members of a community, the legal and political relationship or bond between the individuals that constituents nation and the state. *Citizen* even refers to the currently living members of a nation that source and addressee of the law (Gözler, 2009: 58; Akad et al., 2016: 122; Marshall & Bottomore, 1992: 18). The *digital nation* may be defined as nongeographically linked communities (users, providers, or developers) that create a virtual unity using new technologies (Berger et al., 2017: 13; Katz, 1997). De-link age has created its own *digital citizenship* (ability to online participate in social life) and citizen (frequent, regular, and effective users of information technologies, and online participators of social life and politics to fulfill civic duties, provide political information and generate economic gain) through the digital nation (Mossberger et al., 2007: 1-2).

The *territory*, which constantly connects with a particular human community with a particular piece of land, is a three-dimensional environment and a domination area that shows the state's sovereignty on a geographical boundary (Akbay, 1958: 265; Uygun, 2014: 9; Özer, 2010: 44; Gözler, 2009: 65-67-68). The new age integrated the *digital territory* (DT), an information infrastructure that state sovereignty established with material (i.e., servers, wires, satellites) and moral dimensions as a new dimension to conventional ones. It includes extending state control over the physical stuff of information infrastructure and normative ideas about the nation (Möllers, 2021: 114-115-116). DT has two main dimensions: digital country and digital homeland. The *digital country* is a region that has triggered proactive interest via search engines from stakeholders in the digital sphere (DCI, 2017). The *digital homeland*, related to cyber security, is personal, corporal, and national information, control, communication technologies, data evaluation tools, and types of equipment used by the domestics and foreigners (Fleming, 2017; Dion, 2021: 258; Lewis, 2020: 375).

The sovereign state has independence and absolute power, legally equal with other states, and the absence of any rival power within its territory (Gözübüyük, 2013:

16; Özer, 2010: 50). Sovereignty is used in two different senses: (i) *external sovereignty* indicates that the state is independent of other states and is legally equal and (ii) *internal sovereignty* refers to the superiority of all groups within its country (Gözler, 2009: 79; Akad et al., 2016: 124; Kaboğlu, 2014: 83; Aybay & Oral, 2016: 233; Teziç, 2014: 139). While the theocratic sovereignty theory sees "God" as the source of sovereignty, the democratic sovereignty theory argues that it belongs to humanity (Gözler, 2009: 87-89). Due to the digitalization, it is essential to redefine the scope of sovereignty and who belongs to it. Thus, *digital sovereignty* may define as the ability to establish, develop, and protect infrastructures in its physical and digital territory, self-determination over the data, network, hardware, and software produced by its jurisdiction, power to act and decide independently, and power to control flows of desirable and undesirable subjects, objects, and data (Couture, 2020; Pohle & Thiel, 2020: 8; Möllers, 2021: 116).

3. From Nation to Supra-Nation: Tax Sovereignty

The state is "*an organization with a comparative advantage in violence, extending over a geographic area whose boundaries are determined by its power to tax constituents*" (North, 1981: 21). Thus, taxation has always been a fundamental feature of the sovereign state (Hearson & Tucker, 2021: 5; Lucas-Mas & Junquera-Varela, 2021: 40). The sovereignty depends on other states' recognition, which also goes for TS. Although TS, the formal exclusive authority of the state in tax matters, is asserted and supported as a principal power of the sovereign state, there is no consensually reached definition, scope, or content (Ring, 2009: 24-25; Dagan, 2018: 302). *TS* may define as the unilateral and independent state ability, power, and right to (i) establish tax system and components, (ii) designate the tax subjects, bases, rates, and payment periods, (iii) define exemptions, exceptions, and reductions, (iv) develop solutions and ways for tax disputes, (v) conclude taxation treaties and cooperations, (vi) determine the use of tax revenues, (vii) identify and implement own tax policies (Maguire, 2019; Radu, 2012: 403; Bräuninger, 2014: 4-16-18; Ring, 2009: 24). The *essential components of TS* are taxational independent decision-making ability, revenue-generating capacity to finance public expenditures, and having complete power control over fiscal policy to change and regulate the social and economic order (Bräuninger, 2014: 4; Ring, 2008: 167-168; Andreev, 2021: 39). Thus, the absence of one or more of these also consider as partial or complete disappearance of TS.

The competitive world has marketized and significantly reduced sovereign states' founding relationships and compeller legal regimes, crumbled conventional state-citizen relationships and changed known taxation structures. As an exclusive legal authority of the state, taxes went beyond a civil obligation should fulfill by taxpayers. Instead, it has become a compensation that taxpayers are willing to pay for residing, investing, and dealing in a country that provides a competitive advantage (Dagan, 2018: 302-303-305-306). Therefore, *the limiting factors of TS* are rising tax treaties and cooperations, international tax treaty arbitration, and regional and global integration movements (Hearson & Tucker, 2021: 2-3-4-12; Li, 2004: 146). However, *the weakening factors* are more remarkable than the limiting ones: (I) not accepting or

recognizing each other's TS or defining it to themselves (Ring, 2009: 26), (ii) forcing states to tax competition by multinational companies (Arato et al. 2018: 26; Dagan, 2018: 302), (iii) Losing monopoly power over taxation arising from harmful tax competition (Ring, 2009: 7; Li, 2004: 146; Dagan, 2018: 301), (iv) tax planning by multinational corporations and creating "stateless income" by taking advantage of tax competition between countries and paying very low or no taxes worlwidely (Kleinbard, 2011: 706), (v) undertaking sovereign-restrictive and pro-capitalist commitments by states (Hearson & Tucker, 2021: 2), (v) growing unregulated tax havens due to the failure to establish an international regime for taxation (Ring, 2009: 8-24).

4. From Nation to the Digi-Nation: Digital Tax Sovereignty (DTS)

TS should gear to the new situation with the DTS concept since digitalization does not depend on material presence, place, action, and usage. However, determining the boundaries of DTS is challenging due to the digital economy's new tax jurisdictions, which may pose TS's new problems and conflicting threats. These threats arise from nonresident digital companies operating with both a nonpermanent establishment and a nonphysical presence. Even then, states claim new taxing rights over the proceeds arising from digital activity conducted within their physical and digital territories, owing to the new tax jurisdiction mentality, which argues that value is created within the territory and digital companies benefit from territorial data and content. In addition, digital companies' tax-disruptive business models and earnings make it challenging to create new taxing power, even though states attempt to establish new tax jurisdictions and profit allocation rules over the proceeds obtained by these (Lucas-Mas & Junquera-Varela, 2021: 39-40). The issues of "*nonresident and nonphysical presence companies' earnings entered in which tax jurisdiction*" and "*in determining the tax jurisdiction which criteria consider*" makes the existence of TS questionable.

Conventionally implementing tax laws for the physical sphere is associated with principles of extraterritorial jurisdiction, even though it is insufficient for taxing digital companies' activities. So, expecting DTS with conventional acceptances does not correspond to the de-link age's necessities. Digitalization has created a unique understanding of territory, nation, and sovereignty. The citizens, residents, and entrepreneurs of the digital nation, with a view, are both earners, users, laborers, and developers in digital territory. In such a case, a conglomeration and unruly may arise from the multiple-TS claims, income and activity determination difficulties. As of today, the phenomenon of crowding outweighs the multilateral taxation problem. In the global tax competition setting, states are demanding new taxing rights over the proceeds arising from digital activities carried out within their tax jurisdictions, claiming that digital companies are creating values within their territories, benefiting from data and content from users located in their jurisdictions. Correspondingly, they are introducing unilaterally new taxation powers by taxing digital companies' earnings (Lucas-Mas & Junquera-Varela, 2021: 40-41).

States ever so often spread an effort to tax their citizenry and territory with the basis for "residence taxation" and "source taxation" to protect their TS. The same goes

for DTS. According to the residence taxation, the exclusive authority on digital companies' activities and earnings should be allocated to the residence state. This principle rationally assumes that digital content should be taxed wherever it is produced. However, if these companies deliver their content outside the resident state, it is regarded as the taxable value is created in the destination one (as source state). In this case, source taxation comes up that directly connects with the permanent digital establishment concept. This taxation is justified and supported by the view that if a state creates an opportunity to generate income, it should also have the right to tax it. In order to justify this view, it is argued that local and resident users who contribute to the data and content of digital companies are a part of the source state (Lucas-Mas & Junquera-Varela, 2021: 41-42). However, some countries accept the source taxation towards digital companies, which is still quite controversial. Therefore, even multilateral taxation problems will emerge if the countries that provide content development opportunities and infrastructure within this period head for resident-based. At this point, two prominent and complex problematic issue waits for their turn to resolve: (1) Whether the citizens of the source country who use digital companies' content abroad may still be considered or not a part of their own country at the time of use; (2) whether sojourns (tourists, voyagers, transits, detainees, business people) who use resident digital companies' contents inland will be accepted outside or inside the tax jurisdiction.

Consequently, a fragmented tax environment emerged due to the many (in)dependent factors such as determination of a unique residency by each state, formation of a wide range of source rules, multiple tax treaties in different tax jurisdictions, application of different tax rates and withholding rules (Dagan, 2018: 304). There is no doubt that disputed tax jurisdictions will arise specific to DTS when nonphysical, nonresident, unbounded, and stateless digital companies and their sub-extensions, users, and developers incorporate into this complicated situation. Additionally, today's "taxpayers can simultaneously reside in one jurisdiction, incorporate in another, do business, invest in an industrial plant, register its IP, and be subject to the tax rates" (Dagan, 2018: 305) through tax planning. Therefore, states should cope with the problem of solving and harmonizing this complexity arising from tax planning besides recovering the TS that shaken off its foundation due to the harmful tax competition and digitalization.

4. Conclusion

As the critical feature of a sovereign state, TS is a conventionally fiscal phenomenon correlated with a particular physical territory in tax jurisdiction, and it should gear to the new situation. Thus, states need to identify the intersection areas between digital and physical territory, digital and own nation, digital and national sovereignty for defining DTS. Throughout this definition process, states will make a system called "Intra-Cyber Tax Base" or its derivatives a current issue for sharing of DGS based on supranational consensus, digitalization will create new tax liabilities and taxable resources, reveal new tax obligations by transforming existing ones, and require new taxpaying methods. Additionally, the dramatic progress in digitalization

appears to cause the taxation authority, which is one of the conventional state's ancient sovereignty marks, to oscillate between threat and opportunity. With the leverage effect of the pandemic, it is most probably that this oscillation will occur to protect from threats for underdeveloped and developing countries and benefit from opportunities for developed countries. A deduction that this probable consequence is the fortune of countries' by looking only at the development level would surely be a wrong approach. However, it is evident that the development level of countries directly will determine the settlement of DTS and the positioning of threats and opportunities.

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Digital Economy - Aggressive Tax Planning Interaction

Birol Ubay[1]

Abstract

The global structure of the digital economy has changed the rules of the game in taxation. In particular, multinational companies that want to reduce their tax burdens have started to use aggressive tax planning techniques more effectively by moving themselves to digital. While the study focuses on the international dimension of Aggressive Tax Planning, its connection with the digital economy is also discussed from many angles. Companies investing in digital technology and digital business models aim to reduce their direct tax burden while making these investments. For this reason, tax planning techniques they apply can be more aggressive. The digital economy has not only facilitated and disseminated Aggressive Tax Planning actions, but also digitized the companies themselves. Thus, taxing digitalized economic transactions has become an increasingly important problem for national tax authorities.

Keywords: Digital Economy, Digital Service Tax, Aggressive Tax Planning, Tax Planning

JEL Code: H20, H26, H29

1. Introduction

The goal of a business is to maximize its profits. Although this situation depends on the market dynamics, the business should also include the taxes it will pay while making investment decisions. Because taxation is a factor that directly affects the investment decisions of the enterprise.

Therefore, it is important for multinational companies (MNCs) to calculate how to use the incompatibility of different country tax systems to their advantage. Tax planning (TP) is an important element of activity of MNCs, which enables the adjustment of company investments by reducing the tax burden accurately and effectively.

The TP allows tax avoidance to take place on a legal basis. However, not every act of tax avoidance that is legal may be unethical. As TP moves away from the letter and essence of the tax law, it evolves into actions that are closer to tax evasion. In this case, the tax avoidance action that takes place is considered aggressive tax planning (ATP). The digital economy is an element that expands the use and impact of ATP today.

The study will provide an assessment of the current tax regulations against ATP while evaluating the interaction of the digital economy and ATP.

In the study, firstly the tools used by ATP will be determined by going through the differentiation of TP and ATP. Secondly, it will examine the digital economy and ATP interaction, as well as how ATP tools are used for base erosion. Thirdly, it will

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address anti-ATP measures, drawing on international and local sources and academic studies.

2. Distinction between Tax Planning and Aggressive Tax Planning

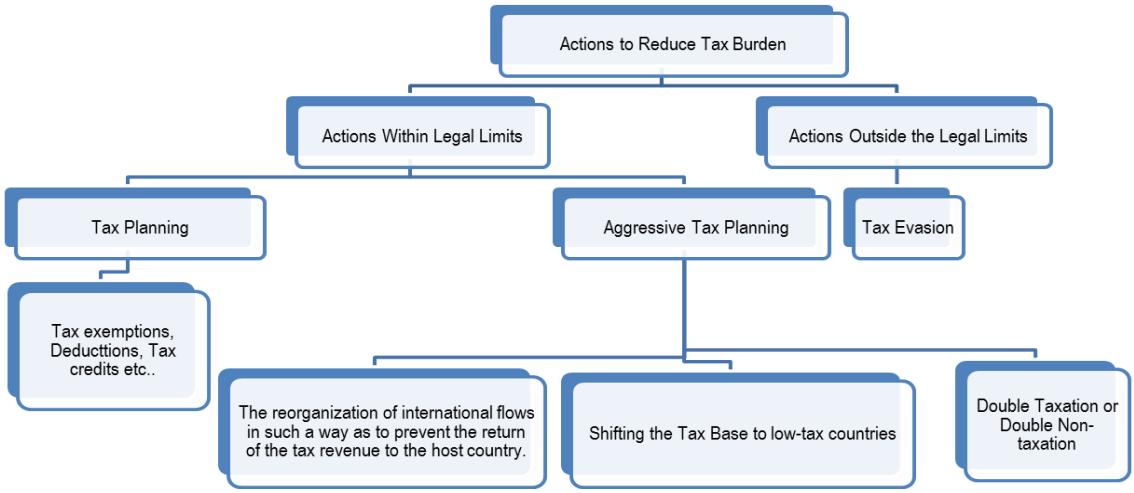
TP is the reduction of the tax burden by using techniques and methods that are not contrary to the letter of the law, in accordance with the obligations and requirements of the tax laws (Gautami, 2013: 83-91). TP is made within the terms and conditions determined in tax laws, but it cannot be done in a way that will harm the country's treasury (Gautami, 2013: 83-91).

TP is a logical analysis of financial position from a tax perspective. It allows the taxpayer to use tax exemptions and exemptions to reduce the tax burden. However, there are also TP actions that force the limits and loopholes of the law and even go beyond the law. These are ATP and tax evasion.

ATP includes actions that reduce tax liability through regulations that appear to be in compliance with tax laws but conflict with the purpose of the law. ATP takes advantage of legal loopholes within the tax system and incompatibilities between different tax systems. On the other hand, double taxation or double tax reductions stand out as possible outcomes of ATP (EC, 2017b: 1-9).

For a correct understanding of ATP, its boundary must be drawn. As can be seen in Figure 1, TP is an act of tax avoidance and is distinguished from tax evasion as long as it remains within legal limits. TP is seemingly lawful but becomes closer to tax evasion as it becomes contrary to the essence of the law. In fact, ATP represents the gray area between TP and tax evasion (Otto et al., 2015: 4).

Figure 1. Legal Limit of Tax Planning



Source: (EC, 2017a:23)

The main difference between TL and ATP is the impact on tax risk. TP reduces or at least does not increase tax risk, while ATP is a risk multiplier. In particular, it is

inevitable that tax risk will increase as some ATP practices are within the scope of fraud against the law (The Accountancy Partnership, 2020).

ATP occurs through three main channels. These are (EC, 2017b:1-9):

(i) Debt exchange method: It is the use of domestic debt to artificially shift group corporate profits from a high-tax jurisdiction to a low-tax jurisdiction. Through the exchange of debt between the related party and third parties; base erosion, excessive interest deduction, tax-free or deferred income, or other financial payments that can be considered economically equivalent to interest payments (OECD, 2013: 17).

(ii) The method of strategic location of intellectual property rights and intangible assets: MNCs may choose to move patents and copyrights on their intangible assets such as brands and logos to low-tax or tax haven countries or regions to reduce their tax burden and lower their tax base. In this way, group companies established in countries with higher tax rates pay more for these assets each time they are sold. However, these payments that do not appear in group accounts and profits are transferred to low-tax jurisdiction (OECD, 2014).

(iii) Misuse of transfer pricing: Through transfer pricing, MNCs shift their profits to jurisdictions where they will pay lower taxes by artificially inflating the tax base of low tax countries or regions to the detriment of tax jurisdictions with high tax bases (OECD, 2017: 33).

Besides these main structures, MNCs can also benefit from bilateral tax treaty provisions (treaty abuse) to minimize taxes and the return cost of dividends (EC, 2017b: 1-9).

3. Digital Economy-Aggressive Tax Planning Relation

The globalization supported by digitalization has a significant impact on the way MNCs are structured and managed. Increasing capital and human mobility with globalization and widespread use of communication and other technologies have led to the restructuring of MNCs (Kim, 2020: 12). Group companies located in pre-digitalization market countries have become more centralized at the regional or global level with this new age. In this way, group companies have begun to be managed within the framework of group policies and strategies, rather than individual decisions and strategies. While the companies that make up the group take on a more integrated structure, digital technology companies have started to sell goods and services to their customers all over the world, regardless of their location (Kettis, 2020: 38).

Developing digital business models have enabled local companies to access global markets, as well as digital transformation of existing MNCs. In other words, while the economy is globalizing, companies have started to digitalize to a large extent (WEF, 2019: 4-5). According to the United Nations Conference on Trade and Development (UNCTAD) 2020 report; digital business models are more resilient to the

adverse economic conditions created by the current COVID 19 global epidemic (UNCTAD, 2020: 7).

Digital economy; It proposes multilateral business models that involve a large proportion of intangibles and data usage (especially personal data) while embracing the value created by externalities, which commonly stem from free products, which makes it difficult to identify the tax jurisdiction in which the value is created (Li, 2014:2).

In the effective implementation of ATP by digital business models; The characteristic features of digital structures play an important role. Digital business models according to OECD (OECD, 2014: 38):

- They exist on a massless scale; that is, they do not require physical presence,

- are based on intangible assets, including copyrights, and

- They use end-user or user data to create value.

Therefore, two rules of international taxation must be redefined when taxing the digital economy. The first is the permanent establishment rule. According to the workplace rule; the location of a place of management, representative or branch, etc., in the country where the activity is carried out, excluding the activities of delivery or storage of goods and the preparatory or ancillary activities for them, to speak of sufficient physical presence. (RuKundo, 2020: 7).

The second is the profit distribution rule based on the arm's length principle. The arm's length principle; conditions in commercial transactions between related parties are similar to transactions between independent parties. Its application involves analyzing transactions between related companies, assets used, risks assumed, and identifying the different contributions to profits created by each company. The contribution made by the associated company is the data used to identify actual economic activity and value creation. Afterwards, profits are distributed according to these created values (RuKundo, 2020: 7).

The digital economy relies heavily on intangibles, namely the online trading of digitized products, patents and copyrights. Therefore, tax laws are insufficient in taxing the digital economy, because they are created according to the rule of physical presence (Ubay, 2020a: 28-44).

In this respect, a tax on digital services trade according to the global and local thresholds will be paid largely by large digital businesses. Because the thresholds set are designed to capture large companies that have big data usage and benefit significantly from the use of network effects while ignoring small tech businesses. An important factor in this is that digitalized large companies have a more advantageous position in performing SVP activities (Aslam and Shah, 2020: 44). As a matter of fact, many countries, including Turkey, have resorted to taxing the international digital services trade carried out in their jurisdictions.

National digital services taxes with different global and local revenue thresholds inevitably aim to tax the revenue of a handful of global technology firms.

Given that most of these firms are based in the United States (USA), it is not surprising that the US administration, whose tax revenues are affected, claims that they discriminate against their companies against countries that apply these taxes that are not based on an international consensus (Office of the United States Trade Representative, 2020: 34709). In addition, this kind of discrimination claim is also a fact that can be put forward by China, where digitalized MNCs operating in many countries are established (Aslam and Shah, 2020: 44).

The increase in this digital transformation in the economy forces countries and international organizations to work to find solutions that will ensure fair and effective taxation of the digital economy. These search for solutions at least aim to ensure the realization of the concepts of justice, sovereignty and efficiency in taxation. Therefore, discussions about the "suitability" or "validity" of the post-digitalization of international tax system largely coincide with the discussions on tax avoidance and ATP techniques applied by MNCs (Kofler and Sinnig, 2019: 101-145). However, it is predicted that such discussions and the perception that digital business models are under-taxed globally will continue until the digitalization process is completed (Kofler and Sinnig, 2019: 101-145).

4. Efforts Against Aggressive Tax Planning

International efforts by the OECD, the G20 or the EU to update the international tax system to fully cover the digital economy have not yet resulted in a full consensus. Although the OECD/G20 announced that they agreed on a global minimum corporate tax rate in mid-2021 and 136 countries out of 140 signed the Framework Statement on this, many countries continue to use their own digital taxes. The incompatibility of these different taxation practices will increase the tax burden of digitalized businesses operating internationally, while also increasing the tendency towards ATP actions.

While combating with ATP; ensuring timely, targeted and comprehensive information is important. Obtaining such targeted information allows countries to identify their risk areas in a timely manner and to make quick decisions about whether and how to intervene, while providing increased certainty for taxpayers (OECD, 2011: 6).

With the BEPS Action Plan, OECD calls for fundamental changes in existing mechanisms and for countries to achieve international consensus in many areas, including abuse prevention rules. The BEPS Action Plan sets out two actions for the ATP. These are Act 6, which addresses tax treaty abuse, and Act 12, which requires taxpayers to disclose their ATP arrangements (OECD, 2013).

The EU, on the other hand, has shifted the direction of its common strategy in the field of taxation towards the aim of preventing tax avoidance and ensuring fair tax competition in a way that will ensure deepened cooperation and take into account international policies. The EU aims to ensure that economic value is taxed where it is produced and actually realized. Some of the measures taken by the EU in this area are based on the OECD's BEPS 14 action plan and information exchange (EC, 2020: 20).

The EU's policy to combat SVP is provided in some cases by binding and non-binding legal arrangements for member states, including harmful tax anti-competitive measures (EC, 2020: 21).

In Turkey, in terms of preventing tax loss due to ATP, the legal measures taken against some ATP techniques are more comprehensive and prioritized than others. For example, while special regulations were introduced in the Corporate Tax Law (KVK) No. 5520 in order to prevent misuse of transfer pricing, no direct legal regulation was made regarding hybrid mismatches, but there are regulations made in different laws regarding interest rates.

Turkey also ratified the “Mutual Administrative Assistance Agreement in Tax Matters”, which was prepared as a result of the joint work of the OECD and the Council of Europe and signed by 111 countries to date, and put it into effect on 1 July 2018 (Ubay, 2020b: 171).

5. Conclusion

In the globalizing world with the effect of digitalization, while customs borders between countries have disappeared, capital and companies have become more mobilized. On the other hand, digitalization has made not only national but also international taxation rules more complex and difficult to comply with. Therefore, strengthened international cooperation in the field of taxation is important in reducing tax fraud, tax evasion, tax avoidance and increasing the operability of countries' economic policies by strengthening voluntary tax compliance.

Looking ahead to the digital age, it is seen that MNCs physically located in other countries use ATP techniques more widely to conduct their international trade. However, the digital economy has enabled local companies as well as MNCs to digitalize and access ATP techniques more easily.

ATPs are actions that, by their very nature, target the country's tax bases, ostensibly aiming to reduce the tax burden of companies by resorting to legal covers. It should therefore be among the priorities of tax administrations to distinguish between the apparent and real purpose of the ATP.

However, the problem of base erosion and profit transfer due to ATP, which remains a major problem fueled by digitalization in international taxation; causes the tax bases to melt and shift to countries or regions with or without lower taxes. Preventing this problem in the digital age we live in requires much stronger international cooperation and coordination in the field of taxation.

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A Future With High Public Debt Post Covid-19: Global Collaboration for Sustainable Debt Management

Şebnem Tosunoğlu[1]

COVID-19 has caused a global economic recession in the last century, the depth of which has only been surpassed by two World Wars and the Great Depression. Although global economic activities have started to increase again recently, it seems that it will take a long time to return to their ordinary course in the foreseeable future. In addition to causing severe loss of life worldwide, the epidemic pushed economic activities and global income well below their pre-pandemic trends, pushing millions into extreme poverty. A comprehensive policy effort is needed to reinvigorate sound, sustainable and equitable growth. Despite high debt levels, many countries have implemented unprecedented financial support in response to COVID-19 to protect lives and livelihoods, face the slowdown in economic growth, and support the eventual recovery. This situation necessitated large-scale borrowing for many countries. The increase in debt worldwide, especially in developing countries, is one of the most important global developments in recent years. It is also one of the primary sources of risk for global financial stability and economic growth.

The COVID-19 pandemic has triggered a massive increase in global debt levels, including emerging markets and developing economies. Many developing countries have borrowed heavily from developed countries and international financial institutions to cope with the devastating effects of the pandemic. This increase represents the most significant increase for many countries since the late 1980s when a series of debt crises occurred. The increase in public debt has been very broad-based in all regions. In addition, private sector debt has increased sharply. Public debt is an important way for governments to finance growth and development investments. However, it is critical that governments continue to pay their debts and that their debt burden remains sustainable. Getting into debt trouble is an often painful process that can threaten macroeconomic stability and hinder a country's development for years. High debt incurred during the pandemic, combined with existing pre-pandemic debt obligations, could push heavily indebted countries into default. In addition, high public debt increases risks, limits the capacity to use fiscal policy as a countercyclical tool, and can increase borrowing costs for governments. As a result, an increase in public debt can reduce output growth and productivity. Thus, as economies recover from a recession, the challenge for governments is to regain fiscal health through budget consolidation and pro-growth structural reforms to reduce public debt.

It is possible to gather the policy options that will come to the agenda in the coming periods under three headings to solve the global debt crisis. These are macroeconomic

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and structural reforms, financial support from international financial institutions and developed countries, debt restructuring. Global cooperation is vital to minimize the duration of the crisis and ensure a resilient recovery. In particular, the global community needs to act quickly and vigorously so that the ongoing debt wave does not end with a series of debt crises in developing countries.

In this study, the COVID-19 global debt crisis will be analyzed. In addition, the measures to be taken to solve the high public debt crisis in terms of developed countries, heavily indebted countries, and international financial institutions will be discussed. The high debt that many countries are exposed to during the pandemic, combined with the tightening global financial conditions, will become a global debt crisis for heavily indebted countries. Ways to reduce the debt burden on heavily indebted countries; will be discussed for developed economies, international financial institutions, and heavily indebted countries. There are expectations for developed countries to resolve the global debt crisis. Examples include providing debt relief, interest repayment holidays, and debt forgiveness for heavily indebted countries. In addition, regulations should be made to prevent private creditors of developed countries from suing heavily indebted countries for debt repayment.

Similarly, international financial institutions should allow their affected members to benefit from contribution funds, support the G20 Debt Service Suspension Initiative, and advocate for debt forgiveness. Several international financial institutions provide financial assistance as loans to member countries severely affected by the COVID-19 pandemic. They should also take active roles in debt sustainability and debt restructuring. Support for debt sustainability in the poorest and most vulnerable countries through debt service reductions. Heavily indebted countries must restructure their debt, rebalance policy priorities, focus on borrowing alternatives, limit debt levels and seek better ways to manage shocks and crises.

Evaluation of Turkey's Tax Policy Results in The Covid-19 Crisis

Abdurrahman Taraktaş[1]

Abstract

Since the end of 2019, the new coronavirus disease (COVID-19) has turned into a very dangerous epidemic that spread rapidly all over the world. The negative effects of the virus on human health were not only limited to biological problems, and the economic reflections of uncertainties about social life brought the global economy to the brink of one of the biggest crises in human history. In order to limit the sudden negative economic effects of COVID-19 on households and businesses, in addition to monetary policies and measures to provide financing, some tax measures have been implemented at the first stage in many countries. It is seen that the said measures include administrative measures such as postponing tax declaration and payment obligations, easing the sanctions arising from the failure to submit the declarations on time, expanding taxpayer services, accelerating tax refund processes, as well as measures reflecting fundamental taxation policy changes. In such periods of economic recession, public budgets remain under pressure. Pressure is mounting due to contractions in income and increases in spending needs. While cuts were made in important public expenditure items, the public debt showed an upward trend. In order to alleviate the pressure on public budgets, tax policies need to be designed effectively and sensitively. Our aim in this study is to determine the tax policy tools used in Turkey in the fight against the COVID-19 pandemic and to discuss the results. Then, by comparing these tax policies and their results with the data of the relevant periods, making inferences and making suggestions about increasing the effectiveness of these policies.

Keywords: COVID-19, Tax Policy, Economic Crisis, Fiscal Policy, Tax Holiday.
JEL Codes: H24, H31, I18.

1. Introduction

The new coronavirus disease (COVID-19), the first case of which was reported in Wuhan, China in December 2019, has quickly turned into a dangerous epidemic that spread all over the world. As of November 2021, the total number of cases has exceeded 250 million and the disease has claimed more than 5.1 million lives worldwide. (Worldometers, 2021). The COVID-19 pandemic has resulted in a global health crisis and caused a sharp decline in economic activity that has not been seen in recent history. In just a few months, the COVID-19 pandemic has transformed from a health crisis to a global economic crisis, causing a contraction in global GDP far greater than the global economic crisis in 2008. The COVID-19 crisis also caused a significant deterioration in public finances, which required a reconsideration of the tax and expenditure policies of the states.

In Turkey, as in the rest of the world, the government aims to help businesses survive, support households and protect employment through various measures in this process. The state's rapid implementation of economic measures in addition to health policies helps to maintain the environment of trust in the economy and to slow down the economic recession. However, strong policy measures are still needed as the risks

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of the epidemic are not over yet. In addition, the global dimension of the epidemic reveals the need for international coordination and financial support in the post-epidemic period for developing countries with fragile economies in the pre-epidemic period. In the study, the types, dimensions and effects of tax policy measures implemented during the COVID-19 pandemic process are discussed from the perspective of Turkey.

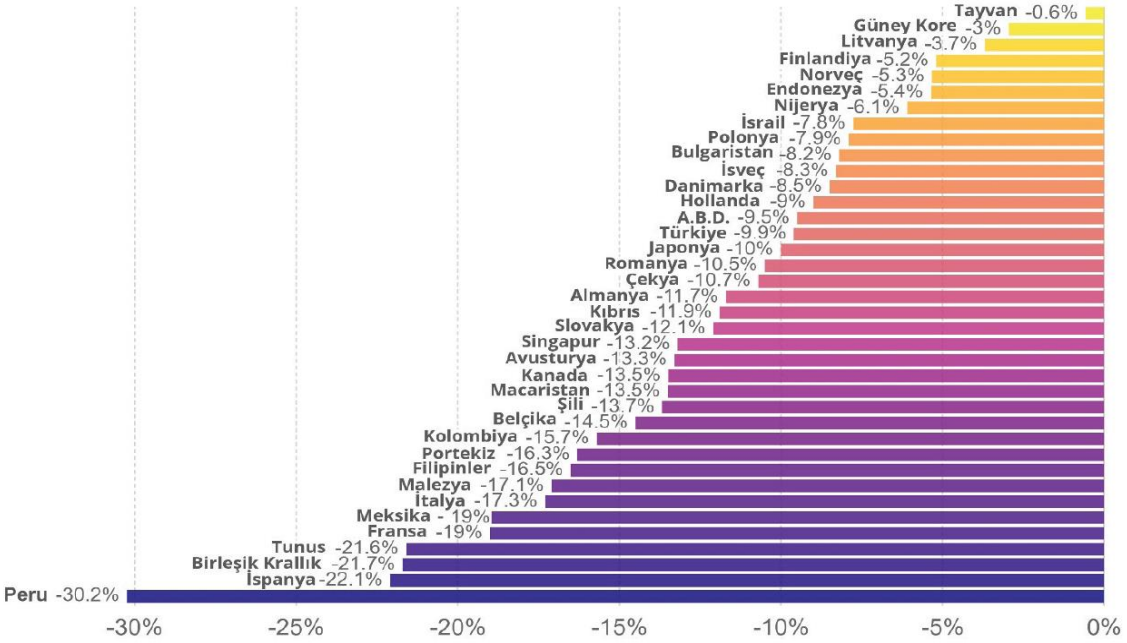
2. The Extent of the Economic Recession Due to the Pandemic

The COVID-19 recession is a global economic recession caused by the COVID-19 pandemic. The COVID-19 lockdowns and other restrictive measures taken in early 2020, along with the decline in consumer activity, have caused the global economy to enter recession. All advanced economies entered recession within seven months, starting in February 2020. (Zumbrun, 2020). The recession saw unusually high and rapid increases in unemployment rates in many countries.

The negative effects of the virus on human health are not limited to biological problems. The economic repercussions of uncertainties about social life have brought the global economy to the brink of one of the biggest crises in human history. It is unrealistic to be optimistic about the future, as evidenced by the estimations of the possible damages to be caused by this crisis. (Ustaoğlu, 2020). To contain the spread of the virus and ease the burden on healthcare systems, many governments have taken drastic measures, such as travel restrictions, social distancing, and closing schools, restaurants and entertainment businesses. While social restrictions are necessary to save lives and support public health systems, they also have major negative macroeconomic impacts. (Taraktaş, 2020: 3).

Figure 1 shows the scale of the economic downturn in 38 countries. It reflects the inflation-adjusted percentage decline in GDP in the second quarter of 2020 (April-June) compared to the same period last year. In some countries, the economic recession seems to be very severe indeed. The Covid-19 epidemic has affected the Turkish economy at a time when its structural problems continue and it is fragile. Many sectors, especially tourism, have been adversely affected by the pandemic. In the second quarter of 2020, Turkey contracted by 9%. In other countries, however, the economic impact has been much more modest. In Taiwan, GDP decreased by less than 1% in the second quarter of 2020 compared to the same period of 2019. Finland, Lithuania, and South Korea all saw a decrease of about 5% or less in their GDP. Countries that managed to protect the health of their populations during the epidemic seem to have protected their economies in general (Hasell, 2020).

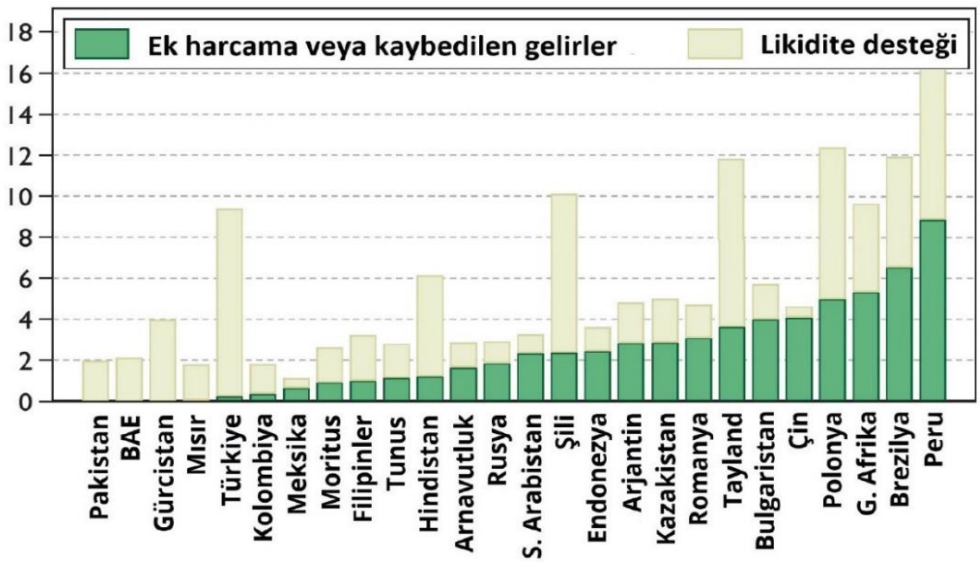
Figure 1: Scale of economic downturn in Q2 2020 (April - June) (%)



Source: Eurostat, OECD and Statistical Institutes

In general, urgent fiscal policy prescriptions; Categorized as (1) providing additional funding for healthcare, (2) supporting households through direct cash transfers or subsidies, temporary unemployment benefits and incentives for firms to retain employees, and (3) financial support to businesses through tax breaks and concessional lines of credit. can be done. (Ambrocio and Juselius, 2020). As can be seen in Figure 2, liquidity measures are the dominant strategy for Chile, Thailand, Turkey and India (Jose et al., 2020).

Figure 2: Fiscal measures taken in some emerging economies



Source: IMF

3. Tax Policy Implemented in Turkey During The COVID-19 Process And Its Consequences

The most effective policy responses to a sharp deterioration in the labor market are tax cuts and unemployment insurance. Tax deferrals may also work, as the deterioration in the public budget balance may improve later, thanks to the recovery in economic activity. A forced temporary shutdown should include stopping the tax collection system. In order to avoid a large increase in unemployment and bankruptcies during the crisis, some of the tax liabilities of taxpayers should be removed and some should be reduced or postponed. It should be facilitated for businesses and self-employed workers to reach liquidity without applying for high-interest loans.

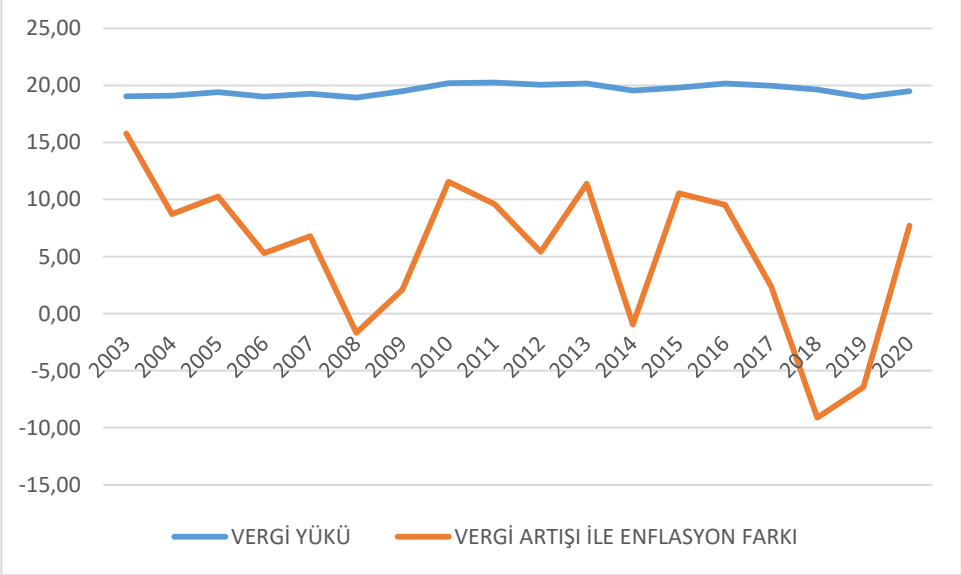
The impact of the epidemic on economic activity in Turkey was rather harsh, although it emerged later than in other countries in the region. Thanks to a strong intensive care infrastructure and restrictions, Turkey was able to contain the number of COVID-19 cases relatively effectively in the first phase of the epidemic. However, cases started to rise again after the relaxation of lockdown measures in June and continued to rise sharply in the Autumn. Employment and aggregate demand contracted strongly in the first wave, then rebounded after strong government support. The tourism and accommodation sectors, which create high demand for other sectors and provide employment in many regions, were particularly adversely affected. Policymakers have provided ample semi-financial support to maintain corporate liquidity, employment, and household incomes. The Central Bank supported these measures with a more expansionary monetary stance, and fiscal policies also supported massive credit expansion. The government began to reduce these measures after the increase in current account deficit and inflation, weakening in investor confidence and sharp depreciation in the exchange rate between July and October.

As of 2021, the total of the resources directly transferred to the citizens within the scope of the social protection shield exceeded 56.9 billion liras. During the epidemic, the scope of the short-time working allowance was expanded and its conditions were facilitated. During this period, 3.8 million employees were paid 29.8 billion TL for short-time work. The resource allocated to provide loss of income and rent support to tradesmen, craftsmen and real person merchants, whose commercial activities were adversely affected due to the epidemic, as well as loss of turnover support to businesses that operate in food and beverage services, reached 3.3 billion liras. The minimum pension was increased to 1,500 lira. Within the scope of tax policy; A state of force majeure was declared for certain sectors and tax liabilities and SGK premium payments were postponed. Accommodation tax application has been postponed. VAT rates have been reduced in some sectors. (SBB, 2021: 6). Turkey's total budget revenue is 1 trillion 101 billion liras. The aid provided so far corresponds to 5.2 percent of the budget revenues. 6,2 percent of the tax revenues of 923 billion TL have been provided. The supports correspond to 1.1 percent of the national income, which is 5.1 trillion liras.

Some important regulations regarding taxes are as follows; The declaration and payment of 2019 Income Tax was postponed, all petitions were received through the Interactive Tax Office, the submission and payment periods of VAT declarations were extended, the income taxpayers and 16 sectors affected by the epidemic were included in the scope of "force majeure", the exchange rate difference of BES contributions to be paid in foreign currency Taxation was prevented by removing the corresponding part of it from being income, it was decided not to collect annual announcement and advertisement taxes and annual environmental cleaning taxes.

In Figure 4, the development of the tax burden over the years and the comparisons of the increases in the general budget tax revenues with the increases in the PPI and CPI are given. When the development of the tax burden is examined, it is seen that it has followed a stable structure over the years. There was no significant decrease in the tax burden during the pandemic period. The reason for this is seen as the state's tax policy preferring tax deferrals instead of tax reductions. When the change in tax revenues against inflation is analyzed, it is seen that the rate of tax increase, which decreased against inflation in the pre-pandemic period, again outstripped the rate of inflation in the pandemic process. The reason for this is the decrease in taxes on income and the increase in VAT collection, as can be seen in the next chart. Cash supports provided within the scope of fiscal policy during the pandemic process prevented the decrease in consumption. However, it is seen that the tax burden has shifted from income tax to consumption taxes.

Figure 4. Comparison of the development of tax burden and increases in general budget tax revenues with increases in PPI and CPI

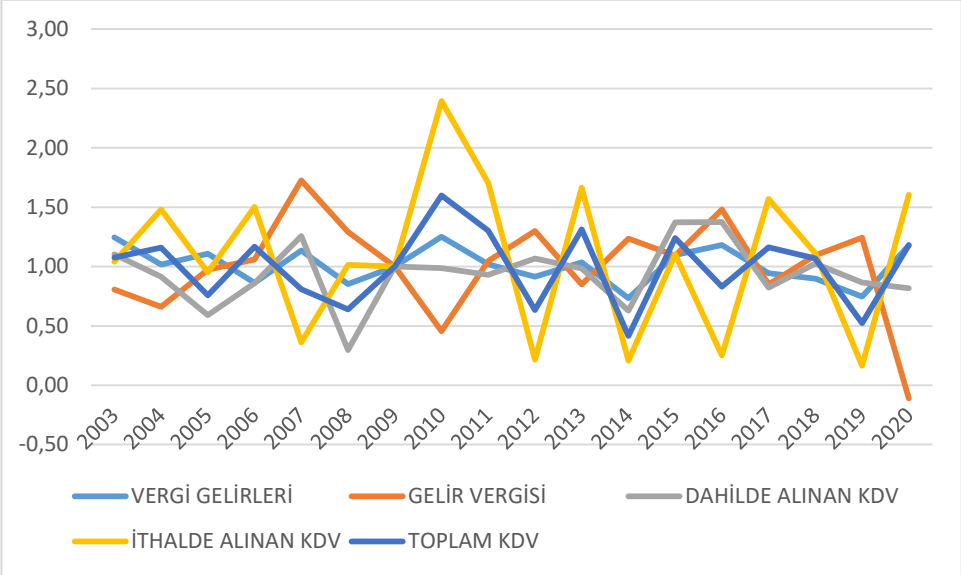


Source: President of Revenue Management

Figure 5 shows the elasticity of total tax revenue, income tax and VAT taxes relative to GDP. It is observed that while the flexibility of income tax collection has decreased during the pandemic process, the flexibility of VAT collection has increased

very rapidly. The flexibility of VAT charged on imports is also higher than on imported VAT.

Figure 5. Flexibility of tax collections relative to GDP (based on 2009)



Source: President of Revenue Management

4. Conclusion

In order to have a strong financial stance in the economic crisis caused by the COVID-19 pandemic, borrowing must be carried out under control. In such periods of economic recession, public budgets remain under pressure. Pressure rises due to contractions in incomes and increases in spending needs. While cuts are made in important public expenditure items, public debt tends to increase. In order to alleviate the pressure on public budgets, tax policies need to be designed effectively and sensitively. This limits the implementation of extensive tax reductions or amnesties. For this reason, the most appropriate method in terms of tax policy is to postpone taxes and to create an additional liquidity source for businesses in this way.

In addition, when the development of taxes in Turkey during the said period is examined, it is seen that the burden of expenditure taxes has increased. This situation causes consumers to undertake the tax burden during the pandemic process and may lead to a deterioration in income distribution. This situation is a negative situation in terms of tax justice and income distribution. It may be beneficial to make tax regulations related to the products that are subject to the consumption of the low-income people. For example, within the scope of distance education, it is important for education to deliver educational tools such as computers/tablets to those in need. Various campaigns have also been organized for this purpose. A significant part of our computer and tablet needs are supplied through imports. At the time of import of computers and tablets, 2% TRT Banderole Fee, 0.5% Cultural Fund and 18% Value Added Tax must be paid. The 8% Value Added Tax may be beneficial in this regard.

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Developments in the Financial Structure of the Social Security Institution as a Parafiscal Institution During The Coronavirus (Covid-19) Epidemic Process

Recep Temel[1]

Abstract

As of March 2020, COVID-19 has been defined as a disease in the world and in Turkey. The rapid increase in the number of people who became ill due to the contagious nature of the disease has created economic, social and occupational risks. The subject and at the same time the aim of this research is what kind of effects the elimination of risks caused by COVID-19 has on the financial structure of Social Security Institution in the period of March 2020-July 2021. In the research, firstly, basic concepts such as parafiscal/parafiscality, social security and information about the financial structure of Social Security Institution are given. Then, using the "Document Analysis" method, the financial and health data of the Social Security Institution for the period were converted into tables. The information in the tables regarding the financial structure of the Social Security Institution has been analyzed both within itself and on the basis of the institution's "2020 Annual Report". These analyzes have shown that due to the COVID-19 epidemic, the revenues of the Social Security Institution decreased, its expenses increased, and the budget deficit grew accordingly in the period of March 2020 - July 2021. The results obtained not only showed the financial effects of COVID-19 and similar situations, but also shed light on the measures to be taken.

Keywords: COVID-19, Social Security Institution, Parafiscal Institution, Parafiscal Income
JEL Codes: H51, H55, H12

1. Introduction

The COVID-19 epidemic, which started in March 2020 and spread rapidly in Turkey as in the world, has increased the responsibilities of SSI in the context of social security[2]. In particular, the recovery of those who became ill due to the epidemic and the elimination of occupational and economic risks due to the epidemic affected the current financial structure of the SSI. The aim of this study is to determine what kind of effects occurred in the financial structure of SGK in the period of March 2020-July 2021 due to COVID-19. The results obtained will guide the financial measures that SSI will take against future crises. In the first part of the study, the basic concepts of the subject, the concepts of parafiscal / parafiscal and the income and expenditure structure of SSI, which is a social parafiscal institution, are given. Then, using the "Document Analysis" method, the health/financial statistics data of the SSI for the period and the "2020 Annual Report" documents were examined and tables were created. In the conclusion part, the information obtained from the analysis of the income, expense and income-expenditure equivalence tables of the SSI was evaluated.

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[2] Needs in Maslow's theory; These are physiological needs, safety needs, belonging and love needs, esteem needs, and self-actualization needs (Maslow,1970:35-48).

2. Parafiscal/Parafisquality

The word parafiscal is a combination of the ancient Greek word for money and the French word for finance. The word money means "to be next to something, to stand next to each other, to be similar and different, not original or real" (www.sozluk.gov.tr,2021), while the word fiskal/financial means "treasury-related", "tax-related" (www.sozluk.gov.tr,2021). Based on the meanings of both words, it can be said that the word parafiscal refers to a type of public income similar to tax, although it is not a tax in the absolute sense. In the Turkish financial literature, phrases such as "Tax-like charges", "Tax-like pictures", "Tax-like income" and "Parafisquality" have been used (Giray,2020:5). According to Öncel, parafiscality is "Mandatory payments made by public or semi-public institutions for a general purpose and to be used in line with the interests of obliged parties, collected on a return basis and shown in a separate budget" (Öncel,1987:37).

3. Social Security Institution as a Parafiscal Institution

The task of eliminating the dangers that may be encountered in relation to social security in Turkey is a responsibility of the state. The legal basis of this responsibility in the constitutional sense is the understanding of the "Social Law State" in the 2nd article of the 1982 Constitution, in which the characteristics of the state are explained. In addition, Article 60 entitled “The Right to Social Security” states that everyone has the right to social security and this guarantee will be provided by the state (Constitutional Court of the Republic of Turkey, 2019:18,342). As a requirement of the provision of this article, the state has gathered the social security institutions (Social Insurance Institution, Retirement Fund, BAĞ-KUR) that previously served as different structures under the umbrella of the Social Security Institution Law, under the umbrella of SSI. In this law, it is regulated that the aim of the SSI is to "carry out a social security system based on social insurance principles, effective, fair, easily accessible, actuarially and financially sustainable, in contemporary standards"(www.resmigazete.gov.tr,2006).

3.1. Revenues of the Social Security Institution

The financing of the social security system in Turkey is provided from three sources. These are the premiums paid by the members of the social security system, the premiums paid by the employers who employ the members, and the payments made under the state contribution to the system. The reason for the triple resource structure is the regulations that ensure that social security services provide social benefits to the members and the society, and that the risks in working life are also undertaken by the employers (Altuğ,2021:49). SSI revenues are regulated in detail in Article 34 of the Law No. 5502. These are shown in the tables below.

3.2. Expenses of the Social Security Institution

Expenditures of SSI are shown in detail in Law No. 5502, just like its revenues. These are detailed in the tables below. The most important share in the total of expenditure items consists of expenditures related to social insurance and general health insurance.

4. Changes in the Financial Structure of the Social Security Institution during the COVID-19 Pandemic

As of 11.03.2020, the epidemic has increased its effect throughout Turkey. Table 1 provides information about the developmental course of COVID-19 disease in Turkey.

Table 1. Monthly Development of the COVID-19 Outbreak (Cumulative, March 2020-June 2021/Person)

Years	Total Number of Tests	Total Number of Cases	Total Number of Deaths	Total Number of Recovered Patients
2020- March	**92.403**	**13.531**	**214**	**243**
2020- April	1.033.617	120.204	3.174	48.886
2020- May	2.039.194	163.942	4540	127.973
2020- June	3.381.650	199.906	5.131	173.111
2020- July	4.800.823	230.873	5.691	214.535
2020- August	7.138.492	270.133	6.370	244.926
2020- September	10.380.261	318.663	8.195	279.749
2020- October	14.001.814	375.367	10.252	323.971
2020- November	8.592.292	500.865	13.746	404.727
2020- December	24.504.567	2.208.652	20.881	2.100.650
2021- January	29.631.422	2.477.463	25.993	2.362.415
2021- February	33.175.016	2.701.588	28.569	2.572.234
2021-March	38.578.057	3.317.182	31.537	3.014.226
2021-April	47.261.999	4.820.591	40.131	4.323.897
2021-May	54.139.309	5.249.404	47.527	5.114.624
2021-June	60.786.975	5.425.652	49.732	5.294.285

Source: (covid19.saglik.gov.tr,2021) It has been prepared by us based on the information at.

According to Table 1 data, the number of tests increased to 60,786,975, the number of cases to 5,425,652, the number of deaths to 49,732 and the number of recovered patients to 5,294,285 in the period of March 2020 - June 2021. This shows that the epidemic is spreading quite rapidly. This rapid spread brought with it measures. In terms of its impact and results, measures were taken in the field of social security as well as in social, political, economic, administrative, legal, religious and military fields.

4.1. Developments in the Expense Structure of the Social Security Institution in the COVID-19 Process

The expenditures of the SSI and their developments during the epidemic are given in Table 2.

Table 2. Social Security Institution Expenses (2019-20-21-7/Million TL)

Years/ Expenses	Pensions	Insurance Payments	Supplementary payment	Health expenditures	Invoice Payments	Administrative expenses	Investment expenses	ther expenses	Total
2019	**298.615**	**4.717**	**12.648**	**110.749**	**30.124**	**1.823**	**198**	**.299**	**464.173**
2020-Jan.	28.356	442	1.211	10.562	604	176	-	19	41.870
February	27.226	395	1.144	10.661	601	166	3	53	40.547
March	**27.065**	**428**	**1.145**	**10.353**	**920**	**165**	**5**	**86**	**40.669**
April	28.486	522	1.218	12.485	11.636	167	12	20	54.945
May	27.360	433	1.151	10.746	512	166	2	84	40.754
June	27.305	480	1.152	11.192	437	162	2	33	41.163
July	30.380	494	1.297	10.994	11.717	184	3	79	55.446
August	29.073	497	1.223	10.519	1.864	167	3	25	43.869
September	28.987	670	1.223	10.169	1.252	165	1	15	42.991
October	30.427	751	1.300	11.648	1.028	165	1	35	45.871
November	29.280	812	1.231	12.046	772	187	5	93	44.881
December	29.101	1.304	1.232	14.329	335	180	5	58	47.089
Total	**343.046**	**7.228**	**14.527**	**135.704**	**31.678**	**2.050**	**1**	**.700**	**540.095**
2021-Jan.	33.045	670	1.420	14.574	852	214	0	33	51.408
February	31.775	462	1.342	13.154	738	191	1	10	48.184
March	31.736	643	1.345	12.563	1.321	191	2	71	48.493
April	33.243	674	1.428	11.795	712	209	2	78	48.558
May	31.949	853	1.355	12.166	12.904	192	1	37	60.068
June	31.883	633	1.354	15.489	624	187	3	26	51.032
July	36.299	518	1.560	12.890	12.887	222	7	38	64.832
2021/7	**229.930**	**4.452**	**9.805**	**92.630**	**30.039**	**1.406**	**19**	**.194**	**372.575**

Source: (covid19.saglik.gov.tr,2021) It has been prepared by us based on the information at.

According to Table 2 data, there is an increase in all expense items. Increases in only Insurance Payments and Health Expenditures expense items are directly related to the COVID-19 process. Insurance Payments expense followed a steady increase (except May 2020) and reached the highest level of the year with 1.304,000,000 TL in December 2020. This increase was mainly due to the payments made by SGK to those who became temporarily incapacitated due to COVID-19 (SSI,2021:47). Due to the ongoing epidemic in the Insurance Payments expense item, the expenditures for January-July 2021 were again at a high level.

The other expense item that increased due to COVID-19 is Health Expenditures. There were significant increases in the expense item of Health Expenditures in April 2020 and in October-November-December 2020 immediately after the epidemic. While the estimated Health Expenditure expense as of 2020 is 122.830.000.000,-TL, the amount

of expenditure realized as of the end of the year is 135.704.000.000,-TL. The reason for this increase is the treatment, medicine and medical equipment expenses of those who have COVID-19 disease (SSI,2021:46-47). The expenditures of the Health Expenditures item continued to increase in the January-July 2021 period.

In order to evaluate the increase in Health Expenditures, it is necessary to look at the patient applications and the payments made. For this reason, firstly, the applications made to health institutions during the research period are given in Table 3.

Table 3. Number of applications made to hospitals (2020-21/5)

Years	Number of applications (thousand)				
	Public Hospital 2nd tier	Public Hospital 3nd tier	Private hospital	University Hospital	Total
2020-Jan.	30.369	12.893	7.768	4.863	55.893,2
February	26.782	12.273	6.407	4.443	49.905,5
March	**19.391**	**8.308**	**5.704**	**3.465**	**36.867,8**
April	8.252	4.465	2.993	1.249	16.958,6
May	6.703	3.747	3.513	1.227	15.189,8
June	12.344	5.530	5.063	2.534	25.470,4
July	14.491	6.688	5.402	2.898	29.478,5
August	13.700	7.234	5.730	2.804	29.467,8
September	12.092	6.742	5.618	2.999	27.451,8
October	12.197	6.806	5.733	3.070	27.806,1
November	14.590	7.913	5.425	2.984	30.911,6
December	11.587	7.114	4.947	2.610	26.257,8
2020 Total	**182.497**	**89.712**	**64.304**	**35.146**	**371.659**
2021-Jan	12.835	8.284	4.789	2.899	28.807
February	12.976	7.873	4.797	3.146	28.793
March	16.420	9.310	5.826	3.765	35.322
April	16.458	10.273	5.421	3.538	35.691
May	13.112	8.949	4.826	3.058	29.945
2021/5Total	**71.802**	**44.690**	**25.659**	**16.406**	**158.557**

Source: (covid19.saglik.gov.tr,2021) It has been prepared by us based on the information at.

In Table 3 data, it is noteworthy that the number of applications to health institutions at all levels decreased (especially April-May 2020) with the epidemic that started on 11.03.2020. The reason for this is the extensive isolation measures taken to reduce the risk of transmission of the epidemic. In parallel with this, it is seen that applications to health institutions of all degrees have increased in direct proportion to the increase in cases until June 2021.

Table 4. Invoice Amounts by Health Institutions (Except Value Added Tax -2020-21/5)

Years	Fatura Tutarı (Bin TL)				
	Public Hospital 2nd tier	Public Hospital 3nd tier	Private hospital	University Hospital	Total
2020-Jan.	1.545.720	1.315.414	899.670	1.090.141	4.850.946
February	1.459.314	1.393.948	829.363	1.072.990	4.755.615
March	**1.103.087**	**994.381**	**876.823**	**1.005.691**	**3.979.982**
April	666.796	831.176	817.839	730.146	3.045.957
May	564.864	721.375	864.622	694.230	2.845.091
June	1.055.507	1.299.372	989.810	1.072.191	4.416.879
July	1.066.059	1.295.779	1.012.328	1.105.310	4.479.475
August	1.022.664	1.303.388	1.006.541	1.090.438	4.423.031
September	1.047.505	1.360.436	1.037.210	1.195.672	4.640.823
October	1.029.039	1.401.471	1.079.417	1.205.939	4.715.866
November	1.327.722	1.596.490	1.098.965	1.170.508	5.193.684
December	1.212.442	1.505.554	1.153.479	1.168.305	5.039.781
2020 Total	**13.100.719**	**15.018.786**	**11.666.067**	**12.601.561**	**52.387.132**
2021-Jan	1.335.692	1.902.758	1.031.796	1.239.595	5.509.841

February	1.181.375	1.862.337	969.741	1.247.309	5.260.762
March	1.271.941	1.887.947	1.142.067	1.379.784	5.681.738
April	1.284.231	1.874.549	1.182.175	1.338.143	5.679.098
May	1.105.122	1.763.026	1.092.657	1.241.270	5.202.075
2021/5Total	**6.178.361**	**9.290.617**	**5.418.436**	**6.446.100**	**27.333.515**

Source: (covid19.saglik.gov.tr,2021) It has been prepared by us based on the information at.

Table 4 data shows that just after March 2020, there was a decrease in Health Expenditure expenses (supporting the development in Table 3) at all levels in April-May 2020. However, this decrease was short-lived, and as of June 2020, the levels before the epidemic were reached. It is clear that the diagnosis and treatment of COVID-19, not the usual health problems, is effective in this rise. Another noteworthy situation is that there was no significant decrease in the costs of transactions in private health institutions in the period of March-April 2020, but there was an increase of approximately 20-25% after June 2020. The most important reason for this situation is that with the declaration of all public hospitals as epidemic hospitals, patients are directed to private health institutions due to complaints other than COVID-19 (www.sgk.gov.tr,2021).

4.2. Developments in the Income Structure of the Social Security Institution in the COVID-19 Process

The income developments of SSI for the period of March 2020 – July 2021 are given in Table 5.

Table 5. Revenues of SSI (2019-20-21/7- Million TL)

Years/ Revenues	Premium income	Debt restructuring	State contribution	Supplementary payment	Invoice payments	Other income	Total
2019	**290.197**	**3.631**	**71.222**	**12.295**	**38.373**	**8.510**	**424.228**
2020-Jan.	25.904	237	11.733	1.085	1.264	838	41.060
February	25.365	123	5.399	882	1.382	34	33.886
March	**29.101**	**273**	**6.327**	**1.158**	**1.757**	**1.011**	**39.627**
April	24.774	104	6.963	1.158	13.278	798	47.073
May	20.650	126	5.654	1.228	1.975	83	30.417
June	22.136	108	4.953	1.162	1.401	685	30.445
July	22.072	161	6.764	1.166	11.961	24	42.848
August	25.565	81	4.499	1.623	1.756	608	34.132
September	27.657	134	7.847	922	1.720	646	38.926
October	27.451	66	7.888	1.237	1.568	608	38.816
November	32.542	136	7.599	1.316	1.516	759	43.868
December	37.308	1.107	9.445	1.247	1.421	998	51.526
Total	**320.525**	**2.656**	**85.071**	**14.184**	**40.999**	**9.192**	**472,627**
2021-Jan.	29.655	1.311	11.193	1.247	1.382	1.022	45.809
February	25.583	1.736	6.822	1.041	1.647	1.033	37.863
March	35.162	4.145	7.685	1.360	2.279	923	51.554
April	30.205	3.485	9.548	1.365	2.512	739	47.854
May	30.477	1.138	9.530	1.445	14.434	97	57.821
June	33.889	510	7.818	1.369	2.091	6.017	51.696
July	29.266	998	8.014	1.373	19.864	1.091	60.606
2021/7	**214.521**	**13.324**	**60.610**	**9.200**	**44.210**	**11.337**	**353.202**

Source: (covid19.saglik.gov.tr,2021) It has been prepared by us based on the information at.

There was a decrease in premium revenues during the epidemic period. In this decrease, the measures taken to prevent the negative effects of the COVID-19

epidemic, especially the isolation / closure measure, together with the applications such as premium postponement, Short Working Allowance and Cash Wage Support had a significant impact (SSI,2021:46-47). In 2020, there was an increase of 81.8% in the debt installment income item. State Contributions and Invoiced Payments, which are among other income items, increased by 9.9% and 0.4%, respectively, from the estimated amounts. In the item of Other Income, there was a decrease of 1.3% compared to the estimated one due to the suspension of administrative fine notification within the scope of COVID-19 - excluding those that may be time-barred (SSI,2021:46,58).

4.3. Income-Expenditure Balance of the Social Security Institution in the COVID-19 Process

The most important problem experienced in the financial structure of SSI is the budget deficits. As a social parafiscal institution, SSI collects premium income from those who are members of the social security system, and the premium incomes are not enough to finance its services. The COVID-19 process has exacerbated this problem. Because while there was a decrease in revenues on the one hand, there was an increase in expenses on the other hand.

Table 6. Social Security Institution Income – Expenditure Balance (2019-20-21/7/ Million TL)

Years	Revenues	Expenses	Budget Deficit/Budget Surplus	Ratio of Revenues to Cover Expenses(%)
2019	**424.228**	**464.173**	**-39.945**	**91,4**
2020-Jan.	41.061	41.870	-809	98,06
February	33.886	40.547	-6.661	83,5
March	**39.627**	**40.669**	**-1.043**	**97,4**
April	47.073	54.945	-7.872	85,6
May	30.417	40.754	-10.337	74,6
June	30.445	41.163	-10.718	73,9
July	42.848	55.446	-12.598	77,2
August	34.132	43.869	-9.737	77,8
September	38.926	42.991	-4.065	90,5
October	38.816	45.871	-7.055	84,7
November	43.868	44.881	-1.013	97,7
December	51.526	47.089	4.437	109,4
Total	**472.627**	**540.095**	**-67.469**	**87,5**
2021-Jan.	45.809	51.408	-5.599	89,1
February	37.863	48.184	-10.291	78,6
March	51.554	48.493	3.060	106,3
April	47.854	48.558	-704	98,5
May	57.821	60.068	-2.247	96,2
June	51.696	51.032	664	101,3
July	60.606	64.832	-4.226	93,4
2021/7	**353.202**	**372.505**	**-19.373**	**94,8**

Source: (covid19.saglik.gov.tr,2021) It has been prepared by us based on the information at.

According to Table 6 data, monthly income-expenditure balance showed a surplus in favor of income only in December 2020, March 2021 and June 2021 in the period of March 2020-July 2021. Apart from this, the income-expenditure balance in the other fourteen months was in favor of expenses. Although the differences in favor of expenses followed a fluctuating course, they were realized at high levels especially in May-June-July 2020 and February 2021.

With the effect of COVID-19, there was a decrease in the income of SSI and an increase in its expenses. This naturally increased the budget deficits of SSI during the COVID-19 process. These deficits were covered by budget transfers, just as in the past.

Table 7. Social Security Institution Income-Expenditure Balance and Budget Transfers (2020-Million TL)

Year/titles	Year 2020 Projected Budget	Year 2020 Actual Budget	Rate of Change (%)
Total Revenue	474.529	472.627	-0,40
Total Expense	524.631	540.095	2,95
Income-Expenditure Balance	-50.102	-67.469	34,66
Budget Transfer Total	**218.779**	**248.846**	**13,74**
Open Financing[3]	50.102	71.980	43,67
State Contribution	77.359	85.070	9,97
Supplementary Payment	14.561	14.184	-2,59
Invoice Payments	34.655	35.288	1,83
Additional Payment	3.442	3.442	0,00
Incentives[4]	25.276	24.427	-3,36
General health insurance premium of those who cannot pay[5]	13.384	14.455	8,00

Source: (SSI,2021:46)

Table 7 data shows that more than expected resources are transferred to the SSI budget for all items except Incentives, Additional Payments and Additional Provisions. The striking point in the SSI budget is that it cannot cover its expenses despite the routine State Contribution, Additional Payments, Postpaid Payments, Additional Provisions, transfers made under the name of General Health Insurance Premiums and its own premium income. As a matter of fact, an important resource from the Treasury under the name of Deficit Financing is transferred to the SSI in order to close the deficit, apart from the aforementioned transfers. In 2020, this amount has increased by 43.6% than predicted by the impact of COVID-19. Likewise, there were

[3] Open Financing: Within the scope of budget transfer, it is the amount transferred by the Treasury for the Agency's deficit.

[4] Incentives : Incentives made under different laws.

[5] General Health Insurance Premium: These are General Health Insurance Premiums paid by the Ministry of Family, Labor and Social Services for those within the scope of article 60/1/c of Law No. 5510.

increases in the items of State Contribution, General Health Insurance Premium and Invoiced Payments.

5. Conclusion

The COVID-19 epidemic, which was seen in Turkey as of March 2020 and spread rapidly, affected the financial structure of SSI due to its responsibilities regarding human health and social security. Due to COVID 19, there was a 3.1% decrease in premium revenues. The reason for this is the applications such as premium deferral, Short Working Allowance and Cash Wage Support in favor of employees whose working conditions have deteriorated within the framework of COVID-19 measures.

Due to the COVID-19 outbreak, there has been an increase in the expenses of Insurance Payments and Health Expenditures in the expense structure of SSI. The reason for the increase in the Insurance Payments expense item is the incapacity allowances made to the insured who contracted the COVID-19 disease and became incapable of work. The reason for the increase in the expenditure item of Health Expenditures is the expenditures for the treatment, medicine and medical equipment needs of those who have COVID-19 disease.

In the context of budget balance, the SSI budget for 2020 was closed with a deficit as predicted. However, the realized deficit is 34.6% higher than the predicted deficit. While the ratio of total revenues to total expenses was 87.5% in the 2020 budget, this ratio was 91.4% in 2019.

Budget transfers play a major role in closing the chronic budget deficits of the SSI. Budget transfers realized in 2020 were 13.4% higher than anticipated.

The COVID-19 pandemic has given SSI management experience in terms of financial management. The results showed that financial problems increase even more in crisis periods compared to normal periods. Therefore, in order to have a functional financial structure in times of crisis, it is necessary to be prepared before the crisis.

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Evaluation of the Implementation of the Program Based Performance Budgeting System Approach to Transition in Turkey

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Abstract

The subject of the study, performed after switching to a modern budget system in Turkey, presentation of the budget techniques, the importance for the country of these techniques, evaluation of the effectiveness of budget policy and the performance of the budget of the recent budget techniques to investigate the cause of the program-based performance budgeting transition approach, and in this context, the new budget and the possible effects of this technique on budget policies. The aim of the study is to inform about the budget techniques to investigate the purpose of discussing Turkey's budget system going to change and emphasis thoughts on the recent new system. Working as a priority, the budget will be about techniques, then as a historical technical analysis of the budget will be used by Turkey and the effectiveness of the new system will be discussed at the end.

Budget systems; traditional budget, performance budget, program budget, planning - programming - budgeting system, zero - based budgeting, budgeting systems based on strategic planning. Our country has applied many of these methods and has been constantly working on a budget technique within the framework of the developing world economy and changing conditions. However, budgetary changes do not contribute to budgetary policies, economic policies and fiscal discipline in any way. Considering the fact that a new study has been conducted, the impact of previous techniques has been taken into consideration and the impact of this technique on budgetary policies or fiscal discipline has become an issue to be emphasized.

Keywords: Budget, Budget Policy, Stratecig Planning, Performance Budgeting.

JEL Code: H61, H68.

1. Introduction

The budget is the most important indicator of the extent to which resources are used in a country and whether they are used effectively or not. In this context, it is a document that reveals the quality and quantity of services provided to the society. The budget has ceased to be an income-expenditure document in the classical sense, and has become a policy tool with social and economic effects. Therefore, budgetary legislation and techniques should be determined according to these needs.

Budgets should not be adapted simply to achieve fiscal balance in the traditional sense. At the same time, budgets; It should be put into a structure that increases, diversifies and improves public services. In this context, theories are gaining importance as well as techniques.

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The evolution of budget techniques from the traditional budget to the performance budget and from there to the program-based performance budget discussed today also changes the perspective on budget policies. Fiscal discipline or economic balance? The question also causes changes in techniques. While the traditional budget foresees the budget balance, the performance budget has turned into a budget where unit costs gain importance. However, the most important factor to be considered is the provision of public services more effectively and with higher quality. In other words, it is the best use of budget resources for society.

2. Budget Systems

Budget systems can be specified as traditional budget, performance budget, program budget, planning-programming and budgeting system, and zero-based budget.

2.1. Traditional Budget

While allocating appropriations to services in the budget, only the needs of the administrative bodies that will perform these services are taken into account.
In this type of budgeting;

- The budget is input oriented,
- The budget is based on central planning,
- Central management and central control understanding dominates,
- Plan-budget relationship is not established,
- While preparing the budget, increasing the expenditures becomes a principle,
- Only financial audit is carried out,
- Legislation-driven-rules-based,
- Numerical analysis methods are not used,
- The budget is made according to political understanding, not technical information and needs.

2.2. Performance Budget

It is a budgeting system in which the services performed by the state and their unit costs gain importance in terms of fulfilling its duties. The performance budget specifies the main objectives and targets, the amount of appropriation required by the programs over their costs, and the calculation of the works, activities and items to be produced within each program over the unit costs (Akdoğan, 2017: 410).

2.3. Program Budget

It is a budget technique that gives the opportunity to make the most rational choice among alternative programs that can be applied in order to reach the planned goals, prevents waste, and allows the highest efficiency to be achieved through service-cost

and cost-benefit analysis. It started to be implemented in Turkey in 1973 (Edizdoğan & Çetinkaya, 2021: 102).

2.4. Planning-Programming And Budgeting System

PPBS, which does not have a full definition, can be expressed as follows based on a few basic definitions: (Gürsoy, 1979: 223).

It deals with the relations between public activity programs and determined targets and public resources.

It determines the strategic target costs and determines the necessary inputs for these targets according to time.

It provides the techniques that will enable the decision makers to choose the most rational one among these choices by putting a large number of choices in front of the decision makers in the distribution of public resources.

2.5. Zero - Based Budget

Zero – base budgeting takes a different tack. It assumes that, for any given activity, the choice of an appropriate level of expenditure starts at zero (Dooskin, 1977: 118).

In this budgeting system, each year's transactions are judged within its own body, and little or no attention is paid to the policies of the past years. In other words, it is a budget system in which the basic rationale for all activities and expenditures is re-determined and every expenditure item in the budget is evaluated. No expenditure item is automatically included in the budget and each expenditure item is reviewed in the light of other expenditures.

3. Budget Techniques Applied in Turkey

3.1. Traditional Budget

The first budget system in our country is essentially the classical budgeting technique, which was introduced with the General Accounting Law No. 1050.
This technique is more input-oriented, has an administrative classification in expenditures and is prepared from a political point of view, emerged as the negative aspects of the system, and a new budget system has been sought for reasons such as the lack of a relationship between plan and budget.

3.2. Program Budget

Due to the above-mentioned shortcomings of the traditional budget system and the lack of an effective budget system, the program budget system was adopted in 1973 and this system was implemented until 2006. The coding structure of this system, in

other words, the coding classification used for the classification of income and expenditures, was based on, but the traditional budget logic continued.

3.3. Performance Based Budgeting Based on Strategic Planning

With the Public Financial Management and Control Law No. 5018, which was enacted in 2003 and entered into force in 2006, "Performance Based Budgeting System Based on Strategic Planning" was introduced (Akbey, 2019: s. 78).
According to this;
It is a budgeting system that determines the main functions of public administrations, the objectives and targets to be realized as a result of the fulfillment of these functions, ensures the allocation and use of resources in line with these objectives and targets, evaluates whether the desired targets have been achieved by measuring performance and reports the results (Ergen, 2021: 293).

3.4. Program Based Performance Budgeting System

According to the Public Financial Management and Control Law No. 5018 (KYKK; m.9)

- Public administrations prepare a performance program that includes the activities to be carried out in accordance with the program budget and their resource needs, purpose, target and performance indicators.
- Public administrations prepare their budgets in accordance with the development plan, Presidential program, medium-term program, Presidential annual program, strategic plans and program structure and on the basis of performance.
- Public administrations collect and analyze data objectively, systematically and regularly in order to monitor and evaluate their budgets, strategic plans and performance programs. Monitoring and evaluation results are shown in the administrative activity reports.

- Budgets are prepared and implemented by subjecting them to a classification determined by the Presidency in accordance with international standards, based on the program structure, in order to ensure that the institutional and economic results are seen.
- The sections of the expenditure table of the central government budget law are arranged according to the programs based on the analytical budget classification.

The term "Order" in the relevant legislation regarding expenses refers to the first level of program classification, all levels of corporate and financing type classification and the first two levels of economic classification, and the term "related service order" in terms of debt payments refers to the relevant schemes in which the services subject to debt are carried out.

4. Conclusion

With program-based performance budget system; Functional classification was removed and replaced by program classification. The budget arrangement was renewed according to the program budget. The activities included in the budget were combined under the program and the budget was determined as the source of these programs.

Program classification consists of three levels as “Program-Sub-Program-Activity” in terms of management of budget resources.

Program; It is a group of activities, which are allocated resources based on the basic duties and responsibilities of public administrations, and brought together in a harmonious and meaningful way.

Subprogram; It is a group of coherent activities that are brought together to achieve the results of the program, located between the "program" and "activity" levels of the program classification.

Activity; It is the whole of the work, process and processes carried out from the planning stage to the production and presentation to the target audience in order to present a certain product or service by using public resources.

The budget technique was changed, but the accounting system was not arranged accordingly.

The statistical data system has not changed.

Although the legal regulation is considered important in terms of establishing the budget-performance program relationship, it is not expected to create a significant change in the understanding of budget preparation and resource allocation in public administrations.

Traditional methods are used in budget processes in public administrations and budgets are prepared independently of performance results.

Performance results and budget realizations are not taken into account in appropriations.

The change of budget systems is important in terms of budget policies. However, what is important for the effective and efficient use of resources is the effectiveness of the budget policies, beyond the change in the budget system.

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5018 Sayılı Kamu Mali Yönetimi ve Kontrol Kanunu.

Analysis of the Relationship Between 'Active Participation' and 'Budget Efficiency Perceptions' of Municipalities and NGOs in Turkey*

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Abstract

Municipalities are administrative units that play a key role in correctly identifying local needs and effectively delivering services in accordance with these needs. Along with providing opportunities for the exercise of more direct forms of democracy, municipalities have a central role in meeting the infrastructural, social and cultural needs of all citizens living in the city (men, women, children, the elderly, employers, employees and those divided into disadvantaged social groups) and enhancing the quality of urban life in general. Under current conditions of ongoing rapid urbanization, especially in developing countries, there is an increase in the scope and scale of the services provided by the municipalities as well as the pressing need for larger revenues that are required for expanding local expenditures. While municipalities in some countries, like in Turkey, rely mostly on revenues from central government transfers, in some other countries, like the Nordic countries, local government income largely consists of taxes, fees and participation fees paid by citizens in return for municipal services. In either situation, inclusive, elaborate identification of local needs and efficient use of local revenues are central issues in municipal service delivery.

The participation of the stakeholders, such as NGOs to local decision-making process, is essential both in determining local needs and reaching the necessary resources to meet these needs, i.e., ensuring budget efficiency. Therefore, in order for municipalities to manage their budget processes effectively and efficiently, adopting an active participatory approach in the decision-making and budgeting processes as well as increasing transparency in the planning and implementation phases of the local budget are crucial. . However, the inability to establish an active participatory relationship between municipalities and their stakeholders is a long-standing, and almost universal, problem. Taking this problem as its starting point, this study aims at digging on the factors facilitating and/ or hindering the development of a strong collaborative relation between municipalities and NGOs. In concrete, it examines whether financial transparency in and trust in municipalities and the responsibility of NGOs influence the active participation relationship developed between municipalities and NGOs. In addition, the effect of active participation on the perception of budget efficiency by both parties, together with other variables (transparency, responsibility, trust), is estimated.

Keywords: Municipality, NGOs, Governance, Active Participation, Budget Efficiency, Transparency, Trust

JEL Code: H11, H30, H77

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1. Introduction

The budget, which can be described as the representation of the preferences and priorities of the society, is one of the main tools used by the public in achieving the goals of the society (Cameron, 2009; Mukokoma, 2010: 101). Similarly, the budgets of local governments can be seen as a detailed plan in which local governments determine how to spend their revenue sources in accordance with their purposes, needs and priorities (Mukokoma, 2010: 101-103). As a result of rapidly increasing urbanization, municipalities are experiencing hard times in fully meeting the demands of citizens in line with their needs or find it difficult to provide high quality and effective services. In addition to the inadequacy in meeting local demands, citizen dissatisfaction and difficulty in accessing services, issues such as insufficient local resources to finance services, unprofessional attitudes of local bureaucracy, and inefficient expenditures of local administrators for vote maximization targets also strengthen the idea that municipalities are having difficulties in planning and budgeting processes.

Although the issues of reaching an effective budget, increasing income sources and allocating these resources in line with the needs requires technical expertise in budgeting (more concretely the balancing of annual income with estimates expenses), the political dimension of the budget process, which includes the identification of priorities, the elaboration of needs and allocation of resources, urges for adopting an active participatory approach in order to achieve an effective budget (Siregar and Susanti, 2019: 391; Blair, 2009; Mukokoma, 2010: 101). It is against this backdrop that this study focuses on the concept of active participation in decision-making processes and the concept of budget efficiency, which is one of the elements of active participation. Based on the findings of the survey implemented among the members of municipal councils, the importance of following an active participatory approach for budget efficiency was evaluated through the identification of the strengths and weaknesses of the active participation relationship between municipalities and NGOs.

2. “Active Participation” in Decision Making Process

Participation, a concept which can be defined in different ways, represents an uninterrupted and mutually beneficial relationship between governing bodies, institutions and stakeholders within the context of this study. In the participation process, which can be expressed as taking part in decision-making processes, both the methods applied and the processes followed are seen as a tool rather than a goal; therefore, the level of participation is actually determined by factors such as individuals' positive attitudes to and willingness for participating into the decision-making processes. (Uslu and Yılmaz, 2018: 114). In this regard, active participation amount to citizens’ direct participation into policy processes (Ergen, 2012:320). Considering that the most important administrative units which meet local needs are local governments, it can easily be said that participation is not only about elections or activities related to elections, but also about being involved in the process of both

taking and implementing decisions regarding the provision of public services (Çakır and Kayalıdere, 2018: 943). At the same time, an active participatory approach requires being conscious about taxation and being involved in decision-making processes that take into account the public interest (Beckett and King, 2002: 466) The adoption of an active participation approach by citizens in decision-making processes plays an important role in the implementation of participatory budget (Yalçın, 2015). : 312).

Active citizenship is a concept that is developed in tandem with the concept of active participation. Although there is no single definition of the concept of active citizenship, citizen participation often comes to mind when active citizenship is mentioned. In this context, active citizenship means that citizens can actively participate into local policy processes to raise their living standards, as well as to identify the problems in the society and fight against these problems (Kara et al., 2012: 151). In policy implementation processes which engage active citizen participation, citizens are informed and at the same time, they are given the opportunity to offer their opinions and suggestions at the planning stage by asking their opinions (Uslu and Yılmaz, 2018: 120-121).

3. Budget Efficiency as an Element of Active Participation

Budget effectiveness, simply defined as the achievement of the targeted goals in the budget, is a multidimensional concept that can be perceived differently by different interest groups (Siregar and Susanti, 2019: 392; Hassel and Cunningham, 1996: 249). Nevertheless, concepts such as accountability, participation, transparency and control are accepted as the main elements that ensure the realization of the effectiveness that forms the basis of governance (Akyel and Köse, 2010: 10).

The effectiveness of a budget can be understood from the economic growth rate, the size of unemployment, the increase in the human development index, more generally, the welfare level of the society (Siregar and Susanti, 2019: 392). According to Okpala (2014:7), failure to establish a connection between the planning and budgeting processes, the independent realization of policy making, planning and budgeting processes, the uncertainty (divergence) in income estimates from both the budget year and year to year, and the failure to direct income sources to priority needs negatively affect a budget's efficiency.

4. Methodology

Questionnaire technique is used as data collection method in the study. In the questionnaire form implemented to municipal council members, five different scales were used to measure the concepts of active participation, transparency, trust, responsibility and budget effectiveness, as well as socio-demographic information in order to reach the aims and objectives of the study. To measure these concepts, forms in Turkish were created by making use of different empirical and theoretical studies in the existing literature, and the validity and reliability analyzes of these forms were carried out within the scope of this study. Active participation scale consists of 6 items, transparency scale consists of 4 items, trust scale consists of 4 items, responsibility

scale consists of 5 items and perception of budget effectiveness scale consists of 8 items. All scales are designed in the form of 5-point Likert scale (5-Strongly Agree, 2-Agree, 3-Undecided, 2-Disagree, 1-Strongly Disagree). High scores obtained from the scales indicate that the feature to be measured in the relevant scale is high.

The survey was designed to include municipal council members, who constitute an important stakeholder group of active participation at the local level, in both Metropolitan Municipalities (BŞB) and provincial municipalities. In other words, the members of the municipal councils of the metropolitan and provincial municipalities constitute the municipality sample of the research. Thus, in total, 13 Metropolitan Municipalities and 10 Provincial Municipalities were included in the study.

5. Findings

85.1% of the participants in the municipality sample are men. The average age is mostly between 40-49 years (47.5%). When examined in terms of the duration of living in the city, 97.4% of the participants have been living in the city for 11 years or more. Their education level is university graduation with 48.9%. Percentages of occupational categories to which municipal council members belong in descending order are, 31.9% artisans/craftsmen, 31% paid workers and 26.8% self-employed. The experience period in the municipality is 6 years or more for 91.3% of the participants.

The indices obtained for model fit were obtained as follows: X2/df=1,560; p=.000; RMSEA=.032; SRMR=.063; GFI=0.946; CFI=0.963. Since the fit indices X2/df, RMSEA and SRMR are in the ranges of $0 \leq X2/df \leq 2$, $0 \leq RMSEA \leq 0.05$ and $0.05 \leq SRMR \leq 0.10$, respectively, it can be said that the model fits well (Schumaken & Lomax, 2004). According to the estimated model, five of the hypotheses in the conceptual model (H1, H2, H3, H6, H8) were supported, while three (H4, H5, H7) were not supported according to the results obtained from this data set. According to the model estimated from the municipality sample, active participation affects the perception of budget efficiency directly and positively ($\beta=.18$; $p<.10$). Confidence affects the perception of budget efficiency directly and positively ($\beta=.33$; $p<.01$). While transparency and responsibility do not directly affect the perception of budget effectiveness, only the transparency variable indirectly affects the perception of budget effectiveness through trust. Transparency directly and positively affects active participation ($\beta=.53$; $p<.01$) and trust ($\beta=.52$; $p<.01$). Another variable that directly affects active participation is confidence ($\beta=.32$; $p<.01$). The effect of the responsibility variable on active participation was not significant.

23% of the variance of the perception of budget effectiveness was explained by the variables of active participation, trust and transparency. While 56% of the variance of active participation was explained by transparency and trust, lastly, 26% of the variance of the trust variable was explained by transparency.

The direct effect of active participation on the perception of budget efficiency was realized as .18. The direct effect of trust on the perception of budget efficiency was found to be .33, and the indirect effect through the active participation variable was found to be .06. This indirect effect is quite small. While the direct effect of

transparency on the perception of budget efficiency was found to be insignificant, its indirect effect on the active participation variable was .30. The effect of responsibility on the perception of budget efficiency was found to be insignificant. While the direct effect of transparency on active participation was found to be .53, the indirect effect was found to be .17 through the trust variable. When the direct and indirect effects are examined, some similar intermediary effects are seen in the sample of NGOs. Active participation and trust variables play a role as mediator variables in explaining the perception of budget efficiency.

6. Conclusion

In this research, it is aimed to test the conceptual model created for testing the relationships between the concepts of active participation and budget efficiency. According to the results, active participation in decision-making and budgeting processes directly and positively affects the perception of budget efficiency. Trust in the municipality has a direct and positive effect on the perception of budget efficiency. While, contrary to expected, transparency does not have a direct and significant effect on the perception of budget efficiency; this effect is achieved through active participation. The variables that cause an increase in active participation are the variables of transparency and trust in the municipality. Studies and improvements on transparency and trust will result in positive effects on active participation. These results also revealed the importance of evaluating all these concepts holistically. These variables, which are expected to have bilateral relations between them, were evaluated holistically with a single model and more complex relations were revealed. These relationships can be reconfirmed by retesting this model with different samples. At the same time, new effects can be tested by adding different concepts to the model as variables, and the position and importance of different variables can be examined.

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The Effects of Good Governance on the Budget Deficits for the OECD Countries

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Since early 2000's, the concept of good governance has attracted interest and has increasingly been used when evaluating public sector. Good governance has brought public management and new public administration notions into the focus of public finance management over the concepts of productivity, efficiency and prudence.

Since 1996, in the reports and publications of International Monetary Fund (IMF) uses good governance concept. This concept used along with the fiscal transparency and accountability. "Code of Good Practices on Fiscal Transparency" which is completed in 2007, reflects similar approaches and has been a reference for the applications of fiscal policies and directing macroeconomic policies by taking complete responsibility of them. The main pillars of that code are; clarity of roles and responsibilities, open budget processes, public availibility of information, assurances of integrity.

Those concepts related to the good governance also have vital importance on the budget processes in terms of realizing budget in comliance with the estimations. Especially fiscal transparency and accountability are prequisites for locating fiscal discipline into the public finance management. Fiscal transparency is one of the main elements of good governance and in an interaction of other factors of it. Fiscal transparency is also vital in the context of quality growth and macroeconomic stability. Good governance inherently requires openness in; fiscal functions of governments, fiscal policy intentions, public sector accounts and fiscal projections. On the other hand, accountability in the strict sense points out that public sector accounts should be open to demands for explanations and investigations. In a broad sense it is a feature that all the governments should have if they are legitimate by a constitutional system. Governments should have systems as; elections, referendums, recalls, promotion, disciplin and fiscal reporting in order to take responsibility of their own actions.

All those good governance properties may be observed over budgeting process and evaluated over the budget performance. Naturally, budgetary controls are the key stones of these process.

The World Bank publishes Worldwide Governance Indicators since 1996 (biannual until 2002, yearly after 2002 to the present). WGI data answers the purpose of assessing institutional quality and abstract concepts in the public finance management with the components as; accountability, government effectiveness, regulatory quality, control of corruption and rule of law.

In this study, we will use data derived from WGI for good governance indicators and data derived from IMF and World Bank for budgeting performance indicators. We will

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try to estimate the effects of governance performance of the countries on the budgeting performance through the panel data analysis methods. We will choose the countries in the panels according to the IMF's Fiscal Monitor classification which divides countries by their economic levels and availability of data. We assume the data related to budget performance and good governance are in a dynamic structure and we will choose dynamic panel data analysis tools. In our possible models, the other variables which can explain budgeting performance and time and country fixed effects will be included.

As a result of our analysis, we expect to see a positive correlation between good governance and budgeting performance in compliance with general opinion. We expect to see a negative impact of the good governance performance on the budget deficits and budgetary forecast biases.

We will emphasize the prequisites of promoting fiscal discipline. The subcomponents of governance indicators are all in an interaction with each other. They all together have impact on the public finance management. For that reason we can reach some policy implications with the support of our results. However, those policy implication will be framed in the restrictions of our study and we will consider the impacts of political, institutional, social, historical and legal systems in terms of our results.

Fiscal Origins of the Black Economy: An Empirical Examination

Nazmiye Tekdemir[1] **Pelin Varol İyidoğan**[2]

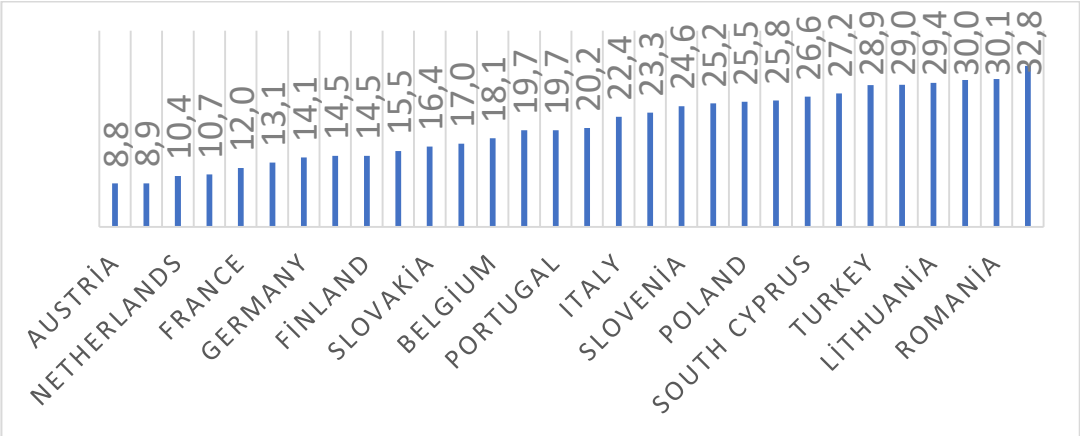
Abstract

The black economy is one of the main policy areas for all developed and developing economies, although its dimensions are different. Therefore, it is important to examine the causes of informality in order to foresee the policy tools and political practices to be used in the fight against the black economy. In this context, the study aims to examine for the 28 EU countries and Turkey's fiscal origin of the black economy via panel data analysis.

1.Introduction

Informality, which means concealing economic activities at a national or international level in a way that legal authorities cannot follow, is an important problem encountered in the world, although its size is more or less. This concept is in the literature; It appears in many ways such as cash, dual, hidden, informal, irregular, moonlight, second, shadow, subterranean, twillight, underground, unmeasured, unofficial, unrecorded, untaxed. It is an important problem for both developed and developing countries and its dimensions also differ. In chart 1 is selected, including Turkey, the proportion of the informal economy in the EU, the years 2003-2015 are presented as average.

Graph 1. Informal Economy in Turkey and Selected EU Countries (2003-2015 Average)



Source: Created using the Schneider (2015)

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When the chart is analyzed, it is seen that EU countries with relatively higher income and development levels have an informality below the average value of 20.2%. For Turkey, informality, (28.2%) was recorded. This rate is well above average.

There are different measurement methods of the informal economy, directly and indirectly. However, the primary focus of this study is to investigate the dynamics behind it, especially financial factors, rather than the extent of informality. In this context, in our study; We aim to reveal the effect of explanatory financial variables such as tax burden, social security premium burden, public investments and financial corruption on the informal economy in selected EU countries within the framework of dynamic panel data analysis findings.

Our study consists of 3 parts. In the first part, the related literature will be presented. In the second part, data and model will be mentioned. In the last section, results and policy evaluations will be included within the scope of empirical findings.

2.Theoretical and Empirical Literature Review

In Torgler and Schineder (2007) Shadow Economy, Tax Morale, Governance and Institutional Quality: A Panel Analysis, panel data analysis was carried out with data covering the years 1990-2000 for 26 cantons in Switzerland. Predictions are made with various combinations of variables. A low tax burden and labor force participation have been shown to reduce the size of the shadow economy. On the other hand, if citizens believe that corruption is widespread, incentives to take part in the informal sector are increasing if they believe that tax burdens are not well spent and protected by legal rules. Institutional architecture and governance quality seem to be a key component in understanding the shadow economy.

F. Schneider and A. Buehn (2018), in their literature review on the main causes of the informal economy, the main reasons for informality are; tax and social security premium burden, corruption, regulations, public services, tax morality, deterrence, development of the registered economy, self-employment, unemployment and the size of the agricultural sector.

In the Table 1, the summary literature containing the basic studies such as the mentioned studies and the possible financial grounds of informality are included in Table 1.

Table 1. Theoretical Studies on the Financial Causes of Informality - Summary Table

Variable	Basis studies
1) Tax and Social Security Premium Payments	*Thomas (1992), *Johnson, Kaufmann, & Zoido-Lobatón (1998), *Giles (1999a), *Tanzi (1999), *Schneider (2003,2005), *Dell'Anno (2007), *Dell'Anno, Gomez-Antonio & Alanon Pardo (2007)
2) Quality of Institutions or (Financial)	*Johnson vd. (1998),* Friedman, Johnson, Kaufmann, & Zoido-Lobatón (2000), *Dreher & Schneider (2009), *Dreher, Kotsogiannis & McCorriston (2009), *Schneider (2010) Teobaelli (2011),* Teobaldelli & Schneider (2012),*

Corruption	Amendola Dell'Anno (2010), Losby vd. (2002), Schneider & Williams (2013), Hassan & Schneider (2016), Williams & Schneider (2016)
3) Public sector services	*Johnson, Kaufmann, & Zoido- Lobatón (1998), *Feld & Schneider (2010)
4) Tax morality	*Feld & Frey (2007),* Kirchler (2007), *Torgler & Schneider (2009), *Feld & Larsen (2005, 2009), *Feld & Schneider (2010)
5) Regulations	*Johnson, Kaufmann, & Shleifer (1997), *Johnson, Kaufmann, & Zoido-Lobatón (1998), *Friedman, Johnson, Kaufmann ,& Zoido- Lobatón (2000), *Kucera & Roncolato (2008), *Schneider (2011), *Hassan & Schneider (2016)

Source: Schneider and Buehn (2018).

Based on the theoretical background in Table 1, there are important studies evaluating the informal economy with an empirical approach. Some of these studies and their main findings are discussed in Table 2:

Table 2. Empirical Studies on the Financial Rationale of Informality-Summary Table

Study	Sample	Method	Findings
Torgler and Schneider (2007)	Switzerland: 26 cantons (1990-2000)	Panel data analysis	-Low tax burden and labor force participation, tax morality, good governance and institutional quality reduce the size of the informal economy.
Schneider and Buehn (2013)	39 OECD countries (1999-2010)	Panel data analysis	For OECD, the most important descriptors of informality are indirect taxes and self-employment, respectively.
Savaşan etc. (2016)	Turkey (1970-2013 and 1990-2013)	MIMIC and panel data analysis	Informal economy depends on macroeconomic developments (unemployment rate and inflation rate) and tax burden.

Source: Created by the authors.

3.Data, Model and Findings

In the study, the financial causes of informality, the effects of the variables determined within the scope of the theoretical and empirical literature in Tables 1 and 2 are analyzed for 28 EU countries. Within this scope, we employ difference/system dynamic panel data analysis which eliminates the problem of exogeneity.

Ultimately, our empirical findings revealed by the study are so crucial since they filter the fiscal among multidimensional determinants of shadow economy. In this framework, we contribute to the policy effectiveness determined by prioritizing the fiscal policy aiming to reduce informality.

The Effect of Tax Structure on Economic Growth in Developing Countries

Gözde Nalbant Efe[1]

The 2008 financial crisis has created an environment that requires countries to promote economic growth on the one hand, and ensure the sustainability of budget deficits, on the other hand. Accordingly, the analysis of the relationship between taxes and economic growth has been carried out in the direction of how the tax structure can be designed to promote growth without reducing tax revenues. Political and economic cooperation organizations such as the Organization for Economic Development and Cooperation (OECD), the International Monetary Fund (IMF) and the European Commission (EC) published some reports and researches, which proposed reducing the share of income taxes (especially taxes on labour and corporations) in tax revenues and shifting the tax burden to consumption, environment and peoperty taxes, which are seen as growth-friendly, and started a new discussion in the literature.

Arnold (2008) and Arnold et al.(2011), pioneers in studies on whether the tax structure can be changed as growth-oriented without departing from the tax revenue target, have classified the taxes according to their negative effects on economic growth, based on the data of 21 OECD countries. When taxes are listed from the most harmful to growth to the most harmless; it has been stated that a ranking occurs as follows: corporate tax, income tax, social security obligations, consumption taxes and recurrent taxes on immovable property.

Acosta-Ormaecha and Yoo (2012) have reached similar findings with a larger country sample, but stated that the most harmful tax to growth is income tax, not corporate tax, and then social security obligations. Xing (2012) stated that growth could be encouraged by increasing the share of property taxes within the tax structure in OECD countries. Drucker, Krill, and Geva (2017) and Çevik and Oh (2013) found that in OECD countries, the economic growth rate will increase if the share of income taxes within the tax structure is reduced and consumption taxes are increased. MacNabb and LeMay-Boucher (2014) stated that if the share of income taxes is reduced by increasing the share of consumption and trade taxes, there will be an increase in the rate of economic growth but this effect is valid only for middle and high income countries but a similar policy will not be effective for low income countries. MacNabb (2018) stated that a shift towards property taxes in the tax structure will affect growth positively in high-income countries, but will have a negative impact on economic growth in middle and low-income countries.

It is criticized that international organizations base their tax policy proposals on the results obtained from the analyzes made mostly with country samples such as

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OECD or EU. On the other hand, the studies carried out including the developing or underdeveloped countries are few in number. In this few studies, it is seen that different results are obtained from developed countries regarding the effects of tax structure on growth. For example, Acosta-Ormaecha and Yoo (2012) and Martinez-Vazquez, Vulovic and Liu (2010) could not find a significant relationship between taxes and economic growth in low-income countries and in developing countries, respectively. Hakim, Karia and Bujang (2016) stated that the effect of taxes on economic growth is positive in developed countries and negative in developing countries. Gbato (2017) could not detect a long-term relationship between tax revenues and growth in Sub-Saharan African countries. He stated that both income tax and indirect taxes negatively affect growth in the short term. Babatunde, Ibukun and Oyeyemi (2017) found that the relationship between tax revenues and economic growth is positive in 18 African countries. Şaşmaz and Yayla (2018) stated that there is a negative relationship between indirect taxes and growth in transition countries and a positive relationship between direct taxes and growth. MacNabb (2018) revealed that there is no relationship between tax structure and economic growth valid for all countries, and the direction, size and validity of the coefficients that show the effect of different taxes on growth vary according to the countries in with different income levels.

In this study, the effect of tax structure on economic growth will be analyzed in the context of developing countries. Thus, the impact of the tax structure on economic growth in these countries and the impact on developed countries will be compared. In addition, it is aimed to develop growth-friendly and revenue-neutral tax policy proposals in particular for developing countries.

Accordingly, in the period 2000-2017, the relationship between general government tax revenues and the rate of economic growth of selected developing countries will be examined by using dynamic panel data analysis and by making use of the tax revenues data from IMF Government Finance Statistics and United Nations University (UNU-WIDER) Government Revenue Dataset. While determining the sample, the main criterion is provision of the data, but at the same time the sample will be composed by selecting among the countries, which IMF classified as a developing country in the 2018 World Economic Outlook publication. It is aimed to use the system generalized method of moments estimator (system GMM) if the sample in the analysis is determined to be homogeneous, or the common correlated effects mean group estimator (CCEMG) if the sample is determined to be heterogeneous. Data on capital investment, labor force, human capital, population growth and other control variables, whose effects on economic growth are generally accepted in the literature, will be obtained from the World Bank database.

Tax Evasion and Tax Compliance: An Analysis From Neoclassic Economics to Behavioral Economics

Erhan Çelik[1]

Abstract

The taxpayers' fulfillment of their tax obligations voluntarily and on time is called voluntary tax compliance. The most critical determinant of voluntary tax compliance is tax evasion behavior. The theoretical studies of Allingham and Sandmo (1972) investigating individual tax evasion decisions using the economic model and the experimental studies of Friedland et al. (1978) on tax compliance are considered pioneering studies. The study's findings conducted with students generally show that behavioral economics arguments are also compelling among the factors affecting tax payment behavior.

Keywords: Tax Evasion, Tax Compliance, Neoclassic Economics, Behavioral Economics.
JEL Code: H26, D91.

1. Introduction

States need as much income as possible to maintain their existence and fulfill their obligations to their citizens. A considerable part of this income is obtained through taxes. While voluntary tax compliance, which can be defined as the voluntary compliance of taxpayers with tax laws, is desired and expected by the state, tax evasion is undesirable. That is why tax evasion and tax compliance have been popular research topics for decades.

One of the most important goals of tax administrations is to ensure successful tax compliance. The most important indicator of achieving such success is to minimize tax evasion behavior. This study focuses on tax evasion and tax compliance behaviors of taxpayers. The study aims to reveal the behavior of taxpayers from the perspective of behavioral economics.

In the study, the conceptual framework related to the subject was briefly discussed; Studies from neoclassical economics to behavioral economics are examined from the perspective of expected utility theory and prospect theory. In the last part, the results obtained from the survey conducted with the students on examining the factors affecting the tax payment behavior from the perspective of behavioral economics are presented and evaluated.

2. Tax Evasion and Tax Compliance

It is noteworthy that psychologists, sociologists, and many other groups in the field of social sciences, especially economists and financers, are willing to research tax evasion. It is a fact that tax evasion, which has become a common problem of all

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countries, especially with globalization, cannot be eliminated. Therefore, the aim of countries should be to increase voluntary compliance with taxes and minimize tax evasion.

3. From Neoclassical Economics to Behavioral Economics

A rational person, defined as homoeconomicus by neoclassical theory, is an individual who tries to maximize his benefit level, accepts all kinds of activities as usual to achieve the said goal, therefore does not have any moral and social value concerns and is accepted as a selfish being. In other words, a rational person is seen as an entity that acts entirely in line with his interests and lacks spiritual and human characteristics. However, today, studies that reveal the existence of irrational people as opposed to rational people draw attention. This field, called behavioral economics, brought together the science of economics and psychology. Daniel Kahneman and Amos Tversky, considered pioneers in this field, have carried out essential studies since the 1970s. In this direction, Kahneman and Tversky, in their study published in 1979, named the new theory that invalidates the expected utility theory and explains how people make decisions under risk and uncertainty.

4. On Tax Research

Allingham and Sandmo's (1972) theoretical studies investigating the individual tax evasion decision using the economic model and the experimental studies of Friedland, Maital and Rutenberg (1978) on tax compliance are considered pioneering studies.

Why individuals or businesses evade taxes is one of the hotly debated issues. For an economist, the starting point for tax evasion is to consider the costs and benefits of evasion. Adapting Becker's (1968) model that uses law enforcement and risk theory in taxation to tax evasion, Allingham and Sandmo's deterrence model indeed constitutes the standard framework for thinking about whether and how much taxes can be avoided. This theoretical model applied to tax compliance has been used in almost all research related to tax compliance until today. In this model, a risk-averse taxpayer decides whether he can avoid taxes and how much tax he will evade, similar to how he would approach any risky decision or gamble. In this respect, Allingham and Sandmo are the first authors to examine individual tax evasion decisions using the economic model.

Studies that develop and criticize the economic model of Allingham and Sandmo have made significant contributions to the tax compliance literature. For example, Christiansen (1980) states that raising the penalty rates so that the expected penalty rate remains constant is an important deterrent in the fight against tax evasion; Witte and Woodbury's (1985) studies showing that an increase in audit rates will increase tax compliance and that an increase in audit rates is more effective than an increase in fines, taking into account the progressive tax tariff, is one of the studies that developed the model. Many authors such as Srinivasan (1973), Yitzhaki (1974), Slemrod and Yitzhaki (2002), Sandmo (2005) contributed to the development of the model with their studies. On the other hand, Dean et. al. (1980), Pyle (1991), Cullis and

Lewis (1997) have also criticized the limitations of this model of tax evasion in their studies.

Prospect theory compensates for some of the shortcomings of economic models used to explain tax evasion. The prospect theory aims to eliminate the problems in the unrealistic parts of the economic models, and it is tried to explain how individuals decide to evade tax. In the expected utility model, one of the economic models used to explain tax evasion, individuals make decisions by considering their last wealth situation. At the same time, they decide according to a reference point in the prospect theory.

There have been many studies investigating the decision to dodge taxes from a behavioral perspective. For example, Cullis et. al. (2006) found that psychology students had higher tax compliance than economics students. The effect of presenting income as loss or gain was also statistically significant. In other words, while those who have no other payment other than the advance tax paid at the end of the year, less tax evasion; Those who did not receive advance tax approached the tax as a loss, and by the expectation theory, they evaded more taxes. In addition, it was found that men are more sensitive to the framing effect.

In the study of Mazar et. al. (2008), in which individuals are based on their dilemmas between obtaining financial benefits and honesty, it has been observed that individuals evade taxes to the extent that they can describe themselves as honest instead of avoiding tax at the maximum level.

Similarly, many other authors have included behavioral factors in their analysis of tax evasion and tax compliance (Friedland et. al., 1978; Becker et. al., 1987; Robben et. al., 1990; Alm et. al., 1992; Dhami & al-Nowaihi, 2007; Alm et. al., 2015).

Laboratory experiments are mostly used in behavioral economics research on taxation. In this sense, although there is comprehensive literature abroad, it can be said that there are studies by Seçilmis (2010) and Arıman (2020) as laboratory experiments in our country.

5. Methodology of Study and Empirical Findings

The aim of this study, which focuses on tax evasion and tax compliance behaviors of taxpayers, is to determine the factors affecting tax payment behavior and reveal them from behavioral economics. For this purpose, three hypotheses were determined:

H1: Loss aversion is effective in the tax payment behavior of individuals.

H2: The level of risk-taking is effective in the tax payment behavior of individuals.

H3: Economic factors are influential in the tax payment behavior of individuals.

The research was conducted using a face-to-face survey method with 177 students from 5 different departments at Afyon Kocatepe University Faculty of

Economics and Administrative Sciences. The findings obtained from the survey study on tax payment behavior were subjected to OLS regression analysis.

The results of the regression analysis can be summarized as follows:

- Tax payment behavior differs significantly from demographic variables only in terms of work experience and population. Statistically, at the 10% significance level, the tax-paying behavior levels of students with work experience are lower than those without work experience.

- As the place of residence population increases, tax payment behavior decreases (significance level at 1%).

- As the loss aversion rate of individuals increases, tax payment behavior decreases (significance level is at the 1% level).

- As the level of risk-taking of individuals increases, the level of tax payment behavior decreases (significance level is 1%).

- The level of tax payment behavior of individuals who think that the majority of the society pays their taxes is high (significance level is 10%).

- Individuals who think that taxes are unnecessary payments to the government have low tax payment behavior levels (significance level is 10%).

- Considering the services provided by the state, individuals who find the taxes they pay reasonable have a high tax payment behavior level (significance level is 10%).

- There was no significant relationship between tax rate, audit probability, and penalties, and tax payment behavior from economic factors.

6. Conclusion

Research continues according to the expected utility theory in tax evasion and tax compliance research, which reflects the neoclassical economic perspective. However, for the last 40 years, it has been seen that tax evasion and tax compliance researches carried out within the scope of expectation theory, which reflects the behavioral economic perspective, have increased.

With a survey conducted with 177 university students, tax payment behavior was tried to be analyzed from behavioral economics. According to the study results, it has been determined that the tax payment behavior level of individuals with work experience decreases compared to individuals without work experience, and the level of tax payment behavior increases as the population decreases. It has been observed that there is a negative relationship between the loss aversion rate, which is one of the components of the expectation theory, and the tax-paying behavior levels of individuals, and the tax-paying behavior levels of individuals who like to take risks are lower than those who do not like to take risks. In addition, no significant relationship was found between economic factors such as tax rate, audit probability, penalties, and tax payment behavior. In short, it is seen that behavioral economics arguments are also compelling among the factors affecting tax payment behavior.

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An Evalution on Public Finance Programs

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Subject and Importance

The program of Public Finance examines the economic activities of the government. In Turkey, it is developed especially after World War II. The governments need qualified personnel in the field of public finance in everywhere. But, there is not even one department that has a division in European and USA universities about it. There can be mentioned a field called "Public Economics" that is mostly created at division or economics department.

Its situation in the world cannot be seen as a very independent program. Excluding the countries of the former Eastern Bloc, China, Cuba and North Korea, the Public Finance Departments have lost their importance and effectiveness. Its curriculum is also in the form of Public Economics type courses that taught under either Public Policy, Public Law or Economics Departments. Due to the State Accounting system and taxation, they have common contents with the Business Administration.

Aim

Our aim is to open the discussion of departmental definition approaches that have international equivalents and equivalents and equivalence in student-exchange programs such as Erasmus and Mevlana.(burada bir tekrara düşme var tekrar bakacağım) Unfortunately, due to the name of a department that does not correspond, student exchanges can be made by the means of “quota” through the Departments of Economics, Business Administration and Public Administration. This is the natural result of the absence of Public Finance Programs.

Program catalogs from time to time in Turkey when only “Finance" identified by name, incoming students are experiencing a painful experience.

When similar titles are investigated as undergraduate and graduate education in the Public Finance Department, it is seen that common names such as Financial Management or Public Financial Management are used. It is possible to see programs created with this name in different universities around the world.

Therefore, from Development Agencies and Programs to certificate trainings in the field of Public Financial Management; in many international organizations such as IMF,

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WB and even UNDP and OECD, the name of Public Financial Management is a widely used and preferred name in the world.7

Method

International institutions, literature and higher education programs will be investigated and reviewed. Many international institutions such as the World Bank, IMF, OECD, UNDP, EGPA, JICA, EU etc. have specific studies on public financial management. PFM, which is the abbreviation of Public Financial Management expression together with the name of the relevant international organization, can be found in the literature and search engines (such as WB PFM, IMF PFM, EU PFM…).

Results

Public Finance Departments in Turkey have tried to renew the curriculum and adapt to this process especially after the 2001 post-crisis development and 5018 Public Financial Management and Control Law that is enacted at 2003. Law No. 5018 is the constitution of the state's financial transactions. The law brought the phrase "… Financial Management…" to the title. Its English is also compatible with international connotations: Public Financial Management and Control Law No. 5018.
In the public sector but mostly in the fiscal discipline, development of financial management as a separate categorical area, analysis and definition of processes has been opened thanks to Chapters 32 and 33 within the framework of Turkey's EU Acquis.

Of course, training of qualified personnel, organization and institutional level new structures increase the interest in public financial management. The name of Public Finance Department, which provides education within the Faculty of Economics, Faculty of Economics and Economics and Administrative Sciences, cannot meet this content on its own. Therefore, there is a need for the theoretical, technical and process related applications offered by the Financial Management. Due to lack of this, graduates have serious deficiencies in implementation.

Measuring and Analyzing of Tax Literacy in Turkey: An Empirical Research on University Students*

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Abstract

Tax literacy includes the process of individuals gaining knowledge in the field of taxation, having a positive perception about taxation, and fulfilling their tax obligations as a result. Tax education is one of the most critical factors determining tax literacy. This study aims to measure the tax literacy level of university students receiving tax education and determine the decisive factors in terms of tax literacy in Turkey. Therefore, the definition and the importance of the development of tax literacy will be explained first, and then the survey results will be given.

With the questionnaire prepared using national and international scales, cognitive, affective, and psychomotor dimensions, the sub-dimensions of tax literacy, and the factors of trust and justice, tax compliance, and non-compliance were analyzed. The survey was applied to public finance students of 41 universities and students who take tax courses at universities that do not have a public finance department at 26 cities of NUTS-2 statistical sub-regions of Turkey, and 1,492 survey results were evaluated. The Cronbach's Alpha value, which shows the reliability of 51 questions prepared on a 5-point Likert scale in the research, was found as 0,910. The KMO value, which indicates the scale's suitability for factor analysis, was determined as 0.941.

As a result of the factor analysis, seven factors with eigenvalues greater than 1 were obtained, explaining 55,6% of the total variance. The results indicated that the cognitive dimension was effective in determining the tax literacy level of people receiving tax education, and the affective dimension remained in the background. This situation reveals the importance of tax education.

Keywords: Tax Literacy, Factor Analysis, Cognitive Dimension, Affective Dimension, Psychomotor Dimension.
JEL Code: H2, K34, D91, H26

1. Introduction

Thoroughly and timely collection of taxes is significant to finance public services and provide them at a sufficient level. The most important way to do this is to follow policies to facilitate and enhance the voluntary compliance of taxpayers. Increasing the voluntary compliance of taxpayers is primarily related to knowing the transactions and having a positive perception of them.

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The concept of literacy, used to statement knowledge and skills in many fields, is also used in tax today. Tax literacy, which shows people's ability to know, perceive and fulfill their tax obligations, increases significantly with tax education. This study aims to measure the tax literacy level of university students receiving tax education and determine the decisive factors in terms of tax literacy. To achieve this aim, the study will be discussed under three main headings. Firstly, the definition and importance of tax literacy will be explained, then the factors determining tax literacy will be presented, and the survey results will be analyzed. Findings and recommendations of the research will be included in the conclusion section.

2. Definition and Importance of Tax Literacy

Tax literacy is defined as taxpayers' having basic knowledge and abilities regarding tax elements, such as defining tax, knowing tax types, understanding how the tax is calculated and when it should be paid, and comprehending how the tax return is prepared and submitted (Cvrlje, 2015). There is a significant relationship between whether individuals are aware of the taxes they have paid and what tax means to them and attitudes to taxation (Yardımcıoğlu et al., 2014: 95).

Increasing the tax literacy level of individuals is important primarily in terms of tax compliance and then the formation of tax awareness and tax culture. The studies have determined that individuals having knowledge about taxation and a high positive perception towards tax reflect this situation positively on tax transactions (Niemirowsaki et al., 2003). The fact that citizens have information about taxes increases the confidence that the government uses taxes in the right place. In contrast, incomplete or incorrect information results in distrust of the government (Kirchler et al., 2008: 216). In addition, tax illiterate people may be more likely to be tax non-compliance due to ignorance and unintentionally (Chardon et al., 2016). Therefore, the most important measure to be taken to increase tax compliance is to carry out studies to increase tax literacy.

3. Factors Determining Tax Literacy

Learning and the resulting behaviors are accepted by Bloom (1956) as a process that emerges with cognitive, affective, and psychomotor domains and a learning approach in these levels. Learning is a process consisting of acquiring knowledge, personal attitude, and applications following and affecting each other in this structure. Tax literacy is completed with the psychomotor dimension by passing through the cognitive and affective dimensions in learning approaches (Yılar & Akdağ, 2017: 368). While tax literacy can be affected by various demographic factors, some other factors are also determinants. Since students in a certain age group with tax education were taken as the sample group in this study, the following factors will be analyzed.

Cognitive Level of Tax Literacy: This dimension is the process of acquiring knowledge, which is the primary stage of learning. Therefore, it includes obtaining information in

the field of tax, such as the definition of tax, tax types, tax legislation, tax rates, tax payment dates (Yılar & Akdağ, 2017: 366).

Affective Level of Tax Literacy: This dimension is the stage in which personal attitudes and ideas are formed towards the learned information. Therefore, it includes situations in the field of the tax such as tax perception, understanding the necessity of paying taxes, attitude towards taxes, having tax awareness, and tax morale (Yılar & Akdağ, 2017: 366).

Psychomotor Level of Tax Literacy: This dimension is the stage in which the learned and perceived knowledge is applied by turning it into a skill. Therefore, it includes situations in the field of the tax, such as filling out a tax return and paying the tax debt (Yılar & Akdağ, 2017: 366).

Justice and Trust: There are three types of justice perceived by taxpayers: distributive, procedural, and punitive justice (OECD, 2010). In addition, taxpayers' trust in the revenue administration leads to a decrease in tax incompatibility as it enables them to cooperate with the revenue administration (Feld & Frey, 2002: 96).

Tax Compliance and Non-Compliance: Tax compliance is the complete and timely fulfillment of all obligations of the taxpayer at all stages of the taxation process (Tunçer, 2005: 218). On the contrary, non-compliant taxpayers can do this due to a lack of information. Therefore, there is a close relationship between tax compliance and tax literacy (Çetin Gerger et al., 2019: 57).

4. Methodology

4.1. Purpose and The Sample of the Research

Many OECD countries recognize the importance of tax education to increase tax compliance rather than traditional methods. This study aims to measure the tax literacy level of university students receiving tax education in Turkey with all its dimensions, reveal the role of tax education in increasing the tax literacy level, and determine the factors that determine tax literacy.

The questionnaire technique was used as a data collection method in the study. Questions were measured cognitive, affective, and psychomotor level, which are the sub-dimensions of tax literacy that has been taken from relevant studies Kornhauser (2019), Yardımcıoğlu et al. (2014), OECD (2017), Cechovsky (2018), and Teyyare (2018). Questions about trust and justice were adapted from Murphy (2004) and tax compliance questions from Kirchler & Wahl (2010), Bobek (2007), and Smart (2012).

The sample of this study was public finance students of 41 universities and students who take tax courses at universities that do not have a department of public finance at 26 cities of NUTS-2 statistical sub-regions of Turkey. This population consists of approximately 30.400 students according to the 2019 guide The Measuring, Selection, and Placement Center (ÖSYM). The sample size was calculated as 650 at a 99% confidence interval and a 5% margin of error. As factor analysis will be done in the research, a questionnaire was applied to as many university students as possible. We

collected answers online from 1853 participants via Google Forms; 1492 of them were found suitable for analysis.

Table 1. Demographic Analysis of Survey Results

	Answers	Frequency			Answers	Frequency	
Gender	Female	943	3,2	Working	Working	517	4,7
	Male	549	6,8		Non-working	975	5,3
Department	Public Finance	1009	7,6	CGPA	2.01 – 2.50	301	0,2
	Economics	195	3,1		2.51 – 3.00	708	7,5
	Business Management	127	,5		3.01 – 3.50	410	7,5
	Faculty of Law	161	0,8		3.51 – 4.00	73	,9
	Total	**1492**	**00**		**Total**	**1492**	**00**

Source: Prepared by authors based on research results.

4.2. Factor Analysis and Results

The results were analyzed through exploratory factor analysis using SPSS 23.0 software. These factors include affective level, cognitive level, psychomotor level, trust and justice, tax compliance, and tax non-compliance. The Cronbach's Alpha value is 0,910. The values of Bartlett's Test of Sphericity sig 0,000 (Chi-square: 47392,3 df: 1275) and KMO (0.941) suggest that the data were appropriate for factor analysis. These factors explained 55,6% of the total variance with an Eigenvalue of each factor greater than 1.

According to factor analysis, the most crucial factor determining tax literacy and its level is the cognitive dimension. This dimension includes questions measuring tax knowledge such as the taxation process, the Turkish tax system, and penalties. However, tax literacy is not only about knowledge but also about perception and application. Therefore, the second factor is tax compliance. This factor includes questions regarding the reasons for people's voluntary to pay taxes. Other factors are tax compliance, trust, and justice, psychomotor and affective dimensions, respectively.

Table 2. The Summary of Analysis Results

Factors	Number of Questions	Cronbach's Alpha	Initial Eigenvalues		
			Total	% of Variance	Cumulative %
Cognitive Level	12	0,920	6,004	11,773	11,773

Tax Compliance	9	0,934	5,489	10,764	22,537
Tax Non-compliance	7	0,927	4,658	9,133	31,670
Trust and Justice	7	0,885	3,968	7,780	39,450
Psychomotor Level	7	0,845	3,385	6,637	46,086
Affective Level	5	0,833	2,551	5,001	51,088
Psychomotor Level (Electronic Applications)	4	0,876	2,288	4,486	55,574

Source: Prepared by authors based on research results.

5. Conclusion

In the study, which aims to measure the tax literacy level of university students who have received tax education and reveal the factors determining tax literacy through factor analysis, a questionnaire prepared using national and international scales was applied. Factors to be measured were determined as cognitive, affective, and psychomotor dimensions, which are sub-dimensions of tax literacy, as well as trust and justice, tax compliance, and tax incompatibility. The results showed that the affective dimension was in the background in determining the tax literacy level of people who received tax education, and the cognitive dimension was effective instead. This situation reveals the importance of education in increasing tax literacy. Especially in today's modern tax administrations, which have abandoned the classical methods of coercion and punishment in increasing tax compliance, studies should be carried out to increase the tax literacy of taxpayers.

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Public Finance Departments in University Entrance Exams: 2015-2020 Analysis

İsmail Sadık Yavuz[1]

The history of higher education in Turkey started with the Imperial School of Naval Engineers, which was opened in 1776. By 2018, the number of public universities had increased to 129 and the number of foundation universities to 72. As of 2019, the number of public universities proveiding public finance education at the undergraduate level is 54.

In this study, the reasons and structure of choice of the students placed in public finance department were analyzd in the university entrance exams. The research consists of three main research sections. These are:

- Public universities providing formal education at undergraduate level,
- Public universities providing evening education at undergraduate level and,
- Public universities providing education through open education faculties.

On average, the number of students who settle in the quotas announced in the transition exams of the Faculties of Economics and Administrative Sciences / Political Sciences etc.to higher education decreases and occupancy rates decrease in general. The main reason for selecting this topic in the study is to determine how the public finance departments are affected by this situation and to present a projection of the financial future of evening education financed with student fees. The main reason for looking at thepublic finance departments in open education faculties is to determine whether it is a competitor in the shrinking student pool every year or an ethylene structure like other universities.

The data in the study were compiled from Council of Higher Education (CHE) License Atlas and legal legislation. The variables examined are:

- Higher Education Entrance Exam net averages of residents
- Number of registered students
- Number of general quotas
- Placement rate
- Number of faculty members
- Gender of residents
- Education status of residents
    - He/she just graduated from high school, took the exam for the first time

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    - He/she graduated from high school, had never settled into college before
    - when he/she was a student at the University, he took the exam and settled here.
    - He/she has graduated from a university before
    - Other
- Average placement preference order
- Total number of placement preferences
- Municipal structure of the province where the university is located
- Whether the province where the university is located or not has a coastline
- Age of the department
- The amount of tuition fees paid by evening education students
- Additional course fees received by faculty members

The three-part structure of the study brought 3 different data sets. In the first section, the relationship between placement rates and other variables in public finance departments for formal education will be explained first with visuals, and then the relationship between them will be determined by panel data analysis. In the second section, in addition to the analyzes made in the first section, the financial projection of the next 4 years will be given after the financial report to be calculated by making use of the legal legislation for the evening education. In the third section, the analyses in the first section will be repeated for the new dataset.

Following a preliminary review of the data; for formal education, a significant correlation is expected between the age of the department and the municipal structure and the rate of settlement for 2018. In the evening education, it is thought that the related correlation will become stronger. It is anticipated that evening education will not be financially sustainable within 4 years at the latest, unless the student tuition fees are increased.

As a result, following the sudden drop in occupancy rate in 2018, general quota restrictions were imposed by CHE for both formal and evening evening education and open education faculty in 2019, and the total number of students settled has fallen and occupancy rates have increased. As a result of the evaluations, it is estimated that the student preferences for the finance departments that do not have various qualifications and advantages will decrease every year. It is concluded that if there is no financial arrangement regarding evening education, it will be closed to new students in the next 5 years.

Tax Education for Students in Turkey: The Case of Secondary School

Yasemin Arıman[1]

Abstract

The subject of this study, This is the tax education given by the Republic of Turkey Ministry of National Education to the 6th grade secondary school and imam hatip secondary school students in Turkey. It is expected that today's students who receive this education will form and raise tax awareness and become compliant taxpayers in the future. The aim of this study is to examine the tax education in the 6th grade Social Studies textbook curriculum of the 2018-2019, 2019-2020 and 2020-2021 academic years. In the study document analysis, one of the qualitative data collection methods was used. Content analysis technique was used for the data collected from these textbooks in line with the purpose of the research. All findings were categorized as definition, content, justification, presentation and design and they were evaluated comparatively. In the 6th grade Social Studies textbook, tax education is given under the title of *I produce, I consume, I am aware of.* It has been determined that the number of pages and visual presentations reserved for tax education are higher in the last two books. The definition of tax is better done in the last book and in the content category is better prepared. The justification is better explained in the 2018-2019 and 2020-2021 textbooks. The presentation was given based on superficial and plain information in all textbooks. Although the design for all textbooks was similar, it was found to be inadequate for the tax education.

Keywords: Tax Education, Tax Awareness, Tax Compliance, Duty, Social Studies Textbook, Secondary School
JEL Codes: H20, H41, I21

1. Introduction

The coexistence of individuals has led to the emergence of social needs. These social needs are met through public goods and services. States finance most of the financing of these goods and services with tax revenues. The continuity of these goods and services offered is important for the sustainability of collective life. Tax revenues are also important for this sustainability. It is important for taxpayers to fulfill their tax obligations fully and on time, to collect tax revenues regularly and to ensure the continuity of public goods and services.

The taxpayers' full and timely fulfillment of their tax obligations is related to their tax awareness. Various studies are carried out by tax administrations to raise tax awareness of taxpayers. These studies are not only carried out for taxpayers, but also for students who are taxpayers of the future.

This study examines the contribution of the 6th grade Social Studies textbook tax education program to the formation of tax awareness of the students. There is a comparative analysis of the 6th grade Social Studies textbook tax education program and the Ottoman period tax education program in the category of definition, content,

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justification and presentation (Yılar & Çam, 2020). Apart from this study (Yılar & Çam, 2020) which examines tax education in the 6th grade Social Studies textbook, no studies have yet been encountered.

The aim of this study is to examine the tax education in the 6th grade Social Studies textbook curriculum of the 2018-2019, 2019-2020 and 2020-2021 academic years. Moreover, the 6th grade Social Studies textbook has been accepted as a textbook for 5 years as of 24.06.2019. In the study document analysis, one of the qualitative data collection methods was used. Content analysis technique was used for the data collected from these textbooks in line with the purpose of the research. All findings were categorized as definition, content, justification, presentation and design and they were evaluated comparatively.

2. Tax Culture, Tax Awareness, Tax Education: Conceptual Framework

The state provides goods and services to meet social needs. Most of the financing of these goods and services is financed by tax revenues. however, the state cannot always collect the tax revenue that it foresees. One reason for this is taxpayers who do not want to pay taxes. Sanctions have been implemented for these taxpayers who do not want to pay taxes. However, despite these sanctions, taxpayers who do not pay their taxes still exist. Apart from sanctions, what persuade taxpayers to pay taxes is considered. Thus, it has been started to be seen how important tax culture is and then tax education has become a key for tax culture.

Consciousness is the ability of a person to define, perceive, comprehend and notice himself, his environment and what is going on around him. According to this definition, tax awareness can be defined as the taxpayer's ability to recognize, perceive, comprehend and realize what is happening about the tax.

Tax education is provided by states and international organizations for the taxpayers of the future. Such as Republic of Turkey Ministry of National Education (MEB) Social Studies textbook (Yılmaz et. al., 2018: Yıldırım et. al., 2019: Şahin, 2020), Republic of Turkey Ministry of Treasury and Finance/ Revenue Administration (GİB) tax awareness/verGİBilir (http://www.vergibilinci.gov.tr/), European Union/Taxedu (https://europa.eu/taxedu/about-us_en).

Republic of Turkey Ministry of National Education (MEB) Social Studies textbook for tax education aimed tax education advocates the necessity and importance of taxation in terms of citizenship responsibility and its contribution to the country's economy (MEB 2018). "*TAXEDU is a European Union pilot project. Its aim is to educate young European citizens about tax and how it affects their lives".*

2.1. Literature

Social Studies course has a structure that presents different disciplines of social sciences together. One of these social sciences is economics. Economics in primary and secondary school curriculum in Turkey and tax issues are only presented in the Social

Studies course content. There are no courses only studying for tax education. The concept of tax is taught to students at the introductory level before the 6th grade and at the development level after the 5th grade. (Yılar & Akdağ, 2017: 372-375).

There are few studies on tax education in secondary school tax education or Social Studies textbooks. Such as Doğan (1993: 172-173) examined tax education by giving tax under the heading of desired/undesirable behaviors in individuals. After 1882, the integrationist function of the school to prepare children for the future tax-paying task emerged. Paying taxes is offered to students within the framework of civic knowledge (Üstel, 2016: 18, 327). A comparison of tax education was made for the years 1916-1917-1918 (Musâhabât-ı Ahlâkiyye) and 2013-2015-2018-2019 (6th grade Social Studies textbook), categorized as definition, content, justification, presentation (Yılar & Çam, 2020).

There have been some studies suggesting that it would be beneficial to give tax education in the secondary school period in order to develop and raise the tax culture of the students. These studies generally aim to measure the attitudes and behaviors of students towards taxes (Sağbaş & Başoğlu (2005) Çakır (2010) Taytak, M. (2010) Demir & Ciğerci (2016)).

The obligation to pay tax is included as the only obligation named in the Social Studies textbook. (Osmanoğlu, et. al., 2013: 85) In the study (Akyol, 2015: 200-201, 203) where 20 values are determined, the tax is included as the “Responsibility Value”. However, the values of patriotism and honesty are a little mentioned.

According to the study examining the design of the 6th grade Social Studies textbook in terms of the design of visual elements and page design, although the design of visual elements in Turkey is generally good, it has been determined that it is not good enough in terms of;

- effective use of emphasis in visual elements,
- compliance with the level of students in visual elements,
- compliance with the principle of balance in design.

Although the page design was not evaluated as good, it was determined that the visual elements did not prevent the reading flow, the movement in the placement of the visual elements, and the effective use of the spaces were not significantly good. (Doğan & Tuğ, 2017: 62-63, 66).

2.2. Method

The document review method was used in accordance with the purpose of the study. This method includes the examination of written materials containing information about the phenomenon that is aimed to be investigated.

The study is limited to the 6th Grade Social Studies textbook determined for the acedemic years 2018-2019, 2019-2020 and the next 5 years (eba and auxiliary resources are not included). These textbooks were evaluated within the framework of definition, content, justification, presentation and design.

3. 6th Grade Social Studies Textbook: Evaluation in Definition, Content, Justification, Presentation and Design Categories

The 6th grade Social Studies textbooks were evaluated in the categories of definition, content, justification, presentation and design, and these evaluations are given below.

3.1. Definition

Definition category evaluation has been made with the definition of tax in 6th grade Social Studies textbooks. The tax definitions in the three books are as follows:

"Tax is a strong bond between the state and the citizen" (Yılmaz et. al., 2018).

"It is called tax when citizens who work and have financial income give a part of their income to the state" (Yıldırım et. al., 2019).

"The money that the state receives legally from individuals and institutions to finance public services is called tax" (Şahin, 2020).

When the three definitions in the books are evaluated, it can be seen that the definition of tax is made to cover taxpayer and income in the book, which is accepted to be taught for 2020 and beyond, and it is better than other books.

3.2. Content

The content category evaluation has been made with the items in the 6th grade Social Studies textbooks. The items in the three books are given below:

Indirect and direct tax payment methods are included; direct taxes are defined as taxes on income and wealth. It is stated that citizens can pay such taxes by using the address www.gib.gov.tr and via the General Network or by applying to tax offices. Indirect taxes are defined as taxes collected from purchased products. It is stated that in order for such taxes to be collected regularly, individuals should definitely get a receipt or invoice after shopping (Yılmaz et. al., 2018).

The definition of social need and public service included and the financing requirement is included in order to ensure the continuity of these services. It is mentioned that paying tax is a duty of citizenship, paying taxes by shopping and why receiving the document after the shopping is important. It is stated that if the document cannot be received at the end of the shopping, it can be reported to the Alo Maliye 189 telephone line (Yıldırım et. al., 2019).

A father-daughter dialogue is included and the content of the invoice has been examined in detail. It is mentioned that some goods and services that cannot be produced by individuals are produced as public services by the state. And taxes are paid for this, as well as the needs and therefore the need for tax revenues. It is reminded that paying taxes is a civic duty by including the 73rd article of the Constitution. Emphasizing the importance of tax awareness, a flow that will enable students to establish financial connections is included. Mentioning that the economy

will be better thanks to taxes, it is stated that the tax revenues collected by the state will contribute to investment, employment, development and development of the country (Şahin, 2020).

When the content in the three books is evaluated; it can be seen that it is important to pay the tax and it is important to get the document for this.

3.3. Justification

The evaluation of the justification category has been made with the reason why the tax in the 6th grade Social Studies textbooks was collected. The reasons for the three books are given below:

Public services, modernization, development of our country and the 73rd article of the Turkish Constitution justification for tax collection (Yılmaz et. al., 2018).

Various public services, tax collection of Sumerians and Ottomans and the 73rd article of the Turkish Constitution justification for tax collection (Yıldırım et. al., 2019).

Public needs/services, strong state and strong economy, development, development and the 73rd article of the Turkish Constitution justification for tax collection (Şahin, 2020).

When the justification in the three books is evaluated; in all three books, the 73rd article of the Turkish Constitution and public services have been shown as justification for collecting taxes. The book for the acedemic year 2020 is better prepared in terms of the content of the tax compared to the other two books.

3.4. Presentation

The presentation category evaluation has been made by examining how the subject in the 6th grade Social Studies textbooks was presented. The presentations in the three books are given below:

The presentation is based on superficial and plain information; The title "To a bright future with our taxes", tax poster, tax writing and discussion activity are used (Yılmaz et. al., 2019).

The presentation is based on superficial and plain information; The title "Our taxes are our earnings", you are safe with your tax and a poster about if you don't get a receipt, you will be a smuggler, writing and discussion activity are used (Yıldırım et. al., 2019).

The presentation is based on superficial and plain information; The title "I pay my tax", tax week poster, invoice image, speaking and writing activity are used (Şahin, 2020).

It can be seen that a poster about tax is included in all three books for presentation. It can be seen that the first book and the third book are better for presentation than the second book.

3.5. Design

The design category evaluation has been made by examining the 6th grade Social Studies textbooks according to the design principles. The principles of design consist of integrity, closeness, balance, emphasis and continuity. Integrity: Visual elements are effective when they are brought together to form integrity. Elements that have the same basic form, texture, size, color or emotion create unity in a design. Closeness: Items that are close to each other are interpreted as related, and items that are far from each other are interpreted as unrelated. Balance: It is used to mean that the visual weight of the design is distributed evenly. Emphasis: The focus is on how to pay attention to the area that matters most. Continuity: If the eye can make uninterrupted transitions from one element to the other, it means continuity. The design evaluation for the three books are given below:

There can be seen that Integrity: partially yes, Closeness: yes, Balance: none, Emphasis: none, Continuity: yes (Yılmaz et. al., 2018).

There can be seen that Integrity: partially yes, Closeness: yes, Balance: none, Emphasis: yes, Continuity: yes (Yıldırım et. al., 2019).

There can be seen that Integrity: partially yes, Closeness: yes, Balance: none, Emphasis: yes, Continuity: yes (Şahin, 2020).

When all the three books are evaluated for design, it has been seen that the tax-related part is insufficient that the emphasis on the invoice/document before the tax causes the children to perceive the tax as a document rather than a monetary price, and it is necessary to reconsider the emphasis.

4. Conclusion

In this study, the 6th grade Social Studies textbook tax education in Turkey has been examined in the categories of definition, content, justification, presentation and design. When all the three books are evaluated for definitions, contents, justifications, presentations and design, it can be seen that:

- the definition of tax is made to cover taxpayer and income in the book, which is accepted to be taught for the acedemic 2020 and beyond, and it is better than the other books.
- it is important to pay the tax and it is important to get a document for this.
- the 73rd article of the Turkish Constitution and public services are shown as justification for collecting taxes. The book for the acedemic year 2020 and beyond is better prepared in terms of the content of the tax compared to the other two books.
- a poster about tax is included in all the three books for presentation. It can be seen that the first book and the third book are better for presentation than the second book.

- the tax-related part is insufficient that the emphasis on the invoice/document before the tax causes the children to perceive the tax as a document rather than a monetary price, and it is necessary to reconsider the emphasis.

Improving the design for the tax education and increasing the number of pages allocated will contribute to making the tax education program better. Moreover, it is thought that the use of visuals of public expenditures according to functional classification will strengthen both the justification and the design.

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Effectiveness of Turkish Court of Accounts Reports in Ensuring Financial Transparency and Accountability in Public Financial Management

Mehmet Aksoy[1]

Abstract

Fiscal transparency and accountability are the two fundamental principles of good management on which the public financial management system is built. Thanks to these principles, the financial policies, objectives, priorities, use of public resources, responsibilities, and the information produced by public institutions are transparently presented to the public's information and access. In addition, public officials are under the obligation to make a statement about the activities carried out against the higher authority in the context of their powers and responsibilities. There are some basic tools, including the Turkish Court of Accounts (TCA) reports, that ensure financial transparency and accountability in public financial management.

In this context, the subject of the study is to investigate the efficiency level of the TCA reports in ensuring financial transparency and accountability in public financial management. The purpose of this study is "Do TCA reports contribute to the establishment and provision of financial transparency and accountability in public financial management?" and to develop policy recommendations for better public financial management.

In this study, a literature review was conducted and the TCA reports, especially between the years 2012-2018, were examined. In addition, a survey was conducted among the members of the TCA in the context of the subject. As a result of the study, some important findings were reached. The findings of the study showed that the TCA meets the criteria required for the Supreme Audit Institutions (SAIs) in ensuring financial transparency and accountability, its reports are generally effective and contribute to the provision of fiscal discipline, but some issues reduce the effectiveness of the reports. These results indicate that some issues need to be done to increase the effectiveness of the TCA reports and the policy recommendations developed in the study will contribute to these issues and increase the effectiveness of the reports.

Keywords: Financial transparency, Accountability, TCA reports, Criteria, Efficiency
JEL CODES: H30, H60, H 83, M41, M42

1. Introduction

Financial transparency, which is one of the main reasons for the transition from traditional public administration to the new public administration (Kırılmaz & Atak, 2015:192), is to make public activities more observable (Selen & Taytak, 2017:198). Accountability is the responsibility of those who are given the duty and authority to use public power, whether they use this authority within the legal limits.

To ensure financial transparency and accountability, the information produced by public institutions should be accurate, understandable, consistent, and reliable

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(Önen & Özmen, 2011: 81,99) and the consistency and reliability of this information should be verified by the TCA reports.

The subject of the study is the examination of the contribution and efficiency level of the TCA reports in ensuring transparency and accountability. The effectiveness of the TCA reports is important in terms of achieving the main objectives of transparency and accountability.

The purpose of the study is to seek an answer to the question; "Do TCA reports contribute to the establishment of financial transparency and accountability?" and to develop policy recommendations for good public financial management.

Books, articles, thesis, and papers were scanned in the study with the source scanning method to determine the efficiency level of the TCA reports in ensuring transparency and accountability, and various findings were reached by examining approximately 3591 TCA reports belonging to the years 2012-2018. In addition, the findings were confirmed by a survey conducted among the TCA members, and policy recommendations have been developed to increase the effectiveness of the reports.

2. Financial Transparency, Accountability, and Audit

Fiscal transparency means that duties, authorities, and responsibilities in public administration are predictable and clear; means providing easy access to the decisions, documents and information produced, and publishing activity and audit reports. For transparency; both the actors in the system should be known of what they are doing and the public should be informed about what they intend to do. In addition, this information must be organized, understandable, consistent, accurate, and reliable. The accuracy and reliability of the information are generally provided by the SAIs (Bağlı: 2011:57).

Transparency ensures the success of fiscal discipline and expenditure controls by promoting efficiency, economical, and effectiveness in the distribution and use of public resources. It is also important in terms of ensuring the accountability required by the performance-based budgeting system.

Accountability is that any public official or public institution responding to, explaining and being responsible for another higher authority other than himself (Güngören, 2017:2, Taytak & Bahtiyar, 2015:263, Demokaan, 2013:362, Taner, 2012:31, Eryılmaz & Biricikoğlu, 2011:21).

In accountability, two different questions come to the fore: "to whom" and "for what". The "what for" question constitutes the main idea of accountability and leads to different accountability in terms of administrative, financial, program, and process (Bovens, 2005: 186). Accountability refers to the obligation of those who exercise public power and authorities to disclose their activities to the public, parliament, and competent authorities (Taner, 2011: 14).

The assurance of effective public administration that ensures financial transparency and accountability is the existence of effective auditing (Akyel & Köse 2010:23). Regular audits strengthen transparency and accountability as an indication

that resource use is directed to the right areas in a timely and effective manner (Demokaan, 2013:372).

2.1. The Role of TCA Reports in Ensuring Financial Transparency and Accountability

Transparency and accountability are based on effective reporting. For this, the financial system must be controlled by knowing and determining the targets from the beginning, observing the implementation and results related to the targets, comparing them with the targets, and reporting them.

Ensuring sufficient and reliable information flow in the public financial management and realizing efficiency in the use of resources are important in terms of realizing accountability and ensuring transparency. In this context, obtaining, using, accounting, reporting, internal control, and auditing of public resources effectively, economically, efficiently, and following the law has an important place in ensuring transparency and accountability.

Strategic plan, performance program, budget, annual report, general activity report, local administrations general activity report, performance report, final account law, general conformity statement, accounting system and reporting, financial statistics, internal control and TCA reports are the fundamental tools that ensure transparency and accountability and they bring these principles into action (Law No. 5018, Article:1, Kırılmaz & Atak, 2015:190). TCA reports are the assurance of the accuracy and reliability of the information produced and shared with the public by these documents (Bağlı:2011:57).

TCA tests the accuracy and reliability of the outputs and information shared by the public administrations about the budget implementation results and performances through the administration audit reports and general reports. Every year TCA prepares and shares its final opinion and its evaluations with the Turkish Grand National Assembly (TGNA), relevant administrations, and the public.

TCA reports are an important tool in developing a strategic management approach based on transparency and accountability in public financial management. It helps both to ensure efficiency in public expenditures and to effectively fulfill the control of the Legislature, which has the authority of the budget right, on the budget (Selen & Taytak, 2017:212).

2.2. Necessary Criteria for Ensuring Financial Transparency and Accountability

The effectiveness level of the TCA reports depends on the fulfillment of the following criteria;

- The level of independence of the SAIs,
- Control area and capacity,
- Number and type of reports,
- Responsibility of top managers,
- Communication with stakeholders,
- The procedure for discussing reports in parliament,

- Disclosure of reports to the public.

The principles for the independence of SAIs were determined by the Lima and Mexico declarations. According to the Lima Declaration, SAIs should be institutionally, functionally, and financially independent. In the Mexican declaration (ISSAI 10), eight principles listed below were determined as an indicator of independence (ISSAI Level 1-2-3, 2017:42-45);

- Independence should be included in the constitution and laws,
- The independence of the chairman and members should be legally guaranteed,
- There should be a sufficient range of duties and powers and full discretion in the performance of duties,
- Must have unlimited access to information,
- The audit results should have the right and obligation to report,
- There should be freedom to determine the content and timing of the report, to publish and distribute it,
- There should be mechanisms for monitoring audit results,
- It should have financial and administrative autonomy and sufficient financial resources,

In this context, the TCA has come to meet the independence criteria and other criteria briefly explained below, with the provisions of the 1982 Constitution (Article:160) and 6085 numbered Court of Accounts Law.

For an effective audit of the TCA, its audit base should be broad and its capacity should be sufficient. With Law No. 6085, the audit area in our country has been sufficiently expanded and the audit capacity has been increased sufficiently.

With the 5018 numbered Public Financial Management and Control Law, the financial management system has been transformed and a significant increase has been observed in the number of reports and the richness of the content of the TCA. In addition, top managers have been given management responsibility and it has been aimed to contribute to transparency and accountability by being subject to accountability.

In the context of the regulation of the relationship between the TCA and the parliament in the constitution is in accordance with the conditions and requirements of each country (ISSAI Level 1-2-3, 2017:32), the TCA is in strong communication with the TGNA and public institutions.

Both based on countries and the platform of international organizations, a relationship is established between the audit of the TCA and the effectiveness of the audit function of parliaments. It is stated that it is considered as the assurance of financial transparency and accountability. In this context, the TCA reports submitted to the Presidency of the TGNA are a helpful and guiding tool for the deputies in the Budget and Planning Commission and the General Assembly. By the legal provisions, the reports are announced to the public by being published on the website of the TCA.

2.3. Methodology and Study Findings

To see the efficiency level of the TCA reports in ensuring financial transparency and accountability, a literature review was made first. Then the TCA reports, 1889 reports submitted to the TGNA in 2012-2018, and the 1702 reports sent to the relevant administration without being submitted to the TGNA, were examined. Finally, the opinions of the TCA Members on the same issue were determined by conducting a survey.

İn this context, the findings obtained as a result of this study are as follows;

- The TCA has the necessary criteria to ensure transparency and accountability.
- The effective external audit is the assurance of effective public administration,
- The audit of the TCA is effective.
- Fiscal transparency is based on effective reporting.
- The effectiveness of accountability requires reporting executive activities.
- Transparency and accountability have a relationship with reporting activity.
- TCA reports contribute to the efficient use of resources.
- Reports assist the legislature's control over the budget.
- Reports can confirm the accuracy of the financial statements of the administrations.
- TCA reports may reveal problematic areas that do not comply with the legislation.
- Reliable and sufficient information is provided to the Parliament and the public about the results of the activities of the administrations.
- The excessive number of reports and findings, the deficiencies in the follow-up of the findings, and the method of discussing the reports reduce the effectiveness of the reports.
- Report findings are not fully implemented by the administrations.
- Legislative arrangements cannot be made in the problematic areas subject to the report.
- Monitoring the findings by years is insufficient.
- The reports cannot be adequately examined and evaluated in the TGNA.

3. Conclusion and Recommendations

Public financial management is built on obtaining and using public resources effectively, economically, and efficiently, ensuring accountability and financial transparency. To ensure financial transparency and accountability, the information produced by public administrations must be accurate, smooth, consistent, and reliable. This requires the existence of a strong reporting mechanism. The assurance of sound, accurate and reliable information for the competent authorities and the public are the TCA reports.

This study was carried out to see the effectiveness and contribution of the TCA reports in public financial management. It has been seen that the TCA fulfills all the criteria for the SAIs to be effective and it contributes to the establishment of

transparency and accountability, together with the independence criteria specified in the Lima and Mexico Declaration. It has been determined that the TCA reports have a very important role in this context. From this point of view, some policy recommendations developed to increase the effectiveness of the TCA reports are presented to the public's attention below;

- Necessary changes should be made in the relevant legislation so that the TCA reports can be discussed in a separate commission other than the TGNA Plan and Budget Committee.
- The necessary mechanism should be established to determine whether the findings of the report continued in the following years.
- For the report findings not to continue in the following years, legal arrangements should be made that will subject the administrations to legal sanctions.
- Necessary infrastructural studies should be carried out on the detection issues that are persistently applied by the administrations, although they are included in the reports, and the provisions of the relevant legislation should be brought in parallel with the implementation.
- A mechanism should be established to ensure coordination and keep the relations alive between the TGNA and the TCA (Önder & Meydanlı, 2019:149).

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Reflections of the Ne Bis In Idem Principle to Tax Law in the Context of Human Rıghts Law

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The *ne bis in idem* principle which means in general terms the right not to be tried again based on the same action, is among the basic human rights guaranteed in the international law documents.

There had been doubts about whether the *ne bis in idem* principle, which is protected under international conventions to which our contry is a party, is among the constitutional fundamental rights.

Indeed, the Turkish Constitutional Court (TCC), which holds the duty to interpret the Constitution, stated in its previous case-law that the *ne bis in idem* principle is among the basic principles of the state of law. However the TCC also decided that the *ne bis in idem* principle was neither an independent fundamental right nor among the guarantees of the right to a fair trial.

Within the scope of an individual application concerning a tax event lodged by Ünal Gökpınar, the TCC ruled that the *ne bis in idem* principle, which is one of the fundamental principles of the criminal law but not included in the text of the 1982 Constitution, is within the scope of the right to a fair trial and among the fundamental rights with constitutional guarantee.

The TCC gave this judgment based on its own case-law regarding the rule of law and the principle of legal security and with reference to some international law documents.

Since the *ne bis in idem* principle has been taken under constitutional protection by considering the developments in international law, it is considered that the way in which this right is regulated in international law should be taken into consideration by the TCC in the constitutional case-law of this principle.

The TCCs' case-law recognizing the *ne bis in idem* principle as a constitutional right has significant consequences in terms of human rights law. It also has inevitable critical reflections on the tax criminal law in which multiple judgments/sanctions being found widespread application in various legal disciplines.

This study aims to analyse the reflections of the *ne bis in idem* principle with constitutional protection on tax criminal law.

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In this context, firstly theoretical explanations will be made in order to understand the nature of the *ne bis in idem* principle. On the other hand, in which manner the *ne bis in idem* principle is arranged in international law documents will be examined and the elements of this principle will be revealed through some common features. According to international legal texts if the conditions containing,

- having a process including a penalty

- the first process containing penalty is finalized

- continuation of the second criminal process after the finalization of the first one,

- different processes related to the same action

occur together, in principle, the *ne bis in idem* principle is violated. In spite of the existence of these conditions, there are three exceptional situations that will not be contrary to the ne bis in idem principle: the integrated implementation of the processes, the emergence of new evidence and the existence of a fundamental flaw that may affect the outcome of the case.

However, the TCC has developed a case-law that the *ne bis in idem* principle would not be violated, even if the above conditions were met together and no special circumstances existed.

The TCCs' categorical approach which can be summarized as "*punishing an action with different sanctions stipulated by different legal disciplines does not contradict ne bis in idem principle*" has the potential to render the *ne bis in idem principle* inapplicable because the problems encountered in this area mostly relate to situations where sanctions of different legal disciplines are tried to be applied separately.

In this study, whether the case-law of the TCC is in accordance with the nature of the *ne bis in idem* principle will be considered and suggestions will be brought on this context.

Within the framework of the current case-law of the TCC and the suggestions developed in this study, evaluations will be made by considering the previous studies on this subject in the literature, regarding whether certain provisions in the tax criminal law, administrative practices and case-law of the Council of State are in line with the *ne bis in idem* principle.

The results obtained in this study show that tax legislation and judicial case-law have serious compliance problems with the *ne bis in idem* principle.

Both legislation and case-law do not envisage the progress of different processes in a coordinated or integrated manner, but on the contrary, they contain provisions and judgments that include opposite approaches. In this context, legislation

and case-law include arguments that support the idea of tax administration/tax courts and the criminal courts proceed independently from one another.

According to the conclusions reached in the study, the realization of the *ne bis in idem* principle which is protected both by the Constitution and international conventions to which Turkey is a party, requires the comprehensive transformation of the tax system including tax crimes and misdemeanors.

The efforts within this scope should aim at a structure that will strengthen the integration between different processes in terms of content, time and affecting of the results to one another.

An Assesment on the Position of the Tax Article in the Constitution

Ercan Sarıcaoğlu[1]

Abstract

In giving meaning to a provision in the Constitution, its position is as important as the content of the provision. For this reason, the analysis of the constitutional position of the tax is to reveal the value of the tax beyond a design evaluation. Thus, the examination to be made requires that taxation be handled with its connection to human rights and the understanding of the state through the constructed constitutional order. Although it is widely accepted that a provision on taxation should be included in the constitutions, the issue of how, in what way and where it will take place in the constitution is a phenomenon that can differ from country to country by analysing many variables. Because this determination, which will reflect the basic values of taxation to positive texts as a constitutional principle, is also a problem of countries' economic, social, political and human rights preferences. In our study, the position of Article 73 of the 1982 Constitution, in which the tax-related value phenomenon is legally embodied, is examined, categorization evaluation is made, and in this context, the form-content compatibility or incompatibility is discussed, and the aspect of the current situation that includes or does not write a successful constitution compatible with the infrastructure values.

Keywords: Taxation, Constitution, Human Rıghts, Sovereignty

JEL Code: K34, H20

1. Introduction

The multi-faceted aspect of taxation requires evaluating the economic and social problems together with the close ties to fundamental rights and freedoms. Because the spark in all constitutional documents is the struggles brought forth by economic and social problems and the demands for fundamental rights and freedoms (Öncel et. al., 2021:4). Thus, two criteria that determine the constitutional position of tax should be focused on: the understanding of the state, which takes value from the relationship between the constitution and economy, and the constitution's approach to fundamental rights and duties. These are the elements that determine the position of the constitutional norm on taxation and also shape the content of the norm. The answer to the question of how taxation should take place in the constitution should confirm the answer to the question of where it should be regulated and should be a basis or justification for it.

Although there are many direct and indirect provisions regarding taxation in the 1982 Constitution, the provision that includes the constitutional principles of taxation is in Article 73. “Fundamental Rights and Duties” in the second part of the Constitution is regulated under the heading “duty to pay taxes” in the “Political Rights

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and Duties" chapter. It is necessary to question whether the taxation should be in the section of political rights and duties, and whether the principles in the content of the provision and the heading, the whole of the article, the language of expression and its position systematically express a correct spelling.

2. The Position of Taxation in the Constitutional System and the Evaluation of the 1982 Constitution Preference

In the formation process of the 1961 and 1982 Constitutions, although there are different infrastructure ideas about the constitution-economy relationship and claims of differences in the philosophy of freedom (Soysal, 1984: 18), the systematic view on taxation is the same in both constitutions. First of all, Jellinek classification is based on human rights classification in both constitutions (Kaboğlu, 1994:244). However, during the making process of the Constitutions, different position claims regarding tax were put forward in the studies of the "Constituent Assembly". But the fact that taxation is regulated in the part of fundamental rights and duties with the quality of "political duty" is due to the preference of the example of the 1947 Italy Constitution in the making of the 1961 Constitution. This system was followed in the 1982 Constitution as well. It is noteworthy that the 1947 Italy Constitution was a transitional constitution to a liberal state after the fascist rule of Mussolini, it was one of the first constitutions to transfer human rights to the constitution and classify it, with its social state characteristic, which was the dominant trend in all the constitutions of the period, its interest in social and economic rights (Yüzbaşıoğlu, 2012:46; Gözler, 2020:79).

The inclusion of taxation as a political right and duty in the 1982 Constitution is undoubtedly a preference in favour of public authority and a desire to be bound by sacred civic duty references. In this direction, there is a structure that associates the rights of freedom with the public interest (Güneş, 2008: 163). However, the systematic position is not an article that confirms this proposition. Because there is a reciprocal and symmetrical relationship between the rights and duties in the Constitution and these constitute the two sides of the coin (Erdoğan, 2017: 156; Gözler, 2020:75). According to Gözler, if it is not accepted that the right holder is the state against the duties regulated in the constitutions, that is, if it is not accepted that the state has fundamental rights such as receiving taxes and recruiting soldiers, such duties are not duties in the sense of a right, in other words, they are not duties that are symmetrical to the concept of right (Gözler, 2020: 76). While the Gözler describe such duties, such as tax duties, as "independent duties", they state that there is no point in regulating these obligations, which are brought to the citizens by themselves, in the part of Fundamental Rights and Duties of the Constitution (Gözler, 2020:77). Thus, the acceptance of tax as a duty is a spelling that requires the state to have the right to receive tax. However, it is not possible to accept the state as a subject that has the right to receive tax due to three reasons. First of all, this understanding means putting the tax into a right-duty symmetry in the part of fundamental rights and duties, which means making the state responsible for a duty that creates a concrete demand in

return and in proportion as the owner of a right. This approach can't lead to the conclusion that the tax is dependent on the sovereignty element and can add reciprocity to the tax. Secondly, being entitled may also mean giving discretionary power to the state to collect taxes. Finally, the third drawback is that the state is included in the constitution as the rightful owner, which expresses a contradictory structure with the idea of constitutionalism.

Article 73 of the Constitution includes a regulation that, on the one hand, strengthens the bond with the provisions that frame economic liberalism, and on the other hand, the social state, and also the basic principles that can be expressed as "taxpayer rights". The content and the editing format are considered to be incompatible.

According to Çağan, one of the authors who expressed his opinion on this subject in the Doctrine, the title of taxation should be preferred and the regulation should be in the part of financial and economic provisions (Çağan, 1980:149). While Oktar and Üstün prefer "tax right and duty" in the title line, they state that it is the right choice to include taxation in political rights and duties, and that the right to the budget should also be regulated here (Oktar, 2012: 195; Üstün, 2019: 233-234). Karakoç also states that the choice of political rights and duties is correct and that foreigners can be given duty in this chapter, while the current place is more protective than other parts (Karakoç, 2012: 95). Taylar finds the current place correct as a contribution to the continuation of the political administration (Taylar, 2014: 4954). In his study, which examines the constitutions of various countries, Batırel states that taxation should be evaluated within financial and economic provisions (Batırel, 2011: 25). According to Saban, taxation should be regulated in the chapter of Rights and Duties of the Individual, read from the window of intervention to the right to property (Saban, 2016:25). Gedik shares this thought (Gedik, 2009:147). While Yaltı expresses the need to be purified from sanctity and national references in the tax content, it points to the chapter of Rights and Duties of the Individual (Yaltı, 2003:117). Güneş recommends that it should be written with a more individualistic point of view systematically, that the chapter of Rights and Duties of the Individual should be considered as a second possibility, and the part of financial and economic provisions should be considered (Güneş, 2012:282). Gerçek and other authors suggested that the title should be "taxation" and placed after the property right in the chapter of Rights and Duties of the Individual (Gerçek et. al., 2014:114).

In the constitutions of Italy, Russia, China, Spain, which are examples of foreign countries, taxation is regulated in the part of fundamental rights and duties. There is no separate part of financial and economic provisions in the Constitutions of Russia and China, which do not classify human rights. The Italy and Spain Constitutions dealt with the tax in the same systematic way as our 1982 Constitution. However, it should be noted that there is no separate part of financial and economic provisions in the Italy Constitution, while the Spain Constitution includes taxation principles in the part of financial and economic provisions. In the US Constitution, taxation is handled as the authority given directly to the legislature. Although there is a separate part on "Basic Rights", taxation in the Constitution of the Federal Republic of Germany is included in

the “Chapter X- Finance”. In the France Constitution, which does not have a separate part on fundamental rights, taxation is regulated in the "On Relations Between Parliament and The Government".

3. Conclusion

Taxation is an element of sovereignty that is connected to the understanding of the state as a political, economic and social choice and touches on human rights. In this respect, taxation in accordance with the purpose of existence of the constitution should not only be regulated as determining the principled limits of interventions to the right to property, but should also include the understanding of the state that reflects financial sovereignty with a taxation approach that complements the constitution-economy relationship. The classical perception of freedom puts only the state at the target of the threat of freedom in our subconscious. However, the change in the understanding of sovereignty and the tendency of globalization to narrow the sovereignty of the state as a supra-state phenomenon necessitate a wider consideration of the individual's freedom expectations. It should be stated here that the polarization between global capital and state sovereignty, which has become more evident than ever before, has become more discrete and it is necessary to protect the state-individual axis in taxation in order to provide the individual liberated with the role of "protecting and developing the human rights of the state". Correct systematization and correct spelling should frame this phenomenon. In this context, the rights-based content corresponding to the taxpayer rights should be regulated in the "Rights and Duties of the Individual" chapter by using the "rights" heading, and the taxation principles reflecting the state sovereignty should be arranged in "Financial and Economic Provisions” under the heading "taxation".

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The Role and Functionality of the Ombudsman Institution on Resolution of Tax Disputes

Nuray Aşcı Akıncı[1]

Abstract

Settling disputes arising between taxpayers and tax administration at the administration stage without resorting to the judiciary is a highly preferred option. In Turkey, with regard to settlement of tax disputes, there are different mechanisms qualified as administrative or peaceful remedies as follows: reconciliation, reduction in penalties, correction of error and penitence. Ombudsman falls within those mechanisms although it is not specifically designed to deal with taxation issues.

This study aims to discuss the role and the functionality of the Ombudsman on the settlement of tax disputes during its eight-year activity. To this end, this work tackles the decisions of the Ombudsman, which are publicly published as in the types of refusal, recommendation, partial recommendation partial refusal and amicable settlement, by taking into account its annual reports. Applications made to the Ombudsman under the name *"economy, finance and tax"* are mainly about banking and insurance transactions. Under this group, the number of applications regarding the tax transactions is only 96 in 2013 and 179 in 2020. The number of the applications regarding the financial offences and tax evasion was reported as 19 in 2013 and 35 in 2020. Considering the total number of Ombudsman applications in 2020 which is 71,809 it could be stated that the number of applications regarding the taxation is considerably low within the total applications.

These quantitative data indicate that the Ombudsman is not usually preferred as a dispute settlement mechanism for tax disputes. Therefore it could be argued that a specific tax consultancy unit under the General Ombudsman or a Tax Ombudsman should be established, as is the case in other countries, in order to eliminate unlawful acts and actions of the tax administration and violations of rights during the taxation process. By rendering the institution an active mechanism in taxation, an effective protection for taxpayers could be provided.

Keywords: Ombudsman, tax disputes, tax administration, Ombudsman application.
JEL Codes: K34, K41.

1. Introduction

Resolving disputes arising between taxpayers and tax administration at the administration stage without resorting to the judiciary is a highly preferred option. Within various country practices, there is a range of institutions to apply such as objection, complaint, mediation, arbitration or Ombudsman without disposing taxpayers' right to bring an action (Yaltı, 2012: 111). Under these resolution phases, either the administration reviews its act or a negotiation process starts between the parties, or the dispute is brought before an independent third party for settlement (Yaltı, 2012: 111). Ombudsman falls within those dispute settlement mechanisms although it is not specifically designed to deal with taxation issues.

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The Ombudsman, which was established in Sweden for the first time, and is defined as an independent and impartial institution that audits acts of public authorities on behalf of parliamentary, is relatively a new concept in Turkey (Akıncı, 1999: 265).

The Ombudsman, which is based on the Article 74 of the Constitution after the Constitutional amendment in 2010 and is established by the Law No. 6328 dated 14.06.2012, is an independent and impartial institution working under the authority of the Turkish Grand National Assembly. The Institution is responsible for examining and investigating all sorts of acts and actions as well as attitudes and behaviors of the administration and submitting recommendations to the administration in terms of human rights-based justice and conformity with legality and equity upon complaints regarding the functioning of the administration. The Ombudsman handles the objections and complaints regarding the acts, decisions, attitudes and behaviors or negligence of the administration. Therefore, the Ombudsman is an authority to protect citizens from violation of a right, abuse of the competence, errors, negligence, default, unlawful acts and mismanagement (Yaltı, 2012: 113).

Applications made to the Ombudsman under the name *"economy, finance and tax"* are mainly about banking and insurance transactions. However, in terms of the subject of the study, only the "tax transactions" and "financial offences and tax evasion" complaints have been evaluated in terms of quantity and content.

2. Pre-judicial Settlement Mechanism: Application of the Ombudsman

The Ombudsman is a control mechanism for administrative transactions and practices; however, it does not bear any judicial function; therefore, it is an auditor of parliament, but not a judge (Yaltı, 2012: 113). The Ombudsman deals with disputes related to both procedural law and substantive law (Yaltı, 2012: 114). Applying to the Ombudsman has many advantages such as it has a short, cost effective and easy procedure, which makes it a good alternative solution mechanism to settle disputes (Müftüoğlu, 2014: 312). As an extra-legal control mechanism, the Ombudsman has an essential role in the determination and prevention of contrarieties of law (Kaplan, 2020: 113).

3. Function of Ombudsman in Tax Disputes

Undoubtedly, one of the aspects of the success of the Ombudsman is the execution of its decisions by authorities. The rate of the compliance with the decisions are approximately 80-90% in countries where the democracy is strong, people participate in public affairs, internalized protection of the human rights and the Ombudsman endowed with strong competences (KDK, 2021: 444).

The Ombudsman's decisions are advisory, so they are non-binding. Because of this, it is impossible for the administration to be sentenced to pay compensation and to give instructions to the administration on any issues (Gümüşkaya, 2016:280). Although its decisions are advisory, in Article 20/3 of the Code of Ombudsman, the administrations that are given an advisory decision by the Ombudsman have a responsibility to notify the practice, which will be executed to the Ombudsman in 30 days. Therefore, this responsibility is an efficient tool for the application of advisory decisions. The contribution of the Ombudsman to improve the functioning of the administration, in general, and especially, the tax management. (Gerçek, 2014: 92; Erdem, 2014: 93).

3.1. Quantitative Evaluation of Complaint Applications Regarding to Tax Disputes

The subjects in the field of economy, finance, and tax have a wide range. Under the heading of economy, finance, and tax, complaints related to "tax transactions" and "financial offences and tax evasion" have been evaluated quantitatively.

In 2013, applications in the fields of finance, economy, and tax were made, and these applications constituted 10.3% of the total applications made to the Ombudsman. In the mentioned area, banking transactions (254, 32.4%) are in the first place, tax transactions are in the second place (96, 12.2%), and financial offences and tax evasion are in the eighth place (KDK, 2014: 80). In 2014, when compared to 2013, there was a decrease in the number of applications in this area (440 applications and 7.80% decrease). When the data of 2015 is analyzed, the number of applications in the fields of finance, economy, and tax is 295, and this number constituted 4.87% of the total applications. Out of 295 applications, 45 (15.25%) are related to tax transactions, and 5 (1.69%) are related to financial offences and tax evasion. As can be seen, in the third year of the institution, the number of complaint applications in the field of taxation gradually decreased in 2015. The number of applications was 326 in 2016. Out of the applications related to economy, finance, and tax (out of 326 files), 80 are related to tax transactions (24.54%), 2 are related to financial offences and tax evasion (0.61%) (KDK, 2017: 86). In 2016, when compared to 2015, an increase in the number of applications was observed.

Out of 707 (4.13%) applications made to the Ombudsman institution in the fields of finance, economy, and tax in 2017, 148 (20.9%) are related to tax transactions, 32 are financial offences and tax evasion (4.50%). In 2017, an increase was observed in the applications. In 2018, the number of applications related to this field was reported as 587 (3.34%), and there was a 17% decrease compared to the previous year (KDK, 2019: 52).

In 2019, the number of applications in this field increased by 167%, and the number of applications is 1568. Tax transactions 165 (10.52%), financial offences and tax evasion 40 (2.55%). (KDK, 2020: 110). In 2020, 99.16 % (71,809 applications) of economy, finance, and tax applications are composed of banking transactions. The number of applications for tax transactions is 179 and it constitutes 0.25% of the

applications in this field. There are 35 applications (0.5%) in financial offences and tax evasion. In addition, 143 applications are made in the field of financial services carried out by local administrations (10.08%) (KDK, 2021: 462).

3.2. Qualitative Evaluation of Complaint Applications Regarding to Tax Disputes

Under this section, the applications made in the field of taxation in the period from the date when the Ombudsman Institution accepted the complaint applications until the end of 2020 were evaluated in terms of subject and quality. In particular, sample decisions regarding the payment of real estate tax, income tax, motor vehicle tax, stamp tax, notice indemnities were discussed.

Concerning the subject, in the last 3 years (2018, 2019, 2020) applications about ensuring the refund of taxes, fees, duties that are allegedly collected wrongly during tax transactions, cancellation of taxes, fees, duties accrued unjustly, tax and tax loss penalties based on the Tax Examination Reports and revocation of default interest, not benefiting from tax exemptions and exceptions recognized by Law, double taxation of imported goods at customs, the objections concerning the type of taxation of the profit, seizure and electronic seizure by the tax administration and blocked account transactions, the delay or refusal of VAT refund requests by the tax administration, ensuring tax debt restructuring by the transactions on refusal of tax debt restructuring and, amendments in tax legislation have been filed. As for financial offences and tax evasion, applications about businesses that do not invoice and bill, tax evasion notices such as freelancer that do not write a receipt, ensuring that the prize for reporting tax evasion is paid to them, the claims that the relevant administrations do not do what is necessary concerning the prize for tax evasion notices have been received within the scope of the Law No. 1905 (KDK, 2021: 270, 271).

It has been observed that the applications filed to the Ombudsman are mainly on tax amounts, tax penalties and disputes arising during the collection of taxes. Among the taxes, fees, duties, and similar financial obligations collected by local administrations, issues concerning real estate tax, environmental tax, shares in expenditures for road, water and sewage are also included. However, when the precedents are examined, especially the Real Estate Tax Law No. 1319, Article 8 which regulates tax rate draws attention. The relevant applications have been concluded with amicable settlement, recommendation, partial recommendation partial refusal decisions (KDK, 2021: 383). Even though the decisions are advisory, administrative authorities usually comply with the requests and recommendations of the Ombudsman in practice.

Real estate taxes applied by municipalities are the most applied tax type in the field of taxation. Applications made within this scope are particularly directed to Article 8/2 of the Real Estate Tax Law. In addition to this article, various complaints

regarding other articles of the real estate tax law were also brought to the Ombudsman.

4. Conclusion

The Ombudsman examines objections and complaints regarding the acts, decisions, attitudes and behaviors or negligence of the administrations. A large part of the complaints regarding tax disputes consists of applications related to real estate tax. The number of applications for income tax, motor vehicle tax, excise duty, stamp tax, and the provisions of Law No. 6183 is relatively lower. Although the recommendations made in applications regarding tax disputes are not binding, they are usually fulfilled by the relevant administrations as seen from the statistics which indicates that the overall compliance rate with the recommendations was 20% in 2013 whereas it was 76.38% in 2020.

In the legality and fairness control that the Ombudsman carries out; it includes judicial decisions, decisions of the European Court of Human Rights and draws attention to good principles of good governance. Besides the amicable resolutions and recommendations, suggestions for legislative changes are also considerable. Even though, the Ombudsman relatively reduces the caseload of the judiciary as a pre-judicial solution mechanism, it is not enough. It is important to indicate to the taxpayers that the Ombudsman is an alternative and effective mechanism to settle tax disputes.

Considering that the number of the complaint applications in the annual report of 2020 of the Ombudsman is 71,809, the fact that the number of applications regarding the taxation is lower in number draws attention. These quantitative data indicate that the Ombudsman is not usually preferred as a dispute settlement mechanism for tax disputes. Therefore it could be argued that a specific tax consultancy unit under the Ombudsman Institution or a Tax Ombudsman should be established, as is the case in other countries, in order to eliminate unlawful acts and actions of the tax administration and violations of rights during the taxation process. By rendering the institution an active mechanism in taxation, an effective protection for taxpayers could be provided.

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An Empirical Study to Determine the Factors Affecting Private Savings

Osman Cenk Kanca[1]

Abstract

The determination of factors affecting private savings, one of the most important actors of the private and public economy, is the subject of discussion in economics and finance literature. Topics developing economies in terms of Turkey also contain important. In this context, between the years 1980-2017 in the study of macroeconomic determinants of private savings, private savings have been estimated a model for Turkey through political and demographic variables. According to the estimation results, it was seen that public saving negatively affected private saving and relatively supported Ricardian Equivalence Theory. On the other hand, findings have been obtained that interest rates have a positive effect on private savings and support the McKinnon-Shaw hypothesis. Per capita income, money supply, dependency rate, budget balance, crises (1994, 2001, 2009) and coefficients of the election frequency were in the direction of expectations, but these effects were not statistically significant.

Keywords: Private Saving, Financial and Socioeconomic Factors, Least Squares Analysis (OLS).

JEL Code: C22, E21, G18, J00

1. Introduction

Savings, one of the indicators of economic development, are the part of income that is not consumed. Private savings, which are one of the components of total savings, are a resource in terms of meeting a number of needs when considered from an individual perspective. On the other hand, it is seen that private savings interact with national savings, macroeconomic parameters and economic conjuncture.

In economies dominated by free market conditions, a significant proportion of positive and/or negative economic developments are shaped by private economic decision units (individuals, households and firms). For this reason, it is very important that the current and future savings decisions of the private sector and the factors affecting them are determined in a healthy way. When literature is analyzed, it is seen that the factors affecting private savings are economic, financial and demographic variables. For instance, public saving, budget balance, income level, interest rate, inflation, foreign trade volume, money supply and credit situation, current account deficit, foreign savings, income distribution, population, public consumption, pension system, political stability / instability, etc. are some of these parameters.

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Private savings account for a certain portion of the country's gross domestic product (GDP). When considering the situation of Turkey's economy, the average value of the ratio of private savings to GDP in the period 1980-2017 is about 17-18%. When examined periodically, whilst the level of 10% in the early 1980s remained in the 20-25% band in the 1990s and in the process after 2002, the share of private savings in GDP in Turkey started to decline gradually. After reaching its highest value of 25,8% in 1993, it narrowed to its lowest value of 10% in 2015. In this respect, it is important to analyze the private savings correctly in order to make exact determinations regarding the current state of the economy.

In the study, factors affecting private savings, such as per capita income, interest, public savings, budget balance were explained and the relationship between these factors and private savings was examined in terms of Turkish economy in 1980-2017 period. Various empirical analyses were used to examine the relationships between variables. In this context, primarily theoretical knowledge about saving and related literature were presented. Then, the data set used in the study was introduced, the method used was explained and the findings were summarized. In the conclusion section, the findings were interpreted and policy recommendations were made.

2. Literature

When empirical literature on the subject is scanned, it is observed that tests are conducted for different economies and periods by many researchers by different empirical methods.

In relation to the economies of foreign countries, Edwards (1996) discussed 1970-1992 period for some West Asian and Latin American countries selected by Panel Data Analysis, and stated that social security expenditures had a positive effect on private savings, dependency ratio and public savings have negative effects on private savings. Paiwa and Sarwat (2003), in their study of the Brazilian example between 1965 and 2000, stated that private savings and public savings were negatively correlated. In their study, Tanzi and Zee (1998) found that total tax revenues, income tax revenues and consumption tax revenues in OECD countries had a reducing effect on private savings.

Regarding the Turkish economy, by using the ARDL Border Approach and Error Correction Model data the period 1990-2007, Değirmen and Şengönül (2012) stated that the determinants of private savings in both the short and long term are the ratio of public investment expenditures, the rate of GDP growth and the rate of inflation. In their study, Özcan and Peker (2018) tested the relationship between private savings and savings determinants between periods 1985-2014 with the cointegration test developed by Pesaran et al (2001). As a result of econometric analyses, it was found

that reductions in the inflation rate, the public savings rate and increases in the elderly dependent population rate reduced private savings.

3. Data Sets, Econometric Methods and Findings

In this study annual data is used for the period of 1980-2017, and special savings/GDP (ÖT) per capita income (KBG), the interest [of term deposits annual interest rate (%)] (İ) public savings/GDP (KT), budget balance/GDP (BD), broad money supply [(M1+M2)/GDP] (M2) and dependency ratio (BO) (non-working population/total population) were obtained from Central Bank of Turkish Republic, the (TUIK) Turkish Statistical Institute, data distribution system and the official website of the Ministry of Treasury and Finance. Furthermore, $Dummy_{1994}$, $Dummy_{2001}$, $Dummy_{2009}$ and $Dummy_{Election}$ participated in the work as dummy variables representing crises and frequency of elections.

The main purpose of regression analysis is to explain the changes in the variable concerned by the changes in other variables or variables. It is therefore the basic analysis technique of econometrics. The study was estimated using Time series data using Least Squares (OLS) method. The OLS method is the method that most closely predicts the relationship between dependent and independent variables if certain assumptions are provided. In this respect, it is the basis of the techniques used in the analysis of simple linear and multiple regression models as well as in the solution of various econometric models. The multiple regression model contains multiple arguments that describe the dependent variable. There are multiple factors that affect the dependent variable in daily life. Therefore, simple regression model estimates are not sufficient to make. The relationship between the dependent variable and multiple independent variables is evaluated through the multiple regression model (Yamak and Köseoğlu 2006; Tarı, 2010: 22-24).

According to the ADF unit root test results, the relevant variables were stable at the level of income per capita (KBG) and dependency ratio (BO), while the private saving (ÖT), interest (İ), public savings (KT), budget balance (BD), and the wide money supply (M2) variables were recognized as stable in the first difference. According to the estimates, public savings were negative and interest rates had a positive effect on private savings (statistically significant), while other remaining variables had no statistically significant effect.

4. Conclusion

Private savings and their determinants, like other developing countries, are an economic issue that frequently engages the agenda in Turkey. On the other hand, the determination of the determinants of private savings, which is an important parameter

in public and private economics, constitutes the main theme of the study. In this context, the effects of the above-mentioned variables on private savings in the post-1980 period in Turkey were investigated. For this purpose, a model was created and econometric estimation was made by means of OLS test. During this period, evidence was obtained that interest rates increased private savings in the Turkish economy but decreased public savings. In contrast, there were no statistically significant findings that per capita income, money supply, dependency ratio, budget balance and dummy variables affected private savings. This finding suggests that prudent interest rate policy practices may increase private savings when considered in particular for the Turkish economy. On the other hand, in light of the findings, it is possible to mention that there is a compromise between public and private savings.

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The Effects of Public Social Expenditures on the Income Inequality: An Empirical Analysis of OECD Countries*

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Decreasing income inequalities by redistribution of income has been always a social reason of governments for their economic interventions. Public budget is an important tool of these interventions. Governments try to reach a higher justice in the income distribution by taxing goods and services, incomes and wealths and spending their returns by several ways. The redistributive transfers address smaller or larger groups according to the features of the society with the transfers which include expenditures targeted poor and disabled, social insurances, pensions or agricultural supports.

Several kinds of expenditures may be evaluated and included in the frame of public social expenditures. However, the basic group which covers public social expenditures is the social transfers. Social transfer can be handled in two different classes as cahs transfers and in-kind transfers. The direct transfers which directed to the disadvantaged or preferred groups through the economic policies, are generally cash or cash kind transfers in modern times. Also in-kind transfers are not limited as basic needs of disadvantaged groups. Education and health expenditures are also classified as in-kind transfers. They create individual benefits and also positive externalities for the society. Additionaly, education and health expenditures provides equal opportunities in the long run by supporting economic growth and promoting the income equality. The expenditures which occur for education and health services also include current expenditures that also may be evaluated as investment expenditures.

In the theoratical frame of this study, we firstly will examine the classification issues of public social expenditures. Following that, we will evaluate the impacts of the public social expenditures on supporting the disadvantaged groups and the impacts on creating equal opportunities at the same time. The differences between cash transfers and in-kind transfers will be handled in theory. The subject of equal opportunities will be examined under the philosophical roots as well as the consequences of different applications in the light of related literature.

It is known that the different countries have adopted social welfare state applications in different times and in several ways. The social welfare applications are differentiated through the geographical, economic, social, cultural, historical and the most importantly demographical factors in each individual country. The demographical status of the countries actually in a close relationship with the historical determinants.

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One can think that there is less need to spend for social purposes in the countries that have higher institutional, political and bueraucratic quality. However, having a higher proportion of elderly population, causes higher public social expenditures as pensions and health expenditures in the advanced economies. On the other hand, developing countries generally have a younger population structure. Despite having a higher proportion of working age population, unemployment rates are also higher in the developing countries. They need to spend more on health and education expenditures and also for the applications to ensure equal opportunities. In the part before the empirical analysis, we will show some visual graphs about the trends of demographics, employment, primary and secondary income distribution and the proportions of public social expenditures in total public expenditures for OECD which includes all kinds of countries mentioned above.

Following the visual part, we will use the implications of the OECD reports on the income inequality and social expenditures. OECD reports are acting as a guide to member countries and all other countries about how the social expenditure programs should be applied.

In the focus of this study, there are the effects of total public social expenditures, social protection expenditures, education and health expenditures on the income inequality.

The aim of this study is to employ panel time series methods and to estimate the impacts of public social expenditures on the income inequality. For that purporse, we will use the SWIID dataset which created by Frederick Solt and includes Gini coefficients of countries and public social expenditures data derived from the datasets of IMF and OECD.

While applying panel time series analysis, first we will employ stationarity tests. But before these, we need to control cross-dependency of the variables. We will choose the unit root tests according to the results. We will try to show the existence of long run relationship between public social expenditures and income inequality by the cointegration tests. We will choose cointegration tests according to the results of heterogeneity and cross-dependency tests. In the light of stationarity, cointegration and all other primary tests, we will choose our model in order to estimate long run coefficients.

As a result of this study, in compliance with the theoretical assumptions and current applications, we expect to reach the findings that show the positive impacts of public social expenditures on the income justice. With the long term data which enables the long run analysis, we also expect to find long run healing effects of public social expenditures on the income inequality.

Fiscal Policy Uncertainty and its Macroeconomic Consequences: The Turkish Case*

Süleyman Kasal[1] **Şebnem Tosunoğlu**[2]

Abstract

Economic agents take into account many factors in their decision processes. One of these factors is uncertainty. Uncertainty is one of the most critical factors affecting the future expectations of economic actors. Because high or low uncertainty can change the decisions of economic agents and affect the severity and direction of business cycles. Another uncertainty factor affecting economic agents is fiscal policy uncertainty. This study aims to analyze the macroeconomic consequences of fiscal policy uncertainty for Turkey based on the 1998:Q1-2020:Q4 period. First, the fiscal policy uncertainty variable for Turkey is calculated. Fiscal policy uncertainty is estimated based on the volatility measurement method. We concluded that the fiscal policy uncertainty variable reflects Turkey's major fiscal, economic and political incidents. Second, we estimated how fiscal policy uncertainty affects macroeconomics with a VAR model. Using fiscal policy uncertainty measure, we analyzed its effects on the Turkish economy. The results of the VAR model showed that a one standard deviation fiscal policy uncertainty shock affects the real sector confidence index, real effective exchange rate index, output, consumption, and investment negatively.

Keywords: Fiscal policy uncertainty, business cycle, VAR, Turkey
JEL Code: E30, E62, H6

1. Introduction

Uncertainty is one of the most critical factors in explaining the movements of economic agents. Uncertainty can arise for many reasons. Uncertainty regarding future growth, inflation and income reveal macroeconomic uncertainty, while uncertainty stemming from expenditure, tax and debt policy reveal fiscal policy uncertainty. In particular, the uncertainty about future tax rates and/or expenditure programs (Anzuini et. al., 2020: 1) that the governments will implement for an existing problem can increase the uncertainty in the fiscal policy.

This study aims to analyze the macroeconomic consequences of fiscal policy uncertainty for Turkey based on 1998: Q1-2020: Q4 period. First, we estimated a fiscal rule with the volatility model for measuring the fiscal policy uncertainty index. Second, we analyzed the effects of fiscal policy uncertainty on the Turkish economy with a VAR model. The results obtained from the VAR model showed that fiscal policy uncertainty negatively affects economic confidence, real effective exchange rate, and output, consumption, and investment. Furthermore, these results revealed that economic actors in Turkey behave with a wait-and-see.

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2. Literature

There are various approaches in the literature regarding the measurement of fiscal policy uncertainty. The primary purpose of these approaches is to estimate the impact of fiscal policy uncertainty on the macroeconomy.

Fiscal policy uncertainty is measured based on fiscal documentations (tax laws, legislation etc.), professional forecasting surveys, and various econometric methods in the literature. Fiscal documentations are essential sources in terms of measuring uncertainty. Edmiston et. al. (2003) examined tax laws for the measurement of uncertainty. Baker et. al. (2013) developed a fiscal policy uncertainty index by examining the USA fiscal sources for the number and projected revenue effects of federal tax code provisions set to expire in future years. Forecast surveys include the expectations of economic actors regarding the future path of fiscal policy. In this approach, fiscal policy uncertainty is calculated by using disagreement in professional forecasting surveys about fiscal policy variables. Several studies measuring fiscal policy uncertainty have been carried out on professional forecasting surveys. Baker et. al. (2013), Montes and Souza (2020) and Montes and Acar (2020) have measured fiscal policy uncertainty using disagreement among professional forecasters on fiscal policy variables. There are also various econometric approaches that attempt to measure fiscal policy uncertainty. These studies are Aizenman and Marion (1993), Henisz (2004), Murray (2014), Born and Pfeifer (2014), Fernandez-Villaverde et. al. (2015), Anzuini et. al. (2020), Mumtaz and Surico (2017).

These studies have found that fiscal policy uncertainty affects output, investment, and consumption negatively. It is due to economic actors taking their economic decisions within precautionary measures and a wait-and-see behaviour. Because uncertainties about expenditure, tax or debt policy cause households to consume less by reducing their income expectations. Firms tend to upward pricing behavior with fewer employment incentives.

3. Measuring fiscal policy uncertainty and analyzing its effects on the Turkish economy

This study analyzed the macroeconomic consequences of fiscal policy uncertainty for 1998: Q1-2020: Q4 period. First, we estimated a fiscal rule with the volatility model for measuring the fiscal policy uncertainty variable. Second, we quantified fiscal policy uncertainty index for Turkey. This index reflects major economic, fiscal, political and financial incidents. Second, we investigated the macroeconomic effects of fiscal policy uncertainty on the Turkish economy with a VAR model. We used the VAR model to determine the macroeconomic consequences of fiscal policy uncertainty on the Turkish economy. Using fiscal policy uncertainty measure, we analyzed its effects on the Turkish economy. The results of the VAR model showed that a one standard deviation fiscal policy uncertainty shock affects the real sector confidence index, real effective exchange rate index, output, consumption and investment negatively. In addition, the fiscal policy uncertainty shock shows most comprehensive effect on the real sector confidence index. These results are also

robust. Together, these results indicated that the macroeconomic effect of a positive fiscal policy uncertainty shock creates economic fluctuations.

4. Conclusion

These results revealed that a one standard deviation fiscal policy uncertainty shock negatively affects the future expectations of economic agents. The results support Keynes' views. According to Keynes, uncertainty is the degree of confidence of expectations about the future, and the thoughts of economic agents related to uncertainty about the future determine the severity of business cycles. The findings provide important information to the decision-makers during the design and implementation of the fiscal policy. In particular, fiscal policies should be transparent and predictable. In addition, fiscal forward guidance should be strengthened. The development of fiscal institutions and rules is also a substantial issue. As a result, only increasing or reducing the budget deficits will not be sufficient to solve the economic problems. The predictability of fiscal policies is a leading issue. A key policy priority should therefore be to increase confidence by improving expectations for the future. An increase in confidence can play an essential role in increasing the effectiveness of the fiscal policy.

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Effectiveness of Tax Policy in Ensuring Herd Immunity in Turkey*

Osman Gülden[1] **Mustafa Mıynat**[2]

Abstract

A significant way to recovered of the devastating effects of the Covid-19 pandemic and to reduce its costs and provide herd immunity with a widespread vaccination. As experienced in the pandemic of Covid-19, it is seen that countries that provide rapid vaccination and herd immunity able to control the epidemic and social life able to return to normal. Cohort studies underline that in order to ensure herd immunity, the vaccination rate should be at least 60% - 70% in the general population. In many countries, including Turkey, it is observed that vaccination rates are below the required. Anti-vaccination attitudes may be exhibited in the society, and vaccine rejection and hesitancy are considered as threats in ensuring herd immunity. Public authorities have a great responsibility for changing negative attitudes towards Covid-19 vaccine and increasing vaccination rates all over the world. For this purpose, governments can intervene by using various public financial instruments such as penalties, tax incentives and subsidies, tax break, tax exemptions and derogations. Besides the public financial instruments, public authorities may also take public measures against unvaccinated individuals such as deprivation of rights. In this study, it is aimed to measure the efficiency level of public financial instruments for vaccine hesitancy in Turkey. For this purpose, a survey study was conducted with 412 participants, and were asked about whether these public financial interventions could affect covid-19 vaccine decisions.

Key Words: Herd Immunity, Fiscal Policy , Covid-19, Externalities, Public Health, Vaccine Subsidy, Vaccine Hesitancy.

Jel Code: H23, I18, E62.

1. Introduction

In the report published by the International Monetary Fund (IMF) in June 2020, it is estimated that the Covid-19 pandemic will cause 40 million deaths and permanent health damage to hundreds of millions of people, and that the global economy will decrease by 12.5 trillion USD by the end of 2021. Although the extent of the social and health effects of the pandemic in the long term may not be explained precisely, it is predicted that it may have serious consequences in terms of mental, social and public health (Paterson, Ross W. vd., 2020:3116). Many studies and research results in the literature predict that recovery from the Covid-19 pandemic may be achieved with herd immunity. It is emphasized that rapid and widespread vaccination (at least %70 of

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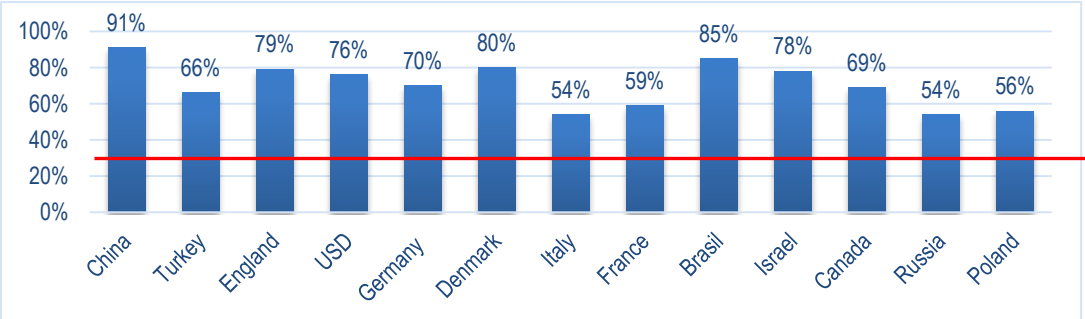
general population) is very important in terms of ensuring herd immunity (Aschwanden, 2021:520). Programs such as raising awareness of individuals and society about vaccination and increasing vaccination volunteering are carried out by public authorities. Public authorities may also use financial instruments, in particular taxes and penalties to encourage vaccination. It may tax individuals and provide subsidies to vaccinated people to influence vaccine hesitancy. In order to increase vaccination rates, governments may tax unvaccinated people and provide subsidies to vaccinated people. In this study, we analyzed with a survey how individuals may affect their vaccination decisions as such interventions and measures are carried out by government in Turkey.

2. Herd Immunity as a Public Good

Herd immunity which is leading for the protection of public health and overcoming the pandemic, is a public good that should be protected by the society and public authority. In this respect, it is extremely difficult to exclude unvaccinated individuals from the benefits of herd immunity and there is non-rivalrous in consumption (Dawson, 2007:171). As free-riding creates a fair and moral situation in herd immunity, it may lead to avoidance of vaccination and failure to achieve the vaccination rates required for herd immunity (Giubilini, 2020:451). In many societies and cultures, it seems that there is no collective consciousness in the consumption of such goods. (Dawson, 2011:149). In order to ensure herd immunity, the issue of whether the public authority should implement compulsory vaccination policies is being discussed intensively with the Covid-19 pandemic (Flanigan, 2014:6; Luyten, vd., 2011:281; Verweij ve Dawson, 2004:3122). According to the paternalistic point of view, enforce individuals to vaccinate in order to ensure herd immunity, and to use tax tools to influence vaccination decisions is seen as an effective solution. Although for public health, the use of these fiscal instruments can be seen as an interference with the free will of individuals and their individual freedom. Forcing individuals to be vaccinated is also an issue that can be discussed within the framework of human rights. In the study, it is evaluated in terms of its effect on vaccine decisions.

Table 1: Covid-19 Willingness to Vaccinate Rates by Countries, 2021
(General Population, % Percent)



Source: Created by using (Sallam, 2021:4)

Regarding Graph 2, vaccination willingness rates are given in various countries and regions of the world. In countries such as China, England, USA, Denmark, Brazil and Israel, vaccine willingness rate is over 70%; Turkey, France, Italy, Russia and Poland are below this limit. Although the production of the necessary dose of vaccine for global immunity poses a problem in the short term, the major barrier to herd immunity in the long term is seen as vaccine hesitancy and controversies.

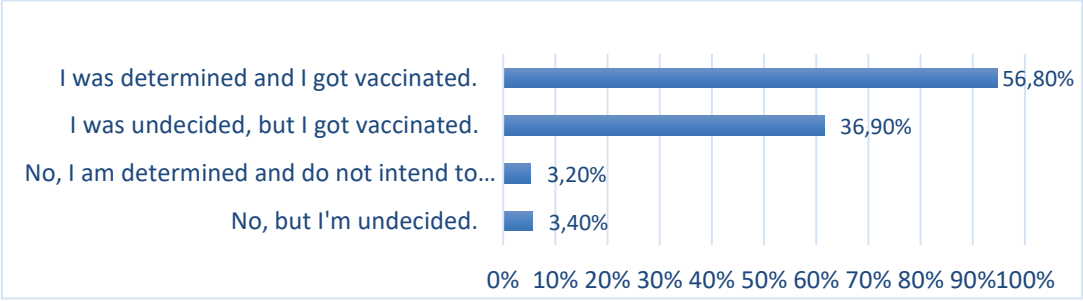
3. Tax Intervention for Vaccine Hesitancy: The Case of Turkey

Vaccination willingness is considered a significant threat for herd immunity as countries have easier access to vaccines (Harrison ve Wu, 2020:325; Pogue vd., 2020:2; Hamadani vd., 2020:1381; Weintraub, 2021:34). In a survey conducted among 3936 people in Turkey (Salali, Deniz and Uysal, 2020), 31% of the participants are not sure whether they will be vaccinated or not, meantime 3% refuse to be vaccinated. The rate of those who accept and are willing to be vaccinated is 66%. Similarly, the rate of those who believe that the Covid-19 global epidemic occurred naturally is 54%. In the study, it is stated that are willing to be vaccinated in Turkey should be increased in order to ensure herd immunity, and for this, it is recommended that the public authority implement public measures. In order to increase willingnes to get vaccinated, tax policies can be used effectively as an incentive or a penalizing tool.

3.1. General Information About the Survey

In the survey study on vaccine hesitancy in Turkey, was conducted among 412 people. While the ratio of women to men among the participants is half 74.3% of the participants are students. Undergraduate students were the most interested in the survey among students with 69.2%. In terms of age groups, while there were 271 participants between the ages of 18-24, then it is followed by 99 people between the ages of 25-34. Thus, the age group between the ages of 18-34 constitutes 89% of the total participants. 17.7% of the participants were infected with the covid-19 disease. While 14% of unvaccinated individuals are hesitant, 13% are determined not to be vaccinated. The rate of those are vaccinated but undecided is 36.9%, the proportion of participants that were determined to vaccinated was 56.8%.

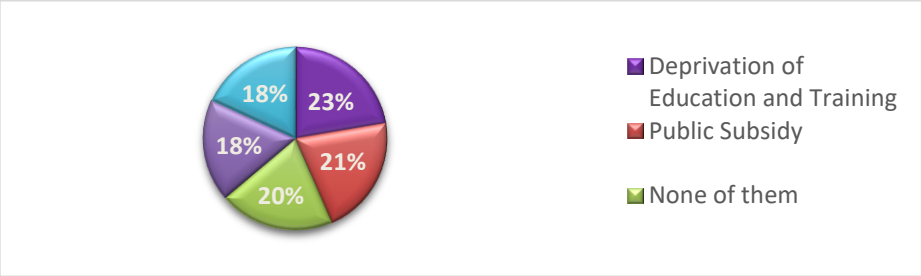
Graph 1: Have you been vaccinated for Covid-19?



3.2. Responses to Tax Interventions

In the survey, 51.7% of the participants stated that public measures were effective in the vaccination decision. Almost half of them underline that receiving public financial support able to increase their desire to get vaccinated. 58.7% of them explained that their desire to get vaccinated would increase if health expenditures were exempted from tax. According to the survey, tax immunity in education expenditures increases the desire to be vaccinated in 66.8% of the participants. The same percentage of participants stated that being exempt from taxes on transportation and communication service fees would increase their desire to get vaccinated for Covid 19. As the participants were asked which exemption and tax reduction would increase their willingness to be vaccinated more, while the highest rate was exemption from education expenditures, it was followed by public subsidy.

Graph 2: Which one increases your desire to get the Covid-19 vaccine the most?



4. Conclusion

Vaccination in epidemics has important external benefits for public health. Governments have to find the optimal balance between individual rights and freedoms and public health in this regard. In the Covid-19 pandemic, although many public authorities do not mandate the vaccine, they have to take a series of public measures restricting constitutional rights and freedoms in order to constrain the epidemic. Governments able to tax unvaccinated individuals and provide subsidies to vaccinated individuals. Therefore, Governments may use fiscal instruments, primarily taxes to promote vaccination for the benefit of public health. In the study, a survey was conducted in Turkey for citizens how to evaluate such an implementation. Although there was a high student participation in the survey, 56.8% of them declared that they were vaccinated decisively. This rate is lower than the vaccination rate required for herd immunity. According to the results of the survey, a substantial population is experiencing vaccine hesitancy with %40,3. A series of questions were asked about whether tax interventions would be effective to overcome the hesitancy. More than half of the participants declare that tax exemption and public subsidy will affect their vaccination decisions in a positive way. In conclusion, the results of the survey indicate that tax intervention to vaccine hesitancy can be effective for ensuring herd immunity in Turkey.

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The Impact of the Pandemic on the Banking Sector and Some Policy Recommendations

Ökkeş Kısa[1]

Abstract

The banking sector transfers funds from those who have surplus funds to those who need fund. The banking sector's financial intermediary activity is valued and promoted for the growth of countries in the capitalist system. However, with the epidemic, a new task has been given to the banking sector: minimizing the impacts of the epidemic on the economy. On the other side, while the banking sector has been blamed for many previous financial crises, it is now attempting to guarantee that the existing health crisis does not convert into an economic catastrophe with its new duty. For this reason, in this study, the effects of the epidemic on the banking sector were examined and it was determined that the risk items in the banking sector increased due to the epidemic.

Taxes aiming to tax banking transactions in Turkey hinder the development of the banking sector and its fulfillment of its new task that emerged due to the epidemic. In this context, two different obligations come to the fore: bank and insurance transactions tax and resource utilization support fund. As a result of the study, it was determined that to reduce the risk items appearing in the banking sector, the relevant liabilities must be regulated.

Key Words: Banking Sector, Pandemic, Fiscal Policy, Economy.

Jel Code: E50, E62, G21.

1. Introduction

Studies examining the effects of epidemics on the banking sector in the literature either included monetary policies in the recommendation section or examined the effects of the epidemic on the banking sector. However, in their study, Lepetit and Fuentos-Albero and Bernorth, Dany-Knedlik, and Gibert concluded that the effect of monetary policies on the real economy was limited during the epidemic period. In addition, the authors emphasized that providing sufficient liquidity to the banking sector due to the epidemic will help to cope with the run-off effect (non-performing loans) of the epidemic (Lepetit & Fuentos-Albero, 2021:35; Bernoth, Dany-Knedlik & Gibert, 2020: 7). In this study; The effect of the epidemic on the banking sector will be examined within the framework of the fiscal policy, which has been on the agenda since the 1929 crisis (Şen & Kaya, 2015: 60). In this context, first of all, the taxation of the banking sector and the problems that arise as a result of taxation will be examined. Then studies examining the effect of the epidemic on the banking sector will be addressed. In the conclusion part, some suggestions about taxes aiming to tax banking transactions will be discussed.

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2. Taxation of the Banking Sector and Problems Resulting from Taxation

Developments in the social and economic fields have revealed the need for commercial loans and financial intermediation activities to be carried out more systematically. Although many different institutions carry out financial intermediation activities, the first and the most effective of these institutions were undoubtedly the banks (Tiryaki, 2016: 47). The banking sector is *'the financial institutions that collect the money that the people do not use for a certain period of time, operate them in the form of loans and placements, intermediary in the purchase and sale of stocks and bonds, perform works such as money transfer, safe leasing, bill collection, acceptance of escrow, giving guarantees, trading in foreign currency'* (Seyidoğlu, 1999: 46). With the transactions listed in the definition, the banking sector performs some functions in the economy. These functions could be listed as follows (Akgüç, 1987, 5-7):

- Financial intermediation function,
- The function of providing fluency to resources,
- Resource utilization improvement function,
- Representative money creation function,
- The function of increasing the efficiency of monetary policy,
- Foreign trade development and promotion function,
- It is the function of influencing the distribution of income and wealth.

By fulfilling the functions listed above, institutions operating in the banking sector act as financial intermediaries in the smooth fulfillment of financial markets and financial transactions and in making a profit (Mishkin, 2000: 250; Kısa, 2021: 20).

In the taxation of banking transactions in Turkey; Some taxes come to the fore and, these taxes create an excessive tax burden on financial transactions (TOBB, 2012: 8; TÜSİAD, 2003: 35-36; Avrupa Komisyonu, 2007: 28-29; TBB, 2002: 16). In other words, the broad definition of the subject of BITT (Banking and Insurance Transactions Tax) in Turkey aims to tax not only the income of banks from banking transactions but also their income outside banking transactions (Öncel et. al., 2006: 419). On the other hand, the Expenditure Tax Law No. 6802, the subject of BITT; defined by the taxpayer (Çakıcı & Ceylan, 2014: 42). A transaction conducted by a bank is taxable in this scenario, whereas a transaction done by a non-banking entity is tax-free (Tanrıverdi, 2010: 115). Another obligation that increases the intermediation activity is the resource utilization support fund (RUSF). The subject of this fund and the subject of BITT are loans. This causes repeated interruptions and increased transaction costs.

3. Impact of the Pandemic on the Banking Sector

The coronavirus outbreak has been both economically and medically contagious. So because the disease was thought to be solely a Chinese concern in the early phases of the epidemic, other governments did not take adequate precautions. However, with the spread of the epidemic and the effect of globalization, this problem

has caused economic recession (Bekci, et. al., 2020: 186; Erol, 2020: 56). Coronavirus epidemic includes the negative supply and demand shocks. Businesses, on the other hand, expect some problems due to the negative supply and demand shocks caused by the epidemic. These problems are; If the enterprises cannot produce enough due to the delay in supply, they may have difficulty in meeting the demand or they may produce surplus due to the negative demand shock even if production is made. Banks, on the other hand, support businesses by giving loans during the epidemic period. However, if the epidemic continues; there will be problems in the loan portfolio and payments of banks (Bekci et.al., 2020: 186). There are researches in the literature that support this scenario. In the study of Lagoarde-Segot and Leoni in 2013; they theoretically explained that the continuing spread of AIDS and malaria diseases in developing countries increases the risk of the banking sector and causes banks to increase their reserves (Lagoarde-Segot & Leoni, 2013: 4581). Koc et. al. (2021) conducted a study analyzing the impacts of the epidemic on banks. Loans, non-performing loans, and asset quality were examined using Fourier Co-integration analysis between March 2020 and May 2021 in the study. They came to the conclusion that loans increased, non-performing loans declined, and asset quality decreased as a result of the analysis. However, the authors also stated that the risk items of banks increased (Koc et. al., 2021:102-103). Işık and Akdoğan (2021) conducted a study that analyzed the effects of the epidemic on deposit banks. In the study, they examined the relationship between return on assets ratio, loan/deposit ratio, net flow statement items, and net interest margin before the pandemic and during the epidemic period. As a result of the analysis, it was concluded that the return on assets decreased, the loan/deposit ratio increased, and the items in the net flow statement decreased and, the net interest margin decreased (Işık & Aydoğan, 2021: 137). Tuna (2020) conducted a study examining the effects of the epidemic on the employment of the banking sector in Turkey. In the study; the numbers of employment and branches in March and December of 2020 were analyzed. As a result of the analysis, Tuna concluded that there is a rapid decrease in the number of branches and employment of banks (Tuna, 2020: 37-38). On the other hand, Ersoy, Gürbüz and Erdoğan (2020) conducted a study to examine the impact of the epidemic on the banking and finance sectors. In the study, they analyzed fundamental data on the banking sector (loans, non-performing loans, deposits, securities and foreign currency position) by paired t-test, the difference between 10 weeks before the epidemic and 10 weeks during the epidemic period. They came to the conclusion that banks assist to mitigate the economic impacts of the pandemic by providing loans as a consequence of the study.s (Ersoy et. al., 2020: 158-159). However, if the epidemic continues, there is a possibility that the health crisis will turn into a banking crisis. For this reason, it is necessary to make regulations regarding the banking sector during the epidemic period.

4. Conclusion

The banking sector does transmission from those with surplus savings to those with a lack of savings. This transmission mechanism has been criticized for causing many crisis or increasing financial volatility. However, the banking sector's present

duty with the pandemic is to reduce the negative consequences of the disease on the economy. In this context, many countries have tried to minimize the impact of the epidemic on the economy by providing liquidity to banks during the epidemic period. However, it has been proven by empirical studies that the effect of these efforts is limited. For this reason, fiscal policy should be implemented in order to minimize the effect of the epidemic on the economy.

Empirical studies conducted in Turkey showed that the banking sector supports the economy, but the risk items of the banking sector have increased. For this reason, it is necessary to make arrangements in liabilities such as BITT and RUSF, which create a burden on banking transactions. These regulations are narrowing the subject of BITT, removing the taxpayer-based subject of BITT, introducing a subject-based approach, and removing the overlapping subjects of RUSF and BITT.

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Extensions of Time Construction Contracts in Covid-19 Pandemic

Merve Beydemir[1]

Abstract

The beginning and the completion time of construction that is stated in construction contract is important in terms of recruitment of current expenditures such as the materials which are mandatory for performance of construction activities and the deeds of contract parties on time. After the Covid-19 pandemic troubles about the delivery of the construction which is the mandatory deed of the contractor has risen. At this stage issues on accepting Covid-19 as force majeure and prolonging and adapting the time of delivery of the construction stated on the construction contract have emerged. Therefore, in terms of decreasing the losses and protecting the rights of contractor parties, prolonging the delivery time of construction, and adapting the construction contract to cover this prolonging issue come into prominence. With the publication of the Presidential Circular No. 2020/05 on 2 April 2020 in the Official Gazette regarding the construction contracts of public institutions and organizations, the approach of the administration on this issue has become evident at the beginning of the process. However, there are points that are not clarified in terms of private law legal entities. If there are provisions regarding the conditions to be considered as force majeure in the construction contract prepared between the parties, or on time extensions in case of force majeure, these provisions should be examined and how the parties share the said risks should be evaluated.

Key Words: Pandemic, Construction Contracts, Force Majeure, Impossibility of Performance
Jel Code: K12, K19

1. Introduction

Covid-19 Pandemic has affected all sectors health sector is being the first place and World Economies. The lockdown on preventing the spread of the pandemic, the executive decisions on closing and stopping the activity of specific businesses conjunction with workforce shortage have caused the construction activities to come to an end. Besides the disruption of the supply of construction materials has resulted in the shrinkage of construction activities and interrupted the progress of the construction sector. Because of the construction sector creating market more than 200 sectors and being reverting those sectors, the recession in the construction sector directly effects those sub-sectors. Another issue about effect of the construction sector is construction contracts. The restrictions which are being performed to prevent the spreading of the pandemic effects the actions of construction parties and emerge substantial financial results. This issue especially makes it impossible for the delivery of the construction actions on time and cost. Consequently, at first it should be identified if there is a provision on contract about adapting the time extensions hence force majeure and the impossibility of performance. Then it should be clarified if construction contract contains circumstances on if impossibility of performance is

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temporary or permanent or if there is a performance difficulty because of the Covid-19 pandemic. The purpose of the study is to clarify the time extension request conditions of the contractors who have difficulty on construction deliveries due to the Covid-19 pandemic and evaluate the conditions of the time extension right acceptance of contractor or the contract adaption to involve the extension of delivery time.

2. Extension of Time Construction Contracts in Covid-19 Pandemic

2.1. Construction Contracts

Construction contracts consist of construction contracts subjected to private law provisions and construction contracts that are both subject to private law provisions and public law provisions. The contracts that are subjected to private law provisions are also subjected to the provisions about the contract of work in the Turkish Code of Obligations. 4743. Public Tender Act and 2886. Public Procurement Law and 4735. Public Procurement Contracts Law is being applied on the contracts on public constructions. In the circumstances that are not involved in those laws, general provisions subjected to TBK can also be applied. (Kaplan, 2013, pp. 43-45).

Because of the legal reason that construction contracts are a type of contracts accepted as the contract of work. Therefore, the views about the legal characteristic of the contract of work are also being applied to construction contracts. (Kocaağa, 2014, p. 50). Thereby construction contracts hold legal legibility such as burdening with debts for both sides and typical contract that is not connected to validity type. Construction contracts have consisted of three main elements. Those are creating a contract of work, price and creating construction and delivery of the construction. Contract of work should not be considered as ordinary construction. It also contains concepts such as changes in the current structure, adjunct repair and development. Depending on the price and creating a construction element; due to the construction contracts being innate burdens with debts for both sides, the construction owner has to pay the price of construction and the contractor has to carry out construction and delivery of construction duty. (Kaplan, 2013, pp. 52-53).

2.2. The Effect of Covid-19 Pandemic on Construction Contracts

With the declaration of Covid-19 as a pandemic by the WHO, contracts that are still in progress have also been affected economically and legally. Therefore, problems related to the outcome of contracts have begun to become obvious (Baysal vd., 2020, p. 270). One of the types of contracts for which the Covid-19 pandemic has had significant economic and legal consequences is construction contracts. There are obligations that the parties are mutually burdened with construction contracts. The contractor creates the structure that he has agreed with the business owner for a fee and a certain period of time (Arpacı, 2019, p. 267). However, with the emergence of the pandemic, there have been failures in the contractor's ability to perform the work on time. Therefore, it is necessary to accept the Covid-19 pandemic as a force majeure

and evaluate the parties' requests for an extension of the period to eliminate their grievances.

There are a lot of court of cassation decisions about accepting pandemic as force majeure. According to *"A force majeure is an event that is impossible to be foresighted and resisted that inevitable and absolutely causes infringement of debt, that has been occurred outside of the company of responsible or debtor. Earthquake, fire, flood, pandemic is being considered as force majeure."* Announcement of WHO on 11 March 2020, the Covid-19 pandemic (www.who.int) has been accepted as force majeure.

There is no regulation about force majeure in the Turkish Law System. Besides, there is also no regulation about force majeure in the Turkish Code of Obligations that contracts of work are subjected to. Yet Public Procurement Contracts Law has clauses about the circumstances which can be accepted as force majeure;

a) Natural Disaster
b) Lawful Strike
c) Pandemic
d) Partial or General Declaration of Mobilization
e) Other Circumstances that Can Be Specified by Institution

By force majeure occurrence contractor is being obligated to behave against the contract issues. Thereby the debtor, that is to say the contractor shouldn't be held accountable to act against the contract. The effect of force majeure in contract should be evaluated according to impossibility, perverseness and difficulty on carrying out as it should be (Özçelik, 2016, p. 308).

2.2.1. Time Extension on Public Procurement Contracts

To prevent and decrease the effects of the Covid-19 pandemic, 31807 th President of Republic Circular has been published in the official gazette on 20 April 2020 and measures have been taken about the Public Procurement Contracts. According to the circular;

"*In this scope for the contracts has been made according to 04/01/2002 dated 4734 th Public Procurement Contracts Law including and excluding all exceptions, an appeal would be done to the management of contract partner by the contractor who faced the pandemic caused issues on temporarily or permanent, partly or completely impossibility of carrying out the responsibilities."* About the evaluation of appeals 4735th Public Procurement Contracts will be considered. But Ministry and Treasure Ministry foresight should be taken before the decision making. Some of the terms that are issued in the circular should be met before the cancellation or prolonging the delivery time decision;

- The situation shouldn't be occurred because of the miss decisions of the contractor.
- The situation should prevent the contractor to meet the contract-issued responsibilities.
- The contractor shouldn't have the power to overcome the issue.

With the President of Republic Circular, the uncertainties about public construction contracts have been solved after a short period time of the pandemic occurrence in Turkey.

2.2.2. Time Extension on Construction Contract and Impossibility of Performance

The occurrence of the pandemic is not enough itself for the carry out impossibility. The effect of the pandemic also should be observed. (Akıncı, 2020, p. 69). If the contractor becomes unable to meet the contract responsibilities because of force majeure, the debt will be closed according to TBK m. 136th. According to the law, the contractor will get out of the debt but still responsible for the repay the acquisitions provided by the business owner. If the discharge of the debt is impossible then 137th clause provisions are being applied. Accordingly, the contractor only got out of the impossible to pay part of the debt.

By the occurrence of extraordinary issues like the Covid-19 pandemic, according to the TBK m. 480/2 clause, the contractor has right to request a time extension. But due to law, following terms should be met (Seçer, 2021, pp. 172-180).

- İssues occurred that have not been foresighted or foresighted but not taken into consideration.
- The occurred issues must prevent the carrying out the contract of work or make it difficult to do.
- Contractor should not be the reason for occurrence of an extraordinary issue
- Construction should be proceeding.
- There should not be an opposing contract between the parties.
- Business owner should be informed about the carrying out difficulty issue.

2.2.3. Excessive Difficulty of Performance in Construction Contracts and Adoption of Construction Contract to Prolong the Delivery Date

The principle of the adaption of the contract according to the changing situations is a principle that enables changing or ending the contract by not preventing the validity and justice of contract as long as carrying out the contract terms are possible. (Arat, 2006, p. 29). Adaption of contracts according to the changing situations has performance area in TBK m. 138.

According to the TBK m.138 " *In case of an extraordinary circumstance occurrence that hasn't been foreseen during the contract negotiations that changes the situation of debtors responsibilities to the detriment of contractor dramatically that it becomes impossible for contractor to carry on performance; if contractor didn't carry on performance or carried on performance by holding his rights about the situations that makes it difficult to carry on; contractor has right to request the adaption of contract proper to current circumstances, if not possible has right to request rescission of contract. In contract of continuous performance contractor according to the rule can use his right to determination instead of rescission of contract*". In construction

contracts for such cases where contractor is in hardship, in order to adapt contract according to new circumstances, terms stated in TBK m.138. Extreme hardship, different than impossibility of performance there is no impossibility on discharge of debt but because of the reasons that contractor is not responsible for, discharge of debt becomes unexpectedly difficult. (Etan ve Melengiç, 2020, p. 178).

With prolonging and shortening the time contact adapting also includes increasing or decreasing of foreseen price. Especially in construction contracts where lump sum price is determined, Covid-19 pandemic is an obstacle for proceeding with the action. Thus, the executive restrictions caused difficulties in material and finance recruitments. Especially materials that are used in construction activities having high export costs caused increase in general cost of construction. This makes it the impossibility of performance in boundaries of contracts.

3. Conclusion

After arising of covid-19 pandemic contracts prepared among the contracting parties and the debts that they are responsible to carry on has been affected. Covid-19 is being accepted as a reason for contractors' lapse into default about the delivering construction and as an extraordinary circumstance that prolongs construction delivery time. In this respect pandemic caused made it difficult to perform, hardship, the impossibility of performance. In those situations, first of all it is important to observe the provisions about the force majeure in construction contracts. If force majeure occurs during the performance of activities if there are terms about adapting the contract, those terms should be applied. If there are no terms about adapting, temporary or permanent state of the impossibility of performance or hardship has to be taken into consideration.

In the cases that time prolonging is issued, while current situation of considered, delivery time does not prolong to the due date of the construction. Delivery time will prolong only by the amount of time that is prolonged because of the pandemic issues. In contract it is possible to request prolonging the contract due date in court in situations of hardship rather than impossibility of performance. In cases of necessary legal terms are not met or adapting is impossible, it is possible to terminate the contract.

The economic and social effects of Covid-19 pandemic are seen all around the World and executive measures are being taken to reduce the effects of the pandemic. The Covid-19 pandemic effects should be analyzed in detail and necessary terms must be included in the contracts. But in oncoming processes the unexpected and unforeseen results of Covid-19 pandemic will become the main topic of conversation on being a force majeure for impossibility of performance again. But the contracting parties can clarify the uncertainties by preparing proper contracts that include prolonging times and adapting terms on the effects of the pandemic.

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Tax Policies in Struggling the Covid-19 Pandemic: The Role of the Social Law State in the Efficiency and Justice Paradox

Zinnur Tunç[1]

Abstract

The COVID-19 pandemic, which affects the economies of all countries on a global scale, has produced different results in terms of the public sector and the private sector. The public sector, whose existence has been constantly discussed in the historical process according to the currents of economic thought, has also played a leading role in the solution of this unprecedented pandemic-based crisis. This crisis, which affected all sectors, especially the health sector; has produced unsolvable results and increased the need for global collaborations. However, these collaborations have the potential to produce different results according to the internal dynamics of the country in terms of tax policies. For this reason, national measures should also be examined within the scope of tax policies. In the study, after examining the role of tax policies, which are seen as one of the solution mechanisms, in the struggle against the pandemic; the problems caused by the principle of efficiency or justice in tax policies are discussed. This study is shaped within *"it is not possible to establish an absolute balance of efficiency and justice within the scope of social law state and a tax policy that prioritizes efficiency may lead to negative consequences in the struggle against the pandemic"* of hypothesis. It is aimed to explain the policies implemented in other countries, especially in Turkey, which is a social state of law, within the framework of positive and normative approaches. In the study, which also examines the OECD recommendations in terms of the global struggle against the pandemic, the tax policies applied in different countries and the tax policies applied in our country were analyzed comparatively. In addition, for the problems that have arisen or are expected to arise, solutions have been proposed for this issue, which is limited by various norms, especially the Constitution.

Keywords: Tax policy, fiscal policy, efficiency, justice, COVID-19 pandemic, social rule of law.

JEL Code: H21, H51, K34.

1. Introduction

The COVID-19 pandemic, which has had a global impact as of last year, was declared a pandemic by the World Health Organization on March 11, 2020. Since then, various crises have emerged in every field, especially in the health sector. Not only developing countries; but also, this situation, which deeply affected the economies of developed countries, led countries to urgent action plans. Considering the magnitude of the effect, the fact that the basic principles of classical economics are invalid and the private sector's opportunities in the struggle against the pandemic are very limited has increased the need for the public sector. In direct proportion to the rate of diffusion, there has been an actual increase in public expenditures. This situation brought along potential increase expectations.

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For the financing of these unforeseen expenditures, states have turned to various policies according to their current state understanding. However, whatever the prevailing understanding; it should be accepted that fiscal policies are an important crisis management tool in this process due to the size of the effect caused by the pandemic. So that fiscal policies have always been on the agenda throughout history in terms of realizing various goals with their own unique means. To ensure economic stability, many goals, especially supporting the private sector[2], providing free vaccines in the active struggle against the pandemic for health, which is a global public good, and financing excessively increased public expenditures, are achieved through public finance policies. In this context, in this study, the potential of taxes, which is one of the most effective tools of fiscal policy, to create financing in the current situation will be examined. Establishing a balance within the framework of various Constitutional limits and principles that affect this potential; in the paradox of efficiency and justice, it is aimed to evaluate the principle of social rule of law from a critical perspective and to make normative suggestions for possible scenarios. For this, the position of the current tax policies implemented in our country against the existing balance and different country approaches will be examined to create a model for the proposals.

2. The Qualifications of Tax Policies with Regards to The Covid-19 Pandemic

Health is accepted as a global public good in the doctrine due to the area in which its externality spreads. The epidemic, on the other hand, is considered global public bad (Özgül & Susam, 2021: 175-176). The World Health Organization declared the current epidemic as a 'pandemic' on March 11, 2020 (WHO, 2020). Since a pandemic is defined as the worldwide spread of a new disease, it is undisputed that it is considered global public bad.

Due to its nature, the pandemic necessitated the use of all fiscal policy instruments. Taxes and public expenditures, due to their automatic stabilizer characteristics, help the economy to come back into balance in case of instability in the conjuncture, without the need for the government's voluntary intervention (Pınar, 2017: 58). Therefore, the fiscal policies to be planned in the pandemic are not only related to the health dimension of the pandemic; it also has the potential to have a healing effect on the socio-economic dimension.

3. Tax Policies and Social Law State Principle in The Paradox of Efficiency and Justice

The paradox, which is expressed as 'contradiction' in the dictionary, arises from the contradiction in the structure of efficiency and justice purpose when it comes to tax policies. The equivalent of the efficiency in tax law is the realization of the financial

[2] For example, the Economic Stability Shield measures announced by the President at the beginning of the pandemic included delaying the loan payments of companies with impaired cash flow to banks, additional financing support when necessary, and stock financing support to the exporter.

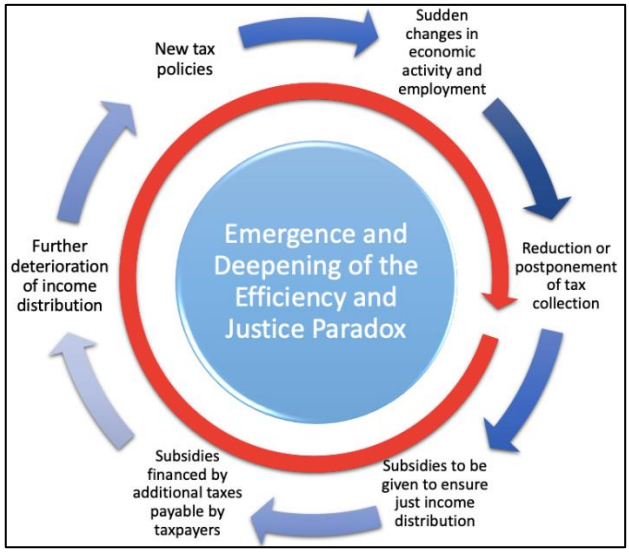
purpose. In other words, efficiency is to turn to taxes on expenditures, regardless of financial power. Efficiency is aimed at obtaining the highest tax revenue, and therefore it is inversely with justice, which prioritizes impartiality in taxation (Karayılmazlar & Güran, 2005: 145). A just tax is one that generally imposes equal obligations on people of the same ability to pay (Rosen & Gayer, 2010: 365-366).

The paradox between efficiency and justice has been studied in the literature within the framework of optimal taxation approaches. In a policy where efficiency is prioritized, justice deteriorates, whereas, in a policy where justice is prioritized, efficiency is impaired. So much so, while the progressive taxation of income is foreseen for justice; for efficiency, it is foreseen that taxes should be collected on expenditures in order not to play a distorting role in investments and savings (Akkaya, 1988: 352).

4. A Paradox Examination of The Role of Tax Policies in Struggling The Pandemic

Taxes are a tool frequently used by policymakers to balance fluctuations in the business cycle. The capacity of taxes to finance the fluctuations that came with the pandemic and the increase in expenditures made or planned to be made is high when its share in budget revenues is taken into account. Therefore, taxes play a key role in this process (Tunç, 2020: 53).

Figure 1: Paradox Cycle



Source: Created by the author.

If this whole mechanism based on the efficiency of taxes is not systematized correctly; when the subsidies to ensure just income distribution are paid by the taxpayers through taxes, a more disruptive cycle will emerge. This will give rise to a deeper paradox. Moreover, the severity of the paradox will increase when the restructuring laws, which have been in effect recently, are added to this cycle.

The pandemic, which triggered a global crisis, made it necessary for each country to design its policies. For example, corresponding to the seven[3] most important countries of the world economy, Similar policies of G7 countries are generally relief and recovery plans (e.g.: *Coronavirus Aid, Relief and Economy Security Act "CARES Act", Coronavirus Preparedness and Response Supplemental Appropriations Act, Plan de Relance, Relaunch, Emergency Economic Package Against COVID-19*); tax deferrals; temporary VAT discounts refunds and installments; property tax holidays; financial supports for local governments; mainly sustained within the framework of subsidies in the form of grants (IMF, 2021). Similar policies are modeled not only in the G7 countries but also in China, Singapore, and Greece. Policies in this direction aim to prevent the decrease in the disposable income of households and companies (PWC, 2020).

In our country, many tax regulations have been made since last year, both due to the pandemic and independent of the pandemic. For example, although it does not directly include the pandemic in the justification of the regulations, the SCT regulation, which is indirectly related, is important in terms of efficiency and justice paradox, based on the social law state approach. Tax policies for vehicle use in pandemic conditions can be examined multidimensionally. Increasing the use of personal vehicles in compliance with the social distance rules and the approach that prioritizes the financial purpose affect the taxpayer tendencies in different ways, the expectations of increasing MVT, SCT, and VAT in vehicle purchases and their results (qv: Tunç, 2020). As a matter of fact, with the decision made in August, although there is no relationship with the pandemic in the text of the reason (the reason is to reduce imports and increase domestic production), SCT regulation was made. Since the SCT is already in the category of taxes that prioritize efficiency in terms of its structure when the role played by personal vehicles during the pandemic period is added to it; this regulation is far from the understanding of the social state and world practices in the struggle against the pandemic.[4] Because SCT is a tax that is applied equally to all people, that is, it is an objective tax, it is a tax that serves the efficiency function, not the justice function.

However, it is seen that measures are taken in the form of delaying the short-term effects of the pandemic rather than a real tax policy in our country. These are regulations far from crisis-preventing solutions. Because the market will not return to the pre-pandemic situation during the payment period for the deferred taxes, radical policy changes should be considered as a necessity.

It is seen that regulations with direct pandemic reasons do not offer a way out of this paradox (especially in force majeure regulations). The first force majeure regulation, [5] which covers a three-month postponement, came to an end at a time

[3] The European Union is among these countries.

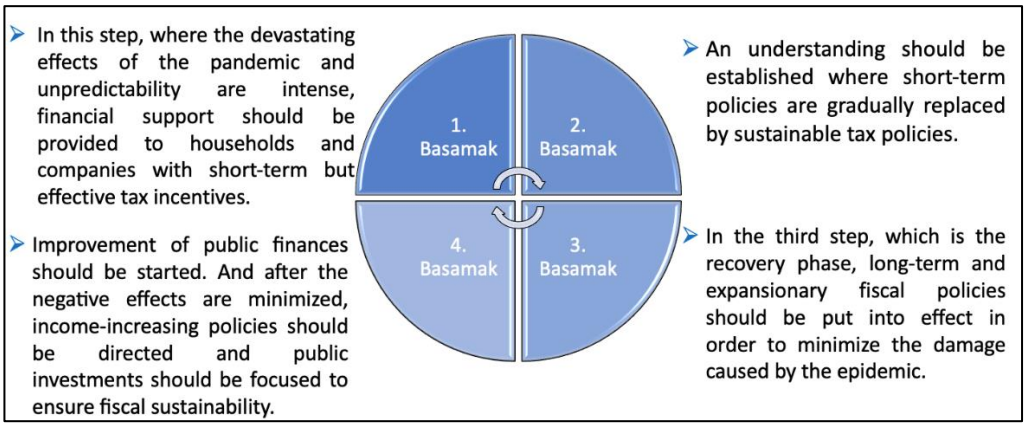
[4] 2912 Sayılı Cumhurbaşkanı Kararı, 31229 Sayılı ve 30/08/2020 Tarihli Resmi Gazete (Presidential Decision No. 2912, Official Gazette No. 31229 dated 30/08/2020).

[5] Vergi Usul Kanunu Genel Tebliği (Sıra No: 518), 31078 (Mükerrer) Sayılı ve 24/03/2020 Tarihli Resmi Gazete (Tax Procedure Law General Communique (Sequence No: 518), Official Gazette No. 31078 (Repeated) and dated 24/03/2020).

when the severity of the pandemic was increasing, unlike the expression "during force majeure" in the law. The second force majeure declaration, [6] just like the first regulation, has been subjected to the same criticism as a regulation that does not cover all taxpayers.

Even in an approach where epidemics are not considered in the category of natural disasters; It is possible to categorize the pandemic within the "like situations" (qv: Oktar & Tunç, 2020) in the force majeure provisions of the Tax Procedure Law (TPL). Here, the authority is not as a general force majeure declaration; carried out specifically for certain taxpayer groups (Coşkun Karadağ, 2020: 403-404).

Figure 2: OECD's Roadmap in the Struggle Against the Pandemic



Source: OECD, 2020b: 10-11.

When this cascading structure, which is an advisory roadmap of the OECD, is taken into account, it is seen that Turkey has passed the 4th step, which is the income increase step, early. This hasty policy that prioritizes efficiency is likely to have other devastating effects in the long run.

Coordination between countries can make tax policies more effective, as countries' policies are limited. The effects of the pandemic will not be symmetrical on a sectoral basis, and these effects will not be seen in different countries at the same time. With globalization after the 80s, no country can control the economic crisis alone. Unilateral policies have the potential to worsen social and economic costs in the context of externalities spreading abroad. Therefore, international cooperation will be more effective in controlling the economic crisis (OECD, 2020A: 15). Countries that enter stimulus policies too early or on their own may face funding difficulties, and new tax policies developed to finance this difficulty may prevent the aim of justice.

However, if this mechanism, which is based on the efficiency of taxes, is not properly systematized, when it is thought that the subsidies to be given to ensure just

[6] Vergi Usul Kanunu Genel Tebliği (Sıra No: 524), 31375 sayılı ve 25/01/2021 Tarihli Resmi Gazete (Tax Procedure Law General Communique (Sequence No: 524), Official Gazette No. 31375 and dated 25/01/2021).

income distribution will be provided by the taxpayers, a cycle that will distort the income distribution. This situation will cause a deeper paradox by disrupting the balance of efficiency and justice. Because the crisis caused by the current pandemic, unlike the crises that emerged in the recent past, affects every segment from households to companies economically, It has brought with it many different sociological and psychological depressions. For this reason, there is no room for error, especially in an intervention by the state.

For example, SCT, which is subject to constant changes during the pandemic period and tends to increase in general, has a characteristic that distorts justice in income distribution and the principle of solvency, as it prioritizes efficiency but does not take into account the special conditions. But this is not the failure of policymakers or tax rules. The priority of each policy and rule in the tax system serves a different purpose (Tunç, 2020: 54). Therefore, what is sought in tax policies is not the absolute truth, but the 'right balance'.

When it comes to tax policies, what is 'good' taxation or 'undesirable' tax policy has always been a subject of debate within the scope of different approaches. The views put forward on this subject have evolved according to the conditions of the period and schools of economic thought (Hettich & Winer, 2004: 109-110). For this reason, tax rules -and therefore tax policy- cannot be examined alone, independent of the taxation relationship and other elements in the tax system.

For example, when designing a tax policy, the order of priority between two or more conflicting policies requires some compromises (Ting, 2013: 22). In this multi-faceted contradiction, namely paradox, a new tax rule to be created within the scope of the determined policy is expected to be compatible not only with other provisions but also with the general principles of fiscal policy, even if it is not perfect (Tunç, 2021: 423).

5. Conclusion

There are studies in the literature that show that policies based on public expenditures give more effective results compared to Turkey's economic structure between tax cuts and public expenditures. In this context, there is a need for more normative research in the doctrine to increase the effectiveness of tax policies, which are thought to be less effective. As a matter of fact, the use of unidirectional fiscal policies in different scenarios on the grounds of divergences in-country dynamics may lead to repetitive and cumbersome policy processes.

As it is accepted in the doctrine; apart from the complementary structure of economic policy as monetary and fiscal policies, it is not possible for a unidirectional policy understanding to offer an effective proposal for solving the crisis that came with the pandemic. The -implemented- tax policies that will be discussed in the study are necessary to be the savior of the countries in the struggle against the pandemic; however, it is not sufficient. Unless the theories produced are supported by the tax rules to be introduced to meet the needs; although the pandemic passes, it is a fact

that its negative impact on both the private and public economy will not pass. As a result, the out-of-balance operation of tax policies creates a situation with the risk of bringing along some problems such as fiscal drag.

Predicting the policies implemented or expected to be implemented only for certain sectors will lead to deviation from the target. Because it is not possible to reduce the effects of the COVID-19 pandemic to any sector. Maybe the processes or weight of the policies can be differentiated according to the sectoral damage; however, the complete exclusion will also undermine the long-term effectiveness of existing policies and neutralize the positive effects.

Along with the understanding of the state, the understanding of policies has also changed with the turning points in history. The Great Depression and the Oil Shock are the best known of these. The Covid-19 pandemic can also be considered a turning point for a change in the classical fiscal policy understanding. Because regardless of the global conjuncture, country or sector; as it brings with it a crisis of an unprecedented nature; here, the necessity of a modern approach and policies in which farsightedness is internalized emerges. In this context, within the framework of the approaches in the doctrine, the policies that have been implemented and continue to be implemented and the policies that are expected to be implemented will be examined; various solutions will be offered in the context of tax policies about possible problems that may arise.

As a final word; To eliminate the destructive effects created by the aim of providing efficiency, which is hastily acted according to the leading countries in global struggle policies, policies focusing on the purpose of justice are required. The second requirement is that these policies should be extended to the entire economy, not to specific sectors, unlike the policies up to now.

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Right of Recourse Due to Tax

Doğan Şenyüz[1]

Abstract

Tax law has a structure based on the consequences of the law in the field of private law through the "taxable event". However, in some cases, it is also possible that tax law relations have consequences in terms of private law. One of these areas is a recourse relationship between the taxpayer and the third person if the taxpayer's debt is paid by third parties. The tax-related recourse relationship includes a reactionary creditor (third person) and a reactionary debtor (taxpayer). The recourse debtor with his attachable assets is responsible to the third person in exchange for the tax debt paid by him.

The issues regarding recourse arising out of tax liability are regulated by the tax law by explicitly mentioning recourse or joint liability. There are various general and legal procedures (contracts, unjustified enrichment, acting without authority) that allow tax-related recourse in addition to tax laws. These transactions are used in tax-related recourse relationships if possible.

No matter the reason, if the tax debt is paid by a third party, the tax debt relationship between the state and the taxpayer is terminated. Instead, a recourse relationship under the special law provisions is established between the taxpayer whose tax debt was paid and the third person who paid his debt. In case of a conflict regarding recourse, it is concluded in accordance with the provisions of the private law within the framework of the judicial court.

JEL Codes: K11, K12, K34

1. Introduction

Tax law regulates relations between the state and the taxpayer from the emergence to the termination of the tax debt. The payment of the tax debt by the taxpayer is essential, but in some cases, it is also possible for this debt to be paid by third parties. If the tax debt is terminated by third parties - under certain circumstances - the third person's right for recourse is granted. In this context, as an area of tax law which falls within private law, we encounter the right to receive tax related recourse.

Tax related recourse relationship is the debt relationship between the third person paying the taxpayer's tax debt and the taxpayer. The source of this relationship can be applicable to the extent where recourse claims suit tax laws and the general provisions of the private law. However, recourse arising out of tax liability does not grant the right to allow the state to pass its powers originate from public law to private persons.

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2. Functioning and Types of Recourse

In tax law, recourse has a broad and widespread practice area, especially in terms of tax authorities. The payment of the tax debt by someone else is considered to be a reason that leads to the use of right of recourse, but the rules regarding the scope, conditions and how to use this right are not included in the tax legislation. These are the issues that need to be resolved according to the private law. This is due to the fact that the resource relationship relates to the stage after the tax payment. No matter who the tax is paid by, there is no place or entity of state in the resource relationship that emerges after payment.

Recourse has two types; simple and reinforced by succession. As per recourse related tax liability, state's public rights cannot be passed to the third person who made the payment thus this is a simple recourse issue.

3. Condition of Right of Recourse Due To Tax

The use of the right for recourse is primarily dependent on the right of the beneficiary to bring his claim about recourse to the law. These circumstances are given below.

i-A valid debt relationship between the debtor taxpayer and the creditor tax administration

ii-Partial or complete termination of the debt by payment

iii-The real debtor (taxpayer) and the payer should be different people

iv -Payment should be made from the third party's own property

v-The third person's payment results in the indebtment of the taxpayer

4. The Parties of the Recourse Relationship

The recourse relationship is the relationship of the taxpayer and the person who had to pay the tax to the administration on his own property. The recourse relationship refers to the responsibility of the taxpayer against the payer as it depends on the relationship between the taxpayer and the third person who makes the payment. The tax debtor is entitled to apply for the taxpayer, within the recourse relationship among the taxpayer as debtor, the state as the tax creditor and the third person who paid the tax to the state on behalf of the taxpayer. In this relationship, recourse creditor is the person who must pay the tax by law whether liable or not for the tax or due to some reason between the taxpayer and him. It doesn't matter for what reason the debt of the taxpayer is paid. As long as the tax debt is not paid as donation or is not released pursuit the payment. In other words, for the right of recourse, the existence of a pre-established legal relationship between the third person paying the debt and the taxpayer is not necessary, neither between the creditor taxation department and the third person is. Likewise, it doesn't matter if the

tax is paid before or after its maturity. It is only necessary that the tax debt is paid by a third party.

In some cases, the parties and quantity of the recourse relationship are characteristic. One of them is a common partnership. Some entities are also recognized as tax personalities and are one of the common partnerships for those who do not have legal entities in tax law. In the event that the ordinary partnership is indebted, each of its partners is held successively accountable for the entire debt as if they were in a single debt to the tax administration. In this context, each partner becomes credited from other partners in terms of the amount exceeding his share. The fact that partners' being successively responsible to the tax administration does not prevent them from applying to other partners based on their internal relationships.

In case of death of recourse creditor and/or debtor, the parts of recourse relationship changes in person as per succession rule. Without a doubt, the rights and obligations arising from the inheritance can be transferred to the heirs, but above all, heirs should not demand to be disclaimer of inheritance.

5. Reasons of Recourse

The legal reason for the tax liability arising from recourse may arise from "tax laws", as well as "private law".

5.1. Reasons for Recourse Arising from Tax Laws

Financial relations where third parties are held responsible for paying the taxpayer's tax are dispersed in tax laws. In some tax laws, the existence of right of recourse has been specifically stated whereas they haven't been mentioned in some others. Therefore, it is necessary to address the reasons under the distinction of "circumstances where the right of recourse is specifically stated'' and "circumstances where the right of recourse is not specifically stated''

The following regulations may be specified referring that "recourse can be claimed in the provisions of tax laws". The Articles no. 10/5, 11/2, 251/b of the Tax Procedure Law, Article No. 13/3 Special Consumption Tax Law, Article No. 33/2 of the Law on the Procedure for the Collection of Receivables, Articles 24/2, 4 and 5, 25 of the Stamp Duty Law, Articles no. 13/e and Article 30/7 of the Motor Vehicle Tax Law and Property Tax Law.

It is also possible to apply to the taxpayers within the framework of "successive responsibility", although it is not stated. The circumstances of recourse which emerge within the scope of the successive responsibility in tax laws; Articles no. 10/6, 11/3, 227/3 (duplicated entry) of the Tax Procedure Law, Articles 20 (2)-b), 20-(3) of the Corporation Tax Law, Article No. 9/1 of Value Added Tax Law, Article No 13/1 of Special Consumption Tax Law, Article no. 35/2 of the Law on the Procedure for Collection of Public Receivables, Article No. 24/2 of the Stamp Duty Law, Article No. 3

of the Property Tax Law, Article No. of the 19/2 Law on Inheritance and Transfer Law, Article no. 13 of the Law on Municipal Revenues and Article 128 of the Act of Fees.

5.2. Reasons of Recourse Arising from the Provisions of the Private Law

It is possible that the right of recourse arises due to certain procedures under the private law. The reasons for recourse arising from private law are particularly due to the Law of Obligations (law). In this context, legal procedures that allow the right of recourse can be set forth as some agreements, bail, unjustified enrichment, acting without authority. Although the reasons stated constitute reasons for recourse as per private law, they can be applicable in terms of taxes.

Contracts are one of the most common application areas of right of recourse. Within this scope, right of recourse may be based on the agreement between the third person and the debtor. These contracts are the internal ownership of the debt through bail, ordinary partnership, and counter guarantee agreements. There is no obstacle to the implementation of the results of the specified relationships based on the tax relationship as long as they suit the content of the right of recourse.

Unjustified enrichment is a reason for the right of recourse depending on private law. The person who has already paid a tax debt for someone else mistakenly, without the purpose of paying it may claim recourse to the taxpayer for the amount paid according to the provisions of unjustified enrichment. For example, if (B)'s motor vehicle tax was paid by (A), (B) will experience unjustified enrichment as a result of reduction of its passive debt. In this case, the person who has accidentally paid will have the right of recourse against the owner. The payment here should not have been made to the person whose tax debt was paid for donation or fulfillment of a moral duty. Another reason for the right of recourse is **acting without authority**. Although there is no agreement (on representation or proxy) between them, a person may act on behalf of someone else. This is called “acting without authority” This person does the work for someone else, even though they do not have a proxy (or if they have, he may have exceeded the limits of it). For instance, when the taxpayer (B) who lives abroad was visited for confiscation for the finalized tax debt, his neighbor (A) may have paid the tax debt in order to prevent confiscation assuming that he would get that back in the future.

6. Some Special Cases Regarding Recourse

One of the elements of responsibility in law is fault which is an abstract concept. Therefore, it has an important role in the emergence of right of recourse. If a person who claims recourse which is subject to the private law relationship causes the indebtment of the taxpayer with his misbehavior, his request for recourse is rejected. For example, if the financial adviser must pay the taxpayers' taxes and penalties under a financial responsibility for a reason based on his failure to show professional need, care and meticulous, he will not be considered legally entitled to a legal right of

recourse to the taxpayer for the fines he paid. However, if there is a special agreement between them that removes the fault, then it is handled accordingly.

The scope of the recourse claim can be simply defined as the amount of tax paid, but if the original debt is accompanied by accessory obligations (delay interest and delay increase), the total of them will be within the scope of recourse. In other words, the determination of recourse claim is based on the amount of debt paid to the creditor. Since the recourse claim has become debt for immediate payment, the recourse beneficiary will be entitled to default interest in accordance with the special law provisions.

Recourse claim that emerged from the payment of tax debt by a third party is a special receivable claim. In this case, as recourse claim becomes emergent, the statute of limitations for the private law on the monetary debt begins to proceed.

If the taxpayer is bankrupt, the report of recourse claims which emerged before bankruptcy to the bankruptcy table is a requirement of bankruptcy law. The disputes arising from recourse claim are the duty of the judiciary.

7.Conclusion

If a third person pays another person's (taxpayer) tax debt, the tax debt ends, but the right of claim is passed to the third person. The relationship between the third person (the recourse creditor) and the repaid payer (the recourse debtor) begins with the payment of the third person's tax debt. This relationship is a liability relationship in the area of private law based on the termination of the tax relationship. For this reason, if people other than those responsible for taxes pay someone else's taxes, the birth, use of the right, and resolution of possible disputes will be concluded in accordance with the general law provisions. The amount of debt is composed of the amount that the third person pays, including their accessories.

The recourse has two variants, which are simple and reinforced by succession. In terms of taxes, the successor's reasons are not accepted as the government cannot consider the use of public power on the debtor to be passed to the third person. The tax-induced recourse is a sort of simple recourse. It is possible to rely on the reasons of the tax law, as part of the "tax liability”, which includes force factor for the reasons of the recourse debt as well as on the grounds of the legal right under the special law.

The scope of the right of recourse is determined by the nature of the legal relationship, but the use of the right is bound by certain procedures and guidelines. With the debt which becomes private debt upon the payment of the tax debt by the third person, the provisions stipulated in the private law should be sought upon. Tax laws show that no recourse requirements are included except for the third person to pay the debt.

The fault of the creditor in tax related recourse, the extent of the claim, the status of the debt, the case of acceleration and default and the status of the accessories, the statute of limitations are the issues that need to be studied in detail.

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Contradiction of Ex Officio Assessment and Three Times Penalty of Tax Loss in "Concealing" Action to the Theory of Administrative Act

Serkan Ağar[1]

Abstract

In the Tax Procedural Law (TPL), non-submission of the books and records to the tax inspector has been stated as a crime. Moreover, all of the VAT reductions of those who commit such action are rejected and three times penalty of tax loss on the basis of ex officio assessment is imposed. In this work, it has been explained on the legal grounds by emphasizing the contradiction of this circumstance to the theory of administrative act that this implementation is unfair, which has been accepted as "right" for many years.

Keywords: Administrative act, ex officio assessment, tax inspection, penalty of tax loss.
JEL Code: K14,K34, K41.

1. Introduction

The Article 344/1 of TPL regulates one-time penalty of tax loss as administrative sanction regarding loss of tax, and in the second paragraph of the subject article, it is stated that this penalty shall be imposed as three times in case the loss of tax occurs due to the actions indicated in the article 359 of TPL. The article 359 of TPL regarding crimes and penalties for tax evasion includes the action of non-submission of the books and records to those authorized to tax inspection (concealing), in practice it has been seen that all of the VAT reductions of the tax-payer are rejected and also three times penalty of tax loss on this basis is imposed by the acceptation that the tax-payer, who does not submit the books and records for the tax inspection, caused loss of tax through this action stated in the article 359 of TPL.

In this work, the situation of taxes assessed as a result of non-submission of books and records to the authorized people against penalty of tax loss has been discussed, the contradiction of this circumstance to the theory of administrative act has been emphasized and it has been explained on the legal grounds that this implementation is "unfair", which has been accepted as "right" for many years.

2. Ex Officio Assessment from The Point of The Theory Of Administrative Act

Administrative act is absolute and it is mandatory to execute it, as well as it is the subject matter in action for annulment, certain conducted unilaterally by using

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public force with the intention of rendering any public service by administrative authorities, and bears legal consequences to those concerned. The essential elements of administrative act are competence, form (*shape/procedure*), reason (*ground*), subject matter and intention in the administrative law. The legal ground of this principle is stated in the article 2 of Code of Administrative Procedure (CoAP), numbered 2577. The subject provision regulates the actions for annulment and states that administrative act are comprised of the elements of competence, form, reason, subject matter and intention, and accepts each element as the essential element of administrative act. Taxation process is one of the good examples that the reason appears before an act is conducted and accordingly the element of reason of the act appears all other elements. The consequence which an administrative act bears immediately and directly is the element of subject matter of such act. It is the fundamental condition that the element of subject matter is possible and legitimate in order that the administrative act is valid. The subject matter of the administrative act is based on the principles which positive law has determined beforehand and may have material or legal qualifications.

As TPL determines the assessment process as an *"administrative act"*, all of the determinations for the administrative acts within administrative law are valid for assessment process, as well. Assessment, which appears as the first administrative act during the taxation process, both constitutes the element of *"subject matter"* of taxation since it determines the tax duty, and is a *"subjective"*act since the duty of the tax-payer is specified by applying different basis of tax and ratios to each tax-payer in the field of which the framework has been set by legal regulations. Since there is a causal relation between the elements of reason and subject matter of assessment, the act is contrary to the law and becomes voidable in terms of "merits" in case the cause-and-effect relationship between those two elements is not set right. Considering this point of view together with the enforcement of tax codes in terms of conception, i.e. interpretation, the causal relation required between two above-mentioned elements would mean that the relationship of typicality in assessment process has been set right.

In cases where it is not possible to determine the basis of tax partially or completely with regard to material evidence and legal measures, and several legal conditions has been met, such as the failure to submit declaration in due time, basis of tax is determined by administration as well and ex officio assessment occurs. Accordingly, non-submission of the books and records to the inspector requires ex officio assessment.

3. Contradiction of Established Practice with the Theory of Administrative Act

In case the books and records are not submitted to tax inspection within at least fifteen days following the notification of writ requesting the submission of books and records, the "concealing" action is deemed to be committed; furthermore, criminal complaint regarding those concerned is filed, all of the VAT reductions of tax-

payer are rejected, and three times penalty of tax loss on the basis of ex officio VAT assessments is imposed. In this case, not only the tax-payer is subject to the punishment restricting freedom, but also heavy tax duties by means of depriving of conciliation.

It is disputable that expenditures in terms of income tax and corporation tax are valid despite the fact that all of the VAT reductions of tax-payer are rejected. In such case, it is clear that tax administration does not adhere to the law, instead it acts on several presumptions. This action by tax administration, which does not comply with the law, demonstrates that there is not any direct cause and effect relationship between "concealing" action and three times penalty of tax loss. Non-submission of the books and records to the tax inspection cannot be the reason of imposing three times penalty of tax loss. Therefore, ex officio VAT assessment and imposing three times penalty of tax loss becomes illegal in terms of "reason" and "subject matter".

There is no explicit regulation in the tax codes stating that VAT reductions of those who do not submit their books and records to the tax inspection, will be rejected. The conditions of VAT reduction do not include non-submission of books and records to inspection when required, as well. In this case, the reason why VAT reductions of the tax-payers, concealing their books and records, are rejected is not the concealing action; rather it is the determination that such VATs were reduced despite the fact that the conditions in the article 34 of Value Added Tax Law are not met, in other words, the presumption of granting unfair VAT reduction within the taxation or declaration period and declaration hereof. Pursuant to the article 344 of TPL, the condition to impose three times penalty of tax loss is causing tax loss through actions stipulated in the article 359; however, the situation of causing tax loss through presumptions arising as a consequence of committing the actions stated in the article 359 is not included. Since there is no direct cause and effect relationship between concealing action and tax loss as indicated in the Code (action shall be the reason/cause, tax loss shall be the consequence/effect), penalty of tax loss regarding assessments cannot be applied three times.

4. Conclusion

The condition of ex officio assessment for the action of non-submission of the books and records is that the books, required to be kept pursuant to the third sub-paragraph of second paragraph of the article 30 of TPL, are not submitted to the officers authorized to tax inspection for any reason. In other words, it should not be sought whether the "concealing" action occurred herein pursuant to the article 359 of TPL. Even though both provisions do not seem very different from each other on the merits, it is essential to determine the starting point in the right way while decision-making. For instance, in case VAT reductions are rejected and three times penalty of tax loss is imposed due to the determination of "concealing", how should the tax-payer act in case s/he is acquitted of the "concealing" action due to the fact that "the

notification of submission writ is inadequate"? The assessment with penalty should be annulled, for certain.

The request of submission of the books and records to the administration office for the purpose of tax inspection is possible only if the minutes regarding the start of inspection is written by visiting the working place and it is determined that the working place is not available for inspection. In respect to this, neither the minutes regarding the start of inspection can be written at the administration office nor the request for submission of the books and records to the administration office for the purpose of tax inspection can be made without visiting the working place. Any act conducted on the contrary is illegal and does not bear any consequences. The administration shall abide by the code and provisions of the regulation which the administration itself prepared based on the code. Rejection of VAT reductions, ex officio assessment and also imposing three times penalty of tax loss in case of non-submission of the books and records make assessment process voidable in terms of reason and subject matter.

On the other hand, it is not possible to impose fines for non-submission of the books and records due to uncertainty between the provisions of the code regarding principle of legality since the article 341 of TPL is based on the situations "not accruing in due time" or "under-accrual" despite the provision of the article 359 of the subject Code. Even if it is accepted to impose fines, imposing three times penalty of tax loss is unmeasured since it is a burden to the tax-payer, which harms fair balance in relation to the purpose, which contains public interest, and is based on the protection of property order and granting deterrence, desired to be achieved within the scope of right of ownership, since the validity of the "presumption regarding accuracy of declarations" continues in terms of reductions, accuracy of which is not determined yet. In case it becomes subject to the complaint of the constitution, decision of violation is inevitable.

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Instrument of Concordat and Consequences

Hakan Bay[1] **Zeynep Arıkan**[2]

Abstract

The enterprises and businesses take certain legal measures and precautions within the frame of the legislation as a consequence of the adverse impacts of the economic crisis and disasters experienced. Filing of the arrangement of bankruptcy by the enterprises and businesses experiencing distress and difficulties in financial terms is among the most substantial measures and precautions. Such measure introduces certain benefits in terms of both the creditor and the debtor. Although intending to pay its debts and liabilities, the debtor could fail to do so due to reasons beyond control. Paying the debts on time may entail the debtor to experience a desperate strait. In such a case, the creditor may not receive its receivable partially or entirely. Because in the event where more than one creditor is available, the assets of the enterprise may not be sufficient to cover certain receivables. On the other hand, the arrangement of bankruptcy prevents the occurrence of such damages by directing the parties to reach reconciliation and settlement. The arrangement of bankruptcy does not refer to execution proceeding. The creditors, with the arrangement of bankruptcy, do not initiate execution proceeding against the debtor. The arrangement of bankruptcy is a practice trying to prevent the debtor from avoiding enforcement proceedings and filing bankruptcy. In this study, the instrument of the arrangement of bankruptcy applied for the purpose of the well-intentioned and honest enterprises and the cooperatives as well as the real entities having difficulties to be able to pay their debts by avoiding the financial crisis has been reviewed. The meaning, scope, application terms and the economic and financial consequences of the instrument of the arrangement of bankruptcy have been addressed and suggestions have been made accordingly.

Keywords: Debtor, Concordat, Economic crisis, Well-intentioned and honest enterprises.
JEL Code: K34, K39, K40.

1. Introduction

The instrument of suspension of bankruptcy stipulated by the Enforcement and Bankruptcy Law, failing to respond to the requirements to the fullest extent, has been abrogated by the Enforcement and Bankruptcy Law No. 7101 and Law on the Performance of Amendments in Certain Laws. It has been aimed with this amendment to perform extensive regulations on the instrument of suspension of bankruptcy for the purpose of maintaining the debtor-creditor balance to the maximum extent.

According to the lexical meaning of the term, it refers to an agreement approved by the court and established among the creditors regarding the collection of the receivables by the creditors due to the deterioration of the commercial status of the debtor (Yatırımcı Sözlüğü, 2021). Concordat, adopted to Turkish as “konkordato” derived from the word “concordato” in Italian actually refers to arrangement of

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bankruptcy. It is a type of agreement introduced to serve as replacement of suspension of bankruptcy upon abrogation (Türkiye İş Bankası, 2021). Concordat is defined as a coercive agreement rendered as normative upon the approval of the commercial court of first instance concluded by the majority of its debtors with creditors for the purpose of preventing bankruptcy and restructuring the debts (GİB, 2019). In this case, the creditors waive from part of their receivables and/or grant extension of time to the debtor to pay its debts by accepting a certain term for the collection of their receivables. Nevertheless, concordat is an enforcement and bankruptcy instrument accepted for the purpose of ensuring the equality between the debtors and creditors thereof and protecting the debtors with unavoidably deteriorated financial status acting in good faith to sustain their commercial activities by paying their debts (particularly in terms of merchants) (Postacıoğlu, 1965:12).

The fluctuations in macroeconomic indicators such as exchange rates, interest rates, inflation, current account deficit, unemployment, financial uncertainties, political and economic developments, and increases in borrowing costs that have occurred in recent years have led to an increase in the challenges and difficulties encountered by enterprises in paying their debts, and as a result, the number of corporations filing concordat has increased accordingly.

The abrogation of the instrument of suspension of bankruptcy has also been quite effective in increasing the number of concordats filed by the corporations experiencing the insolvency or liquidity pressure.

2. Characteristics of the Instrument of Concordat

Suspension of bankruptcy is an instrument allowing suspension of the decision of bankruptcy regarding the capital corporations and cooperatives heavily in debt and in default for a certain period of time and aims to improve their financial situation and recover from the status of bankruptcy by staying away from the proceedings of the creditors of the said corporations and cooperatives (Atalay, 2006:51).

It has been resolved by the Statutory Decree No. 669 of the Council of Ministers promulgated on the Official Gazette on July 31, 2016, that the capital corporations and cooperatives shall not be entitled to claim for suspension of bankruptcy throughout the continuation of the state of emergency and the claims, if any, shall be rejected by the courts.

By the Law No. 7101 and the amendments performed to the Enforcement and Bankruptcy Law No. 2004, the instrument of "Suspension of Bankruptcy" has been abrogated and replaced with the instrument of "Concordat ". This instrument is not a regulation newly formed but has been introduced to law by the Commercial Act dated 1850 for the first time and has been existent in our law as of the first Enforcement and Bankruptcy Law enacted in 1929. This instrument is based on the «Federal Law on Proceeding and Bankruptcy for Debts» enacted in Switzerland on 11.04.1889 and inured on 01.01.1892 (Uyar, 2019:5). According to this amendment performed; any debtor who are not able to pay his/her debts even though they are due or is in danger of not being able to pay on due date, may claim a concordat in order to be able to pay his/her debts or to avoid a possible bankruptcy by granting a term or performing an

abatement. Thus, the debtor acting in good faith with deteriorated financial status shall have the opportunity to restructure of their debts through settlement between the creditors within the framework of an agreement. Certain differences are available between the concordat and suspension of bankruptcy. Those are as follows;

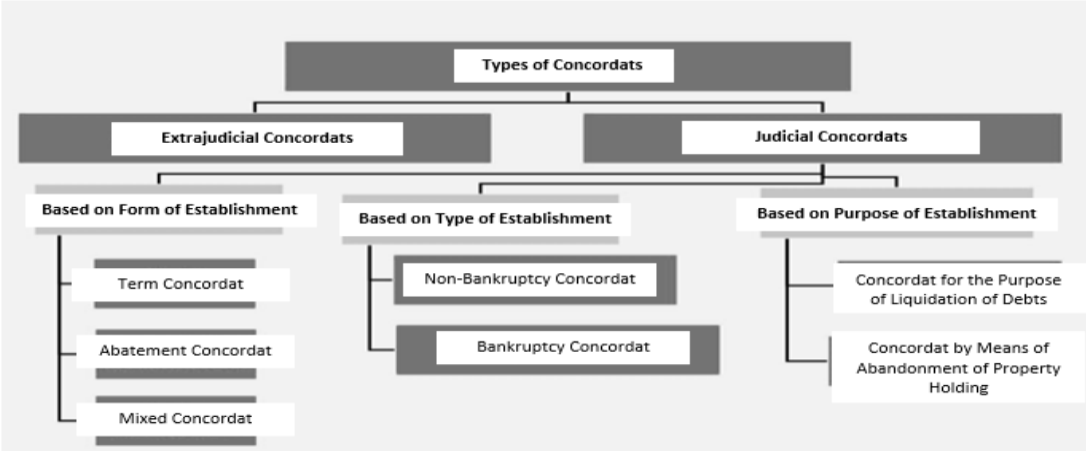
- ✓ Regardless of being subject to bankruptcy or not, the entire debtors and creditors that may claim for bankruptcy are entitled to claim for concordat, but only the capital corporations and cooperatives may claim for suspension of bankruptcy.
- ✓ In order for the suspension of bankruptcy to be ordered by the Commercial Court of First Instance, the consent of the creditors is not required. In other words, in case there is no requirement for the attendance of the creditors and the conditions arise, the court may adjudge for the suspension of bankruptcy. On the other hand, the approval of the concordat by the court depends on the attendance of the majority of the creditors to the meeting.
- ✓ While only the debtors with liabilities more than assets (heavily in debt) are entitled to claim for suspension of bankruptcy, the debtors actually or threatened to fail to pay their debts when due are entitled to claim for concordat.
- ✓ In concordat, no interest is accrued throughout the term of the concordat for the receivables not secured by pledge, in case of suspension of bankruptcy, interest continues to be accrued accordingly.
- ✓ While concordat is compulsory for the entire debts arising prior to the claim for concordat or within the term without the authorization of the commissioner, such situation does not apply for the suspension of the bankruptcy.
- ✓ Although the creditors in the suspension of bankruptcy are free to renounce from a certain part of their receivables, in concordat, in case the creditors waive from certain part of their receivables, concordat is then accomplished.
- ✓ The duration of suspension of bankruptcy can be up to 5 years, while the duration of concordat process cannot exceed 29 months.
- ✓ Concordat, in terms of its legal nature, refers to an agreement for the liquidation of debts, and it reveals itself as a more mitigated liquidation procedure in comparison with the bankruptcy liquidation. However, the suspension of bankruptcy is not a liquidation procedure, but a temporary protection measure within the bankruptcy proceedings. It is also possible to claim for a concordat without the judgment for suspension of bankruptcy (Öztek, Budak, Tunç Yücel, Kale, & Yeşilova, 2018:100).
- ✓ Although the acceptance of the claim for suspension of bankruptcy is conditional on the indebtness of the capital corporation and cooperative (Atalay,2003:95), for the concordat proposal, the insolvency of the capital corporation and cooperative is sufficient and the extent of deterioration of the financial statuses of the said enterprises is not important.
- ✓ The power of disposition of the debtor is more stronger during the suspension of bankruptcy.

- ✓ Suspension of bankruptcy is a simple and fast process and therefore, it is an instrument in which results can be accomplished easier.

3. Types of Concordats

Concordat is divided under two categories, as extrajudicial and judicial concordat based on the manner of occurrence. Extrajudicial concordat refers to a type of concordat realized by the debtor settles with the creditor directly on an individual basis without the involvement of any public authority in charge within the concordat procedure. It is only binding on the creditors agreed on it, not serving as a binding instrument on other creditors (Saraç, 2019:2). Therefore, such creditors are entitled to proceed with the execution proceedings initiated previously. Judicial concordat refers to the type of concordat realized within the framework of the provisions of Enforcement and Bankruptcy Law with the involvement of the Commercial Court of First Instance with the debtor and creditors. Judicial concordat is classified under various types such as term concordat, abatement concordat, mixed concordat based on the form of establishment and based on the time of establishment, it is classified as non-bankruptcy concordat and bankruptcy concordat and classified under certain types such as concordat and concordat by means of abandonment of property holding based on the purpose for the liquidation of the debts.

Figure 1. Types of Concordats



Source: Formed by us based on current provisions.

4. Concordat Process

The court grants a temporary term upon the claim for concordat of the debtor in accordance with the Article 287 of Enforcement and Bankruptcy provided that the statutory documentation is enclosed with the claim for concordat, takes the required measures for the property holding and a temporary bankruptcy commissioner is appointed. The temporary term is three months. The court, within this period of three months, upon the request of the temporary commissioner, may extend this temporary term for maximum two months, in case the extension is requested by the debtor, the

opinion of the commissioner shall be sought. The total period of temporary term cannot exceed five months. The court can partially or entirely restrict the power of disposition of the debtor by a temporary term judgment and shall have the disposition transactions to be performed subject to the approval of the commissioner. The restriction can be imposed in terms of amount as well as transaction in limited numbers. Upon the expiry of the temporary term, the final term is initiated. The commencement date of the final term is the end of the period of three months in case the temporary term is three months and in case the temporary term is extended, it is the day following the last day of the extended term. In case of acknowledgment that the concordat is likely to succeed, a final term of one year is granted to the debtor. The term of concordat, with the extensions granted (maximum (3+2) 5 months of temporary term + maximum (12+6) 18 months of final term) cannot exceed 23 months, however, if a judgment is not to be delivered related to the attestation of the concordat, it cannot exceed a total of 29 months by extending further 6 months within the scope of the report to be drawn up by the court commissioner (Aslanoğlu & Cengiz, 2021:52). No proceeding can be performed on the debtor within the final term including the proceedings within the scope of the Law on the Procedure for the collection of Public Receivables No. 6183 and the proceedings initiated prior to the judgment of term is suspended. Moreover, interim injunctions and precautionary attachment judgments delivered or to be delivered within the final term shall not be applied. If the organization is declaring a concordat, the signature authority of the organization officials is removed and the power of disposition regarding the organization is transferred to the commissioner appointed (Bilen & Güler, 2019: 87).

5. Opportunities Provided by the Concordat to the Debtor Enterprises

Concordat is an instrument providing the opportunity for debtors failing to pay the debt when it is due or who are in danger of not being able to pay it when due, to gain time in order to pay their debts or to avoid a possible bankruptcy by granting a term or an abatement. It enables the debtors to pay their debts within a certain term and/or amount upon concluding a settlement with the creditors and approval of the court. In accordance with the Article 294 of the Enforcement and Bankruptcy Law, including the public receivables subject to the Law on the Procedure for the collection of Public Receivables No. 6183, including the injunctions, precautionary assessment and custody processes are suspended by means of interim junctions and moreover, debt enforcement proceedings and attachments cannot be performed on the properties and assets of the debtor. The terms on the investment incentive certificates and export commitment terms are suspended starting from the date of delivery of temporary term judgment until the date when the concordat becomes binding. No power cut is applied on the energy sources of the organizations operating within the manufacturing sector in order not to cause any interruptions in the manufacturing process.

Following the approval of the concordat project, no interest shall be charged on the receivables as of the final term, unless there is a contrary provision. In the concordat process, in accordance with the Article 206 of the Law, certain receivables in the first place can be enforced by attachment. These receivables are as follows;

- ✓ Receivables of the workers including their severance pay and payment in lieu of notice accrued based on employment relation within one year prior to the filing of the bankruptcy and the severance pay and payment in lieu of notice entitled upon the termination of the employment relation due to the bankruptcy,
- ✓ Debts owed by employers to facilities or associations that have acquired legal entity status and are formed for the purpose of establishing or maintaining provident funds or provident fund organizations for workers,
- ✓ All sorts of alimony receivables arising from the family law accrued within one year prior to the filing of the bankruptcy and required to be performed in cash.

6. Consequences of Attestation Judgment of Concordat

As in the temporary and final term, the commercial courts of first instances are the competent authority to deliver the judgment for the acceptance and denial of the attestation of the concordat. The judgment for attestation is required for the concordat to be binding. The judgment for attestation indicates that the claim for concordat is accepted by the creditors and approved by the court. When the filing of concordat is approved, the debtor party is relieved of its debts to the extent accepted by the creditors. In cases where the concordat is not approved and the court decides to deny it, the debtor corporation may declare bankruptcy. If the direct reasons for the debtor's declaration of bankruptcy are found sufficient, the court may decide for bankruptcy ex officio (Eroğlu, 2019:792).

- ✓ **Judgment of Acceptance of Concordat**

As a result of the trial to be conducted by the court, in case a judgment is delivered for the attestation of the concordat, the court is entitled to appoint a trustee in charge of taking supervision, management and liquidation measures for the purpose of ensuring the performance of the concordat. The trustee audits and inspects the transactions to be performed by the debtor and notifies the court upon identifying an error or negligence. The concordat shall be binding upon the attestation judgment of the court. The attestation judgment is compulsory for the entire receivables arisen within the term and the receivables arisen prior to concordat application. However, the attestation of the concordat project by the court is not compulsory for the public receivables subject to proceeding in accordance with the Law on the Procedure for the collection of Public Receivables No. 6183.

- ✓ **Judgment of Denial of Concordat**

In the event that the concordat is not attested, denial judgment is delivered, and this provision is enunciated. The denial judgment is notified to the relevant

institutions and organizations. The court, in case any of the causes of bankruptcy is available and the debtor is an entity subject to bankruptcy, delivers the judgment for the bankruptcy of the debtor ex officio. The court can deliver the bankruptcy judgment ex officio and the debtor per se or the creditors may claim for the bankruptcy judgment to be delivered.

7. Conclusion

It has been adjudicated with the recent regulations performed that in the event the goods and rights constituting an economic and commercial integrity or acknowledged to generate higher revenue if sold as a whole and organizations having these goods or rights are to be sold as a whole and if sales as a whole cannot be realized, the goods and rights can be sold separately. Also, in the event of availability of the conditions stipulated in the Enforcement and Bankruptcy Law within the temporary or final term of the concordat and in accordance with the procedure written in the Enforcement and Bankruptcy Law, it is feasible for the pledged assets to be sold. The requirement has arisen for certain concepts such as doubtful receivables in the tax legislation to be reconstrued based on the new legal regulations. Thus, tax administration allows the corporation filed suspension of bankruptcy to reserve provision for doubtful receivables while it does not allow the organizations filed bankruptcy to reserve provision for doubtful receivables in terms of receivables. The ever-increasing claims for concordat lead to possible tax disputes due to disputes experienced in this regard in terms of taxpayers and tax administration. Therefore, it shall be appropriate to add the expression “receivables at the phase of lawsuit, enforcement or concordat” as one of the requirements to reserve provision for doubtful allowances for the purpose of ensuring volunteer compliance of the taxpayers with the taxation. It is required for the instrument of concordat expected to introduce further contributions to the economy of the country in the progress of time to be aligned with the procedures of financial structuring and to prevent misuses accordingly. It is clear that the fact that the financial analysis reports are not to be drawn up for the small businesses shall have a direct effect on the success of the instrument of concordat.

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Evaluation of the Electronic Notification Procedure in Turkish Tax Law

Kadir Ayyıldırım[1]

Abstract

The taxation process, beginning with the taxable event, entails the assessment process in which the tax debt is determined in terms of amount. When the assessment process is carried out by the administration besides the declaration procedure, the notification process is carried out in sending the payment order. In addition, regarding the letters sent for tax auditing purposes, the notification process allows to ensure that the concerned persons fulfill their other tax-related.

Today, besides traditional methods, electronic notification method could also be used by tax administration. As well as the fact that this method enables the shortening of the notification process, it also eliminates the subjective practices in the notification process. Moreover it reduces flaws caused by the negligence or fault of the officer in notification. Thus, it allows the tax debt to be paid in a short time, which in turn positively contributes to the budget.

On the other hand, while the electronic notification system has some specific impacts in terms of the administrative procedures, it can lead to violations of the rights that taxpayers have.

Keywords: Notification, Electronic Notification, Turkish Tax Law, Taxpayers' Rights
JEL Code: K34, H83

1. Introduction

The taxation process, beginning with the taxable event, entails the assessment process in which the tax debt is determined in terms of amount. Following the taxable event, the existence of an assessment transaction is required in order to determine the amount of the tax liability. When the assessment process is carried out by the administration besides the declaration procedure, the notification process is carried out in sending the payment order. In addition, the letters sent by administration regarding the tax auditing process allows to ensure that the concerned persons fulfill their other tax related.

In the Tax Procedure Law No. 213, notification is defined as the notification to the taxpayer or other person of the issues related to taxation in writing or serving by publication.

In the traditional methods, the notification process is carried out by post, through a tax officer, at the office or commission and serving by publication. In addition to these traditional methods, electronic notification (E-notification) can be made with the article "107/A" added to the Tax Procedure Law in 2010 with the Law No. 6009. In this context, the Ministry of Treasury and Finance has been authorized to

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determine the procedures and principles regarding electronic notification. The electronic notification system has become available in the taxation process since 2016. Besides traditional methods, notification process is also carried out in electronically since this date.

Moreover, during cases in which letters regarding the submission of books and other evidential documents is notified electronically, it is possible that taxpayers may not notice that they have received these letters, which in turn, will be able to result in crime of concealment according to Article 359 of Turkish Tax Procedure Law. Though, in such cases, presence of criminal should be further investigated. Furthermore, when the case law by the judicial organs is examined, it can be deducted that the electronic notification system is not fully comprehended by the judicial authorities.

Since the beginning of implementation of the electronic notification system, this study evaluates the disputes existing in the judicial system, and makes some suggestions based on either the implementations, which is used in other countries, or doctrines regarding this issue.

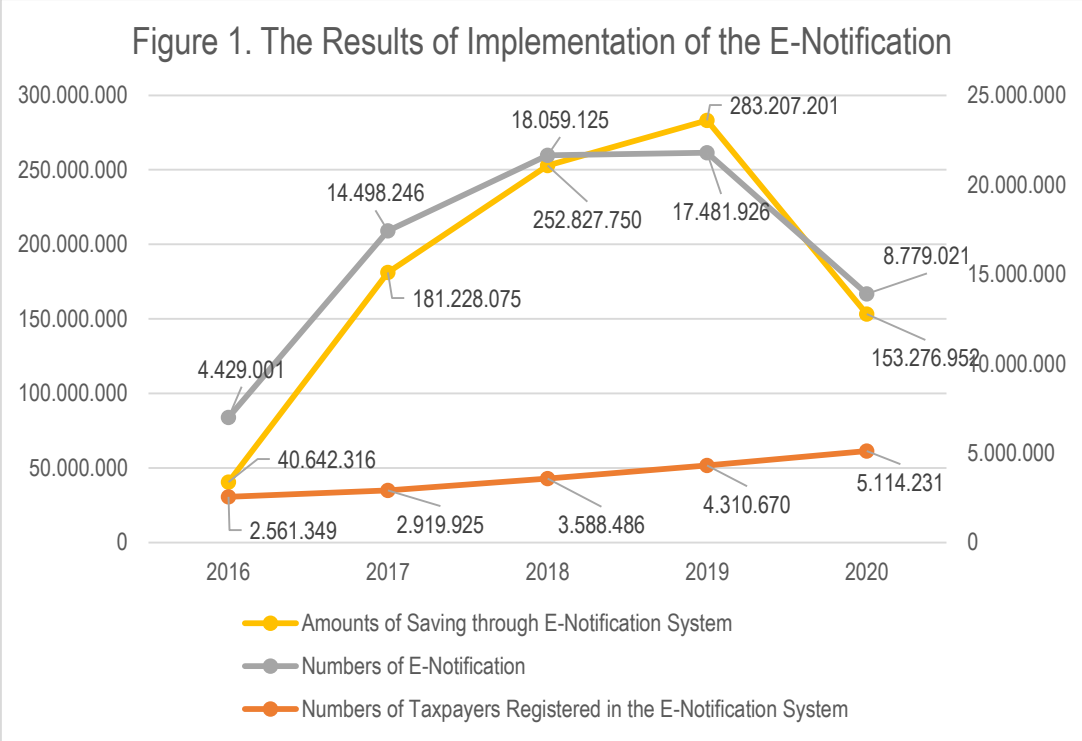
2. Electronic Notification Procedure in Turkish Tax Law

Notification of the legal proceedings concerning the establishment takes on a vital role both in judicial and administrative process. Notification is an issue that needs to be focused sensitively on transactions related to taxation process since it allows not to use the administrative rights of the accountant in transactions related to the taxation process, but also allows the accountant to use the judicial rights in the tax prosecution process. In this context, the use of administrative rights such as reconciliation and reduction in penalties is only possible after the notification. Besides allowing the interested persons to be informed about the legal procedure against them and the issues which are based on these proceedings, notification also allows its addressee to make it possible for seeking judicial rights on judicial authorities against such proceedings and to present their claims to these authorities.

In E-notification system, some documents about tax issues are sent to the addressee via electronically. For example, besides traditional methods, a tax notice can be sent electronically to the person's electronic notification address. Sending the notification with this method is sufficient for the legal consequences to ensue, such as the other traditional methods.

When the annual activity reports of the Turkish Revenue Administration are analyzed, it is seen that a total of 2,561,349 taxpayers were registered in this system in 2016, and the number of e-notifications sent was 4,429,001. In 2017, it is seen that the number of e-notifications sent reached 14,498,246. In 2018, it is observed that a total of 3,588,486 taxpayers were registered in this system, and 18,059,125 e-notifications were sent to these persons. When we look at 2019, we see that there are 4,310,670 taxpayers registered in the e-notification system, and the number of e-notifications sent to them was 17,481,926 during this year. Finally, when the data for the year 2020 are examined, it is seen that there are 5,114,231 taxpayers registered in the system, and the number of e-notifications sent to them in the relevant year is 8,779.021.

Similarly, when the annual reports are examined, in 2016, it is seen that 40,642,316 Turkish Liras (TL) was saved with the use of the e-notification system. The saved amount eventuated respectively 181,228,075 TL (in 2017), 252,827,750 TL (in 2018), 283,207,201 TL (in 2019), and 153,276,952 TL (in 2020). Therefore, it is seen that the system has made a positive contribution to the budget of 911,182,294 TL in total from the day it came into effect until the end of 2020.



Source: Turkish Revenue Administration, 2020.

In addition, the E-notification system has a decisive effect in terms of informing individuals and documenting of this process. Moreover, since E-notification will shorten the notification process by minimizing the mistakes that are frequently made in traditional methods, tax debt will be collected in a shorter time.

On the other hand, it should not be ignored that some problems may arise from the implementation of the E-notification system. As considering the legislation regarding the electronic notification system in Turkish tax law, it is clear that the accepted five-day period is quite short. Furthermore, it is thought that this system strengthens the hand of the administration rather than the taxpayer, and in this context, it may violate the taxpayers' right to legal remedies preserved in the Constitution.

As of 01.01.2020, with Tax Procedure Law General Communiqué No. 511, which amended Tax Procedure Law General Communiqué No. 456, it is regulated that the Presidency of Tax Inspection Board of Republic of Turkey could also use the E-notification system. Now, in the taxation process, with the regulation, letters regarding

the submission of books and other evidential documents to tax inspectors could be sent to taxpayers via electronically.

If it is assumed that these letters sent via electronically are missed or not seen by the taxpayers, it is inevitable to consider whether this is resulted in the crime of smuggling according to Article 359 of Turkish Tax Procedure Law. For instance, suppose the taxpayer does not see these letters due to some reasons such as inattention or forgetfulness, it is worth discussing whether the existence of intent will be mentioned. As a matter of fact, the existence of intent, which is a moral element of crime, is necessary for the crime to occur.

3. Conclusion

In the study, it has been tried to make an analysis on some cases that have been ascertained to the judiciary since the implementation of E-notification.

In this context, as of the implementation of this system, it has been attempted to determine how some taxpayers' rights is violated. When we look at the ascertained decisions, it has been observed that laws and other legislations on electronic notification system have not been fully discerned by some authorities, especially judicial organs. For instance, that a judicial authority takes no account of the legal period of five days regarding the term of litigation may result in a violation of right to access a court.

As a result, it can be recommended to take the following measures to make the system more effective:

a) Reviewing the accepted five-day period in the law,

b) Determining some reasonable grounds for exiting the system,

c) Giving taxpayers a right to not receive a notification for a certain period, as in Spain,

d) Making electronic notification obligatory, except mandatory conditions.

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Fiscal Decentralization and Economic Growth in the Baltic Countries: Is it a Relationship?

Neringa Slavinskaitė[1]

Fiscal decentralization has been widely discussed at various levels and from various perspectives. The Organization for Economic Co-operation and Development (the OECD), similar to the World Bank, also pays great attention to it. Fiscal decentralization has always been an interesting investigation topic, and the researchers, in addition to considering the future of the economy, study this problem from different perspectives, i.e. geographic, political and others. The effect of fiscal decentralization on the economic development of the state has been investigated by various authors. There are lots of studies analysing the relationship between decentralisation and economic growth (Davoodi, Zou, 1998; Martinez-Vazquez, McNab, 2003; Rodriguez *et al*., 2009, Bova *et al.*, 2014, Slavinskaitė, 2017), yet there is no single right way to define this relationship. Some researchers found a positive relationship (Akai, Sakata, 2002; Iimi, 2005; Buser, 2011; Szarowska, 2014, Slavinskaitė, 2017), whereas others showed that fiscal decentralisation and economic growth are negatively correlated (Davoodi, Zou, 1998; Rodríguez-Pose, Ezcurra, 2011; Baskaran, Feld, 2013). There is a group of researchers, who had found a relation between Fiscal decentralisation and economic growth, but it has no statistical significance (Davoodi, Zou, 1998; Thornton, 2007; Asatryan, Feld, 2015).

The paper analyses the fiscal decentralization level and it effects on economic growth in Baltic countries for the period 2008–2018. The Baltic countries (Estonia, Latvia and Lithuania) are often considered as one region with similar economic profiles and common political and social values. They are geographically and historically closely related, particularly during the Soviet era. Moreover, their post-Soviet development has been rather similar as well. Nevertheless, there are significant differences with respect to local administrative systems and government finances. After restoring independence, the three Baltic countries have been reorganising its public institutions according the western standards and every country has some differences in organising the management of local governments. In Lithuania, local authorities are divided into three layers: ten counties, sixty municipalities and five hundred elderships. In Latvia and Estonia local units are represented by municipalities. This paper analyses the three Baltic countries that became officially independent from the Soviet Union in September 1991: Estonia, Latvia and Lithuania. Local governmental reforms in the three Baltic States have also been the subject of earlier publications (Wrobel, 2003;

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Vilka, 2004, 2012; King *et al.,* 2004; Vanags, Vilka, 2006; Trasberg, 2009; Linnas, 2011; Mäeltsemees, 2012; Groenendijk, Jaansoo, 2016), but these publications do not always specifically deal with fiscal decentralisation.

The article object is fiscal decentralization level and it effect on economic growth in the Baltic countries. The aim of this article is to investigate the theoretical aspect of the effect of fiscal decentralization on economic growth, evaluate the level of fiscal decentralization and it effect on economic growth in the Baltic countries. The empirical analysis was based on the multiple regression method and multicriteria decition method – SAW (Simple Additive Weight). Using a panel data approach with dynamic effects, I examined the implications of fiscal decentralisation index on economic growth across the Baltic States over the period of 2008-2018. The novelty of the study is emphasized by supplementing the analysis with a fiscal decentralisation index, which includes 24 indicators of fiscal decentralisation. Lithuania has the lowest fiscal decentralization index (0.28) of the Baltic countries. Results showed that there is a statistically significant and positive relationship between fiscal decentralisation and economic growth in the Baltic States for the period of 2008-2018.

Key words: fiscal decentralisation, economic growth, Estonia, Latvia, Lithuania, Baltic States

The Relationship Between State and Society in Government Support to Theatre Art

Sacit Hadi Akdede[1]

This paper invesitgates the relationship between state and society in government suport to theatre art in Turkey. This is a descriptive paper, defining main problems of producing theatre art and offering some solutions to these problems. Theatres, especially private or independent theatres, have many financial problems. In fact, it would be imaginative or absurd to call the private theatres' problems solely financial since many of them have survival problem during the COVID-19 pandemic. Our descriptive setting and investigation here actually go beyond the pandemic period since most of the problems are structural ones. The main motivation for this paper is to understand the dynamics of the state support to incependent or private theatres along with the theatre production of Turkish State Theatres. Comparing in several grounds such attendance, number of produtions, costs, we find that there is a significant difference at the aggregate level in the number of productions and attendance between state theatres and independent theatres: Independent theatres reach more audience, produce more performances and plays since there are mora independent theatres than state theatres. However, the difference between total and average costs are also signficant in the favor of state theatres. Average cost of one single performance in the state theatres costs almost entire expenditure budget of a small independent theatres. This paper also investigates, in addition to direct production of state theatres in many different cities in Turkey, the dynamics of government support administred by Fine Arts General Directory of Cultural Ministry of Turkey. we get the data from mainly Cultural Ministry and Fine Arts General Directory. The ultimate purpose of this paper is to help policy makers to design a cultural policy that includes dynamics and logic of government support to theatre arts.

Keywords: Cultural policy, government support, theatre production.
JEL code: Z11, H11

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Comparative Evaluation of Financial Structure and Service Provision Priorities of Metropolitan Municipalities in Turkey with Selected European Union Municipalities During Covid-19

Hakkı Hakan Yılmaz[1]

The COVID-19 crisis is strongly affecting regions and municipalities throughout the European Union, according to a June 2020 European Committee of the Regions (CoR)-OECD survey of 300 EU regions and municipalities (OECD, 2020)[2]. Although the fight against the contagious disease is carried out by central institutions, it is seen as a critical role for local governments to be in strong coordination with the center in this time of era. In this sense, it is emphasized by many studies that the countries that determine the priorities in local service delivery and apply the determined standards in service delivery are more successful than other countries.

Subnational governments are at the frontline of the COVID-19 response. Regional and local authorities are responsible for delivering critical short-term containment measures and more long-term recovery activity – from health and social care to economic development and public investment. (OECD, 2019)[3]

Decentralization can be discussed in multiple ways. It has been defined in public planning, management and decision-making as the transfer of authority and power from higher to lower levels of government (Rondinelli 1983, Mills 1994)4. The approach differs according to the researchers of different schools. Decentralization has commonly been evaluated according to Rondinelli's (1983) four-part classification of delegation, de-concentration, devolution and privatization. Important pillar of local government finance is based on what kind of expenditure responsibilities that local authority can do.

The degree of the autonomy of local governments also to a large extent depends on degree of freedom they have in deciding which expenditures they will provide. Division of expenditure responsibilities between government is a complex issue. Whether the expenditure will be done locally or centrally should be decided by looking at the stability of the economy, income distribution, and how the resources are distributed across the country.

Local government administrations in Turkey can be classified as; municipalities, special provincial administrations, municipal affiliated agencies, local government

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associations, development agencies. Local authorities share in the general government is almost 11 % and 4 % as a share of GDP in 2020. With the implementation of the law numbered 6360 in 2014, a new management system was introduced in metropolitan cities in Turkey. Law no. 6360 ratified in 2012 and effective in 2014 after local elections, extended the area of responsibility of metropolitan municipalities to the provincial border. The changing new structure has led to an increase in the roles and responsibilities of metropolitan cities.

In this study, the deteriorating financial balances of municipalities in Turkey during and before the pandemic, especially in the election period, and the financial structures that became more difficult with the increasing debt burden and the change in service priorities will be discussed within the framework of selected EU country experiences. In this sense, the aim of the paper is to analyze the change and implementation of the service priorities of the metropolitan municipalities in the context of the financial management structure and conditions.

The method of the study is based on the analysis of the financial performance of the metropolitan cities and the evaluation of the local service issues related to priorities and financial management with selected metropolitan cities through a semi-structured questionnaire. In this context, the financial structure of metropolitan municipalities will be analyzed comprehensively, including financial programing and debt management, before the pandemic time(the period until 2015) and during the pandemic period. In this analysis, the financial performance of municipalities will also be discussed in terms of the credibility of these institutions according to international standards. Financial data of the municipalities are both taken form the Ministry of Treasury and Finance and also activity reports of the metropolitan municipalities.

After the financial structure has been revealed for two periods, a semi-structured questionnaire will be prepared in order to understand the objectives and targets in the current strategic plans and performance programs of the metropolitan municipalities and revisions on policy priorities during the pandemic period. By applying this questionnaire to the top management and department of financial services units in at least 10 MM, information will be produced to analyze which services they prioritize, which services they postpone and their differing practices regarding financial management during the pandemic period. As a result of the application of the prepared questionnaire form with one-to-one interviews, it will be evaluated in programs and activities for public health, urban transportation, solid waste, environment and social programs, where pandemic conditions require priority intervention.

Within the scope of the study, the main changes in the services produced by municipalities in at least five selected EU countries and what kind of support the central government provides to local governments, especially during the pandemic time, will be examined. Again, regarding the sharing of roles and responsibilities between the central and local administrations, applications for resource sharing and service standards in selected areas will also be evaluated.

Regarding the financial structure, the change in the income and expenditure structures of the MM, as well as the structure and development of the resources transferred from the central government will be evaluated. Again, within the framework of increasing debt burden, financing structures and financing programs will also be grouped by taking into account the differentiation between metropolitan municipalities. In this way, an assessment of the credibility of municipalities in accordance with international ratios will be measured under pandemic conditions.

The findings of the study will be on two main areas: First, financial performance evaluation of the MMs based on selected basic ratios in pandemic time; Secondly, within the framework of the semi-structured survey results, the changing priorities of the municipalities in local service delivery and implementation level. In this way, the level of compliance of metropolitan cities with service priorities during the pandemic period will be analyzed by comparing EU member municipalities'' programs and performances.

Ethics and Oil and Gas Taxation – The Case of the UK

Jane Frecknall-Hughes[1] **Hafez Abdo**[2]

The UK oil and gas sector provides about half of the UK's primary energy needs, supporting over 300,000 jobs and contributing to the public purse via taxation. Although an estimated 20 billion barrels of oil remain, oil production has passed its peak point. An ageing infrastructure (now over 50 years old), higher taxes, increased operating costs and fluctuating oil prices have created difficulties for the UK oil and gas industry. In particular, the maturity of the industry has led to a number of oil fields being subject to abandonment and therefore to the risk of losing a significant amount of national oil and gas wealth. The UK Oil and Gas Authority (OGA) believes that, with improving management of existing wells and suitable intervention mechanisms, the closure rate will slow down and production from marginal wells can be maximised, an objective set by a commissioned review conducted by Sir Ian Wood in 2014, supported by the OGA and termed 'Maximisation of Economic Recovery' (MER).

Owing to fewer overheads and greater specialisation, smaller operators often incur lower operating costs in extracting oil and gas from smaller and marginal fields, so there is a strong argument for transferring such fields from existing large operators to smaller firms to maximise economic recovery from these fields.

The UK petroleum fiscal regime, regulated by the *UK Continental Shelf Act 1964*, provides a decommissioning tax relief (DTR) for the decommissioning costs of oil and gas assets. To prevent pre-mature closure and allow smaller operators to use their specialised skills in extracting oil from mature fields, and to enhance further the effectiveness of DTR, the UK Government introduced legislation in 2019 that allows transferability of tax history (TTH) between operators, along with the transferability of ownership of late-life oil and gas assets. In essence, this means that a seller of a UK Continental Shelf oil and gas interest can transfer part of its tax history to the buyer, such that the buyer may be able to use losses arising on decommissioning to trigger a repayment of taxes paid in previous years, which hitherto could only have been claimed had the assets remained in the hands of the seller. The new regime is elective, complex, and applies to transfers on or after 1 November 2018.

Enhancing the recoverability of petroleum resources contradicts the UK's climate change and sustainable development commitments set out in the *Climate Change Act 2008* and its recent pledges to reduce its greenhouse gas emissions to net

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zero by 2050, which are also supported by various long-standing tax incentives in terms of enhanced capital allowances on energy efficient equipment/assets and initiatives such as the Climate Change Levy and the CRC Energy Efficiency Scheme (formerly known as the 'Carbon Reduction Commitment').

Through 25 semi-structured interviews with experts in the oil and gas sector, we explore the various ethical dilemmas inherent in a tax system which simultaneously supports the maximum extraction of fossil fuels which damage the climate and promotes initiatives which sustain it.

Financial Incentives and Recommendations for Biomass Energy in Turkey in the Context of Sustainable Energy

Ayşe Yiğit Şakar [1]

Abstract

The energy sector affects many sectors such as industry and technology, buildings, services, agriculture, transportation and logistics. With the development of technology and industrialization, security of supply in the field of energy and sustainable energy have become the most important agenda on a global scale. As the problems occuring in energy supply have a negative impact on energy demand, it causes economic crises globally. When the risks related to climate change caused by global warming are considered, the severity of the problem becomes clear. Possible risks in the future may lead to major economic disasters. Avoiding these risks is largely possible with sustainable energy sources. Sustainable energy has two components: renewable energy sources and energy efficiency. In terms of sustainable development, one of the most important risks facing Turkey, which has experienced significant economic losses from climate changes, is its dependence on foreign energy sources. Like other countries, Turkey has also turned to renewable energy sources and policies to increase energy efficiency in order to eliminate this risk. Turkey's renewable energy sources mainly are solar, wind, geothermal, hydraulic and biomass energy. Biomass energy is recognized as one of the sustainable energy sources. It is seen as an option that will contribute to socio-economic development and reduce foreign dependency in energy, due to its benefits such as creating employment in rural areas and preventing migration to the city. At this point, it is important to provide government aid and tax incentives for biomass energy production.

In this paper, the current situation of tax incentives and aids provided to biomass energy as a sustainable energy source in Turkey is examined and recommendations are presented.

Keywords: Sustainable development, sustainable energy, renewable energy, biomass energy, climate change, tax incentives

JEL Code: H20, K34, P18, S48, S54

1. Introduction

Realization of sustainable development is highly possible with sustainable energy sources.Factors such as the increase in the world population on a global scale, industrialization, urbanization and technological progress have caused an increase in energy demand. Conventional energy sources based on fossil fuels such as oil, natural gas and coal will be depleted in the near future. Energy supply security is compromised due to political instability in countries with fossil fuels. Greenhouse gas emissions resulting from the use of fossil fuels lead to global warming and environmental pollution. The world economy loses a great deal due to climate changes as a result of global warming. Such reasons have directed countries' attention to renewable energy sources and energy efficiency.

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Demand for energy in Turkey is also increasing in line with global developments. Turkey is a poor country in terms of fossil energy sources such as oil and natural gas. Our country is dependent on foreign energy sources at a rate of %76. It is very difficult for a country that is dependent on foreign energy to achieve sustainable economic development. Furthermore,Turkey is adversely affected by climate change caused by global warming and suffers economically. Therefore,Turkey is turning towards the production of inexhaustible and renewable energy sources,whose effects on environment are not as negative as fossil fuels, and towards policies that can increase energy efficiency. Turkey's renewable energy sources are mainly solar, wind, geothermal, hydraulic and biomass energy. Biomass energy is considered as one of the sustainable energy sources due to its features such as not creating environmental pollution,being easily available and stored,and being inexhaustible. It is seen as an option that will contribute to socio-economic development and reduce foreign dependency in energy due to its benefits such as creating employment in rural areas and preventing immigration to the city. At this point, it is important to provide government support and tax incentives for biomass energy production.

The purpose of this paper is to examine the current situation of tax incentives and supports provided to biomass energy, which is a potential option among renewable energy sources in Turkey in the context of sustainable energy, and to present recommendations.

A theoretical framework will be prepared and a literature review will be made. Applications in the world and Turkey's current situation will be addressed, recommendations will be presented by making comparisons.

2. Sustainable Energy and Biomass Energy

Energy is the basic element of economic, social and environmental policies in the field of sustainable development. While meeting the energy supply and demand; along with the right economic policies, environmental and social costs should also be reduced.

Economic development cannot be achieved if its social, cultural and environmental dimensions are neglected. The most significant environmental problems in energy activities are generally caused by the use of fossil fuels in industry, heating, transportation and electricity production. This problem also exists in Turkey as in the other countries in the world.

Sustainable energy is defined as *"The realization of energy production from all primary energy sources with high efficiency and clean technologies, the evaluation of fossil fuels with new environmentally friendly technologies, the replacement of fossil sources with renewable energy sources as much as possible, the use of energy that comes out as waste in one cycle and as an input in another cycle, and a concept that integrates this with economic growth"* (Selici vd., 2005:3).

Biomass energy is one of the sustainable energy sources. Organic materials containing plants, animal waste, fertilizer, forest by-products, urban waste and food industry wastes that can be converted into energy and renewed in a short time are called biomass (Özil vd. 2013: 79).The simple burning of turd consisting of wood and animal wastes procured by logging is called classical biomass energy. Various fuels such as biodiesel, ethanol obtained from energy crops,energy forests and wood industry wastes;vegetable and animal wastes in agriculture,urban wastes,agricultural industrial wastes are defined as the source of modern biomass energy (https://www.eigm.gov.tr/tr-TR/Sayfalar/Biyokutle).

Biomass energy sources can be divided into three parts as solid,liquid and gas biomass, depending on the physical state they are in when converting to energy (Yiğitoğlu, 2014: 11-12; Özil vd. 2013: 95; Acaroğlu, 2006: 384; Dağdelen, 2015:6):

- Gas biomass is known as biogas. Biomethane and wood gas can be given as examples.
- As a solid biomass source, wood, chips, pallets, sawdust, sweet millet, miscanthus, reed canary grass, rapeseed, kenaf, safflower, branch millet; animal waste; corn, rice, cotton; coal obtained from rotten plants are used.
- Liquid biomass, green fuel, is called "biofuel" since it is generally used as raw material in vehicle engines.These consist of bioethanol, biodiesel, biomethanol, biodimethyl ether, bioethical tertiarybutyl ether and vegetable oils

Within the framework of National Energy Efficiency Action Plan, Biomass Energy Potential Atlas (BEPA) of Turkey was prepared.With BEPA, the agricultural, animal, forest and garbage potentials of the country, the amount of waste that could be obtained from these potentials and the electricity generation potential that could be obtained from these wastes were determined. As a result of this study, total energy equivalent of wastes in Turkey was determined as 34.002.542 (TOE/year) and total economic energy equivalent as 3.892.422 (TOE/year). Currently, there are 8 companies with biodiesel processing licenses, 5 companies with bioethanol processing licenses and 199 biomass-based power generation plants (https://bepa.enerji.gov.tr/). Among energy investment 2021 in Turkey, 120 companies' applications were approved within the scope of biomass invesments. This corresponds to 31.9% of the total 376 energy investments. Biomass has a share of 321,874 MW with 13.6% within the total installed power of 2,362 MW among the investments made (https://enerji.gov.tr/enerji-isleri-genel-mudurlugu-yatirimlar).

According to 2020 statistics of TEİAŞ the share of biomass in electricity production of Turkey is only 1.87% (https://www.teias.gov.tr/tr-TR/turkiye-elektrik-uretim-iletim-istatistikleri). Its share in the production of electricity from renewable energy sources is 3.47% (https://www.teias.gov.tr/tr-TR/turkiye-elektrik-uretim-iletim-istatistikleri).

3. Financial Incentives For Biomass Energy

Investment costs and operating expenses of biomass power plants are high.This situation requires them to be supported by a fixed purchase guarantee system (FIT) and tax incentives.

Foreign exchange-based support payments provided to renewable energy power plants in Turkey since 2005 within the scope of the Renewable Energy Sources Support Mechanism (RESSM) ended on June 30th, 2021. Upto this date, price for fixed purchase guarantee of 1 kWh of electricity production based on biomass energy in Turkey was 13.3 cents. RESSM payments for renewable energy facilities that has started operating as of July 1st, 2021 have begun to be made in Turkish Lira. The Turkish lira-based supports will be applied for 10 years for the production facilities with Renewable Energy Sources (RES) Certificate that will start operating until December 31st, 2025. Domestic contribution support will be provided over 8 kurus per kilowatt-hour for 5 years. RESSM prices will be updated four times each year in January, April, July and October. Inflation rates and exchange rates will be used as variables in the formula created for the update.

Within the scope of RESSM, the highest support price is determined at 54 kurus per kilowatt-hour, for power plants based on geothermal sources and biomass power plants based on biomethanization. The lowest support price is determined as 32 kurus for investments based on wind and solar energy. Biomass power plants based on the by-products of landfill gas and waste tire disposal are also among the plant types that will receive the lowest RES support, which is 32 kurus per kilowatt-hour.

The amount of support provided to biomass power plants based on thermal disposal of municipal wastes, vegetable oil wastes, agricultural wastes with no food and feed value, industrial non-wood forest products, industrial waste sludge and sludge treatment is 50 kurus per kWh. The new support prices determined in Turkish Lira are significantly below the former RESSM prices.

Financial incentives such as direct monetary aids per hectare,tax exemptions or low rate taxation are applied for biofuel production worldwide (Çelebi and Uğur, 2015: 27). A special tax incentive for biomass energy investments is not provided in Turkey. Investors benefit from general incentives under the Decision on State Aid in Investments no. 2012/3305. These are value added tax exception and customs duty exemption for import and domestic deliveries of machinery and equipment,and software and intangible sales leases within the scope of the investment incentive certificate.

Value Added Tax Exception: It is applied in the form of no payment of value added tax for machinery and equipment as investment goods procured from abroad and within the country within the scope of the incentive certificate, as well as for software and intangible rights sales and leases within the scope of the certificate.

Customs Duty Exemption: It is applied in the form of no payment of customs duty tax for machinery and equipment as investment goods procured from abroad and within the country within the scope of the incentive certificate. Until the date of

31.12.2021, the minimum fixed investment amount in the General Incentive System is 1 million TL in the 1st and 2nd regions, and 500 thousand TL in the 3rd, 4th, 5th and 6th regions. As of January 1st, 2022, the minimum fixed investment amount in the General Incentive System is 3 million TL in the 1st and 2nd regions, and 1,500 thousand TL in the 3rd, 4th, 5th and 6th regions.

Turkey applies reduction up to 2% of special consumption tax (SCT) to delivery of bioethanol fuel and diesel fuel blended with auto biodiesel (General Application Communiqué on Special Consumption Tax List No. (I) E., III, 2 and E., III, 5, https://www.gib.gov.tr/fileadmin/user_upload/Tebligler/OTV_Kanunu/uygulama1/3/B2.pdf) Reduction of SCT in auto biodiesel

- can only be applied in blending biodiesel with diesel fuel.
- It must be obtained only from agricultural products produced in Turkey, used frying vegetable oil in Turkey, and expired vegetable oil.
- It is applied as scantily as the ratio of biodiesel to the total mixture in blending biodiesel with diesel fuel.
- It is applied in form of returns.
- Only blenders can benefit from returns.
- SCT paid for auto biodiesel and/or diesel fuel blended into the delivered diesel fuel with auto biodiesel can be subject to a reduction under the provisions of Article 9 of Special Consumption Tax Law.

4. Conclusion

As a result, investments in biomass power plant installations and cultivation of energy crops (sugar cane,corn,sugar beet,sweet millet,sweet sorghum,etc.), which are used in energy farming and can grow even in insufficient soils, should be included within the scope of priority investments and they should benefit from the 5th Region incentives.There is no incentive mechanism in biofuels, other than the exception of SCT up to 2%.

Increasing the rate of 2% to 10% will contribute to the increase in production (Çelebi &Uğur, 2015:40). The expected benefits of these incentives can be as follows;

- Decreasing unemployment rate by creating employment areas in agriculture and transportation sector,
- Reducing regional inequalities by contributing to the development of rural areas,
- Prevention of migration from rural to urban,encouraging migration from urban to rural,
- Increase in Gross Domestic Product,
- Reduction of foreign dependency in energy,thereby contribution to the balance of payments balance,
- Creating potential tax revenues as a result of increased income of individuals.

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The Most Serious Challenge to the Climate Crisis: The European Green Deal Plan

Arman Zafer Yalçın[1]

The European Green Deal (AYD), announced by the European Commission in December 2019, is a real challenge to climate change. The expression "challenge" is a reference that shows how seriously the EU takes the problem of climate change and global warming. The subject of the paper is based on the introduction of the European Green Deal Plan, which was adopted by the EU Commission in December 2019 against the climate change problem and will be implemented by 2020. Under the Paris Agreement, the EU had committed to reduce its emissions by 40% below the 1990s level by 2030, but had not set a clear target for 2050. The European Green Deal Plan is committed to reducing the 2030 target by 50-55% reduction compared to 1990 and reducing the 2050 target by 100%. The EGD plan, which aims to separate economic growth from natural resource use and put the EU on a new sustainable growth path, is launched as the new growth strategy of the EU. While the plan draws the roadmap in a general framework for the member countries to be carbon neutral until 2050, the action foresees to complete the content of the plan in 2020 to achieve this goal. Except for the current 2030 and 2050 emission targets, the current roadmap includes concrete decisions such as the establishment of a fair transformation mechanism and the preparation of a 100 billion euro just transition fund for this purpose. The issue of how to achieve the targeted transformation requires a major challenge and the European Commission's hard work with other institutions and member countries. A climate law that will turn the political decisions made in early 2020 into a legal obligation, the preparation of countries' Nationally Determined Contributions (NDC) plans according to the determined green order agreement, renewable energy previously determined in the new action plan to be created to adapt to the green order, such as redefining targets such as energy efficiency, determining new sectors and activities to be included in the European Emission Trade System EU ETS, new industrial strategy and action plan for transition to circular economy, farm to fork strategy and implementation of carbon border regulation in agricultural policy many important and controversial issues are included in the EGD Plan.

As can be seen, EGD includes much more comprehensive and radical steps than the EU's previous targets and programs. It is more comprehensive because it offers a road map with actions that will not only settle for climate change, but prioritize all environmental issues from biodiversity to waste and air pollution, and reduce environmental pollution and increase the efficient use of resources. It is more radical

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and deep-rooted because there is no other country or block that offers this level of reduction and transformation program as the 2030 and 2050 target. Another very distinctive feature of EGD is that it does not limit the fight against climate with its own geography, but also has the potential to turn the issue into an action on a global scale with new decisions.

EGD requires a completely sustainable green social transformation in production and consumption patterns and social life in Europe. The European Commission states that such a transformation, the infrastructure of which will be established by 2020, can only be created in a carbon neutral Europe with a long-term strategy of 25 years. In this sense, policy makers and researchers need to work extensively on how to achieve such a transformation. The macroeconomic effect of all dimensions of the green order should be analyzed. At the point of how to achieve such a radical transformation, by looking at the content in EGD, it can be said that the following three factors will be important: the fair transformation pillar of the plan, the industrial policy pillar and the investment-financing pillar.

In the study, it aims to discuss whether AYD has a chance to succeed in the current global political order and in global economic conditions. In addition, the factors that limit the success of AYD will be discussed in the study. In this sense, the trade wars between China and the USA are seen as the most important risk factor that will limit the success of AYD. The risk factor in question will be discussed in detail in the study.

In the study, the EU Commission Green Order Plan Report is seen as the most important guide resource. In this context, in line with the EU Commission report, an estimate will be made regarding the future of AYD by using data on economy and environment.

Environmental and Financial Dimensions of the Deposit System

Erdem Ercan[1]

Abstract

The deposit system wanted to be implemented is a part of Turkey's new and integrated environmental policy which began with the "Zero Waste Project" in 2017. Project seeks to implement waste segregation at source, reduce and recycle waste. In this context, Republic of Turkey as Europe's third-largest municipal solid waste producer has set a goal of 60% recovery and 55% recycling rates until 31/12/2025 in order to gain the packaging wastes to the economy by a regulation. The regulation named "By-Law on the Control of Packaging Waste" determined the rates of recovery and recyling rates as at least %65 until 31/12/2030 and also at least %70 after 31/12/2030. These ambitious goals are harmonised with the countries implementing deposit system. However important steps must be taken in order to achieve the stated targets compared to the current situation. Perhaps the most important one of these steps will be the transition to the deposit system as soon as possible.

In this study, first of all the general characteristics of the deposit fee to be paid to the consumer within the deposit system will be determined. Afterwards, the countries which have realized the same issue will be evaluated. Then Turkish deposit system will be evaluated by means of fiscal and environmental policies. In the final chapter, suggestions to the problems will be made which can be encountered before and during the implementation.

Keywords: Fiscal Policy, Environmental Law, Tax Law, Deposit System, Packaging Wastes.

JEL Code: H30, K32, O44

1. Introduction

The deposit system is a mechanism where the consumer pays the deposit fee hidden within the price while purchasing the product, the deposit fee is refunded to the consumer during the return of the empty beverage packaging and the collected empty beverage packaging is sorted and processed as recycled raw material. In this system packaging wastes goes through three different processes: "Recovery, recycling and conversion".

Recovery is collecting packaging wastes in order to make them usable in production, recycling is collecting and seperating packaging wastes in order to make raw materials and conversion is using recycled raw materials in newly produced packaging. (WWF & BCG, 2019: 11).

The deposit system has also a central organization that manages the system, coordinating all financial transactions and transfers from the manufacturer to the collectors.

Republic of Turkey has set a goal of 60% recovery, 55% recycling rates until 31/12/2025, 65% recovery, 65% recycling rates until 31/12/2030 and 70% recovery,

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70% recycling rates after year 2030 in order to gain the packaging wastes to the economy. These stated goals are included in the 21st article of the By-Law on Control of Packaging Wastes. (Official Gazette dated 24/06/2021 and numbered 31523).

These targets set by Turkey, which is the third largest municipal solid waste producer (34 Million Tons/Year) in Europe after Germany and France, are quite ambitious targets for the beginning, although the recovery average is 80% in other 17 countries that implement the deposit system. (WWF & BCG, 2019: 17).

2. Deposit Fee and General Characteristics of Deposit System

Deposit fee is the most critical factor that will encourage consumers for returning packages. As the deposit fee increases, success rate also increases in many examples. Although the increasing deposit fee is important, the ratio of the fee to the product price should be reasonable. Manufacturers may be damaged due to increasing prices. As a matter of fact, the ratio of deposit fee to average beverage prices in global is 6% to 13%. The determined deposit fee should be at the rates that the consumers will adopt. Otherwise, it is impossible to achieve the targeted results. (WWF & BCG, 2019: 21-22).

The deposit systems which will be implemented may differ from country to country. The deposit systems which are fixed and full reimbursement, full reimbursement that varies according to beverage and packaging type, fixed and partial reimbursement for all beverage and packaging types, and partial reimbursement varies according to beverage and packaging type. (WWF & BCG, 2019: 23-24).

Fixed fee systems are easier to implement than other systems. However, each system has its advantages and disadvantages. These options should be evaluated very well, and the most suitable one for the country should be implemented. For that reason, it is necessary to evaluate many factors from the economic possibilities of the country to the existing recovery infrastructure and citizen tendencies. It is necesseray to establish returning mechanism and operation costs of this mechanism (buying vending machines, system integration, establishing waste collection chain, maintenance, etc.) that should be covered by the producer/manufacturer who will earn money from this business.

Likewise, if we consider the world's average 80% of the returned packages will be sold making a significant income for the producer. Considering the non-returned 20%, deposit fee will remain on the consumer and this will be an extra income item for the producer. The recovery contribution fee to be paid by the beverage producers will be calculated on the packaging waste which does not enter the deposit system. This will also be a new environmental tax revenue.

There are 17 countries which implent deposit system in the world. In these countries, an average of 80% of packaging waste is recovered. How the deposit system works in these countries? The situation in the most significant ones can be seen from the Table 1 below.

Table 1. Countries Implementing Deposit System

Country	Regulation Year	Implementation Year	Explanation
Germany	1991	2003	%98 total return rate. Collection system is %80 automated, %20 manual.
Holland	2003	2005	%95 total return rate. Collection system is %89 automated, %11 manual.
Finland	1996, 2008, 2012	1996, 2008, 2012	%80 total return rate. Collection system is %95 automated, %5 manual.
Lithuania	2014	2016	%74 total return rate. Collection target is %90. The packages are collected by vending machines at all shops larger than 300 square meters.
Norway	1999	1999	%96 total return rate. Collection system is %95 automated, %5 manual.
Denmark	2000	2002, 2007	%89 total return rate. %95 collection target. Collection system is %95 automated, %5 manual.
Iceland	1989	1989	%90 total return rate. There are 60 different collection methods. %55 is collected manually, %5 is collected by vending machines.
Croatia	2005	2006, 2015	%90 total return rate. %95 collection target. Collection system is mainly manual.
Sweden	1982, 1991, 2005	1984, 1994, 2006	%88 total return rate. %90 collection target. Collection system is %95 automated, %5 manual.
Estonia	2004	2005	%85 total return rate.
South Australia	1975	1977	%76,5 total return rate. There are 126 licensed collection points.
New York	1982	1983, 2009, 2012	%65 total return rate. Shops are obliged to take back the packaging of the products they sell.
Ontario	2006	2007	%89 total return rate. There are 879 collection points.
Israel	2001	2001, 2010	%77 total return rate. Markets and shops are obliged to collect 50 beverage packagings per person at least in a day.

Source: CM Consulting Inc. & Reloop Platform, 2016.

3. Deposit System Foreseen in Turkey

3.1. Legal Basis

In order to reduce the environmental pollution and gain the packaging wastes to the economy, Additional Article 12, entitled 'Deposit', is added by the Article 8 of the Law dated 29/11/2019 and numbered 7153 to the Environmental Law No. 2872.

With this additional article it is decided by the Ministry of Environment, Urbanisation and Climate Change to start 'Deposit implementation' for the packages and products, by the date of 1/1/2021 but then, with the law amendment numbered 7261 it is decided to be implemented by the date of 1/1/2022. The producers, importers, manufacturers and sales points of the packaging wastes within the scope of the deposit implementation, are obliged to participate in the deposit system until this date.

In accordance with the "By-Law on Recovery Contribution Fee", which came into force after being published in the Official Gazette dated 31/12/2019 and numbered 30995 (4 reiterated), deposit implementations other than the procedures and principles which is determined by the Ministry of Environment, Urbanisation and Climate Change will not be exempt from the "recovery contribution fee".

With the Law No. 7261 dated 24/12/2020, the Turkish Environment Agency was established as the "central institution" of the deposit system in order to "carry out activities for the establishment, operation, monitoring and control of a deposit management system on a national scale".

Deposit management system is defined as "the system based on the return and refund of the deposit amount after consumption/use of the products which are determined by the Ministry, that put on the market with a certain deposit fee.

With the By-Law on the Control of Packaging Waste published in the Official Gazette dated 24/06/2021 and numbered 31523, all packaging and packaging waste subjects have been rearranged.

3.2. How Turkish Deposit System Works

In terms of products included in the deposit system, producers, importers and manufacturers are exempt from the recovery contribution fee.

Returnable products are marked with a returnable item. These products are sold to sellers with a deposit fee included. The consumer purchases the product by paying the deposit fee and returns it after consumption and receives the deposit fee back.

At first step, the return point is planned as the markets and shops where sales are made. It is planned to make vending machines widespread in the future. Since vending machine is a costly device, producers and manufacturers are expected to bear this cost.

Collection points will be determined for the returned packages and they will be collected and delivered to the manufacturer. The seller will also demand the return of the deposit fee paid from the manufacturer. The producer will notify these fees to both the central organization (Environment Agency) and the Ministry of Treasury and Finance.

Since 60% recovery is anticipated, the deposit fee of 40% packaging that cannot be returned will remain on the consumers at first. Thus, the producer will not only reduce its costs by recycling packaging waste, but also generate income since the packaging wastes that cannot be recovered remain with him/her.

3.3. Financial and Environmental Dimensions of Turkish Deposit System

As we mentioned above, Turkey is the third largest (34 Million Tons/Year) MSW (Municipal Solid Waste) producer in Europe. The minimum amount of MSW per person is 421 kilograms and only 13% of them can be recycled. In Europe, this rate is around 30%. 7 to 8 Million Tons/Year of the total amount of 34 Million Tons/Year MSW ie about 1/4 consists of beverage packaging waste. The plastic raw material is more in numbers (more then %40) but glass raw material is more (%85) in weight. (WWF & BCG, 2019: 10).

With the implementation of the deposit system, the recovery and recycling rates of packaging wastes will increase significantly, the amount of MSW will decrease, negative externalities in the environment, especially in cities and seas and pollution from packaging wastes will decrease.

Approximately 1 Million Tons of Packaging waste will be recovered annually. Carbon and greenhouse gas emissions will decrease by 263,000 tons annually and will provide significant benefits in the fight against climate change. (https://www.dunya.com/ekonomi/depozito-iade-sistemiyle-ekonomiye-yillik-14-milyar-lira-kazandirilacak-haberi-630617, 12/08/2021).

As can be seen, the deposit system is the reflection of the polluter pays and prevention principals and it is an environmental policy implementation itself. In parallel with the general trend in the world, it is a great importance for our country to switch to a deposit system within the framework of the zero-waste approach.

Fiscal policy also needs to be carried out in harmony with environmental policy.

The directive tax nature of the recovery contribution fee, as it actualizing the principles of prevention and the polluter pays, exemption from the recovery contribution fee of those who have switched to the deposit implementation that is stated in the Annex-11th article, the changes made on 21/2/2019 regarding the declaration/notification and collection procedure of the recovery contribution fee are the proofs of that a fiscal policy integrated with the environmental policy is maintained.

As stated, recycling participation fee is charged for packaging waste from those who are not included in the deposit system. The recovery contribution fee is a

directive environmental tax. It is recorded in the general budget as revenue. The equivalent amount is transferred to the Ministry of Environment, Urbanisation and Climate Change and 25% of the recovery contribution fee will be transferred to the Turkish Environment Agency through the Ministry of Environment, Urbanisation and Climate Change every year.

These revenues have the effect of both encouraging participation in the deposit system and reducing the financial burden of the treasury in terms of being used in environmental public services.

On the other hand, at first only from beverage packaging 900 million TL. contribution will be made to GDP and it will be 1.4 billion TL. if the 60% recycling target is achieved. Due to the use of recycled materials in production, imports of petrochemical raw materials will decrease and the current account deficit will decrease by 210 to 490 million TL. The system will provide employment for 4-6 thousand people and this number will reach 8 thousand in parallel with the development of the recycling sector (when the 60% target is met). (WWF & BCG, 2019: 35).

4. Conclusion

The establishment of the Turkish Environment Agency is an important development in terms of eliminating the lack of central organization in the system. However, it is not yet clarified that will the Agency receive a fee directly from the producer, if it will be the case how much will the fee be. Also, It should be decided which deposit model will be implemented and how will be the relationship between the Agency and the Ministry.

The Ministry of Environment, Urbanisation and Climate Change continues to work on a new regulation to eliminate these deficiencies. These aforementioned deficiencies by means of legislation should be eliminated as soon as possible since the implementation will start approximately 1 month later.

The manual return method that is foreseen during the establishment of the system, is a costless method but it can lead to leaks. Necessary investments for vending machines have not been completed yet. The transition of these investments to the system should be actualized by coming to an agreement with the manufacturers in a participatory approach.

For a healthier system operation, it is important to increase the rate of return by vending machine to 80%, as in many countries included in the system.

We consider that the partial reimbursement system, which varies according to the beverage and packaging type, is more appropriate for Turkey. Partial unpaid amount can be recorded as revenue in the budget, to be used in environmental public services. It can be used by the Agency to invest in the development of the system. If this is not the case, a variable full refund system will be more appropriate depending on the packaging type.

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A New Discourse in the Transformation of Agriculture and Agricultural Support Policies in Turkey: Climate-Smart Agriculture Policies*

Aykut Aydın[1]

Agriculture meets food and nourishment need that is the most basic need of human beings. Agriculture constitutes livelihood of rural communities that are the poorest and most vulnerable section of the society while it directly contributes to increasing income and welfare levels of small-scale farmers. In addition, it has strategic importance by providing raw materials to non-agricultural sectors, contributing employment and gross domestic product (GDP), protecting natural resources, ecosystem, and the environment, developing rural district, and assuming an effective role in sustainable development. Agricultural sector is the dynamo of all other sectors. Thus, it is very difficult to initiate development and make it sustainable without agriculture sector.

Today the world is faced with two basic threats at the global level: Global food safety and climate change. The food prices crisis in 2008 and global warming carried food safety and climate change to the first rank in international dimension. Agriculture plays a major role in both of these. Struggle against these two threats must be conducted jointly and in adaptable instead of separately. In 2050 about 9 billion people must be nourished. Meeting this increased demand for food in the scope of challenges such as climate change, destruction of the soil, and water stress will place strain on agriculture sector in terms of not just production of crops but also revenue, employment, and providing other ecosystem services. However, despite all these negativities the world is not desperate. Agricultural transformations in agricultural production policies to adaption with climate change and mitigate greenhouse gases are among the most basic methods to reach such targets.

Agriculture is a significant sector in Turkey in terms of social and economic dimensions. In addition, suitability of climate and precipitation conditions for agricultural production, fertile soil, a wide range of flora gene sources, and biological variety ensure many plants could grow in the country's borders. Also, Turkey has a significant agricultural potential with its culture of agricultural production based on history and its proximity to agricultural commercial networks. Its added value to national revenue, share in foreign commerce, and continuous employment of a significant portion of population in agriculture demonstrates significance of agriculture

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for Turkey. However, scientific study show that changes in climate and weather conditions will affect agricultural production significantly in Turkey. In Turkey, it is necessary to develop production techniques that are well adapted to climate change in order to ensure sustainable agricultural development, food security and struggle against poverty. Taking into account the reality of climate change, Turkey needs to take preventive, curative and enriching measures for the protection of ecosystem and plant gene resources and sustainable agricultural production, and evaluate its policies and supports in this direction. Climate- smart agriculture (CSA) serves this transformation

In this study agriculture policies and regulations were considered to assess agriculture sector in Turkey in terms of production and economic, political, and agricultural subsidies. Turkey's existing agriculture policies were analyzed through tables and graphs using relevant data, making solution and policy suggestions.

In this scope, the study aims to achieve the following targets:

- ✓ Consider applications in Turkey and global developments to assess agriculture sector in Turkey in terms of economic, political, and agricultural subsidies together with food safety.
- ✓ Developing policy proposals towards new agricultural applications and methods compatible with climate conditions in order to ensure basic food needs of individuals, food safety, and safe food.
- ✓ Describe what kind of transition must be realized in agriculture applications and policies in Turkey under threat of climate change and outbreaks, in the framework of sustainable development targets.

In the study the following findings were reached regarding existing agriculture policies and regulations of Turkey and suggested solutions were presented:

- ➢ Added value of agriculture sector to GDP decreased through years and fell from 12.5 percent to 6.4 percent.
- ➢ Around 7 million people employed in agriculture moved to non-agricultural sectors.
- ➢ The poorest part of the Turkish society is in agriculture sector. Agricultural workers live on income that is at one fourth of poverty line and below hunger line.
- ➢ Turkey continues to work with quite low efficiency per employee in international level.
- ➢ Share of agriculture and husbandry in total exports decreased from 60 percent to 3.5 percent while share of agricultural imports in total imports increased from 1.2 percent to 4.6 percent.
- ➢ Turkey must target the principles of accommodating with drought and climate change, decreasing risks with food production, increase sustainable efficiency and revenue, protecting the environment and the ecosystem to introduce regulations and create policies towards agricultural production system ensuring sustainable national food safety and national development.

- Turkey is among those countries that suffer from water stress. Agricultural subsidies must be designed to ensure water is used efficiently and effectively and to prevent its waste.
- Dependence of agricultural sector to fossil fuels must be reduced. In this scope, regulations could be prepared on smart-energy agriculture systems and policies introduced.
- Reversing export policies is the primary condition for development of local agricultural production and agricultural areas. Directing resources to investments increasing agricultural production would contribute to decreasing foreign dependence in agriculture and increasing food safety.
- In order to ensure food safety and increase agricultural production and protect local products against imported products, special taxes must be applied on importation of some products. Applications to protect local products such as increasing purchase from small-scale producers, increasing import duties for products that are or have to potential to be locally produced, establishing market places for local producers and directing agricultural support to producers making organic agriculture, good agriculture, nutrition-sensitive agriculture, etc. safe food, and quality agricultural production would increase local production capacity.
- Area based (regional) applications must be developed to consider different characteristics of regions, reveal their special potentials, develop region-specific national and regional integration must be developed for more productive and sustainable development.
- Regulations to facilitate, develop, and expand women's access to agricultural sources, education right, distribution and financial services, and labor markets to encourage their participation in employment.
- Average age of farmers in Turkey increased to 55 while average age of people employed in agriculture sector increased to 45. Projects must be developed to ensure young people are interested in agriculture, improve living and working standards in rural district, making such areas attractive.
- Agriculture policies are composed of a national policy above and beyond only institutions or the ministry. In this context, the Ministry of Agriculture and Forestry must cooperate with Ministry of Environment and Urbanisation, Ministry of Energy and Natural Resources, Ministry of Industry and Technology, Ministry of Treasury and Finance in developing climate-smart policies.

Turkish Double Tax Conventions and Foreign Direct Investment Relationship: An Empirical Review

Merve Kurt[1] **Emrah Ferhatoğlu** [2]

Abstract

One of the most essential tools that developing countries use to increase their Foreign Direct Investment (FDI) is Double Tax Conventions (DTCs). Turkey has signed DTC's with more than 90 countries. Among these countries, we chose 20 EU countries which intense economic relations with Turkey and affect Turkey's FDI stock for analysis. In the study, within DTCs signed with these 20 European Union countries, the effect of articles 10 and 11 of Turkish DTCs on Turkey's FDI inflow was examined with static panel analysis methods between 2000 and 2018.

Keywords: Double Taxation Conventions, Foreign Direct Investments, Panel Data Analysis, Double Taxation
JEL Codes: F21, H29, C23

1. Introduction

Foreign direct investment (FDI) is one of the most important economic factors, especially for developing countries. FDI influences many macroeconomic elements from sustainable growth to employment, technology externality, and social welfare. Therefore many countries are interested in FDI, and these countries use different tools to increase FDI inflow in their country. At this point, using tax policy has been a strategy to attract FDI preferred by many countries. However, when FDIs are invested through multinational companies (MNC), taxation of MNC's income by both the resident and the source state leads to the problem of international double taxation. The issue of double taxation has emerged among the countries, and agreements to prevent double taxation have been signed to solve this problem. Double tax conventions (DTCs) are used by MNCs to reduce the tax burden as a tax planning tool while preventing double taxation or reducing the impact of international double taxation. There are views in the literature that DTCs signed for the prevent tax losses and evasions have an effect on countries' FDI inflow. At this point, the primary motivation of the study is to determine the existence of the relationship between the selected 20 European Union countries where Turkey has close economic relations. Also, another aim of this study is to determine the presence of the relationship between FDI inflows to Turkey from these countries and to determine the direction and intensity of this relationship. In the literature, few empirical studies are examining

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the relationship between the two issues to be dealt with before this relationship in Turkey as a sample. Therefore, researching these issues reveals the original value of the study.

This study has four sections. In the first section, the theoretical relationship between FDI and DTTs is discussed. And in the next section is reviewed the literature. In the third section, information about the method and data set used in the study is given. In the fourth section includes the findings, and the results are discussed.

2. Review of Literature

FDIs developed rapidly throughout the world due to the increase in technology, globalization, and MNCs. In this direction, the increase in the number of FDIs has become one of the most critical factors affecting development in developed countries by the end of the 1990s (Zebregs, 1998). The importance of FDI for developing countries is considered essential because it affects various macroeconomic variables, especially economic growth, employment, and exports. At this point, the determination of the factors affecting the foreign direct investments of the countries plays an essential role in determining the strategies to increase the investments. Factors that are thought to cause an increase in FDI can be affected by different factors, from the level of development of the countries to tax policy, from the environment of trust to the interest rate, from political and social stability to the natural resources in the country (Billington, 1999; Davies, Norbäck, & Tekin-Koru, 2010).

It is possible to see different results in studies among the OECD countries. Due to these findings, the relationship between FDI inflow and outflow with DTCsis weak and negative. (Blonigen and Davies, 2005; Egger et al., 2006; Coupe, Orlova and Skiba, 2008) Stein and Daude (2007) examined the relationship between FDI investments made by 17 OECD countries in 58 countries and the tax treaties signed by these countries. However, the findings show that these tax agreements increase FDI investments.

Generally, in empirical studies, it is seen that there are inconsistent findings, positive and negative, between FDI and DTCs (Neumayer, 2007; Blonigen and Davies, 2000, 2004; Egger et al., 2006; Stein and Daude, 2007). In developing countries, it can be stated that DTCs had a significant impact on FDI inflows. Although there are theories that can suggest a relationship between DTTs and FDI, only the limited number of studies deal with this phenomenon. (Neumayer, 2007)

3. Data and Methodology

In this section, information about the dataset and method used in the study will be given.

3.1. Dataset

The relationship between Turkey's DTCs and FDI, which has signed with partner countries, was estimated by static panel methods. In the study, the data of 20 selected countries and European Union countries that have signed DTC with Turkey were used. Between 2000 and 2018, FDI inflows to Turkey from these countries and other explanatory variable data were obtained from the Central Bank of the Republic of Turkey, the World Bank, KPMG, and the United Nations Trade and Development Organization (UNCTADSTAT). The tax agreements signed between Turkey and the European Union Countries (EU), and their dates are given in Table 1.

Table 1. Double Taxation Agreements and Implementation Dates Signed by Turkey with EU Countries by Years

State Party	Signing Date	Validity Date
Austria	03.11.1970	1.01.1974
Romania	01.07.1986	1.01.1989
Holland	27.03.1986	1.01.1989
UK	19.02.1986	1.01.1989
Finland	09.05.1986	1.01.1989
France	18.02.1987	1.01.1990
Germany	16.04.1985	1.01.1990
Sweden	21.01.1988	1.01.1991
Belgium	02.06.1987	1.01.1992
Denmark	30.05.1991	1.01.1991
Italy	27.07.1990	1.01.1994
Poland	03.11.1993	1.01.1998
Hungary	10.03.1993	1.01.1993
Czech Republic	12.11.1999	1.01.2004
Spain	05.07.2002	1.01.2004
Greece	02.12.2003	1.01.2005
Luxembourg	09.06.2003	1.01.2006
Portugal	11.05.2005	1.01.2007
Ireland	24.10.2008	1.01.2011
Malta	14.07.2011	1.01.2014
Romania	01.07.1986	1.01.1989

3.2. Methodology

The main problem addressed by this study is to investigate how and in what way Turkey's FDI stock. Also, the provisions of DTCs signed by Turkey with selected EU countries affect Turkey's FDI stock. Within the framework of this problem, different methods were used to determine the existence of the relationship between the two

variables in the literature, and estimations were made with dynamic panel and static panel analysis methods based on the knowledge capital model in general. (Blonigen and Davies, 2000; Ohno, 2010; Nuamyer 2007; Castillo-Murciego and López-Laborda, 2018) In this direction, similar to the studies in the literature, estimations will be made with static panel analysis methods in this study.

In static panel analysis, two approaches, fixed effects or random effects, are used in order to determine unit and time effects in the model. The choice between these two approaches varies according to different situations, such as the change of the constant term in the model with time, whether the slope coefficient is constant or not. At this point, it is an effective method in measuring the causal relationship between variables in the fixed effects approach. However, if the effect of independent variables on the dependent variable is to be measured, then the random effects approach will be a more effective estimator instead of fixed effects. (Wooldridge, 2013) It is possible to use the Hausman Test, which analyzes the coefficient differences, in order to determine which estimator should be preferred for the model.

In the study, the relationship between DTCs and FDI inflow was examined within the framework of Model 1. Specifically, the effect of 20 EU countries with intense relations on Turkey's FDI inflow has been estimated within the Model 1. The model is developed to the linear relationship in equation (1).

$$FDI = f\,(\mathrm{DTT's}, Other\ Factors) \tag{1}$$

Model 1 was used to test this functional relationship between DTT's and FDI inflow.

Model 2 in Equation (2) show the effect of the revision, implementation date and specific article of the DTT's signed with 20 selected EU countries on FDI.

$$log_fdi = b_0 + b_1 growthrate_{\ it} + b_2 exhange + b_3 inflationrate_{it} + b_4 article10_{it} + b_5 article11_{it} + b_6 rate_{it} + \varepsilon_{it} \tag{2}$$

i = 1, …. , 20 t = 2000, …, 2018

4. Conclusion

In the study, the relationship between Turkey's FDI stock and Turkey's DTCs signed between selected EU countries was investigated. Results of both the Random and Fixed Effects methods are shown in Table 2.

The findings show the effect of the agreement clauses that specifically include dividend and interest income taxation on Turkey's FDI inflows within the scope of DTT agreements signed with Turkey and 20 European Union countries.

Table 2. Fixed and Random Effects Results

Variables	Dependent Variable: Foreign Direct Investments		
	FE	**FE**	**RE**
Growth Rate	-0.06 (0.07)	-0.04 (0.10)	0.01 (0.03)
Exchange Rate	0.63*** (0.17)	0.98*** (0.25)	0.06 (0.12)
Inflation rate	-0.02 (0.03)	-0.04 (0.02)	0.07*** (0.02)
Log Turkey GDP	0.96** (0.41)	0.55 (0.76)	2.09*** (0.30)
Corporate Tax Rate	0.046* (0.02)	0.09* (0.04)	0.07*** (0.02)
10 years	0.11** (0.04)	0.23 (0.85)	-1.02 (0.78)
Article 10	0.98* (0.49)	1.07** (0.46)	1.50** (0.61)
Article 11	1.35** (0.55)	1.05* (0.52)	2.28*** (0.70)
Constant	-11.1	-5.43	-24.3
Year	Yok	Var	Yok
R2	0.53	0.58	0.41
N	345	345	345

Source: Results obtained by the authors. p value *, **, *** are statistically significant at 10%, 5% and 1% levels, respectively. The robust standard errors of the coefficient estimates are shown in ( ).

In this study, the effectiveness of the DTCs, signed by Turkey and 20 EU countries, on Turkey's FDI inflow was examined within the framework of two articles of the agreement. It was discussed to what extent this activity was decisive in FDI inflow. According to the findings, if the relevant agreement articles are lower than a certain rate (15% for Article 10, 10% for Article 11) positively affects FDI inflow.

Most studies assume that most DTTs are the same. However, little is known about how the difference between the items affects FDI, even if they are very similar in structure. In this study, the effects of Article 10 on the taxation of dividend income and Article 11 on the taxation of interest income with varying limits by the partner country on FDI are examined. It can be stated that the dividend upper taxation limit is 15 percent, and the interest taxation is below 10 percent, which increases the FDI inflow to Turkey. As a result, DTCs attract FDI. Whether it is for this purpose or not, it can be said that Turkey has provided more FDI inflows by keeping the rates below a certain level within the scope of Articles 10 and 11 of the DTCs signed with 20 EU countries. Still, more empirical evidence is needed on how DTCs provisions and structure affect FDI and tax revenues.

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Digital Service Tax: An Evaluation in Terms of Proportionality Principle in Taxation

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Abstract

The growing spread of technological tools and applications around the world, and the growth of trade, especially in globalization, information, and mobile technologies, combined with economic digitization, have also led economies to a digital structure. These developments in the digital world have led to an increase in the number of multinational companies operating in this field, and the taxation of the revenues of these companies, whose market share is increasing, from their economic activities without their physical assets, has also been brought into question. The inadequacy of current country tax legislation in the taxation of the digital economy and/or solving the emerging taxation issues has required a number of regulations on both international and national scale for effective taxation of this field.

The present study focusing on the digital service tax, primarily examines the development of the digital economy and the problems related to taxation, the studies and regulations made in the OECD, EU and some selected countries regarding these problems. The aim of the study is to evaluate the "Digital Service Tax" in accordance with the framework of the Law No. 7194, which entered into force in Turkey as of March 2020 and the tax in question in terms of the principle of scale in taxation. In this context, it has been discussed whether the digital service tax is in violation of the principle of proportionality taking its source from the state of law within the principles of taxation and states that a reasonable balance should be observed between the interference with the rights of individuals in the limitation of fundamental rights and freedoms and the aim to be achieved. In the study, it was also concluded that despite some differences, the regulations made in our country regarding the taxation of the digital economy, are generally in line with the OECD BEPS Action Plan, the recommendations of the EU Commission and the countries implementing the tax.

Keywords: Digital Economy, Taxation, Digital Service Tax, Principle of Proportionality.
JEL Code: K33, K34, H25.

1. Introduction

Globalization, developments in the field of informatics and technology, and the digitization of economic life have created some problems related to taxation. The fact that the traditional taxation components in the national legislation and some concepts such as workplace, legal/registered or business centers are insufficient to explain the new situation created by digitization, resulting in some tax losses and evasion has brought up the discussions on how the digital economy should be taxed on a national and international scale (Oktay,2020: 96).

In this context, first the "Base Erosion and Profit Shifting (BEPS) Action Plan" was published by OECD in 2013 in order to identify the taxation problems that emerged with the digitalization of the economy and to find a common international solution (OECD, 2015: 5). In this 15-item point action plan, the subject of taxation of the digital economy is included as Action Plan No 1. The BEPS action plan has also been

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accepted by the European Union (EU). The EU Commission submitted a digital service tax proposal for implementation within the member states, demanding reforms in the international tax system on resolving tax losses caused by digitalization in 2018 (European Commission, 2018). Within the framework of this proposal, some EU countries, especially France and Hungary, have implemented the digital service tax by making arrangements within their tax systems; some countries such as Austria, Belgium and Spain have created a draft law on tax; some other countries have begun studies regarding the taxation (Bunn, D. vd., 2020). Apart from EU countries, regulations and studies have been carried out on taxation of digital services in Turkey and some other countries (such as Indonesia, Chile).

2. Digital Service Tax

Although there are suggestions on the taxation of digital services on a global scale, the regulations on a national scale have been more effective in practice. In this sense, in our country, important steps have been taken regarding the taxation of digital services, with the provision added to Article 9 of the Value Added Tax Law No 3065, the Presidential Decree No 476 dated 18.12.2018 and the regulations made in certain laws. Along with these regulations, a direct legal regulation regarding the taxation of the digital economy was also made, and with the Law No. 7194 dated 05.12.2019 on "The Amendment of the Digital Service Tax and Some Laws and the Decree Law No. 375", the digital service tax was created.

According to the Law No. 7194, which entered into force as of March 1, 2020; "*the revenue*" obtained from the services provided in Turkey, in the digital media and mentioned in the law, constitutes the subject of the digital service tax. Digital service providers defined as "*the person who provides services that enter the subject of tax*" have been stated as taxpayers of this tax. The Law No. 7194 also includes regulations regarding exemptions and exceptions to be applied within certain conditions regarding digital service tax, tax base, rate and calculation, taxation period, declaration, tax assessment, payment, and tax security.

The digital service tax is a tax imposed in order for businesses operating in the digital service sector to make a fair contribution to Turkey's public revenues. The tax base is specified in the first paragraph of the fourth article of the Law. According to the provision of the said article, the taxpayers who generate revenue less than TRY 20 million in Turkey or EUR 750 million worldwide or equivalent foreign currency amount are exempt from Digital Services Tax. The subjects that are excluded from the scope of the tax are listed in the sixth paragraph of the same article. The exemption for R&D centers among the exceptions listed in this paragraph has also provided a new tax incentive for R&D by making the sales of the products obtained through the activities carried out in such places and the revenue obtained from the services provided exclusively through such products exempt from tax. In addition, services subject to treasury share, special communication tax as well as banking and insurance transaction tax are also excluded from the tax (Başaran Yavaşlar, 2020: 11-12).

The tax security system is also included in the seventh article of Law No. 7194 on the Digital Service Tax, which is based on one-month periods of the calendar year

as the taxation period. Accordingly, taxpayers who do not fulfill their obligations regarding digital service tax may be prevented from accessing the services they provide by the Information Technologies and Communication Authority, in line with the decision of the Ministry of Treasury and Finance, until they fulfill these obligations. In the provision of this article, which is very important especially in terms of the principle of proportionality and the principle of equality, it is stated that the access ban will come into effect if the obligations are not fulfilled within thirty days from the announcement with the notice.

3. Evaluation of Digital Services Tax Regarding the Principle of Proportionality

The implementation of digital service tax, which is new as of the effective date, has brought many discussions. Some of these are the uncertainty of whether the digital service tax taxes income or expenditures, the fact that it is taken over revenue, contradicts the principle of taxation according to financial power and the principle of legality, the legalization process is fast, and it is not regulated as a separate (independent) law. Another argument which emerged with the entry of the digital service tax into force is the fact that the tax rate which was determined as relatively low such as 2% and 3% in many other countries, was determined as 7.5% under the Law. This is contrary to the principle of proportionality. As a matter of fact, collecting the tax directly on revenue without any abatement would create a negative effect on taxpayers working with low profit rates and would also be contrary to the ability-to-pay principle of taxation.

The principle of proportionality is a constitutional criterion that originates from the rule of law and expresses the relationship between the means used for the limitation of a right or freedom and the purpose to be achieved with such limitation, based on three sub-components. These sub-components are that the means to be used for limitation must be suitable for realizing the purpose of limitation, the means must be necessary for realizing the purpose of limitation, and there must be a reasonable balance between the purpose and the means, that is, there can be no disproportionate relationship between the means and the purpose (Karakoç, 2014: 1014; Uçar & Tosun, 2020: 30; Taylar et al., 2020: 56). In this context, another situation that violates the principle of proportionality for the implementation of digital service tax is the restriction of access sanction introduced within the framework of the tax security system with the seventh article of Law No. 7194. However, if this sanction is evaluated in terms of the sub-components of the principle of proportionality, it can be seen that sanction to be imposed as a means is suitable for the purpose in terms of fulfillment of the obligations of the taxpayers. However, it is discussed whether the sanction that will least limit fundamental rights and freedoms is the sanction of preventing access to the services of the digital service provider. Thus; it is discussed whether the said sanction can be considered as a “business closure penalty” in theory, or if the sanction is reconciled with the principle of equality, such a sanction may have more severe consequences compared to sanctions imposed on other taxpayers who do not fulfill their tax obligations, and for this reason, it would be contrary to the

purposes and duties of the state, freedom of work and business, freedom of information, which are regulated in the Turkish Constitution (Başaran Yavaşlar, 2020: 19; Rençber, 2020: 32-33).

Another issue related to digital service tax is that digital service taxpayers, who are also taxpayers for income and corporate taxes in Turkey, are subject to both income taxes and digital service tax on the same income due to their commercial activities while providing services within the scope of digital service tax. This situation, which we will define as double taxation, causes the limitation of the right to property, which is against the principle of proportionality (Uçar & Tosun, 2020: 37).

4. Conclusion

The "Digital Service Tax", which was introduced for the purpose of taxing the revenues obtained from the digital activities, has created some problems in terms of compliance with the principle of proportionality, which is a constitutional principle. The fact that tax rates are relatively high compared to countries that implement similar taxes, the double taxation problem that arises from income tax liabilities, and the sanction of preventing access to the services provided by the digital service providers, especially in case the taxpayers do not fulfill their obligations, damages the principle of proportionality for taxation. In this respect, it is necessary to review the tax regulations, to reduce the tax rates to reasonable rates and to establish new regulations in accordance with the principle of proportionality and equality, instead of the sanction of preventing access.

The digital service tax, which entered into force on 01.03.2020, provides solutions on a national scale. However, it is important to provide a solution on a global scale instead of different national practices for more transparent, fair, and effective taxation of the digital economy without causing tax base erosion and profit transfer. In this regard, as a fairly new solution, the Agreement on international tax reform announced by the OECD on 8 October 2021 and accepted by 136 countries, including the USA, China, Germany, France, UK, Japan, and Turkey, and with the global minimum corporate tax accepted with this agreement, an important step has been taken by Turkey in this direction.

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Taxation on Advertising Services Offered on the Internet

Yaren Yitkin[1]

Abstract

In consequence of globalization and the technologicy revolution, the modern world has moved many human activities into electronic environment. The move of economic life to the internet has also affected the regulatory processes of tax management due to the fact that states tend to regulate related transactions that become an essential part of human life to ensure tax Security. For this reason, the internet advertising service, which directs potential customers and increases promotion, has also been the subject of regulation after e - commerce. Internet advertising; is a commercial service and it is today offered by digital infrastructure firms such as Google, Facebook and social media phenomenon who are influential in recognition and human decisions. Given that individuals and legal entities requesting advertisement do not directly produce advertising content, intermediary firms and media agencies are also partners of the activity. As a rule, in the multilateral internet advertising service, the advertisement demander makes a payment by deducting tax. Tax deductions are made thereunder the Tax Procedure Code Article 11/7 and the Decision of President No. 476. According to the regulations, except full taxpayers, natural persons and limited taxpayers will be paid with a 15% deduction at source. In this case, there are some possible problems, such as, liability, double taxation, following data, virtual workplace and item of income.

Keywords: Tax, Withholding, Digital Service, Internet Advertising, Social Media Phenomenon.
JEL Codes: E62, H24, K30, K34.

1. Introduction

Presently, advertising services are becoming more and more important and being moved to digital media. Internet advertising, which is regulated after e-commerce in our country, is taxed by withholding. Well-known websites, social media platforms, personal sites and blogs and companies that provide concrete infrastructure are stakeholders of internet advertising. In accordance with Article 11/7 of the Tax Procedure Act and the Presidential Decree No. 476, it is mandatory to deduct 15% of payments made between the parties. This can lead to a violation of double taxation prevention agreements and adds a new dimension to the concept of the workplace. Digital developments have brought with it the concept of "virtual workplace". Numbered Law 7338 aims to reduce the difficulties in the digital sphere with the requirement of bank account. This study was carried out to summarize internet advertising and problems in the light of sample advertising application, law, and features.

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2. Internet Advertising Process

Internet advertising process has three parts. Advertising agencies that request ads and mediate the advertising process, such as advertisers, or ad agencies that follow ad delivery are also significant. Although Google, Facebook or YouTube are the first things that come to mind when it comes to internet advertising, social media phenomena have gained a place in the advertising sector by gaining as important a place as these companies. And then there are the structures where these two sides come together. It's like the YouTube Partner Program.

In this program, ads categorized by YouTube, are sold to advertisers through auction or reserved purchase methods. Video creators then place these ad/s in their videos and earn money as they are viewed. These earnings accumulate in Google AdSense accounts, and then the person transfers his/her earnings to the bank account. (Aydemir& Bakaç, 2019: 268) On the other hand, the creator has the opportunity to advertise within the video with personal agreements. Having knowledge about groups of people called phenomena will make it easier to understand their importance in terms of sales, marketing, and advertising.

Phenomenon are people who are involved in social media channels with various social media methods in order to generate commercial income that appeals to a wide audience on social media. Phenomena are defined by various names according to the medium they are in, and the method applied.

-Bloggers are trend-creating people who lead people in one or more selected fields (fashion, lifestyle, art..) and who influence their views, and object to contribute to them.

-Vlogger blogs, are generally like bloggers, includes regularly shared videos that one or more people share their thoughts and lifestyles.

-Influencers are marketing, advertising and promotional people who have a large following on social media and who manage to influence this audience and change their purchasing habits. (Video creators called YouTubers are also included in this context.)

-Affiliate is a digital ad-based collaboration in which revenue is generated within the scope of brokerage by advertising goods or services, sites and businesses produced on digital platforms. Unlike others, affiliate creates a purely commercial media and partnership. (Yılmaz, 2021: 184)

2.1. Withholding on Advertisement Payments

Tax Procedure Code Article 11/7 authorizes the President to determine the deduction rate regardless of whether the people who are paid are taxpayers, whether those who pay or mediate the payment are obliged to make tax deductions according to the tax laws, and whether the payment is made electronically. As of 2019, all advertising payments made by individuals and institutions who are specified by law, must make a 15% deduction. Payment is based on one of the dates for cash or account

(financial books). But, in terms of limited taxation, advertising services provided for publication abroad may not be considered as work done in the workplace or through its permanent representative in Turkey, provided that the commercial gains obtained abroad are not subject to corporate tax in Turkey and the processes related to the service, including the Contract, are not carried out in the workplace or through its permanent representative in Turkey. There is no tax deduction under Decree 476 for payments related to advertising services posted abroad for customers abroad. (Uslu, 2021: 55 vd.)

Table 1. Withholding Rate on Internet Advertising Payments

Ad payer	Withholding rate	The party providing or mediating the service
Income Tax Law Article 94	%0 %15 %15	Full taxpayer Limited taxpayer Non-taxpayer
Corporate Tax Code Article 15	%0 %15 %15	Full taxpayer Limited taxpayer Non-taxpayer

Source: C. Karadağ, 2019: 84.

3. Tax Problems with Digital Advertising Services

When OECD reports and implementation are considered, digital transactions generally cause problems in three headings. These are workplace, data, and income. (Durdu, 2019: 472)

The OECD and UN's double tax avoidance model agreements do not provide a solution for digital advertising and sales services. However, countries in general are expected to take unilateral measures if they draw attention to the situation with BEPS action plans. In addition, Model Double Taxation Prevention Agreement Article 5 is still based on the concept of physical workplace. Taxation or stoppage by virtual workplace is a direct double taxation problem. In addition to the digital services tax, applications under the name of equivalence tax are available.

In a decision, Spain's Tax Court ruled that the company, which sells in Spain through an internet activity established outside Spain (whose webhosting is held outside Spain), may be subject to tax liability in Spain as a commercial gain within the framework of the "virtual workplace" approach derived from these sales. (15/3/2012-2107-07) In making this decision, the fact that the website has an address with a Spanish extension (.es) is aimed at the Spanish market and customers, its sales are made to Spain, the site is in Spanish, its contents are updated and employed for its management has been effective. (Erdem, 2017: 23)

Data and account tracking is another problem that arises because of digitalization. Where data is uploaded, processed, and presented on the Internet is a difficult situation to keep track of. In our country, banks and other organizations have

notification obligations on the issues specified by law, but the bank account requirement introduced by law numbered 7338 is also a result of the situation.

Finally, the determination of the item of income from advertising activities is controversial. Countries qualify as commercial gain, self-employment earnings, intangible rights. In our country, the gain from virtual advertising activities is considered as commercial gain. (11355271-120.01[37-2020/22]-E.50644, Circular)

4. Conclusion

Digital advertising activity is carried out via advertising service providers, brokerages and agencies that produce and publish advertisements. It does not matter if the concrete activity is carried out by real persons or institutions. However, it is significant that the service demander has an obligation to make deductions in accordance with the law. In addition to all these social media phenomena has become an important stakeholder in advertising activity.

The taxation of digital transactions in our country and around the world is an issue that has not yet been resolved. There is no common perspective in terms of international regulation and institutions, and the adaptation of regulations to digital life has not been fully achieved. Therefore, countries prefer to conduct unilateral direct regulations. Digital services tax, equalisation tax and withholding are different consequences of this situation. The most outstanding problem in terms of withholding rate and implementation in our country is the deduction from non-taxpayers. At the same time, data tracking of advertising service providers without corporate structure, including social media phenomena, is very difficult. The current system, supported by legislative changes, is explained by regulatory administrative actions.

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Effect of Foreign Direct Capital Investments on Economic Growth: The Case of Turkey

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Abstract

In the study; It is aimed to reveal the relationship between economic growth and foreign direct investment econometrically. In this direction, a regression analysis of the time series of foreign direct investment and economic growth data of Turkey was performed. The data covers the years 1974-2019. At the same time, the subject of tax competition, which is thought to have a significant effect on the movements of foreign direct investment, is discussed in the theoretical part. Tax competition was analyzed using the international comparative analysis method. The changes in Income Tax and Corporate Tax over the years are shown with the help of tables and graphs.

Keywords: Tax Competition, Foreign Direct Investment, Economic Growth, Regression Analysis
JEL Code: E22, F21, O47

1. Introduction

The effects of taxes on the economy have political, social and financial implications. Likewise, the economic, political and financial situation also favors the social, teacher and taxpayer. Due to the positive nature of this economic interaction, it may occur as a whole at the macro level.

With the globalization phenomenon, which gained momentum especially after the 1980s, international commercial and industrial mobility increased and this brought competition with it. The effects of the changes made by the states in their own tax legislation, tax system and tax policies on other states are called tax competition. The most important purpose of the states to enter into tax competition is to reduce both Income Tax and Corporate Tax and to attract foreign capital directly to their countries.

In the first part of the study, which consists of two parts, the subject of tax competition is discussed, while in the second part, the relationship between foreign direct investment and economic growth in Turkey is analyzed with the help of the Eviews program for the 1974-2019 period.

2. The Concept of Tax Competition and Its Effects

With the emergence of the concept of globalization, some new formations and concepts have emerged along with it. One of these new formations is the concept of "Tax Competition". tax competition; It is possible to define it as the effects of

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administrative units that hold taxation authority, such as states, local governments, states, on other administrative units (Aktan ve Vural, 2004: 2). To put it differently, tax competition can be defined as the development of the national economy of that country by reducing the tax burden of taxpayers in order to increase the competitiveness of the enterprises in a country or to attract foreign investments to their country (Giray, 2005: 94).

The first studies on tax competition are based on Charles M. Tiebout's theory named "A Pure Theory of Local Expenditures" published in 1956. In this theory, Tiebout examines the competition between local governments for voters. According to the Tiebout theory, voters make their choices depending on the prevalence of educational services, security, transportation, parking facilities, parks and gardens provided by local governments. To put it another way, voters make their choices among a large number of local governments based on their tax and public expenditure preferences. Since the number and diversity of local administrations is high, voters have the opportunity to choose the local administrations that provide the best opportunities for them. Therefore, while making their choices, voters choose the most suitable local administration for themselves and decide to settle there (Ferhatoğlu, 2006: 84-85).

The effects of tax competition on the economy are of two types. Positive effects of tax competition;

- Tax Reductions and Increase in Foreign Investments
- Increase in Employment Level
- More effective public service delivery

can be specified as.

Negative effects of tax competition;

- Decrease in tax revenues and financial deterioration
- Decline in public spending and damage to the welfare state
- Shifting the tax burden on relatively inactive factors of production
- Causing distortions in investment decisions

can be specified as.

Legal regulations and some administrative regulations other than the tax system can be shown among the tools used in the implementation of tax competition as the basis of tax regimes. In order to reduce the tax burden on taxpayers, tax holidays, depreciation in the declining balance method, repeal of some taxes and reductions in tax rates, and tax exemptions and exemptions are among the most frequently used methods (Armağan ve İçmen, 2012: 150).

3. Examining the Effect of Foreign Direct Investments on Economic Growth

3.1. Literature Review

In their study, Benli and Yenisu (2017) tested foreign direct investment and growth using Johansen Cointegration and Granger Causality Relations methods. Data from 2005Q1 to 2015Q3 were taken into account in the analysis. As a result of the analysis; According to Johansen Co-integration analysis, there is a long-term

relationship between foreign direct investment and economic growth, and according to Granger Causality analysis, there is a bidirectional cause-effect relationship between foreign direct investment and economic growth in the short run.

Dereli (2018) separately examined the short- and long-term causality relationship between foreign direct investment and economic growth in Turkey between 1995 and 2017. As a result of the analysis, it was determined that there is no causality relationship between the variables in the short run, and there is a one-way relationship from foreign direct capital to economic growth in the long run.In their study, Ağır and Rutbil (2019) examined the effect of foreign direct investment in Turkey on economic growth using the time series method, using the data for the period 1971 – 2017. They concluded that foreign capital investments were not effective in explaining economic growth.

Balkanlı (2019) used cointegration and causality tests to test the relationship between foreign direct investment and economic growth in study. As a result of the study, it has been observed that foreign capital investments have a positive effect on economic growth in the long run.

Oralbaykızı (2019) examined the relationship between foreign direct investment and economic growth in Central Asian countries using the data for the period 1995 – 2017 and the Panel ARDL test. According to the findings of the study, it was concluded that there is a positive relationship between foreign direct investment and economic growth in Central Asian countries.

3.2. Dataset and Method

In the study, data for the period 1974-2019 were analyzed to determine the relationship between foreign direct investment (FDI) and economic growth (GDP) in Turkey. The data of the variables were obtained from the World Development Indicators 2020 resource.

Economic growth data are proportional data, but foreign direct investment data are quantitative. In order for the analysis to be healthier, first of all, the logarithm of the quantitative data set should be taken.

Graphic 1. Foreign Direct Investments 1974-2019(Logarithmic)

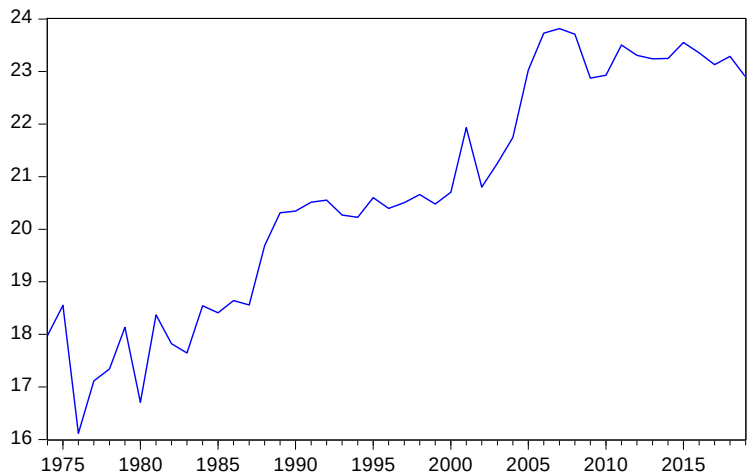
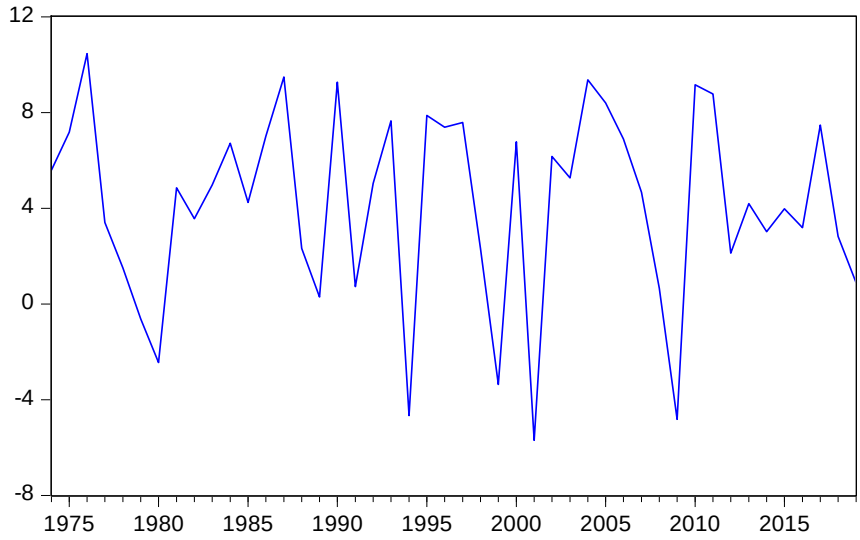


Chart 1 shows the logarithmic form of foreign direct investment in Turkey. As seen in the chart, foreign capital investments in Turkey have a positive trend in the 1974-2015 period. Especially between 1987-1988 and 2005-2006, foreign capital investments in Turkey showed a significant increase.

Graphic 2. Economic Growth 1974-2019



Graph 2 shows the economic growth data. As can be seen from the chart, Turkey's economic growth data for the 1974-2019 period generally displays a fluctuating appearance.

Before performing time series analysis, it is necessary to examine whether the series is stationary or not. The main reason for this is to determine the equation that best fits the data. It is known that time series have a stochastic tendency in general, so its average changes over time. The main purpose of determining the stationarity; to eliminate the problem of change and to maximize the reliability of the analyzes to be made (Takım, 2010: 9).

Augmented Dickey Fuller Unit Root Test (ADF) and Phillips-Perron Unit Root Test(PP) were used to test the stationarity of the series. As a result of both tests, it was determined that the series were stationary. Thus, the series were found to be suitable for regression analysis.

3.3. Regression Analysis

In studies using time series, the stationarity of the series should be tested with unit root tests before proceeding to the analysis. When it is concluded that the series are stationary, other analyzes can be made. It is possible to encounter the spurious regression problem when the analyzes are performed with non-stationary series. In such a case, the results obtained by regression analysis will be far from the truth. However, regression analyzes using non-stationary time series can reflect the real relationship if there is cointegration between these series (Gujarati, 1999: 726;

Aktaran: Karaca, 2003: 3). In the study, after the stationarity of the series was tested with unit root tests, regression analysis became possible.

When the results of the analysis are examined, it is seen that a 1% increase in foreign capital investments for the 1974-2019 period does not positively affect economic growth.[3] One of the biggest factors in the result of the analysis in this way is that there was no significant development in foreign capital movements until the Transition to a Strong Economy in 2002. For this reason, it is concluded that the relationship between foreign capital and economic growth in Turkey has undergone a different development process compared to developed countries, and therefore the correlation between the two variables is not strong. After 2002, it is seen that the realization of foreign capital movements reached the normal level (Alagöz, Erdoğan ve Topallı, 2008: 86). Accordingly, it can be stated that foreign capital inflows come to the stage of making a positive contribution to economic growth and positively affect the economy as a whole.

4. Conclusion

The phenomenon of tax competition, which has gained an important place in the world especially in the post-1980 period, has become an important source of income for countries that want to attract foreign direct investments to their economies. The social, political, geographical and economic conditions affecting international tax competition, as well as the level of development, are the criteria that determine how successful countries will be in tax competition. The increase in financial liberalization along with the trade liberalization that gained momentum in the 1980s caused countries to review their tax systems and make the necessary tax reforms. In this context, countries that want to be included in tax competition have sought to attract foreign direct investments to their countries by reducing the rates of direct taxes. However, it is clear that a successful tax system cannot be formed if the changes to be made in the tax system are not placed on a certain basis and are not flexible enough to meet the economic conjuncture. Therefore, countries should avoid frequently changing their social and political policies while making tax system changes in which they can achieve tax competition. On the contrary, permanent policies should be included and care should be taken to ensure that these policies are flexible in line with the economic conjuncture.

In this study, two different time series were created by considering the annual foreign capital investments and economic growth data for the 1974-2019 period of the Turkish economy. Extended Dickey Fuller (ADF) and Phillips-Perron (PP) unit root tests were applied to the series and it was observed that the series became stationary at level levels. Afterwards, a regression analysis was performed on the time series of foreign capital investments and economic growth data. As a result, it was concluded that foreign capital investments in Turkey reached the normal level only after 2002,

[3] In their study, Ağır and Rutbil (2019) reached similar conclusions and stated that foreign direct investment in Turkey for the 1974-2017 period had no effect on economic growth.

and that foreign capital investments did not positively affect economic growth in the 1974-2019 period.

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The Handicap of Our Financial System: Free-Rider Voters

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Abstract
In parliamentary democratic systems, legal rules are set by the elected parliament. As a result, the amount and composition of public revenues and expenditures are also determined by the parliament. For this reason, the issue of how many of the voters are taxpayers is extremely important. Parliamentary systems in which free rider voters are proportionally high are weak in establishing an effective financial structure.

Keywords: Free rider voters, Taxation rules, Handicap of financial system, Democracy,
JEL Code: H2, H3, H1

1. Introduction

In the parliamentary democratic countries, the country's administration is carried out by the powers that come to power by elections. According to the model adopted in many countries; Parliament is an authorized body on the legal rules established by elections. Parliament also plays a decisive role in country administration.

Said determinism can occur in two different ways. In the first model, the government comes from parliament; in the other model, it is determined from outside the parliament. Of course, the mixed form of these models can also be applied. Regardless of the way in which the government is formed, it is essential that the governance function is carried out in accordance with the rules set by the parliament and that the administration is supervised by the parliament.

As the formation of parliament and thus the government is determined through elections, voters determine the amount and composition of public expenditures and public revenues by the votes they cast. This determination points to at least theoretically correct point.

2. Voter Structure in Turkey

The main purpose of political parties is to come to power and stay there for as long as possible. Political parties explain their programs to voters in order to achieve these goals. Due to the similarity of the economic models adopted, there is no significant difference between party programs. This leads political parties to resort to populism for voting maximization.

Particularly in countries where the culture of democracy is underdeveloped, the promises of political parties often involve transferring public resources to potential voters; in doing so, it is based on a tax-free or low-tax financing model.

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Since the voting mechanism is considered to be determinative in terms of the amount and composition of public expenditure and incomes, the issue of how many voters are taxpayers is important. In cases where the majority of the non-taxpayers are in the majority, the country will be governed by the rules determined by individuals who have no contribution to public expenditures. This is at least theoretically correct.

Compared with some countries in the income tax payers and voters it appears to be extremely depressing situation in Turkey. The average in OECD countries, while 60% of voters come directly from taxpayers this rate is around 3% in Turkey.

This situation can be determined by looking at the data regarding the last two elections held in Turkey. The said data are given in the table below.

Election	Total Voters	Total Taxpayers	Rate	Directly Taxpayers	Rate
24 June2018 (General Election)	56.322.632	22.285.684	0,40	1.908.121	0,03
31 March 2019 (Local Election)	57.058.636	21.806.598	0,38	1.917.527	0,03

Undoubtedly one of the causes of this situation is the formation of indirect taxes as opposed to the 70% portion of tax revenues in Turkey. However, this situation is not enough to change the negative image. In other words, the majority of voters in Turkey are free riders. This is a serious obstacle to the comprehensive and objective arrangements in the tax system of the political authorities. In this way, spreading the tax to the base, preventing informality and similar targets are no more than staying on paper.

It is clear that radical steps should be taken to correct this structure. In our opinion, the most important step to be taken in this regard is that non-taxpayers do not vote.

This proposal may be subject to criticism in terms of the “equality principle in of the Constitution. It should be noted that this principle set out in Article 10 of the Constitution does not express absolute equality. This principle, which can be expressed as equality between equals, requires equal rights and equal treatment before the law. In our opinion, an arrangement to be made for non-taxpayers to vote is not contrary to the Constitution.

It should be remembered that public interest may be an exception to the principle of equality if it is considered contrary to the principle of equality. There is no other way out of this peculiar situation which can be described as the handicap of our financial system, at least in the current political and sociological structure.

3. Conclusion

Compared to Western Countries, free voters are extremely high in Turkey. This is the most important obstacle to the creation of an effective financial system.

Political parties tend to populist policies in electoral systems where free-riders are in the majority. This drags the system towards a serious impasse. It is clear that radical steps must be taken to overcome this dilemma.

In this context, we think that the option of non-taxpayers not to vote should be discussed. It is certain that such a situation will at least yield more effective results than the current situation.

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A Pioneer Politician of Budget Right in Multi-Party Era: Ekrem Alican (1950-1969)

Celali Yilmaz[1]

The right to the budget, whose beginning was based on Magna Carta and in Turkey, on the Kanun-ı Esâsî, is one of the basic political rights of the people in democracies. This right, which can be summarized as the public having a say on the taxes to be collected and the places of expenditure, is used by means of the detailed discussion and finalization of the budget proposals by the representatives of the people.

The quarter-century period following the transition to the multi-party regime in Turkey can be characterized as the period in which the budget right is used in the most appropriate way, according to many criteria. An important place where the Democratic Party (DP) felt its opposition power after its establishment is the budget negotiations. An important name that has appeared in the budget negotiations since the first years of the DP government is Sakarya deputy Ekrem ALİCAN. “Mülkiye” graduate Alican's finance background and her technical command of the budget ensured that her speeches were taken into account. After Alican left the DP, his mission in the budget negotiations continued, and he was the person who was eagerly awaited what he would say in the budget negotiations every year until he left active politics.

Alican's political life, excluding the short term he was the Minister of Finance, can be divided into two periods. Namely the years he was a DP Deputy (1950-1955) and the years he was a member of the opposition Hürriyet Party (HÜRPA, 1955-1957) and the New Turkey Party (YTP, 1960-1969). However, whether he is a member of the ruling party or the government or the leader of the opposition party, his mission in exercising the right to budget has not changed. He left the DP because of the intolerance of the party administration, which he continued to say about deviations from the right to the budget and political honesty . While he took part in different political parties, he tried to pursue the same mission alone. For Alican, telling the truth and sticking to the principles are above party discipline. The reason for resignation from the Ministry of Finance is essentially related to the budget. It is not possible for him to accept the demands of pressure groups to break the budget for the sake of class benefit. Rather than punching the budget, it is natural for him to leave the ministry. In summary, although the political parties that Alican joined have changed, his approach to the use of the right to the budget and honesty and his criticisms of efforts to legitimize the opposite efforts have not changed throughout his political life.

During his time in politics, Alican became one of the active members of the Turkish Grand National Assembly (TBMM) on economic issues. He took the rostrum of the

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Grand National Assembly of Turkey 102 times as a deputy, political party leader and Minister of Finance, gave speeches that lasted for hours, and some of his speeches were published in the press in the following days. Powerful leaders of the time, such as İnönü and Menderes, as well as ministers and politicians, had to respond to the criticisms he brought to the agenda in his speeches on the budget. It is difficult to show such concrete examples in the previous and later periods regarding the defense of the right to budget in the parliament within the scope of its theoretical content. During his time in politics, Alican is a one-man giant team that first comes to mind when budget negotiations are in question.

It seems possible that Alican's speeches in the Grand National Assembly of Turkey (independent of the parties he was a member of at that time) can be grouped into three groups. These; speeches on tax and financial issues (34 speeches), evaluations of the next period's budget draft during the budget negotiations (25 speeches) and others (33 speeches). It may be possible to divide the speeches in the other group into two subgroups as speeches made in the capacity of Minister of Finance and political speeches (without a budget or tax dimension). Apart from these speeches, Alican presented 5 proposals and 6 motions, and answered the motions 5 times during his term as the Minister of Finance. As can be seen, most of Alican's speeches in the Assembly are on economic issues and about a quarter of them are directly related to the budget. Although he also led the main opposition party for a while, his political speeches were relatively few. Although he sees democracy as a priority over the economy, economics and finance is his specialty. The identity of the financier is at the forefront in budget negotiations. As we understand from his diaries, he carefully prepared the budget speeches and carefully followed the reactions to the budget speeches.

In this study, the speeches of Ekrem ALİCAN, as a politician who was in politics between 1950-1969 and who served as the Minister of Finance after 1960, from the rostrum of the Parliament on the budget drafts were discussed within the scope of the right to the budget. During the period when Alican was in the Parliament, he took the floor during the budget negotiations almost every year and made long speeches, examining the budget draft almost pen-to-pen. In terms of the details and inconsistencies he captured, Alican's budget speeches had a devastating effect on the governments and bureaucrats of the time. So much so that the speeches that Alican will make in each budget negotiation period have been eagerly awaited by the public, and his speeches has been the subject of newspaper reports. Alican's technical criticisms and hard-to-answer questions about the inconsistencies in the figures had been put politicians and bureaucrats who prepared the budget into trouble. So much so that when Alican started to speak in the Grand National Assembly of Turkey, some politicians who were worried about answering left the hall. Alican's attitude is above politics when it comes to the budget, and he did not refrain from raising his criticisms about the budget when he was a parliamentarian in power.

In the speeches examined in detail within the scope of this study, the topics discussed were identified and grouped. Based on the information in Alican's diaries, some of which were published recently, they were identified and compared through the Parliamentary Minutes, and the news about Alican and the budgets in the period's newspapers were examined.[2] Although the issues that were criticized and suggested by Alican were not respected at that time, the developments in the following periods proved Alican right in many issues.

The aim of the study is to contribute to the literature on the content of the budget debates in the early period of the multi-party regime and the perception of the budget right in that period, through the speeches of an important but not known enough politician, who is a fierce defender of the right to the budget and principled politics in Turkish Republican history.

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A Novel MCDM Framework: The Eatwos Technique Based on Integrated Weighting System for Evaluating the Impacts of R&D Expenditures of EU Countries on the Level of Innovative Development

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Nowadays, one of the leading indicators for countries' development level is indicated as innovation ability. Therefore, countries are mercurially trying to develop new product development and technological production capabilities to create added value and increase their social welfare. However, R&D may not result in producing the added value products; by contrast, it can cause high cost. Because it causes the high cost, the private sector may behave timidly to make investment and R&D expenditures, and they have directed to make short term investment and R&D expenditures, which have low added value relatively. Under these circumstances, countries' ability to produce new and technological products depends on bearing the R&D costs by public authorities on a vast scale. However, R&D expenditures are caused to be a heavy burden on the public budget and can cause a vast amount of public sources. In this respect, it is required to measure and analyze the impacts of R&D expenditures on countries' targets on this issue from a realistic perspective and evaluate it. Hence, it is required a methodological frame practical, applicable, and able to give good results to measure the performance of the countries with respect to the new and technological product producing ability by considering the public source usage. Also, there is a strong motivation in public authorities, institutions, and individuals. The current paper proposes using the EATWOS technique based on the weighting system combined with the CRITIC and Entropy techniques with the help of a mathematical operator to analyze the obtained outputs for R&D expendetures by public authorities. The proposed framework was applied to evaluate the countries' performances regarding impacts of R&D expenditures on countries' innovation ability, and a comprehensive sensitivity analysis was performed to test the validation and applicability of the proposed model and its results. The results of the sensitivity analysis approve the validity and applicability of the proposed MCDM framework.

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The Legal Character and Taxation of Asset Management Companies

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Abstract

Asset management companies are to collect distressed debts of banks and other financial institutions by acquiring and restructuring them. Asset management companies emerged following the 2001 financial crisis in Turkey in order for banks and other financial institutions to apply to resolve any issues during thecollection of debts.

As per article 143 of Banking Law (BanK), asset management companies can carry out any kind of activities within the scope of the collection of debts and reconstruction of the debts and other assets including operating, leasing and investing in real estate or other properties, rights and assets; providing additional financing to their debtors or contributing to their capital. The procedures and principles for the incorporation of asset management companies are specified by the Regulation for the Principles of the Incorporation and Activities of Asset Management Companies published by the Banking Regulation and Supervision Agency (BDDK).

Asset management companies are corporate taxpayers according to article 2 of the Corporate Tax Law (KVK). In addition to this, they are subjected to significant concessions on stamp duty, charges, resource utilisation support fund and value added tax. The purpose of the time limit for the exemption granted by article 143 of BanK was to motivate these companies to merge with newly incorporated asset management companies in order to retain these tax exemptions. However, with the Law No. 7338 these exemptions became indefinite but the banking and insurance transactions tax exemption was removed.

Keywords: Financial institutions, distressed debts, asset management companies, taxation.
JEL Codes: G21, G23, K34

1. Introduction

Asset management companies are institutions that operate to collect distressed debts of banks and other financial institutions by acquiring and restructuring them. Asset management companies have been active since 1930s in several countries and developed following the 2001 financial crisis in Turkey for banks and other financial institutions to apply to resolve any issues during the collection of debts. These institutions were initially formed by the Directive based on Law No.4743 before gaining legal framework granted by article 143 of Banking Law No.5411 (BanK). Also, the Directive for the Principles of the Incorporation and Activities of Asset Management Companies (the Directive) published by the Banking Regulation and Supervision Agency (BDDK) detailed the procedures and principles of the incorporation of asset management companies. Asset management companies were

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designated as a capital market institution in the Law No.2499 however, they are excluded from Capital MarketsLaw No.6362.

Asset management companies are corporate taxpayers according to article 2 of the Corporate Tax Law No.5520 (KVK). These companies and their activities are not subjected to any exceptions or tax exemptions in terms of corporate tax. On the contrary, BanK and tax laws grant asset management companies several tax exemptionsfor their activities and transactions.

Firstly, the legal character, incorporation and activities of the asset management of companies will be reviewed in this study. Following this, the taxation principles of asset management companies and tax issues encountered during tax practices will be discussed in light of legal arrangement and administrative reviews.

2. The Legal Character Of Asset Management Companies

2.1. The Concept of Asset Management Company

Asset management companies are entities that aim to contribute to the market surge by converting distressed loans into financial products within the framework of market conditions and to generate income thereby (Campbell, 2007: 30; Klingebiel, 2000: 4). Distressed assets are financial instruments that are hard to be collected due to the failure of the debtors to fulfil their legal obligations and therefore are subjects of legal proceedings.

These companies, actually help banks to carry on their usual business by eliminating distressed loans (Cengiz, 2016: 286; Şakar, 2004: 203). As such, they aim to liquidate distressed assets that are generated as a result of the irregular growth of banks (İnelli, 2011: 107). Thus, they contribute to the conversion of distressed loans in the banking sector into financial instruments within the market conditions (Lök, 2018: 207).

Asset management companies may be founded into different purposes and with different forms in accordance with the conditions of countries (He, Ingves, Seeling, 2006: 213). In general they are incorporated in two forms that are “those with headquarters” and “those without headquarters” (Selimler, 2006: 127). Those with headquarters liquidate distressed assets by gathering them after incorporation as a single entity (Byrne, 2015: 257). Those without headquarters may be incorporated in several company types with multiple entities instead of a single entity (Klingebiel, 2000: 3).

2.2 Legal Definition

Article 143/(1) of BanK states that Savings Deposit Insurance Fund (TMSF) and other financial intuitions are allowed to establish asset management companies in order to “take over credits and other assets, debt collection, restructure of debts and sale of debts”. Also, the same article rules that asset management companies are

authorised "to manage, lease and invest on the real estate or other properties, rights and assets" in order to collect and restructure the debts and other assets. Lastly, asset management companies are authorised to undertake activities including "providing additional finance for their debtors or contributing to the capital" in order to collect the debts of their companies.

Article 143 of BanK does not specify the legal entity and company type of asset management companies, however, the Regulation states that they can be incorporated as a joint-stock company. There will be legal arguments as these particulars can only be regulated by laws rather than regulations (Tekinalp, 2009: 351).

The conditions of the incorporation of asset management companies as per article 4 of the Regulation can be listed as follows: incorporate as a joint stock company, paid capital cannot be less than 30 million Turkish Lira, all shares are to be registered and guaranteed for cash. The incorporation transactions of asset management companies are required to be in accordance with Turkish Commercial Law (TTK) due to asset management companies to be incorporated as joint stock companies alongside BanK and the Regulation (Tekten, 2018: 7). Also, the areas of activity of asset management companies stated in article 11 of the Regulation are listed in parallel with article 143 of BanK.

2.3. Saving Deposit Insurance Fund's Authority to Join Asset Management Companies

According to article 143/(3) of BanK, by providing capital TMSF, shall be authorised to become founding partner or shareholder of asset management companies. This article gives TMSF authority to assign asset management companies they established or became partners to collect their debts after following their transfer.

2.4. Requirement of Asset Management Companies to Reserve Provisions

Asset management companies are required to reserve provisions in order to recover the unknown amounts of damages that have arisen or are likely to arise in connection with such transactions as per article 143/(5) of BanK. The valuation and reserving provision transaction shall meet Turkish Accounting Standards and Turkish Reporting Standards in accordance with article 16 of the Regulation. As the reserves are not within the scope of Tax Procedure Law No.213 (VUK) their eligibilities, procedures and principles for reserving provisions shall be determined by BDDK (Taşdelen, 2015: 1297).

3.Taxation of Asset Management Companies

3.1.In Terms of Corporate Tax

Asset management companies are corporate taxpayers as per article 2 of Corporate TaxLaw. They are not granted any exception or exemption in terms of corporate tax,

however, reserves that are separated pursuant to article 143/(5) of BanK may be deducted as an expenditure from corporate tax assessment. Thus, article 323 of VUK willnot be taken into consideration in reserving provision (Pehlivan, 2017: 56).

3.2. In Terms of Banking and Insurance Transactions Tax and Resource Utilisation Support Fund

As per article 28/2 of Expense Taxes Law No.6802 (GidVK), "monies received in cash or via bank transfer by bankers under any name as a result of banking transactions and services provided" are subjected to tax. Income generated due to the transaction within the scope of the main activities of asset management companies shall be taxed with reference to article 143 of BanK and article 11 of the Regulation.

In addition to the opinion that views the monies collected that exceeds the amount of the receivables as the income generated, there is a second opinion in which when the monies collected exceeds the amount of the transferred receivables are considered as the income generated by the asset management companies (Atila ve Kaplan: 2020, 87). This difference of opinion causes confusions and needs to be clarified through administrative regulation.

On the other hand asset management companies are exempt from resource utilisation support fund (KKDF) for the payments received since the year of their incorporation pursuant to article 143/(6) of BanK.

3.3. In Terms of Value Added Tax

The transactions of asset management companies excluding banking transactions and services in principle should be subjected to value added tax as per article 28/2 of GidVK. In addition to this, article 17/4 of Value Added Tax Law No.3065 (KDVK) states that asset management companies are exempt from value added tax for the receipt of assets and rights that are guarantees of the receivables taken over from banks, private financial institutions and other financial institutions. This exemption also includes the receipt of the assets and rights that are guarantees of the debts that are reconstructed in accordance with financial reconstruction framework agreements. As stated in the General Communiqué for Application of Value Added Tax, the sale of the assets and rights by the debtor under the condition of collecting debts which are the guarantees of the receivables taken over by asset management companies is taxable.

3.4. In Terms of Stamp Duty

The documents issued by asset management companies for their transactions are subjected to tax due to Stamp Tax Law No.488 (DVK). However, these documents are exempt as per article 143/(6) of BanK from the calendar year of their incorporation. As these documents are subjected to tax exemption regardless of issuer, the documents that are issued during the collection of loan credits are also

part of this exemption (Bingöl, 2014: 20). According to a tax ruling on this matter, the transfer of claim agreements that asset management companies are part of regarding the transfer of the claims of financial institutions should also be exempt from stamp tax regardless of the tax liability of the other signatories of this agreement[1].

3.5. In Terms of Act of Fees

Naturally, the transactions of asset management companies are subjected to various fees specified by the Act of Fees No.492 (HK). On the other hand article 143/(6) of BanKexempts the transaction of asset management companies from fees brought by HK. Taxrulings regarding this matter state that, in case of the real estates that are the guarantees for the collections of the receivables transferred from financial institutions are acquired by asset management companies, tax exemption will apply in favour of both buyer and vendor[2] however, the parties are subjected to fees for the direct sales to third parties by the debtor[3].

3.6. The Extent of Tax Exemption Applied for Asset Management Companies

Article 143/(6) of BanK rules that asset management companies are exempt from stamptax, resource utilisation support fund and fees starting from the calendar year of their incorporation. However, as mentioned in several tax rulings, the exemptions of asset management only apply to the receivables of banks, TMSF and other financial institutions and the exemptions are not applicable to the transactions out of thiscontext[4].

4. Conclusion

Asset management companies have a significant function within the financial sector in terms of the collection of distressed debts that are taken over from banks and other financial institutions.

The legal arrangement concerning asset management companies are included within article 143 of BanK and other particulars to these institutions were specified by the Regulation drafted by BDDK. In addition to this, the company type that asset management companies shall be incorporated as are not determined by and laws however, article 4 of the Regulation rules that they shall be incorporated as a joint stock company. For this reason, determining the type of company that asset management companies should be incorporated as via a regulation rather than law should be viewedwith due criticism.

Asset management companies are designated as corporate taxpayers as per article 2 ofKVK and several significant tax exemptions are granted by article 143 of BanK. The purpose of the previous time limit for the exemption was to motivate them to merge with newly incorporated asset management companies in order to retain these tax exemptions. Therefore, the abolishment of the time limit has been a positive amendment.

In addition to this, regulating the tax application for asset management companies generally through tax rulings cause different approaches for taxpayers. Consequently, there have been hesitancies and confusions on tax applications. In order to solve this, it is appropriate to regulate the tax application for asset management companies throughcommuniqués.

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E-Transformation in Tax Applications: Past, Present, and Tomorrow

Canatay Hacıköylü[1]

Abstract

Currently, information technologies are advancing at a rapid rate due to reasons such as productivity and cost advantage they provide. The advancements in the information technologies have taken effect in all aspects of the life, urging enterprises to benefit from information technologies intensively every single day. As information and communication technologies advanced, so did the volume and scope of data. As data expands, the management of data, access to data, circulation of data, and tax auditing become easier by new software. This thus increases the demand for data and the information that may be retrieved from data. All these result in new procedures and principles in taxation processes. These procedures and principles are called e-tax, e-document, or e-transformation in tax. Given the strategic plan of the Ministry of Treasury and Finance covering the years 2018-2022, two strategic plans stand out. The first is to increase the number of e-tax applications, and the second is to improve the efficiency of tax inspections through the use of the e-audit method. In line with this aim, the Ministry of Treasury and Finance Revenue Administration has made regulations covering the procedures and principles regarding the creation, arrangement, transmission, preservation, and submission of legal financial documents as electronic documents to monitor, analyze, and report taxation processes in electronic environment, to create audit infrastructure in electronic environment, to reduce the costs arising from the use of paper books and documents, to establish a standard format in documents, and to create a safe, time and cost-saving system between the parties of the issued document, to increase the quality of public service, to increase the speed of taxpayers' transactions, to increase the compliance of taxpayers with tax laws, and to prevent informality by monitoring. The primary aim of this study is to determine where we are in the e-transformation process in tax applications, which began with the tax identification number in 1995 and continued with the e-Tax Office in October 2021, and where we will go in the taxation process from now on.

Keywords: Tax, e-Transformation, e-Document, e-Audit

JEL Code: H20, H21, H27

1. Introduction

Digitalization of public services in Turkey started in 1980s. The implementation of liberal policies in the country's economy during that time period resulted in some changes in the state structure. Today, the Ministry of Treasury and Finance ranks top among public institutions in terms of the use of digital applications (Öz & Bozdoğan, 2012:68). The Tax Administration Full Automation Project, abbreviated VEDOP, is Turkey's first move toward digitalizing tax administration (Revenue Administration, 2019a: 18). As a result of the spread of these and similar projects and applications, tax administrations now perform many tax-related transactions electronically (Dikmen &

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Çiçek, 2020:15 173). Increased use of information technologies in tax applications resulted in decrease in tax compliance costs. Again, we can suggest that this process increased voluntary tax involvement, as well as the speed and quality of service, in addition to decreased compliance costs. This study is significant as most of the obligations in the tax relationships between the tax administration and the taxpayer are now done electronically, and as it reveals where this process originated and where it can go. In this study, the existing e-tax applications will not be mentioned one by one. In this study, the development of the e-transformation process in tax applications will be briefly explained, then, it will be attempted to ascertain how the e-transformation process has shifted toward e-audit, particularly in light of the General Communiqué on Tax Procedure Law No. 509, which was released on October 19, 2019, and how prepared the parties to e-transformation are for this process.

2. e-Transformation Process in Tax Applications

As the benefits of technology expand, so does the scope and volume of data stored. As data expands, the management of data, access to data and circulation of data become easier thanks to new software. These benefits provided by technology also increase the demand for data and information to be retrieved from data. This demand sometimes originates from within the corporation, sometimes from customers, and sometimes from government organizations such as revenue administrations (Onat, 2017: https://www.vergidegundem.com/tr_TR/blog?blogid=4713403). This circumstance requires the development of new procedures and principles in accordance with evolving technology, particularly for taxpayers who must carry out processes using many legal books, documents, and records in paper form. These new procedures and principles constitute e-transformation in tax applications today, and the significance of these procedures and principles in taxation processes is gradually increasing.

Since 1995, the Ministry of Treasury and Finance, Revenue Administration, has been using and benefiting from this data, particularly with the use of tax identification numbers. The process began in 1995 with the tax identification number, continued with the e-declaration in 2005, and gained importance with the e-invoice application in 2010. Many e-transformation tools have been employed in tax applications over the previous 25 years. E-invoice, e-lien, e-ledger, e-archive, e-check, e-smm, e-notification, e-ticket, and similar applications are e-transformation tools in tax applications that more taxpayers are being urged to adopt. Tax applications that may be encountered within the scope of e-transformation in the next years include e-guarantee, e-office, and pre-prepared declaration system for commercial and agricultural income.

As of 01.01.2020, the Revenue Administration has started implementing some regulations covering new procedures and principles regarding the creation, arrangement, transmission, storage, and submission of legal financial documents as digital documents to monitor, analyze, and report economic activities in electronic environment, to create audit infrastructure in electronic environment, to reduce the costs arising from the use of paper books and documents, to establish a standard

format in documents, and to create a safe, time and cost-saving system between the parties of the issued document, to increase the quality of public service, to increase the speed of taxpayers' transactions, to increase the compliance of taxpayers with tax laws, and to prevent informality by monitoring.

With the Tax Procedure Law General Communiqué No. 509, all secondary law regulating e-transformation practices in tax has been simplified and consolidated into a single text, new taxpayers have been added to the scope of currently used e-document system, and some optional e-documents have been made mandatory. Again, with this communiqué, private integrators have been involved in the process, resulting in the establishment of a new sector.

Electronic applications such as e-invoice, e-archive, e-waybill, e-ticket, e-producer receipt and e-smm, which are included in tax applications within the scope of e-Transformation, are transferred to the system in three different ways: through e-invoice portal, integration of data processing systems into the Revenue Administration system, and the system of institutions that have received special integration permission from the Revenue Administration. Among these methods, the special integration method is to provide taxpayers with different needs or who issue a large number of documents to receive and send electronic documents through the data processing system of a technically competent private integrator, in case their own IT infrastructure is insufficient. Taxpayers who have received a special integration permit from the Revenue Administration can also benefit from the e-document application by using data processing systems. Integration Method, on the other hand, is the method by which consumers' information processing systems are integrated. In this method, users can provide 24/7 uninterrupted connection by integrating their own data processing system into the system of the Revenue Administration. The last method, the e-Invoice Portal Method, is a free e-document application service provided by the Revenue Administration. Developed to enable users who do not have sufficient infrastructure to use the e-Invoice Application through integration, e-Invoice Portal is a web application that incorporates the fundamental functions of the e-Invoice Application (https://ebelge.gib.gov.tr/anasayfa.html).

Given the Strategic Plan of the Ministry of Treasury and Finance covering the years 2018-2022, two strategic plans stand out. The first is to increase the number of e-tax applications, and the second is to improve the efficiency of tax inspections through the use the second the e-audit method. Indeed, under the heading "Other Considerations" in General Communiqué No. 509, there are regulations addressing the implementation of critical practices for the future of e-transformation in tax applications. Given the provisions in this context; based on the clause *"The Administration is authorized to analyze the content of the document during the issuance and delivery of e-documents within the scope of e-Document applications, using the taxpayer's field of activity, capacity, type and quality of the goods and services subject to purchase and sale, or any information available in the Administration's systems, and to suspend the transmission of documents that are considered to be risky as a result of these analyzes to their addressees.."* we can now say that the Revenue Administration will shift from intermediary to audit activities in

e-document applications (Atçı, 2019:). In this regard, when an e-invoice is created, triggering specific risk analysis scenarios after it is transmitted to the Revenue Administration's servers, risky transactions may be easily identified, and the tax administration will be able to intervene in the process. Based on the regulation "*The Administration is authorized to audit the data processing systems, procedures and principles of taxpayers who are granted direct integration permission with private integrator organizations authorized to provide services within the scope of e-Document applications specified in this Communiqué, in accordance with the technical guides on audit procedures and principles published on ebelge.gib.gov.tr., to have the authorized persons or institutions inspect the information systems, to give permissions according to the results of this audit, to temporarily suspend the granted permissions or to terminate them completely.*", again under the same heading, it is clear that the Administration will initiate transaction audit as well as system audit. Finally, with the clause "*The e-Ledger files and the secondary copies of the related documents must be kept in the IT systems of the private integrators who have technical competence in terms of e-Ledger storage service to ensure confidentiality and security and who have obtained permission from the Administration in this regard or in the IT systems of the Administration for a minimum of 10 years as of 1/1/2020.*", a regulation was made regarding the preservation of e-ledgers by private integrators and GİB besides the taxpayer. This regulation marks the beginning of an important process for taxpayers. GB will be able to access any taxpayer's books and perform audits and controls on the books, as well as control with the tax audit scenarios to be developed. With regard to this application on October 2021, the following provision has been added to the 5th article, regarding tax privacy, of Tax Procedural Law No 213, by Law on Amending Tax Procedural Law No 7338 and Some Laws: "*The shareholders and managers of those who are employed through service procurement in the works related to the field of duty of the Revenue Administration, and the shareholders and managers of those from whom services are procured, are obliged to comply with the prohibitions written in this article in terms of the secrets they learned and other matters that must be kept confidential, even if they quit their jobs*". This provision regulates the inclusion of private sector organizations operating in this field within the scope of tax privacy as a result of the digitalization of tax applications, particularly due to the rapid change in information and communication technologies, and this regulation eliminates a deficiency in the protection of personal data for taxpayers.

4. Conclusion

The main point for the accurate and realistic collection of the tax in the Turkish Tax System, which is based on declaration, is to determine the taxable event, in other words, where the commercial activity begins, by using e-tax applications. According to the most recent regulations, which entered into force on 01.01.2020, the Revenue Administration intends to carry out the e-audit process by using e-tax applications in all taxation processes, beginning with the determination of the taxable event. Because the tax administration has amassed a large amount of data and built a database from it. However, with e-transformation tools such as e-ledger, e-invoice, and so on, the

administration will now be able to conduct risk analyses across the system while saving paper and time. This process entails auditing both the system and the transactions in tax applications.

Whatever we name it, e-Taxation, e-Application, or e-Transformation, it is inevitable to encounter some issues in these processes in the short term. It should be taken naturally. The majority of these issues are perhaps be technical ones in nature. The majority of the issues that may arise can be resolved with the participation of taxpayers, financial advisors who are members of the profession, and the administration. The key fact is that the parties should be aware of the issue and that e-applications will yield considerable long-term benefits to the parties. Making taxpayer groups obliged to use e-applications in the taxation process will increase the taxpayers' technical infrastructure requirements, staff costs, and service purchases. Inclusion of the costs related to this process into incentives or grants for a certain period of time would positively contribute to the process.

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Analysis of Perceptions and Attitudes of Customs Brokers Towards E-Government Applıcations in Turkey*

Ufuk Selen[1] **Zuhal Akbelen**[2]

Abstract

Information processing technologies are widely used in order to simplify customs procedures and increase compliance of taxpayers with customs duties. Integration efforts are carried out all over the world with the slogan of "Paperless Customs". In Turkey, administrative and technological modernization works in customs are, carried out under the "BİLGE" system, which is a real-time automation system. The BILGE system is, integrated with the Single Window System, which enables the request and supply of official information and documents needed in the customs process from a single center in electronic environment. BILGE and Single Window System applications are, expected to increase tax compliance of customs payers.

The aim of the study is defined as determining the effect of the level of perception of the Single Window System and the level of internalization of e-government applications by the customs consultants, who take an active role in the customs process and taxation, on tax compliance. In the study, the effect of customs brokers on the tax compliance of the Single Window System was analyzed through a model based on the "Technology Acceptance Model", "DeLone & MacLean Model" and "Trust Theory" models. In the study, direct data collection method was used by using a structured scale created by using the literature. The main universe is determined as "customs consultants", "assistant consultants" and "authorized customs consultants" in Turkey. Seven factors determined from the scale were subjected to explanatory factor analysis in the SPSS 23 program. It has been seen that the factors have the power to explain the model.

Keywords: Tax Compliance, e-government, technology acceptance model, customs duty.

JEL Codes: H20, H26, H27, H29, M15

1.Introduction

Nowadays, with the increasing prevalence of information technologies; the effective use of the services provided by the state and the direct access of citizens to the state have introduced the concept of e-government. The concept of e-government can be defined as the ability of citizens or the business world to conduct their relations and transactions with government agencies in an uninterrupted and secure electronic environment. In this context, an open, competitive economic framework and increasing the harmonization of customs duties and the modernization of customs administrations, which operate slowly and where bureaucratic practices are intense is called E-Customs within the public administration transformation projects. In this

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context, the aim of the project is to determine the factors affecting the level of satisfaction and acceptance of the Single Window System (TPS) from the point of view of customs consultants within the framework of "E Customs practices and to investigate the effect of this on tax compliance

2. E-government applications in customs transaction processes: TPS

E-government applications are observed in all areas of state administration with the development of Information and Communication Technologies (ICT). ICT has the potential to transform the means by which we access information in two important ways. First, ICT enables many things already done to be done faster, more flexible, more efficiently, and by more people. The second is that it enables us to do things we cannot do already and/or do things in significantly different ways (Roca, MinChiu and Martinez, 2006). This process is observed at a more global level in the field of foreign trade activities. The foreign trade transaction arising in a country requires establishing and executing relations with states with different systems in different dimensions. The harmonization of these different systems has revealed the Single Window System as a multidimensional single-center structure.

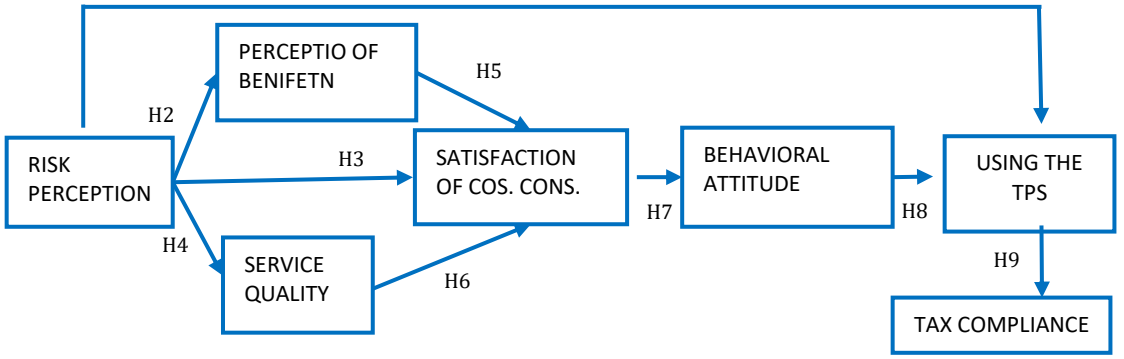
The term single window refers to various platforms for electronic information exchange between merchants, government agencies and business service providers from the transport, logistics and banking industry. The single window idea is based on the idea of coordinating foreign trade transaction processes from a single center. In the process of commercial activity, the principle of leaving the necessary information and document requests and supply to the responsibility of a single administration is adopted. The United Nations defines TPS as an organization that allows parties involved in trade and transport to submit standardized information and documents with a single point of entry to fulfill all import, export and transit-related legal requirements (UNECE, 2020: 3). Based on this definition, the main features of TPS can be stated as follows: i) Single point of entry, ii) Standardized information is provided, iii) Reduction of formalities related to import, export and transit (COMCEC, 2017).

3. The Model, Universe and Method of the Study

There is a significant amount of academic research in the field of ICT that examines the deciders of ICT acceptance and use among users. (Venkatesh, 2000; Heo and Han, 2003; Hsu and Chiu, 2004; Shih, 2004). This study, which investigates citizen satisfaction in compulsory e-government services, is based on TKM, D&M model and trust theory, which are the most used theories in previous research on the adoption of e-government services in voluntary environments. The TAM and D&M model are the theoretical models most validated by previous research on ICT adoption. These models are relatively simple in nature and have reasonable explanatory power to explain personal behavioral intentions to use innovative technologies. (Alkraiji and Eidaroos, 2016: 64) Using these models, the following model

has been created in order to determine the level of perception of technology and internalization of e-government applications by customs consultants.

Figure 1: Conceptual Model of the Study



The data required in accordance with the model were obtained by direct data collection method. Using the literature, a three-part scale containing statements based on TPS applications was used. In the first part, demographic questions are included to determine the personal characteristics of the participant, while in the other part, closed-ended statements consisting of a five-point likert scale are included. In the third part, an open-ended question that allows personal evaluations about TPS is included. The prepared scale was applied to the pilot population of 70 people and it was decided to apply it to the sample population by making some changes in the expressions in the scale used. The final version of the questionnaire was applied to the sample of the audience and based on the results obtained, validity and factor analysis were performed The main population of the research was determined as the customs brokers in Turkey and the sample group was chosen on a voluntary basis among the customs brokers who are members of the Istanbul, Ankara, Bursa and Izmir and Kocaeli Customs Brokers Associations. The universe of the study consists of 14,325 people. According to the data of the Ministry of Commerce, 14,325 people, including 10,420 customs consultants and assistants, 3,607 customs consultants and 298 authorized customs consultants, are actively using TPS in 2020. The sample population obtained from this universe was determined as 415 people. The data obtained within the framework of the questionnaire were subjected to explanatory factor analysis.

4. Explanatory Factor Analysis Regarding the Scale Used in the Study

In the study, the relations between the factors and the explanatory power of the factors were investigated with the help of factor analysis. First, the factors were subjected to the Bartlett sphericity test and the validity of the dimensions was

decided**.** Afterwards, explanatory factor analysis was performed for each dimension. The findings obtained as a result of the explanatory factor analysis are given in Table 1.

Table 1.: Explanatory Factor Analysis

STATEMENT NO	FAKTÖRLER	FACTOR LOADİNG	EXPLAINED VARIANCE
Perceived Usefulness (KMO: ,777; Eigenvalue: 2,64; Bartlett: 465,012; p< 0,05)			
r1	Using TPS allows me to perform my operations faster.	,722	53,014
r2	Using TPS reduces transaction costs.	,822	
r3	Using TPS improves my work performance.	,763	
r4	Using TPS allows me to make fewer errors in transactions.	,525	
r5	I find TPS useful in general.	,644	
r6	Using TPS allows me to access information faster.	,595	
r7	Using TPS makes my work easier.	,741	
Perceived Risk (KMO: ,692; Öz değer:2,21 Bartlett: 333,641; p< 0,05)			
r8	Using TPS may expose my trade secrets to hackers.	,878	64,631
r9	Making mistakes in TPS that I can't fix worries me.	,611	
r12	The possibility that it will take a lot of time to fix the error in TPS worries me.	,819	
r11	The possibility that error correction in TPS will take a lot of time worries me	,716	
r10	I'm afraid of frequent technical problems with TPS such as system freezing/locking	,798	
SERVİCE QUALİTY (KMO: 0,738; Öz Değer:2,12; Bartlett: 846,003; p<0,05)			
r13	My single window site is up to date.	,728	45,058
r14	The information about the TPS is correct.	,538	
r15	TPS works properly without interruption.	,500	
r16	TPS allows me to complete all the necessary operations online.	,591	
r17	TPS provides all necessary services.	,520	
r18	Using TPS is easy.	,515	
r19	TPS is easy to learn.	,914	
r20	The services provided by TPS are better than I expected.	,573	
r21	TPS met most of my expectations.	,626	
r22	TPS is simple and straightforward.	,907	
BEHAVIORAL ATTITUDE (KMO: ,633; Öz Değer:1,83; Bartlett: 188,006; p<0,05)			
r23	I feel peaceful when using TPS.	,747	45,846
r24	I would prefer to use TPS, although it is not mandatory.	,744	
r25	I'm not bored when using TPS.	,632	
r26	I would not hesitate to provide information to TPS.	,567	
USE OF TPS (KMO: ,807; Öz Değer:2,60; Bartlett: 471,910; p<0,05)			
r27	I intend to recommend my business stakeholders to use TPS in the future.	,770	52,040
r30	I also plan to use TPS regularly in the future.	,733	
r28	It has been good to switch to a single window system.	,732	
r29	I prefer to use TPS whether mandatory or not.	,730	
r31	I will continue to use TPS rather than using an alternate method	,635	
SATISFACTION OF CUSTOMS CONSULTANTS (KMO: ,756; Öz Değer: 2,13; Bartlett: 249,076; p<0,05)			
r32	I am satisfied with the technical quality (download capacity and speed) of TPS.	,669	42,649
r33	I am satisfied with the information provided through TPS.	,544	
r34	I am satisfied with the quality of the service provided by TPS	,702	
r35	I am satisfied with the level of TPS's service to meet my needs.	,619	
r36	I am generally satisfied with the services offered by TPS.	,716	
TAX COMPLIANCE (KMO: ,764; Öz Değer:2,21; Bartlett: 314,316; p<0,05)			
r37	Paying taxes is a civic duty.	,744	55,327
r38	Even though there is no tax audit and penalty, I pay my tax regularly.	,760	

r39	I pay my taxes voluntarily.	,724	
r40	I pay my tax in full without thinking of under-declaration even once.	,747	

The model used in the study consists of 7 factors. These factors were subjected to the Bartlett test of sphericity and the level of significance was determined as P<0.05. The P value for all factors was less than 0.05, and the relationship between the variables was different from zero. This finding shows that the model is valid. The suitability of the expressions in the factor analysis for factor analysis was investigated and KMO values were checked for this. When Table 1 is examined, it is seen that the KMO values of all factors are greater than 0.50. The lowest KMO value belongs to the "Behavioral Attitude" factor with a value of 0.633, and the highest KMO value is the "TPS Usage" factor with a value of 0.807. Based on these indicators, it can be said that the expressions of all factors except the "Behavioral Attitude" factor are suitable for factor analysis. The factor of the statements under the "Behavioral Attitude" factor is acceptable, although its explanatory power is weak. In evaluating the suitability of the scale for factor analysis, it is necessary to know the KMO value and to look at the eigenvalues of the factors.

In evaluating the suitability of the scale for factor analysis, it is necessary to look at the eigenvalue of the factors as well as the KMO value. Based on this requirement, the eigenvalue statistics of the factors were also examined and shown in Table 1 above. Accordingly, it is seen that the eigenvalue statistics of all factors are greater than one and at the same time the explained variances are at an acceptable level.

Conclusion

In the study, it has been investigated whether there is a relationship between the acceptance of technology and the level of use of customs consultants and "compliance with customs duties". The concept of customs consultant has been used as a top-definition tool to represent the "assistant customs consultant", "customs consultant" and "authorized customs consultant" working in the customs consultancy sector. "It was examined to what extent the factors of "perceived risk","perceived usefullness ", "quality perception", satisfaction", "behavioral attitudes" and "use of TPS" of Customs Consultants explain tax compliance.

It has been determined that the model created from the theoretical relations between these factors is explained by the scale used. In order to reach this result, it was investigated whether the scale had internal consistency and it was seen that the scale had internal consistency. In addition, the reliability analysis of the scale was made and it was found to be quite reliable. The "behavioral attitude factor" has the lowest factor coefficient with a coefficient of 0.594, while the other factors have coefficient values between 0.660 and 0.769. When the factors in the model are considered as a whole, it is seen that the factors have the power to explain 44% of the changes in tax compliance.

The factor with the lowest explanatory power is the satisfaction level of Customs Brokers from TPS with a variance value of 0.426. An open-ended question was included in the scale in order to get the opinions of customs consultants on TPS. Based on the answers given to this question, it has been seen that data losses in TPS, compatibility problems between systems, and software and technical hardware problems experienced in TPS are effective in the low satisfaction of customs brokers with TPS. Improvements to be made at these points will increase the satisfaction level of customs consultants with TPS and thus their compliance with customs data.

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Fiscal Illusion Trends in Municipalities: The Case of Çanakkale Municipality

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Abstract

Municipalities are public sector administrative units responsible for providing local public goods and services that will meet the needs of individuals and increase their quality of life. Within the framework of these responsibities, the form of these revenues is as important as the transfer of sufficient revenues to the municipalities. The fact that most of their revenues consist of the shares transferred from the general budget will both reduce the fiscal autonomy of the municipalities and negatively affect their efforts to obtain their own revenues, causing them to be dragged into fiscal illusions. In this context, in this study, the fiscal illusion trends of the members of the municipal councils were measured, in particular for the Municipality of Çanakkale. In this study conducted with the survey technique, it was seen that the majority of city council members did not want to increase local taxes and fees, argued that municipalities should have the authority to tax, and thought that the shares transferred from the general budget should be increased. In this context, it has been understood that the members of the municipal council do not give enough importance to fiscal autonomy and their efforts in terms of own revenues have decreased. Therefore, it has been concluded that the members of the municipal councils tend to have a fiscal illusion.

Keywords: Fiscal illusion, municipal revenues, fiscal autonomy, Çanakkale municipality.
JEL Code: H30, H71, H83.

1. Introduction

Local administrations whose foundations are as long as communes; in the presentation of public goods and services, it is seen as very important units as it contributes to the development of democracy awareness of the local people by ensuring the efficient use of resources by ensuring that both the transaction costs are reduced and the goods and services offered are compatible with the local people's preferences (Ulusoy & Akdemir, 2012: 22). In Turkey, local administrations are considered as municipalities, special provincial administrations and villages, but it is considered as municipalities that are the most important unit in terms of their duties and responsibilities. Undoubtedly, it is extremely important to provide income sources in proportion to these duties and responsibilities in order for municipalities to fulfill their duties and responsibilities. As a matter of fact, this is the case in Article 127 of the Constitution. In the article "these administrations are provided with sources of income proportionate to their duties" and for this reason municipalities are equipped with some income.

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Municipal revenues are basically; consists of own revenues, transfers and borrowing revenues. Most of the municipal revenues in Turkey are the shares transferred from the general budget tax revenues. This situation is important in terms of fiscal autonomy and fiscal illusion trends. In this context, in this study, in which the survey technique was used and Çanakkale Municipality was chosen as a sample, the fiscal illusion trends of the municipal council, which is an important organ of the municipalities, will be tried to be measured. In the study, firstly, the concept of fiscal illusion will be explained and its types will be mentioned. Afterwards, the methodology will be explained and the results will be presented.

2. Fiscal Illusion Concept

As is known, municipalities in Turkey do not have the authority to tax; these administrations only carry out administrative operations such as assessment of tax, accrual and collection within the framework of the powers granted to them (Gerçek, 2010: 7). For this reason, the shares transferred by the central administration are seen as the most important income item in the total revenues. The fiscal autonomy of the municipalities is directly proportional to the taxation authority transferred to them (Tavşancı, 2010: 64). Considering this situation, it can be said that the fact that the shares transferred by the central administration is the most important source of income within the municipal budget has a negative effect on the fiscal autonomy of the municipalities, it has become more dependent on the central administration and therefore the probability of these administrations to enter into fiscal illusion increases.

The concept of fiscal illusion, which was first introduced to the literature by Puviani (1903) with the study "Teoria della'illusione finanziaria", basically: it is explained by the fact that taxpayers are exposed to more tax burdens if they increase the demand for public goods and services without realizing that the goods and services offered by the state will bring additional costs to them (İpek, 2017: 150). Accordingly, taxpayers cannot perceive certain taxes sufficiently and consider the price of public spending lower than they are, and as a result increase the demand for public services (Kirmanoğlu, 2011: 242). In the literature, 5 factors that may cause fiscal illusion are listed as follows: complexity of tax structure, income elasticity of tax structure, renter illusion, debt illusion and flypaper effect (Akdoğan Gedik, 2017: 5). In accordance with the subject of the study, the effect of flypaper will be emphasized from these illusions. Flypaper effect: It is defined as the fact that fiscal transfers made by central governments increase the dependency of local administrations to fiscal transfers and as a result, the effort to obtain other revenues is negatively affected (Kızılkaya et al., 2018: 484). Empirical studies in Turkey provide evidence for the existence of the flypaper effect (Bkz. Saruç & Sağbaş, 2008; Aytaç, 2015; Yaş & Akduğan, 2015; Kızılkaya vd., 2018; Acar, 2019).

3. Methodology

Understanding the fiscal illusion tendencies of the municipalities is seen as an important issue both in terms of their burdens on the central government budget,

fiscal autonomy and the quality of the goods and services they have to offer to the local people. This study aims to understand the fiscal illusion trends of the city council, which is an important body, in the financing of the municipality. For this purpose, a questionnaire including closed-ended questions based on a five-level Likert scale was used in the study as well as demographic questions. The study conducted by Guziejewska (2016) was used in the preparation of the questions in the survey. Closed-ended questions based on the Likert scale are as follows:

- In order to increase the revenue in the municipal budget, the shares awarded from the central budget should be increased.
- Local taxes and charges should be increased to increase revenue in the municipal budget.
- The municipality is required to have the authority to decide the level of local taxes and charges.
- The municipality is required to have the authority to impose new local taxes and charges.
- Municipalities at risk of bankruptcy are required to receive additional fiscal assistance from the state budget.
- Funding from grants from the state budget should increase, albeit at the expense of reducing the fiscal independence of the municipality.

The target group of the research was elected as members of the Çanakkale City Council. Out of a total of 31 members in the Çanakkale Municipal Council, 19 represent the Republican People's Party (CHP), 7 represent the Justice and Development Party (Ak Party), 3 represent the Good Party (İYİ Party) and 2 represent the Nationalist Movement Party (MHP).

Finally, when the descriptive statistics were examined, it was seen that the skewness and kurtosis values of all expressions were between +2 and -2. Thus, since it can be said that the data are normally distributed (George & Mallery, 2020: 114), parametric tests will be preferred in the continuation of the study. In addition, when the Cronbach's Alpha reliability analysis findings regarding the statements were examined, it was seen that the coefficient was 0.764. Accordingly, it was concluded that the statements were reliable at a good level (Kılıç, 2016: 48).

4. Results

Since demographic information helps to better understand the participants, it is important to know the demographic characteristics of the participants. In the study in which 26 out of 31 council members participated; 69.2% of the participants were men and 30.8% were women. In addition, it was seen that 30.8% of them were between the ages of 30-39, 11.5% were between the ages of 40-49, 38.5% were between the ages of 50-59, and 19.2% were aged 60 and over. When the educational status was examined, it was understood that 7.7% of the students had a high school degree, 7.7% had an associate degree, 57.7% had a bachelor's degree, and 26.9% had a graduate degree. Considering the monthly average income levels, it was seen that 11.5% of them are less than 4,000 TL, 15.4% are between 4.001-6,000 TL, 38.5% are between

6.001-8000 TL, 34.6% are 8,000 TL and over. Finally, when looking at the distribution according to the political parties they represent, it was understood that 57.7% represented the CHP, 26.9% represented the Ak Party, 11.5% represented the İYİ Party, and 3.8% represented the MHP.

When the frequency analysis results of the Likert-type expressions are examined, it is seen that 80.2% of the council members agree with the first statement as “the shares given from the central budget should be increased in order to increase the revenue in the municipal budget”, whereas 19.2% of them do not agree. It was understood that 19.2% of the participants agreed, 15.4% were undecided and 65.4% did not agree with the second statement, “local taxes and fees should be increased in order to increase the revenue in the municipal budget”. It was seen that 80.8% of the participants agreed, 3.8% were undecided and 15.3% did not agree with the third statement, “the municipality should have the authority to decide on the level of local taxes and fees”. While 63.4% of the council members agreed with the fourth statement, “the municipality should have the authority to impose new local taxes and fees”, 34.6% did not agree. It was understood that 42.3% of the participants agreed, 23.1% were undecided and 34.6% did not agree with the fifth statement, “municipalities at risk of bankruptcy should receive additional financial assistance from the state budget”. Finally, it was seen that 42.3% of the council members agreed, 11.5% were undecided and 46.1% did not agree with the sixth statement as “the shares given from the central budget should increase even at the expense of reducing the fiscal autonomy of the municipality”.

5. Conclusion

Measuring the fiscal illusion trends of municipalities is important in terms of both fiscal autonomy and effective use of resources. Because municipalities, which tend to be under fiscal illusion, will become more dependent on the central administration and will lead to ineffective use of resources with the idea that "it comes from the center anyway". In the study, the survey technique was used to measure the fiscal illusion trends of the members of the municipal council. 26 out of 31 council members participated in the research conducted in the sample of Çanakkale Municipality. In other words, feedback was received from approximately 84% of the council members.

When the analysis findings are evaluated in general; the council members do not have enough awareness about the fiscal autonomy of the municipality, the majority of the council members want to increase the revenues of the municipality with the shares transferred from the general budget tax revenues rather than the local resources, and despite the fact that the majority of the council members are of the opinion that local taxes and fees should not be increased, they are willing to be given taxation authority are indicators that they tend to be in the fiscal illusion.

Finally, in the light of these findings, it is clear that municipalities tend to be in fiscal illusions and are not yet ready for fiscal autonomy. For this reason, it is recommended to organize continuous trainings or seminars by the General Directorate

of Local Administrations to increase the level of knowledge and awareness of municipal bodies.

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Participatory Budgeting as a New Budgeting Approach: Sample of Kırıkkale Municipality

Rabia Selinay Gürbüz[1] **Eda Balikçıoğlu**[2]

Along with Public Finance Management and Control Law (KMYKK) No. 5018, the budget is a partake of a document that shows the revenue and expenditure estimates in a certain period of time, and which specifies the issues that should be applied according to such estimates and that is duly put into effect. The participatory budgeting approach, which emerged with the new public finance management approach, means creation of the budget in the way that the local administrations indirectly make public participate in the decision-making process, taking into account the wishes and needs of the citizens.

The subject of participatory budgeting approach is that a budget system is created with the support of citizens. During the formation of the budget Local Administrations ensure that the budget is created in a way that will satisfy the public, taking into account the opinions of the citizens about the region they live in, and considering the issue they see as inefficient and they want to be corrected. Thanks to participatory budgeting, the communication network between the municipality and the citizens is getting stronger. The budget systems of local governments should be a budget to serve citizens. The participatory budgeting system reveals a planned budget system through public meetings, surveys or through non-governmental organizations. Participatory budgeting system is actually one of the most important applications of democracy (Yılmaz, Emil &Kerimoğlu, 2017: 127-130).

Democracy is the citizens' election of political control directly or their election of their representatives at certain intervals with their free and independent will. The social and economic situation of the citizens is not taken into consideration during the election. This is also the case in participatory budgeting. Citizens have a right in the establishment of the budget system at certain intervals, and the economic and social situation of citizens in the society is not discriminated.

In participatory budgeting practice, the wishes and needs of all the people living in the region are important, regardless of any segment of the society while taking citizens' opinions. This issue, which is one of the most important features of participatory budgeting, is taking the thoughts of the lowest layer of the city into consideration without discriminating anyof the citizens. Development of the neighborhood is one of the most important goals of participatory budgeting, by receiving the missing services in poor neighborhoods and by taking individual opinions

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of the citizens living in these neighborhoods. Support of local government administrators is important for the applicability of participatory budgeting. The mayor should direct council members and committees about the implementation of the participatory budgeting system of the city in the best possible way (Özen, Atılgan & Demirhan, 2016: 1297).

Financial statistics in the municipality should be easily accessible. Citizens need to question where the municipality spends, the amount and efficiency of the made expenditure and the necessity thereof. As a result of this inquiry, thanks to participatory budgeting, citizens will be able to directly or indirectly express the practices required for a better service. The participatory budgeting system also prevents unnecessary expenses. The municipality spending money on an unnecessary issue instead of responding to the demands of the citizens living in that region will create inefficiency and unprofitability in the services. It is important that the municipality makes expenditures that are needed and that can satisfy the public rather than making unnecessary expenditure (Çetinkaya, 2015: 105-107).

In order to understand the purpose of this study, first of all we need to consider the city of Porto Alegre, where participatory budgeting was born. The participatory budgeting system in Porto Alegre has emerged because it was observed that the citizens living in the region are getting poorer and that the resources are not spent effectively. The participatory budgeting system, which is an effective spending method, has emerged on a global scale (Abers, Brandao, King & Votto, 2018: 4, 5).

The main objective of this practice in the city of Porto Alegre was to respond to the demands of the people. Therefore, participatory budgeting is essentially a system required for every region. A certain regime should be created and the public should be encouraged about implementation thereof. It is not correct for a municipality to spend its expenditures on the areas it has foreseen. The municipality should consider the citizens and accordingly set its annual budget. It should encourage the people of the region to participate therein (Çetinkaya, 2015: 102).

One of the most important items aimed with participatory budgeting is the trust link that will be established between the management and the citizens. The principle of transparency manifests itself through participatory budgeting. The public will be able to question the municipality and will be entitled to call the managing authority to account. Citizens living in the region will be able to question whether strategic plans are created in accordance with the decisions taken. About municipal expenditures, the municipality will be in an accountable position before the citizens in terms of data sharing.

City councils need to be established to implement the participatory budgeting system. In the city councils that will be established, it is necessary to inform the public about the situations in which citizens can have a say. The criterion that we can call the material in the applicability of the participatory budgeting system is the people living in local administrations. In addition, the relationship of non-governmental organizations and voluntary associations with the public is of great importance for the understanding of participation. In our globalizing world, citizens can also reflect their

ideas on the internet in participatory budgeting practice. We can see examples of this in some countries. Local administrations allocate a budget for the projects to be chosen by the public for their e-survey on the internet (Wampler, 2012: 17-21).

The aim of this study is to examine whether the participatory budget can be implemented or not in Kırıkkale Municipality and to create a model proposal for participatory budgeting. Accordingly, questionnaires have been conducted on students and faculty members at Kırıkkale University about how much participatory budgeting can be implemented in Kırıkkale Municipality.

Conclusively, in this survey we conducted regarding the proximity and applicability of Kırıkkale Municipality's participatory practice; Participation in the perspective of participatory budgeting practice of Kırıkkale Municipality is observed. Within the scope of survey questions, it was concluded that Kırıkkale Municipality and citizens do not act together within and out of the budget process, but this municipality is a municipality that is open to innovation and collaboration.

When we look at the results about participatory budgeting, we see that relationship of trust has been established between the local government and citizens in the regions where implementation thereof continued for a long time. We can say that the region has developed and became a more democratic region as a result of the inefficiencies that the local government cannot see but citizens can observe. The importance of participation in the participatory budgeting approach can be demonstrated and proven by the satisfaction level of the people living in the region.

There are also regions that have failed as a result of participatory budgeting implementation. The biggest reason for not achieving success in these regions is that the social structure and the political environment of such regions are not compatible with each other in the participatory practice. Participatory budgeting practice fails when citizens' suggestions in line with their own interests do not comply with the administration' interests and a common path cannot be found (Yılmaz, Emil & Kerimoğlu, 2017: 135).

Social Perception of the Motor Vehicle Tax as a Wealth Tax and Externality Tax: An Empirical Study

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Abstract

Motor Vehicles Tax, which has the property tax, started to be applied in 1957 for the first time in our country. Motor Vehicle Tax may appear as a wealth tax in some countries and as an externality tax in some countries, regarding its application and targeted functions. In addition to the tasks imposed on taxes by states, how society perceives tax is also essential in achieving the objectives expected from tax. This study was prepared to measure the MVT perception of taxpayers. In this context, the research was conducted by using face-to-face survey and online survey techniques in Afyonkarahisar. Within the scope of the study, a survey of which scale was created by us was applied to the taxpayers, and the data obtained were subjected to regression analysis. The results indicate that the taxpayer's perception of MVT is affected by factors such as the type of vehicle owned, the number of MVT installments, subjective tax burden and vehicle value application, job of the taxpayer. In addition, taxpayers describe motor vehicle tax as an essential source of income for the state. The taxpayers do not clearly perceive the wealth tax nature of the motor vehicle tax and the burden of tax is felt heavily.

Keywords: Wealth Tax, Motor Vehicle Tax, Tax Perception, OLS Regression
JEL Codes: D10, H20, H31

1. Introduction

Today, Motor Vehicles Tax (MVT) is among the crucial taxes in many countries. In some countries, the tax in question is applied within the scope of environmental taxes, while in some countries it is applied within the scope of wealth taxes.

This tax, first introduced in our country in 1957 under the name of Special Automobile Tax, took its place in our tax system as Motor Vehicles Tax in 1980 after various changes.

MVT; It is a tax with a specific character, calculated by taking into account factors such as the age, cylinder volume, number of seats, maximum take-off weight of the motor vehicle. The criteria taken into account in the calculation of the tax differ according to the type of vehicle. While age and cylinder volume are taken into account in automobiles and motorcycles, age and seat criteria are taken into account in vehicles such as buses.

MVT is applied as a wealth tax in our country. However, it is important how society perceives this tax. Therefore, the need for such a study was felt because the studies on the perception of the tax in question were insufficient. In this context, the

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study aims to measure how society perceives MVT and determine the factors affecting taxpayers' perceptions.

2. MVT Implementation In Turkey

The subject of MVT is motor vehicles. Motor vehicles are regulated in articles 5 and 6 of the law. In this context, vehicles that are not motorized or not included in the law (such as motorized sea vehicles) are not subject to this tax (Kaplan, 2012: 213).

The subject of MVT is motor vehicles, and its taxpayer is natural and legal persons. Accordingly, the MTV liability of real and legal persons begins with the motor vehicle registration in the relevant registries. MVT is collected from its taxpayers in two equal installments in January and July each year.

MTV is a specific tax. In other words, the tax base is calculated by considering age, engine cylinder volume, number of seats, the maximum total weight of the vehicle, and maximum take-off weight. In 2017, a regulation was made in the tax criteria, and the "vehicle value" criterion was added.

In MTV, which has a specific character, the tariffs are arranged in two elements. The first of these is the age criterion. Accordingly, as the age of the vehicle gets older, the tax to be paid decreases. The other one varies according to the tariff of the vehicles. Engine cylinder volume for automobiles, seating for buses are taken into account, while for vehicles such as trucks and pick-up trucks, the maximum total weight is taken into account. With the vehicle value regulation carried out in 2017, vehicles are subject to higher taxes as their economic value exceeds the limits determined in the list, thus gaining advolerem-based tax qualification as well as MTV specific nature (Kabakçı Karadeniz, 2018: 197).

3. MVT Implementation In Various Countries

Although owning a motor vehicle is considered a source of wealth in many countries and included in the scope of taxation, various reforms have been carried out regarding this situation, especially in the European Union (EU) and OECD member countries. In this context, motor vehicles have begun to be considered a factor that significantly affects transportation, trade, energy and environmental factors, and wealth (Yalçın, 2013: 149).

Before 2002, most of the EU member states' motor vehicles were subject to a registration tax, usually considering the engine cylinder volume. Today, 18 EU countries, which aim to reduce carbon emissions, include various tax penalties and incentive systems in addition to the annual MTV application (Üyümez,2016:435). For example, in Norway, as of 2019, there are 14 different MTVs and subsidies based on the distinction between automobile powertrain technology and the carbon footprint of related vehicles (Fridstorm, 2019:1).

The UK introduced MTV as a general tax in 1937. The tax was applied on the basis of engine cylinder volume until 2001, and after 2001 the emission rate started to be taken as a basis (Vardar, 2016: 114).

Since the 2000s, many countries have made changes in the taxation of vehicles according to carbon emissions. Among the countries that made this change are France, Germany, and Sweden. While France taxed cars by considering the engine power to a large extent before 2008, it started to tax according to the emission rate as of 2008. Germany and Sweden have changed in this way, Germany in 2009, Sweden in 2006, taking into account the emission rate based on engine power, linear progressive taxation has been implemented (Klier & Linn, 2012:4).

In Singapore, two different taxes are levied on the first registration of motor vehicles: one-time registration tax and annual road tax based on engine capacity from all registered vehicles (Chia & Phang, 2001: 69). In Slovakia, MVT started to be implemented as of 2005. The tax is considered as wealth tax in Slovakia as in our country. The tax applied in the form of road tax and vehicle tax is a circulation tax paid once a year (Gnap & Konecny, 2015: 344-345).

4. Literature Review

Various studies have been carried out in both national and international literature on MVT. However, most of the studies are theoretical studies that evaluate MVT within the scope of environmental taxes or wealth taxes, and the number of empirical studies is quite limited.

Çiçek & Şahin (2019) examined the attitudes and behaviors of taxpayers towards MVT with a survey study specific to Denizli. Within the scope of the study, taxpayers do not see the MVT burden as fair, and they find the MVT burden heavy. There are significant differences between demographic variables such as age, gender, and education level. The level of MVT awareness increases as the education level increases, the knowledge level of men is higher than women.

Walls & Hanson (1999) carried out a study on California with the survey data of the US Department of Transportation, considering MVT within the scope of environmental taxes. In the study, which considers annual and lifetime income, it has been determined that the share of emission-based tax in the incomes of poor households is higher.

Many countries adopt MVT as a policy tool in reducing carbon emissions by applying it within the scope of environmental tax. In this context, in the studies of Braathen (2009), Klier & Linn (2012) and Wapplehorst, vd. (2018), MVT was considered a tool in reducing carbon emissions, and evaluations were made on incentive systems.

5. Methodology of Study and Empirical Findings

The study, it is aimed to measure the social perception of MVT in Afyonkarahisar. In this context, the research was carried out using a face-to-face

survey and e-survey technique based on Afyonkarahisar. The sample of the study consisted of 330 MVT taxpayers. The data obtained in the survey study were subjected to OLS regression analysis.

5.1.Empirical Findings

In order to determine the taxpayers' perceptions, a single variable related to the perception of MVT was created by taking the mean of 5 different expressions. This variable was used as the dependent variable in the analyses. Accordingly, the MVT perception score of Afyonkarahisar is 3.22. The means of the expressions selected for MTV Perception are as follows;

1. I follow closely on changes to MVT. (Strongly Disagree 1; Strongly Agree 5, Mean: 3.41)

2. MVT is an essential source of income for the government. (Strongly Disagree 1; Strongly Agree 5, Mean: 3.63)

3. MVT burden is heavy in our country. (Strongly Disagree 5; Strongly Agree 1, Mean: 2.24)

4. MVT is an income tax. (Strongly Disagree 5; Strongly Agree 1, Mean: 3.79)

5. MVT is a tax levied to tax wealth. (Strongly Disagree 1; Strongly Agree 5, Mean: 3.05)

The results obtained in the regression analysis can be summarized as follows;

Taxpayers with a monthly income between 0-2.000 TL negatively perceive MVT (%5 significance level). According to this, people with a monthly income of 0-2.000 TL negatively perceive MVT compared to people in other income groups

Civil servants have a positive perception of MVT compared to other occupational groups (%1 significance level).

A strong difference was obtained in the perception of MVT in terms of the types of vehicles people have. Accordingly, truck owners negatively perceive other vehicle owners towards MVT (%1 significance level).

Those who voluntarily comply with the tax also have a positive perception of MVT (%1 significance level).

Those who think that the MVT application should be fair according to their income level have a positive perception of MVT (%5 significance level).

Those who think that the number of installments applied in MVT payment is sufficient, compared to those who do not have this opinion, have a positive perception of MVT (%5 significance level).

People who feel the tax burden while paying MVT the most have a negative MVT perception compared to other people (%1 significance level).

People with high awareness of MVT have a positive perception of MVT compared to others (%5 significance level).

6.Conclusion

This study aims to determine the social perception of MVT, which is applied as a wealth tax, and the factors affecting this perception. According to the analysis results, it has been observed that the MVT taxpayers in Afyonkarahisar have a high level of awareness about the tax base and subject. However, it has been seen that the purpose of MVT, which is a wealth tax, is not perceived by society.

However, while the majority of taxpayers (55%) see MVT as a substantial income for the state, it can be said that a significant majority (66%) find the burden of MVT heavy. Regarding the change made in 2017, 41% of taxpayers are aware of the application, and 65% think that the vehicle value application is fair.

People who voluntarily comply with the tax have a positive MVT perception compared to other people. However, no difference could be detected between the personal tax burden and MVT perception, while personal MVT burden and MVT perception differed negatively. In addition, it has been determined that people's high level of awareness and sensitivity towards MVT also affects the perception of MVT.

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Social Perception of Justice Services as a Pure Public Goods and Service: An Empricial Study

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Abstract

Within the scope of the study, the measurement of the social perception of the justice services by the survey method will be discussed. Since there is no empirical study on whether justice services are perceived as pure public goods and services or semi public goods and services in the literature, it is aimed to contribute to the literature in this regard. A series of online and face-to-face surveys were conducted on the social perception of justice services in Turkey. The reliability of the questionnaire is highly reliable for social sciences. The analysis of the data in the questionnaire was interpreted by applying various statistical programs. Findings on the social perception of justice services were analyzed by categorizing them as benefiting from justice services, satisfaction with justice services, adequacy of justice services, trust in the justice system, perception of justice services as pure public goods and services and perception of justice services as semi public goods and services. When the findings regarding the social perception of justice services as a pure public good and service are evaluated, individuals are satisfied with the justice services but individuals do not trust the justice system. It has been concluded that the decisions made by judges and prosecutors in Turkey do not create enough sense of justice and trust and that courthouses are considered sufficient in terms of service quality. The most important finding obtained as a result of the research is that individuals perception of justice services as one of the most basic functions of the state, as a pure public good and service; It is concluded that the level of perception of justice services as semi-public goods and services is higher than the level of perception.

Keywords: Justice Services, Pure Public Goods and Services, Social Percept, Semi Public Goods and Services

JEL Code: H41, H10

1. Introduction

In order for a service to be considered as a complete public good and service, the benefit of the service cannot be divided, its benefits are spread to the whole society, it is offered free of charge, financing is provided by taxes, its consumption is obligatory and properties such as not depriving anyone of its consumption must be present in that good and service.

Although justice services have most of the characteristics of pure public goods and services, due to the individual benefit to some people, justice services can also be considered within the scope of goods and services that provide individual benefits to some people in the literature. There are different approaches in the literature about the fact that some individuals do not benefit from the justice services at all, while

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some individuals gain private benefits by constantly benefiting from these services and collecting the judicial expenses from those who benefit from the justice services, whether it prevents the justice services to be a pure public good and service.

In the literature on whether the justice services, which are expressed as public goods and services, are pure public goods and services or semi-public goods and services, they are mostly expressed as pure public goods and services in theoretical studies. However, there is no empirical study on this subject in the literature. With our study, it is aimed to contribute to the empirical literature by filling the gap on this subject. The data collected by us by applying face-to-face and online survey method to 400 people across Turkey were evaluated by subjecting them to various statistical analyzes.

2. Theoretical Literature on Justice Services

The benefit of the justice services to the society is social benefit; due to the positive externalities it creates, justice services are described as semi-public goods and services (Nadaroğlu, 1998:57). According to the benefit criterion, it classifies justice services as services that are beneficial to the whole society and provide individual benefit. Since the justice services are spread throughout the society, this classification does not eliminate the quality of the justice services as a pure public good and service(Egeli & Yaşa, 2017:85). The collection of judicial fees in justice services constitutes the justification for the legitimacy of the fee. The collection of judicial fees from these services does not contradict the principle of the social state of law and the principle of free provision of justice services, on the contrary, it is stated that providing these services free of charge will increase the number of cases (Akyol, 2011: 33) and justice services are considered as pure public goods and services.

3. Findings on The Social Perception of Justice Services

The findings regarding the social perception of the justice services were divided into various categories and analyzed statistically.

3.1. Benefiting from Justice Services

In our survey study, in order to determine whether the participants benefit from the justice services, the question “Have you ever benefited from the justice services?” statement was directed. 66% of the participants stated that they did not benefit from justice services, and 34% stated that they benefited from justice services.

According to the results of the analysis, a statistically significant relationship was found between the variable of benefiting from justice services and demographic variables such as age, marital status, place of residence and occupational groups. According to this; 18-25 age group benefit less from justice services than individuals participating in the survey. Among the individuals who participated in the survey, those living in the city center benefit from justice services more than those living in other settlements. The rate of benefiting from the justice services of the participants

who are included in the civil service as a profession is higher than the other occupational groups.

3.2. Satisfaction with Justice Services

In our study, in order to measure satisfaction with the justice services, the participants were asked "I am satisfied with the services provided by the judicial system." statement was directed. While 26% of the people participating in the survey are not satisfied with the justice services, 27% are satisfied with the justice services. On the other hand, 47% of the participants stated that they partially agreed or partially disagreed about this statement.

According to the results of the analysis, a statistically significant relationship was found between the satisfaction with the justice services variable and the age groups, one of the demographic variables. According to this relationship, the level of satisfaction with the justice services decreases as the age progresses.

3.3. Adequacy of Justice Services

Two statements were made to the participants regarding the adequacy of the justice services. “The number of judges and prosecutors in the justice services is sufficient.” is the first of these expressions. While 32.9% of the respondents do not consider the number of judges and prosecutors in the justice services sufficient, 28.4% consider the number of judges and prosecutors sufficient. On the other hand, 38.2% of the participants stated whether they partially agree or not.

“The courthouses where judicial services are carried out are sufficient in terms of service quality.” is the second statement addressed to the participants regarding the adequacy of justice services. While 24.9% of the participants do not consider the courthouses sufficient in terms of service quality, 38.7% consider the service quality of the courthouses sufficient. %36,4 of the participants stated whether they partially agree or not. According to the results of the analysis, a statistically significant relationship was found between the adequacy of justice services variable and the demographic variables of gender and place of residence. According to this relationship, male participants who see courthouses as sufficient in terms of service quality are more than female participants. The majority of the participants, who consider the justice services inadequate due to the place of residence, live in the city center.

3.4. Trust in the Justice System

Two statements were made to the participants regarding trust in the justice system. The first of these statements is “I trust the justice system.” is the expression. While 43.1% of those who participated in the survey do not trust the justice system, 25.2% trust the justice system. 31.7 % of the participants stated whether they partially agree or not.

According to the results of the analysis, a significant relationship was found between the variable I trust the justice system and the gender variable. According to this relationship, female participants who trust the justice system are more than male participants.

“Decisions made by judges and prosecutors in Turkey evoke a sense of justice and trust.” The expression is another expression related to trust in the justice system. 46.5% of the participants stated that the decisions made by judges and prosecutors in Turkey did not create a sense of justice and trust, while 18.2% stated that the decisions made aroused a sense of justice and trust. 34.8% of those who participated in the survey partly agree with this statement and partly disagree.

According to the results of the analysis, a significant relationship was found between the variable of creating a sense of justice and trust and the variable of gender. According to this relationship, single people find the decisions made by judges and prosecutors in Turkey more fair and safe than married people.

4. Findings On The Social Perception of Justice Services As Public Goods and Services

4.1. Public Perception of Justice Services as Pure Public Goods and Services

Six statements were directed to the participants to measure the level of perception of the justice services as a pure public good and service. The six statements addressed were combined into a single item and the average of these six statements was taken to form the "perception level of justice services as a pure public good and service". The average of six statements converted into a single item was calculated as 3.8347. According to this calculated value, the level of perception of justice services as pure public goods and services by the survey participants is above the middle and close to the level of perception of justice services as pure public goods and services.

4.2. Social Perception of Justice Services as Semi-Public Goods and Services

Two statements were used to measure the level of participants perception of justice services as semi-public goods and services. These two expressions were combined and converted into a single item, and by taking the average of these two expressions, "the level of perception of justice services as semi-public goods and services" was formed. The average of six statements converted into a single item was calculated as 34856. According to this calculated value, the level of perceiving the justice services as semi-public goods of the respondents is above the average. However, when compared to the average level of perception of justice services as pure public goods and services (3,8347), the participants level of perception of justice services as pure public goods and services is higher.

5. Conclusion

When the findings regarding the social perception of justice services as pure public goods and services are evaluated; respondents are satisfied with the justice

services but do not trust the justice system. While the courthouses are considered sufficient in terms of service quality, the number of judges and prosecutors is considered insufficient. Decisions made by judges and prosecutors in Turkey do not sufficiently inspire a sense of justice and trust.

When the findings regarding the perception of pure public goods and services and semi-public goods and services of the justice services are evaluated; justice services are one of the most basic functions of the state, and social benefit is at the forefront. Justice services have to be produced by the state and must be financed through taxes. The benefit of the individual from the justice services cannot be measured and no one is excluded from the benefit. Benefiting from justice services by one person does not reduce the possibility of another person to benefit from it. Justice services provide benefits to the society as well as to the individual. Judicial expenses should be collected from those who benefit from the justice services.

The most important finding within the scope of the data obtained as a result of the analysis; as a public service, justice services are considered as pure public goods and services due to their qualifications, and the level of perception of justice services as pure public goods and services is higher than the level of perception as semi-public goods and services.

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Budget Management and Evaluation Its Success*

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Abstract

The concept of budget management is as important as the concept of expenditure management. The subject of this study is that public expenditure management should be handled comprehensively with the concept of budget management. This paper aims to reveal the issue not only in terms of expenditure but also in terms of income in fulfilling the functions of the budget document and using resources effectively. The concept of budget management is a whole with the processes of preparing and implementing the budget. In the studies in the literature, the concept of budget management is used less frequently. The budget is implemented in the form of forecasts and reaching forecasts. Success in budget management is considered to be the realization of forecasts. In the study, it is stated that it is important to approach the subject as a whole as "budget management", by not only focusing on the expenditure but also considering the income side of the budget. In this context, the budget management concept; refers to the realization of the budget process by considering the revenue and expenditure aspects of the budget, the budget system, fiscal rules, planning, and decision-making policies. In this paper, the issue of success in budget management was emphasized. Moreover, the example of Turkey has been referred to. Budget management has been evaluated by the revenue aspect of the budget, the budget system, planning, and fiscal rules.

Keywords: Budget Management, Budget Systems, Turkish Budget Systems, Public Expenditure Management
JEL Code: H6, H61

1. Introduction

Within the scope of the budget, which is one of the examination subjects of the science of finance, it is important to ensure the income and expenditure balance, especially with the increasing trend in public expenditures. However, the issue of balance has been discussed by classical and modern economists due to different perspectives (Edizdoğan & Çetinkaya, 2019: 69-80). Classical economists argued that the budget should be prepared as a balanced budget, borrowing should not be done and financial balance is important. Modern economists, on the other hand, have focused on economic equivalence rather than fiscal equivalence. Modern economic thought has come to the fore in the 1930s and has survived to the present day in many aspects. To finance the increasing public expenditures, governments have started to use borrowing as an extraordinary income alongside ordinary income. However, there have been countries that have entered into a debt crisis as a result of failures in debt

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management. The fact that the solution to the increasing public expenditures problem is carried out only with an effective expenditure-oriented approach has caused the content of the budget document to be weakened. Considering that the budget document consists of expenses and revenues, focusing on budget management from a whole perspective will reveal the reality of the budget document more. In this study, by emphasizing what should be understood with the concept of budget management, the factors that are effective for success in budget management are explained and the success of budget management in Turkey is evaluated within the scope of these factors.

2. Budget Management and Successful Budget Management Elements

Budget management starts with the preparation phase of the budget before it is implemented. Budget preparation is a lot important. At this stage, the importance of the decision-making mechanism emerges. Needs and resources must be rationally determined. In the literature, the concept of budget management is reflected by expenditure management (Majida & Singaravelloob, 2017: 255-256). In recent years, the concept of public financial management has also been added (Demirbaş & Çetinkaya, 2018: 3-10). Until the twentieth century, the budget played a role in the context of needs and resources. In the twentieth century, the budget gained a managerial dimension. Public expenditure increases are effective in the emergence of the concept of budget management. Since the 1980s, governments have drawn attention to spending restrictions. In this context, since the 1990s, efforts to reduce public expenditure increases through fiscal discipline have begun with medium-term fiscal strategies (Atkinson & Van den Noord, 2001: 114). Public expenditure management works with budget decisions (Schick, 1998: 1). Public expenditure management is an administrative process (Premchand, 1993: 22). It is decided within the budget range for which works the appropriation will be allocated. The preparation of budget proposals by governments is a complex and challenging process in terms of an income-expenditure relationship (Nice, 2002: 3). The concept of budget management is possible with the implementation of important factors in the process from the preparation of the budget to its audit. These factors are the budget system, financial rules, planning, efficiency in decision making, and the performance of managers in implementing the budget. These elements, which are necessary for successful budget management, are mentioned below.

The essential purpose of fiscal rules is the control of debts. In this context, fiscal rules promote stable economic growth (Anderson & Minarik, 2007: 517). Policy rules that are not legally binding and rules that are not enacted are not within the scope of fiscal rules (Kennedy, Robbins & Delorme, 2001: 238). The importance of fiscal rules on budget deficits and budget balance is recognized worldwide (Alesina & Perotti, 1996: 401). In terms of budget management, efficiency is possible by designing the fiscal rules by including revenues (Anderson & Minarik, 2007: 520). However, in many countries, including Turkey, fiscal rule practices focus on the budget deficit and debt rules (Şahintürk & Bulut, 2019: 431).

Countries benefit from planning as a strategic method to achieve the goals determined in the economy (Altuğ, 2004: 16). In this context, development plans come to the fore (Türk, 2005: 238-239). The budget is an effective financial management tool is related to the fact that the budget document is the government's implementation plan. This is achieved by showing revenues and expenditures as monetary amounts in the budget (Falay, 1997: 5). Medium-term plans and strategic planning are substantial in terms of budget management.

Budgeting systems have developed independently from public administration since the 20th century (Kelly, 2003: 310). Each budget system consists of planning, management, and control processes. Every reform made within the scope of budget systems changes the planning-management-control balance of the budget (Shick, 1966: 245). To be successful in reforming budget systems, governments must have a proper grasp of new budget formats, processes, and systems. Moreover, governments should institutionalize these innovations (Forrester & Adams, 1997: 472).

Budget management becomes meaningful with the budget process. The success of budget management consists of three-stage rules and regulations. These stages are the preparation, approval, and implementation of budgets. The numerical targets on the budget, the rules regulating the preparation and legal approval of the budget, and the rules regarding the transparency of the budget constitute the regulations in the budget management (Alesina & Perotti, 1996: 401).

There are conflicts between politicians and administrators in the budget preparation process. Despite these conflicts, governments have to maintain their budgetary work (Schick, 1969: 118). Governments and politics have both positive and negative effects on budget management.

3. Evaluation of Budget Management in Turkey

In Turkey, there are practices called classical budget method, program budget method, performance budget method in budget management (Edizdoğan & Çetinkaya, 2019: 84-168). The budget system implemented in Turkey in 2021 is called “performance-based program budget” (5018 sayılı Kamu Mali Yönetimi ve Kontrol Kanunu, m:9). The program budget system was officially determined between 1973 and 2006 but could not be implemented due to its features. The efforts to implement the program budget system as of 2021 will show us how successful we will be in the coming years. The implementation of the budget system according to its characteristics is an important factor in achieving success in budget management.

There are development plans within the scope of the planning approach in Turkey. The targets set in the development plans are for five years. It has been observed that the main targets have not been achieved in terms of the implementation results in the plans. The targets set in terms of both macroeconomic and sectoral dimensions could not be achieved. There are significant differences between the planned and the actual, especially in the data of growth, unemployment, and inflation, which are among the economic magnitudes that affect the entire economy (Bektaş, 2020: 197-210; Takım,

2011: 154-176; Alagöz & Yapar, 2003: 439-451; Özdemir, 2014: 23-24). Implementations on annual programs and medium-term programs prepared within the scope of budget management are insufficient. No law in Turkey includes direct fiscal rules, in which fiscal rules are combined in terms of budget management and fiscal discipline (Şahintürk & Bulut, 2019: 429; İnan, 2011: 61). Indirectly, there are fiscal rules included in various laws. From this point of view, there are almost no numerical fiscal rules in Turkey. In general, there are non-numerical fiscal rule implementations (Ergen, 2013: 104-106).

When the election years and budget sizes are examined within the budget-politics relationship, it is seen expenditures increased more than the inflation rate, except for some election years before and after 2000 (https://www.hmb.gov.tr/bumko-butce-buyuklukleri-ve-butce-gerceklesmeleri).

This part of budget management has been unsuccessful in the systematic preparation of the budget in Turkey. Budget preparation for the post-1980 period has been examined in terms of revenues and expenditures. Of the nearly thirty-year period of income projections, ten years are less revenue and twenty years more revenue realization (https://www.hmb.gov.tr/bumko-butce-buyuklukleri-ve-butce-gerceklesmeleri). According to the numerical data of the budget preparation in Turkey, it cannot be said that there is successful budget management in terms of both revenue and expenditure figures.

4. Conclusion

In this paper, the importance of the concept of budget management is discussed in terms of the factors that constitute the concept. In the literature, the context of public expenditure management is used. However, in the study, it was emphasized that the budget document should not only consist of expenditures but should be considered together with the income aspect. It should not be forgotten that the budget is a document in terms of both income and expenditure in budget management. In the study, some factors were determined to be successful in budget management. Within the scope of these factors, it was concluded that successful budget management could not be achieved within the framework of the studies and official data in the second part, in which the example of Turkey was evaluated. It should also say that Turkey could not manage a sustainable budget process from the 1970s to the 2000s in terms of budget principles and functions. Achieving success in budget management for Turkey is possible by looking at the budget document as a whole, together with the income and expenditure aspects. However, one of the important issues seen in the case of Turkey is the predominance of policies within the framework of political interests, rather than realist policies in terms of budget management. Especially within the scope of the policies carried out after 1980, this situation increasingly continued. Today, the preparation and implementation of the budget document from a professional point of view are important for both the voters and future generations.

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Struggle of Metropolitan Municipalities with Disaster: Covid -19 Pandemic and Ankara, Bursa, Diyarbakır and Manisa Metropolitan Municipalities Example

Hakkı Sağlam[1]

Abstract

The coronavirus (covid-19), which emerged in Wuhan, China in 2019, spread rapidly around the world and was declared a pandemic by the World Health Organization (WHO). Turkey came face to face with the Covid-19 pandemic that swept the world on March 11, 2020.

The general elections of local administrations held on March 31, 2019 were concluded and the newly elected mayors and councils started their duties. Mayors started to implement the strategic plan for the period of 2020-2024 on the one hand, and the first-term investment and performance programs and budgets on the other hand, on January 01, 2020, after the approval of the council.

In this study, the issue of how much four different metropolitan municipalities in Turkey and in four regions of Turkey are struggling with the disaster (covid-19 pandemic) has been investigated in terms of budget expenditures.

As a result, the economic and social struggles of metropolitan municipalities in Turkey in such disaster situations, which can be considered extraordinary, are revealed with the results of budget expenditures.

Keywords: Metropolitan municipality, budget, Ankara, Diyarbakır, Manisa, Bursa
JEL Code: H53, H55, H75

1. Introduction

The history of local governments in Turkey is a little over 150 years old. In Article 127 of our 1982 Constitution, which was finally accepted and still in effect, local governments take their place in the Constitution.

Along with the urbanization of Turkey, new searches have been made in local governments.

As a result of this, in accordance with the law numbered 2972, which was enacted for the first time in January 1984, and the decree law numbered 195, issued in March, three big cities, Istanbul, Ankara and Izmir metropolitan municipalities, were established and started to work after the general elections of local administrations on 25 March 1984. With the Metropolitan Municipality low no.

Adana, Bursa, Gaziantep, Konya and Kayseri between 1986 and 1988, respectively; In 1993, Antalya, Diyarbakir, Eskisehir, Erzurum, Mersin, Kocaeli -Izmit- and Samsun; Adapazarı -Sakarya- in 2000; With the law numbered 6360 enacted in

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2012, Şanlıurfa, Hatay, Manisa, Balıkesir, Kahramanmaraş, Van, Aydın, Denizli, Tekirdağ, Muğla, Mardin, Malatya, Trabzon and Ordu were taken into metropolitan status.

By means of this law, the areas of responsibility of the metropolitan municipalities were expanded to the provincial administrative borders, and the fact that all of the affiliated districts were included in the metropolitan responsibilities brought along some problems, especially in terms of resources.

On the other hand, they prepare the strategic plan, performance program and their budgets in accordance with these within six months following the local administration elections.

This study is to examine how the metropolitan municipalities use their budgets in the face of the Covid-1 pandemic, which emerged in China in 2019 and affected the world in 2020, and therefore also affected Turkey in 2020.

The study is to examine, compare and discuss the financial preparations against the disaster in terms of the current transfer expenditures of the 2020 budget results of the fight of the Metropolitan Municipality of four different cities from four different regions of Turkey against the covid-19 pandemic.

2. Struggle of Metropolitan Municipalities with Disaster

Turkey has faced many natural disasters in recent years. At the beginning of these, it has faced earthquake, flood and overflow, landslide, fire, frost, drought and finally pandemic. On the other hand, when citizens encounter any natural disaster, they first knock on the doors of municipalities that they feel closer to. It has been determined by TUIK that there are 83 million 614 thousand 362 people in Turkey as of 31 December 2020; The population within the borders of 30 metropolitan municipalities is 64 million 669 thousand 490 people, in other words, the population residing within the borders of metropolitan municipalities is approximately 77.73% of the total population of the country.

In this respect, metropolitan municipalities have turned into the institutions that the people expect the most support and help in all disasters.

Metropolitan municipalities have and manage more resources than other municipalities.

3. Covid-19 Pandemic and Ankara, Bursa, Diyarbakır and Manisa Metropolitan Municipalities Example

3.1. Ankara Metropolitan Municipality

The estimated budget of the Ankara Metropolitan Municipality for the 2020 fiscal year, as 7 billion 150 million TL, has been accepted by the municipal council as shown in the table-1 below.

Table-1 Estimated budget of Ankara Metropolitan Municipality for 2020 fiscal year

Organisation	Budget Expense Allowance	Budget Revenue Forecast	Budget Deficit	Open Rate %
ABB	7.150.000.000	7.150.000.000	0,00	0,0
TOTAL	7.150.000.000	7.150.000.000	0,00	0,0

Source : The decision of the Ankara Metropolitan Municipality Council on the 2020 budget, dated 23.11.2019 and numbered 1601

The estimated expenditure budget results for the 2020 fiscal year, on the other hand, were 5 billion 679 million 649 thousand 184 liras and 92 cents with a rate of 79.44%, as shown in the table-2 below.

Table-2 Ankara Metropolitan Municipality's 2020 fiscal year budget results

Organisation	Budget Expense Allowance	Expense Realization	Expense Realization Rate %	Estimated Budget Revenue	Income Realization	Income Realization Rate %
ABB	7.150.000.000	5.679.649.184,92	79,44	7.150.000.000	6.779.035.194,61	94,81
TOTAL	7.150.000.000	5.679.649.184,92	79,44	7.150.000.000	6.779.035.194,61	94,81

Source : The decision of the Ankara Metropolitan Municipality Council dated 28.05.2021 and numbered 1125 regarding the final account for 2020

In the estimated budget of Ankara Metropolitan Municipality 2020 fiscal year, a total of 444 million 457 thousand 552 liras is 22 cents, in other words, a share of 6.21% from the budget is allocated for current transfers.

On the other hand, the appropriation given with the current transfer initial budget in the 2020 fiscal year expense budget of the Ankara Metropolitan Municipality was increased, and as a result of the added appropriation, a total of 636 million 318 thousand 052 liras was 22 kuruş. It was understood that the realization was 577 million 500 thousand 813 liras and 07 kurus with a rate of 90.75%, and the transfer made from this to the households was 349 million 477 thousand 385 liras and 64 kurus with a rate of 60.51%.

3.2. Bursa Metropolitan Municipality

The estimated budget of Bursa Metropolitan Municipality for the fiscal year 2020 has been estimated as 2 billion 600 million liras in expenditure, 2 billion 800 million liras in revenue and 200 million liras in budget surplus and has been accepted by the municipal council as shown in table-3 below.

Table-3 Bursa Metropolitan Municipality's estimated budget for 2020 fiscal year

Organisation	Budget Expense Allowance	Budget Revenue Forecast	Budget Surplus	Open Rate %
BBB	2.600.000.000	2.800.000.000	200.000.000	0,0
TOTAL	2.600.000.000	2.800.000.000	200.000.000	0,0

Source : The decision of the Bursa Metropolitan Municipality Council on the 2020 budget, dated 10.12.2019 and numbered 11

The estimated expenditure budget results for the 2020 fiscal year, on the other hand, amounted to 2 billion 24 million 727 thousand 694 liras and 88 kuruş, with a rate of 78%, as shown in the table-4 below.

Table-4 Bursa Metropolitan Municipality's 2020 fiscal year budget results

Organisation	Budget Expense Allowance	Expense Realization	Expense Realization Rate %	Estimated Budget Revenue	Income Realization	Income Realization Rate %
BBB	2.600.000.000	2.024.727.694,88	78	2.800.000.000	2.512.368.991,68	90
TOTAL	2.600.000.000	2.024.727.694,88	78	2.800.000.000	2.512.368.991,68	90

Source : The decision of the Bursa Metropolitan Municipality Council, dated 10.06.2021 and numbered 841, regarding the budget final account for the 2020 fiscal account

In the 2020 budget of Bursa Metropolitan Municipality, a total of 60 million 710 thousand TL was allocated for current transfers, and its ratio to the budget was 2.33%.

The appropriation given by the budget for current transfers in the expenditure budget was increased during the year and the total appropriation amounted to 98 million 253 thousand 290 liras and 61 kurus, reaching a rate of 3.77%. At the end of the year, it was 94 million 865 thousand 441 liras and 12 cents with a 97% realization rate.

3.3. Diyarbakır Metropolitan Municipality

In the estimated budget of Diyarbakır Metropolitan Municipality for the fiscal year 2020, expenditures have been accepted as 1 billion 230 million 894 thousand liras, revenues as 1 billion 145 million 894 thousand liras and the budget deficit as 85 million liras with a rate of 7.41%, as shown in table-5.

Table-5 Estimated budget of Diyarbakır Metropolitan Municipality for 2020 fiscal year

Organisation	Budget Expense Allowance	Budget Revenue Forecast	Budget Deficit	Open Rate %
DBB	1.230.894.000	1.145.894.000	85.000.000	7,41
TOTAL	1.230.894.000	1.145.894.000	85.000.000	7,41

Source : Diyarbakir Metropolitan Municipality Council's decision on the DMM budget, dated 30.11.2019 and numbered 344

The estimated expenditure budget results for the 2020 fiscal year, on the other hand, were 798 million 732 thousand 880 liras and 62 cents with a rate of 64.89%, as shown in the table-6 below.

Table-6 Diyarbakır Metropolitan Municipality's 2020 fiscal year budget results

Organisation	Budget Expense Allowance	Expense Realization	Expense Realization Rate %	Estimated Budget Revenue	Income Realization	Income Realization Rate %
DBB	1.230.894.000	798.732.880,62	64,89	1.145.894.000	991.442.012,43	86,52
TOTAL	1.230.894.000	798.732.880,62	64,89	1.145.894.000	991.442.012,43	86,52

Source : Decisions of Diyarbakır Metropolitan Municipality Council dated 10.06.2021 and numbered 841 regarding the DBB 2020 fiscal year budget fiscal account

In the 2020 expense budget of Diyarbakır Metropolitan Municipality, a total of 46 million 696 thousand TL has been allocated for current transfers, and its ratio to the budget is 3.79%. At the end of the year, it was understood that current transfers amounted to 34 million 411 thousand 989 liras and 03 kuruş with a rateof 4.30%.

3.4. Manisa Metropolitan Municipality

In the estimated budget of Manisa Metropolitan Municipality for the fiscal year 2020, 1 billion 140 million liras expenditure, 990 million liras income and 13.15% of the budget deficit is estimated as 150 million liras, and it is accepted as shown in table-7 below.

Table-7 Estimated budget of Manisa Metropolitan Municipality for 2020 fiscal year

Organisation	Budget Expense Allowance	Budget Revenue Forecast	Budget Deficit	Open Rate %
MBB	1.140.000.000	990.000.000	150.000.000	13,15
TOTAL	1.140.000.000	990.000.000	150.000.000	13,15

Source : Manisa Metropolitan Municipality Council's decision on the MBB Budget, dated 26.11.2019 and numbered 627

The estimated expenditure budget results for the 2020 fiscal year, on the other hand, were realized as 1 billion 137 million 185 thousand 633 liras and 04 kuruş with a rate of 99.75%, as shown in the table -8 below.

Table-8 Manisa Metropolitan Municipality's 2020 fiscal year budget results

Organisation	Budget Expense Allowance	Expense Realization	Expense Realization Rate %	Estimated Budget Revenue	Income Realization	Income Realization Rate %
MBB	1.140.000.000	1.137.185.633,04	99,75	990.000.000	1.142.811.216,53	115,44
TOTAL	1.140.000.000	1.137.185.633,04	99,75	990.000.000	1.142.811.216,53	115,44

Source : The decision of the Manisa Metropolitan Municipality Council, dated 08.06.2021 and numbered 355, regarding the MBB 2020 fiscal year budget fiscal account

Manisa Metropolitan Municipality allocated a total of 20 million 152 thousand liras to current transfers in its 2020 expenditure budget. The ratio of this to the budget is 1.76%.

At the of end of the year, it was understood that current transfers amounted to 33 million 804 thousand 672 liras and 26 kurus with a rate of 167.75%. The point that draws attention here is that while 35 thousand liras was allocated to households from the budget, it was realized as 3 million 500 liras with a rate of 8,572.86% at the end of the year.

4. Conclusion

The estimation of the 2020 fiscal year budget of the four metropolitan municipalities, the amount and the ratio allocated to the actual expenditures and current transfers are as shown in the table-9 below.

Table-9 4 Metropolitan Municipality's 2020 fiscal year budget results and current tarnsfer amount

Organisation	Budget Expense Allowance	Expense Realization	Expense Realization Rate %	Estimated Budget Revenue	Income Realization	Income Realization Rate %
ABB	7.150.000.000	5.679.649.184,92	79,44	7.150.000.000	6.779.035.194,61	94,81
BBB	2.600.000.000	2.024.727.694,88	78	2.800.000.000	2.512.368.991,68	90

DBB	1.230.894.000	798.732.880,62	64,89	1.145.894.000	991.442.012,43	86,52
MBB	1.140.000.000	1.137.185.633,04	99,75	990.000.000	1.142.811.216,53	115,44

Source: Compiled from budget final account decisions of Ankara Metropolitan Municipality, Bursa Metropolitan Municipality, Diyarbakır Metropolitan Municipality, Bursa Metropolitan Municipality Assemblies

Accordingly, Manisa Metropolitan Municipality is in the first place, Ankara Metropolitan Municipality is in the second place, Bursa Metropolitan Municipality is in the third place, and Diyarbakır Metropolitan Municipality is in the last place in realizing the expenditure budget.

On the other hand, the share of current transfers in the 2020 fiscal year budget expenditures of the four metropolitan municipalities is shown in table-10 below.

Table-10. 4 Rezelization rate of current transfers in the 2020 fiscal year budget expenditures of the Metropolitan Municipality and its share in total expenditures

Organisation	Budget Expense Allowance	Expense Realization	Expense Realization Rate %	Current Transfer (Total Allowance)	Current Transfer realization	Current Transfer Realization Rate %	Current Transfer Expenditure to Total Expenditures Rate %
ABB	7.150.000.000	5.679.649.184,92	79,44	636.318.052,22	577.500.813,07	90,75	10,16
BBB	2.600.000.000	2.024.727.694,88	78	98.253.290,61	94.865.441,12	97	4,68
DBB	1.230.894.000	798.732.880,62	64,89	69.883.639,00	47.125.391,91	67,43	5,90
MBB	1.140.000.000	1.137.185.633,04	99,75	20.152.000,00	33.804.672,26	167,75	2,97

According to this table, in terms of the amount allocated to current transfer expenditures and the realization of current transfer expenditures, Ankara Metropolitan Municipality; Manisa Metropolitan Municipality, which has the highest rate of realization of current transfer expenditures; Ankara Metropolitan Municipality ranks first in the ratio of current transfer expenditures to total expenditures.

The fact that Ankara Metropolitan Municipality is ahead proportionally among the four metropolitan municipalities is effective since 1984, that is, it has been governed in this status for 36 years. Although it has been 7 years since Manisa Metropolitan Municipality was established, it is important and a success to reach and help citizens who are exposed to disaster by using current transfers in the face of the covid-19 pandemic.

On the other hand, right after the elections held on March 31, 2019, the Diyarbakir Metropolitan Municipality was transferred to the trustee. Although the effect of the Covid-19 pandemic is high, with the Governor serving as a trustee, it is understood that Diyarbakır Metropolitan Municipality is not prepared, does not use the budget effectively, and does not take sufficient responsibility.

Again, it has been understood that Bursa Metropolitan Municipality, which is an important industrial and agricultural city in the Marmara Region and has been in the metropolitan status for 33 years, is not ready for disasters, but is trying to solve the problems of citizens by transferring to current transfers, which it takes precautions while the disaster continues due to its experience.

The strategic plan for the 2020-2024 period of the Metropolitan Municipalities of the four big cities of Turkey, which has the potential to experience many disasters at any moment, They do not foresee situations such as the Coranavirus pandemic in the 2020 performance program and 2020 fiscal year forecast budgets; of these, it is seen that only Ankara Metropolitan Municipality is prepared for disaster in this aspect by putting current transfer appropriation in almost all of its units.

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MBB https://www.manisa.bel.tr/t35_mali-hizmetler-dairesi-baskanligi.aspx?sayfa= icerik&sid=8
ABB Assembly Decisions
BBB Assembly Decisions
DBB Assembly Decisions
MBB Assembly Decisions

The Relationship of Financial Policies and Income Inequality During Covid 19: An Evaluation in the Case of Selected Countries and Turkey

Hakkı Hakan Yılmaz[1] **Gökhan Ünalan**[2]

The epidemic that emerged in Wuhan, China in 2019, spread to all parts of the world in a short time and brought life to an emergency condition in many countries. The effects of the global epidemic, which first emerged as a public health crisis and then became integrated with the economic crisis, have not been observed the same in everywhere and every sector. The epidemic has brought with it observable increases in many types of inequality, spesificall income inequality. Preliminary studies have generally pointed out that the dynamics of pandemic conditions are quite different from previous crises, especially that the crisis in sectoral, regional, functional and even personally is asymmetrical, and as a result, the income generation process offered by the market does not work fairly for everyone. Problems such as the fact that taxes and transfers, which are fiscal policy tools in the correction of income inequality, can not serve this purpose adequately in some countries and even lead to a further deterioration in income distribution in some cases.

The purpose of the paper is to analyze the relationship between the fiscal policy measures developed for the economic crisis caused by the pandemic and income inequality. The effect of fiscal policy measures, which are implemented as income and expenditure oriented, on income inequality will be evaluated within the scope of the study. In this framework, the effects of the Covid19 epidemic on income distribution and inequality will be analyzed, but at the same time, the effects and results of taxes and transfers, which are critical in correcting income inequality among households, under pandemic conditions will be examined through selected countries. The study will mainly focus on taxes and transfers, which play a direct role in secondary distribution, which shows us the redistribution of income as a result of public policies. It is aimed to contribute to the development of policy proposals, taking into account the possible role played by fiscal differences on income inequality, which shapes the policy responses of countries in the fight against the pandemic in the literature.

The methodhology of the paper is based on the development of an analysis in the change in gini coefficients as primary and secondary distribution used in measurement of income inequality. The development trends of these coefficients regarding the primary and secondary distributions before and during the epidemic will be analzed and the change in the epidemic period will be revealed. Within the scope of this analysis, a comparison with the change in Gini during the 2008-2009 crisis will also be taken into consideration.

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The Gini coefficient, which is widely used to measure income distribution, is the expression of income inequality with a coefficient. The level of inequality is measured with the Gini coefficient calculated based on the Lorenz curve. An increase in the Gini coefficient indicates an increase in inequality, and a decrease indicates a decrease in inequality. The values that the Gini coefficient can take are between (0) and (1). In case of absolute equality, the Gini coefficient takes the value (0), and if the incomes of the society are collected by only one person, it is equal to 1.

Gini coefficients are compared with the Reynolds-Smolensky measure to understand the change in public policies after tax and public transfer expenditures. In this context, this calculation is made over two Gini coefficients to show Gx pre-tax (market distribution), Gx-t after-tax (usable income excluding transfers) Gini coefficients and (RE) redistribution effect. In this approach, the Gini coefficient variation measure will be calculated according to the following formula:

$$RE = 100 \times (Yd+t-g - Yd-g)/Yd+t-g$$

The Kakwani index, on the other hand, is an index that measures the increasing proportionality of public intervention. Kakwani (1977) tried to measure progressiveness of the tax system by using the Gini approach in his study. According to Kakwani (1977), the difference between primary income distribution and secondary income distribution does not give us an exact measure of the progressive proportionality of the tax system. The concept of "proportionality of tax" relates to the income elasticity of tax. Since the income elasticity of the tax is always equal to the unit elasticity for income-proportional taxes, a measure of the tax progressiveness must depend on the size of the deviation of the income elasticity of the tax from the unit elasticity. In this context, an analysis will be made for Turkey over the three indices summarized above. Thus, in addition to the Gini index, the measurement of inequality will be looked at in different ways by making calculations for the Reynolds-Smolensky measure to show the redistribution effect of taxes and transfers in the pandemic process in Turkey, and the Kakwani index to see the effect of taxes on income distribution depending on income elasticity.

For this purpose, in this study, the official data[3] on the eurostat site for 2020 Gini (based on the data of at least 11 EU countries, of which the data for 2020 are currently disclosed) with previous years and the income inequality for 5 countries (France, Germany, Italy, Spain and Sweden) data from the ECINEQ (2020) [4] study will be used. For Turkey, the results of the TURKSTAT Income and Living Conditions Survey[5], in which the data for 2020 are also announced in June 2021, and the findings and method of the Redistribution Effect of Taxes on Income in Turkey: 2002-2013 Period[6] (Yılmaz et al, 2016) will be considered. Regarding the fiscal policies, in order to analyze the effect of public policies on redistribution, from the policy follow-up schedule during the Covid-19 period, which is regularly updated by the IMF and collected for

[3] https://ec.europa.eu/eurostat/databrowser/view/ilc_di12/default/table?lang=en.
[4] http://www.ecineq.org/milano/WP/ECINEQ2020-565.pdf
[5] https://data.tuik.gov.tr/Bulten/Index?p=Gelir-ve-Yasam-Kosullari-Arastirmasi-2020-37404
[6] http://tubitakvergi.ankara.edu.tr/Rapor.pdf

197 countries[7]; Similarly, the data documents that the OECD monitors tax policies[8] for 66 countries during the pandemic, and the "Poverty and Shared Prosperity 2020: Reversals of Fortune"[9] shared by the World Bank, and various reports published by the OECD, especially on property management and budget policies, will be referenced.

The study is aimed to reveal that pandemic conditions and structural dynamics that shape or restrict the fiscal policies of countries through taxes and expenditures within the framework of combating these conditions can turn into factors that trigger income inequality in countries. In this context, the results of the relationship between income and expenditure-oriented financial programs implemented by countries and income inequality will be revealed for the pandemic period. Additionaly, it has been foreseen that the effects of state interventions implemented by countries may not always be positive, and the results may differ depending on the target audience affected by the policies as well as the volumes of these policies. As a result, rationalization of states to meet the redistribution demand more dominantly and to strengthen the progressive mechanisms by effectively using two fiscal policy tools such as taxes and transfers will be revealed.

[7] https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19

[8] https://www.oecd.org/tax/tax-policy/tax-database/?_ga=2.206659539.1379187229.1621884219-1929793368.1621884219

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Illegality of Prohibitions and Administrative Fines Imposed Due to Covid – 19

Elif Sonsuzoğlu[1]

Abstract

Restrictions due to Covid-19 In violation of the Constitution and European Convention on Human Rights (ECHR), fundamental rights and freedoms were restricted, and administrative fines were imposed on those who did not comply with these restrictions, based on different laws.

Fundamental rights and freedoms may be restricted only by law and for the legitimate purpose contained in the relevant article in accordance with article 13 of the constitution during the ordinary period. General health is not shown as a reason in the restricted fundamental rights, and since the restrictions are not made by law, it is against the Constitution. In addition, any law that is the basis of punishment is not available to those who do not comply with the covid restrictions.

The Public Health Law stated that those who do not comply with the prohibitions and mentioned that the restrictions in the law can be applied for the diseases listed in Article 57. There is no covid-19 in this law. In addition, the restrictions are not for everyone, but for those who are sick or suspected of illness.

In accordance with the Law on Provincial Administration, the governor may impose a ban not everywhere and constantly, but in certain places and for those who are sick or suspected of illness. When the order is against the law, it is illegal to punish those who do not comply with the Law on Misdemeanors.

Since fundamental rights and freedoms cannot be restricted due to general health, even by law, in ordinary periods, those who do not comply with the illegal order cannot be punished and will cancelled.

Keywords: restriction, appeal, fundamental rights and freedoms, administrative fines.
JEL Code: K10-K14-K34-K41

1. Introduction

During the fight against Covid-19, various fundamental rights and freedoms have been unconstitutionally restricted by Presidential Decree, Ministry of Interior Circulars or Governorship decisions and illegal administrative fines have been imposed on those who fail to comply.

Fundamental rights and freedoms are guaranteed in the Constitution, Article 13 indicates in usual statutes and 15 in emergency statutes, how fundamental rights and freedoms can be limited.

In the study, first, the unconstitutionality of prohibitions and restrictions will be examined, then the situations of administrative fines applied to those who do not respect the unconstitutional restrictions and prohibitions, contrary to the constitution, to the general principles of law and regulations international agreements will be

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determined. The aim of the study is to determine these contradictions and the way they are eliminated.

In the study, the illegality of the bans imposed to combat the pandemic and the fines imposed on those who do not comply will be determined in detail within the framework of the relevant to Constitution and Law articles and judicial decisions, and also without discussing the necessity of these prohibitions, the determination of unlawful prohibitions and penalties and the cancellation conditions in case of applying to the judiciary will be examined and it will be determined how to make the legal regulation.

2. Unconstitutionality Of Covid-19 Restrictions and Administrative Fines

Due to Covid-19, many rights such as travel, education, work, social security, assembly have been restricted and administrative fines were imposed on those who violated them.

Not only the administrative fines imposed due to Covid-19, but also the regulations which restrict the fundamental rights and freedoms on which the sanction is based, lack a constitutional basis. The Constitution has determined how restrictions on fundamental rights and freedoms will be made in usual and emergency states.

2.1. Legal Conditions of Restriction of Fundamental Rights and Freedoms

Fundamental rights and freedoms are guaranteed by the constitution, exceptionally how the restrictions will be made is regulated separately for usual and emergency states.

2.1.1 During the usual state

Regarding the usual state, Article 13 of the Constitution:

"*Fundamental rights and freedoms can only be limited by law, without affecting their essence, only depending on the reasons specified in the relevant articles of the Constitution. These restrictions cannot be contrary to the word and spirit of the Constitution, the requirements of the democratic social order and the secular Republic, and the principle of proportionality*."

has set criteria for the means of restriction and the legitimate reason for the restriction.

In the usual state, fundamental rights can only be limited by law and for the reason specified in the relevant article of the constitution. Since a state of emergency has not been declared restrictions, even made by law, will be unconstitutional. (Arslan, 2020: 813) Because public health not the reason for restriction. Moreover,

most of these restrictions are not brought by the law, but by the regulatory actions of the executive. (Gözler, 2020-a: Gözler 2020-b)

Restrictions that must be made by law, even if they are made by decree or even by law, are unconstitutional because they are not based on the constitution. (Sonsuzoglu, 2021: 132-136) Therefore, since the administrative fines imposed on the basis of these will also be unlawful, they will have to be returned, and also, in order for the security forces to have the authority to use force must be clearly regulated by the law. Unless this is done, they cannot use an authority which was not obtained from the law, even for the purpose of protecting public health. (Human Rights Association, 2020: 3-5) After the limitation of fundamental rights and freedoms is made with the law and for the legitimate purpose in the relevant article of the Constitution, and the framework and principles are specified by law, only the matters related to use can be left to the administration, i.e,. the administration does not extend the restriction, but can implement the measures to implement. (Tanor & Yüzbaşığoğlu, 2019:158)

2.1.2. In the Emergency State

Under the chapter of suspending the use of fundamental rights and freedoms, in Article 15

"… in cases of emergency, … the exercise of fundamental rights and freedoms may be partially or completely suspended, … measures contrary to the guarantees envisaged in the Constitution may be taken…."

Even if a state of emergency was declared, fundamental rights that cannot be touched are limited. In Article 119 on the administration of the state of emergency, the President has the authority to declare a state of emergency due to a dangerous epidemic.

"*… In state of emergency … how fundamental rights and freedoms will be limited or temporarily suspended … shall be regulated by law.*

In state of emergency, the President may issue a presidential decree on matters necessitated by the state of emergency.

Legally a state of emergency can be declared due to an epidemic, article 1, and it is allowed to prevent entry and exit to certain regions, article 9. Article 11 of the Curfew Law, it can be implemented in case of disruption of public order due to widespread acts of violence aimed at eliminating fundamental rights, by taking the opinion of the National Security Council. In the face of these regulations, restrictions imposed by executive actions, not by law are unlawful.

2.1.3. Illegality of Restrictions

During the Covid-19 period, many measures were taken within the scope of combating the pandemic. Administrative fines were imposed on those who violated these measures. Within the scope of these measures, which are against the law, the first and secondary education were suspended for one week, and higher education three, then distance education was held for 1.5 years, departures, flights and passenger entries were stopped.

Restaurants, cinemas, scientific, cultural, artistic places were closed. Curfews and travel bans were imposed, sometimes to everyone, sometimes to under the age of 20 and over 65. Moreover, these were announced in violation of the Constitution, not by law, but by presidential decree, Ministry of Interior circular and even some of them with press releases. The fact that these circulars are not published in the Official Gazette, and therefore they are learned as news, make it difficult to know the prohibitions. This situation also violates the principles of legal guarantee and certainty. These age-related prohibitions also create discrimination.

Contrary to the prohibition of discrimination, practices such as curfews for everyone, sometimes depending on age, closures of workplaces, retirement or quitting bans for physicians, the obligation to wear masks have been introduced, and fines have begun to be imposed on those who do not comply. Fundamental rights and freedoms in the Constitution should be interpreted as narrowly as possible, as they are exceptions to rules and restrictions. (Gözler AYH Genel Teorisi 2011; 302, Fazıl Sağlam, 2013; 300,)

3. The Laws on Which, The Administrative Fines Given to Those Who Have Not Respected, Based and Illegalities of These Fines

Administrative fines are given those who did not respect the prohibitions. Penalties were most frequently imposed due to the obligation to wear masks, general curfews, and violations of intercity travels.

These penalties are against the principles of legal security, legality, and quality. (Hekimoğlu, 2021;223) Because the same act was penalized in different amounts based on different laws in different provinces. In addition, there are unlawful violations in terms of authority in the application of punishment

3.1. Fines According to Provincial Administration Law (PAL)

The application of prohibitions and penalties based on the PAL is unlawful when the article 11-C/2 of the aforementioned law is examined.

"The governor may restrict entry and exit to certain places in the province for those who are in doubt about public order, for a period maximum fifteen days, in case where public order will be distrubed: people's movement gathering… in certain places or hours…"

Although governors are given broad authority to maintain public order, this authority is not for everyone and is not unlimited. Decrees made on the basis of the PAL with circulars are also not in accordance with the law.

The governor implements the measures that are regulated by law in the usual state and shown in the law. The powers to be given by law should be included in the law in a clear, specific and predictable manner, so as not to be left to the discretion of the administration. (Hekimoğlu, 2021: However, provided that it is included in the law, workplace closures, curfews, masks, in the provinces, the governor implements the measures that are regulated by law in the ordinary period and shown in the law.

Constitution, article 13, regulates that the restriction of fundamental rights in the ordinary period can only be made by law. The powers to be given by law should be included in the law in a clear, specific and predictable manner, so as not to be left to the discretion of the administration. However, provided that it is included in the law, workplace closures, curfews, masks, etc applicable.

The Ministry of Interior announced that all entertainment venues and activities such as theatre, cinema, engagement/wedding hall, restaurant/café, Turkish bath, were cancelled. It's obvious that fundamental rights such as freedom of work, freedom of contract, freedom of travel, physical integrity, were restricted which are guaranteed by the constitution and laws, and these restrictions are not made by law. Administrative fines were also imposed on those who did not comply with these regulations, which themselves are unlawful.

In addition, according to article 66 of the PAL, however, those who do not comply with the notification and announced decisions and measures are subject to MD Article 66 fines according to 32. In other words, penalties that are not communicated or announced, that is, applied without fulfilling the principles of certainty beforehand, are also unlawful.

Even if the fine itself was in accordance with the law, another illegality is on the part of the enforcer. Because, PAL article 66;

"…*Punished in accordance with the provision of Article 32 of the ML, pursuant to the authority granted by the laws by the provincial general assembly or administrative boards or the highest civil authorities*." Penalties were not applied by the highest civilian authority, but by law enforcement officers many times. Again, it is illegal in terms of jurisdiction.

3.2. Penalties According to the Public Health Law (PHL)

The prohibitions in the PHL and the fines to be applied to those who do not comply are also not applicable for Covid-19 measures. Because PHL dated 1930, art.282;

"*Those who act contrary to the prohibitions written in this Law or do not comply with the obligations are subject to an administrative fine of up to 1000 Turkish Liras*.[2]"

It is in the form and Covid-19 bans are not included in the PHL article 72, when one of the diseases listed in Article 57 occurs[3], the measures listed in the law can be taken. Fines Covid-19 are against to PHL.

Because in the regulation, the isolation measure to be taken for those who are sick or suspected of being sick, not everyone, is m entioned. Also It is a regulation to be applied for the diseases listed in 57. This article has used the counting method for the diseases for which prohibitions and penalties will be applied, and it is obvious that Covid-19 will not be among the diseases listed. Precautions are only for those who are sick and at risk of spreading the disease.

In practice, it is illegal with penalties given by persons other than the highest civilian authority, and in this regard, the courts cancel the penalty in terms of jurisdiction. Because, PHL m.294/2 states, "Administrative fines written in this Law are imposed by the local civilian authority." Even though it is in the form, PAL has the highest civil authority and ML has the highest authority. However, none of them authorized the law enforcement forces.

3.3. Fines Based on Misdemeanors Law (ML)

Article 22 of the ML explains that punishment can be imposed by the board authority or public officials, which are clearly indicated in the law. However, if it is not clearly indicated in the law, the highest authority of that institution is authorized to issue an administrative sanction decision. ML article 32/1-2; those who act against the order given in accordance with the law are fined. this punishment applicable in cases where there is a clear provision in the relevant law.

In order to impose a penalty, the order must be in accordance with the law, and this condition cannot be met. It is known to everyone that there is no penalty for not fulfilling an unlawful order. This article can only be applied in cases where there is an express provision in the relevant law. Since Covid-19 measures are not regulated by law, article 32 cannot be applied. Otherwise, it will violate the principle of legality. The authority of the administration to define misdemeanor is not unlimited, these regulations constitute the assurance of arbitrary practices

4. Conclusion

In usual status, fundamental rights and freedoms can only be restricted by law and by the justification in the relevant article of the Constitution. When fundamental rights and freedoms are restricted in violation of the Constitution, the fines given to those who do not comply with these restrictions are also unlawful.

[2] This figure is yearly updated every year.

[3] Cholera, plague, blotchy fever, black fever, smallpox, diphtheria, dysentery, rumen, scarlet fever, anthrax, paralysis tifli, maltese fever, but not the Covid-19.

Since the general health restriction does not have a legitimate aim in the articles related to the restricted fundamental rights, even if the restrictions are made by law, it is unconstitutional. If there was a reason for restriction in the relevant article on general health, the legal restriction could be made by law. Decrees and circulars have been used instead of the law, and the circulars are only the orders of the administration to the officer. In this respect, the Covid-19 fines are crippled both in lega form and in substance.

It is regulated in the Misdemeanor Law that an administrative fine may be imposed on a person who violates the order given in accordance with the law. When the orders are against the law, no fines can be given.

Fines given in accordance with the Public Health Law are unlawful in terms of authority and subject matter, both because the law enforcement officers give instead of the civil chief, and because covid is not one of the diseases listed in the law. An application is made to the Criminal Court of Peace for annulment. Since the provincial administration law does not authorize the governor, fines imposed according to this law may also be cancelled.

Whether the President considers Covid-19 as a state of emergency or not is a question of expediency, while it is a question of legality that restrictions are made by decrees and circulars.

In order for the restrictions and fines to be applied in accordance with the law, either a state of emergency must be declared or the expression "general health" must be added to the articles of the constitution regulating fundamental rights, and the restrictions must be added by law in accordance with the legitimate aim.

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Covid-19 Crisis and Fiscal Policies to Strengthen the Healthcare System

Meral Fırat[1]

Abstract

In this study, the dimensions of health financing need arising in Turkey due to the COVID-19 crisis were investigated and it was explained what kind of fiscal policy should be implemented in order to strengthen the health systems with increasing financing needs. The main purpose of the study is to investigate how the health system financing in Turkey can benefit from fiscal policies to meet the cost of the COVID-19 crisis on health systems. In this context, in the first part of the study, after a short introduction about the importance of the subject in the second part, the economic effects of the COVID-19 crisis and the course of health expenditures were investigated. It has been observed that developing countries lag behind in overcoming the effects of the crisis due to their own structural problems. The crisis has brought up the need to increase the expenditures for health financing all over the world. Turkey has the lowest rate among OECD countries in terms of GDP ratio of health expenditures with 4.4 %. In the third part, it has been researched how the financing of health services in Turkey is provided and it is seen that the most important sources of financing are taxes, social security premiums, private insurance premiums and out-of-pocket payments. In the research, it has been observed that this deficit, which the Social Security System has given deficit since the 1990s in Turkey, is covered by the financial transfer from the budget. The share allocated to Ministry of Health from the central government budget of last four years is nearly only 5%. In the fourth chapter, in this case, the designs that governments can make on how to strengthen the health system with taxes, public expenditures and subsidies using fiscal policy are explained. Examples of fiscal policies for health are taxes on tobacco, tobacco products and alcohol, subsidies on certain food products and tax incentives for health care purchases.

Key Word: COVID-19, Health Financing, Health Expenditures, Fiscal Policy

JEl Classification: E62, H3

1. Introduction

Although the COVID-19 crisis occurred in the health sector, it affected the economies of many developed and developing countries. Against this crisis, which affected almost all countries in the world, governments implemented expansionary monetary and fiscal policies. Despite these support packages, global GDP contracted by about 5.5% for the year 2020 (World Bank, 2021:4).

This crisis, which emerged in healthcare field, has increased the importance of financial strengthening of health systems due to the increasing needs of households already facing financial difficulties for reasons such as access to health services and out -of-pocket expenditures for health. One of the Sustainable Development Goals 2030

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proposed by the United Nations in 2015 is to expand universal health coverage in access to health services and to strengthen financial protection.

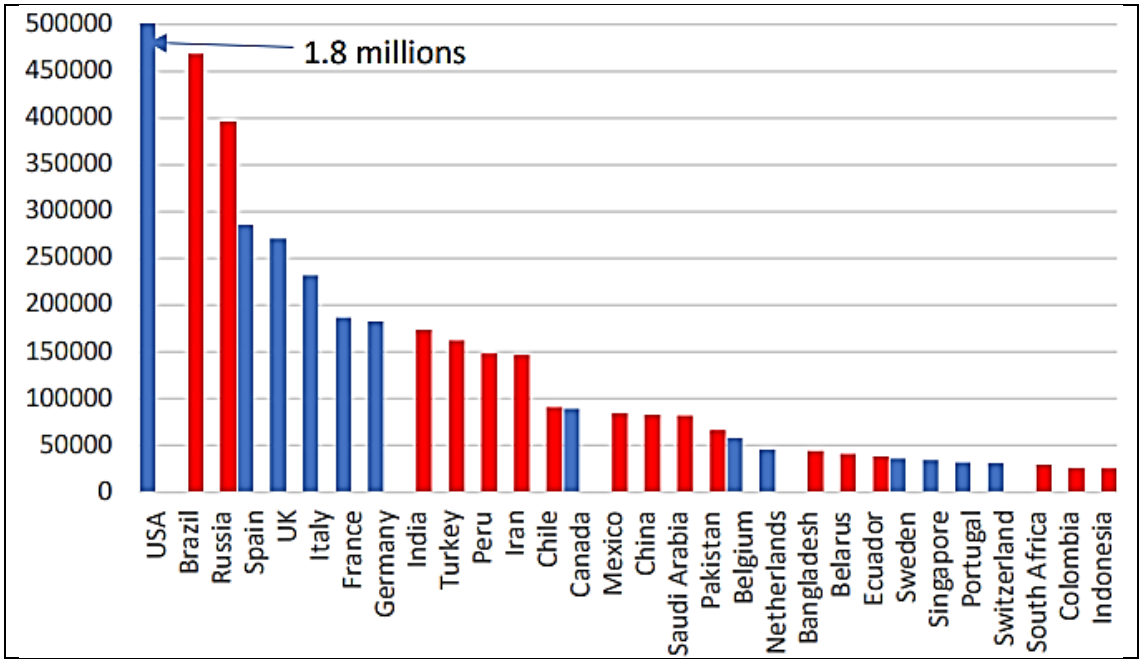
This study consists of 5 parts. In the introduction part, the importance and scope of the subject are briefly explained, and in the second part, the economic impact of the COVID-19 crisis and the trajectory of health spending are investigated. In the third part, the financing of the health system in Turkey and the status of the health budget during the pandemic period are examined, and in the next part, the fiscal policies to strengthen the health system are explained. A general evaluation is made in the conclusion part and suggestions are made.

2. Impact of the COVID-19 Crisis and Development of Health Expenditures

2.1 Impact of the COVID-19 Crisis

The COVID-19 outbreak began in China in December 2019, but soon spread to Europe and the United States. At the beginning of the pandemic, it was hoped that warm weather would protect many developing countries from the virus, but this hope has not been realized. There are still cases of infection in Africa, South Asia, and Latin America.

Figure 1: Number of reported COVID-19 cases (Top 30 countries)



Source: Centre for Economic Policy Research, COVID-19 in Developing Economies, Edited by Simon Djankov, Uga Panizza, CEPR Press, London,2020

As shown in the red column in Figure 1 above, 17 of the 30 countries with the most reported cases at the time of this study were developing countries.

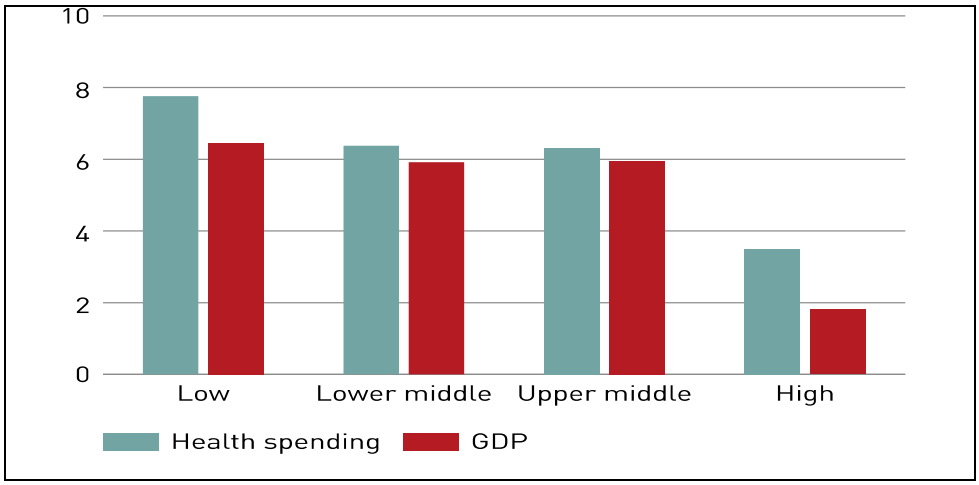
The COVID-19 pandemic has disrupted lives and impacted the global economy in all countries and communities. The pandemic has had a greater impact on economic growth in 2020 than the negative impacts that have occurred in nearly a century. Recent forecasts show that the growth figures for the global economy will decrease from -4.5% to -6.0% in 2020 due to the pandemic. A partial recovery of 2.5% to 5.2% is expected in 2021. And the world trade is expected to decline to 5.3% in 2020 and increase to 8.0% in 2021. (Congressional Research Service,2021:2).

The longer the epidemic lasts, the greater the burden on public finances. Public deficits and public debt have increased at an unprecedented rate, accompanied by a sharp drop in income due to the decline in production, and massive financial support has been provided. In 2020, the average fiscal deficit was 11.7% in developed economies, 9.8% in emerging economies, and 5.5% in underdeveloped economies. In 2020, global public debt was 97.3% of GDP, which was 13% higher than the pre-pandemic forecast level (IMF,2021:1).

2.2 Development of Health Expenditures

In 2018, global healthcare spending reached $ 8.3 trillion, or in other words, 10% of global GDP. This is the first time in five years that healthcare spending has grown more slowly than GDP. Per capita public health spending increased over the 2000-2018 period, but grew more slowly after the 2008-2009 economic crisis periods. Personal spending as a share of total healthcare spending is over 40% in low- and lower-middle-income countries. The decline in government revenues due to the economic crisis led many countries to take out additional loans (WHO, 2020:12).

Figure 2: Health expenditures and GDP growth trends by country group (2000-2017 %)

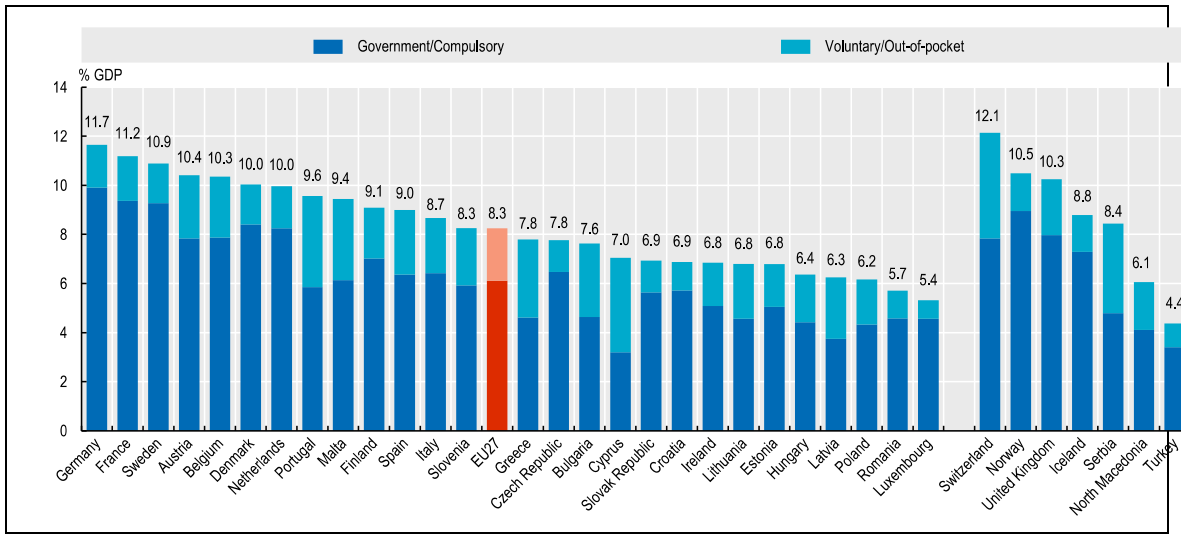


Source: WHO, Global Spending on Health A World in Transation,2019, p:6

Between 2000 and 2017, global healthcare expenditures grew by 3.9% per year in real terms, while global GDP grew by 3.0%. As shown in Figure 2 above, the increase in healthcare expenditures between 2000 and 2017 in low-income countries was 7.8%,

while economic growth was 6.4%. While healthcare expenditures in middle-income countries are growing at more than 6% per year, healthcare expenditures in high-income countries are averaging 3.5% per year, about twice the rate of economic growth.

Figure 3: % of GDP Ratio of Health Expenditures in OECD Countries in 2019



Source: OECD, Health at Glance Europe 2020, p.161, www.oecd.org

According to Figure 3 above, Switzerland has the highest health expenditure/GDP ratio among OECD countries at 12.1%, while Turkey has the lowest health expenditure/GDP ratio at 4.4%.

3. Financing of the Health System in Turkey and the Status of the Health Budget in the Pandemic

Today, countries have developed various health systems for financial purposes, such as ensuring a healthy life for their people and controlling healthcare expenditures. The main purpose of these systems is to manage and finance the resources for healthcare services. The main health system models implemented worldwide are as follows:the Beveridge model (National Health Service), in which healthcare services are fully financed from the public budget on a tax basis, the Bismarck model (Compulsory Public Insurance), which is financed by employees and employer deductions, the National Health Insurance Model, with private health care providers, run by the state and financed by the citizen through tax and premium payments, the out-of-pocket model, The U.S. model based on private insurance, the Medical Savings Account Healthcare Financing Model, which is used for individuals, households and institutions to deposit funds into their bank accounts in advance and for health expenditure only and the Turkish Model (Güngör, 2020, : 4-7).

Theoretically, education and healthcare services are considered semi-public properties and services. Healthcare services in Turkey are public properties according to the Constitution of the Republic of Turkey. Healthcare is one of the functions of the state and the Ministry of Health is responsible for healthcare services. Healthcare services are provided by public, semi-public, private and non-profit foundations and they are financed by taxes, social security contributions (SSI), private insurance contributions and personal contributions. The Turkish health care system introduced the General Health Insurance System with the reforms of the last twenty years and the reform of the social insurance system that began in 2003. As a result of these changes, citizens were provided with access to health services and the financial protection status of the low-income group was improved. As of 2012, it was compulsory for all citizens to be included in the General Health Insurance System (Daştan and Çetinkaya, 2015:109).

Table 1: Total Health Expenditure by General State and Private Sector, 2018, 2019 (Million TL)

	2018	Share (%)	2019	Share (%)
Total Health Expenditures	165.234	100.0	201.031	100
General State	128.021	77.5	156.819	78.0
Central State	40.461	24.5	51.492	25.6
Local Administrations	1.439	0.9	1.373	0.7
Social Security Institution	86.121	52.1	103.954	51.7
Private Sector	37.213	22.5	44.212	22
Households	28.655	17.3	33.626	16.7
Insurance Companies	4.625	2.8	5801	2.9
Other	3.933	2.4	4785	2.4

Note: Other health care expenditures includes health care spending by nonprofit organizations and other businesses that serve households.
Source: TurkStat, Health Expenditures Statistics

As shown in Table 1 above, the ratio of total government health expenditures to total health expenditures in Turkey was 78.0% in 2019, while the share of private sector health expenditures was 22.0%.

Table:2 Basic Indicators of SSI Incomes and Expenditures 2002-2020 (%)

Years	Income Increase Rate	Expense Increase Rate	Ratio of Total Revenues to Cover Total Expenses	Ratio of Premium Income Covering Pensions and Healthcare Payments
2002	49.8	56.9	71.5	61.0
2003	39.5	47.7	65.5	59.1
2004	24.3	22.5	68.5	62.6
2005	18.9	18.4	68.8	59.2
2006	30.5	19.9	74.9	66.3
2007	5.7	14.0	69.4	60.9
2008	18.3	13.7	72.2	64.6
2009	16.1	14.6	73.1	56.0

2010	22.0	14.3	78.1	60.0
2011	30.7	15.3	88.5	69.6
2012	14.8	13.9	89.2	66.5
2013	14.1	14.0	89.2	70.2
2014	13.1	11.9	90.2	71.6
2015	19.4	13.3	95.1	75.5
2016	16.3	19.4	92.5	72.9
2017	12.8	13.1	92.3	72.5
2018	27.9	23.1	95.9	75.9
2019	14.9	20.6	91.4	71.8
2020	11.4	16.4	87.5	67.5

Source: SSI Monthly Financial Statistics, the data was taken from Tables: 28 and 29 and the table was prepared by me.

As can be seen from Table 2 above, between 2002 and 2020, the Social Security Institution recorded a constant deficit, as its total revenues couldn't cover its total expenditures. In 2020, the ratio of contribution revenues to pension and health insurance contributions was 67.5%. The most important reason for the system's funding deficit is the low asset/liability ratio, according to data from the SSI annual statistics.

According to the General Activity Report for 2020 published by the Presidential Strategy and Budget Department, in the realization of budget expenditures, it ranks fourth among the top ten public administrations with a general budget, after the Ministry of Health, the Ministry of Treasury and Finance, the Ministry of Family, Labor and Social Services and the Ministry of National Education, with 65.196.374 thousand TL. (Presidential Strategy and Budget Department, 2020:47)

Table 3: Distribution of allowances and expenditures by economic classification (1000 TL)

Economic Code	Remarks	Allowance for 2019	Expenditure in 2019	Allowance for 2020	Expenditure in 2020
1	Personnel Expenses	21.425.308	21.365.020	15.760.916	27.268.060
2	SSI State Prem. Exp.	4.908.197	4.830.292	4.456.074	6.162.178
3	Goods and Services Purchase Expense	14.085.217	14.010.450	20.140.264	20.013.993
4	Current Transfers	270.798	200.766	547.942	501.751
5	Capital Expenses	7.511.145	7.496.819	11.172.217	11.114.166
6	Capital Transfers	31.483	10.164	158.239	135.354
7	Grand Total	48.232.148	47.913.511	52.235.652	65.195.501

Source: Ministry of Health, 2020 Annual Report, www.sgb.sağlık.gov.tr

As can be seen from Table 3, when examining the expenditure from the Ministry of Health's budget for 2019 and 2020 according to the Ministry of Health's Annual Report 2020, personnel expenditure comes first, and expenditure on the purchase of goods and services comes second.

4. Fiscal Policy to Strengthen the Healthcare System

To mitigate the economic impacts of the COVID-19 crisis, many countries have announced financial support packages. According to the database table of financial measures against COVID-19 published by the IMF in April 2021, the mentioned measures are divided into two parts. The first of these is cash supports and the second is liquid supports. According to Table 4, the ratio of direct liquid support and expenditures, including health expenditures, to GDP in Turkey was 1.9. Accordingly, Turkey was the country that provided the least liquid support after Mexico. The GDP ratio of cash provided by Turkey was 9.4%, which was almost four times the support provided by developing countries.

Table 4: GDP Ratio of COVID-19 Financial Supports (%)

Country or Country Group	Direct and Non-refundable Liquid Supports and Expenditures, Including Healthcare	Financial Support to Credit, Debt and Banks (Liquid Supports)
USA	25.5	2.4
Developed Countries	16.42	11.3
UK	16.2	16.1
Australia	16.1	1.8
Japan	15.9	28.3
Canada	14.6	4.0
Germany	11.0	27.8
Brazil	8.8	6.2
Italy	8.5	35.3
France	7.6	15.6
Spain	7.6	14.4
South Africa	5.9	4.1
China	4.8	1.3
Indonesia	4.5	0.9
Korea	4.5	10.2
Russia	4.3	1.5
Developing Economies	4.0	2.5
Argentina	3.9	2.0
EU	3.8	6.8
India	3.3	5.1
Saudi Arabia	2.2	0.8
Turkey	1.9	9.4
Low Income Countries	1.6	0.2
Mexico	0.7	1.2

Source: IMF, Fiscal Monitor: Database of Country Fiscal Measures in Response to the COVID-19 Pandemic April 2021

In another IMF report, it is stated that countries need to rearrange their tax systems in order to achieve these. In this context, the following is recommended: emphasis on progressive income tax, limitation of generalized deductions, temporary surcharge income tax, a tax policy that will encourage foreign direct investment, a different taxation for companies with high profit rates, increasing property tax rates,

strengthening the inheritance and gift tax, strengthening of excise taxes through better design and implementation, introducing or increasing the carbon tax and narrowing of tax exemptions and exemptions (IMF, 2021:40)

Governments use tax policies to improve health systems. Government tools for this purpose are taxes and subsidies, as well as the direct provision of certain health services at free or subsidized rates. Examples of fiscal health measures include taxes on tobacco, tobacco products and alcohol, subsidies for certain foods and tax incentives for purchasing health services. Health interventions subject to fiscal policy are unhealthy consumption (sugar and salty foods, tobacco, and alcohol) with taxes and fines on consumers and producers and hygiene, pollution, safety, public health, maternal, child and reproductive health as the most important means of promoting health, preventing disease and accidents, and communicable diseases and exemptions for healthy lifestyles. On the other hand, subsidies for areas such as education, housing, agriculture, energy and charities, which can have an indirect impact on health development, can also be considered. Products that can be directly incentivized to consumers of health-related products in developing countries include medicines, food, kitchen fuels, water treatment, soap, infectious disease prevention materials, mosquito nets, imported medicines and materials. Incentives that can be given directly to the manufacturer include vaccines, food additives, medical research, and the promotion of healthy behavior in the workplace. On the other hand, fuel and emissions taxes can be levied to prevent air pollution, and tax measures can be taken to promote cleaner fuels. (Nugent and Kanaul, 2006:211-213).

5. Conclusion

The COVID-19 crisis caused the global economy to shrink by around 5.5% in 2020. It has also brought the issue of health systems funding back on the agenda as it has made access to health services more difficult and increased out-of-pocket payments.

The ratio of health expenditure to GDP in Turkey is 4.4%, which is about half the OECD average. The portion allocated to the Ministry of Health from the central government budget over the past four years is around 5%. The financing of the health system in Turkey is covered by SSI premiums, the budget of the Ministry of Health and private insurance. However, since the SSI has had a constant deficit since the 1990s, there is a continuous transfer from the general budget to the SSI. In this case, it leads to an increase in public spending and borrowing in Turkey and, accordingly, an increase in interest rates and inflation. At the same time, there is double taxation of citizens who pay their contributions correctly and pay their taxes on time.

Considering the distribution of the budget of the Ministry of Health, one finds that a preventive and public health service is not offered. Due to the COVID-19 crisis, the amount of financial support in our country is low and the additional health expenditure only accounts for 3% of the total health expenditure. This shows that the financing of the health system should be strengthened through tax measures. For this

reason, the Ministry of Health and the Ministry of Treasury and Finance should work together.

In this context, the need has arisen to reorganize tax policy through taxes, subsidies for public spending, exemptions and discounts.

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Vaccine as a Merit Good: Reflections on the Covid-19 Vaccine

Servet Yıldırım[1] **Servet Akyol**[2]

Abstract

The Covid-19 pandemic, which emerged in 2019, is the most important problem of today. The epidemic that emerged in China spread rapidly and deeply affected the whole world, especially in the fields of health and economy, and individual and social life. With the Covid-19 epidemic, the importance of preventive health services and vaccination has emerged once again. The production of the Covid-19 vaccine and the start of vaccination have brought some discussions to the agenda. Providing free vaccines to citizens, making vaccination compulsory, providing sufficient information to citizens for anti-vaccination, supplying vaccines to developing countries and whether vaccines are safe are among the most basic issues. The study claims to examine and discuss these issues by accepting the vaccine as a merit good. Merit goods are defined as a third category of goods, together with private and public goods. The concept of merit goods can be defined as goods that are under-consumed when consumer preferences are not fully and correctly revealed and therefore require public intervention. Classic examples of merit goods are compulsory vaccination, free milk distribution in schools, nursing homes, financing the arts, and services for the protection of natural and cultural heritage. Considering that epidemics may continue and spread rapidly in the coming years, it is extremely important that preventive health services and vaccines are discussed and examined more.

Keywords: Merit Goods, Covid-19, Vaccine, Vaccination, Preventive health services
JEL Codes: H23, H40, I10

1. Introduction

This study, which examines the Covid-19 vaccine as a merit good, claims to contribute to the literature in two ways. The first of these is that there are few studies directly examining the concept of merit goods in the Turkish public finance/economics literature. Considering this situation, it is thought that the study will contribute to the development of Turkish literature by discussing the concept of merit goods in more detail. Second, when the Covid-19 vaccine is considered as a merit good; to discuss the problems that arise and/or likely to arise in the production, financing and efficiency of this service. Thus, the Covid-19 vaccine, which is one of the most fundamental problems of social life, will contribute to the theoretical examination of it.

The study consists of two parts. In the first chapter, the theoretical and historical development of the concept of merit goods is briefly discussed. In the second part, covid-19 vaccine as a merit good is discussed and possible questions/problems raised with the vaccine are examined.

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2. Concept of Merit Goods

The concept of merit goods was first introduced by Musgrave (1956) in the context of budget theory. Musgrave argues that redistributive policies go against the principle of consumer sovereignty based on consumer preferences. Because consumers sometimes make irrational choices. So much so that some families will want to buy a second home or refrigerator without providing their children with an adequate education. Musgrave draws attention to the existence of a special problem at this point, which must be distinguished from the more general theory of public needs, and calls such situations as merit goods. Public subsidies for the shelter of the poor and health care for the poor are examples of merit goods[3] (Musgrave, 1956/57:341). Musgrave states that the satisfaction of merit goods cannot be explained in the same way as the satisfaction of social wants. Because merit goods are situations where individual preferences are problematic and consumer sovereignty is not valid. In a modern economy, consumer preferences can be influenced by various elements (advertising, communication, etc.). Meeting merit goods requires an intervention in consumer preferences. In such a case, consumer sovereignty will not emerge in all cases, individual preferences may be disrupted, and public intervention may come to the fore in the provision of these goods and services (Musgreve, 1959: 8-14). Head (1966:4) defines merit goods as “goods that satisfy merit desires and those individuals choose to consume very little because of incomplete information”. According to him, the reason why individual preferences cannot be fully revealed is uncertainty and irrationality arising from incomplete or incorrect information. According to Head (1988:4), the problem of preference distortion or distorted preferences constitutes the essence of the concept of merit goods. In such cases, the government should intervene to encourage consumption.

Criticisms of the concept of merit goods have also been raised. McLure (1968:747), for example, suggests that Head misinterpreted Musgrave and that the concept of merit goods had no place in a normative theory of public economics based on individual preferences. According to McLure, even in cases where individuals have incomplete knowledge and their preferences are distorted, the most appropriate solution is; it is that governments provide accurate information and prevent misinformation that distorted preferences.

Ver Eecke (1998; 1999; 2003; 2008), who made important contributions to the concept of merit goods, tries to move the concept of merit goods beyond the limits drawn by Musgrave by reconsidering the concept of merit goods from a Kantian and Hegelian perspective with a series of studies published since the end of the 1990s. Eecke's contributions can be summed up in two points. The first of these is to take the concept of merit goods with a philosophical perspective and take the historical roots of the concept back to A. Smith. Thus, he expanded the philosophical and methodological

[3] Musgrave (1956/57) uses the concept of "merit wants" to refer to virtuous goods in his work. Goods that are not desirable to consume, such as alcohol and cigarettes, are also considered to be immoral goods and it is recommended to deter their consumption through tax.

dimensions of the concept of merit goods. The second tries to show that the concept is applicable by trying to clarify the relationships between the public good and the merit good.

The concept of merit goods is often criticized for bringing up interference with consumer preferences and public presentation. Recent studies provide alternative explanations for public intervention and criticism of authoritarianism that arise in the context of merit goods. Cserne and Desmarais-Tremblay (2018), for example, state that while the concept of merit goods plays a small role in the modern economy, it has alternative potential for forms of public intervention. Similarly, White (2019) states that nudging will be an effective method of distributing merit goods and can be used to justify merit goods. White argues that with the contributions of behavioral economics, an opportunity for libertarian patriarchy arises in the provision of merit goods. Activities described as nudges can be a modern way of promoting merit goods. For example, healthier options for foodstuffs in a cafeteria can be rearranged to be more attractive and more accessible.

3. Covıd-19 Vaccine As A Merit Good

According to Musgrave, merit goods are those for which some goods or services are valuable (or bad) enough to consider giving up the principle of consumer sovereignty in certain circumstances. Not all parents may send their children to school or adequately vaccinate unless there is a specific legal requirement. For this reason, vaccine and vaccination cannot be left to the choice of individuals and are offered with a public intervention. In this sense, vaccine is one of the typical examples of merit goods. At the same time, vaccination is one of the most important areas of biomedicine in the prevention of infectious diseases. As a merit good, the Covid-19 vaccine can be examined under four headings. These are externalities, the importance of preventive services, the fundamental issues of merit goods in the context of vaccines, and issues of vaccine supply and public intervention.

3.1. Merit Goods and Externalities

Merit goods are goods that, when consumed, create strong positive externalities. For this reason, the forms of vaccination, medical examination, basic education and assistance to certain segments of the society gain importance due to externalities (Becchetti, et al., 2019:250). While the vaccine also provides the person with the opportunity to be protected from epidemic diseases, it contains strong social externalities in reaching herd immunity with the increase in the vaccination rate of the individuals in the society. In other words, people who are immunized with the vaccine cannot infect others, as they will not be infected, and thus the spread of the infection in the community is prevented. As the proportion of people who are immune to a certain disease in the society increases, the chance of the disease turning into an epidemic decrease, and when the rate of immune people rises above a certain threshold, the risk of epidemic disappears completely. Due to this situation, which is called "mass immunity" in the medical literature, the decision to be vaccinated or not

is a decision that has social consequences, which has an impact on the society as well as the individual (Azap, 2018: 217). In this sense, "population immunity"/"herd immunity" is an externality. Because one individual's decision to get vaccinated based on specific costs and benefits affects another. Vaccination of an individual leads to an external benefit (Killoran and Kelly, 2010: 135).

3.2. Importance of Preventive Health Service

Public health practices are among the primary care services of health systems. Primary health care services do not focus only on the disease and its cure, like curative secondary health care services. Its focus is on public health and aims to prevent diseases. In other words, the main function of preventive health services is to provide immunization of various segments of the society and to inform the society on health-related issues. Public health practices contribute to the protection of public health in the following areas:

- Prevents outbreaks and the spread of diseases
- Protects against environmental hazards
- Prevents injuries
- Promotes and improves healthy behaviors
- Responds to disasters and helps communities recover
- Ensures the quality and accessibility of healthcare (Turnock, 2015:17).

There are various economic and theoretical reasons for governments and governments to intervene in the field of preventive health care. One of them is externalities. The health market often ignores externalities, so resources do not disperse effectively. If there are positive externalities, the service can be consumed less and in the case of negative externalities, more can be produced. Therefore, externalities in the field of health will bring up public intervention (Killoran and Kelly, 2010:134).

3.3. Main Problems of Merit Goods in the Context of Vaccination

One of the main problems of merit goods is the failure of consumer sovereignty due to incomplete information. A similar problem applies to vaccination. Individuals are anti- vaccine or hesitant to vaccinate due to incomplete and misinformation. This situation leads to the fact that vaccination does not occur at an effective level. In such a case, the (compulsory) vaccination of society is raised by public intervention.

Anti-vaccination is not a new situation, and anti-vaccination dating back to the early 19th century. Anti-vaccine movements in both Europe and America have become one of the greatest popular movements of the 19th century (Snowden, 2021:159). In the early 20th century, anti-vaccine movements began to decline. After the mid-1920s, the number of applications to the courts to challenge compulsory vaccination laws also decreased. The 1950s and 1960s were the "golden age of vaccine acceptance" with the introduction of new universal vaccination programs against polio, measles, mumps and rubella (Dube, et al., 2015:104). Today, there are contrasts between the Covid-19

pandemic and the vaccine developed to prevent it. Although there are different reasons for anti-vaccination, the part that concerns merit goods is due to incomplete/misinformation and irrationality. Some of the prominent anti-vaccination reasons can be listed as follows;

- Covid-19 is a scam and is deliberately manufactured.
- The cause of the virus is 5G radiation.
- Vaccine is a game of big pharmaceutical companies.
- It makes no sense that the vaccine was found too quickly.
- With the vaccine, microchips are attached to people.

It is inevitable to encounter serious epidemics when mass immunity decreases, whether it is because of the opposition to the vaccine or for various other reasons. For this reason, the decision to be vaccinated or not is a situation that seriously concerns not only the individual but also the whole society. The decision not to vaccinate is a public health problem as it concerns the whole society (Azap, 2018: 219). This is important in terms of considering the vaccine as a merit good and showing public intervention.

3.4. Vaccine Supply, Access to Vaccines and Public Intervention

Today, the problem is not limited to the opposition to the Covid-19 vaccine. There are people, regions and countries that want to be vaccinated but cannot access the vaccine. Therefore, the supply of vaccines and access to the vaccine is a major problem. Behind the problems with accessing vaccines are developments in the vaccine industry after the 1970s. Nineteen new vaccines against various infectious diseases were introduced in the period 1945-1970, called the "golden age" of the vaccine. These positive developments have negatively affected the vaccine industry. After the 1970s, profit margins decreased in the vaccine sector and the number of companies operating in the market decreased accordingly. In the U.S., for example, only 5 major vaccine companies remain. In the 1980s, public vaccine delivery began to decline due to neoliberal policies. In the 1990s, the public sector vaccine industries were closed or privatized, mainly in Australia and Sweden. The state of Michigan, which until then operated the nation's only public sector vaccine manufacturer in the United States, went on sale in 1996. The Dutch vaccine institute was sold to the Serum Institute of India (a private company) in 2013, and the Danish vaccine institute to a Malaysian company in 2016 (Blume, 2017:105).

According to Nawora (2021), the biggest problem in slowing and stopping the Covid 19 pandemic is the lack of vaccines and vaccine shortages. WHO's statements on access to vaccines confirm this situation. On 13 June 2021, the G7 countries promised poor countries 1 billion doses of vaccine. The WHO chief emphasizes that this amount is 'well below the required dose' and that at least 70% of the world's population should be vaccinated by the middle of 2022. It highlights the need for 11 billion doses of vaccine. Similarly, on October 13, 2021, WHO Director-General Tedros Adhanom Ghebreyesus says that vaccines are delayed across Africa, while the introduction of

booster doses in some countries is 'injustice'. Tedros emphasizes that South America, North America, Europe, Asia and Oceania all administer a single dose of vaccine to more than 50% of their populations, whereas only 7 percent of the African population receives a dose. The presence of public support and intervention in both the development and delivery of vaccines is extremely important in terms of access, equality and equity.

4. Conclusion

The Covid-19 pandemic demonstrates the importance of merit goods and services. In merit goods, consumer preferences are not revealed correctly due to incomplete information, so consumer sovereignty is ignored. Merit goods have strong positive externalities, and therefore their under-consumption can lead to problems for society. Such a situation brings the intervention of political will to the agenda.

Vaccination is one of the classic examples of merit goods and services. Since vaccination creates strong externalities, it is extremely important for merit goods to show the necessity. In other words, vaccination also provides the person with the opportunity to be protected from epidemic diseases, while reaching social immunity with the increase in vaccination rate in individuals in society includes strong social externalities. Therefore, vaccine and vaccination cannot be left only to the preference of individuals and should be offered with a public intervention. When vaccine/vaccination is considered as a merit good, the main problems related to this property will be raised. Despite the existence of these problems, it concerns almost the entire society due to preventive health services and externalities. In such a case, public authorities should play an active role in both eliminating anti-vaccination and ensuring access to the vaccine.

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With the Effects of Tax Expenditures Pandemic Covid-19 Process in Turkey and the World

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Abstract

Throughout history, humanity has experienced many different epidemics, and their effects on societies have occurred at various levels. However, the Covid-19 virus, which appeared at the end of 2019 in our century and whose impact level was wider than other epidemics, spread rapidly all over the world with the effect of the interaction factor of globalization. Within the framework of globalization, joint production, trade and finance cooperation of countries has decreased significantly with the pandemic process. Countries have had to deal a significant blow to the global economy with the isolation, quarantine and similar measures they have implemented to combat the pandemic. This process paved the way for downsizing economies, decreasing country incomes and experiencing economic recessions. Many countries have taken different measures to prevent this negative process and reduce its effects. Countries have taken fiscal policy measures to reduce the negative effects of the epidemic and to ensure a recovery in the economy. At this stage, countries started to be used dynamically as an intervention tool by expanding their tax expenditures in order to get effective and fast results. Turkey has also tried to prevent the negative consequences of the epidemic in the economy diversified and increased tax expenditures in this manner. In this study, the importance of the world's economy and reduce the negative impact of the epidemic in Turkey in order to use tax and spending information is provided in order to emphasize the effects of Covidien-19 process.

Keywords: Fiscal Policiy, Tax Expenditure, Financial Incentive, Covid-19, Economy
JEL Codes: E62, H20, H50

1. Introduction

The Covid-19 virus, which emerged at the end of 2019 and showed its effect all over the world, took the first place among the diseases with a high death rate. The World Health Organization (WHO) declared this process as a pandemic within the scope of "communicable diseases that threaten the health of humanity". The high level of interaction between countries in the globalizing world has also been an important factor in the rapid spread of the virus all over the world. The aforementioned process adversely affected all countries, and social distance, isolation and quarantine measures had to be taken in order to cut physical and close contact, primarily in order to reduce the rate of transmission within the framework of the fight against the epidemic. These measures simultaneously caused adverse events in the economies of the countries and caused many sectors to fall into a difficult situation. The epidemic primarily changed the spending and consumption habits of individuals, and with the change and slowdown in production understanding, serious decreases were experienced in employment and income levels. In order to compensate for the said negative damages and to prevent the uncertainties brought by the pandemic, many countries have made

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changes in their decision-making preferences at the economic, political and social level. At the beginning of these, they applied to effective, expansionary fiscal policies to prevent the stagnation in the economies and related sectoral problems. In this process, tax expenditures that can spread to the economy quickly and effectively were implemented and the households and businesses that were most affected by the crisis were supported. At this stage, in order to minimize and eliminate the negative effects of the pandemic in the economy in Turkey, tax expenditures in the economic process have been diversified and increased in a planned manner. The aim of this study is to emphasize the effectiveness of the tax expenditure factor, which can quickly intervene in the pandemic and similar crises that arise within the framework of the functional fiscal policy approach. In addition, it is to determine the effects of tax expenditures in Turkey and the world during the Covid-19 process, and to indicate the importance of the tax expenditure factor within the fiscal policies in this process.

2. The Concept and Scope of Tax Expenditures

Tax is the financing need that arises in the process of meeting the public needs, which are formed in line with the developing demands of the society, together with the supply of public goods and services by the state. The transfer process, which occurs within the scope of production and financing needs in this manner, represents a flow from the private economy to the public economy. At this stage, different cost elements arise in the taxation process for the state. One of them is the administrative costs incurred within the scope of tax collection and the compliance costs incurred by the taxpayers. Another cost element is the tax expenditures that occur at this stage (Saraç, 2010: 263). In short, tax expenditure is tax revenues that are forgone to collect. In general, the concept of tax expenditure, which does not have an agreed definition today, can be expressed as the process of leaving a certain tax structure in order for the state to achieve certain economic and social goals (Giray, 2002: 28). From another point of view, tax expenditure is the achievement of the determined targets through the use of the elements in the tax system. When evaluated in this context, the long-term results of the state with public expenditures are realized on a specific basis with tax expenditures. In other words, with tax expenditure, the state reduces the tax burden of some taxpayer groups in line with its macro and micro targets, and directs them to perform the requested activities in line with the determined objectives (Akdoğan, 2009: 173). International institutions also interpret tax expenditures in different ways. According to the OECD, it is “Losses of public revenue caused by departures from the normal or reference tax structure”. According to the IMF, tax expenditures; “Privileges or exemptions and exemptions that reduce governments' total revenues, leaving the standard tax structure”, according to the World Bank, tax expenditures are “tax privileges that depart from the standard tax structure that encourage behavior desired by policymakers” (Pedük, 2006a: 34).

The tax privileges that the state applies within the framework of legality and within certain limits by using the tax system are used in different ways in practice under the title of tax expenditure (Türkay, 2018: 3). In this context, deviations from the standard tax system can be expressed as follows: Exemptions and exceptions that allow

individuals and tax matters to be excluded from the tax base are tax credits that allow a certain amount of tax liability to be reduced or increased. In addition, tax deductions that provide a reduction in the tax rate for the benefit of a certain group or taxpayer, tax deferral that allows delaying tax payments, deduction of an amount that has been previously paid in various ways to reach the tax amount to be paid, from the calculated tax amount, and the amount that cannot be deducted within certain scopes. are the set-off and refund institutions that ensure the return (Giray, 2002: 29). The elements of tax expenditures included in this scope have some characteristics and are distinguished in public expenditures thanks to these. Tax expenditures are directed to sectors, activities or taxpayer groups determined in line with economic, social and financial targets. Since it contains purposes specific to certain periods, it can be legally removed when conditions change, it can be specific to certain different targets. Tax expenditures also cause a decrease in the tax revenues of the state, and by acting with the guiding power of the tax, it is ensured that the taxpayer or sectors behave in a certain way. As a result of the changes in the goals and targets set, the positive or negative results obtained, the tax expenditure subjects that are abolished by law continue to generate tax revenue from the state (Ferhatoğlu, 2005: 9).

3. Effects of Tax Expenditures In The World and Turkey In The C19 Process

The virus epidemic, which emerged in Wuhan, the capital of the Hubei region of China in December 2019, spread to all continents due to the physical interactions between the countries as a result of the globalization process and evolved into a different process with the pandemic declaration of the World Health Organization (WHO). In 2020, many different measures have been implemented in the fight against the epidemic all over the world, especially within the scope of health. Towards the end of 2020, vaccine applications have started on a country basis within the framework of the results of the vaccine studies. The fact that the vaccine supply is at certain levels continues to prolong the epidemic process and leave the country's economies in a difficult situation (Karadağ, 2020: 401).

3.1. The Course of Tax Expenditures in the World During the Pandemic Process

With the effect of the Covid-19 epidemic, significant contractions were experienced in the national economies, negatively affecting the course of foreign trade, production, supply chain and investment-capital. With the shrinkage of production, serious decreases were observed in commodity prices, and foreign trade and tourism revenues, which are the leading revenues of the country, also decreased. In addition, oil and natural gas, automotive, consumer products and airline companies were adversely affected (Durmuş & Şahin, 2020: 927). Thus, the country's growth, budget deficits, and borrowing processes began to be discussed. In addition, countries have started to take additional measures within the scope of monetary and fiscal policies in order to prevent socio-economic problems from increasing. Among these, tax expenditures as a fiscal policy tool that rapidly affects the public economy and prevents the emergence of socio-economic problems have been started to be

implemented rapidly (Koç, & Yardımcıoğlu, 2020: 125). In this context, many different tax expenditures have been made on the basis of countries in the world, and it will be possible to implement additional measures for the recovery of economies after the pandemic. Although some countries have used monetary and fiscal policies together, many developed countries prefer tax expenditure policies at a significant level in this period due to the rapid penetration of fiscal expenditures (Benmelech, & Ilan, 2020: 4). The Covid-19 process is an important obstacle for policy makers. It will not be possible to return to the past for a certain period of time after the pandemic, and flexible fiscal policies will continue to be demanded within the scope of the new system (Gaspar & Gita, 2020: 7).

Within the scope of fiscal policies during the Covid-19 pandemic process, certain levels of tax expenditures were made by many countries in proportion to their gross national product. In this context, although the ratios of the fiscal incentive packages implemented by the G20 member countries to GDP differ, it emphasizes the importance of the said policies.

Figure 1. Ratio of Financial Incentive Packages Implemented by G-20 Countries Due to COVID-19 to GDP (%)

Country	Financial Incentive Package / GDP (%)	Country	Financial Incentive Package / GDP (%)
Japan	21.1	France	5
USA	11	Germany	4.9
Australia	9.9	Italy	4.6
Canada	9.8	European Union	4
Brazil	8	Argentina	4
Turkey	5	Indonesia	3.9

Source: (Fırat, 2020: 216).

Japan carries out the largest financial support program compared to GDP, followed by the USA with the program it created in this process. Again, Australia, Canada, Brazil and Turkey are among the other G20 countries that have taken steps in this regard (Fırat, 2020: 215).

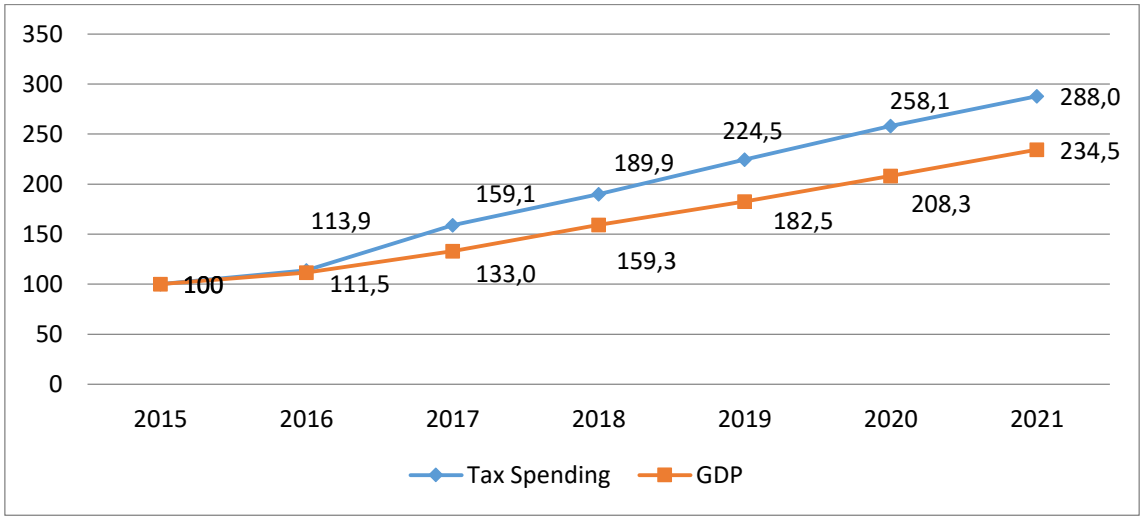
3.2. The Course of Tax Expenditures in Turkey During the Pandemic Process

Due to the fact that the coronavirus epidemic has created a global pandemic, many countries, including Turkey, have begun to experience problems in the economy, including various problems caused by supply and demand. In this context, many measures have been taken in Turkey since the beginning of the epidemic, including structural measures, primarily monetary and fiscal policies (Ulun, 2020: 97). The strategic programming and implementation of these measures in a planned manner is of particular importance for the economic process. In Turkey, as in many countries, tax expenditure measures have begun to be taken to prevent businesses from being affected by the epidemic (Durmuş & Şahin, 2020: 940). At the very beginning of the epidemic, tax deferral and direct support applications for the sectors affected by the crisis were put into effect. In this framework, the public financial liabilities of the sectors most affected by the epidemic were postponed, thus contributing to their cash

flows. On the other hand, the deadlines for the withholding declaration and the payment of VAT withholding have also been extended. Accommodation tax has been postponed, VAT rates in many product ranges have been reduced from 18% to 1% for a certain period in order to revive the slowing demand (Mutlu, 2020: 310).

In the framework of the fight against the Covid-19 process, Turkey has provided and continues to provide significant support in terms of tax expenditures in the world. In addition to the tax expenditures in question, there are facilitating regulations regarding banking transactions, measures taken for employment, financial support to households, shares transferred to municipalities and support to the health sector (Eroğlu, 2020: 232). It is observed that there is an increasing trend in tax expenditures in Turkey as in the world.

Figure 2. Changes in Tax Expenditures and GDP in Turkey (2015=100)



Source: (Eriçok, 2019: 342).

The fact that the relationship between tax expenditures and GDP continues to increase in recent years reveals that it is used as an active fiscal policy tool for the purpose of reviving the economies within the scope of an understanding in the global framework, as well as the developments in the world and in Turkey (Eriçok, 2019: 342).

4. Conclusion

The global Covid-19 process has caused countries and supranational institutions all over the world to experience an unexpectedly deep crisis in the economic, social and political framework. In order to minimize physical contact in the fight against Covid-19, countries closed their borders, and there were significant decreases in tourism and foreign trade revenues. In this respect, the labor market was also negatively affected, while unemployment increased, the income of the citizens of the country decreased and the people started to implement a protective spending policy due to the uncertainties in the pandemic process. Countries have had to implement expansionary monetary and fiscal policies to combat these and similar problems. The "uncertainty factor", which is one of the biggest risk factors in the economies, creates significant

negative effects in the economies of the countries due to the fact that it cannot be predicted when the pandemic and its effects will end. In this process, countries tried to keep the economy alive with expansionary fiscal policies. One of the tools realized at this stage is tax expenditures, which are widely used, and many countries have effectively implemented tax expenditure policies within this framework. In Turkey, monetary policy and fiscal policy were used in a coordinated manner in this manner, and tax expenditures were also used to reduce the negative impact of the pandemic on the economy.

Although the Covid-19 vaccine has been found and partially started to be implemented, no date can be given for the end of this process, and its subsequent destruction in the economies cannot be predicted. Therefore, countries should continue their tax expenditure programs in a planned and controlled manner, and should carefully use the flexibility in their fiscal policies according to the developing pandemic process. In this framework, although many measures are implemented in Turkey, tax expenditures should be continued according to the developments in the epidemic. On the other hand, investments in vaccine and drug facilities should be increased within the scope of health infrastructure, and additional incentives should be introduced for investments in agriculture and animal husbandry and food production facilities. These sectors should be declared as strategic sectors, tax reductions should be brought to production inputs and subsidies should be increased and directed to the relevant sectors. Supporting these sectors after the pandemic is extremely important for the country's economy and public health.

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The Institution of "Waiver of Legal Remedy" as a New Way in the Solution of Tax Disputes

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Abstract

The disputes arising between the administration and taxpayers on a tax basis are called taxation disputes. These cases of conflict, before resorting to the judicial remedy; It can also be resolved through administrative remedies. Administrative solutions have been frequently used by taxpayers for many years in Turkish Tax Law, for reasons such as low cost and fast solution. Administrative remedies are not a mandatory remedy for taxpayers, but rather an optional remedy. The ways to resolve these disputes between the administration and the taxpayer are respectively; correction of tax errors, application to the higher authority, penitence institution, remission of tax penalties, reconciliation, invitation to explanation. The difference between the aforementioned dispute resolution methods, penitence institution and invitation to explanation ways, and the other solutions; They are the ways that are resorted to before the disputes arises. Invitation to explanation and penitence institution ways rather than solving the dispute in terms of implementation; are ways to avoid it. In 2020, a new one has joined these ways, which serve to resolve the dispute without turning into a contentious case. The name of this new institution, which was established by Law No. 7194, published in the Official Gazette dated 07.12.2019, is "The Waiver of legal Remedy". The mentioned institution is regulated in Article 379 of the Tax Procedure Law No. 213. The first point that distinguishes Waiver of Legal Remedy from other remedies is that the taxpayer returns to the administrative remedy after applying to court.

A new institution, Waiver of Legal Remedy, is still argued in the doctrine. The institution, in which there is no common opinion that there is an administrative or judicial solution, has not yet brought to a successful conclusion in practice.In this study; after the definition of the The Institution of Waiver of Legal Remedy; The purpose of its regulation in Tax Procedure Law, its legal position, advantages and disadvantages will be discussed.

Keywords: Waiver Of Legal Remedy, Tax Dispute, Tax Administration,
JEL Code: K34

1. Introduction

Disagreement simply means the situation of disagreement on an issue. After people lived in groups, the possibility of conflict between them increased. This conflict arose not only among themselves, but also in their relations with the state apparatus. Disputes arise between the administration, which is the appearance of the executive acts of the state, and the citizens, mainly due to the taking of administrative actions. Since procedure of taxation are also an administrative actions, disputes are frequently encountered. The definition of conflict in tax law is; It is a dispute arising from taxation between the state, which is the tax creditor, and the taxpayer, who is a tax debtor. The

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reasons for this conflict are classified as illegality of the taxation process, tax inspections, tax errors, low declaration of the tax base and non-payment of tax.

The taxpayer has the right to resort to peaceful solutions for the solving of the dispute without apply to court, when the disputes based on the above reasons arise in the taxation proceedings. These solutions are correction of tax errors, application to the higher authority, penitence institution, remission of tax penalties, reconciliation, invitation to explanation and the last one waiver of legal remedy which added to legislation. In this study, this new solution will be examined.

2. The Institution of Waiver of Legal Remedy

The institution of Waiver of Legal Remedy was added to the Tax Procedure Law in 2019 with the Law No. 7194. While the taxpayer is at the judicial stage, due to waiving the legal remedy and negotiating with the administration; it differs from other solutions in terms of the stage in which it is used. When analyzed the text of the law, it is seen that the administration offers the taxpayer to reduction in the tax base and penalties. According to the article; “In lawsuits filed against tax/penalty notice in due time, decisions made by the tax court with open appeal and decisions made by the regional administrative court (except for the decisions rendered upon the annulment decision of the Council of State); 60% of the tax amount canceled by the court, 75% of the tax loss penalty related to the entire approved tax amount and the tax amount subject to approval, and tax loss penalties and irregularity and special irregularity penalties imposed due to the fact that the tax base is not sued or due to participation in the acts written in Article 359. 25% of the amount canceled by the court and 75% of the approved amount, provided that the petition stating that the legal remedy is waived for all the tax and/or tax penalties subject to the lawsuit is submitted to the relevant tax office, as of the date of the submission of the petition to waive the legal remedy accrues without necessity.”

2.1. Comparison of the Institution of Waiver of Legal Remedy with Other Legal Concepts

The Institution of Waiver of Legal Remedy is firstly likened to waiver which is a procedural concept in law. Waive from the legal action is regulated in article 307 of the Code of Civil Procedure No. 6100. The institution of waiver is the plaintiff's partial or complete waiver from the claim. Although waiver of legal remedy is similar to waiver from the legal action, in its most basic sense, there are some differences between them. E.g.; the waiver of action is valid for all administrative cases. But the institution of waiver of legal remedy, as stated in the law; it is a valid concept for tax and tax criminal cases that are subject to litigation based on notification. According to CCP, the waiver of the legal action should be submitted to the court with a written or in the way

of nuncupating during the trial, nonetheless in the institution of waiver of legal remedy, the petition should be submitted to the tax office in writing after the court's decision (Şenyüz,2020:1186).

The institution has similar sides with the financial structuring laws enacted by the administration for rapid collection. There are many provisions that the Financial Structuring Laws numbered 6111, 6736, 7143 of the recent periods that taxpayers will be provided with tax/penalty reductions if they waive their rights to apply to legal remedies. The reason of the financial restructuring arrangements is almost regulated in the VUK is the fact that there are many applications by taxpayers to financial restructuring and the project of making the administration's desire to get a quick income from financial restructuring permanent. However, the Financial Structuring Law No. 7326 published in the Official Gazette dated 09.06.2021, obviously that the disputed tax receivables are included in the scope of the aforementioned law. The enactment of a restructuring law in TPL within the period after put a question mark in minds as to whether the institution is necessary or not and the reason for its regulation cannot be understood (Bozdoğanoğlu,2021:968).

The concept of Plea-Bargaining is a concept belonging to the Anglo-American Legal System. This concept also indicates similarities with the institution in consequence of its legal background. There are three types of plea-bargaining. These are changing the accusation, reducing the number of crimes and negotiating of penalties (Pradel&Kangal,2007:218). Plea-bargaining can be done before or after the indictment is prepared. Although prosecutor-defendant bargaining is usually done before the trial begins, it can be done during the trial, while making the jury's decision, or after the trial. In institution of waiver of legal remedy, a waiver request is submitted after the court decision. The part where the concept of plea-bargaining is particularly similar to the institution is that a plea-agreement defendants waives their rights to appeal to court. (Johnson,2021:10) In our legal system, the taxpayer, by waiving the right to appeal to court regulated in Article 36 of the Constitution, resorts to the institution of waiver of the legal remedy.

2.2. Problems Identified in the Institution of Waiver of Legal Remedy and Solution Suggestions

It is stated that the main purpose of introducing the institution is to alleviate the burden of the judiciary. However, theory and practice do not overlap at the same rate. The institution, which is planned to be implemented for disputes at the appeal stage, has the possibility of reducing the workload of only the second- and third-degree courts in the three-level judicial system. The absence of the right to apply to KYV in tax courts, which are courts of first instance, will not prevent the judicial burden in tax courts (Bozdoğanoğlu,2021:973).

In dispute resolution, the administration's keeping the discount rates specified in the law the same in appeal phases prevents the institution from becoming attractive. Considering that the amount of application in the case file at the appeal stage is a high figure, a different and higher rate should be foreseen for the discount at the resolution stage than the rate at the appeal stage. Because the taxpayer who wins a lawsuit at the stage of appeal will not hesitate to appeal, and will not want to negotiation with the administration.

Moreover, for example, for a taxpayer whose original tax was annulled by the court of first instance; The administration does not offer the possibility of a complete abandonment according to the law. Despite the cancellation of the original tax by the court, the administration states that 60% of the original tax will accrue to the taxpayer who applies to institution. It seems probable that the taxpayer, who considers the possibility of a favorable decision at the appeal stage, not apply for the institution that was regulated for his/her benefit.

There is also a problem in submitting the petition of institution to the court. Administration, while the case file is in the tax court; is the defendant. Therefore, there is an equal relationship between the taxpayer and the administration before the judiciary. However, the taxpayer submits a petition to the administration, which is ligitant of the same lawsuit, after the court decision. This implementation undermines the principle of 'equality of arms', which is the most important principle of the right to a fair trial. The principle of equality of arms means that there is full equality between the parties to the case in terms of rights and obligations before the court, and that the parties make their defenses under equal conditions. But, with the submission of the petition to the administration, equality disappears. After submitting the petition, the taxpayer brings up against with the state that standing in the gate.

The last thing to say is; It is the status of the case after the notification of the petition to the court. There is no rule in the VUK in this regard. In Article 379 of the VUK, "In case of waive from appeal against the institution, these applications are not examined." Even if there is an article, this is the result of the application of the institution. But after the notification to the court; It is not known what decision; the judge will make as the devoicing of essence. A regulation on this issue should be made in the law. Unless there is a regulation, the decision of the court of first instance will continue to exist in the legal world (Şenyüz,2020:1190-1192-1).

3. Conclusion

In the Tax Procedure Law General Communiqué no. 517 published in the Official Gazette dated 20.02.2020 after the legal regulation; It is stated that the institution was brought to solve the disputes between the administration and taxpayers regarding taxes and penalties during the judicial phase, depending on the preferences of the

taxpayers, to reduce the workload of the judicial authorities, and to ensure the accrual and collection of the taxes and penalties that are the subject of the dispute within the scope of the institution. The institution of Waiver of Legal Remedy, like other dispute resolution methods, has been issued to provide convenience to the taxpayer at every stage. In the ease of numerous dispute resolution ways and structuring law; It is inevitable for him to act by thinking that 'a discount will be applied somehow'. This, on the contrary, reduces tax awareness and tax compliance, which is desired to increase in the society. The taxpayer is complacent in all these solutions. It is also obvious that a great injustice has been created between taxpayers of honor and taxpayers who frequently resort to dispute resolution.

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E-Notification in Tax Law

Özge Mutlu Kaya[1]

Abstract

Notification at Tax Law is the notification of a written notice, including the normative issues regarding taxation and drafted by competent authorities, to the tax payer or tax responsible, according to Tax Procedure Law Article 21. However, besides tax assessment, many administrative acts regarding taxation may be notified to tax payer. the types of notification and specific cases related to notification were issued in Tax Procedure Law Artcile. 93. Additional to these regulations is the e-notification entered into force in 2015 by Tax Procedure Law Art. 107/A. However, theoretically e-notification is a great idea and has many advantages comparing to classical ordinary notification methods, in reality because of the regulations and also execution many legal problems and debates occurred. First question is about the server of the e-notification. There is not an independent and objective server of e-notification, thus its reliability is being questiones. The second problem is about receving time of the e-notificaiton and its consequences because after 5 days of reaching to the e-mail adress, e-notificaiton is deemed as valid even if the adressee is unaware of it. Thus, rigth to legal remedies of the tax payer may be violates. Lastly some penalties may occur incase of non compliance of e-notification which is unfavourable for the tax payer. Thus, even though e-notificaiton has recently started, it is quiet important for tax law.

Keywords: Tax Law, Electronic notification, Internet Tax Office, Digitalisation in Tax Law
JEL Code: K34, K4

1. Introduction

Notification is the process of notifying certain legal transactions by the competent authorities in accordance with the law and documenting that this notification is duly made. In order to have legal consequences, administrative transactions must be notified to the addressee. The notification is one of the important guarantees of right to legal remedies guaranteed in the Constitution[2]. In tax law, notification is important for taxpayers to exercise their legal rights and also for the administration regarding the prescription (Balcı, 2020; Yekeler & Erkan, 2019: 153). It is important that the notification is made in time and duly so that individuals have the necessary time and means to exercise their rights (Yurtsever, 2016: 453). In Turkish tax law e-notification has entered into force in 2015, but controversial issues have emerged with its entry. First of all, the e-mail service is not provided by an independent server (i). Secondly, it is considered sufficient for the notification to be deemed to have been reached and whether the taxpayer is aware of it or not (ii). Finally, criminal sanctions because of non-compliance with the e-notification obligation leave taxpayers in a vulnerable position (iii).

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2. Theoretical framework of electronic notification

As a result of the digitalization of public transactions, on 1.4.2016 the e-notification started within the scope of the Revenue Administration (RA) for tax transactions (Revenue Administration, 2021). Although the e-notification was primarily designed for tax transactions, its application area expanded over time and protocols were made so that the e-notification within the RA can be used by other public institutions (Revenue Administration Annual Report, 2018: 122). By the Public Electronic Notification Systems (KETSIS) project, other institutions such as the Ministry of Interior, the Ministry of Commerce and Turkish Tax Inspection Board may send e-notifications to the taxpayer (Revenue Administration Annual Report, 2020: 100).

2.1. Advantages and disadvantages of e-notification

Before addressing the controversial issues regarding e-notification, to mention its advantages and disadvantages. The most important advantage is cost savings. The cost here refers to the cost of time, paper, money and energy. In other words, e-notification has accelerated the administrative process (Yurtsever, 2016: 453) and also a significant amount of paper and ink is saved so postage costs are reduced, as well as being environmentally friendly. The second important advantage of e-notification is its reliability. In e-notification, the document reaches its addressee as soon as possible and without any hesitation about its security (Yekeler & Erkan, 2019: 160). Therefore, e-notification ensures information security and increases the quality of service because the content of the document cannot be changed. At the same time, when the notification was made, the identity of the sender, the identity of the recipient, the content of the notification and its attachments are reliably stored and displayed on demand, leaving no room for conflict (Revenue Administration, 2021). Finally, since the login information to the system is personal, the notification cannot be received by someone else unless the person requests it (Yurtsever, 2016: 461). Besides these advantages, some disadvantages of the e-notification also exist. First of all, internet infrastructure and equipment are not sufficient for e-notification, and administrative personnel are not adequately trained in this regard. Secondly, the low level of internet and computer use of the interlocutors is a problem. Finally, legal inadequacies regarding the institution can be counted as a disadvantage (Beceriklican, 2019: 29).

2.2. Regulations regarding e-notification

In Tax Procedure Law (TPL) art. 93, it is regulated that the notification can be made by post, by announcement, and at the administration/commission. Additionally, according to TPL art. 107, notification can be made through an officer. All these classical notification methods can be called physical notification, except electronic notification (Balcı, 2020). Because of the development in information technologies, a new notification method called 'e-notification' was adopted by entry into force by TPL art. 107/A. It should be underlined that e-notification has the same legal consequences as the notification made with physical planning.

The scope of the e-notification system has been determined by the Ministry of Treasury and Finance in the General Communiqué No. 456 (GC no. 456) based on the authority given in TPL art 107/A. In accordance with both TPL art. 107/A and GT no 456, notification can be made to the addressee in electronic environment through an electronic address suitable for notification, and the notification in electronic environment is deemed to have been made at the end of the fifth day following the date on which the addressee reaches the electronic address. According to GC no 456, e-notifications will be made to the corporate taxpayers and to those taxpayers who are liable for income tax in terms of commercial, agricultural and professional earnings (excluding farmers whose earnings are determined in simple method and not subject to tax in real method) and also to those tax payers requesting electronic notification optionally. Thus, some taxpayer groups are necessarily included in the scope of e-notification. In addition, it is foreseen that an additional notification can be sent to the mobile phone or personal e-mail address of the addressee, if requested, however this will not affect the validity of the notification. The addressee, who is obliged to use the e-notification, is also obliged to protect the confidentiality of his account and notify the administration in case of a violation.

3. Lack of an independent and impartial service provider for e-notification

First one of the controversial aspects of e-notification is that there is no independent and impartial service provider for it. The system created according to the TPL was established on the RA system. However the e-mail in the RA system cannot be called as an e-mail technically, because this is not a system that gives people the right to freely dispose of, send and receive messages, and communicate (Doğrusöz, 2018b). On the other hand, there is no notification document sent to an electronic address outside the system of the administration and in the disposition of the persons (Doğrusöz, 2018c.; Doğrusöz, 2017). Therefore, according to the relevant legislation it cannot be accepted as a real e-mail address.

As the service provider of e-notification, RA is not an independent and impartial third party (Doğrusöz, 2017). Therefore if there is a dispute about e-notification, the courts will apply to the RA for this, and the court will request certain examinations on the system of the RA. For example, in practice, it is common that some notices and tax inspection reports are not added or added incompletely (Doğrusöz, 2018c). However, in the system of the RA, there is not any third party that will operate and control the system and act as an arbitrator in disputes (Doğrusöz, 2018c). In e-notification, since the relevant content is in the e-media, the server providing the technical infrastructure will be able to store and see the content, so its impartiality and independence are important (Gezer Baştuğ, 2011). For these reasons, it would be appropriate to entrust the system to an independent and reliable provider (Doğrusöz, 2018c).

4. It Is Sufficient for The Notification to Be Received for Its Results

Because the e-notification is deemed to have been received at the end of the fifth day from the day it reaches the addressee's address; it has led to various discussions. Even Istanbul 9th Tax Court applied to the Constitutional Court by contention of unconstitutionally, alleging that it violated Article 36. of the Constitution. The grounds for the objection are that the notification is deemed sufficient for the realization of the notification, 5 days is not a sufficient and reasonable period for the addressee to exercise its rights, and sms/e-mail notification is not mandatory. On the other hand, the Constitutional Court has decided that there is no violation of the Constitution, claiming that "the written notification requirement regulated in Article 125 of the Constitution is met with the regulation of e-notification because it has the function of informing and documenting"[3].

It should be noted that individuals cannot be obliged to check the notification addresses within the RE every day, because this notification is not in the possession of the recipients. In addition, since notification via sms/e-mail is not obligatory, it does not affect the legal validity of the e-notification. As a matter of fact, notification by sms/mail is not always made in practice (Doğrusöz, 2019). However, when the taxpayers make a defense on the grounds that they were not notified by sms/mail, the lawsuits in the judiciary are rejected within the time limit (Doğrusöz, 2019). Therefore, it should not be possible to make e-notifications without informing people, and the 5-day period is very short considering that there are 9-day holidays in Turkey; it may result in loss of rights to taxpayers (Doğrusöz, 2015).

5. Penal Sanctions Related To E-Notification

If the taxpayers, who are obliged to use the e-notification system, do not comply with then they may be penalized with a special irregularity penalty According to art. 355 of TPL. Furthermore, e-notification is also used in tax inspections, however "not presenting books and documents" requested with e-notification is considered as "hiding books, records and documents" by the audit authority and according to art. 359 of TPL, penalty assessments are made. This practice is against the law because not presenting cannot be counted as concealment and it is also disproportionate to evaluate it in this way. In this respect, the consequences of the taxpayer being unaware of the e-notification can be severe (Kahraman, 2021).

6. Conclusion

E-notification in tax law is a positive development for both the taxpayer and the administration. However, this institution, which is very good ideally caused some problems both in legal regulations and in practice. First of all, because of executing the e-notification with a system within the RA the reliability of the system is questioned. In addition, the fact that the notification is deemed to have been made at the end of the

[3] Decision of the Constitutional Court dated 19.9.2019 and numbered 2018/144 and 2019/72.

fifth day following the submission may limit the taxpayer's remedies. Because, 5 days is a very short time in the flow of modern life and the taxpayer cannot be expected to constantly check the e-notification. For this reason, extending this period or making additional notification via sms/mail may be a solution. On the other hand, when using this opportunity in tax inspections, it will be an approach that takes into account the rights of taxpayers to investigate thoroughly and be more flexible before fining.

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Comparing the Regulations of Turkish Commercial Code and Corporate Tax Law on Mergers and Transfers in Capital Companies

Dilara Karlı[1]

Abstract

Considering today's economic conditions, companies realize or facilitate their objectives such as increasing their commercial profits, increasing quality and competitiveness, reducing R&D costs and developing and expanding their fields of activity through mergers/acquisitions. In practice, the fastest way to enter a new market is mostly through the takeover of an existing company (Kara, 2015: 1-2). Tax advantages are one of the most important and constitute the purpose of our work. In this sense, the subject of our work is mergers and acquisitions. The concept of takeover does not pass in the Turkish Commercial Code (TCC) and only the type of merger by acquisition is mentioned.

According to TCC, the merger takes place in two ways. There are two ways: merger by takeover and merger in the form of a new entity. However, the merger through the takeover in TTK and the transfer in the Corporate Tax Code (CTC) are different. There is no definition of the issue in either law.

Both types of mergers mentioned in the TTK are no different in terms of tax law (CTC). In other words, there is no distinction in tax law in the form of new organizations and acquisitions in the arrangements related to inheritance and merger, and this distinction has no effect on the taxation process.

The provisions regarding the merger in the TCC are regulated between articles 136 and 158. In our study, the merger establishment was discussed within the scope of TCC and CTC in terms of trading companies. We see these two concepts differently in merger TCC and CTC regulations.

Keywords: Capital Companies, Merger, Takeover, Corporate Tax, Liquidated Detonation
Gel Codes: K22, K30, K34

1. Introduction

The concepts of mergers and revolutions are different concepts in the dictionary sense. Unification is defined as gathering around the same purpose; transfer is defined as passing the ownership of one property or the right on one property to another[2].

The provisions regarding the merger in the TCC are regulated between articles 136 and 158. In our study, the merger establishment was discussed within the scope of TTK and KVK in terms of trading companies. In TCC, the concept of takeover does not pass and only the type of merger through the acquisition is mentioned. However, the concept of transfer is mentioned in the CTC and there are situations where the merger

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[2] The definitions are taken from the dictionaries of the Turkish Language Institution.

provisions will be considered as transfers. In KVK, merger transactions are regulated as *"merger"* in article 18 of the law and *"transfer"* in article 19.

Although the TCC accepts the merger as *"dissolve without liquidation",* CTC has accepted the merger as a *"liquidation"* provision and anticipates that the merger profit due to the merger will be taxable by calculating it as liquidation profit.

We see these two concepts differently in merger TCC and CTC regulations.

2. Merger Provisions under Turkish Commercial Code

The subject of our study is trade companies. Legally, the subject of the merger of trading companies is trade partnerships (Teksoy, 2013: 169). The legal reason for the merger of trade partnerships is their will towards unification (Teksoy, 2013:170).

In legal terms, a merger is the merger of two or more partnerships into a single partnership (Sönmez, 2000:2).

The absence of liquidation in the merger is necessary for economic continuity (Yasaman, 1987:20).

As a result of the merger of trade partnerships, both economic and legal independence ends. As a result of the merger, the legal entity of the trade partnership, which transfers its assets and partners, ends; new capital and joint participation in terms of inherited partnerships appear.

The provisions of the merger are regulated between Articles 136 and 158 of the TCC. The definition of merger of trading companies is not included in the TCC, but the provisions of the law can be accessed from the elements related to the merger. As the law suggests, the merger in TCC is in the form of a merger through takeover[3] and a merger through a new entity[4].

In the system of law, the principle of a *complete succession* applies in the merger. The principle of complete succession is that the company that remains in the merger or the newly formed company replaces the company or companies that have disappeared and passes all assets to the remaining or newly established company (Büyükyaka, 2011:86). In addition, contrary to the merger provision in corporate tax, the principles of dissolve without liquidation and continuation of share ownership (see also: Bozkurt, 2020: 571) is valid.

Within the scope of TCC, the capital company can merge with another capital company. The capital company can also merge with the individual companies provided that it is the company that takes over. Capital companies and cooperatives[5] can also be merged within the framework of the regulations in the relevant law.

[3] It is the acquisition of at least one partnership by another partnership as a whole with its assets and liabilities. As a result, the inherited partnership is being completed.

[4] It is the merger of at least two partnerships to form a new partnership. All partnerships participating in the new organization are being implemented.

[5] Although the cooperatives are organized in TCC, there is a debate in the doctrine regarding the nature of the trading company within the scope of TTK. According to some authors, cooperatives should not

A capital company, provided that the assets of the liquidated company have not been distributed, can take over a liquidated capital company and a company whose capital and half of the total of reserve assets have been lost at a loss or are submerged in debt who provided that it has the self-asset that it can freely save the amount that can cover the debt sunk status or lost capital of this company (Yildirim, 2018: 156).

The merger is carried out by a written *"Merger Agreement"* signed by the governing bodies of the companies participating in the merger and approved by the general assembly (TCC Art. 145, 146).

In addition, the governing bodies of the company participating in the merger (separately or together) are required to prepare a report on the merger called the *"Merger Report".*

3. Companies That Can Merge Under TCC

Which companies can merge with each other is regulated under the provision of TCC Art. 137, which is titled "Current Mergers".

Table 1. Trading Companies That Can Merge With Each Other Within the Scope of TTK

TYPE OF TRADING COMPANY	**TYPE OF** TRADING COMPANY **THAT** CAN MERGE
COLLECTIVE COMPANY	a) Collective Company b) Commandite Company c) Joint Stock Company (provided that the collective company is transferable) d) Limited Liability Company (provided that the collective company is transferable) e) Limited Partnership Divided Into Shares (provided that the collective company is transferable) f) Cooperative (provided that the collective company is transferable)
COMMANDITE COMPANY	a) Collective Company b) Commandite Company c) Joint Stock Company (provided that the commandite company is transferable) d) Limited Liability Company (provided that the commandite company is transferable) e) Limited Partnership Divided Into Shares (provided that the commandite company is transferable) f) Cooperative (provided that the commandite company is transferable)
JOIN-STOCK COMPANY	a) Joint Stock Company b) Limited Liability Company c) Limited Partnership Divided Into Shares d) Cooperative e) Collective Company (provided that the joint stock company is the

be counted among trading companies (Poroy et al., 2005:19); there are also authors who argue that cooperatives should be considered as trading companies (Bahtiyar, 2017: 2).

	takeover) f) Commandite Company (provided that the joint stock company is the takeover)
LIMITED LIABILITY COMPANY	a) Joint Stock Company b) Limited Liability Company c) Limited Partnership Divided Into Shares d) Cooperative e) Collective Company (provided that the limited liability company is the takeover) f) Commandite Company (provided that the limited liability company is the takeover)
LIMITED PARTNERSHIP DIVIDED INTO SHARES	a) Joint Stock Company b) Limited Liability Company c) Limited Partnership Divided Into Shares d) Cooperative e) Collective Company (provided that the capital is the takeover of the limited partnership divided into shares divided into shares) f) Commandite Company (provided that the capital is the takeover of the limited partnership divided into shares divided into shares)
COOPERATIVE	a) Joint Stock Company b) Limited Liability Company c) Limited Partnership Divided Into Shares d) Cooperative e) Collective Company (provided that the cooperative is the takeover) f) Commandite Company (provided that the cooperative is the takeover)

Source: TCC

As can be understood from the table above, the principle of intersite free unification has been adopted in the TTK. In this sense, while the merger is possible among the individual companies in TCC, in tax law the merger is regulated only in terms of capital companies in the CTC. Our law does not envisage an upper limit on the number of companies participating in the merger.

When creating companies that can merge with each other in the system of law, it was acted on the necessity of being in a suitable structure. In this context, for example, it is not possible for the trade company to merge with a foundation or association when looking at the issue within the framework of the principle of continuation of partnership rights (Büyükyaka, 2011:88).

4. Merger and Transfer within the Scope of CTC

Corporate tax liability is regulated in articles 1 and 2 of the law. One of this group of taxpayers is the capital companies that are our subject of study.

Merger procedures in CTC are regulated in articles 18, 19 and 20 of the relevant Law. However, detailed regulations on the subject are included in the General Communique on Corporate Tax No. 1.

In CTC, the merger is arranged in the form of mergers and transfers, unlike the regulation in TCC. Within the scope of the CTC, the merger is regulated in Article 18 of the law with the sideline title "Merger". According to the relevant article the merger of

one or more institutions with another institution is considered liquidation in terms of the institutions that are inflamed due to the merger.

In TCC, the merger is not liquidated; there is an dissolve without liquidation in accordance with the principle of continuation of the assets. Furthermore, as the definition of merger in CTC shows, unlike in TCC, there is no distinction in the form of a takeover or a merger with a new entity.

In a merger, merger profits[6] are taxed instead of liquidation profits. The provisions regarding liquidation profit also apply to the determination of merger profit.

As such, the values given directly or indirectly by the institution that is merged to the partners or owners of the exclusive institution or institutions are substituted for the values distributed to the partners in the event of the liquidation of the institution. The beginning of the merger period is the date when the balance sheet based on the merger is issued.

The completion of the merger process is the date on which the amendment to the principal contract for the capital increase of the merged company is registered and announced. The period between the start and end dates of the merger is called the merger period and the profit to be formed during this period is the merger profit (Yildirim, 2018: 158). In addition, in the case of a merger, it is in the form of a liquidation period instead of an accounting period.

According to Article 17 of the Law, the responsibilities and duties of liquidators belong to the institution that is merged in the merger.

Within the scope of CTC, the transfer is regulated in Article 19 of the law under the side title *"Transfer, Division and Share Exchange"*. The transfer mentioned in the law differs from the merger through the takeover under the TCC.

In this sense, the transfer institution organized in CTC can be considered as a special form of merger. According to the relevant provision of the law, the conditions of the transfer can be listed as follows:

- The legal or business centers of the institution that merged with the institution that exploded as a result of the merger must be located in Turkey. Which means that you're not going to be able to do that. In accordance with the provisions of the CTC, both institutions must be fully obliged.

In this sense, it shall be deemed to be a merger for an institution whose legal or business centers are both located abroad to be annexed to a fully taxed institution. As it can be seen, at this point, CTC is leaving TCC because no such requirement is stipulated in TCC[7].

[6] Merger profit is the positive difference between the value of wealth at the end of the liquidation period and the value of wealth at the beginning of the liquidation period.

[7] Since no such requirement is stipulated in the merger provision in CTC, it is possible to carry out the merger both between two fully taxpayer companies and between the full taxpayer company and the narrow taxpayer company through the establishment of a new company (Başaran Yavaşlar, 2004:115).

The merger of narrow taxpayer institutions (such as the merger of two foreign institutions with a workplace or permanent representative in Turkey) should be valued and transferred to the institution that is merged on its true values, and profits should be calculated and taxed due to this transaction (BIYIK, 2019: 92)[8].

- The balance sheet values of the exclusive institution at the time of the transfer must be taken over as a whole by the merged institution and transferred to its balance sheet[9].

According to CTC; the change of types within the conditions of the law regarding the circuit of the institutions is also considered as a transfer provision.

In transfers, if the specified conditions are complied with, the earnings of the exclusive institution are taxed only up to the date of transfer; profits arising from the merger are not calculated and taxed (CTC Art. 20/1).

The transfer date is the date on which the decision of the competent board of the company regarding the circuit is registered in the Commercial Register.

5. Conclusion

In this study, we tried to explain the merger provisions in TCC No. 6102 and the merger provisions in CTC No. 5520 comparatively.

There is no distinction in tax law in the form of new institutions and acquisitions in the arrangements for takeover and merger, and this distinction has no effect on the taxation process. According to KVK, which is the subject of our study, the merger involves both the new establishment and the takeover, and there is no difference in terms of tax law in both types of mergers. Therefore, in any way, merger profits are taxed.

In terms of the CTC, the liquidation of the merger is intended to tax the company whose legal entity has ceased. It is the merger profit that is taxed here. Merger profit is the positive difference between the valuation of the assets of the merged institution in accordance with Tax Procedure Law Art. 96/III and the value of the pre-merger wealth.

As can be understood from our statements regarding the merger procedures, the provisions of the TTK and KVK do not fully match each other.

As such, mergers that meet the requirements specified in the law (whether in the form of new establishment or takeover according to TTK) are described as *"takeovers"* in CTC. In this sense, there is no identification between the concepts of *"merger by takeover"* in TTK and "takeover" in CTC. It is difficult to say that this is entirely possible given the area of regulation of the law and the purpose of its return. However, it is appropriate to clarify certain issues. For example, the content of the

[8] According to the author, this situation reveals the need to tax branches in Turkey while taxation is not done on restructuring changes abroad. He argues that changes should be made to the KVK to address this problem.

[9] It is also referred to as an ashy takeover.

transfer declaration for the circuit mentioned in the KVK should be determined. But there are similar aspects to the regulations in the two laws. In this context, there are those who say that KVK and TTK do not clash.

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Evaluation of Tax Evasion Offence in Turkey within the Scope of Supreme Court Decisions

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Abstract

To collect taxes, which are the most important financing source of public services, in a fair manner, acts contrary to tax laws are considered as crimes and sanctioned. Thus, it is aimed to provide deterrence in tax evasion.

In this context, tax crime is defined as "violating these provisions by acting contrary to the actions defined in tax laws." In the case of committing tax crimes, sanctions are not imposed only to compensate for the loss of income but also to ensure public order.

The crimes of tax evasion, violation of tax privacy, and doing the private business of the taxpayers are criminal law-oriented crimes, and criminal penalties and/or judicial fines are imposed on the offenders.

In our study, tax evasion crime will be first defined, and information will be given about its elements.

In the second part, the sanctions related to these crimes will be explained within the framework of the provisions of the Tax Procedure Law and the Turkish Penal Code. In addition, the investigation and prosecution houses of the tax evasion crime will be explained, and information will be given about the court in charge, the date of the crime, and the statute of limitations.

The last part will be about how the sentences given for these crimes evaluated are handled in the Supreme Court Decisions.

Here, the aim is to reveal how the administration evaluates the method of applying the laws before the high judiciary and the situation in terms of both laws and administrative practices.

Keywords: Tax Evasion, Tax Penalties, Supreme Court, State Council
JEL Codes: K33, K34

1. Introduction

Tax rules are determined in tax laws, and acts contrary to these rules have been described as misdemeanors and crimes. Tax misdemeanors, their effects, and consequences are mostly tax losses and sometimes behaviors that make the auditing of the administration difficult. Tax crimes, on the other hand, are unlawful acts that disrupt public order. (Candan,2019:67).

In addition to imposing fines in tax loss and irregularity cases, disputes are resolved in tax courts according to the administrative procedure. In the act of smuggling, punishments restricting freedom are given, and a trial is made by applying the guarantee and procedural rules of the criminal procedure law (Erman, 1988: 3).

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In our study, tax evasion crime will be defined, and information will be given about its elements. Then, by giving information about the penalties to be imposed in case of committing these crimes, it will be evaluated how the penalties implemented for these crimes are handled in the Supreme Court Decisions.

2. Tax Evasion Crime in Turkey

2.1. Definition

Tax evasion is the nomenclature given to acts that destroy the state's public order in the field of taxation, with acts written in laws that can be done intentionally and objectively without seeking the condition of tax loss. Tax evasion crime is handled separately from tax evasion crime and tax irregularity crimes in terms of their effects. In other words, tax evasion can be predicted as an aggravating reason for tax loss and tax irregularity crimes (Senyuz, 2015: 470).

2.2. Elements of Tax Evasion Crime

2.2.1. Material Elements

It is possible to say that the material elements in crimes related to tax evasion are generally composed of three sub-headings. They are as follows:

Movement: Movement is the person's behavior realized through the human body (Ozbek et al., 2015: 219-239). *Result:* It is the action reflected in the outside world as a result of the action. The result is not necessarily tangible, and danger is also accepted as a result. (Ozbek et al., 2015: 239; Artuk et al., 2015: 21). *Causal Link:* There is a cause-effect relationship between the action that took place, and the result of this action in the outside world is a result of the causal link (Ozbek et al., 2015: 239; Artuk et al., 2015: 21).

Since the acts other than the double bookkeeping act within the scope of Article 359 of the TPL are purely act crimes, the fact that the act has been done is considered sufficient, and it is not sought whether it has a result or not (Ozen, 2014: 54).

2.2.2. Moral Elements

The moral element is defined as "the link between the act committed and the perpetrator," and it is not possible to talk about the existence of a crime without the formation of this link (Artuk et al., 2015: 28).

Following articles 21 and 22 of the TPC, the general principle in terms of liability in criminal law is that intention must be a condition. In other words, the intent is the rule, and negligence is the exception. While there should be a clear definition and provision in the law for a person to be held responsible for negligence, there is no need for this to be held responsible for intention (Hakeri, 2014: 233).

3.Penalties Implemented By Investigation and Prosecution Procedure Regarding Tax Evasion Crime in Turkey

3.1. Investigation and Prosecution Procedure for Tax Evasion Crime in Turkey

The criminal procedure starts with the news of the crime and ends with the verdict. As a rule, when the information that a crime has been committed reaches the competent authorities, the relevant authorities must take action, and criminal proceedings must be initiated. However, in some cases, certain conditions must be met to take action due to various crime and punishment policies.

First of all, those who will reveal the crime of tax evasion are tax inspectors and assistant tax inspectors, and other taxpayers authorized by law. These persons must notify the Office of the Chief Public Prosecutor with the opinion or directly when they reveal the crime of tax evasion (Toroslu and Fevzioglu, 2012: 119). Against the crime of tax evasion learned by the prosecutor's office, the relevant tax office is assigned with auditing (Bayar, 2010: 162).

When the Tax Office deems it necessary to file a lawsuit due to the examination, it sends the case to the Public Prosecutor's Office with the opinion letter and the evidence obtained as a result of the examination. It is not obligatory to file a lawsuit by the Public Prosecutor regarding the application made to the Prosecutor's Office (Yuce, 2013: 690).

3.2. Penalties for Tax Evasion Crime in Turkey and Ways to Avoid Them

Article 359 of the TPL includes separate penalties for tax evasion acts. The sanctions in question are punishable by imprisonment from eighteen months to three years within the scope of subparagraph 359/a of the TPL, from three years to five years under subparagraph (b), and from two years to five years within the scope of subparagraph (c) (Ozturk and Erdem, 2012: 86).

The punishment ends with the execution of the sentence. However, in some cases, the sentence ends without execution. These are the cases that drop the lawsuit and penalty in Article 64-75 of the TPC. They are as follows: *amnesty; death; reconciliation; contrition and amendment*. It seems possible to take advantage of the effective contrition, which is handled within the scope of Article 371 of the TPL, in the name of tax evasion. To be able to benefit, the necessary conditions must be fulfilled beforehand(Cavus, 2016: 241).

4. Evaluation of Tax Evasion Crimes and Penalties in Turkey Within The Framework of Judicial Decisions

The tax courts within the tax jurisdiction resolve disputes between the taxpayer and the administration during the implementation of tax laws. In this context, ordinary and extraordinary legal remedies have been adopted in the judicial system against the decisions rendered in the courts of the first instance to ensure judicial security against

the "administrative proceedings" of the administration, which are equipped with "public power privileges," and to put the judicial decisions on more solid ground (Ercan, 2021:86). In this context, some of the decisions rendered by the high court regarding tax evasion acts are given below;

Decisions Regarding Concealing Books and Documents; For the crime of concealing the books and documents, it is sufficient not to submit the books and documents fixed by notary certification records and other means to the authorized officer for tax inspection despite the duly notification made within the five years is the obligation to keep them. **Decisions Regarding Statute of Limitations and Reasons for Dropping the Case;** The determination of the crime date and the calculation of the statute of limitations should be performed; if more than one invoice is issued/used, the date on which the last invoice is issued/used will be the date of the crime.

Decisions on Expert Review and Counter-examination; It is necessary to conduct an expert examination in terms of the evidence of the crime; in the crime of using fake invoices, an investigation should be made by those who issue the invoice, and an expert examination should be made when necessary.

Decisions Regarding the Determination of the Date of Committed Tax Evasion Crimes; The date of the crime will be determined according to the date of the declaration. In the act of issuing false invoices in a chain, the date of issuing the last invoice is the date of the crime.

5. Conclusion

Many changes have been made to Article 359 of the TPL No. 213, which regulates 'Smuggling Crimes and Penalties'. With these amendments, the element of intentional commitment (intent) is not sought for committing the crime. Combined with the opinion of the Criminal General Assembly of the Supreme Court that "for issuing and using false documents, a prison sentence of 3 to 5 years is imposed in each accounting period". Long prison sentences have begun to be given to taxpayers "for the crime of opposing the TPL."

The same action is penalized twice due to the legal interpretation of the article 'those who issue false documents or use these documents. Thus, a separate penalty is imposed for each financial year. However, the acceptance of the successive crime provisions of the TPC and the abandonment of the interpretation of punishment separately for each accounting period necessitate a legal regulation or the Supreme Court to change its opinion by abandoning its established jurisprudence.

It is claimed that as of January 2021, over 70,000 cases are waiting to be concluded in the Criminal Courts of First Instance. The rate of conviction in the cases concluded is around 60 percent, which reveals the severity of the situation. The Human Rights Action Plan issues should be fulfilled immediately, and the legislation should be reconsidered accordingly.

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Semantic Analysis of the Concept of "Increase Up To … Times" in Terms of the Principle of Certainty in Tax Law

Adnan Gerçek[1] **Nilay Akbulut**[2]

Abstract

The rule of law principle prevents the arbitrary use of sovereign power against citizens. One of the sub-elements of the rule of law is the principle of certainty. According to the principle of certainty, for the individual to predict the outcome of his behaviour; Laws must be clear, understandable, and precise. Lawful individual; Laws need to be drafted in clear language so that one can predict whether the law allows or prohibits a situation. The writing of the rules in a clear and understandable language is a formal element and an element that affects the essence. Therefore, when writing the rule of law, ambiguous expressions should not be included in any part of it, from its name to its provisional article.

Semantics; It is a branch of science that analyses the meanings of words and reveals the intentions of the word in the historical process, starting from the etymological root. In addition, semantics is a method used to avoid conceptual confusion and find the correct meaning of words. Our research shows that the concept of "increase up to … times" is used in 51 articles of Turkish tax laws.

The concept of "increase up to … times" in some articles of Turkish tax laws harms the principle of certainty. For example, it has been seen that the expressions "up to twice" and "up to one times" in tax laws are used in the same sense. This situation leads to the thought that the items damage the principle of certainty. In addition, the concept of "increase up to … times" hides the word's true meaning and causes financial anaesthesia in taxpayers. We believe that for tax laws to comply with the principle of certainty, a specific rate or amount should be written directly instead of the concept of "increase up to … times" in the articles.

Keywords: Tax law, Principle of certainty, Semantic analysis method, Up to times
JEL Codes: K34, K39, H21, H29)

1. Introduction

The principle of certainty means that legal regulations should be clear, understandable and applicable in terms of individuals and administration. The use of ambiguous expressions while writing the articles of the law undermines the principle of certainty in taxation and may lead to arbitrary practices by the administration. For this reason, the provisions of the law must be written semantically correctly.

When tax laws are examined, the language of some of them is old and incomprehensible, and some concepts are ambiguous. In this study, the concept of increasing the tax rate or amount will be discussed and its semantic analysis will be made.

In the study, firstly, the principle of certainty as a sub-view of the rule of law will be discussed. Then, information about the semantic analysis method will be given and the semantic analysis of the concept of "increase up to … times" in tax laws will be

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made. Finally, the appropriateness of including this concept in tax laws will be evaluated in terms of the principle of certainty.

2. The Principle of Certainty as A Sub-Sphere of The Rule of Law

2.1. State of Law and Legal Security Relationship

People feel safe by obeying the rules of the legal order. The fact that the rules of law are precise, stable and clear increases the trust in the rule of law. Unclear and incomprehensible rules undermine the individual's confidence in the rule of law. (Bozdoğan & İlk, 2016: 30).

State of law; It is a legal system that prevents the arbitrary use of the state's powers against individuals, enables individuals to predict the consequences of their behaviour, and gives confidence that the rules of law will be implemented in a stable and harmonious manner. In order to meet these requirements of the state, laws should be written in a way that is understandable, clear and unambiguous (Çağlar, 2013: 29).

2.2. Definition and Elements of the Certainty Principle

The principle of certainty; means that the law should be clear and precise enough to allow it to be foreseen how it will be applied. The principle of legal certainty includes the following elements. (Maxeiner: 2008: 32):

- Laws and decisions should be clear and certain.
- Legitimate expectations must be maintained.
- Limitations on retroactive enforcement of laws should be introduced.
- Laws and decisions must be made public.
- Court decisions must be binding.

The principle of certainty gives the legislator a prescription for individuals to behave in a predictable way. This prescription is an instruction for the preparation of laws in a clear and understandable way (Avila, 2016: 58-59).

2.3. Certainty in Terms of Law

The principle of certainty requires that the regulations made by law be clear, simple and understandable (Karakoç, 2013: 1290). The writing of legal rules in a clear and understandable language is not only a form, but also an effective element. Therefore, when writing legal rules, the expressions used should have an understandable and systematic integrity (Köküsarı, 2015: 55).

The European Court of Human Rights has interpreted the concept of law broadly and has included laws, decrees, regulations and case law in this concept. In

this context, the practice of the administration and judicial jurisprudence should also comply with the principle of certainty (Şişman, 2016: 2430).

2.4. The Principle of Certainty in Terms of Practice

The principle of certainty also shows its effect during the practice of legal rules. If the law to be applied is written in ambiguous terms, arbitrary interpretations of the administration may be encountered during implementation. These arbitrary interpretations victimize the individual and the protection of their rights is violated.

Ensuring certainty in taxation is also important in terms of tax compliance. In this way, taxpayers will be able to understand what tax laws require and tax disputes will be minimized (Tekbaş, 2012: 136).

3. Semantic Analysis Method

The word semantics is derived from the French word “sémantique” and is defined as “anlam bilimi” in Turkish (TDK, 2020). This word comes mainly from the Greek word “semantika-semantikos” and means “meaning, defining, signifying” (Atay, 1996: 111; Hazar, 2013: 138).

Semantics is a branch of science that analyses the meanings of words and reveals the analysis of the meanings of the word in the historical process, based on etymological roots. In the semantic analysis method, words are explained with two meanings; essential meaning and relative meaning (İzutsu, 2012: 37).

The steps followed in semantic analysis are (Soysaldı, 2001: 42-43):

1) The etymology of the concept and the meaning of its root word are determined.

2) The meaning of the concept in the sentence is determined.

3) The main meaning of the concept in Turkish usage is revealed.

4) The meaning of the concept in tax laws is determined.

4. Semantic Analysis of The Concept Of “Increase Up To … Times” In Tax Laws

4.1. The Word “Increase”, “Up to” and “Times” in terms of Dictionary

In this study, the meaning of the word “increase” is raise or sends up. The word “up to” means “until, duration” and is a preposition used to express the amount, duration or time in a sentence. The word “times” refers to the sum or multiple of a number repeated in mathematics (TDK, 2020).

4.2. The Concept and Usage of “Increase Up to … Times" in Tax Laws

In the research conducted on Turkish tax laws, it has been determined that the concept of "increase up to … times" is used in **51** articles of **16** laws. **27** of these articles are related to tax rates, **12** of them are related to rates and amounts, **11** of them are related to limits or amounts and **1** of them are related to measures.

When examining the frequency of use of the items in the tax laws, where the concept of "increase up to … times" is examined, the authority related to 23 items has never been used, the authorization for 13 items is between 1 and 5, the authorization for 6 items is between 6 and 10, and the authorization for 6 items is more than 20 times.

4.3. The Meaning of the Concept of "Increase Up to … Times" in Tax Laws

4.3.1. Meaning of Increase "Up to One Time" or "Up to Twice" Expressions in Tax Laws

In tax laws, 18 articles are authorized to "increase up to twice" and 16 articles are authorized to "increase up to one time". In mathematical terms, twice a rate or amount is the result of multiplying it by two. If it is a one times of a rate or amount, it is the rate or amount itself. For example, 10% x 2 = 20% rate is understood when it is said that the authority to increase a rate of 10% up to twice. On the other hand, 10% x 1 = 10% rate is understood when it is said that the authority to increase a rate of 10% up to one times. In other words, the authority to "increase up to one time" actually refers to the authority to increase up to the legal rate.

4.3.2. In Tax Laws The Meaning of "Increase Up to… Times"

In tax laws; It has been seen that the authority of increase "up to three times", "up to four times", "up to five times" and even "up to ten times" has been given. When "increase up to… times" is authorized in the articles of the law, it is understood to increase up to 10% x 5 = 50% for example. In practice, it has been determined that the use of this authority so far has been made within these limits. The fact that this authority is too wide leads to the violation of the principle of legality of taxation and results in the transfer of legislative power to the executive body (AYM: E: 2001/36, K: 2003/3).

4.4. Evaluation of the Concept of "Increase Up to … Times" in Tax Laws

51 article of the tax laws includes the authority to "increase up to … times", but 23 of them have not been used yet. This situation leads to the thought that the items damage the principle of certainty. While the laws are being written, the delegation of authority is included with the understanding of "what happens, what does not happen, let it be found", without evaluating the need and applicability.

In addition, the use of the concept of "increase up to … times" in the articles of law also creates financial anaesthesia related to the intervention dimension of the

administration. For example, giving the authority to increase a 10% rate up to five times creates a meaning as if it is not too much. If authorized to increase this rate up to 50%, the effect could be different. As a matter of fact, the Constitutional Court annulled the authority to increase it up to 20 times, as it may lead to a disproportionate regulation and arbitrary practice incompatible with tax justice (AYM: E: 2001/36, K: 2003/3).

The explanations above show that the use of the concept of "increase up to … times" in the articles of law can lead to serious ambiguities and constitutional violations. Therefore, the concepts used in tax laws should be clear and attention should be paid to their semantic meaning. For example, in Article 28 of the VAT Law, "The VAT rate is 10% for each taxable transaction. The President is authorized to increase this rate up to four times, to reduce it to 1% ... Instead of the expression "The VAT rate is 10% for each taxable transaction. We are of the opinion that it would be more correct to write a regulation such as "The President is authorized to increase this rate up to %40, to reduce it to %1…".

4. Conclusion

The principle of legal security means that everyone knows in advance the rules of law to which they will be subject and acts accordingly. Reflections of the principle of legal security in the field of taxation are certainty in taxation, non-retroactivity of tax laws and prohibition of comparison. In order to ensure certainty in taxation, tax laws must be written in a clear and understandable language.

Semantic analysis method is a branch of science that studies the meanings of words. In tax laws, in articles related to tax rates or amounts, the authority to "increase up to … times" is given to the President. In the research conducted on Turkish tax laws, it has been determined that the concept of "increase up to … times" is used in 51 articles of 16 laws. 27 of these articles are related to tax rates, 12 of them are related to rates and amounts, 11 of them are related to limits or amounts and 1 of them are related to measures.

In tax laws, 18 articles are authorized to "increase up to twice" and 16 articles are authorized to "increase up to one time". The meaning of the concept "increase up to twice" or more is understood correctly. However, the authority to "increase up to one time" is understand and applied as "increase one more time" that is equivalent to "increase up to twice".

The use of the concept of "increase up to … times" in tax laws both undermines the principle of certainty in taxation, the principle of proportionality and the principle of legal security, and creates financial anaesthesia in terms of meaning. For this reason, when writing tax laws, concrete and clear concepts should be included instead of vague expressions. For example, instead of the concept of "increase up to … times" it will accordance with the principle of certainty to write the phrase "% … increase up to".

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Current Situation in Turkey in Terms of BEPS Action Plan 13 Regarding Documentation Scheme in Transfer Pricing

Filiz Keskin[1]

Abstract

The great developments in technology, communication and transportation have paved the way for integration of national economies and formation of multinational enterprises that have a significant transaction volume in the world economy. Transfer pricing is one of the most debated issues in taxation concerning multinational enterprises. Transfer pricing concept is defined by the Organization for Economic Co-operation and Development as prices applied by an enterprise to subsidiary enterprises in the delivery of physical goods and intangibles or provision of services. A number of studies have been conducted especially within OECD to prevent the use of transfer pricing as a means of tax avoidance among subsidiary enterprises. In 2006, Turkey made some amendments within Corporate Tax Law No.5520 concerning transfer pricing in accordance with international regulations and then issued Communiques. Furthermore, 15 action plans were adopted in 2015, following the studies conducted by G20 countries and OECD upon the increase observed in transactions aiming base erosion and profit shifting due to weak points in current international tax rules. With the number 13 of the mentioned action plans, a three-staged and standardized documentation (*master file, local file, Country by Country Report)* approach was introduced with various updates and additions in the field of transfer pricing. In Turkey after the publication of BEPS action plan 13, with the amendment of 13th article of CITL No. 6728 in 2016, the Council of Ministers is authorized to impose documentation obligations regarding Transfer Pricing and to determine the procedures and principles regarding the exchange of information with other countries. In addition to Presidential Decree No. 2151 published on February 2nd, 2020, the General Communiqué on Transfer Pricing No. 4 was published on September 1st, 2020. Lastly, Declaration regarding Multilateral Competent Authority Agreement on the Exchange of Country-by-Country (CbC MCAA) reports was approved by the Presidential Decree No. 3038 and published in the repeated Official Gazette dated October 1st,2020.

Keywords: Base Erosion and Profit Shifting, BEPS, Transfer Pricing, Taxation
JEL Codes : H20, H26,H87,K34

1. Introduction

As a result of globalization and digitalization, interconnected multinational enterprises have become a world-wide business with the development of commercial relations between countries and the integration of national economies. Studies have been carried out for years especially in OECD to ensure that transfer prices determined by the aforementioned enterprises for purchase and sale of goods and services among themselves are compliant with arm's length principle and thereby prevent the tax base from being eroded.

Furthermore, the fact that the existing international tax rules are insufficient in international commercial relations, which are getting more and more complex, has

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resulted in an increase in transactions made for base erosion and profit shifting (BEPS). In order to prevent such practices, 15-point BEPS action plans have been adopted following the studies conducted by OECD and G20 countries. It is aimed to create a three-stage standardized document scheme by making updates on documentation in transfer pricing with the action plan no.13.

Amendments were made in Corporate Tax Law no. 5520 to comply with international regulations on transfer pricing in Turkey. Legislative changes related to compliance with BEPS action plan no. 13 were made especially in 2016 and 2020.

The subject of this paper is to draw a general frame for BEPS action plan no.13 concerning transfer pricing which is of great importance internationally and to address the regulations that were made and should be made in Turkey.

2. Concept of Transfer Pricing in General and International Studies and Regulations in Turkey on this Matter

2.1. Concept of Transfer Pricing

Transfer pricing concept is defined in OECD -2017 Guideline as *prices applied by an enterprise to subsidiary enterprises in the delivery of physical goods and intangibles or provision of services*. (OECD, 2017: 17)

It is seen that transfer pricing is used as a tool in shifting profits to associated persons in the country through low or high artificial prices or to associated persons in countries with low tax or tax advantage (Yaltı,2007:9), which causes complex tax problems in the international arena.

On the other hand, it is possible to define MNEs concept in transfer pricing as a group of enterprises operating locally or through permanent offices established worldwide (UN, 2017a: 1).

2.2. International Studies on Transfer Pricing

It is observed that various studies have been carried out and reports and guidelines have been published since 1970s, especially within OECD.

The 2017 Guideline, which is the most current guideline today, consists of 9 chapters:

- *Arm's Length Principle*
- *Transfer Pricing Methos*
- *Comparability Analysis*
- *Administrative Approaches to Avoiding and Resolving Transfer Pricing Disputes*
- *Documentation*
- *Special Considerations for Intangibles*
- *Special Considerations for Intra-Group Services*
- *Cost Contribution Arrangements*
- *Transfer Pricing Aspects of Business Restructurings*

The Guideline in question has been prepared considering the discussions by the OECD on the Transfer Pricing regulations proposed in the USA (OECD, 2017:17).

Moreover, studies on this matter have also been carried out within UN and the article 9 of UN-DTAA Model includes regulations concerning transfer pricing (UN, 2017b:251).

2.2. Regulations in Turkey Concerning Transfer Pricing

With the regulation in the first paragraph of Article 13, titled "Disguised Profit Distribution Via Transfer Pricing" of the latest CTL no. 5520;

"*If enterprises make purchases or sales of goods or services with associated persons over the price they have determined that is against arm's length principle, the profit is considered to be disguisedly distributed via the transfer pricing in whole or in part*"

disguised profit distribution via transfer pricing is defined.

There are also four Communiqués on the matter have been published.

3. International Studies on BEPS Project and Situation in Turkey within the Scope of Action Plan No.13

3.1. Concept of BEPS and International Studies on this Matter

BEPS refers to tax avoidance strategies that are used to artificially shift profits to low or tax free places by exploiting gaps and incompatibilities in tax rules. (Bradbury, Hanappi, Moore, 2018: 98)

After their summit in 2012, G20 countries stated in the article 48 of their declaration that they repeated the need of prevention for base erosion and profit shifting and OECD's ongoing efforts in this scope would be carefully followed (G20, 2012:para 48).

Later,

- Report, titled "Adressing Base Erosion and Profit Shifting" in February 2013
- The action Plan, titled "Action Plan on BEPS" in July 2013

were published by OECD.

The aforementioned action plans were adopted by G20 countries in September 2013, and the latest versions of the action plans were published in October 2015.

The BEPS package provides 15 action plans aiming to facilitate multilateral cooperation between states in the taxation of MNEs (Dharmapala, 2014:1), which equip states with the national and international tools needed to combat tax avoidance and aggressive tax planning (Remeur, 2019:1).

These actions are built upon 3 pillars (OECD/G20, 2015:3):

- Ensuring compliance with internal rules affecting cross-border activities
- Strengthening the essence priority requirements of the current international standards
- Increasing transparency and precision

One of the biggest challenges in the BEPS project is expressed as the widening of the tax principles developed in the bilateral relations of the countries, thus they can be applied in multilateral relations. (Ault,2013:1198)

3.2 . Content and Purpose of BEPS 13 Action Plan

The BEPS-2015 action plan 13 was prepared under the heading *"Transfer Pricing Documentation and Country-by-Country Reporting (CbCR)".*

The aforementioned action plan was prepared in order to *increase transparency for the tax administration and develop rules on transfer pricing documents by taking into account compliance costs in enterprises*.(OECD/G20, 2015:9)

Accordingly, it was stated that transfer pricing documents should be prepared with a three-stage standardized approach (OECD/G20, 2015:9):

- First, a "main report" that can be used by all tax administrations related to MNCs' tax administrations to global business operations and transfer pricing policies. (Master File)
- Second, a country-specific "local report" on transfer pricing documents for detailed transactions by identifying transactions with associated parties, the amounts included in these transactions, and the transfer pricing analysis of enterprises for these transactions. (Local File)
- Third, the country-wide report by the major MNCs for the amount of income, profits before income tax, paid and accrued income tax, and each tax jurisdiction in which they do business each year. (CbCR)

3.4. Current Situation in Turkey regarding Studies on BEPS Action Plan 13

After the publication of BEPS action plan 13, with the amendment of 13th article of CITL No. 6728 in 2016, the Council of Ministers is authorized to impose documentation obligations regarding Transfer Pricing and to determine the procedures and principles regarding the exchange of information with other countries.

Presidential Decree No.2151 on the Amendment of the Decision on Disguised Profit Distribution Through Transfer Pricing No. 2007/12888 was published on February 25th, 2020.

Article 6 of the related Decree and the title of Article 19 of Decree No. 2007/12888 were revised and sections regarding master file, local file and CbCR were added.

The Article 5 of Communiqué on the Amendment the General Communiqué (Serial No.1) on Disguised Profit Distribution Through Transfer Pricing Serial No.4 published in Offical Gazette No. 31231 dated October 1st, 2020 and the section titled "7- Documentation Requirements for Taxpayers" of the General Communiqué (Serial No.1) on Disguised Profit Distribution Through Transfer Pricing was changed under the title of "7-Documentation".

Transfer pricing documentation obligations according to the Communiqué Serial No.4 on Transfer Pricing consist of;

- Master File
- Annual Transfer Pricing Report (Local File)
- Notification Form on CbCR
- CbCR
- Transfer Pricing, Controlled Foreign Corporations and Thin Capitalization Form

The documentation forms below are utterly new for Turkey:

- ✓ Master File
- ✓ Notification Form on Country by Country Report
- ✓ Country by Country Report (CbCR)

Declaration of Multilateral Competent Authority Agreement on the Exchange of Country-by-Country (CbC MCAA) was approved by Presidential Decree No. 3038 and published in the repeated Official Gazette dated October 1st, 2020.

By completing its activation procedures that allow automatic exchange of information and putting the CBC MCAA into effect, Turkey has started automatic information exchange process along with number of countries, which can be found on the official website of the OECD.

5. Conclusion

There are action plans for transfer pricing in BEPS Project, which was launched following the studies of OECD and G20 countries.

The BEPS action plan 13 sets forth a three-stage and standardized transfer pricing documentation approach as Master File, Local File and CbCR.

In Turkey, regulations regarding the Local File entered into force in 2007. On the other hand, following the amendment on the article 13 of CITL with Law numbered 6728 in 2016, Presidential Decree No. 2151 published in 2020 and *the General Communiqué (Serial No.4) on Disguised Profit Distribution Through Transfer Pricing, as of 2020 related corporations* are required to prepare Master File and CbCR.

Additionally, Declaration of multilateral Competent Authority Agreement on the Exchange of Country-by-Country (CBC MCAA) was approved by Presidential Decree No. 3038 and published in the repeated Official Gazette dated October 1st, 2020; thereby Turkey has taken its place among other 89 signatory countries.

Information on which countries Turkey has started the automatic information exchange process with, following completion of necessary activation procedures in this regard, can be found on the official website of the OECD (see : https://www.oecd.org/tax/beps/country-by-country-exchange-relationships.htm)

It is important for Turkey to complete its automatic exchange of information process along with all signatory countries in order to increase its share and significance in the world economy, to develop international trade relations, and enable the Turkish Tax Administration to have access to information on MNEs and make analysis and evaluations.

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What do Professional Accountants Think About Tax Crimes and Penalties?: A Case Study in Turkey

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Abstract

In this study, it is aimed to determine the problems related to the tax crimes and penalties in the context of the opinions of the participants consisting of members of the accounting profession (Sworn-in Certified Public Accountants and Certified Public Accountants) in Turkey in its natural environment, the qualitative research method has been used. One of the patterns of this method is the case study. In a case study, the researcher focuses on a case or cases to thoroughly understand and investigate the phenomenon. In this study, snowball sampling, which is one of the purposeful sampling methods, was applied. A total of 11 participants; 3 of Sworn-in Certified Public Accountants and 8 of Certified Public Accountants, participated in this study. Content analysis was used in the interpretation of the data obtained in this research. In this study, as a result of interviews conducted with participants and content analysis on data obtained through other data collection techniques, it is observed that the research findings are gathered under the three themes. These themes are the proportionality between tax crimes and penalties, the effectiveness of tax penalties and the power of sanction, situations affecting tax crimes and penalties.

Keywords: Tax Evasion and Avoidance, Tax Crime, Tax Penalty, Qualitative Research, Interview.
JEL Code: H26, K34, K42

1. Introduction

It is highly essential that taxes, which are the most fundamental source of income for the states, be collected full and correctly. This situation may sometimes not happen spontaneously. In order for the state to collect tax revenues, thus maintaining the social order, it needs a set of legal rules attached to criminal sanctions. The part of these rules related to tax legislation constitutes tax criminal law. Administrative and judicial sanctions have been created In order to ensure that taxpayers fulfill their tax obligations in a timely and complete manner.

Members of accounting profession (Certified Public Accountants and Sworn-In Certified Public Accountants) are people who act as a bridge between taxpayers and the tax administration (State). Members of accounting profession help the taxpayers to calculate and pay taxes accurately and accurately as a result of their services. On the other hand, they contributes to a more smooth tax treatment of the tax administration. Therefore, ıt can be said that members of accounting profession have a critical importance in terms of taxpayers and tax administration. It is considered that a qualitative research is needed in the context of tax crime and punishments, the

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effectiveness and deterrence of tax penalties. The subject of this study is assessments of members of accounting profession on tax crimes, misdemeanors and penalties.

2. Research Purpose and Questions

When the studies in the literature were assessed, it was observed that there was few qualitative research on the tax crimes and penalties in a way that included members of accounting profession (Sworn-in CPA and CPA). Starting from this point, it is aimed in this study to determine the problems related to the tax crimes and penalties in the context of the opinions of the participants consisting of members of the accounting profession (Sworn-in CPA and CPA), and to offer solutions for solving the problems. Depending on this general purpose, the research questions are as follows:

1-How do members of accounting profession evaluate tax crimes and penalties?

2- How do members of accounting profession assess the impact of tax crimes and penalties on the taxpayer?

3- How do members of accounting profession evaluate the deterrence of the tax penalties applied?

The results which came out in the field of study will be made available to scientists, especially tax administration, tax inspectors, taxpayers, members of the accounting profession. Furthermore, the findings obtained from this study are expected to serve to contribute to the field of study in which limited research findings are generated.

3. Methodology

Since, in this study, it is aimed to determine the problems related to the tax crimes and penalties in the context of the opinions of the participants consisting of members of the accounting profession in Turkey in its natural environment, the qualitative research method has been used. One of the patterns of this method is the case study. In a case study, the researcher focuses on a case or cases to thoroughly understand and investigate the phenomenon (Yin, 2003: 26-27; Stake, 2008: 121). In order to obtain in-depth information on the subject of the study by using various data collection techniques over a specific time, this research has been patterned as a case study.

In this study, snowball sampling, which is one of the purposeful sampling methods, was applied. In snowball sampling, it is essential to identify individuals or situations that may be a valuable source of information for the purpose (problem) of the research. While, in every step of this process, interviews are conducted, it is attempted to reach people in a chained manner who may be more knowledgeable in the next step (Sönmez & Alacapınar, 2018: 174-177).

A total of 11 participants; 11 members of accounting profession (8 of which are CPA and 3 of which are Sworn-in CPA), participated in this study. When the data

obtained from the interviewees began to become repetitive and the acquisition of new data decreased, the interviews were terminated with the approval of the validity and reliability committee.

In the case studies, the data is not ubiquitous, waiting to be collected by the researcher. The researcher is in a state of interaction with data from different sources using data collection techniques during the data collection process (Glesne, 2015: 63). For the collection of data in qualitative research, mostly interview techniques are used (Denzin & Lincoln, 2005: 10). The interview is a very robust technique used to reveal the participants' experiences, perceptions, and perspectives in depth (Yıldırım & Şimşek, 2008: 40). In this study, the semi-structured interview technique was preferred because not only can it provide answers to the questions that encourage the study, but it may also enable access to relevant new data that can go beyond them.

In addition to the interview technique, archival records, and document review data collection techniques were also utilized in the research. During the data collection process of the study, interviews were conducted with members of the accounting profession using semi-structured interview questions. These interviews have been carried out in the form of face-to-face.

Content analysis was used in the interpretation of the data obtained in this research. The process of content analysis of qualitative data is an inductive structure in terms of configuration. In content analysis, concepts and themes are explored by examining the data in depth (Marshall & Rossman, 2006: 156-165). In this process, the data is primarily encoded. The coding is, how, what the analyzed data says, is defined. This stage is an ongoing and continuously evolving process in the form of classification-identification and identification-classification. Following these studies, research themes were reached. These themes and sub-themes were organized in such a way that they expressed a general phenomenon.

4. Findings

In this study, as a result of interviews conducted with participants and content analysis on data obtained through other data collection techniques, it is observed that the research findings are gathered under the three themes. These themes are the proportionality between tax crimes and penalties, the effectiveness of tax penalties and the power of sanction, situations affecting tax crimes and penalties. The findings related to the themes will be explained respectively.

4.1. Proportionality Between Tax Crimes and Penalties

The first theme reached through the research data is titled “Proportionality Between Tax Crimes and Penalties.” As derived from the results of the study, by members of the accounting profession, it is considered that some special fraud penalty is too heavy (collections and payments by banks and similar financial institutions with our certification documents, such as failure to comply with the obligation to give notification and electronic form).

According to results of the field study, tax penalties arising as a result of tax investigations can reach amounts that exceed the principle of paying taxes according to financial strength. (Eg. October 18 VAT on the fuel station, an additional multiple penalty of 36%, an additional delay interest on the fuel october, whose gross profit is on average 5%).

In addition to, It has been determined that the very high amount of tax penalties may not increase taxpayers' compliance with the tax. This situation may lead taxpayers to hide their real income.

4.2. The Effectiveness of Tax Penalties and The Power of Sanction

The second theme is the theme of "The Effectiveness of Tax Penalties and The Power of Sanction". It has been determined that the penalty that scares taxpayers the most is the freedom-binding penalty. However, due to the fact that imprisonment is not often found in practice, the deterrence of this punishment is decreasing.

According to the results of the research, in cases other than acts requiring imprisonment, it seems that the intimidation of the tax penalties imposed is not high. For this reason, it is stated by the members of the accounting profession that in addition to economic sanctions, there should also be a prison sentence.

In addition, it has been determined that the upper limit of penalties in the event of non-issuance of invoices and similar documents is not a deterrent for companies in some sectors. For this reason, members of the accounting profession recommend that the upper limit on penalties for special irregularities be removed and that the penalties for such tax offenses be determined according to the turnover of taxpayers.

According to the findings of the study, taxpayers can afford the tax penalties that they will incur if they are caught by the tax administration for their illegal actions and the low detection rate of the actual lost.

In particular, according to the participants, it was found that no tax penalties have the power to sanction those who operate informally as “employees below the stairs”.

It seems that tax penalties do not have much importance for those who trade fake documents. It has been determined that the development of a sector that makes money on a fake document cannot be prevented. This situation leads to the development of an informal economy and unfair competition.

In general, it has been found that the tax compliance of small-scale taxpayers has increased as a result of the tax penalties they face.

According to the research results, it has been determined that conditions such as the inability of people with tax debts to participate in state tenders, the imposition of comment/block on the accounts of people with tax debts, such as a penalty binding on freedom, may be a sanction.

4.3. Situations Affecting Tax Crimes and Penalties

The last theme of this research is the theme of "Situations Affecting Tax Crimes and Penalties ".

It has been determined that the frequency and scope of tax inspection is one of the situations that affects the enforcement power of tax penalties the most. The low probability of being audited may encourage taxpayers to act in violation of tax legislation. That is why the low tax inspection rate and, as a result, the fact that taxpayers who are not examined are not subject to any penalties may weaken the sanction of tax penalties. Low tax inspection rates lead to unregistered work of

taxpayers. Taxpayers can engage in informal activities to create resources for tax penalties that they may face in the future.

According to the findings of the study, members of the accounting profession refer to tax amnesty (financial structuring laws) as “A system that rewards taxpayers who commit tax crimes or do not pay tax”. The continuity of tax amnesty may cause taxpayers to assume the risk of not paying their taxes and penalties. This situation can lead to the formation of irrational expectations on taxpayers. It has been established that the settlement institution is able to reduce the sanction of penalties from the point of view of some taxpayers.

From the point of view of some members of the accounting profession, it is stated that the sanctions arising from the Law No. 213 are more effective than the Professional Law No. 3568.

5. Conclusion

In this case study, in the context of the views of members of the accounting profession, although the state makes efforts to fulfill the tax duties and obligations of the taxpayer with the sanctions it has established for tax crimes, it cannot achieve a full success due to the structural problems of the tax system.

According to the research results, it has been determined that the tax penalties imposed are not effective enough to collect taxes and not to repeat the act of tax crime. It is seen that tax penalties do not have enough deterrence. In order to increase the deterrence of tax penalties, it is necessary to increase the frequency and effectiveness of tax inspections.

According to the other results of the research, Financial structuring laws (tax amnesty) should not lead to an increase in their unregistered activities. At the same time, it should be prevented from turning into a vehicle (insurance/assurance) that serves to get rid of tax inspections from the point of view of taxpayers.

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Evaluation of Legal Problems Caused by the Excluding of Tax Technique Report from the Notification

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Abstract

In this study, based on the importance of the subject, primarily the justification of the administrative act and also in this framework the determination of the nature of the tax technique report, the effects of the form rules on the administrative act were tried to be revealed. Thus, it is aimed to examine and evaluate what kind of problems may arise if the tax technique report is not served to the taxpayer with a tax/penalty notification. The tax inspection reports created on the basis of the tax technique report and the tax technique report together constitute the justification for the tax assessment/penalty. In accordance with Articles 35 and 366 of the Tax Procedure Law (TPL), a copy of the tax inspection reports must be notified to the taxpayer with a tax and/or penalty notification. Failure to comply with this rule causes the tax assessment/penalty to be unlawful in terms of the form element. When the tax technique report is not served with a tax/penalty notification, taxpayers cannot learn the reason for the tax assessment and/or penalty. Therefore, for the taxpayer, not knowing the justification of the tax assessment and/or the penalty prevents them from not being able to use their right of defense properly in case they file a lawsuit, and from choosing between the rights to benefit from reconciliation and reduction in penalties.

Key Words: Tax Technique Report, Notification, Rule of Justification, Right of Defense, Right to Fair Trial.

Jel Classification: K_{23} , K_{34} , K_{38}.

1. Introduction

A tax technique report is issued in cases specified in paragraphs 3 and 4 of Article 53 of the Tax Inspection Board Regulation. In this framework, tax inspection reports are prepared based on the tax technique report. The tax inspection reports created based on the tax technique report, together with the tax technique report, constitute the justification for the tax assessment/penalty. In accordance with Articles 35 and 366 of the Tax Procedure Law, a copy of the tax inspection reports must be notified to the taxpayer with a tax and/or penalty notification. However, in some cases, while tax inspection reports (generated based on the tax technique report) are served, the tax technique report is not served with the tax/penalty notification. Therefore, taxpayers cannot learn the justification for the administrative act. It is important to inform the taxpayer of the justification for the administrative act so that taxpayers can both use their defense rights properly and choose among their rights at the administrative stage. Failure to serve the tax technique report causes some problems, in this context, the aim of the study is to identify these problems, to evaluate them and to propose solutions.

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In the study, first of all, the form element of the administrative act and in this context, the form element of the tax assessment and penalty is explained. Thereafter, the concept of justification as a form rule and the tax technique report is included. In the study, the decision of the Council of State Board of Tax Law Chambers and the legal problems caused by the fact that the tax technique report is not included in the notification is included, and finally, the issue will be evaluated in terms of the right to a fair trial.

2. Form Element of The Tax Assessment and Penalty

The tax assessment is an administrative act. Therefore, the elements of the administrative act will also be valid for the tax assessment (Öncel, Kumrulu & Çağan, 2005: 89). Due to our subject, only the form element of the administrative act will be elaborated.

In the doctrine, the form element is defined as the procedure and method that must be followed during the formation (Akyılmaz, Sezginer & Kaya, 2019: 381), maturation and preparation of the will of the authority that will perform the act (Eroğlu, 1984: 72), and the means used (Gözler & Kaplan, 2013: 327) for the reflection and explanation of the administrative act to the outside world (known by the addressee) (Sancakdar, Önüt, Doğan, Turhan & Seyhan, 2019: 286).

Pursuant to Article 34 of the TPL, *"Complementary and ex officio assessed taxes are served to those concerned with a Notification".* Form element of the complementary and ex officio assessment carried out by the administration is the tax notification, and the form element of the tax penalty is the penalty notification (Şenyüz, Yüce & Gerçek, 2021: 188).

3. Justification of Administrative Act As A Rule of Form

The justification is that the factual and legal reasons leading to the administrative act (Gözübüyük & Tan, 372; Gözler & Kaplan, 2013: 330; Atay, 2018: 503) are clearly and understandably displayed in the text of the act served to the person concerned (Atay, 2018: 503; Gözler & Kaplan, 2013:330). In other words, the justification is to show the addressee of the act in the text of the act why the administration made a disposition or what the reason was that led the administration to take action, that is, what conclusion the administration reached from the legal reason (Erkal, 2009: 132).

Giving justification in the text of the act is not a general form requirement (Yıldırım, Yasin, Kaman, Özdemir, Üstün & Tekinsoy, 2018: 379; Günday, 2017: 145). However, in some laws, the obligation of regulating the administrative acts with justification is imposed. In the aforementioned situation, in the case the administrative acts are not written with justification, the administrative act will become unlawful in terms of the form element (Günday, 2017: 145; Atay, 2018: 502), and thus the cancellation of the act is required (Gözler, 2019: 956).

4. Tax Technique Report

In the paragraphs 3 and 4 of the article 53 of the Tax Inspection Board Regulation, the regulation regarding the tax technique report is included. In this framework, it is understood that the tax technique report will be issued in two cases (Baykara, 2014: 65). In the first case, if there are issues to be commented, covering more than one taxation period of the same taxpayer or more than one tax type of the same taxpayer (Baykara, 2014: 65), which are inspected on, a tax technique report is issued (to express these issues in a single report). The tax technique report prepared in this way will form an annex to the tax inspection report in accordance with the paragraph 3 of the article 53 of the Tax Inspection Board Regulation.

In the second case, as a result of the inspections made before the taxpayers due to the act of issuing fake documents in accordance with the paragraph 4 of the article 53 of the Tax Inspection Board Regulation, there are tax technique reports prepared to also include the taxpayer who received fake documents from these taxpayers (Baykara, 2014: 65). Tax inspections are carried out tax inspection reports are prepared on the taxpayers who use false documents based on the tax technique reports within this framework (Aykın, 2018: 2). The tax technique reports, which form the basis of the tax inspection reports prepared in this way, are not included in the tax inspection report in accordance with the paragraph 4 of the article 53 of the Tax Inspection Board Regulation.

The tax inspection report and the tax technique report, which is the basis of this report, constitute the justification for the tax assessment and/or penalty.

5. The Decision of Council of State Board of Tax Law Chambers and In This Context, Evaluation of Legal Problems Caused by The Excluding of Tax Technique Report from The Notification

The Council of State Board of Tax Law Chambers decided *"to remedy the failure to serve the tax inspection report and/or tax technique report prepared on behalf of the plaintiffs in the annex to the notification does not constitute an fundamental form error and does not violate the right to a fair trial"* (The Council of State Board of Tax Law Chambers Decision, Docket No. 2020/9 Decision No.2020/2 Decision Date.19.02.2020, Official Gazette Date:24.06.2020 Official Gazette No.31165) on 19.02.2020 on the inconsistency of the decision among the Regional Administrative Court Law Chambers in the lawsuits filed for the cancellation of the assessments made on behalf of the plaintiffs.

5.1. The Impact of the Excluding of Tax Technique Report from the Notification on the Right of Taxpayers to File Lawsuits, Reconciliate and Appeal for Reduction in Penalties

To our knowledge, no justification has been presented in the aforementioned decision as to why/how failure to notify the taxpayer of the reason for the administrative act does not restrict the taxpayers' ability to exercise their optional rights such as filing lawsuits, reconciliate and reduction in penalties.

The tax technique report is not served to the taxpayer when assessment and/or penalties are made based on the tax inspection reports created on the basis of the tax technique report. In this case, taxpayers cannot learn the reason for the action taken against them. Therefore, the fact that the taxpayer does not know the reason for the tax assessment and/or penalty causes not being able to audit whether the tax assessment/penalty is fulfilled in accordance with the law and in this context, not being able to decide whether it is necessary to bring the matter to the judiciary (Akyılmaz, 2005: 20; Erkal, 2019: 130), not being able to use the right of defense properly even if the taxpayer files a lawsuit, and not being able to use their right to benefit from reconciliation and reduction in penalties. For example, the taxpayer, who learns the reason for the tax assessment and/or penalty, can decide that there is no need to take the action that they think is lawful, so they can choose to appeal for the right to reconciliate or reduce the amount of penalties.

5.2. Failure to Include the Tax Technique Report in the Notification Causes a Fundamental Form Error

In the aforementioned decision, it was stated that the failure to serve the tax inspection report and/or the tax technique report in the annex of the notification did not constitute a fundamental form error. We do not agree with the opinion of the Court for the following reasons;

Although it is assumed from the wording of Article 108 of the Tax Procedural Law that the fundamental form errors are regarded as limited but this first impression is misleading. Because, when the provision of the said article is evaluated within the framework of systematic interpretation, that is, together with the articles 35 and 366 of the TPL (when the relation of the article 108 of the TPL with these articles is examined) is evaluated, it is concluded that the fundamental form errors are not limited[2] to the ones listed in the article 108 of the TPL. Because, in accordance with Articles 35 and 366 of the TPL, "a copy of the inspection report requiring ex officio discretion/penalty" must be attached to the tax/penalty notification. When these provisions are evaluated with a systematic interpretation, in our opinion, not including a copy of the inspection report, which requires ex officio discretion/penalty, in the tax/penalty notification, is a fundamental form error. Although, when evaluated within the framework of systematic interpretation, it is concluded that not including a copy of the inspection report, which requires ex officio discretion/penalty, in the tax/penalty notification is a fundamental form error, it is seen that this issue often becomes a subject of dispute in practice. In accordance with the principle of certainty, we believe

[2] In the doctrine, it is stated that in Article 108 of the TPL, the fundamental errors are stated without limitation (Kaneti, 1989: 137; Karakoç, 2012: 292).

that Article 108 of the Tax Procedure Law should be regulated in a clearer and more understandable way and that the parallelism between Article 108 and Articles 35 and 366 of the Tax Procedure Law should be ensured.

In this context, in our opinion, it will be appropriate to add the provision that “not attaching a copy of the inspection report and its annexes" to the notification "in cases that result in ex ufficio and complementary assessment/require penalty” will be considered as fundamental form errors” to Article 108 of the Tax Procedure Law (i.e. to the sentence in which fundamental form errors are found) (Çelik & Yüce, 2020: 144; Bakmaz, 2021: 285).

5.3. Evaluations of the Council of State within the Scope of Article 20 of Administrative Jurisdiction Procedures Law

In the aforementioned decision, it was stated that in the case that the tax technique report, which constitutes the basis of the assessment, is not served to the taxpayer, within the scope of Article 20 of the Administrative Jurisdiction Procedures Law, the judge may request the tax technique report, which is not served within the framework of the ex officio investigation principle, from the administration (Decision of the Council of State Board of Tax Law Chambers, Docket No. 2020/9 Decision No:2020/2 Decision Date.19.02.2020, Official Gazette Date:24.06.2020 Official Gazette No:31165). We do not agree with the opinion of the Court for the following reasons;

According to the principle of ex officio investigation, the court may request the administration to reveal the reason for the administrative act. However, the explanations to be made by the administration within this framework will not be related to the form element of the administrative act. Since the reason for the administrative act is a matter that should be stated in the text of the act, it will not be possible to complete the formal defect arising from this at the trial stage (Gözler, 2019: 956). Therefore, in our opinion, the principle of ex officio investigation does not include the issue of completion of the formal defect by the court at the trial stage due to not reporting the justification (the tax technique report that must be notified with a tax/penalty notification) (Doğrusöz, 2015: [n.p.n.]; Gözler, 2019: 956).

6. Evaluation of The Subject in Terms of The Right to A Fair Trial

The principle of justification is directly related to constitutional rights such as the right sue, the right of defense, the right to a fair trial (Akyılmaz, 2005: 33), and the rights arising from the ECHR.

According to subparagraph b of the paragraph 2 of the article 3 of the Administrative Jurisdiction Procedures Law, *"the subject and reasons of the case and the evidence on which it is based"* should be shown in the petition (Şenyüz & Kaplan, 2021:117; Aslan, 2019: 74). When the tax technique report (which is the basis of tax inspection reports) is not served to the taxpayer, the taxpayers cannot learn the reason for the administrative act. Therefore, taxpayers cannot present the evidence

specified in the provision of the said article while preparing the petition (Senyüz & Kaplan, 2021: 117-120). In this situation, taxpayers cannot use their defense rights properly. Since the taxpayers do not know the reason for the administrative act, they have to prepare the case file with an inequality against themselves facing the defendant administration[3] (Aslan, 2019: 184). In this framework, it is not possible to start the case equally (Demircioğlu, 2007: 132). In other words, the importance of the principle of equality of arms, which states the parties to have the opportunity to activate the scale equally with the evidence, claims and defenses they put forward (Demircioğlu, 2007: 132), becomes even more important in this context.

7. Conclusion

Why such an action is taken against the taxpayer, what information about the taxpayer was inspected, what determinations were made to reach this conclusion (tax assessment/penalty) is shown in the tax technique report, including the relevant articles together with the evidence. Based on these determinations made in the tax technique report, a tax inspection report is prepared. We think that the tax technique report and the tax inspection report created based on this report are the justification for the tax assessment and/or penalty. In other words, the tax technique report, which is the justification for the tax assessment/penalty, and the tax inspection report created based on this report, should be notified to the taxpayers with the tax/penalty notification. It is understood from the articles 35 and 366 of the Tax Procedure Law that justification is regulated as a mandatory element in the tax assessment/penalty. Failure to comply with this board causes the tax assessment/penalty to be unlawful in terms of the form element.

Considering that the governed (taxpayers) are weaker against the administration, the importance of the principle of justification, which is directly related to the right of defense, increases even more. In this context, adding a copy of the tax technique report to the tax/penalty notification is important for taxpayers to use their defense rights and to choose among their rights at the administrative stage.

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[3] See also on this subject: Şenyüz, Kaplan, 2021: 119.

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Is There a Democracy Threshold to Cheat Less on Taxes?

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Abstract

The influence of social norms on tax compliance has been the integral part of the taxation literature for years. In this context, this study revisits the nexus between democracy and tax compliance for a sample of 58 countries. The study substantially differs from others with respect to the democracy indicators and the methodology employed in its empirical analyses. That is, while investigating the role of democracy on cross-country differences in tax morality four different quantitative measures of democracy are appropriated to justify the robustness of findings. Moreover, the analysis is based on the detection of a threshold that differentiates the asymmetric effects of weak and strong democratic norms in explaining the country-specific tax moralities, rather than searching solely for the presence of a relationship between democracy and tax morality. The threshold analysis in this study is carried out by Hansen's threshold regression approach. Tax morality is proxied by country scores calculated by the individual responses given in the sixth wave of the World Values Survey. Implications of our findings on democracy-led tax morality are two-fold. One, tax morality is significantly lower in countries with below-threshold democracy than those with above-threshold democracy. Two, the contribution of democracy to tax morality is more in below-threshold democracies than in above-threshold democracies. Altogether, these two implications point out the fact that democratization improves morality of the taxpayers especially in countries which have plenty of scope for improving democracy.

Keywords: Tax Morale, Democracy, Threshold, Social Capital, Tax Evasion
JEL Code: A13, D7, H26.

1. Introduction

The quality of democracy has been one of the focal points of the taxation literature since the discussions that link tax morality with social norms. This literature reveals why some taxpayers do not evade taxes despite low enforcement levels. One of the forces behind this paradoxical behavior may be the institutionalized democratic norms that nourish the tax culture of compliance. This presumption has been tested either directly or indirectly in the literature, where the evidence is unanimously in favor of the positive reflections of democracy on tax morality and compliance.

Unlike previous studies in the literature, this study revisits the issue through searching for a certain level of democracy, to see if evading tendencies differ significantly below and above this level. The motivation behind this investigation is the opinion that it is the relative quality of democracy that makes sense for tax morality. The positive correlation between democracy and tax morality does not reflect the complete picture. High quality democracies are hypothesized to send strong signals to citizens, so that the taxpayer citizens can feel their rights and preferences are taken into account by the government. In this respect, this study attempts to investigate whether

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or not there is a wedge between weak and strong signaling democracies with regard to the cross-country differences in tax morality. The corresponding cutoff-level of democracy is determined by a regression-based threshold estimation method.

2. Brief Literature

To our knowledge, it is the work of Pommerehne (1978) that explicitly considers the institutional aspects of collective decision making in the provision of public goods and services in the literature. Pommerehne (1978) tests the performance of the median voter model through an institutional set-up by comparing the outcomes of the direct democracy with referendum and the representative democracy in Switzerland. Later, this set-up is adapted for tax dynamics by Pommerehne & Frey (1992) and Frey (1994), where direct democracy is argued to be an intrinsic motivation in the form of tax morale. Thus, in a constitutional design where the taxpayer citizens can directly participate in the budgetary decision-making process, it is unlikely for them to intend to cheat on taxes. Taxpayers know that the taxes they pay finance the public goods and services they consume. According to Torgler (2002), citizens are not ignorant or uncomprehending voters in direct democracies. They can set the rules and negotiate with the government on fiscal issues, while, at the same time, the government takes their preferences seriously in the political process. Torgler (2004) points out the reduced discretionary power of the government because citizens can monitor and control politicians better in democratic systems, which leads to lower information asymmetry between the citizens and the government. Alternatively, Braithwaite & Wenzel (2008) argue that the citizens of a democratic system consent to sanctions as long as there is a fair system in which a legitimate form of coercion makes sure everyone complies with tax obligations. Moreover, it is argued that tax compliance is high under democratic governance, as tax administrations are designed so as to hear the voice of taxpayers and respond to the critics on tax issues.

The empirical literature on the nexus between democracy and tax compliance unanimously asserts democracy as one of the influential determinants of tax compliance. This assertion is evidenced in the multi-country analyses of Torgler (2004), Wu &Teng (2005), Richardson (2006), Frey & Torgler (2007), Lago-Penas & Lago-Penas (2010), Garcia & von Haldenwang (2016), Yamen et al. (2018) and Gallier (2020). The merits of democratic governance are investigated also by Feld & Frey (2002), Torgler (2002), Torgler (2005), Torgler & Schneider (2007) and Torgler et al. (2010) with a special focus on the case of Switzerland. The close interest to Switzerland stems from both her being a typical example of direct democracy and her good performance in voluntary tax compliance.

3. Estimations

The empirical analysis in this study rests on the estimation of a cross-sectional threshold regression, where the dependent variable is ‘tax morality’ and the threshold variable is ‘democracy’. Accordingly, Hansen’s threshold regression approach is used in estimations. The measure of tax morality is appropriated from the survey responses of

individuals participated in the World Values Survey (Wave 6) in 58 countries.[3] These worldwide responses are ordered by a 10-point Likert-scale according to how much cheating on taxes is found justifiable by the survey participants. Within this setting, the responses at 10-point Likert-scale are reduced to country scores and exploited as the proxy measure of the tax morality at country-level in the cross-section regression analysis. The time dimension of the analysis is fixed with the 2010-2014 averages of the variables in question, as the sixth wave of the World Values Survey takes place in 2010-2014 period. In order to justify the robustness of the findings in the study, the threshold regression estimation is repeated for four substitute democracy indicators, which are capable to measure the varying levels of democracy in countries. These substitute democracy indicators are indices published by (i) Varieties of Democracy (V-DEM) Institute, (ii) International Institute for Democracy and Electoral Assistance (IDEA), (iii) Worldwide Governance Indicator (WGI), (iv) Freedom House (FH). Each of the regressions, which are run with these four alternative indicators, also includes two regressors for controlling the variation in the dependent variable. These regressors are 'tax burden' and 'gross domestic product share of world total', which are presumed to capture the country-specific variations in cheating on taxes. The former regressor is computed by data obtained from the Heritage Foundation, while the latter is computed by figures in the World Economic Outlook database. In all of the regression estimations, error distributions are allowed to differ across regimes determined by the endogenously estimated threshold value. The trimming percentage of the sample is set to 15%, with a %5 significance level in sequential testing. Moreover, the possibility of heteroscedastic errors is treated through weighting the error variances by the population shares of countries in the sample.

Estimation results presented in Table 1 indicate that there is a statistically significant threshold level of democracy below which cheating on taxes is justified more in some of the countries. This finding is indicated by the two intercept coefficient estimates, which corresponds to average tax-cheating country scores below and above the estimated democracy thresholds. According to our estimation results, Sweden,

Table 1. Weighted Threshold Regressions: Varying Intercept Case

	Alternative Democracy Indicators			
Variables	V-DEM	IDEA	WGI	FH
Intercept				
$(\text{Democracy})_i < \hat{\gamma}$	1.693*** (0.275)	1.693*** (0.272)	1.696*** (0.273)	1.696*** (0.275)
$(\text{Democracy})_i > \hat{\gamma}$	1.150*** (0.274)	1.143*** (0.269)	1.155*** (0.271)	1.153*** (0.272)
$(\text{Tax Burden})_i$	2.921**	2.977**	2.894**	2.907**

[3] Algeria, Argentina, Armenia, Australia, Azerbaijan, Belarus, Brazil, Chile, China, Colombia, Cyprus, Ecuador, Egypt, Estonia, Georgia, Germany, Ghana, Haiti, Hong Kong, India, Iraq, Japan, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Lebanon, Libya, Malaysia, Mexico, Morocco, Netherlands, New Zealand, Nigeria, Pakistan, Palestine, Peru, Philippines, Poland, Qatar, Romania, Russia, Rwanda, Singapore, Slovenia, South Africa, South Korea, Spain, Sweden, Taiwan, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukraine, United States, Uruguay, Uzbekistan, Yemen, Zimbabwe.

	(1.396)	(1.364)	(1.377)	(1.383)
$(GDP\ Share)_i$	-0.023* (0.013)	-0.024* (0.013)	-0.023* (0.013)	-0.023* (0.013)
Threshold Value: $\hat{\gamma}$	0.546	0.578	0.579	5.5
Threshold Test: F-stat.	53.57**	53.72**	53.55**	52.49**
R^2	0.708	0.711	0.708	0.708
AIC	1.505	1.483	1.507	1.494
RESET Test: F-stat.	8.772***	7.078**	8.587***	8.386***
Observations	57	56	57	56

Notes:
*(i) Asterisks *, ** and *** denote 10%, 5% and 1% statistical significance levels, respectively.*
(ii) Figures in parenthesis are heteroscedasticity consistent standard errors, computed through weighted least squares. Weights are designed so that the standard deviation of each error is inversely proportional to the population shares of the sample countries.
(iii) The symbol $\hat{\gamma}$ represents the estimated threshold values for democracy indicators.
(iv) R^2: Coefficient of Determination.
(v) AIC: Akaike Information Criteria.
(vi) RESET: Ramsey's Regression Specification Error Test.
(vii) 5% level Bai-Perron critical value is 8.58 in the threshold tests.

Uruguay, the United States of America, Australia, New Zealand, Slovenia, the Netherlands, Spain and Japan are at the top of the above-threshold democracies whose tax morality levels are relatively higher than those of the other countries. On the other hand, Belarus, Kazakhstan, Zimbabwe, Palestine, Russia, Algeria, Kuwait, Malaysia and Haiti are some of the countries with poorest democracy and tax morality.

Estimations given in Table 2 take into account the influence of democracy on tax morality directly, through the slope coefficients of alternative democracy indicators used in regressions. According to these coefficient estimates, as the level of democracy increases in countries below the threshold level of democracy cheating on taxes becomes less justifiable than that in countries above the threshold level of democracy. This implies the higher marginal benefit of democracy in terms of tax morality in countries with low-quality democracy compared to ones with high-quality democracy. In other words, higher levels of democracy make relatively limited contribution to tax morality in democratic countries, most probably due to settled cooperative norms that procure a strong harmony between the tax administration and the taxpayer.

Table 2. Weighted Threshold Regressions: Varying Slope Case

	Alternative Democracy Indicators			
Variables	V-DEM	IDEA	WGI	FH
Intercept	3.201*** (0.369)	3.805*** (0.427)	2.929*** (0.371)	3.377*** (0.402)
$(Democracy)_i$				
$(Democracy)_i < \hat{\gamma}$	-1.854*** (0.213)	-2.467*** (0.289)	-1.393*** (0.170)	-0.207*** (0.025)
$(Democracy)_i > \hat{\gamma}$	-0.514*** (0.166)	-1.076*** (0.195)	-0.404*** (0.151)	-0.082*** (0.019)
$(Tax\ Burden)_i$	-1.607 (1.574)	-2.274 (1.607)	-1.262 (1.569)	-1.890 (1.599)
$(GDP\ Share)_i$	-0.022* (0.013)	-0.021* (0.013)	-0.018 (0.012)	-0.019 (0.012)

Threshold Value: $\hat{\gamma}$	0.615	0.645	0.629	6
Threshold Test: F-stat.	36.76**	35.77**	24.06**	27.53**
R^2	0.761	0.761	0.749	0.759
AIC	1.342	1.330	1.391	1.334
RESET Test: F-stat.	0.279	0.359	1.349	0.144
Observations	57	56	57	56

Notes:
*(i) Asterisks *, ** and *** denote 10%, 5% and 1% statistical significance levels, respectively.*
(ii) Figures in parenthesis are heteroscedasticity consistent standard errors, computed through weighted least squares. Weights are designed so that the standard deviation of each error is inversely proportional to the population shares of the sample countries.
(iii) The symbol $\hat{\gamma}$ represents the estimated threshold values for democracy indicators.
(iv) R^2: Coefficient of Determination.
(v) AIC: Akaike Information Criteria.
(vi) RESET: Ramsey's Regression Specification Error Test.
(vii) 5% level Bai-Perron critical value is 8.58 in the threshold tests.

This finding is the manifestation of the fact that improving the conditions for democratic participation in low-quality democracies would change attitudes towards tax obligations positively.

4. Conclusion

According to the survey data of 58 countries, our estimations assert that as the level of democracy increases (or decreases) cheating on taxes is found less (or more) justifiable by individuals. However, the more important finding of this study is that there is a democracy threshold above which individuals absolutely think that cheating on taxes is unjustifiable. Tax morality is found to be poorer in countries with below-threshold democracy than those with above-threshold democracy. However, any improvement in the level of democracy in low-quality democracies contribute more to tax morality, compared to high-quality democracies. This finding implies the fiscal space available to low-quality democracies, which can be used only if the budgetary decision-making process is democratized more by improving the citizens' political participation.

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Determinants of the Size of Fiscal Policy Packages during the Covid-19 Pandemic?

Yasin Acar[1]

Abstract

The Covid-19 epidemic, whose impact still continues worldwide, has caused the death of many people and has negatively affected countries in social, economic, and many aspects. The epidemic, which first emerged in China in December 2019 and spread to the whole world, also changed the countries' economies and led to the formation of a negative picture with contractions in the economies. From tourism to the shopping mall sector, many areas from transportation to accommodation have experienced the harmful effects of this process in depth. Social mobility has fallen to a minimum, curfews and quarantines are applied, and therefore the activities in goods and services markets have decreased to the lowest levels. Worldwide, there have been a process in which unemployment rates increase, many businesses take a break from their activities, and many of them have had to terminate their business activities. One of the governments' measures to reduce the effects of this pandemic on economies and prevent the contraction is fiscal policies. Therefore, this study aims to determine the main drivers of fiscal policy responses taken by countries during the Covid-19 pandemic.

The methodology

In this study, we construct a dataset including these variables; government revenue, inflation rate, unemployment rate, current account, government debt, polity2, number of covid cases per a hundred thousand people, and fiscal policy response index. Government revenue, inflation rate, unemployment rate, current account, government debt variables are taken from the IMF database, while polity2 and number of covid cases are obtained from Center for Systemic Peace and World Health Organization (WHO), respectively. Finally, the dependent variable, Fiscal response Index, is a score constructed by Elgin et al. (2020), using the principle component analysis (PCA). This index standardizes the economic responses taken by governments. We conduct some simple cross-country regressions with the fiscal stimulus index to reveal the main determinants of fiscal policy measures taken by governments against the Covid-19 pandemic.

The results

In the first regression, we regress the FSI score on the government revenue as a share of GDP. The results show that the government total revenue has a significant positive relationship with the fiscal responses, indicating that countries with higher government revenue introduced larger fiscal stimulus packages. We also find that countries with a lower inflation rate have implemented more severe fiscal stimulus

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package. The fiscal response to the pandemic is not affected by the unemployment rate.

The analysis shows that after controlling for government revenue, inflation rate, and unemployment rate, the current account also predicts the fiscal stimulus package, meaning that countries with higher current surplus introduced more fiscal measures to mitigate Covid-19 pandemic negative effects on the economy. We then add government debt stock as a percentage of GDP into the regression and find that it is positively associated with fiscal response despite its low significant level.

In order to control for democracy levels of countries is correlated with economic packages, we included polity variable into the analysis. As a result, we observe that the democracy variable is significantly and positively associated with the fiscal package, revealing that more democratic countries have introduced larger fiscal packages.

Finally, in the remaining model, we add the number of total cases per a hundred thousand people and find that the number of covid cases is significantly associated with the fiscal index, indicating that countries with a higher number of cases announced larger fiscal stimulus packages.

Conclusion

In this paper, we endeavor to examine the main drivers of fiscal policy packages introduced by governments against the Covid-19 pandemic that has negatively affected economies worldwide. To do so, we benefit from the COVID-19 Fiscal Stimulus Index, developed by Elgin et al. (2020), which allowed us to differentiate economic responses across countries. Our findings show some significant correlations of economic variables (e.g., government revenue, inflation rate, government debt, current) and democracy variables with fiscal stimulus packages announced by governments without establishing any causality.

Government Size and Economic Freedom as Determinants of Growth: Evidence Based on the Heritage Foundation Data

Imad A. Moosa[1]

Abstract

By using extreme bounds analysis and supplementary tests, cross-sectional evidence is presented in support of the proposition that government size is detrimental to economic growth. In this exercise, government size is measured by government spending, tax burden and fiscal health as determined by the Heritage Foundation. In particular, government spending turns out to be the most important variable, dominating the rule of law, regulatory efficiency and market openness. Two caveats must be borne in mind when these results are interpreted: (i) what matters is the quality, not the quantity, of spending; and (ii) a big government can be good for business.

Keywords: Economic Freedom, Economic Growth, Government Spending, Extreme Bounds Analysis

JEL Classification: O43, O47

1.Introduction

Since 1995 the Heritage Foundation, a conservative think-tank, has been calculating and reporting an index of economic freedom comprising measures of adherence to the rule of law, the size of government, regulatory efficiency and market openness. The purpose for which this index is produced is to demonstrate the validity of an ideologically held belief that economic freedom makes an economy grow and prosper and that the free-market system, which is rooted in economic freedom, "has fuelled unprecedented economic growth and development around the world" (Miller et al., 2019). The index is calculated as an average of 12 indicators taking values between 0 and 100, such that a higher value of any indicator implies a higher level of economic freedom. Therefore, all of the indicators should be positively correlated with economic growth.

The proposition that free markets boost growth, which is attributed to Adam Smith (1776), is not accepted universally. Free marketeers would argue that a free market is conducive to growth because all resources are owned by individuals, such that the decisions about how to allocate resources are made by those individuals rather than the government. As a result, the argument goes, a free market system boosts business efficiency, productivity and innovation. The Heritage Foundation argues that "a government's insulation from market discipline often leads to bureaucracy, lower productivity, inefficiency, and mounting public debt that imposes an even greater burden on future generations" (Miller et al., 2019).

Those who think otherwise would argue that there is no reason why a highway owned and operated by the public sector, which people can use for free as it is

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financed by taxpayers, is more efficient and innovative than a similar highway owned and operated by a private firm demanding exorbitant toll charges. Economic history shows that the Soviet Union and China grew very rapidly without much in terms of economic or political freedom. Even the growth driven by the industrialisation of Britain and America in the 18th, 19th and 20th centuries was achieved under conditions of closed economies as both countries adopted high levels of tariffs and imposed quantitative controls on international trade.

The objective of this paper is to present cross-sectional evidence on the proposition that economic freedom, which requires a small government, is conducive to growth. Based on its data, the Heritage Foundation has no doubt that "there is a robust relationship between improvements in economic freedom and economic growth" and that "the relationship between gains in economic freedom and rates of economic growth is consistently positive". More specifically, the Foundation reports that the economic growth rates of countries where economic freedom has expanded the most are at least 30% higher than those of countries where freedom has stagnated or slowed. For this purpose, the 12 indicators used to construct the economic freedom index, as reported by the Heritage Foundation, are used as separate explanatory variables to explain growth in a model that encompasses the catch-up hypothesis.

2.The Heritage Foundation Index of Economic Freedom

The components of economic freedom encompassed by the index are grouped under four broad categories: (i) rule of law, (ii) government size, (iii) regulatory efficiency, and (iv) market openness. The rule of law is represented by three indices for property rights, judicial effectiveness and government integrity. Property rights refer to the recognition of private property rights and an effective rule of law to protect them. Judicial effectiveness requires a well-functioning legal framework to protect the rights of all citizens against infringement of the law by others, including by governments and powerful parties. Government integrity pertains to systemic corruption of government institutions by such practices as bribery, nepotism, cronyism, patronage, embezzlement, and graft.

Government size is measured by three indices representing tax burden, government spending, and fiscal health. Tax burden is measured as the tax revenue from all forms of taxation as a percentage of GDP. Government spending is viewed by the Heritage Foundation as being "harmful to economic freedom". The underlying rationale is that government spending has to be financed by a higher level of taxation and entails an opportunity cost, which is the value of the consumption or investment that would have occurred had the resources involved been left in the private sector. The Foundation believes that "even if an economy achieves faster growth through more government spending, such economic expansion tends to be only temporary, distorting the market allocation of resources and private investment incentives". The third component of fiscal health is represented by the budget deficit that "reflects a government's commitment (or lack thereof) to sound financial management of resources, which is both essential for dynamic long-term economic expansion and

critical to the advancement of economic freedom". The underlying argument is that "deviations from sound fiscal positions often disturb macroeconomic stability, induce economic uncertainty, and thus limit economic freedom" (Miller et al., 2019).

The components of regulatory efficiency are business freedom, labour freedom, and monetary freedom. Business freedom is represented by an individual's ability to establish and run an enterprise without undue interference from the state. Labour freedom is the ability of individuals to find employment opportunities and the ability of businesses to contract freely for labour and dismiss redundant workers when they are no longer needed. Monetary freedom requires a stable currency and market-determined prices. Indicators of monetary freedom include commitment to fighting inflation and central bank independence.

Market openness is measured by trade freedom, investment freedom and financial freedom. Trade freedom implies the absence of restrictions on the ability of individuals to interact freely as buyers or sellers in international markets. Investment freedom implies a free and open investment environment. Financial freedom implies an accessible and efficiently functioning formal financial system that ensures the availability of diversified savings, credit, payment, and investment services to individuals and businesses.

In 2019 the top "country" in terms of the freedom index was Hong Kong with a score of 90.2, followed by Singapore at 89.4. The last two countries on the list are Venezuela at 25.9 and North Korea at 5.9. While the Heritage Foundation explains growth in terms of the overall scores, individual indicators represent 12 separate explanatory variable in the analysis presented in this paper. The 2019 data on the freedom indicators, as well as a five-year average of growth rates can be found in Miller et al. (2019) for 187 countries. Countries with missing observations for the variables (labelled "N/A") have been deleted, which reduces the sample size to 174.

It may be appropriate at this stage to examine the correlation matrix of the 12 economic freedom indicators and growth as reported in Table 1, bearing in mind that all of the freedom indicators are supposed to be positively correlated with the GDP growth rate. What we find is that most of the indicators are negatively correlated with the growth rate, with the notable exceptions of government spending (0.39) and tax burden (0.21). All of the three components of the rule of law appear to be negatively correlated with growth. Strong positive correlation can be found between property rights and most of the other indicators. Government spending is negatively correlated with most of the other indicators. For example, the correlation coefficient between government spending and business freedom is negative, implying that a financially disciplined government is less conducive to business freedom. These, however, are not partial but rather total correlations, reflecting how growth responds to changes in a particular indicator when all other indicators change at the same time. More rigorous evidence is required to derive inference properly.

3.Extreme Bounds Analysis

The basic cross-sectional model equation to relate the economic growth rate to its determining variables is the following:

$$Y = \alpha + \gamma_0 X_0 + \sum_{i=1}^{12} \gamma_i X_i + \varepsilon \quad (1)$$

where Y is the 5-year average GDP growth rate, X_0 is GDP per capita and X_1,.., X_{12} are the economic freedom indicators such that X_1 is property rights, X_2 is judicial effectiveness, X_3 is government integrity, X_4 is tax burden, X_5 is government spending, X_6 is fiscal health, X_7 is business freedom, X_8 is labour freedom, X_9 is monetary freedom, X_{10} is trade freedom, X_{11} is investment freedom, and X_{12} is financial freedom. X_0 is added to the list of explanatory variables to encompass the catch-up (or convergence) hypothesis that countries with low GDP per capita tend to grow more rapidly than those with high GDP per capita, implying that all economies will eventually converge in terms of per capita income.

Straight cross sectional regressions are problematical because they are subject to the Leamer critique that the results are sensitive to the selected set of explanatory variables. This problem arises because theory is not adequately explicit about what variables that should appear in the "true" model. To circumvent this problem, Leamer (1983, 1985) suggests the use of extreme bounds analysis (EBA) to find out if the determinants of the dependent variable are robust, in which case the researcher would look for robustness as opposed to statistical significance. By calculating upper and lower bounds for the parameter of interest from all possible combinations of potential explanatory variables, it is possible to assess and report the sensitivity of the estimated coefficients to specification changes.

EBA is based on a linear regression of the form

$$Y = \alpha + \gamma_0 X_0 + \beta Q + \sum_{i=1}^{3} \gamma_i Z_i + \varepsilon \quad (2)$$

where X_0 is the free variable that is always included in the regression because its importance has been established by previous studies (and because it makes sense theoretically or at least intuitively), Q is the variable whose robustness is under consideration (the variable of interest), and Z_i is a potentially important variable. If $X = \{X_1, \cdots, X_{12}\}$, then $Q \in X$ and $Z \in X$, such that $Q \neq X$.

The procedure involves varying the set of Z variables to find the widest range of coefficients on the variable of interest, β, that standard tests of significance do not reject. If the extreme (minimum and maximum) values remain significant and of the same sign, then one can infer that the result (and hence, the variable of interest) is "robust". Otherwise, the variable is "fragile". In other words, for a variable of interest to be robust, $\beta_{\min}$ and $\beta_{\max}$ must be significant and of the same sign.

Sala-i-Martin (1997) suggests a refinement of the procedure by departing from the labelling of variables as robust and fragile, opting instead to examine the entire distribution of β. Specifically, his procedure is based on the fraction of the density function lying on each side of zero, CDF(0). If 95% of the density function lies to the right of zero, the underlying variable is considered robust. The cumulative distribution function is calculated from the weighted average of the point estimates of β where the weights are the integrated likelihoods (for details, see Sala-i-Martin, 1997). The CDF is computed under the assumptions of normality and non-normality of the distribution of the estimated β.

It is obvious from equation (2) that the number of Z variables included in each regression is 3. This means that the exercise involves running 165 regressions for each of the 12 variables of interest, which gives a total of 1980 regressions. In Table 2 the results of Leamer's traditional EBA are reported. The top part of the table shows the distribution of the estimated coefficients on the variables of interest in the sense of the frequency of positive, negative, significant and insignificant coefficients. For a variable to be robust, the estimated coefficient must be a 100% "significant and positive" or "significant and negative". The only variable satisfying this condition is X_5, government spending, and this is why it is the only variable appearing as robust in the bottom half of the table. The coefficient on this variable does not change sign and significance, producing t statistics ranging between 3.31 for $\beta_{\min}$ and 5.08 for $\beta_{\max}$. All of the other variables are fragile.

Leamer's test is rather difficult to pass as one regression out of 168 may make the difference between robustness and fragility. This is why the results of the less stringent test of Sala-i-Martin are reported in Table 3 where the CDF determines fragility and robustness. In this case, two more variables turn out to be robust at the 5% level because more than 95% of the CDF falls to the right of zero, under the assumption of linearity and otherwise. These are X_4 (tax burden) and X_6 (fiscal health). Thus all of the three variables representing the size of government are robust and related positively to economic growth. No other indicator of economic freedom is robust. There seems to be strong evidence for the proposition that big government retards economic growth.

4. Variable Addition and Non-Nested Model Selection Tests

The EBA results show that government spending is the most important of the 12 freedom indicators, even more important than the other two components of government size. In this section variable addition and non-nested model selection tests are used to confirm this result. The basic regression equation used to conduct variable addition tests is the following:

$$Y = \alpha + \gamma_0 X_0 + \beta_5 X_5 + \varepsilon \quad (3)$$

Any of the remaining variables is added to equation (3) to find out if it makes a difference for the explanatory power of the equation. Hence:

$$Y = \alpha + \gamma_0 X_0 + \beta_5 X_5 + \gamma_i X_i + \varepsilon \quad (4)$$

for $i = 1,\cdots,12$, such that $i \neq 5$. Three test statistics can be calculated from the residual sums of squares of equations (3) and (4): a Langrage multiplier (LM) test statistic with a χ^2 distribution, a likelihood ratio (LR) test statistic with a χ^2 distribution, and a test statistic with an *F* distribution. A significant test statistic indicates that the variable is important, in the sense that it contributes to the explanatory power of the model, over and above the contribution made by X_0 and X_5.

Non-nested model selection tests are used to compare the explanatory power of government spending with other economic indicators. For this purpose, two non-nested models (M1 and M2) are specified as follows:

$$\text{M1: } Y = \alpha + \gamma_5 X_5 + \varepsilon \quad (5)$$

$$\text{M2: } Y = \alpha + \sum_{i=1}^{12} \gamma_i X_i + \varepsilon \quad (6)$$

where $i = 1,\cdots,12$, such that $i \neq 5$. Three test statistics are used *NT*, *W* and *EN*: *NT* is the adjusted Cox test derived in Godfrey and Pesaran (1983), *W* is the Wald-type test proposed by Godfrey and Pesaran (1983), and *EN* is the encompassing test proposed, *inter alia*, by Mizon and Richard (1986). *NT* and *W* have a t distribution, whereas *EN* has an F distribution. A description of these tests can be found in Pesaran and Pesaran (2009). The tests are run both ways: M1 vs M2, where a significant test statistic implies that M2 is the preferred model, and M2 vs M1 where a significant test statistic implies that M1 is the preferred model.

The results of variable addition tests are presented in Table 4. In no case is any of the test statistics significant, implying that none of the remaining variable adds significantly to the explanatory power of equation (3) in which the growth rate depends on GDP per capita and government spending. In Table 5 we can see the results of non-nested model selection tests, such that M1 contains government spending as the only explanatory variable whereas M2 contains one or more of the remaining variables. When M1 is tested against M2, none of the test statistics is significant, as implied by the p-values, which means that M1 cannot be rejected against M1. When, on the other hand, M2 is tested against M1, all test statistics are significant, implying that M2 is rejected against M1. The results are unanimous in preferring M1 against M2, meaning that government spending on its own has a better explanatory power than all of the other variables put together.

5.Discussion of the Results

The results presented in this paper show that, out of the 12 indicators of economic freedom calculated and reported by the Heritage Foundation, only the three indicators that represent government size are important for economic growth in the sense that big government retards growth. The three indicators are measures of government spending, tax burden and fiscal health. Out of these three variables,

government spending is the most important determinant or retarder of growth. The results seem to provide strong support for the propositions put forward by the Heritage Foundation, albeit only with respect to the role played by government spending in particular and government size in general. The other nine indicators of economic freedom do not seem to matter, or that they are overwhelmed by the explanatory power of fiscal indicators.

This conclusion, however, should not be accepted without scrutiny because at least two caveats must be borne in mind. The first caveat is that the quantity of government spending must be considered in conjunction with its quality—that is, the target of government spending. It has long been established that growth benefits from government spending on health and education, which constitutes investment in human capital. The importance of human capital as a contributor to economic growth is recognised in endogenous growth models. Sharma (2018) suggests that human capital made inroads into growth framework following the endogenous growth revolution and that it is identified as one of the most important contributors to economic growth. Government spending on the infrastructure is conducive to growth, a proposition that is supported by the observation that growth in Africa is hampered by the unavailability of good-quality infrastructure, particularly roads and railway networks. Government spending is bad for growth if it is directed away from health, education and the infrastructure towards less productive avenues, the most notorious of which is military expenditure. This seems to be the trend in the contemporary world, which may explain why government spending is bad for economic growth.

The second caveat follows from the argument that the free market system would not have appeared without the help of the government, which means that the two are not incompatible. For example, Gray (2009) points out that the free market would not have been created without the power of the government, suggesting that "a precondition for the nineteenth century British free market was the use of state power to transform common land into private property". Today, governments preserve the private sector and encourage moral hazard through bail-outs, bail-ins, purchases and subsidies. If the government is captured by corporate interests, which is invariably the case, big governments are good for "business freedom". This is probably why we saw earlier that the government spending indicator is negatively correlated with other indicators of economic freedom.

Furthermore, a big government is not necessarily conducive to inferior rule of law, regulatory inefficiency and market openness. Adherence to law and order may require a bigger police force and (government-operated) law enforcement agencies. Regulatory efficiency is determined by the choice between good regulation and bad regulation, which has nothing to do with government size (see, for example, Moosa, 2015). Likewise, market openness does not depend on whether the government is big or small. These propositions are supported by at least the correlations reported in Table 1.

6.Conclusion

The results presented in this paper show that government size (measured by government spending, tax burden and fiscal health) are important for economic growth, in the sense that big government retards growth. However, these results must not be taken at face value, as the quality of government spending may be what makes the difference between positive and negative effects of government spending on growth.

The effect of the size of government on growth and economic performance in general constitutes an ideological issue on which the evidence seems to be invariably selective. Any evidence presented on the effect on economic growth of economic freedom, in general, and government size, in particular, should not be accepted without scrutiny, no matter how strong it may look.

Evaluation of Valuable Housing Tax within the Theoretical Framework of Wealth Taxes

Nevzat Saygılıoğlu[1] **Gökhan Ünalan**[2]

Abstract

Property taxes are the most extensive and oldest area of application of wealth taxes. Although the income related to property taxes has decreased over the years, there are developments and practices in the direction of taxation of real estate with high value in recent years. There is a Property Tax in Turkey, the implementation of which dates back to very old years, as well as the "Valuable Housing Tax" regulation, that was introduced at the end of 2019, but its implementation has not yet begun. The new valuable housing tax regulation has a historical background that is hidden from public view or does not attract public attention. For this reason, changes and shifts in a short time draw attention.

In the study, the theoretical framework of wealth taxes is emphasized. It has been pointed out that there are opinions in favour and against wealth taxes, and explanations about the application forms and types are given. Then, as a typical and broad application of wealth taxation, real estate taxes were emphasized and brief explanations were made about the regulations in Turkey. Arrangements for the taxation of high-value residences, which emerged as a new form of taxation in real estate taxes, were also emphasized. Examples of world practices regarding this new regulation are given. However, it has been pointed out that the regulations regarding the Valuable Housing Tax are timid and hybrid. In particular, it has been stated that the political consequences of the issue have not been examined and have not yet emerged.

Keywords: Wealth Taxes, Classifications of Wealth Taxes, Valuable Housing Tax, Exercices of Valuable Housing Tax

JEL Code: H20, H24, H29

1. Introduction

Wealth taxes, as one of the oldest taxes in history, are based on various economic and social grounds, but it is an important tax that shows the importance of statehood. It has the nature of a general, objective, direct, ordinary and local government tax, which is levied on the assets owned by individuals and legal entities over a certain period of time. The forms of application of wealth taxes are different in that they are levied on general or private, real or apparent, permanent or temporary, wealth or wealth transfer.

There are opinions in favor of and against wealth taxes. The opinions of those in favor are based on the fact that those who have more wealth have more solvency and prevent a deterioration in the distribution of wealth, as well as the allocation of resources to restore inefficient wealth to the economy. On the other hand, the

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grounds of those against it claim that wealth taxation means interference with the freemarket economy, taxes on the change of ownership will reduce the effectiveness of capital and prevents the favorable distribution of national capital for society.

The OECD collects wealth taxes in 6 groups, the implementation of which differs around the world depending on the level of development of developed countries and the way they are managed, and the most common among them are taxes on real estate. Another expression is property taxes.

Although the history of Property Tax application in Turkey dates back to 1910; With the regulation made in 1970, it was included in the scope of central government revenues and in 1985, the taxation authority was completely converted into a local government tax to remain in the central government. However, the Valuable Housing Tax, which was enacted at the end of 2019, has turned into a timid and hybrid wealth tax that has not yet been implemented due to hesitations in its nature, scope and implementation.

In this study, the historical background and all the developments related to the Valuable Housing Tax within the framework of wealth taxes are discussed.

2. The Theoretical Framework of Wealth Taxes

Wealth is the sum of economic assets held by legal entity or legal persons at a certain moment and expressed in money (Tuncer, 1966:12). This concept is an economic approach, and from the point of view of tax law it can be narrowed down according to the needs and conditions of the time, or it can be used in a broader sense (Turhan, 1977:264). On the other hand, since wealth can also create income, income appears as an element that can be born from wealth and create wealth (Aktan et al., 2012:80). By the way, it is also necessary to note that the social goal, which expresses its role in correcting the distribution of income in wealth taxes, precludes the financial goal(Nadaroğlu, 2000:350).

Although the share of wealth taxes in total tax revenues is decreasing today, it comes to the fore in many other aspects and is based on much earlier than income tax (Piketty, 2014). However, the reduction in the share of wealth taxes in total tax revenues, which originally had an important place, has taken a very long time (Öz et al., 2014:88).

Classical economists were the front-runners of the views against wealth taxes. E.g.; Adam Smith argued that since all taxes taken as a result of the change of ownership reduce the value of capital, this situation will cause a decrease in the funds allocated for the use of productive labor. Likewise, Ricardo thought that these taxes could prevent the distribution of national capital in the most favorable way for society (Nadaroğlu, 2000:357). The subject is expressed in an English proverb as “it is not possible to eat the meat of a cow and drink its milk at the same time” (Türk, 1992:170).In fact, it has been claimed that taxation from wealth causes duplication in the addition of savings remaining after income taxation to wealth (Freebairn, 2005:6–7).

In the meantime, it is known that various distinctions are made about wealth taxes. For example, in addition to the general and partial wealth tax distinction, general and special wealth increase taxes are also emphasized (Mutluer et al., 2009:266–77).

3. Typical Example of Wealth Taxes: Property Tax and Practices Of Turkey

The most typical and oldest application of wealth taxes is property taxes. Property taxes have their application in almost every country. Property taxes take into account the elements of immovable wealth, such as buildings and land, which are generally considered as an indicator of the tax solvency of people, as a subject and its value as a base (Turhan, 1998:183). These objectively qualified taxes are levied according to the principle of locality and property; they are easy to implement, have low administrative costs, ensure tax receivables, ensure efficiency and accountability at the local level. It is also one of the most important sources of income of local governments (Duman, 2014:150).

The history of property tax in Turkey is more recent than in other countries. The compensation period entered our system in 1863 as a continuation of the financial reform movements and was applied as a property tax on buildings and lands until 1910. Later, in 1931, building and land taxes were regulated by separate laws (Uluatam & Methibay, 2000:358). This situation, which continued until 1970, was again gatheredunder one roof by Law No. 1319, the census system applied earlier was terminatedand the declaration system was adapted (Kurt, 2018:24). Later, with the Law No. 3239 enacted in 1985, Real Estate Tax revenues were subtracted from the general budget taxes and included in the local government revenues and the collection was left to the municipalities. However, taxation authority and implementation principles remained with the Ministry of Finance.

4. Interesting Example of Real Estate Tax In Turkey: Valuable Housing Tax

"*Valuable Housing Tax*" is also included in the Omnibus Law No. 7194 published in the Official Gazette dated December 2019 and numbered 30971. This tax has been regulated as the articles added to the Property Tax Law.

In fact, this regulation is being legalized very quickly and suddenly, but it has a historical background. The said background is based on the transfer of existing land registry and cadastre information to the spatial information system, according to the agreement signed with the World Bank in 2008 (TKGM, 2020). The results of the ongoing studies were included in the 2016 reports and documents of the General Directorate of Land Registry and Cadastre (Taşınmaz Değerleme Birimi ve Kadastro Dairesi Başkanlığı, 2016). In particular, it is aimed to increase the efficiency of this tax by keeping the value/price data held in different standards and

environments related to real estate tax in a central database. In the report, it is also foreseen that the income arising after the zoning plan changes will be taxed (TKGM, 2020).

The issue was brought to the agenda within the framework of the "Transparency Package" during the Prime Ministry period of Ahmet Davutoğlu between 6 September 2014 and 24 May 2016. It is aimed to prevent arbitrariness and unfair income sharingin the zoning practices of municipalities and to get a share in the form of tax from the rent income. It was envisaged that a large part of the said share will be allocated to municipalities and a resource will be created especially for urban transformation. As a matter of fact, these developments had a significant place in the printed and visual media of that day (Bayhan, 2015; Çelikkaya, 2020; Haberler.com, 2014; Karanfil, 2015; Saygılıoğlu, 2020; Sözcü, 2015).

4.1. Legal Framework and Course of Valuable Housing Tax

With the 30th article of the Omnibus Law numbered 7194 and the 41st article of the Real Estate Tax Law numbered 1319, the fourth part consisting of 8 articles was added under the name of "Valuable Housing Tax".

The matters included in the regulation are summarized below:

- The subject of the tax is the residences in Turkey with a value exceeding 5 million TRY.
- Base is the entire price and the basis for determining the base is the building tax value or the value determined by the General Directorate of Land Registry and Cadastre.
- The taxpayer is the persons who owns the said dwelling alone or jointly.
- Real estate belonging to public institutions and buildings belonging to those whose main job is to construct buildings and embassies are exempt from tax.
- rate of tax; The value of the dwelling is 3 per thousand for those with a value of between 5 and 7.5 million liras, 6 per thousand for those with a valuebetween 7.5 million lira and 10 million lira, and 10 per thousand for those with more than 10 million liras (class method).
- The tax base for each year is determined by increasing the revaluation rate by half. The President has the authority to increase this rate up to the revaluation rate.
- It is based on declaration and declaration is given every year. Taxes are also paid in February and August.
- Valuable Housing Tax is recorded as central government revenue, without anyshare or deduction, as general budget revenue.

However, before this law regulation could be implemented, a new Omnibus Law No. 7221 published in the Official Gazette dated February 20, 2020 was subject to some changes, but the continuation of the application was adopted.

The changes made are as summarized below:

- In the determination of the base, the tax value of the main building has been preserved and the value determined by the General Directorate of Land Registry and Cadastre has been cancelled.
- For residences above 5 million TRY, only the portion exceeding this amount is included in the tax scope (slice method).
- However, the amounts and rates have remained the same.
- Likewise, the valuation method has not changed.
- The effective date of the law has been changed to 1 January 2021

After the amendment made in the Valuable Housing Tax Law, the Real Estate Tax General Statement numbered 78 was published in the Official Gazette dated 29 December 2020 and numbered 31349, the 2021 limits were determined within the framework of the revaluation rate.

On the other hand, the General Statement on the application principles of Valuable Housing Tax was published in the Official Gazette dated January 15, 2021 and numbered 31385.

4.2. Valuable Housing Tax and Similar Practices in the World

As mentioned before, although the ways of applying wealth tax and especially property tax vary widely in the world; The share of taxes on wealth, especially propertytax, is decreasing in total tax revenues over time

It is observed that regulations similar to the valuable housing tax are made within or apart from the property tax. Prof. Dr. Ali Çelikkaya summarizes these regulations in his study (Çelikkaya, 2020).

In France, additional taxes ranging from 0.2 to 1.7 percent are levied on non-residential residences and high-value residences whose rental value exceeds a certain threshold.

According to the new regulation in Denmark, a progressive tax is introduced according to the value of the house, and a 1.4 percent tax is foreseen for houses whose value exceeds 7.5 million Kroner as of 2021.

In addition to the real estate tax, Portugal has started to apply taxes ranging from 0.4 to 1.5 percent from high-value houses with a value exceeding 600.000 EUR since 2017.

In South Korea, with the regulation made in 2017, valuable housing tax rates ranging from 0.1 to 0.5 percent for the central government is not collected from those who own more than one immovable property.

5. Conclusion

It is known that wealth taxes are taxes that are applied in almost all countries of the world and have a very long history. However, although the practices vary from time

to time and from country to country, it is observed that the share of wealth taxes in total tax revenues has decreased.

On the other hand, it is seen that the widest application among wealth taxes is in real estate taxation. At this point, it is understood that additional tax arrangements have been made recently, both in the form of property tax and separately from property tax, depending on the progressive tariff on high-value immovables.

In Turkey, a new tax was introduced at the end of 2019, and the *"Valuable Housing Tax*" regulation was included in the Property Tax Law. However, about 3 months after this regulation was implemented, the law was amended.

In fact, the hidden purpose of the Valuable Housing tax was to tax urban rents and to create resources for urban transformation by sharing this tax revenue between the central and local government. However, the Law was different. All proceeds of this tax are left to the central government, and it is excluded from the legislation on giving a share to the local government.

Due to the new value increases and inflation, the tax base, which was determined to be 5 million TRY and repetitive in terms of taxation technique, has now remained low.

The political consequences of this regulation have not been examined and have not yet emerged. Especially since the declarations will be made in February 2022, it is thought that a new regulation may be made in the form of postponing the enforcement and even repealing it at the beginning of 2022.

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A Tax in the Light of the Discussions: The Valuable Housing Tax

Orçun Avcı[1]

Abstract

The aim of this study is to evaluate various debates on valuable housing tax, which has recently started to be implemented in our country. In this context, the problems that arise in the implementation of the tax will be discussed and various solutions will be proposed. However, the concerned tax has been a subject of significant debates since it was first brought up. The most important reason for this is that the tax can be subject to lawsuits both from constitutional and legal point of view. Therefore, considering the risk of litigation of the valuable housing tax, it has become necessary to introduce new regulations, especially on the determination of the tax base, taxpayer, tax exemption, and taxation. Although the law has been significantly changed in this context, some deficiencies still remain. Valuable housing tax only includes valuable houses, not all real estates or buildings owned by individuals. Taxation is involved with regards to a second house that exceeds the limit in the law. However, even if the sum of the values of the houses of the persons is well above the limit in the law, it may not be subject to the tax. When the ground of the law is examined, it is understood that it is aimed to subject people of high welfare to new wealth tax. When the law is examined, however, it is seen that the subject and liability of the tax is not determined well. In addition, another problem is that the tax revenues are not assigned to local governments. Assigning tax offices for the transactions related to the valuable housing tax that is regulated within the real estate tax, the implementation of which is completely under the responsibility of municipalities would possibly lead to problems for the implementation of two laws having common provisions for two separate taxes. Therefore, in its current condition, valuable housing tax is not expected to make a significant contribution to the public revenues. As a result, it is necessary to regulate the valuable housing tax in accordance with the principles of tax law and in a way that makes a positive contribution to the public revenues.

Keywords: Wealth Tax, Valuable Housing Tax, Real Estate Tax, House, Principle of Clarity in Taxation.
JEL Code: H20, H29, K34.

1. Introduction

Taxes are collected on “income”, “wealth”, and “expenditure” according to solvency. Wealth taxes consist of real estate tax, motor vehicle tax and succession and inheritance tax on wealth transfers. Valuable housing tax, on the other hand, is included in the tax system as a new tax on wealth. Valuable housing tax was added to the Real Estate Tax Law as 8 additional articles with the Law No. 7194 published in the Official Gazette dated 07.12.2019. Valuable housing tax has been widely discussed and criticized since 2019. Following these discussions and criticisms, amendments were made in the law on this tax which took its final form with the General Communiqué on Valuable Housing Tax, published in the Official Gazette dated 15.01.2021 and numbered 31365. The present study first discusses the emergence of the valuable housing tax. Then, the elements of the tax are evaluated. Finally, a critical view of the tax is brought up and some solution proposals are emphasized.

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2. Emergence of Valuable Housing Tax

Valuable housing tax was first included in "The Law No. 7193 Amending the Digital Service Tax and Some Laws and Decree Law No. 375" adopted by the General Assembly of the Turkish Grand National Assembly (TBMM) on 21.11.2019 but it did not enter into force because Article 50 of the law was sent back to the Assembly by the President to be discussed once again before it was published in the Official Gazette. Then, necessary corrections were made and the concerned article was removed from the text of the law, and the "Law on Making Amendments to the Digital Service Tax Law No. 7194 and Some Laws and the Decree Law No. 375" was adopted by the General Assembly of the Grand National Assembly of Turkey on 05.12.2019. With the publication of the concerned Law in the Official Gazette on 07.12.2019, valuable housing tax, digital service tax, and accommodation tax started to effect on the taxpayers (Durlanık & Yıldırım, 2021: 82). Later, with the "Law No. 7221 on Geographic Information Systems and Amendment of Some Laws", some changes were made in the valuable housing tax on 14.02.2020 and the implementation was postponed to 2021, eliminating the need for several objections and litigation processes related to the tax. In order to clarify the implementation, General Communiqué of Implementation of Valuable Housing Tax was published in the Official Gazette dated 15.01.2021 and numbered 31365. Thus, many methods and principles are explained in the relevant communiqué. Legislative arrangements regarding valuable housing tax are given in Table 1.

Table 1. Legislative Arrangements on Valuable Housing Tax

Legislative Arrangement	Status
Law No. 7193	Not effectuated
Law No. 7194	Initial arrangement
Law No. 7221	Amending arrangement
General Communiqué of Implementation	The implementation was clarified

Source: Durlanık & Yıldırım, 2021: 84.

3. Elements of Valuable Housing Tax

The subject of valuable housing tax is the residential properties within the borders of Turkey with a building tax value of 5.227.000 TL and above, which is determined according to the Article 29 of the Real Estate Tax Law. Taxpayer of the valuable housing tax is the owner or usufruct owner, if any, of a residential real estate, while in the absence of both, it is the ones who have the right of disposition on the concerned real estate. Real estates exempted from valuable housing tax are listed with limitations in the Article 46 of the Real Estate Tax Law (Sarılı, 2021: 411).

While the valuable housing tax regulation had a class progressive tax tariff in its initial form, it was transformed into a segment progressive tax tariff with a subsequent arrangement. The rates of the tax tariff are 0.3%, 0.6%, and 0.10%. Another issue is that real estate tax is subject to notification and collected through municipalities, while

valuable housing tax regulated by the same law is based on the tax return and collected through tax offices. Taxpayers are obliged to submit their valuable housing tax returns to the tax office at the location of the real estate until the end of February 20 of the following year in which the building tax value of their residential real estate exceeds the amount specified in the law.

4. Critical View of Valuable Housing Tax, Existing Problems and Some Suggestions

In the historical background related to valuable housing tax, it is aimed on one hand to transfer some of the urban rents to public and to prevent arbitrary practice of plans in local governments, and to transfer regular resources to local governments and to ensure transparency on the other (Saygılıoğlu & Ünalan, 2021: 507). However, this is not as easy as it seems. The principle of clarity, which is one of the principles of taxation, requires that legal regulations should be clear, unambiguous, understandable, and applicable in a way that leaves no room for any hesitation or doubt for both taxpayers and administration. It is also necessary to include protective measures against arbitrary practices by public authorities (Şenyüz et. al., 2021: 22). The principle of clarity also requires that tax laws to be stable, that is, not be changed frequently and arbitrarily. Frequent and especially arbitrary changes in tax laws will also destabilize the tax law. The last example of this is the regulation on valuable housing tax, which is graded to be a wealth tax and changed to a great extent without ever being implemented.

Since the declaration limit and tariff used in examples 3, 4, and 5 in the General Communiqué of Implementation published to clarify the valuable housing tax application, were unfortunately written using a hypothetical rate, but not the correct revaluation rate, the figure was listed to be 5.250.000 TL instead of 5.227.000 TL. Unfortunately, this situation has made it difficult to understand the regulation that will be implemented for the first time in 2021 (Durlanık & Yıldırım, 2021: 91).

The valuable housing tax was introduced without allowing sufficient time to both the implementing to the administration and the taxpayers. Therefore, the amendments made with the Law No. 7221 are actually appropriate and necessary in terms of eliminating the technical errors in the first version of the Law. However, it is criticized that the tax is based only on house, one of the wealth elements, and that the tax is allocated to the central government, not to the local governments. Another issue is that the exact number of taxpayers related to valuable housing tax is not known. Some sources state that the number of taxpayers is over 100.000 and some sources state that it is around 157.000. No matter which number is correct, because of the valuable houses throughout the country is very limited, tax revenues always will be low. In addition, it is necessary to exceed the value limit in the law with more than one house to be subject to the valuable housing tax. This will reduce the number of taxpayers and therefore the revenues of the tax (Kabakçı Karadeniz, 2021: 97). With the Law No. 7221, amendments were made regarding the determination of the base of valuable housing tax; the value application determined by the commissions formed by the

General Directorate of Land Registry and Cadastre was abandoned and it was decided to take the real estate tax value of the house as the basis. The fact that the real estate tax values of the houses would be taken into account was adequate both in terms of determining the base more accurately and preventing arbitrariness. However, considering the fact that the real estate tax values of the houses are kept well below their real values in our country, it is seen that the number of taxpayers who will be included in the scope will be very low. Moreover, considering the fact that those who own a single house with a tax value of 5.227.000 TL or more will be exempt from tax, the number of taxpayers to pay the concerned tax decreases. Considering the fact that the portion exceeding 5.227.000 TL will be taken into account in the calculation of the tax amount to be collected; the income from this tax will be very small (Fil & Fil, 2021).

According to the Real Estate Tax Law, public benefit associations are exempt from real estate tax while there is no exemption for the immovable properties of public benefit associations related to valuable housing tax. This contradiction should be removed and the real estates owned by associations with real estate tax exemption, should also be exempted from valuable housing tax (İşler & Tümer, 2020: 277). In addition, instead of accruing valuable housing tax by filing a return every year, it will be easier for taxpayers to report the first year of taxation as in motor vehicle tax and real estate tax, and to accrue and pay automatically in the following years just like in the other wealth taxes. As seen here, it is clear that serious problems would be created in the future due to the tax system with neglected the tax technique, the system being away from the theory of wealth taxes, has no impact analysis, doesn't take into account the tax sociology of taxpayers, whose sense of immovable property has become very sharp especially in housing tax (Saygılıoğlu, 2020: 66).

5. Conclusion

Valuable housing tax is subject to great criticism both in terms of its liability and subject. Double taxation may also take place since there is no regulation in the law regarding the deduction of real estate tax and valuable housing tax on the same base. Duplication can be eliminated by deducting the real estate taxes, from the valuable housing tax that paid by the taxpayers. It may be possible to soften the regulations to be made in this regard and to turn it into a wealth tax that can be more adopted by the society by aiming to eliminate the situations that are the subject of criticism.

The initial version of the regulation, which was implemented with the Law No. 7194, considered the building tax value as the base of the valuable housing tax at the same time. Afterwards, with the amendment introduced by the Law No. 7221, the base of the valuable housing tax became the amounts exceeding the tax value that determines the taxable limit, eliminating this issue, which was initially incompatible with the principle of proportionality. In addition, the real values of the immovable properties are much higher than their tax values. A similar problem will be experienced in valuable houses, which will be valued according to the same valuation methods as the building tax. A person owning a residential house with a monetary value well above the taxation limit is exempt from tax, while a person owning more than one house with a value less than the value of the concerned house but above the taxable limit,

has to pay valuable housing tax due to the house other than the one with the lowest value.

All of the provisions of the law regarding valuable housing tax should be reviewed within the framework of tax law principles, and these provisions should be rearranged accordingly. Attention should be paid to ensure that the reforms to be made on taxation should correspond to the capacity of public institutions, especially municipalities, and the voluntary observance of taxation should be provided. In addition, a revision of the real estate tax may be considered if the aim is to increase tax revenues. Thus, the real estate tax may also have a fairer structure.

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Evaluation of Wealth Taxes in Terms of Taxation Principles

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Abstract

In this study the principles of taxation will be based on the classifications within the works of; WAGNER's "Three Extracts On Public Finance", VON STEIN's "On Taxation", JÈZE's " Maliye İlmi ve Fransız Malî Mevzuatı Hakkında Başlangıç Dersleri", NEUMARK's " Vergi Politikası: Adil ve Ekonomik Bakımdan Rasyonel Bir Vergi Politikasının Temel Prensipleri" and SCHMÖLDERS' "Genel Vergi Teorisi". In this context, taxation principles; are classified as principles for socio-economic purposes, fiscal purpose, justice purpose and tax technique. Wealth taxes in the Turkish Tax System are; Estate Tax, Motor Vehicles Tax and Valuable Residence Tax levied on wealth ownership and Inheritance and Gift Tax levied on wealth transfer. These taxes' subject, taxpayer, base, rate structure and their shares in general budget revenues have been evaluated in the context of the principles of the selection of appropriate tax sources minimal impact on production, avoidance of incidence, adequacy, flexibility, generality, equality, progressiveness, discrimination, ability-to-pay, avoidance of double taxation, economy, clarity and convenience. As a result of this evaluation, the failing aspects will be revealed. In particular, the "Valuable Residence Tax", was evaluated in this axis. The main result reached in the study; wealth taxes serve the purpose of justice in taxation, arrangements can be made to increase tax revenue in inheritance and gift tax, and that the subject of the tax should be determined in a general way in particular, and various regulations are required to avoid double taxation problems.

Keywords: Taxation Principles, Estate Tax, Motor Vehicles Tax, Valuable Residence Tax, Inheritance and Gift Tax
JEL Codes: H20, H21, K34

1. Introduction

In 2019, tax revenues in Turkey increased by 8.3 percent compared to the same period of the previous year and amounted to 673.3 billion Turkish Liras. Non-interest budget expenditures, on the other hand, increased by 18.9 percent and reached 899.5 billion TL (Ministry of Treasury and Finance, 2019:1). As can be seen, budget revenues cannot increase at the same rate as budget expenditures, this situation leads the budget deficit to increase exponentially. The biggest role in closing this gap fell on taxes. In order to realize this aim, the "Valuable Residence Tax" introduced in the Official Gazette dated 07 December 2019 and numbered 30971. With the "Valuable Residence Tax", discussions about wealth taxes have once again been placed on the public agenda.

In our study, taxation principles will be presented on the basis of the classifications in the axis of general tax theory. In this context; The principles of

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selection of appropriate tax sources, minimal impact on production, avoidance of incidence, adequacy, flexibility, generality, equality, progressiveness, discrimination, ability-to-pay, avoidance of double taxation, economy, clarity and convenience will be explained. Estate Tax, Motor Vehicles Tax and Valuable Residence Tax on wealth ownership and Inheritance and Gift Tax on wealth transfer; will be evaluated in the context of taxation principles.

2. Principles for Social and Economic Purposes

Principles for social and economic purposes are related to the effects of taxation on the national economy (Wagner, 1958:11 – 12).

The basic premise of the principle of choosing economically appropriate tax sources should be not to harm the factors of production. Taxation should never be such as to deplete the factors of production to the point where they lose their ability to generate income (Von Stein, 1958:32 – 33).

In accordance with the principle to avoid tax incidence; It requires the taxation relationship to be designed by the legislator in such a way that the tax burden is placed on the person determined as the tax bearer at the final stage (Neumark, 1951:165).

The urban transformation especially in metropolitan cities of Turkey has led to the development of the construction sector and the real estate market. This development is explained in the Eleventh Development Plan under the title of livable cities and sustainable environment. In the context of the Eleventh Development Plan, in the 3-year Medium-Term Fiscal Plan for the years 2020-2022, financing the infrastructure expenditures caused by the urban transformation and taxation of the resulting rents came to the fore together with the developing economic sector (Ministry of Treasury and Finance; Strategy and Budget Department, 2018:6-7).

When the valuable residence tax is evaluated within the scope of principles for social and economic purposes; With the development of the construction sector market, increasing luxury residences and rent are aimed to be taxed in the context of ensuring efficiency in resource distribution. Especially in metropolitan cities where the population is increasing, there is an increase in rent which should be taxed as a suitable tax source.

3. Principles for Fiscal Purpose

Principles for fiscal purpose look after the interests of the treasury (Neumark, 1975:48). In accordance with the principle of adequacy in taxation, the tax system should be designed in such a way that all expenses of the state that are not reached by other fiscal instruments can be covered by tax revenues (Schmölders, 1976:54).

In accordance with the flexibility principle, taxes should be designed in such a way that they can easily and as far as possible provide an income surplus appropriate to the increase in expenditures, without changing the levying and collection procedures (Neumark, 1951:162).

When wealth taxes are evaluated in the context of principles for fiscal purposes; the share of wealth taxes in total tax revenues is around 4%. This ratio shows us that wealth taxes are not a fundamental tax source in meeting public expenditures. So, wealth taxes are weak in fulfilling the fiscal purpose of taxation and thus in meeting the requirements of the adequacy principle.

If we look at the distribution of wealth taxes; Inheritance and gift tax has the lowest share (%4) in total wealth taxes. When the situation is evaluated in the context of the fiscal purpose of taxation, it may be possible to state that regulations that will increase tax revenues in wealth taxes, especially in inheritance and gift taxes, are required. In order to realize the fiscal purpose in wealth taxes: changes that will increase the adequacy and flexibility in taxation should be introduced.

4. Principles for Justice

The justice principles of taxation aim at the distribution of income and wealth on one hand and the fair and balanced distribution of the tax burden among the people on the other (Neumark, 1951:163).

Principle of generality, means that every citizen who can afford to pay tax in a country and every person operating within the national economic structure of the country is liable to tax (Neumark, 1951:164). On the other hand, principle of generality should be applied in determining the subjects of taxes.

The principle of equity determines the administrative relationship that taxpayers will be dealing with and the amount of tax they have to pay. Equality in taxation can be evaluated in two ways. In horizontal equality equal legal and economic status are subject to the same legal proceedings and are taxed equally. In vertical equality it is possible to differentiate legal transactions and tax burdens by taking into account the legal and economic characteristics of taxable persons and subjects. (Jezé, 1931:393).

The ideal of justice and the principle of equality in taxation require a progressive tax schedule (Jezé, 1931:395).

In today's tax systems, different rates can be applied according to the economic characteristics of the tax subjects in the context of the principle of discrimination (Jezé, 1931: 393; Auerbach, 2009:3).

The ideal of justice and the principle of equality in taxation prevent a person from being taxed multiple times for the same tax issue (Jezé, 1931:409).

If we look at the share of wealth taxes in total tax revenues, we can conclude that the main purpose of these taxes is to provide a fair distribution of income and wealth (Öz vd., 2014:91; Edizdoğan & Çelikkaya, 2010:277).

Among the residential properties within the borders of Turkey, those with an estate tax value of more than 5,000,000 Turkish Liras are subject to the valuable residence tax. In this context, the subject of the valuable residence tax is residences above a certain value. According the principle of generality, it would be more

appropriate to include all residential real estate within the scope of taxation. If necessary, the scope of the subject can be narrowed with exceptions.

We can determine that the valuable residence tax can cause double taxation. Because residential estates with an estate tax value of more than 5,000,000 Turkish liras are subject to both valuable residence tax and estate tax. Increasing the estate tax rate in residential real estate (residence tax value above 5,000,000 Turkish liras) and transferring a certain percentage of the revenue to the general budget is a suggestion that can prevent double taxation. In this way, the problem of double taxation can be solved and resources can be transferred to the general budget in order to meet the increasing infrastructure expenditures due to urban transformation.

5. Principles Directed to Tax Technique

Principles directed to technique are based on the concept and purpose of taxation (Wagner, 1958:11 – 12). The principle of economy (or cheapness) is the effort to provide the lowest possible levy and collection costs (Schmölders, 1976: 56; Neumark, 1975:34). In accordance with the principle of clarity (certainty), the amount of tax that the taxpayer has to pay, the time, place and method of payment should be determined (Jezé, 1931:431).

The principle of compliance states that taxes should be collected at the most appropriate time and manner for the taxpayer (Neumark, 1951:159; Schmölders, 1976:45). The rules regarding the selection, assessment, declaration and collection of tax issues should be evaluated in this context. When the wealth taxes are evaluated in the context of the principles directed to tax technique; Valuable residence tax has been evaluated as a tax that is suitable for revealing various incompatibilities, especially in tax techniques.

However, the objections to be made by the taxpayers against the valuation of the land registry offices and the uncertainties regarding the subsequent judicial application processes have been eliminated. On the other hand, the authority given to the Ministry of Treasury and Finance may cause uncertainties for the taxpayer.

6. Conclusion

When the valuable residence tax is evaluated within the scope of principles for social and economic purposes; The tax issue chosen depending on the development of the construction sector and the real estate market together with the urban transformation is suitable for economic developments and effective resource allocation.

When wealth taxes are evaluated in the context of principles for fiscal purposes; It can be stated that regulations that will increase tax revenues in wealth taxes, especially in inheritance and gift taxes, are required. When the wealth taxes are evaluated in the context of the principles for justice, the following conclusions can be reached:

It would be more appropriate to include all residential estate within the scope of the tax. If necessary, the scope of the subject can be narrowed with the exceptions to be recognized in practice. In terms of double taxation, we can find that valuable residence tax causes double taxation.

When the wealth taxes are evaluated in the context of the principles directed to tax technique; Uncertainties regarding the objections to be made by the taxpayers against the valuation by the land registry offices and the subsequent judicial application processes have been eliminated. On the other hand, the authority given to the Ministry of Treasury and Finance is suitable to cause uncertainties for the taxpayer.

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Concept of Tax Gap and Measurement of the Tax Gap in Turkey*

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Abstract

The tax gap is the difference between the tax revenues collected and the amount collected if taxpayers comply with the tax laws. Country economies do not consider it necessary to struggle with tax losses and evasion as long as the level of the tax gap remains within acceptable limits. Although there is no generally accepted tax gap rate in the literature, this rate has been expressed as 5% by some authors. A tax gap exceeding this rate harms possible sustainable development, even if it contributes to economic growth. The size of the tax gap is accepted as a sign that the socio-economic policy is wrong and needs to be corrected so that business activity can regain its economic and legal character. In addition, with the increase in the tax gap, there is an increase in the informal economy, preventing the collection of public revenues and deteriorating the fair income distribution. Although the tax gap is a global problem, no tax administration has yet developed a universal calculation method that can be applied in other countries. In this context, the study is organized into two parts. The first part, the general tax gap ratio, was calculated using the Gross Domestic Product amount, informal economy rates, and the World Bank total tax rates for the years 2005-2019, and it was found between 10.17% and 13.27%. The second part measured the tax gap according to tax types as of 2005-2019. It has been observed that there have been fluctuations in tax deficit rates over the years according to tax types. Especially in 2012, with the restructuring of the Tax Inspection Board, the increase in tax incentives was applied in 2017. Later, significant changes were experienced in tax expenditure rates and tax loss evasion rates, reducing the tax gap rate.

Keywords: Tax, tax gap, tax loss, tax expenditure, total tax rate.
JEL Codes: H20, H26, K10

1. Introduction

The tax gap has become a global problem with the effect of globalization. However, no tax administration has yet developed a universal calculation method that can be applied in other countries and will show that the countries are defective in forming a tax deficit in fiscal and socio-economic conditions. In our country, there is no study on the measurement of the tax gap.

The study covering the years 2005-2019 was organized in two parts. In the first part, the general tax gap rate is calculated using the Gross Domestic Product amount, the informal economy rates, and the World Bank's total tax rates. The second part measured the tax gap for tax types, and tax expenditure rate, tax loss and evasion rate,

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and total tax rates were used. The tax expenditure rate is calculated using the "Tax Expenditure Reports". The tax loss and evasion rate was calculated using the tax audit results of the annual reports of the Tax Inspection Board and the Revenue Administration. The total tax rate is obtained by dividing the collection amounts according to the tax types received from the Revenue Administration by the sum of the income tax and corporate tax declared earnings.

2. The Concept of Tax Gap

The tax gap is the gap between the existing tax capacity and tax effort in an economy in a given period. Therefore, tax can also be expressed as uncollectible tax revenues despite the possibility of levying, accruing, and collecting. The tax gap is the difference between the tax revenues collected and the amount required to be collected if taxpayers fully comply with tax laws (Brown & Mazur, 2003: 689-700; Mazur & Plumbey, 2007: 569-576; Toder, 2005: 367-378). Giles expressed the tax gap as a hidden economy and hidden income. The value obtained by multiplying the income obtained illegally with the legal tax rate constitutes the tax gap (Giles, 1997a: 97; Giles, 1997b: 63-67). Gemmell and Hasseldine, on the other hand, defined the tax gap as the difference between overdue taxes that taxpayers must pay within a certain period and the amount of tax contributed to the state budget (Gemmell & Hasseldine, 2012: 1-31; George, 2012).

3. Measurement of Tax Gap in Turkey

3.1. Measurement of the General Tax Gap

In calculating the general tax gap in Turkey, the article prepared by Raczkowski using 28 EU member states published in 2015 was used (Raczkowski, 2015: 58-70). GDP figures are taken from the official website of TURKSTAT. The total tax rate is taken from the World Bank database. Informal economy rates using the MIMIC model published in 2019 by Medina and Schneider, the rates in the study of the informal economy data of 157 countries covering the years 1991-2017 were used (Medina and Schneider, 2019). The informal economy rates for 2018 and 2019 are calculated by taking the average of the last three years.

$$TG_n = \frac{SE(\%)_r}{100\%} \cdot GDP_n \cdot \frac{TTR(\%)}{GDP_n} = \frac{SE(\%)_r}{100\%} \cdot TTR(\%)$$

$$\boldsymbol{TG_n = TTR\% \cdot SE_n}$$

Table 1. General Tax Gap Measurement in Turkey

	GDP	Shadow Economy (SE) GDP %	Total Tax Rate (TTR) %	Tax Gap (TG) (Million TL)	Tax Gap %
2005	648.931	28.8	46.1	8.611	13.27
2006	758.390	28.9	45.7	10.018	13.21
2007	843.178	28.1	44.3	10.498	12.45
2008	950.534	26.9	44	11.254	11.84
2009	952.558	30.6	42.9	12.507	13.13
2010	1.098.799	28.5	42.9	13.438	12.23
2011	1.297.713	26.2	39.7	13.496	10.40
2012	1.416.798	26.5	39.7	14.905	10.52
2013	1.567.289	25.8	39.4	15.939	10.17
2014	1.952.638	26.2	39.8	20.366	10.43
2015	2.350.941	27.7	40.5	26.378	11.22
2016	2.626.560	29.1	40.5	30.967	11.79
2017	3.133.704	28.6	40.4	36.194	11.55
2018	3.758.316	28.5	40.4	43.296	11.52
2019	4.320.191	28.7	42.3	52.447	12.14

Source: Authors elaboration based on the data. Note: The informal economy rates for 2018 and 2019 are calculated by taking the averages of the last three years.

3.2. Measurement of Tax Gap by Types of Taxes

Tax expenditure rates, tax loss, evasion rates, and total tax rates are used to measure tax deficit by tax types. Tax expenditure rates were calculated by dividing the tax expenditure amounts by the tax accrual amounts. Tax-loss and evasion rates are found by dividing the base difference amount found due to tax inspection by the tax base amount examined. The total tax rate is found by dividing the collection amounts according to tax types by the income tax and corporate tax declared earnings.

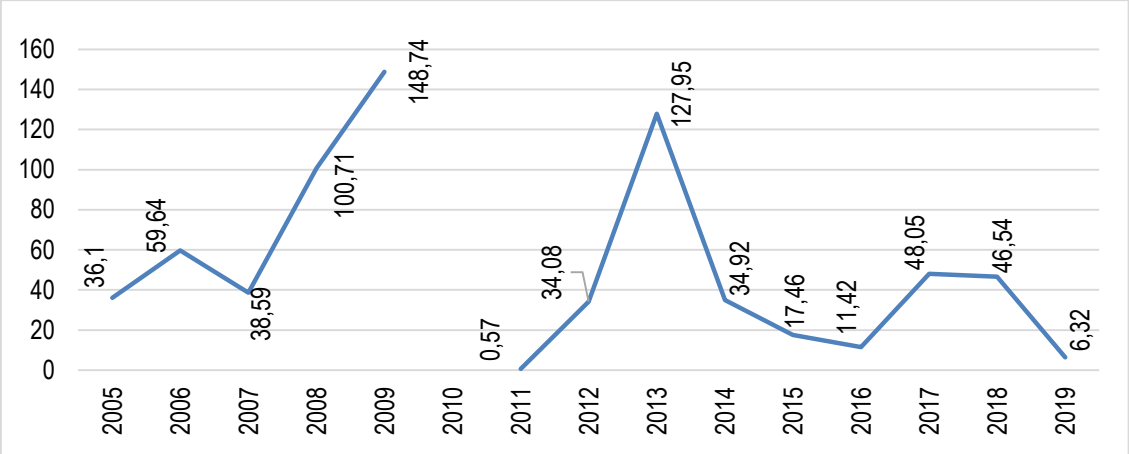
TGR = TER * TLER * TTO

TGR: Tax Gap Rate
TER: Tax Expenditure Rate
TLER: Tax Loss and Evasion Rate
TTO: Total Tax Rate

The Income Tax gap rate followed a fluctuating course. While it was 36.10% in 2005, it increased to 100.71% in 2008 and 148.774% in 2009. The increase in 2008 and 2009 is due to the increase in tax loss and evasion rates. It is understood that tax audits were carried out intensively and effectively in these years. Due to the Tax Inspection Board's structuring in 2010, the tax deficit rate could not be calculated because the tax gap results were not disclosed. The tax gap rate was found low (0,57 %) in 2011, as the calculation was made only on the results of the audits made by the Tax Office Directorates. While the tax gap rate was 34.08% in 2012, there was a significant increase in 2013 and was calculated as 127.95%. The tax loss and evasion rate was 232.06% in the same year is the high tax gap rate. In the following years,

there was a decrease in the tax gap rate, and it was 34.92% in 2014, 11.42% in 2016, and 6.32% in 2019, respectively.

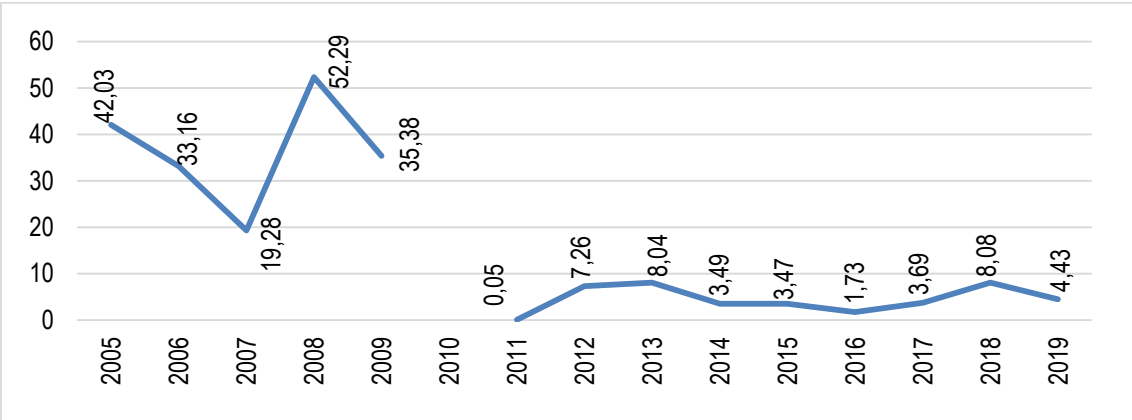
Chart 1. Income Tax Gap Rates



Source: Authors elaboration based on data.

While the Corporate Tax gap rate was 42.03% in 2005, it was 19.28% in 2007. A decrease was experienced due to the decrease in tax loss and evasion rates in 2007. It can be thought that tax audits were done insufficiently in 2007. In 2008, there was an increase in the tax gap rate again, and it was measured as 52.29% and 35.28 in 2009. The Corporate Tax gap rate was 7.26% in 2012, 3.49% in 2014, 1.73 in 2016, 8.08% in 2018, and 4.43 in 2019. Compared to 2009 and before, it is seen that there is a significant decrease in tax loss and evasion rates in 2012 and after. These results may suggest that efficiency and deterrence have been achieved in tax audits in 2012 and later.

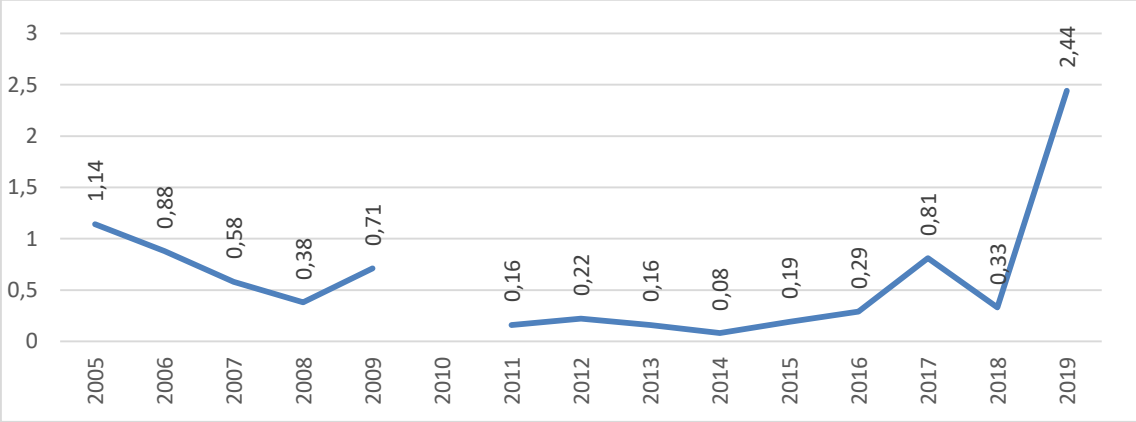
Chart 2. Corporate Tax Gap Rates



Source: Authors elaboration based on data.

It is observed that VAT gap rates are stable and at low rates. The main reason for the low tax gap rate is that VAT is collected on expenditures, and the possibility of tax evasion is more difficult. The VAT gap was calculated as 1.14% in 2005 and between 0.08% and 0.88% in the following years. In 2019, it was calculated as 2.44%.

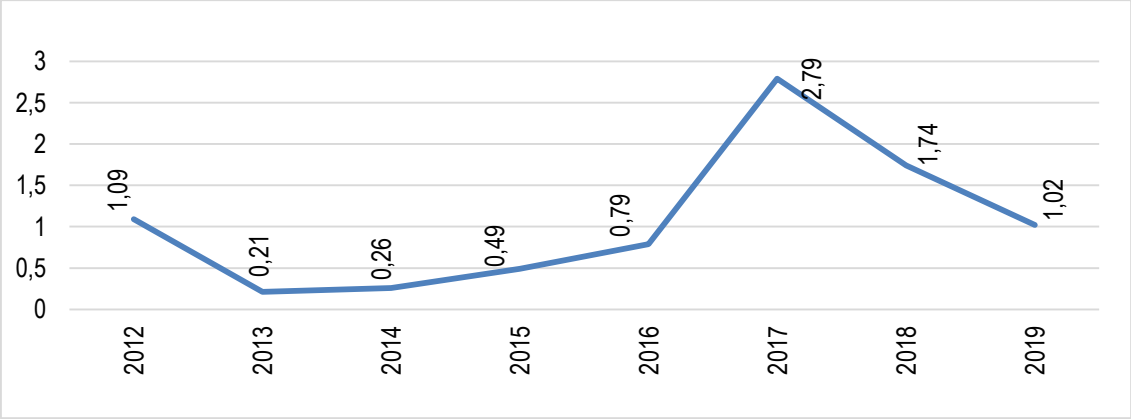
Chart 3. Value Added Tax Gap Rates



Source: Authors elaboration based on data.

The excise tax was introduced in our country in 2002. Until 2012, excise tax loss and evasion rates were not included in tax audit reports. No tax deficit calculation could be made in 2011 and before. The excise tax gap was 1.09% in 2012, 0.79% in 2016, and 1.02% in 2019, respectively. The excise tax gap rates were realized at low rates. The low probability of loss and leakage because it is an expenditure tax has a great effect.

Chart 4. Special Consumption Tax Gap Rates



Source: Authors elaboration based on data.

4. Conclusion

The overall tax gap rate was calculated as the lowest 10.17% in 2013 and the highest 13.27% in 2005. Income Tax gap rates were high in 2008, 2009, and 2013 when high tax loss and evasion rates. It can be thought that the reflections of the global economic crisis, which emerged in the USA in 2008 and affected the whole world in a short time, were effective in the tax loss and evasion rates in 2008 and 2009. In addition, the lack of sufficient data on tax audits in 2010 and 2011 may suggest that this year's data were included in 2013. The income tax is a tax subject to the declaration that may be the reason for high tax losses and evasion. The gap in corporate tax was more stable than in income tax. The corporate tax gap was calculated as 42.03% in 2005 and 35.38% in 2009. In 2012 and later, despite the increase in tax expenditure rates, it tends to decrease thanks to the decrease in tax loss and evasion rates. While VAT gap rates were around 0-1% in 2005-2017, a increase (2.44%) was experienced in 2018. The excise tax gap rates are lower than other taxes may be due to its inclusion in the structuring laws.

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Evaluation of E-Document Applications in Turkish Tax System

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Abstract

Throughout man's journey for 13 thousand years, the first breakthrough that has radically transformed society is the agricultural revolution, followed by the industrial revolution as the second one. It has been 250 years since the industrial revolution started in the 18th century, and after all those years, society witnessed a digital revolution in 1969, a relatively recent period. Thanks to the more active use of scientific information, the first programmable logic controller (Madicon 084) was invented in 1969, enabling the digital programming of automation systems and thus brought about the third industrial revolution. In addition to the communication sector, the advancement in information, mechanics and microelectronics involved in the process; furthermore, when computers were also involved in the process, the term globalization was coined as a keyword to explain this global transformation process.

Considering the developments in manufacturing and information technologies, initially, the concept of electronic state and later the operations of national tax systems have been considerably transformed. Particularly following the 2000s, it was clear that a digital tax system was essential both for the states and for the users. The Ministry of Treasury and Finance had considerable improvements in e-Document applications to decrease tax evasion risk to a great extent, ensure reconciliation for tax issues, prevent the rise of financial loss in the budgeting system, and provide the taxpayers with quick service. These studies carried out, has led to crucial changes with respect both to provide control of government on tax income and carrying out the accounting process. Within this perspective, the aim of the study is to evaluate implementation of e-document and e-ledger with respect to legislations, and assessing the existing situations. The last section of this work includes a discussion on electronic documents, and analyses the inadequacies in the legislation. Moreover, the work provides various suggestions for improvement.

Keywords: e-Government, e-Tax, e-Document, e-Ledger.
JEL Code: M41, M48

1. Introduction

Considering the developments in manufacturing and information technologies, initially, the concept of electronic state and later the operations of national tax systems have been considerably transformed. Particularly following the 2000s, it was clear that a digital tax system was essential both for the states and for the users. The Ministry of Treasury and Finance had considerable improvements in e-Document applications to decrease tax evasion risk to a great extent, ensure reconciliation for tax issues, prevent the rise of financial loss in the budgeting system, and provide the taxpayers with quick service. Centre Enabled Rural Automation Project (METOP), National State Automation Project (MEOP), Tax Number Application Project, SAY20001 and electronic tax applications (VEDOP I, VEDOP II and VEDOP III) are some of the electronic applications used by the Ministry of Treasury and Finance. It also caused

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significant changes in both supervising the tax income for the state and the operation of the accounting process thanks to such electronic documents as the electronic invoice, electronic self-employment Invoice, electronic producer receipt, electronic bill of lading, an electronic note of expenses, electronic ticket, electronic bank receipt and electronic insurance policy and such applications as an electronic ledger, electronic notice, electronic inspection and electronic levy in the digital tax system of Turkish Revenue Administration.

Electronic invoice became the first electronic document in the Turkish Tax System in 2008 despite its initial use in the 2000s in the world. Since then, the ministry has made it common to use all kinds of accounting-related documents and prints electronically owing to infrastructure works and legislative amendments. Within this context, this work aims to study electronic document applications, investigate the electronic document application in Turkey based on the legislation and thus evaluate the current state of events. The last section of this work includes a discussion on the recent electronic tax return, electronic invoice, electronic documents, electronic collection, electronic auditing, and electronic levy and analyses the inadequacies in the legislation. Moreover, the work provides various suggestions for improvement.

2. E-Document Applications in Turkey

Traditionally, e-government is about using information and communication technologies to boost the efficiency of government institutions and to provide government services online. E-government strategies worldwide continue to improve the efficiency, accessibility, and effectiveness of public service providers (Al-Mayahi & Mansoor, 2012: 201). Originally electronic government is not a continuation of traditional government but a new understanding encouraging structural and mental transformation of the government (Delibaş & Akgül, 2010: 106). Therefore, the concept of e-government is not a goal to achieve but a constantly developing process open to improvement (Fidan et al., 2016, p.8) as e-government is a concept referring to a unified strategy, process, organization, and technology (Çukurçayır & Ekşi, 2001: 103).

During the first half of 1990s, technological development was influential in Turkey and thanks to several projects having been carried out by the government since1993, the transition to e-government accelerated. Internet Tax Office applications initiated by the Ministry of Finance in 1999 is one of the most influential and the most important milestones among e-Government projects. Of all e-government applications, there has been significant improvements in e-financial applications ever since 2000s. VEDOP (Tax Office Automation Project) by the Ministry of Education Revenue Administration (GIB) is among the most important applications (Hepaksaz & Hayrullahoğlu, 2011: 110). VEDOP aims at decreasing the workload of the tax office thanks to computer technology, increasing efficiency and effectiveness in tax office works, offering better services to business enterprises, ensuring a fairer distribution of tax load, and making tax collection more efficient (DPT, 2007: 124; Uğur & Çütcü, 2009: 11).

Objectives in electronic document applications are as follows (Kurtcebe & Utku, 2020: 78).

- Monitoring, analysing and reporting financial activities online,
- Creating online auditing infrastructure,
- Lowering down stationary costs,
- Creating a standard format on all financial documents,
- Creating a cost effective and time effective system of trust between the parties of the documents issued,
- Boosting the transaction speeds of taxpayers and encourage compliance with tax law,
- Creating, issuing, forwarding, protection and submission of legal financial papers electronically

E-bill is one of the most important electronic documents emerging from these practices. E-Bill has the same legal qualifications with paper bill, and it was issued to serve the tax payers as per Tax Procedure Law General Declaration no 397 (Kefe & Kanarığ, 2019: 166). Upon receiving Financial Seal Certificate as of 10.10.2021, the number of people using e-Bill application is 503.960 in total. Table 1 illustrates information on e-Bill application for different years.

Table 1. Information on e-Bill Application for Different Years

Years	The Number of Taxpayers Using E-Bill App (Unit)	Number of E-Bills Issued (Unit)	Bill Sum (TL)
2010	114	8.275	146.108.422
2011	3.024	312.532	5.406.011.606
2012	3.182	874.710	15.218.034.821
2013	16.270	2.118.001	48.654.104.462
2014	19.375	72.463.951	1.127.236.091.091
2015	46.800	113.713.039	1.180.957.808.191
2016	61.013	163.456.644	1.974.549.748.742
2017	72.036	177.485.032	2.637.574.673.267
2018	88.837	220.286.825	3.651.595.777.267
2019	187.597	241.232.989	4.825.522.880.839
2020	332.400	366.655.334	9.936.847.336.196

Reference: Gelir İdaresi Başkanlığı Faaliyet Raporları, 2010-2021

3. Conclusion

Accounting is among the professions making the most of technological revolution and digitalisation. Thanks to projects carried out by Revenue Administration, there has been an increase in the number of taxpayers using these applications as it offers a network between institutions for many documents and books. Although there has been some drawbacks, issues, and legal conflicts, it is

certain that these will be overcome thanks to the recent efforts of the Ministry of Finance in the last 10 years.

Another feature of the projects carried out by the Revenue Administration is that it makes it possible to exchange information and documents between different institutions through its network independently from a single institution. In terms of direct contact with citizens and taxpayers, the philosophy of e-government is highly successful. Though the declarations issued have made it obligatory for many taxpayers to use the application, the global Covid-19 pandemic started in March 2020 has shown us that e-transformation of government is not a threat but a irrevocable system that needs to be constantly renewed.

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The Role of The International Tax Authority in Preventing International Tax Problems

Ali Erol [1]

Abstract

States have the freedom to use their taxation authority as they wish within their borders. If tax-related events occur within a single country, potential conflict and problems will be resolved at the local level by local authorities. However, when a tax transaction goes out of the country, it will gain an international dimension, so its solution will become more difficult and will be at the disposal of more than one state.

Globalization and digitalization have led to various developments in tax as in every field. These two processes have caused various gains, innovations, and changes in the tax world, as well as various problems. Today's international tax problems can be listed as tax havens, harmful tax competition, tax evasion, transfer pricing, double taxation, and non-double taxation. As a result of international tax problems, significant losses can be experienced in global tax revenue. States' unilateral responses to international tax issues are insufficient, and they place themselves in a disadvantageous position.

The study is looking into the possibility of establishing an international tax authority. Today, there is no only an international tax authority that all states adopt and implement their decisions. If such authority is established, how it will be established, and what benefits it will provide will be discussed in the study.

The study's goal is to determine if an authority with distinct taxing authority over states would be advantageous in resolving international tax issues. States do not want to lose their taxing authority, which is a measure of their sovereignty. However, every state is faced with international tax problems and suffers more or less tax losses. Single, bilateral, and multilateral efforts are insufficient to meet these losses.

Several studies are being conducted to establish an international tax authority. In this study, answers will be sought to the questions of what they are, which international tax problems they can solve, and whether they will cause new problems.

Keywords: Tax, taxation authority, international tax issues, international taxation authority.
JEL Codes: H00, H20

Each sovereign state has the power to tax. The taxation authority is a type of authority that the people and the assemblies representing it won centuries ago and cannot give up. Today, states have the freedom to use their taxation authority as they wish within their own borders. For example, they can determine all kinds of tax-related issues such as who the taxpayer is, what the tax subject is, what the tax rate is, how the payment method is, the place and time of payment. However, in case of a dispute, the administrative and judicial remedies are freely determined by the country in question.

Possible disputes and problems that may arise in the event of tax-related events occurring within a single country will remain at the local level and will be resolved by local authorities. However, when a tax transaction goes out of the country, it will gain an international dimension, so its solution will become more difficult and will be at the

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disposal of more than one country. Globalization and digitalization have led to various developments in tax as in every field. These two processes have caused various gains, innovations and changes in the tax world, as well as various problems.

Today's international tax problems can be listed as tax havens, harmful tax competition, tax evasion, transfer pricing, double taxation, double taxation. These problems affect every country in some way, regardless of the level of development of the countries. As a result of international tax problems, significant losses up to billions of dollars can be experienced in the global tax revenue. In addition, violations of basic taxation principles also occur. All these negative consequences are increasing even more.

With the increasing globalization in the 1980s, digitalization, which is the age of today, is not the development of a single state. They are common achievements that have occurred with the contributions of all states and peoples. Similarly, the solution of the problems that may arise in these processes will be solved by a single state. For example, a state alone will not be able to solve the tax haven problem or any state will not be able to solve the double taxation problem through its own tax laws. In short, the unilateral measures taken by countries to address international tax problems are insufficient and put themselves at a disadvantage.

Having a single taxation authority above the sovereign states can provide more precise solutions to these problems. One of the best examples of this is the European Union. Although harmonization in direct taxes cannot be fully achieved within the Union, the steps taken in the field of harmonization in indirect taxes, developments in information exchange, and prevention of double taxation are important and set an example.

The subject of the study is whether an international tax authority can be established. Today, there is no one and only international tax authority that all countries adopt and implement their decisions. In the study, if such an authority is created, how it will be created and what benefits it will have will be discussed.

The aim of the study is to discuss whether an authority with a separate taxation authority over the states will be beneficial in solving international tax problems. Because, as mentioned at the beginning, one of the most important powers that sovereign states have is the taxation authority. States will naturally not want to lose this authority. However, on the other hand, every country is faced with international tax problems and suffers more or less tax losses. Unilateral and bilateral efforts are insufficient to meet these losses.

In the study, it will be emphasized whether an international tax authority can be established and how it can be established. The lack of enforcement power of the existing regional and limited international tax authorities is seen as its biggest disadvantage. For example, when they detect a problem, they cannot impose a tax penalty, and the transaction remains only at the level of detection and information. Because, in accordance with the principle of ownership of penalties, which is one of the basic legal principles, tax penalties can only be found in the country where they are

committed. Therefore, tax penalties can only be imposed by the tax administration or judiciary in the country where the crime was committed.

As a result, various ideas and studies are carried out on the creation of international tax authority. In this study, answers will be sought to the questions of what they are, which international tax problems they can solve and whether they will cause new problems.

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Identifying Documentation with Deceptive Contents and False Invoices

Hasan Oral[1]

Abstract

Despite the absence of any direct statutory provision in the Turkish legislation the basis the tax authority and high courts rely on to identify documentation with deceptive contents and false invoices is the Article 3/b of the Tax Procedure Law.

Tax authority has supplemented the Article with its regulations. To this end, the tax authority has included in its regulations a set of criteria pertinent to identification. These criteria serve as the basis to identify false invoices in reports by the tax authority. In addition to its regulations, the tax authority also takes the case law into consideration. We may well assert that the Turkish high courts have a notable collection of case law on the issue.

In the European Union, legal disputes at the Member States' application of tax procedures are brought before the European Union Court of Justice and the Court issues judgments on such disputes on the basis of the Directives. Retaining the framework introduced by the Directives, the Court guides the Member States in their tax regulations and provides for tax disputes solutions binding both Member States and taxpayers.

The purpose of our study is to show the differences between the approaches tax authority, high courts and the European Union employ in identification procedures and to reveal the objective and lawful criteria of identification, rather than criteria adopted to favour the tax authority or the taxpayer. Our study was prepared by the method of literature research. The conclusion of our study is that the tax authority and the Turkish high courts, going beyond objective criteria, exhibit approaches based on presumptions against the taxpayer and thus fall behind the legal criteria introduced by the European Union.

Keywords: Tax evasion, documentation with deceptive contents, false invoices, tax examination
JEL Codes: K340, H26, H20

1. Introduction

The most important function of the Constitutional principle of legality of taxation is, through the requirement that the legislative power's express, clear and apprehensible enactment of all sorts of financial obligations, to invoke a feeling of te rule of law (Öz, 2004: 76).

The principle of legality of taxation should not be reduced merely to designation of a tax in the law. The authority's arbitrary actions of assesment, taxation of a non-taxable transaction or application of arbitrary rates at assessment for instance, will damage the principle of legality of taxation. The authority's imposing arbitrary criteria at identifying the documentation, rejection of the taxpayer's paid taxes and unjust reassessment or a requirement to pay the tax with fines shall also contradict with the principle of legality of taxation.

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A similar condition applies for the principle of *nulla poena sine lege*. At identifying these documents, the tax authority's arbitrary behaviour and the judiciary's condoning such behaviour as lawful might make taxpayers subject to administrative misdemeanours like tax loss and specific irregularity or custodial sentences. In view of these constitutional principles, the legal approach at identifying these documents becomes very significant.

Tax authority's consideration of objective criteria, tax judiciary's rulings that hinder tax authority's arbitrary practices shall create the opportunity that the sensibility under the Constitutional principles, which was pursued in the legislative phase, shall also be maintained during practical taxation. One of the most important criteria the Turkish tax authority and tax judiciary should consider in this context is the European Union's approach to the issue.

The first section of our study using the method of examining judicial rulings shall assess the Turkish judiciary's approach to the tax authority's practices of identifying false invoices and documentation with deceptive contents. The second section shall discuss the European Union Court of Justice approach. The conclusion, comparing with the European Union practice, shall make an assessment of the current Turkish position on identification of such documents.

2. Turkish Tax Authority's and Judiciary's Approach to Identification of Documentation with Deceptive Contents and False Invoices

Although describing false invoices and documentation with deceptive contents, the Tax Procedure Law (VUK) does not set the criteria for existence of false invoices. Under the wide auspices created by VUK, the tax authority and judiciary themselves had resorted to designate certain criteria to identify false invoices.

2.1. Elements to Establish

Elements to establish in order to identify false invoices relate to issues where the taxable event (i.e. delivery of goods or performance of services) did never take place, whereas concerning identification of documentation with deceptive contents, relate to issues where the invoiced amount is dissimilar with the amount associated with the delivered goods or performed services. Where and if the tax authority establishes these elements, one might argue for existence of a false invoice or documentation with deceptive contents.

Elements identified by the Council of State may be listed as follows:

- Taxpayer does not maintain operations;[2]
- The transaction did not take place;[3]
- Deduction of taxes arising from activities other than the taxpayer's;[4]

[2] Council of State Tax Litigation Chambers Assembly, 1999/88 E., 1999/446 K., 22.10.1999
[3] Council of State 11th Chamber, 1995/3097 E., 1996/386 K., 30.01.1996
[4] Council of State 7th Chamber, 2000/8348 E., 2004/122 K., 27.01.2004

- Deduction of legally-designated taxes prohibited from deduction[5]

Tax authority, when it establishes these elements, conclude that the taxpayer used or issued a false invoice or documentation with deceptive contents.

2.2. First-Glance Presumptions

Due and timely performance of taxation duties relieves a taxpayer of its burden to prove the accuracy of documents, records, statements and other items. Turkish legal system names this recognition as the first-glance presumption (Candan, 2012). VUK Article 30 stipulates that if the opposite is proven by the tax authority, the taxpayer's documentation and records shall be disregarded.

Tax authority practices and court decisions condone that taxpayers that cannot benefit from a first-glance presumption might be incriminated with using or issuing false invoices or documentation with deceptive contents, and the opposite should again be proven by the taxpayer.

Council of State considers that not paying monies over a certain amount through bank is an indicator evidencing the absence of the actual flow of goods or services,[6] but further, on the pretext that the payment through the bank might also be returned,[7] does not view bank payment enough to accept tax deduction.[8]

As in the requirement of payment through bank, first-glance presumptions that confront the taxpayer with the burden to prove the opposite, such as;

- Absence of inventory or stocks,

- No employment,

- Absence of motor vehicles,

- Lack of organisation capability to operate in the invoiced transactions find their places in the Turkish taxation practice.[9]

We should assert that, much like the requirement to pay through bank, the aforementioned conditions relate to the taxpayer's formal requirements. Indeed, by employing off-record workers, using inventory, stocks, motor vehicles or organisations owned by others, a taxpayer may fully perform the taxable event.

Adoption of these actions that require different sanctions or no sanction (such as not being at the workplace[10]) as first-glance presumptions might place a taxpayer under a requirement to prove the opposite of the tax authority's incrimination of using or issuing a false invoice.

[5] Council of State 9th Chamber, 2010/1249 E., 2010/5247 K., 21.10.2010
[6] Council of State 9th Chamber, 1999/1965 E., 2000/1912 K., 30.05.2000;
[7] Council of State Tax Litigation Chambers Assembly, 1994/332E., 1995/142 K., 28.04.1995;
Council of State 7th Chamber, 2000/8230 E., 2001/3359 K., 01.11.2001;
Council of State Tax Litigation Chambers Assembly, 1994/355E., 1995/23 K., 12.04.1995
[8] Council of State 9th Chamber, 2010/2235 E., 2010/3482 K., 24.06.2010
[9] Council of State 9th Chamber, 2008/8815 E., 2010//115 K., 20.10.2010;
[10] Council of State 9th Chamber, 1994/3927 E., 1995/1755 K., 06.06.1995

3. European Union Court of Justice (ECJ) Approach to Identification of Documentation with Deceptive Contents and False Invoices

Preventing tax evasion and abuse of the tax deduction mechanism in the European Union (EU) is one of the primary goals of the 2006/112 Directive. Therefore, when objective evidence proves that the right to deduction was used for abusive or fraudulent purposes, it is the national authorities' and courts' power to deny use of this right.

On the other hand, imposing on a taxpayer - for the purposes of preventing tax evasion - certain requirements during his commercial transactions shall not breach the EU law. Nevertheless, such measures adopted by Member States cannot go beyond the limits and lead to systematic elimination of the tax system's neutrality.

ECJ founds it inappropriate that tax authorities impose on taxpayers requirements of complicated and very detailed inquiries towards their suppliers and thus, de facto transfer their investigation powers to taxpayers.

In other respects, since denying the right to tax deduction makes an exception to the fundamental rule, ECJ case law asserts that the burden to present objective evidence proving a taxpayer's use of false invoices shall be the tax authority's duty.[11]

This section of our study examines certain decisions of ECJ on an individual basis and depicts the ECJ approach to identification of false invoices.

3.1. Maks Pen EOOD Decision[12]

Following a tax investigation at the company Maks Pen, the tax authority, relying on the reasons that the documents shown as reference to invoices were not conveniently dated and were not valid as proof, the sub-contractors did not specify the employees at their services and the sort of services they provided and further, two of the sub-contractors' signatures are invalid and services provided by one of the sub-contractors were not recorded in accounts, decided that the company used false invoices.

In its decision, ECJ reiterated that it is the tax authority's duty to present objective evidence proving the taxpayers' involvement in actions for tax fraud and concluded that, considering the present data on record, there is no sufficient reason to deny Maks Pen's right to tax deduction.[13]

3.2. FIRIN Odd Decision[14]

Following an investigation, the tax authority rejected deduction in the invoices FIRIN, a company active in production and marketing of bakery products, issued for

[11] ECJ, Mahagében kft C-80/11, 21.06.2012, p. 49; ECJ, Bonik, C-285/11, 06.11.2012, p. 43-44; ECJ, Maks Pen EOOD, C-18/13, 13.02.2014, p. 29

[12] ECJ, Maks Pen EOOD, C-18/13, 13.02.2014

[13] P. 31

[14] ECJ, FIRIN OOD, C-107/13, 13.03.2014

Agra Plani, a company owned by the same partner, on grounds that the delivery was not actually made and the invoice was issued for tax fraud purposes.

Examining the dispute, ECJ reiterated the fundamental criteria designated by case law and asserted that it is a prerequisite that the tax authority should have presented, in a manner observing the valid legal standards, the objective data affirming that the applying taxpayer did or was able to know that the payment made to the supplier was for a purpose other than paying the supplier the invoiced price for the delivered goods.[15]

3.3. Mahagében kft decision[16]

The company Mahagében made an agreement with the company RK for delivery of unprocessed acacia timber. At investigation of RK's purchases and deliveries, the tax authority found that RK had no acacia timber stock and the quantity of acacia timber purchased in 2007 is too low to meet the quantities shown in the invoices. At the investigation, both parties stated that they did not keep the entire delivery notes.

At the lawsuit filed against assessment, the tax authority asserted that deliver notes evidencing purchases in the invoices are absent, RK does not possess enough lorries to ship these quantities and further, Mahagében had failed to act diligently for these issues.

In its examination, ECJ concluded that investigating tax irregularities and preventing tax evasion are the tax authority's duties and imposing them on the taxpayer and requiring submission of documents not expected to be in its possession and disregarding the submitted invoice on this sole pretext are not appropriate.[17]

4. Conclusion

The principles of legality of taxation and punishment impose not only designation of taxes and penalties in laws, but the authority's obligation of not to act arbitrarily towards taxpayers in identifying false invoices, which involve financial burden and custodial sentences. Tax authority's draft of false invoice use relying on a first-glance presumption and the judiciary's decisions that place the burden of proof on the taxpayers constitute breaches of the Constitutional principles in identification of documentation with deceptive contents and false invoices.

As opposed to the approach in Turkey, ECJ decisions hold that the first-glance presumption alone is not sufficient to identify documentation with deceptive contents and false invoices. ECJ decisions underline that barring a taxpayer who does not or unable to know of irregularities in conditions for tax deduction from its right to tax deduction and treat him as a false invoice user amount to punishing the taxpayer and

[15] P. 46
[16] ECJ, Mahagében kft C-80/11, 21.06.2012
[17] P. 60–62

this will be a measure that goes beyond the proportional limits necessary to protect the Treasury's rights.[18]

Sanctions for formal tax requirements are expressly regulated in tax laws. Tax authority's placing the burden on the taxpayer, on the pretext of not observing the formal requirements; to prove that he is not the author of documentation with deceptive contents and false invoices is in contradiction with Constitutional principles and the European Union's approach.

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[18] ECJ, Optigen and others, C-354/03, 12.01.2006 p. 52 ve 55; ECJ, Kittel ve Recolta Recycling, C-439/04, 06.07.2006, p. 45, 46 ve 60

Development of E-Invoice Application in the Digital Transformation Process in Turkey*

Gülfidan Demirkaya [1] **Ali Çelikkaya**[2]

Abstract

The invoice is the most important commercial document used on commercial life. The invoice has been transferred to the electronic environment with the rapidly developing digital economy all over the world. In other words, there has been a compulsory transformation in the issuance of invoices with with digitalization. First of all, this resulted in major time and cost savings. There are also many other advantages of using e-Invoice (such as reducing the workload of the tax administration and saving significant paper usage).

The aim of this study is to reveal all the stages of the transformation in the use of invoices in Turkey with the digitalization. In other words, it is aimed to examine all aspects of the e-invoice.

In this context, the study is planned as 5 parts. In the first part, e-Invoice is defined shortly. In other parts of the e-Invoice, respectively; Its historical development, legal basis, preservation and submission, liability and criminal proceedings, and e-Invoice application options are included.

In the study, the document analysis, one of the qualitative data collection methods, was used. In this context, the Tax Procedure Law No. 213, the activity reports of the Revenue Administration and the General communiques and Circulars related to the relevant e-Invoice were taken as the primary source.

The result of the study includes a general evaluation of the e-Invoice application. In this respect, it provides a collective perspective to the e-Invoice application in Turkey.

Keywords: Digital Economy, e-Invoice, The Revenue Administration.
JEL Codes: H20, H29.

1. Introduction

The invoice is defined as the most important commercial document used on commercial life. With the rapidly developing digitalization all over the world, invoicing has been moved from the traditional paper environment to the electronic environment (Nalçacı Gür, 2015: 4). In other words, there has been a compulsory transformation with digitalization in the issuance of invoices. Since 2008, when the e-Invoice application came into effect, the use of e-Invoice has been increasing rapidly every year. This is a natural process brought about by digitalization.

* This study was derived from a master thesis titled “Issues Regarding e-Invoice Implementation and Solution Recommendation” at the Eskisehir Osmangazi University Graduate School of Social Sciences.

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The aim of this study is to examine all aspects of the rapid transformation in the use of invoices in Turkey, from the beginning to the present, together with digitalization. For this, there are 5 main parts in the study. The first part contains descriptive information about e-Invoice. In the second part, the historical development of e-Invoice is discussed. The subheadings of this section are; it is planned as Electronic Invoice Recording System (EIRS), e-Archive Invoice, Export e-Invoice, Tax-Free-refund, e-Invoice and Social Security Institution (SSI) e-Invoice and Public e-Invoice. In the third part, TPL General Communiques, which are the legal basis of e-Invoice, are examined. In the fourth section, the retention and submission process of the E-Invoice is explained. In the last part, the application options of e-Invoice are explained. At this point, it is seen that there are three different forms of application. (such as, e-Invoice Portal, Integration of IT Systems and Special Integration).

It is expected that the study will contribute to the e-Invoice literature due to the ever-evolving nature of the subject and the fact that the literature in this field is still very new. As a method in the study, the theoretical analytical research model was preferred. In this context, the Tax Procedure Law No. 213, the Activity Reports of the Revenue Administration, and the Circular and Circulars on e-Invoice were taken as the primary source in the study. The conclusion part of the study includes a general evaluation about the e-Invoice application. In this sense, it provides a collective perspective to the e-Invoice application.

2. Definition of E-Invoice

E-Invoice is an electronic document, the data format and standard of which is determined by the Revenue Administration (RA). The information required to be included in an invoice as per the Tax Procedure Law (TPL), and the transmission between the seller and the buyer is carried out over a central platform (Doğan, 2014: 281)

3. Historical Development of E-Invoice

The first research of the Revenue Administration within the scope of e-Invoice application was the pilot project called Electronic Invoice Registration System in 2008. In this context, EIRS application has started with 5 companies operating in the telecom sector and 1 company operating in the gas distribution sector. At this point, the number of taxpayers benefiting from this application has reached 321,720 people by 2020 (RA, 2008-2020 Annual Reports).

The e-Invoice application was officially launched in 2010. The number of registered users, which was 114 people at the beginning, increased continuously and rapidly in the following years and reached 332,400 taxpayers in 2020 (RA, 2008-2020 Annual Reports).

In 2016, e-Archive Invoice application became mandatory (See, TPL General Communique no. 433). In the last 5 years, the number of e-Archive Invoice users has gradually increased steadily. While the number of taxpayers benefiting from the e-

Archive Invoice application was only 6,161 people in 2016, this number increased to 321,700 people as of 2020 (RA, 2016-2020 Annual Reports).

Export e-Invoice has become mandatory in 2020 (see. TPL General Communique with sequence no 421; TPL General Communique with sequence no 454; TPL General Communique no. 509). An e-Invoice can also be issued for goods along with the passenger. For this, it is necessary to register in the e-Invoice system first. This invoice process is carried out in order to be able to refund VAT to passengers who don't reside in Turkey (RA, e-Invoice Application Customs Procedures Manual, 2018).

In 2017, the Republic of Turkey Social Security Institution (SSI) was included in the e-Invoice system. Therefore, taxpayers registered with the electronic invoice application will be able to send their invoices to SSI electronically as of October 2017 (RA, SSI e-Invoice Application Guide, 2017).

A recent innovation in the e-Invoice application is the Public e-Invoice. E-Invoice can be issued and sent via the RA e-Invoice Application on behalf of public administrations and their affiliated spending units that use the New Expenditure Management System (EMS), which is within the scope of the central government and developed by the General Directorate of Accounting and Financial Control (GDAFC) (RA, PUBLIC E-Invoice Technical Manual, 2021).

4. The Legal Basis of E-Invoice

Firstly, it is organized by the General Communique on the Tax Procedure Law with the General Communique on the Electronic Document of the invoice as an electronic document, to be transmitted in electronic environment and to be retired in an electronic environment.

Then, the General Communiques numbered 421, 433, 443,454, 475, 509 and 526 of the Tax Procedure Law and the Circular no. 58 of the Tax Procedure Law were published. Among these, the General Communique of VUK No. 509 published in the Official Gazette dated 19.10.2019 and numbered 30923 is extremely important. With this Communique, integrity has been ensured in electronic document applications in order to ensure that all parties are informed from a single source.

In this context, with the entry into force of the Communique, respectively; VUK General Communiques no. 397, 421, 433, 454, 462, 463 and 487 have been repealed. The most recently published General Communique no. 526 of the VUK and the Communique no. 509; Changes have been made in the sections titled obligation to transition to e-Invoice application, transition period to e-Invoice application, e-Archive Invoice.

5. Preservation and Submission of E-Invoice

Within the scope of the related articles of the TPL, taxpayers are obliged to keep the invoices, whether they are issued in their names or they are prepared, within the legal period and submit them when requested (Akyol, 2010: 1-6).

In this context, RA published the e-Invoice viewer user guide in 2015 September to assist taxpayers (http://www.ebelge.gib.gov.tr). E-Invoice taxpayers must first check each e-Invoice issued on their behalf with the e-Invoice viewer. In order for the institution that will provide electronic invoice storage service to obtain custody permission, it must first obtain permission to use the e-Invoice application with the integration method. Institutions that have obtained a special integration permit will also be able to apply for an e-Invoice storage permit.

5. Liability and Penal Actions in E-Invoice

Liability and penal sanctions regarding taxpayers benefiting from the e-Invoice application are explained in the General Communique no. 509.

Penalties stipulated in the Law are applied to taxpayers who have obtained permission within the scope of the practices subject to this Communique, and those who issue documents in violation of the procedures and principles set forth in this Communique and the guidelines in which the practices subject to this Communique are explained.

E-Documents that are not prepared in accordance with the procedures and principles set forth in this Communique, as well as the format and standards set in the technical guides, are not considered as documents issued within the scope of the Law.

Taxpayers must comply with the procedures and principles set forth in the Law and other relevant laws and regulations on matters not specified in this Communique, especially the deadlines, while issuing documents that are allowed to be issued electronically in this Communique.

6. E-Invoice Application Options

6.1. Application via E-Invoice Portal

Developed for situations where appropriate computer technology is not available, the e-Invoice Portal provides the desired functions of the application.

6.2. Application through The Integration of Information Processing Systems

For this, taxpayers should apply according to the guide published on the internet address “http://www.ebelge.gib.gov.tr”. After the delivery of the financial certificates and passwords, the application documents for the integration method must be filled and sent to the Revenue Administration (RA, e-Invoice Application Integration Guide, 2018).

6.3. Application via Private Integration

If the taxpayers registered with the e-Invoice application want to use the e-Invoice application through a private integrator, they must make a contract with the taxpayers who have obtained a private integration permit on sending and receiving e-Invoice.

7. Conclusion

As a natural result of digitalization, the invoice, which is the most important commercial document of commercial life, has been transferred from the traditional paper environment to the digital environment. This process first started with a pilot project in 2008. On this date, RA switched to Electronic Invoice Recording System. Then, in 2010, the e-Invoice application actually started and its scope was expanded to include e-Invoice applications; e-Archive Invoice, Export e-Invoice, Passenger accompanying goods e-Invoice, SSI e-Invoice and finally Public e-Invoice have been added.

The use of e-Invoice has been increasing rapidly every year in the 12 years since the e-Invoice application came into effect. Although the legal basis of the e-Invoice application is the TPL General Communique no. 397 (roof communique), many Communiques that amend this Communique have been published over time. In this way, the e-Invoice application is developed and rearranged in line with the needs. With the latest TPL General Communique no. 509, many communiques were combined and with the General Communique no. 526, changes were made regarding the obligation to switch to the e-Invoice application, the transition period to the e-Invoice application, and the e-Archive Invoice.

E-Invoice must be kept and submitted like a paper invoice. Otherwise, penal liability and some sanctions are foreseen. Regarding these, detailed arrangements were made in the general communique no. 509.

There are e-Invoice application options for the convenience of taxpayers. In this context, three different application options are foreseen. As a result, the E-Invoice application has emerged as a digital solution that eliminates the difficulties experienced in the traditional invoicing process. With the new application, all invoicing processes will be carried out electronically. Therefore, all transactions related to invoice creation, sending, storage and presentation will be done without using paper. In this way; It is aimed to reduce costs, increase efficiency, save time and significantly reduce paper usage. The archive cost of e-Invoice will also be incomparably lower.

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The Middle-Income Trap and Fiscal Policy in Two Extremes: Cases of Argentina and Uruguay

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Abstract

Economic growth, development and increasing the level of income are certainly among the main macroeconomic goals of the countries. However, while many countries increase their income levels, the rate of increase in income levels sometimes slows down, stops or even declines over time. Countries that are stuck at a certain income level (in the middle-income group) for a relatively long time might also be in the middle-income trap.

According to the World Bank's country classification by income level, there exists three main income groups: high, middle and low. Additionally, World Bank divides the middle-income economies into two subgroups: lower-middle and upper-middle. The type of income in this classification is the Gross Domestic Product per capita.

Countries generally exhibit pass-through characteristics between these income groups. However, some countries such as Uruguay and/or Argentina, stuck in the middle-income group for a relatively long time after transitioning from the low-income to the middle-income group. Uruguay holds this record by remaining in the middle-income group for 142 years, for instance. But, it is classified as high-income country by the World Bank as of 2021. In a similar vein, Argentina has been classified as a middle-income country[3] for a relatively long time with often having a quite turbulent economy.

In this context, it can be stated that the countries which fail to reach at the high-income level by getting stuck in the middle-income level for a relatively long time after jumping to the middle-income group can be considered as in the middle-income trap.

As a matter of fact, the concept of middle-income trap is simply defined as the failure of a country in the middle-income group to move to the high-income group by not being able to continue the rapid growth trend due to various economic, human and institutional factors that create negativity after it has risen to the middle-income countries group as a result of the rapid economic growth trend it has caught. This situation presents a kind of vicious circle.

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[3] It's been more than 70 years since Argentina crossed the middle-income threshold for the first time.

There are many approaches to testing whether a country is in the middle-income trap. One of these methods is the Robertson and Ye approach developed by Robertson and Ye (2013).

In this approach, in the most basic sense, stationarity analysis (unit root test(s)) is/are to be applied to the serial (series) (difference serial (series)) obtained by subtracting the natural logarithm of the GDP of the examined country(s) from the natural logarithm of the GDP of the United States of America. In the simplest sense, if the mentioned serial (series) is/are found to be stationary as a result of the unit root test(s), it is concluded that the examined country(s) is/are in the middle-income trap.

In this sense, this study aims (i) to test if Argentina is in the middle-income trap as of 2021, (ii) to detect how Uruguay achieved to move into the high-income group, (iii) to determine the roles of the fiscal policies of these countries in their experiences and (iv) to make policy implications for the past and the future both specific to the experiences of the examined countries and in a general sense.

In order to achieve above-mentioned aims, above all, we plan to apply various unit root tests consist of: ADF, PP, KPSS unit root tests without structural break; Zivot & Andrews (ADF Test) and Lee & Strazicich (LM Test) tests that allow for one break at the level; Narayan & Popp (ADF Test), Lee & Strazicich (LM Test), Carrion-i-Silvestre & Sanso (KPSS Test) tests with two structural breaks, in level and trend; Zivot & Andrews (ADF Test) and Lee & Strazicich (LM Test) tests with one break in level and trend; Narayan & Popp (ADF Test), Lee & Strazicich (LM Test), Carrion-i-Silvestre & Sanso (KPSS Test) with two breaks in level and trend, and finally, Fourier unit root tests are included: Enders & Lee (Fourier ADF Test), Rodrigues & Taylor (Fourier GLS Test); Becker, Enders & Lee (Fourier KPSS Test) that predict fixed models; Enders & Lee (Fourier ADF Test), Enders & Lee (Fourier LM Test), Rodrigues & Taylor (Fourier GLS Test), Becker, Enders & Lee (Fourier KPSS Test) with constant and trend models. Moreover, we plan to analyze the portrait primarily from the fiscal policy perspective and make policy implications with the analysis of the past.

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Price Discrimination by Gender in Consumer Products: Pink Tax Tendency in Turkey

Ömer Batuhan Beşirli[1] **Arınç Boz**[2]

Abstract

The purpose of this study is twofold. Firstly, we aim to examine the conceptual and theoretical framework of the pink tax. In this context, we also observed trends in the literature regarding the pink tax. Secondly, we compared the prices of men's and women's products that we collected from various shopping sites in order to analyze the aforementioned trend in Turkey. Data obtained from various shopping sites, including 300 products, comprising 150 female products and 150 male products, which are priced differently for male and female consumers in Turkey, have been categorized and a price comparison has been made among genders. In 17 of the 21 categories reserved by us, while the prices of products for women's consumption are higher than men's, adult trousers, adult t-shirts, and adult and children's socks have higher prices for men's products. According to the results obtained within the scope of the research, it is found that women's products are put on the market at prices 7.4% higher than men's, on average. Therefore, we have determined pricing that may be to the disadvantage of women in Turkey as well as in the literature.

Keywords: Pink Tax, Price Discrimination By Gender, Gender Inequality, Online Shopping Sites.
JEL Code: J16, J19, L19

1. Introduction

One of the important economic problems of our age is depicted as economic inequality among genders. In this context, it is observed that women working in similar jobs with men earn less, especially in terms of wages. Lack of appropriate education, heavy burden of housework, low-skilled jobs, and gender stereotypes are cited as reasons for this. In addition, women can earn less than men even when they overcome all these social, economic, and psychological disadvantages and work in highly skilled jobs (Yazıcıoğlu, 2018: 1).

In addition to the disadvantages they face in terms of income, women also face similar obstacles in terms of consumption. In social and economic contexts, women who are impeded on an equal opportunity may face higher prices for various goods and services than men. This situation is defined as 'pink tax' in the literature. The pink tax phenomenon refers to the fact that products available on the market, especially for women, are more expensive than those for men. In the relevant context, women who are exposed to price discrimination may be at a disadvantage in terms of consumption compared to men (Yazıcıoğlu, 2018: 7).

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In this context, the aim of this study is to examine the price discrimination of similar products for men and women. Therefore, we observed the pink tax trend in the light of the data collected to make the comparison on the online shopping site. Thus, this study stands out as the first study to examine pink tax trends for Turkey.

2. Conceptual and Theoretical Framework

The pink colour represents women internationally. The emergence of the pink tax phenomenon is not a coincidence, as it is considered a colour that depicts women. In this context, pink and similar colours are used in products that appeal to women, because both they attract more attention and are globally accepted (Yazıcıoğlu, 2018: 9).

The price differentiation encountered between genders was firstly used in daily life under the name of the pink tax. The aforementioned phenomenon has started to be pronounced as the women and rose tax in some quarters. In the relevant context, the concept has started spreading, especially thanks to mass media and social media.

3. Literature Review

After being used in daily language, the pink tax has also been the subject of academic studies and has become the source of many studies. Firstly, it has been observed that the conceptual and theoretical framework of the pink tax has begun to be drawn in the literature. In addition, it has been legally analysed and the interventions of the state, especially on feminine hygiene products, have been discussed (Jacobsen, 2018). In the relevant literature, it is accepted that the pink tax is not a legal tax, but is economically equivalent to the consumption tax (Yazıcıoğlu, 2018). It has also been discussed in the literature why women are exposed to higher prices than men for similar products. Therefore, the effects of age and marital status on women's consumption habits have been examined. In addition, it is considered that educational background and television habits also affect price discrimination (Habbal, 2020: 7).

When the economic analysis of the pink tax is examined, the low demand elasticity of women against some products is shown as the most important reason for price differentiation (Rahmani et al., 2019: 819). As mentioned in the economics literature, this type of price differentiation is accepted as usual for goods and services where demand elasticity is low.

4. Methodology And Results

In the study, data obtained from various shopping sites, including 300 products, comprising 150 female products and 150 male products, which are priced differently for male and female consumers in Turkey, have been categorized and a price comparison has been made among genders. The products are classified into four main categories: adult products, children's wear products, personal care products, children's

toys and accessories. Clothing products are divided into sub-categories such as trousers, t-shirts, shoes, bathrobes, socks, pajama sets, and backpacks. Personal care products are classified as shampoo and hair care creams, shaving foams/gels, razors, perfumes, and surgical masks. Children's toys and accessories are examined as bicycles, scooters, and battery-powered cars, general toys, baby toys, and backpacks. The prices of 18 brands are reviewed within the scope of the study. The products whose prices are compared are considered to belong to the same brand, be sold by the same seller, have the same dimensions and weights, and the products have been examined on a specific day to prevent price variation between days. In addition to this situation, as stated in Paoletti (2012), pink products are considered to belong to women and blue products to men. Accordingly, the products are matched with women if they are pink and with men if they are blue.

According to the results of the study, in 17 of the 21 categories reserved by us, while the prices of products for women's consumption are higher than men's, adult trousers, adult t-shirts, and adult and children's socks have higher prices for men's products. It has been observed that shaving foams and gels among products sold to women are 39% more expensive than men's products. This difference is followed by bathrobes with 31%. The product that men encounter with the highest prices compared to women is adult socks with 16%. According to the results obtained within the scope of the research, it is found that women's products are put on the market at prices 7.4% higher than men's, on average.

Women may be subject to inequality in terms of consumption as well as in terms of wages compared to men. This study aims to examine 300 consumer products in order to investigate price differentiation between genders. When examining the products, they are divided into four main categories. The examination is carried out on the same products through various websites of brands serving in Turkey. According to the research findings, the highest price discrimination against women is shaving foam/gel. The product that men encounter with the highest prices compared to women is adult socks. In addition to this result, among the products examined, it is observed that the prices of women's products are on average 7.4% higher than those of men.

Consumer products are sold not only on the internet. Conducting the researches planned for the pink tax in the future on the field may contribute to increase the diversity of the results obtained on this subject. In addition, the literature on the reasons for price differentiation and the increase in the number of such studies in various countries, especially in Turkey, will be helpful.

5. Conclusion

Women may be subject to inequality in terms of consumption as well as in terms of wages compared to men. This study aims to examine 300 consumer products in order to investigate price differentiation between genders. When examining the products, they are divided into four main categories. The examination is carried out on the same products through various websites of brands serving in Turkey. According to the research findings, the highest price discrimination against women is shaving foam/gel.

The product that men encounter with the highest prices compared to women is adult socks. In addition to this result, among the products examined, it is observed that the prices of women's products are on average 7.4% higher than those of men.

Consumer products are sold not only on the internet. Conducting the researches planned for the pink tax in the future on the field may contribute to increase the diversity of the results obtained on this subject. In addition, the literature on the reasons for price differentiation and the increase in the number of such studies in various countries, especially in Turkey, will be helpful.

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Is It a Myth or Reality? A Critical Look at the Debt-trap Diplomacy of China

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Abstract

The Belt and Road Initiative project of China has been receiving some criticisms on both economic and geopolitical manners. According to them, China aims to dominate debtor countries by giving huge loans that they cannot handle and outmaneuver its rivals economically and geopolitically. Yet, on the other hand, some advocate that China is pursuing its economic interests and blooming economic ties among member countries within the context of the Belt and Road Initiative. We, therefore, investigate whether China aims to ensnare countries and seize debtor countries' assets by driving them into higher debt repayments. In doing this, we benefitted from The China Global Investment Tracker showing approximately 3,500 transactions along with different sectors, as well as the extant literature including a two-way approach to understand how China managed the process of Belt and Road projects. However, China does not properly report the terms and conditions of credits provided under the Belt and Road Initiative. This requires further data collection and matching puzzle pieces of both literature and data extracted from the tracker and other available sources. Overall, it is possible to identify one key finding: claims regarding China's Belt and Road project seem futile, that is, no "economic statecraft" has been detected, but should be tracked in the medium- and long-term period as the concept of Belt and Road Initiative is rather new and remains tentative.

Keywords: China; Belt and Road Initiative; Foreign Investment; Silk Road

JEL Code: F02; F5; F21

1. Introduction

In the developing world, countries have been using their excessive financial resources to achieve some purposes. Those purposes may well be political, economic, or military. In this regard, The Belt and Road Initiative (BRI) projects of China sparked increasing debate among academics and researchers. China's projects with this initiative are associated with debt-trap diplomacy, which has long been discussed within the framework of achieving the implicit geopolitical interest of China.

Although China's investment funding in developing countries started in the 2000s, BRI was first seen as a way out for China's unsustainable economic growth since 2015. The export-oriented growth model was providing China to generate export surplus enabling the Chinese government to pay its debt-fuelled investment. The BRI, therefore, is explained by economic motivations at first sight. However, some cases such as Sri Lanka and Malaysia have been identified as China may have a secret

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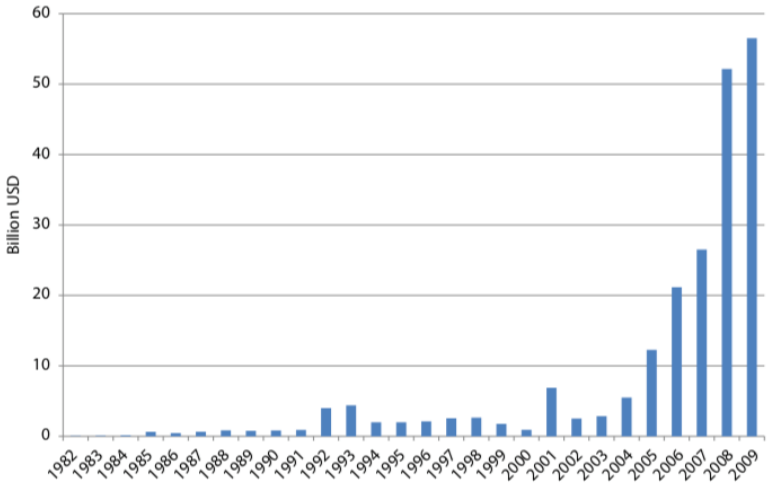
blueprint on delivering the funds to developing countries to establish Chinese hegemony and make these countries more dependent on China.

An investigation on whether China tries to carry out its secret blueprint by seizing and forcing countries through higher debt that borrower countries cannot meet would be important in understanding the current and future economic, geographical and possible military purposes of China. In this sense, the purpose of this memorandum is to conflate thoughts and views related to China's Belt and Road Initiative by looking at the extant literature and comparing them with current data and developments.

2. A Glance at the Root of the Problem

China has been constantly funding the world since the early 2000s, as stated in Figure 1 below. This process, however, began with China's "go-out" policy lasted until the end of 2009 (Wenbin & Wilkes, 2012: 1). Afterwards, the policy continued under Belt and Road Initiative (hereafter BRI). The aim was to provide capital for economic development in countries where infrastructure and construction sectors are needed to be funded. However, this lending-borrowing spree has been interpreted differently among Western countries and seen as an "economic statecraft".

Figure 1. China's overseas investment flows, 1982-2009 (billions in US$)

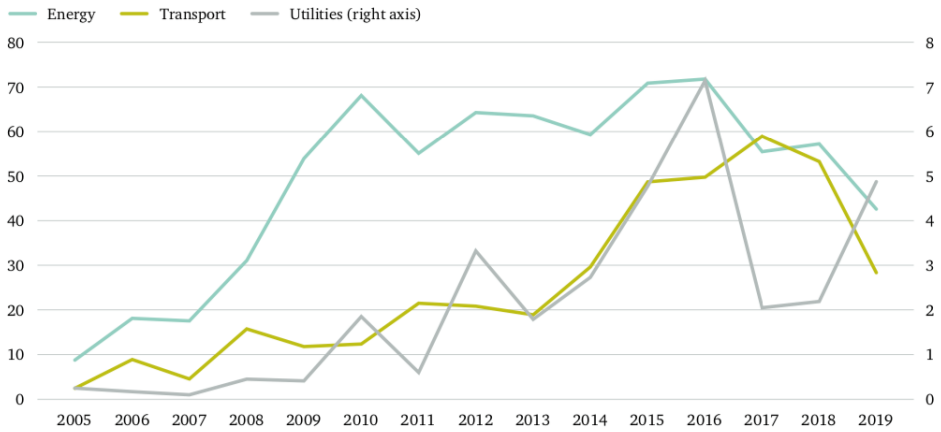


Source: Compiled by Wenbin & Wilkes (2012) depending upon UNCTAD data for 1982-2002.

The BRI project was first defined in 2013, aiming at connecting Eurisa and improving the economic relationship among member countries (Lai et al., 2020). The excessive funding of China started with its "go-out" policy and continued under the BRI with various projects (as shown in Figure 2 below) has made the country a prominent actor in regions where it lends and caused to be accused of using economic tools as a weapon against borrower countries. However, the motivation of Chinese funding was fundamentally dependent on its export-led growth model, which force the country to

sustain its economic growth depending on surpluses generated by its export-related repayments. The economic growth was such that 10% during the 2000s, while it is 7% since 2015 (Jones & Hameiri, 2020). Therefore, China was aiming to stimulate external demand for its capital that enable the country to sustain its desired economic growth.

Figure 2. China's overseas investment flows, 2005-2019 (billions in US$)



Source: American Enterprise Institute (2019), as cited in Jones & Hameiri (2020, p.6).

Various approaches have been proposed to analyze whether China aims to carry out its geopolitical strategies through aggressive lending. On the one side, some advocate that the BRI is a recipient-based project and serves a purpose that suits pursuing economic projections of BRI countries. For instance, according to Jones and Hameiri (2020), the BRI has been managed by economic interests but has been a source of problem due to the lack of enough capability of both sides of the contract. Similarly, Gelpern et al. (2021) examines 100 debt contracts of China, 90% of which comprises economic concerns, and concludes that the project is driven by economic motives, guaranteeing China against default risk. On the other side, some propose that China is following a strategy that makes debtor countries dependent on the Chinese government, which enables China to have an undue influence on them. This is well discussed under the aforementioned "debt-trap diplomacy" notion. An example to this might well be the analysis of Parker (2018). The author looks at the issue from US interests point of view. According to the author, the excessive funding of China is threatening the hegemony of the US in regions where China lends.

Two extreme examples are making the BRI disputable: Sri Lanka and Malaysia. Sri Lanka's Hambantota port is leased by China in exchange for $1.1bn when Sri Lankan government could not service its debt received for the construction of the port. At the very beginning, the required fund is demanded by Sri Lankan government, not forced by China. Currently, 70% of the stake of the port is leased by China and the port is operated as a Public-Private partnership. Sri Lanka still owns the port's ownership and pays its other debts and increases foreign reserve with rental revenue of the port. As

Gangte (2020) stated, Sri Lanka's debt to China is around $3.85bn, which is 5.5% of the country's total debt.

As in Sri Lanka, Malaysia agreed to carry out a couple of projects with Chinese loans. Many Malaysian projects, however, were already made before BRI is realized and all the projects were initiated by the Malaysian government. These two controversial examples have been excessively shown as a secret blueprint of China to dominate debtor countries economically and strategically. However, claims seem futile and not enough for such an inference. As Jones and Hameiri (2020) pointed out, Malaysian and Sri Lankan debt defaults mainly stemmed from their weak macroeconomic management and Western-dominated financial markets. As the problem has far-reaching implications, one should also look at the other financial transactions and ongoing domestic macroeconomic policies of countries to avoid bias towards Chinese credits, which are supposed to be the ultimate source of default.

Nonetheless, China's expanding global influence on developing countries is attracting considerable interest due to this dual focus on the potential purposes of the Chinese government. A key problem with much of the literature regarding whether China aims to advance its geostrategic interests is largely based on very limited data. This study, thus, takes an alternative look at the current discussions and aims to point out the relative importance of Chinese credits for Turkey's future economic and foreign policy. The newly signed $3.4bn swap agreement with China, however, has been well interpreted as Chinese funding for the Istanbul Canal project. Additionally, $5.8bn has been funded by China, $3.19bn of which for the energy sector.[2] There are continuous gas pipeline and railroads projects as well as an economic corridor within the context of BRI in Turkey[3]. This has resulted in increased attention to the BRI by academics and columnists as it could potentially cause a debt sustainability problem and other problems that Turkey may incur in the future.

2.1. What is Puzzling?

It remains puzzling that how China conducts the BRI project and would maintain the persistence of the project, though many doubts rise among Western partners. In this regard, some questions regarding the nature of the BRI are needed to be considered to make a more thorough analysis. For instance, one may ask that Why/How China has been steadily increasing its role in the region? Singh (2020) substantiates the nature of the BRI from both debtor-creditor sides. The author states that the BRI has been underpinned by some major countries (e.g., Singapore, London, Hong Kong), thereby providing an infrastructure for financing BRI. The project could be well used for the benefit of all parties involved.

Another question might be that why Western countries did not prevent alleged Chinese hegemony if they define it as a threat against debtor countries' sovereignty?

[2] Data have been taken from The China Global Investment Tracker. Retrieved from https://www.aei.org/china-global-investment-tracker/

[3] As Global China Inc. Tracker. shows, retrieved October 10, 2021, from https://merics.org/en/tracker/mapping-belt-and-road-initiative-where-we-stand

Well, many African countries were already struggling with excessive debt borrowed from Western financial markets. As previously stated, this should also be taken into consideration while investigating the failure of debtor countries.

China was relatively providing the most expensive loans compared to others. Given that the BRI project was carried out by China Development Bank (CDB) and EXIM Bank of China, which are mainly profit-oriented state-owned enterprises, it is natural to offer credit with higher interest rates as China is the major provider in the region. Although China's BRI project is still disputable and has been justified by the engaged literature neither as economic statecraft, nor a pure economic miracle of China; it has been well documented that funds requested by some African countries have only been evaluated and provided by China, not by the IMF, World Bank or developed economies in the region like Japan due to social and economic concerns that may end up with default in debtor countries. The reason behind higher interest rates might also well be those factors.

3. Conclusion

The BRI will likely be a matter of hot debate in upcoming years as Chinese overseas lending expands across Asia, the Middle East, Africa, Europe, and Eurasia. If BRI countries struggle to honor their debts and become vulnerable to Chinese influence, it may harm the bilateral economic relationship between Turkey's trading partners and other countries in regions where they have a large trade capacity with each other. This may even exacerbate ongoing economic and political problems among partners. Especially from the developing countries' point of view, countries having huge credit payments to China would be exposed to sovereign default, which, in turn, make them barely find new financing sources in the international markets. This may lead to a political and economic disaster in these countries. If BRI aims to achieve regional and global development, this may well contribute to global trade and welfare. But the problem is, how could a partnership be set in a bipolar world?

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Additional Fiscal Obligations in Customs Transactions in Terms of Investment Incentive System

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Abstract

Customs duties are expressed as taxes collected from goods imports and exports. Customs duties consists of customs duty, equivalent effect taxes, and other fiscal obligations. Additional Fiscal Obligations, as a foreign trade policy tool, it is taken from the goods imported from some countries. Whether these obligations are customs duty is a matter of debate in the literature. Different definitions in primary and secondary legislation and therefore different approaches by administrations cause confusion. Due to these different approaches, there are disputes as to whether the exemptions and exceptions applied within the scope of the investment incentive system also apply to additional financial obligations. Taxes which cannot be expressed as customs duty, to collect from goods with investment incentive certificates affects investments negatively. In this context, it is considered necessary to solve the problem with the amendment of the legislation and to grant an exemption to additional financial obligations in the investment incentive application. Thus, disputes to customs transactions will not be subject and the objectives determined in the investment incentive system will be achieved.

Keywords: Customs Duties, Investment Incentive System, Additional Fiscal Obligations

JEL Code: E22, H20, K34, K40

1. Introduction

States carry out foreign trade activities through customs areas where their sovereignty begins. In this scope, they exercise their authority through taxes and other fiscal obligations and generate an important source of income. Taxes subject to foreign trade, namely customs duties, have an important share in budget revenues and are collected for reasons such as regulation of foreign trade and income to the treasury. Fiscal obligations taken within the scope of trade policy measures are taken when certain conditions are met in order to reduce the negative effects of imports (Selen, 2020: 154).

Customs duties are defined as taxes collected from goods imports and exports. These taxes include customs duty, taxes with equivalent effect and other financial obligations. Under the foreign trade measures, various obligations are imposed on the goods imported from some countries as additional fiscal obligations. The legal attribute of these obligations and their statuses as customs duty are a matter of debate in the literature. However, it is stated that these obligations have a different attribute compared to tax-like fiscal obligations. Different approaches of the

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administrations regarding that whether the said obligations are included in exemptions and exclusions that are granted to the investment incentive certificate also cause some problems. Different transactions made under similar situations cause disagreement and require some regulations to be issued to resolve these. In this study, after being explained to the concept of additional financial obligation, which is one of the taxes levied on customs procedures, the scope of the additional fiscal obligations collected from customs transactions in terms of investment incentive system, their legal basis, the difference from tax-like fiscal obligations, effects on foreign trade transactions and results shall be reviewed in comparison with legal provisions and judicial practices.

2. Additional Fiscal Obligation Concept

Additional financial obligations are obligations other than taxes and similar obligations imposed by the President on import, export and other foreign trade transactions in order to ensure that foreign trade is beneficial to the country's economy. These obligations are regulated within the framework of the Law No. 2976 on the Regulation of Foreign Trade (Şahin, 2019: 117). Apart from the additional financial obligations, additional financial obligations can be added under the name of funds, shares and deductions. According to Article 167/2 of the 1982 Constitution, with the authority to impose financial obligations, the President can impose additional financial obligations through different laws. Tobacco Fund, Mass Housing Fund, Resource Utilization Support Fund are specified as additional financial obligations applied within the powers given to the administration by different laws (Uyanık, 2020; 147).

Although additional financial obligations are technically not different from taxes, duties, fees and similar financial obligations, they are regulated in the constitution apart from such obligations. Taxes, tax equivalents, and additional financial obligations are obligatory, that is, based on public power. Detection of additional financial obligations is more difficult than tax equivalents. It is difficult to understand what is the annex of these obligations and why the annex is put by the executive while the main obligation is put by law (Oktar, 1996/1997: 185).

The application procedures and principles of additional financial obligations are specified in the Decision No. 9073, dated 2016, on Adding Additional Financial Obligation to Coal Imports. According to the said Decision;

- *"Additional financial obligation are collected separately from customs duties and other financial obligations on imports by the customs administrations and recorded as revenue in the general budget.*
- *In the collection of additional financial obligation, the provisions of the Law on Collection Procedure of Public Receivables dated 21/7/1953 and numbered 6183 are applied.*
- *The provisions of the Customs Law dated 27/10/1999 and numbered 4458 and other relevant customs legislation regarding the procedure and form regarding the assessment, accrual, collection, refund, follow-up and securing of the customs duty, assessment and accrual of the additional financial obligation to be applied within the*

scope of this Decision, It is also applied in the collection, return, follow-up and securing transactions".

There are three different applications for additional financial obligations. The first one is the additional financial obligations implemented in our country with the Protection Measures Legislation in Import. For example, the Decision on the Implementation of Safeguards in the Import of Yarns Made of Nylon or Other Polyamides is evaluated within this scope. The second is the additional financial obligations taken on the basis of reciprocity. For example, additional financial obligations collected in the importation of goods originating from the USA are within this scope. The third is the additional financial obligations applied in cases where the European Union deviates from the customs union practice. The EU imposes lower customs duties on goods originating from Bangladesh, Bolivia, Cape Verde, Indonesia, India, Cambodia, Mongolia, Pakistan, Paraguay, Sri Lanka, Ukraine and Vietnam. In accordance with the Decision on the Collection of Additional Financial Obligation for the Import of Certain Products, dated 2018 and numbered 11799, our country collects additional financial obligations from the goods originating from the said countries imported through the EU. For example, 12% customs duty is applied when importing a textile product of Indonesian origin into our country, while a 9.6% customs tax is charged for the import of the same goods to the EU. In case the textile product is imported to our country within the scope of A.TR Movement Certificate, a compensatory tax of 2.4% is collected as an additional financial obligation with the relevant Decision (Uçak, 2019).

3. Investment Incentive System

Investments, which are of great importance for countries to realize their economic growth and development, are one of the subjects that are always discussed and researched in the literature. In this context, both the private sector and the public sector are supportive of investment expenditures in countries. However, the cost of investments made by the public sector is covered by taxes. However, it is not enough to meet the investments made only by the public sector, and private sector investments are also necessary for the economy. Therefore, the necessity of encouraging investments by the public sector arises because the investments have a certain cost and risk and provide more returns in the long period (Sevinç vd., 2016: 526).

The Investment Incentive System in Turkey is implemented within the framework of the Decision on State Aids in Investments dated 2012 and numbered 3305. With this system, it is aimed to transform savings into investments with high added value, to increase production and employment, and to reduce regional development disparities in line with development plans and annual programs. In this context, the system consists of 4 different applications. These; They are listed as General Incentive Practices, Regional Incentive Practices, Priority Investments Incentive, Strategic Investments Incentive (Sanayi ve Teknoloji Bakanlığı).

4. Additional Financial Obligations in the Investment Incentive System

There are various support elements in the investment incentive system. These; VAT Exemption, Customs Duty Exemption, Tax Deduction, Insurance Premium Employer's Share Support, Income Tax Withholding Support, Insurance Premium (Worker's Share) Support, Interest or Profit Share Support, Investment Place Allocation and VAT Refund (Sanayi ve Teknoloji Bakanlığı). However, in the imports made by benefiting from the customs duty exemption based on the investment incentive certificate, the Customs Administration makes additional assessments on the grounds that the additional financial obligation is not customs duty and is not exempted in this context. In accordance with Article 234 of the Customs Law, it imposes a three-fold penalty (Ergin, 2020). In addition, if the certificate of origin, which certifies that a product does not originate in the countries where the measure specified in the Decision is applied, is not submitted within the scope of investment incentives, additional financial obligations are imposed, accrued and collected according to Article 38 of the Customs Regulation, and an administrative fine is imposed. Assessments made according to the regulation, constitute a violation of the principle of legality in tax and punishment unless a legal regulation is made (Şahin, 2019b).

The General Directorate of Customs, with its article dated 13.11.2019 and numbered 48900138, said, "*Relating to the subject, in the article dated 06.09.2018 and numbered E.9 received in response to our article addressed to the Ministry of Industry and Technology, upon the petitions sent to our General Directorate by various companies, It has been stated that there is no exemption for additional financial obligations, since only customs duty and VAT exemption are regulated for import transactions in the Decision on State Aids in Investments dated 2012 and numbered 3305. In this respect, it is not possible to apply an exemption from the additional financial obligation in import transactions within the scope of investment incentives, considering the fact that the additional financial obligation cannot be considered as a customs tax, since only the customs duty to be paid pursuant to the Import Regime Decision is granted within the scope of the relevant legislation.* It continued the same opinion in his article dated 29.06.2020 and numbered 55276730.

Looking at the Decision No. 3305, which regulates the Investment Incentive System; Customs duty exemption is regulated for imports made within the scope of investment incentive certificate. However, the scope of the customs duty exempted is not defined. For this reason, it is necessary to examine the Customs Law and relevant legislation in order to determine the scope of the exemption. According to paragraph 3/8 of the Customs Law; *The term "customs duties" means all of the import duties or export duties applied to the goods in accordance with the relevant legislation.* In addition, in paragraph 3/9 of the said law*; It is stated that "import duties, customs duty to be paid on the import of the goods and other taxes and financial burdens with equivalent effect, taxes and other financial burdens to be collected on imports within the framework of agricultural policy or special regulations applied to some products obtained as a result of processing of agricultural products".* When we look at the Customs Reconciliation Regulation on the subject, it is seen that one of the elements

specified within the scope of customs tax is Additional Financial Obligation. Thus, additional financial obligations are included in the scope of customs tax according to the provisions of the Customs Law and Customs Reconciliation Regulation. Therefore, it is considered necessary that the additional financial obligation, which is a kind of customs tax, should also benefit from the customs duty exemption granted to the investment incentive certificate (Ergin, 2020).

Since the Customs Administration does not include additional financial obligations within the scope of customs tax, the authority to determine whether additional financial obligations are included in the scope of customs duty exemption for goods with investment incentive certificates is left to the Ministry of Industry and Technology, which regulates the incentive legislation. If the Ministry also has the same opinion as the Customs Administration, a new Presidential Decree can be issued on which investments should not include these additional financial obligations within the scope of the investment incentive certificate, and a solution can be made to the issue (Arıoğlu, 2020). In the Presidential Decision dated 22.06.2021 and numbered 31519, it is stated that the imports to be made exempt from customs duties within the scope of Article 167 of the Customs Law No. 4458 titled exemption and exception from customs duties will not be subject to additional financial obligations. As is the case here, an exemption from additional financial obligation can be brought with a new decision on investment incentives. In addition, it is stated that the procedures and provisions subject to customs duty will be applied regarding the additional financial obligation. In this context, additional financial obligation is open to be evaluated within the framework of customs tax. These problems need to be eliminated in order to improve the investment environment. Therefore, reducing the financial burdens on investments for which investment incentive certificates are given will positively affect the investment decisions of investors.

5. Conclusion

Customs duties consist of customs duty, taxes with equivalent effect and other financial obligations. Taxes and similar obligations are set by article 73 of the 1982 Constitution. Additional financial obligations, on the other hand, are imposed by the President with the authority given by Law No. 2976, pursuant to Article 167 of the 1982 Constitution. This situation leads to the discussion of additional financial obligations in terms of the principle of legality of tax, which is one of the taxation principles. In addition, the additional financial obligations applied in imports with the President's Decision based on the authority in the Law No. 2976 are within the scope of customs duty according to the provisions of the Customs Law and secondary legislation.

The Customs Administration states that the additional financial obligation within the scope of the investment incentive certificate is not customs duty and is not exempted. This situation causes the administration to make additional assessments. When the Decision No. 3305 is examined, the definition of customs duty is not made in the customs duty exemption. In this case, when we look at the Customs Law, it is

stated that customs taxes mean all of the import or export taxes applied to the goods. In addition, additional financial obligations are evaluated within the scope of customs tax in the Customs Reconciliation Regulation.

As a result, it is necessary to re-evaluate the issue of taking additional financial obligations, which cannot be considered as customs duty, from the goods within the scope of investment incentives. In addition, the inability of the Decision No. 3305 to cover taxes with different names can also create problems. Therefore, revising the regulations regarding additional financial obligations and thus making regulations on exemption from additional financial obligations will play an important role in the resolution of disputes that arise.

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1953 tarih ve 6183 sayılı Amme Alacaklarının Tahsil Usulü Hakkında Kanun

1999 tarih ve 4458 sayılı Gümrük Kanunu

2016 tarih ve 9073 sayılı Kömür İthalatına Ek Mali Yükümlülük Konulması Hakkında Karar

2021 tarih ve 31519 sayılı İthalat Rejimi Kararında Değişiklik Yapılmasına İlişkin Karar

Determination of Regions in Regional Minimum Wage Implementation: An Example of Clustering Analysis

Hakan Bay[1] **Abdülhamid Özgün Birkalan** [2]

While wages which are generally defined as the return of labor in the literature is a cost element for the employers, it is a livelihood element for the employees. For this reason, determining the wage is of great importance for both the employee and the employer. Although various methods are carried out to determine the wage, almost every country also determines a wage rate provides the minimum subsistence level. By this way, countries determine a subsistence level compatible with human dignity for wage workers by taking into account their economic and social conditions. As a matter of fact, according to 55 of the Constitution of Turkey, there is a provision that the living conditions of the employees and the economic situation of the country should be taken into consideration while determining the minimum wage. When we look at the development process of the minimum wage in our country, its origins date back to 1936, but it was first applied in 1951 due to various difficulties. From this date to 1967, the minimum wage was determined by local commissions, but due to the inadequacy of the system, the reginoal system was adopted from 1967. The regional minimum wage, which was implemented between 1967 and 1974, was determined by a central committee by taking into account regional conditions, economic and social differences. Today, it is determined at the national level by the Minimum Wage Determination Commission. However, in recent years, the increasing pressures of economic conditions affecting living standards such as inter-regional income level differences, living costs and rent levels have restarted the debates on whether the minimum wage should be determined at the regional or national level. The main reason for these discussions is the belief that the minimum wage to be determined at the regional level will eliminate the inequalities between regions and enable people who make their living with the minimum wage to lead an equal life invarious regions of the same country. In addition, by this way, investments will be made in the relatively less developed regions of the country. Thus employment level will tent to increase. As a matter of fact, it is possible to find out significant differences between regions when compared with each other in Turkey. When the gross domestic product per capita of the provinces is analyzed on the basis of the Level-2(26 regions of Turkey) statistical region classification of the Turkish Statistical Institute, it is seen that the general Turkey average for 2019 is at the level of $ 9.213. On the other hand, in the same year,

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the gross domestic product per capita in the TR10 Istanbul region was $ 15.285 and in the TRC2 Şanlıurfa and Diyarbakır region, it was $ 3.575. As is seen, there are serious diffirences between these two statistical regions. However, in determining the minimum subsistence level, gross domestic product per capita is not sufficient on its own and should be evaluated together with price level index. When the TUIK Level-2 data is analyze, it is seen that the general price level of Turkey is accepted as 100 basis points, and the TR10 Istanbul region price level index for 2019 is 114 point, and TRC2 Şanlıurfa, Diyarbakır region price index is 97,1 point. These data on economic variables reveal that there is inequality between regions in Turkey. In this study, it will be tried to explain whether it is necessary to determine the minimum wage at the regional level and its importance. For this purpose, first of all, the variables that are effective in determining the minimum wage for Level-2 of Turkish Statistical Institute were determined by literature review. Then, hierarchical clustering analysis technique was applied by using SPSS program to cluster 26 regions based on the variables including regional price level index, inflation rate, poverty rate, poverty line, employment rate, unemployment rate, per capita GDP and shadow employment for 2019. The hierarchical clustering analysis technique is a suitable technique for subdividing objects for which there is no prior knowledge of their natural classification. Ward's method, which is one of the hierarchical clustering techniques, was used in the study, and euclidean distance as distance measure was preferred. In addition, the variables in the data matrix were standardized. Cluster formations were determined by evaluating the dendrogram obtained as a result of the analysis. According to this diagram, it is seen that while each region forms a cluster at the beginning, as it progresses from left to right, the number of clusters decreases and finally the regions merge into a single cluster. On the other hand, it is seen that 26 regions are mainly grouped in 5 clusters. Considering the regional differences, the results obtained were as expected.

Rewarding Tax-Compliant Taxpayers: An Empirical Study within the Scope of Taxpayers Who are Taxed in the Real Procedure in Çanakkale

Mehtap Öksüz[1] **Serkan Işık**[2]

Abstract

The role of rewards in ensuring and increasing tax compliance is a long-debated issue. There are many empirical studies that the use of the reward mechanism in tax compliance will increase compliance compared to tax audits and penalties. In this context, the views of taxpayers on rewarding tax compliance were investigated in this study. Taxpayers residing in the Biga District of Çanakkale Province who are taxed in the real procedure constitute the sample of the study. According to the results of the study conducted using the survey method, the opinion of taxpayers is that a reward mechanism that will increase voluntary tax compliance may be more effective compared to mandatory tax compliance imposed by law.

Keywords: Tax compliance, rewarding tax compliance, voluntary tax compliance, taxpayers' attitudes and beliefs

JEL Code: H20, H24.

1. Introduction

Tax compliance is the subject of many academic studies. It is still up to date because it has multiple aspects and many factors affecting tax compliance. Another issue that is as old as tax compliance is rewarding tax compliance. In awarding tax compliance, the subject is undoubtedly the taxpayer. Because the tax compliance provided by the penalties and audits imposed by the tax administration is not as long-lasting as the tax compliance provided by internal motivation. For this reason, the role of rewards is very effective in ensuring voluntary compliance with tax. However, these effects have generally been tested in experimental studies with students. Experimental studies using real taxpayers and real money are limited. In addition, field studies measuring taxpayers' view of reward mechanisms are also very limited. It is possible to find out which reward mechanism will be more effective in ensuring voluntary compliance with the tax, only by consulting the real addressee. For this reason, the study is important as it is a field study for real taxpayers. In this context, the aim of the study is to evaluate the opinions of taxpayers residing in the Biga district of Çanakkale province and taxed in the real procedure, on rewarding tax compliance. The study first focuses on tax compliance and rewarding tax compliance. Afterwards, methods and findings are given.

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2. Rewarding Tax Compliance

Tax compliance is basically the compliance of taxpayers with tax laws. In other words, tax compliance is the willingness of individuals and taxable organizations to act in accordance with the spirit and letter of tax law and administration (James & Aley, 2002: 32). Tax compliance can be divided into two sub-headings as voluntary and mandatory compliance. Tax compliance is generally ensured through audits and penalties specified in the law. Tax compliance provided by audits and penalties can be considered as mandatory compliance. Voluntary tax compliance is defined as the taxpayer's willingness to comply with tax laws without any pressure (Tekin & Sökmen Gürçam, 2017: 119). There are many factors that affect voluntary compliance with tax. Some of those; informal economy, level of national income, inflation, instabilities in the economy, trust in the government, ability to pay taxes, compatibility of other taxpayers, age and education (Sofracı & Güney, 2017: 161-169).

The literature on how the reward mechanism can be effective in ensuring voluntary tax compliance dates back quite a long time. Meilijson (1982) and Greenberg (1984) were the first to mention concepts such as rewards and incentives in taxation. The reward of tax compliance is, by definition, tangible or relational incentives that the tax administration provides to taxpayers to increase voluntary tax compliance (Bornman, 2014: 221). According to Torgler (2003: 34), rewards can be more effective than penalties in increasing tax compliance because they encourage positive behaviors.

It is expected that the reward mechanism will be effective in ensuring voluntary compliance by reducing tax evasion and tax crimes, thus increasing tax revenues. However, rewards to be effective in increasing tax revenues, the tax administration needs to calculate the output and costs of rewarding well. If there is an increase in tax revenues after deducting the costs of the rewards, it may be possible to mention that the rewards increase tax compliance. Therefore, the size of the reward is important (Feld et al., 2006: 16).

It is not mandatory that the reward for tax compliance consists of tangible or monetary rewards. In addition, rewards should not consist of exemption, exception, discount, tax amnesty, tax holiday or tax refund (Bornman, 2014: 221-222). It is emphasized that in rewarding tax compliance, more discretionary relational rewards should be chosen instead of tangible and monetary rewards. For example, giving the names of tax-compliant citizens to places such as schools, parks, hospitals and bridges will not create a heavy financial burden on the tax administration and will ensure that the taxpayer is honoured (Yıldırım & Ağar, 2009: 1257). In addition, there are reward suggestions that can be used to reward tax compliance in Asian countries. For example, there are suggestions that honest taxpayers can take pictures with the emperor in Japan, and that compliant taxpayers can benefit from the airport's VIP rooms and free parking services in South Korea (Feld et al., 2006: 4).

There are some principles regarding the rewards that will be used to reward tax compliance. These are (Bornman, 2014:262):

- The reward should increase intrinsic motivation and should not conflict with personal and social norms.
- Rewards can be tangible or relational (spiritual), but it should be preferred that they are not monetary.
- Taxpayers should be provided with equal opportunities in reaching the reward and the reward program should be fair.
- The reward should carry a message of appreciation and honour the taxpayer.

In Turkey, a certificate of appreciation is presented at the local level for rewarding tax compliance. As part of the tax week activities, a certificate of appreciation signed by the Minister of Treasury and Finance is presented at the ceremonies organized by the Turkish Revenue Administration or the Tax Office to the persons with high tax compliance levels at the local level. Announcing the names of tax-compliant taxpayers and presenting a certificate of appreciation to encourage compliance is a good example of relational awards. The aim is to both honour the tax compliant taxpayer and increase the reputation of the taxpayer by publicizing his name at the local level, thus encouraging other taxpayers to be compliant. Another application in Turkey, 5% tax deduction for tax-compliant taxpayers, can be considered within the scope of tangible and monetary rewards. Accordingly, taxpayers who comply with the tax are offered a right to 5% discount from their taxes. The income taxpayers and corporate taxpayers benefit from this deduction due to their commercial, agricultural and professional activities. The necessary conditions for tax-compliant taxpayers to benefit from tax reduction are as follows (Resmi Gazete, 2020: 301 no'lu Tebliğ):

- The declaration of the period for which the discount will be calculated and the declarations of the last 2 years before this date have been submitted on time,
- Due to the income subject to declaration, no assessment has been made by the administration in the last 3 years, either by complementary or ex officio,
- Not having an overdue debt of more than 1,000 TL in tax base (including tax penalties and ancillary receivables) as of the filing date of the tax deduction,
- The taxpayer must not have committed the act of smuggling in the last 5 calendar years.

When the literature is reviewed, there are many studies showing that rewards increase tax compliance (Alm, 1992; Torgler, 2003; Bazart & Pickhardt, 2009; Kastlunger et al., 2011; Brockman et al, 2015; Bornman & Stack, 2015). Studies show that tangible rewards and monetary rewards, such as the right to participate in the lottery for a predetermined amount, the right to free accommodation in a resort or hotel, are effective in increasing tax compliance (Alm, 1992; Torgler, 2003; Bazart & Pickhardt, 2009; Kastlunger et al., 2011; Brockman et al, 2015). On the other hand, there is a study that concluded that relational rewards can also be effective in increasing tax compliance (Bornman & Stack, 2015).

It is debatable whether the reward mechanism should include tangible and monetary rewards or intangible (relational) rewards. However, it can be said that the rewards have effects on tax compliance and increase tax compliance in any way. While

monetary and tangible rewards provide a tangible return to the taxpayer, relational rewards also have the effect of increasing internal motivation by gaining recognition and prestige.

3. Methodology and Results

There are many academic studies on increasing tax compliance. In these studies, the factors that are effective in increasing the voluntary compliance of taxpayers are emphasized. Previous studies have shown that rewards play an important role in increasing the motivation of taxpayers and accordingly voluntary compliance (Alm, 1992; Torgler, 2003; Bazart & Pickhardt, 2009; Kastlunger et al., 2011; Brockman et al., 2015; Bornman & Stack, 2015). For this reason, it can be said that rewards have an important place in increasing voluntary tax compliance. The studies carried out are generally experimental studies and very few field studies have been found in the literature. In other words, it can be said that taxpayers' thoughts on awards are not included enough in the literature. In this context, in terms of contributing to the literature, it is important that the study is a field study in which the survey method is used and that it addresses real taxpayers.

The aim of this study, whose subject is real taxpayers, in terms of rewarding tax compliance, is to investigate the opinions of taxpayers who are taxed in the real procedure, in the Biga District of Çanakkale Province, about rewarding tax compliance. The scope of the research consists of the income taxpayers located in the Biga District of Çanakkale Province and taxed in the real procedure. It is seen that there are 2,293 active income taxpayers in the Biga district, which constitutes the universe of the research. The number of samples that could represent the universe was determined as 156 with a reliability level of 99% and a margin of error of 10%. In addition, a total of 250 questionnaires were distributed within the scope of the research, and some of them could not be returned. 193 of the collected questionnaires were accepted as complete and valid and included in the analysis.

Questionnaire technique was used in the research. The study of Bornman and Stack (2015) was used in the creation of the questionnaire used. The collected data were entered into SPSS, and reliability analysis, normality analysis, frequency analysis and analysis of variance (T-test and ANOVA test) were applied.

When the findings of the frequency analysis results are examined in the study, it is seen that generally the participants are of the opinion that rewarding compliant behaviours will increase tax compliance more than punishing non-compliant behaviours. This finding is similar to the result of Torgler's (2003) study. According to Torgler, rewarding tax-compliant behaviours is more effective in increasing tax compliance than punishing non-compliant behaviours. In Torgler's words, "carrot for compliance" is more effective in increasing tax compliance, rather than "stick for non-compliance". Another finding reached in the study is the view that rewards are unnecessary when everyone must comply with the tax by law. Participants think that when tax compliance is ensured through strict penalties and strict controls, the application of rewards is no longer necessary. However, although audits and penalties

are necessary and good results at the beginning in ensuring tax compliance, they are not a definitive solution (Alm, 1995: 12). Another finding of the study is that the taxpayers feel appreciated with the reward program and increase their voluntary compliance with the tax. The findings of the research show that the taxpayers' feeling that they are a part of the economy with the reward program is another factor in increasing tax compliance. According to the findings of the ANOVA test, in which the relationships between demographic characteristics and taxpayers' views on tax compliance were investigated, a significant difference was found only in the education variable. Accordingly, as the level of education increases, it is seen that opinions about the need to reward tax compliance are increasing.

4. Conclusion

The definition and content of the concept of tax compliance, which has been evaluated with different dimensions over time, has also changed. The taxation process, in its most basic form, has two sides (taxpayer and state). Therefore, there are many factors that affect tax compliance for those parties. Some of the most important of these factors, which are observed to be classified in different ways in different studies; tax awareness, tax justice, complexity of the tax system and uncertainties about the tax system, probability of tax auditing and level of penalties, taxpayers' perception of whether taxes are used effectively, tax amnesties and frequency of tax amnesty. In addition to this, there are many studies showing that demographic factors such as belief, age, gender and personal factors have effects on tax compliance. It can also be said that the factors that are effective for each different tax type will vary.

The excess of factors affecting tax compliance has led to the production of alternative methods to ensure compliance. Since 1982, there are many studies on rewards and incentives in taxation in the literature. The main subject of these studies is to measure the effectiveness of rewards in increasing tax compliance and to measure the effects of different reward practices on taxpayer behaviours. In this context, in this study, it is aimed to reveal the opinions of taxpayers who are taxed in the real procedure, in the Biga District of Çanakkale Province, about the rewarding of tax compliance.

According to the results of the study, it was concluded that the awards could be a good practice in increasing the tax compliance of the taxpayers. Opinions of taxpayers are that a reward mechanism that will increase voluntary tax compliance may be more effective compared to mandatory tax compliance imposed by law. Since the study is one of the few field studies on this subject, it was carried out in a small sample. This, in turn, is an obstacle to the issuance of a general policy proposal on the awarding of tax compliance. However, the study is also important in terms of being a pioneer in other field studies on this subject.

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Information as a Public Good: A Research on the Information Sharing of the Public Finance Scientists

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Abstract

At the present time, information is spreading quickly via different channels like smartphones, electronic mails, so on. Accesing to information has become easir than previous centuries. In the literature there has not reached a consensus whether information is accepted as a public good. Nevertheless, information shows some public goods characteristics in the way of impossibility of the deprivation of its consumption from time to time, and not having competition in its consumption. In this research, the information sharing of 270 public finance scientists analysed by requesting some information about their current studies or a general subject related to the academy, via electronic mail. The information requested and evaluated according to the scoring criteria which is prepared by ourselves. Information sharing was rated between 0 and 100, depending on the answer obtained. When scoring, two criteria; the time period of the requested information, and whether information was shared or not, was taken into consideration As a result of the research, the group who is most willing to share information, and has the highest scoret of 51.4 are teaching assistants; and the group that is least willing to share information, and thus has the lowest score average are professors with the score of 26.

Keywords: Information Sharing, Public Good, Public Finance Scientists, Electronic Mail.
JEL Code: H39, H40, H41.

1. Introduction

Nowadays, information has the opportunity to disseminate quickly, particularly by means of the internet, and various channels like smartphones, electronic mails, etc. Access to information, on the other hand, has become much easier compared to the 2000s and the previous years. The dissemination of information via various channels, causes debates regarding whether information is a public good or not. In the literature, there is no agreement reached regarding information being a public or a private good. However, information may incorporate the basic characteristics of public goods, listed as, the impossibility of the deprivation of its consumption from time to time, and not having competition in its consumption.

The access to information becoming easier over the years, has brought more information sharing with it. Information sharing is often practiced among scientists within the academic community, in the production of new scientific activities. In the academic community, where information is widely used, it is important that the requests of the academicians regarding information sharing are met. Accordingly, the evaluation of the information sharing of the public finance scientists constitutes the main pivot of this research.

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In the research, the information sharing of the public finance scientists has been analysed by means of requesting information about their current studies or a general subject related to the academy, via electronic mail. In addition to its interpretation, by scoring the data obtained, the finance scientists have been subjected to a division by their titles.

2. Information as a Public Good

In the literature, a consensus that has been agreed upon, regarding the definition of public goods is not in question. While economists, when defining public goods, are taking the characteristics of the goods into consideration; some considers the social, cultural characteristics of nations. Malkin and Wildavsky (1991), defend that the distinction between private goods and public goods is not subjected to a particular criterion; a good that is private for one nation can be public good for another nation. Public goods are defined as continuous and regular services provided to the society by the government or public legal entities, for the public weal, in order to meet the general and common needs of individuals (Yumuşak & Aydın, 2005: 110-111). According to Kaul and Medoza (2003), public goods are goods that involves no competition in their consumption, that are not possible to be excluded from the benefit of individuals, that cannot be priced efficiently, and that have the market fail when priced.

3. Literature Review

In the national and foreign literature, the publicity of information, has become a debated subject over the years. While some studies are suggesting that information is a public good, for it cannot be excluded and that there is no competition in its consumption, some studies suggested that exclusion is possible, for the acquisition of information is realised in exchange of money, and thus information is a private good.

When information is considered in terms of the characteristics of the public goods, it is seen that information has the characteristic of a complete public good, in terms of having no competition in its consumption and its dissemination of externality. Also, its natural monopoly characteristic shows the public quality of information. However, deprivation of its consumption, issue of free riding, and the obligatory nature of its demand, might include information within the category of private good. In this research, what is implied with the information requested from the public finance scientists, is the information, the consumption of which has no competition, and that has positive externality.

There are various national and foreign studies on measuring the information, in the literature. Yeniçeri and Demirel (2007) have examined the information sharing behaviours of the employees in an enterprise operating in the textile sector, in the city of Bursa, by means of survey method. According to the results of the survey, an inverse relationship between the education level of the employees, their professional time in the textile sector, and the obstacles for information sharing has been

determined. Raban and Rafaeli (2007) have analysed the online information sharing of 173 master's degree students in business administration, by constructing a computer game, and has concluded that, in cases when the information sharing has a private quality, it is high, and when organizational, it is low. Özdemir (2008) has examined the effect of the characteristics of social network and the extents of confidence of the academicians in the departments of sciences and social sciences, on creating articles, and has concluded that the relationship between the social capital and creation of knowledge differs depending on the field. Baş and Işık (2014) have created a Web-based Communication Medium in their study. In this medium created, the information sharing process of 72 teachers and 13 academicians has been examined and it has been concluded that the participation process of the participants was low for both groups. Çetin and Şentürk (2016), in their study that examined the attitude of the dermatologists across Turkey, have concluded that personal output and expectations of response have affected the attitudes towards information sharing positively, and the expectations of loss of information power has affected negatively.

4. Methodology and Results

The purpose of this research, is analysing the information sharing of scientists. Due to an ordered list, ranking as the sample, public finance scientists were preferred. While analysing, the "Public Finance Scientists List", appearing in the 35th Public Finance Conference, which gets updated in certain periods, and was last updated in 04.10.2019 before starting the research, has been taken into consideration. In this context, 329 out of 936 academicians of the department of public finance in the list, working in 121 public and foundation universities, have been selected by means of stratified sample selection method.

In the research, by means of asking a question regarding the studies they have published, information was requested from the public finance scientists, via electronic mail (email). The questions asked are about the current studies of the academicians, and some questions are general questions related to the academical field. The questions have been asked by means of creating a doctoral student account, in order to ensure less prejudice against the study, and information has been requested via this account. For the purpose of asking questions to the academicians, separate questions about their current studies have been asked individually. Due to the challenges of asking questions in certain situations, general questions related to academic life have been asked. For example, information about the criteria for readership has been requested. The electronic mail sent when requesting information has been prepared as a template and sent to the academicians simultaneously.

Information sharing has been rated between 0 and 100, depending on the answer obtained. When scoring, two criteria; the response to the information request, and whether information was shared or not, was taken into consideration. The information request has been evaluated on the basis of 30 days, and the information shared 30 days after the information was requested, has not been taken into consideration. The necessary calculations needed for the analysis of the data, have been made by means of excel.

5. Conclusion

In this research, by means of stratified sample selection method, from 270 public finance scientists, information about their current studies or about general academy was requested via e-mail. The information requested has been evaluated according to the scoring criteria prepared by ourselves. In the research, it has been concluded that 40% of the public finance scientists are willing to share information. Moreover, while it was seen that, in terms of instructors, the group that is most willing to share information, and thus has the highest score of 51.4, are teaching assistants; and the group that is least willing to share information, and thus has the lowest score average are professors with the score of 26.

Individuals might be less willing to share information with people they do not know, trust, via electronic mail. Minimizing the confidence issues might ensure the acquisition of more reliable results from the studies to be conducted via e-mail in the upcoming periods. Moreover, another subject that should be considered in the matter of information sharing is revealing the underlying causes of the information sharing behaviours of individuals. This subject was left out, for it was outside the limits of this research. Dwelling on the information sharing behaviours of individuals in researches to be conducted in the future, might contribute to the development of the matter.

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