

Problems and Recommendations over Tax Policies

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Tax policy is a tool that state uses on economic, social and financial fields. Funding public expenditure is its financial goal, providing economic stability and development is its economic goal and contributing to fair distribution of income and wealth is its social goal. In result of high debt load, rupture between taxes and economic goals, being not established a document and registration order and lacking in management of administration and control functions, significantly increasing tax loss and evasion and factors such as unfair competition that it leads to show that our tax system is ineffective and have a negative influence in economic life. In order to succeed in tax policies, “taxes should be minimalistic, should consider the ability to pay with respect to income level, should prevent the luxurious consumption and waste, should decrease tax evasion and loss, should tax informal economy, should encourage export, employment and development, should be reformed in a permanent way and implementing tax consciousness into whole society” is inevitable.

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1. Introduction

Tax policy is a tool utilized by states in order to regulate economic, financial and social activities. As a financial tool, funding public expenses; as an economical tool, providing stability and development; as a social tool, fair distribution of wealth and income are the main objectives of tax policing.

A tax policy without compatible economic policy, besides its own failure, would have a negative effect in general policing thus compelling a tax policy which is in harmony with other policies (Doğan, 1984, p. 94).

The objectives of tax policing in developing countries include “cutting down the consumption or preventing it to increase in order to redirect economic resources to investments, encouraging to save or invest, to turn public investments which is necessary for development to increasing public savings’ advantage, diminishing the economic gap between regions, industries and individuals, raising national income and providing a fair distribution” (Türk, 1988, p. 273); briefly, policies which reduce consumption, encourage savings and promote investments is beneficial in terms of development and stability.

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2. Problems with the Tax Policies in Practice

For a long time, in governing policies of our country, the efforts made by other tools resulted in failure due to the omission of modern economic and social functions of taxing (Usta, 1994, p.72). The tax income fall short of expectations, mainly because of the belief that taxing system is unfair combined with the lack of effective measures in fight with the wasted public expenses.

While part of the public expenses is tried to be covered by the most reliable financial tool, tax income, the other part is tried to be funded by issues or indebtment (deficit financing). Excessive amount of debt and inflation, hiatus of relationship between tax and economic goals and unfair competition caused by tax incentives and exiles show that our tax policy is not efficient and affects the economic life negatively.

The causes of insufficient progress in tax collecting are: diminishing taxable income due to high utilization of tax incentives, being not able to set a document and registration order, high values of tax exile due to malfunction of management and monitoring devices.

Activities in informal economy are mainly caused by illegal activities (drug traffic, bribery i.e.) in developed countries but poor documentation of the process of a product from producer to the consumer plays a role in developing countries as well (Şimşek, 1994, p. 32). Besides its main function as a reliable financing tool, taxing is also used to manage economic and social policies and it is a very effective tool in achieving targeted goals.

Taxing is the state's most effective measure to intervene economic and social life (Nadaroğlu, 1985, p. 253). It is not only collected to finance public expenditures but also for achieving social and financial goals (Nadaroğlu, 1985, p.259).

Economic crisis is a serious threat on public finance. First, budgets suffer and burden of debt increases and finally sustainability of public finance gets much more difficult (Şahin and Akdemir, 2014, p.66). Therefore, in the times of economic crisis, expanding public finance policies which will not trigger inflation might be adopted. An increase in tax income could be targeted only after resulting employment and production increase with the help of these policies. Moreover, applying tax incentives to all industries and stimulation of investments and private expenditure might increase the efficiency of it (Bayrak and Kanca, 2014, p.290).

Tax policy was a key concept in overcoming economic crisis, accelerating coordination among member countries, economic development and reducing economic inequality and it is still a major concept. By tax policies, EU members try to restore the fragility that economic crisis creates and encourage employment and development.

Let's go through the policy applications at Ministry of Treasury, Revenue Administration Department (RAD) and tax offices:

Tax Audit and Inspection Coordination Commission is established with the executive order number 6009, section 33/B of Mission and Organization of Ministry of Finance (Yılı Bütçe Gerekçesi, 2011, p. 119).

The website of RAD is renewed and by 22 December 2008 it started to serve as New Internet Tax Office. Moreover, the scope of services is increased. One of the most important innovation is corporate entities and individuals could make transactions behalf of their grantors under the scope of their grant in Internet Tax Offices (Yılı Bütçe Gerekçesi, 2011, p. 124).

Under the scope of Electronic Bank Transaction Project (EBTIS), tax payments made to banks and PTT are sent to Information Technologies Department of RAD electronically and processed to tax payer's accounts electronically as well (Yılı Bütçe Gerekçesi, 2008, p.138).

In order to save from energy consumption, tools that save energy and expenditures to save energy in households and work places will be encouraged tax-wise. Incentives to increase production and investment on the variation of energy resources and renewable energy resources will continue to be developed (Yılı Bütçe Gerekçesi, 2014, p. 106).

The tax policy will be efficiently utilized if necessary to fight with elements, which are primarily national lack of savings and account deficit that threaten economic growth (Yılı Bütçe Gerekçesi, 2013, p.101).

Informality seriously affects the competitiveness of economy and prevents the structure of public finance work healthily. Therefore, the fight with informality carries an important role to eliminate the inequality in competitiveness of economy, to provide a safe route for economic development and to maintain a solid social security system (Yılı Bütçe Gerekçesi, 2014, p.123).

In this context, over the action 31 of program 2011, "The Action Plan of Strategy to Fight with Informal Economy (2011-2013)" is prepared and came into effect on 21/12/2011 in the official register No. 28149 with the mandate 2011/21 of prime minister.

With aforementioned mandate, the process of Action Plan application will be monitored by RAD, coordinators that are assigned to specific action will be reported to RAD every three months and these reports

will be inspected by monitoring and evaluation commissions of Action Plan developments (Yılı Bütçe Gerekçesi, 2014, p.123).

“The High Commission of the Fight with Informal Economy” is established with the relevant ministers who are assigned in the Action Plan. They gather at least once in a year in order to review, revise and decide over the developments in the Action Plan (Yılı Bütçe Gerekçesi, 2014, p.124).

Taxing informal economy, fair distribution of taxing with respect to ability to pay, simplification of tax legislation, effective inspection i.e. is still an active agenda in Turkey.

Encouraging direct foreign investment, supporting employment and export, obtaining a high competitiveness in international markets by developing the capacity to produce high value products will be in the primary objectives of tax policy (Yılı Bütçe Gerekçesi, 2009, p.108).

The main goal of taxation is funding public services. In addition to that, taxation has a role in economic and social activities. These functions of taxation enforce a constant up-to-date taxing system and structure (Yılı Bütçe Gerekçesi, gelir politikası ve uygulamaları, 2012, p. 117).

Tax Office Application Software are designed to reduce work load in tax offices by processing tax office transactions via computers, to increase efficiency and effectiveness in tax office works and to maintain a healthy decision-making, support and management information systems by collection information through computers (Yılı Bütçe Gerekçesi, gelir politikası ve uygulamaları, 2012, p. 122).

The problems with fine system and forgiving some of the fines still continue. In a broad sense, tax forgiveness could be defined as the removal of fines which are be applied to tax payers who do not follow tax laws. In other words, using tax forgiveness in the highest organization of a society, state, could mean waiving the right to punish as a sanction on the ones who are not following the laws which state put itself (Yalçın and Başer, 1996, pp. 104-106).

3. Recommendations on Tax Policies to be Applied

a. Effective precautions should be taken to maintain documentation system;

Information Technologies should be used for disseminating taxes which are prevailing financial resource for achieving economic and stability – development goals and for maintaing a document order. Using tax numbers or Turkish Identity numbers in every transaction, using bank cards, tracking tax payers in their taxable activities would have a positive effect on detecting tax losses and evasion.

Tax collection via internet banking through banks is finished. 24 banks are using this system now. Changes in the program over collecting taxes after maturity by banks are going to finish (Yılı Bütçe Gerekçesi, gelir politikası ve uygulamaları, 2012, p. 124).

In the period of 2012-2014 due to the legal obligations, documents needed to be prepared at least 2 copies. In order to prepare, store and present these documents whenever they are needed electronically, e-Arşiv General Declaration will be published and the scope and the application field of it will be expanded (Yılı Bütçe Gerekçesi, gelir politikası ve uygulamaları, 2012, p. 131).

With the project of e-beyanname which is an application of e-devlet, return forms and their attachments were collected via internet after 1/4/2004. It is started with 8 return forms and by January 2011, 35 different return forms can be collected via internet. Changes and innovations in the tax legislation or revisions made in return forms because of the needs of RAD become compatible with e-beyanname (Yılı Bütçe Gerekçesi, gelir politikası ve uygulamaları, 2012, p. 126).

With the project of e-beyanname which is an application of e-devlet, attachments such as declarations and balance sheets are collected via internet thus work load in tax offices is reduced and level of service to tax payers is increased. Accruements which are related to return forms are automatically processed to accounts of tax payers. Thus, the need of tax payers to come to tax offices is removed (Yılı Bütçe Gerekçesi, 2011, p.125).

The practice of one “tax number” for every tax payer which started in 1995 is changed with Turkish Identity numbers for real individuals after 1/1/2007. Therefore, using the MERNIS system tax numbers and Turkish identity numbers are matched (Yılı Bütçe Gerekçesi, gelir politikası ve uygulamaları, 2012, p. 121).

Using Turkish Identity numbers for real individuals and using tax number as a “Management Number” for tax payers who give service or good obligatorily and voluntary for other tax payers, allow an auto-control system over tax breaks which are applicable to expenditures made with credit cards and tax fines for the ones without any number (Can, 2003, p.98).

Law number 4358, section 4 over spreading Tax Number and Tax Rule Law number 8, last section gives Ministry of Treasure to use 11 digit Turkish Identity number for real individuals as Tax Numbers. The bill number 3 has published in the official journal in 1/1/2007. After this bill Turkish Identity number is started to use instead of Tax number (Yılı Bütçe Gerekçesi, 2008, p.141).

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b. Precautions needed to tax Informal Economy;

Registering informal economy is an important resource in increasing tax income and setting a fair tax system. Legal and administrative regulation should be made to contain informal economy within the formal system; moreover, applications and regulations which will cause tax payers to leave the formal system should be avoided.

In order to prevent unfair competition, increase competitiveness of economy and public revenue, there will be an effective fight with the informal economy. In this context, controls, capacity of application of administration and information infrastructure will be developed, fight with smuggling, cooperation between institutions and data sharing will be increased and public awareness will be raised. The works will continue for participation of all parts of the community within the frame of “Strategic Action Plan for the Fight with Informal Economy” (Yılı Bütçe Gerekçesi, 2014, p.105).

In the current tax laws, taxing tax payers more than it should be is the main policy in order to fund extra need of resource. Registering low-taxed or none-taxed parts of society with information Technologies will be beneficial to tax revenues.

All VAT tax payers are analyzed and graded for their risk of arranging fake invoices and compatibility to taxing with a software in the context of VAT Refund Risk Analysis Project (Yılı Bütçe Gerekçesi, 2011, p.118).

The legal and administrative regulations will be made to prevent tax evasion in the e-commerce. Works will continue for voluntary compliance to taxing and for expanding tax base (Yılı Bütçe Gerekçesi, 2014, p. 105).

Taxes are inarguably the most important factor in diminishing budget deficits. As a natural result, it is inevitable to increase the tax revenue. The real tax load is not due to items which are known as tax but due to public expenditures. The main issue here is to draw these loads into the legal tax system (Önder, 1993, p.21).

c. Agricultural section should be effectively taxed;

In Turkey, agricultural section is not taxed adequately (Avşar, 1989, p.42), thus tax evasion is high in this section. Therefore, revenues made in agriculture should be inspected and incentives, exceptions, exempts should be considered. Also, with an effective return system, evasion and losses should be registered.

In agriculture, products with high value and products as an industrial input should be increased, agricultural fields should be merged. Moreover, tax policies should be developed for scale economy in agriculture and support agricultural production (Yılı Bütçe Gerekçesi, 2014, p.105).

d. Precautions should be taken over the controls of tax evasion and loss, tax fine system should be more effective;

It is possible to take some measures in fight with tax evasion and loss. These could be categorized in three groups: legal, administrative, socio-psychological (Öner, 1991, pp. 78 - 95).

- Legal measures include “Providing a stability in tax laws, establishing public companies, developing tax security measures, more effective financial consulting as an institution, setting a document order and more effective fine system”,
- Administrative measures include “ Re-organization of tax offices, having a solid tax controlling structure, spreading information systems, solving the problems of staff in inspection and control”,
- Socio-psychological measures include “presenting educational, enlightening, pragmatic information to tax payers to implement tax paying consciousness, developing control systems over tax evasion and loss, setting a document order and using tax number to register every transaction”.

Informal economy, ineffective tax administration and control and structure of tax system are still major problems preventing an increase in tax revenue. Politicians have strong role to resolve these problems and expanding financial field. Tax evasion and loss have a negative effect on the size of financial field in many countries but especially in developing countries. An increase tax income is getting constrained when activities in formal economy move towards informal economy. Having not established a healthy tax policy after 1980 in the main problem of issuing and borrowing money and being financially dependent on foreign countries (Ulusoy, Akdemir and Karakurt, 2014, p.228; Ünsal and Durucan, 2014, p.43).

RAD continues to work in order to implement paying taxes is a civic duty, giving information on tax liabilities and rights, simplifying the tax paying process, conveying the correct information about tax laws and

applications to tax payers and providing a basis for voluntary compatibility by increasing level of service (Yılı Bütçe Gerekçesi, 2014, p.124).

It will be more effective to apply prison term instead of fines and to expand the context of administrative and legal crimes.

e. Reconsidering tax incentives which are important for export, development and production; exceptions, reductions and exempts;

Measures on tax incentives are not affective in development. After an evaluation of incentives in Turkish tax system, these measures (investment incentives, under-taxing rental incomes, export incentives, and measures to develop capital market) are found to be ineffective (Turhan, 1994, p.53).

While tax incentives and exempts create problems in tax operations, tax unfairness and inequality in income distribution increases and put pressure on low-income tax payers who are not benefiting from these incentives. The inability of monitoring the benefits of incentives and inability to compare these with the losses that incentives reduce the effectiveness of tax policies which are used to influence social and economic life (Öner, 2002, pp.188-189).

Paying tax expenditures which include incentives, reductions, exempts and offsets, in dividends to tax payers at the end of every year will give the opportunity to auto-control and to evaluate these loads to state. To apply this, it is needed to have tax return from every tax-payer (Can, 2003, p.98).

Incentive tax policies are used to format tax system in order to increase the profitability of investments. These redirections decrease the tax load on investment products and the tax incomes that will be gathered in future. Therefore tax policy is an important factor in determining the level of investment – employment (Uluatam, 1988, p.30).

The works will continue to evaluate exceptions, exempts and reduction financially, to removing or revise ineffective regulations, defining criteria for the upcoming exceptions, exempts and reductions, to evaluate application results and to give detailed information to public regularly on tax expenditures (Uluatam, 1988, p.30).

It is believed that incentives do not contribute to economy significantly in developed countries therefore restricted. However, it cannot be accepted as a fact in developing countries such as ours. Because we believe that tax incentives will have a positive effect on selected critical industries and activities. The applications to remove tax incentives in developed countries are done simultaneously with the regulations which aim to spread tax base and to decrease taxes significantly (Özen, 1993, p.20).

It will be beneficial to diminish bureaucracy and simplify incentive law and to evaluate it in terms of efficiency, productivity, investment and increase in export (Öner, 2002, p.188).

f. Minimum wage and other necessary minimum living discounts should not be taxed;

Since 1980, tax load on wage earners are increasing and this has a negative effect on work peace, economy and political life. Therefore tax load on wage earners should definitely be decreased. Some possible measures about it are (Akalin, 1990, p.8);

- Efforts should be put into development through private savings and private sector and part of the state should be decreased. Briefly, tax load should not be increased,
- A significant minimum living discount should put into service and it should be supported by a special discount,
- Some public services should be financed with user fees instead of taxes if applicable, financial discipline and effectiveness should be provided in resources, a financial model like in private sector should be achieved in public sector and income tax should not be a wage earner tax,
- There should be legal modifications to exclude minimum wage from taxes by conjoining minimum wage and minimum living discount,
- There should be a decrease in tax rates for both employees and employers. In the developed countries which decreased the tax rates experience an increase in tax income, competitiveness in the international market, the level of well-being of employees, investments of private sector and the economic activities (Yüksel, 1990, p.11).

A stable and extensive living discount should be considered in Turkey. Because applying a minimum living discount to all tax payers would encourage them to pay their taxes voluntarily by decreasing their resistance to pay taxes.

g. Modifications should made in tax rates by reconsidering them in today's circumstances and a soft increasing proportional structure should be regarded;

Decrease in tax rates are common practice in developed countries and an application in the opposite direction in Turkey would result with a decrease in tax income and shift towards informal economy because of the high and not efficient taxes (Akalın, 1995, p.101).

Proportionality is gradually lost in income tax rates after 80's. Low-income tax payers compose a broad section in the tax rates and their tax rate is not adjusted accordingly with inflation. Therefore an early increase occurs in tax rates of low income section because of the increase in nominal wages although there is no change in real wages (Bektaş and Gündoğdu, 2014).

The up end limit of tax rate should be decreased by 5% to 25%, sections of income taxes and their discounts should be proportional with an index which constitutes inflation rate and the capacity to develop per capita (Akalın, 1990, p.8).

Tax regulation should be reconsidered and the first section of it should start from a very low point. The number of tax levels should increase, the rates of increment should be readjusted and the tax over tax payers with low and stable income should be decreased in the times of high inflation (Coşkun, 1990, p.19).

h. Reforms are in need for reorganization and effectiveness of tax offices;

Even the tax laws are regulated in order to achieve financial, economic and social goals, if the tax offices are not capable of applying these laws, tax system would fail to reach the expected results (Turhan, 1994, p.54).

In this regard measures need to be taken to apply tax laws effectively and to monitor taxes in the tax offices.

In order to minimize the relationship between tax payers and tax offices, "regulations to reduce the number of visits to tax offices by tax payers; and as part of it, combining some refund files, increasing the tax fines by limiting the scope of the concept of economic penalty for economic crime, encouraging early tax payments, limiting cash payments starting from taxable transactions, resolving the issues with incidents that creates tax, applications of suspicious account receivable, rediscount of postdated checks and donations and contributions, identifying the status of new financial instruments such as leasing, forfeiting, factoring, bartering, forward, swap etc., a tax law for transactions that occur in electronic media and e-commerce" (Can, 2003, p.100) are important.

Overcoming economic crisis compels the need to establish an order in public finance which is already not in a good situation. Reform in tax law is brought to the agenda because of the need of effective taxing. Despite that, instead of establishing a new rational system according to our taxing practices and our economy, the goals such as grasping informal economy, spreading taxes over base and increasing tax revenue (Cesur, 1994, p.64), are tried to achieved by adding new rulings to the existing tax law and cancelling some of the rulings

The regulations are being made continuously in the tax policy of our country for an improvement both structurally and as a system-wise and tax policy is being oriented in the direction of the needs of the country. The main purpose of our tax policy is supporting development and employment policies, diminishing informal economy and establishing a tax system which is effective, simple and consistent with macroeconomic policies at the same time. In order to achieve these goals, RAD is founded under Treasury Ministry with the law 5345 in 16/5/2005. The most important aim of the RAD is to ensure a full and in time payment of taxes by providing a basis for voluntary compliance with taxes (Yılı Bütçe Gerekçesi, gelir politikası ve uygulamaları, 2012, p.118).

The RAD should be an independent institution and authorizations which belong to central bureaucracy should be transferred to regional tax offices that should be established. The Works planned in this direction are as follow:

- "Feedback Service" is started by Tax Communication Centre (VİMER-444 0 189), which serves in issues with consultation, denunciation management and Motorized Vehicle Tax,
- "SMS Information System (1189)" which is developed to increase the variety of data distribution methods and the speed of the information that will be declared to public, is a service to give notification to users automatically and allow users to inquire information. The service will continue to work and will be spread among public.

The works will continue to extend the services available and to increase accessibility in the RAD webpage (Yılı Bütçe Gerekçesi, gelir politikası ve uygulamaları, 2012, p. 119).

Recommendation, Denunciation and Management System Based on Process will be established to increase the effectiveness and efficiency of RAD and the level of satisfaction of the tax payers. The last week

of February is celebrated as Tax Week for a better adoption of taxes in whole community and the habit of tax paying. The events held throughout the week will be increased to alter the attitudes of tax payers, public and students and their perceptions of taxes in a positive way (Yılı Bütçe Gerekçesi, gelir politikası ve uygulamaları, 2012, p. 121).

In developing countries, the attempts of reform of tax system only considered in the times of economic crisis. In theory, extensive reforms would allow tax system to achieve its goals of simplicity, effectiveness, justice and development. In real life, since the results of an extensive reform would only benefit in the long term, it is difficult to persuade politics in such reforms. Therefore, in many studies only marginal reforms are exercised (Shirazi and Shah, 1991, p.462).

An institution compatible with the technical properties of tax reforms and tax services should be established, authorizations should be spread from bottom to top, bureaucracy should be diminished and an administrative structure which has a good relation with the tax payers should be provided (Öner, 1991, p.88).

i. The distribution of tax load which is opposed to wage earners should be improved with effective measures;

Terminating the tax accumulation on the wage earners and decreasing tax burden on employment would be a good decision because Turkey would not progress, increase its employment or industrialized with the tax load up to 40% on minimum wage (Akalin, 1995, p.103).

Wage earners should be able to file refund theoretically and they should be able to benefit from discounts that commercial profiteers are, such as education, health and interest on debts. The number of tax payers who make money besides their wages should be increased (Akalin, 1990, p.8);

Public finances should be disciplined before increasing taxes. If user fees and making each electorate a tax payer are not involved in our system, every increase in revenue would be insufficient (Akalin, G. 1993: 28).

Decrease in taxes on registered tax payers who are industrialists, merchants or wage earners is necessary. It is a known fact that if untaxed parts of community are not contained in the system, increasing taxes on registered tax payers would not increase tax revenue but decrease it.

Therefore, resolving the issues on the unfair distribution of taxes instead of increasing them is a primary topic. In Turkey, a tax reform that aims to have a system which depends on social justice and economy is much needed. The regulations so called tax reforms should not be formed to increase tax types and rates but to expand the taxable base and fair distribution of tax loads (Aktürk and Gökbunar, 1996, p.145). Moreover, the main reason that we have low tax revenue in Turkey is not the inadequate tax types or rates but it is being not able to register and tax the informal economy.

j. Tax laws should be simple and understandable; they should be stable with the fundamentals of legislations;

Frequent changes in the tax laws and being not able to tax informal economy shows that our taxing system is not effective enough (Cesur, 1994, p.69); therefore, building a balance in public finance constantly, overcoming the economic crisis, rebuilding the tax laws and judiciary rationally in accordance with Turkish taxing techniques and our economy such that it will not need any frequent changes and effective and fair taxing in this context are needed to be provided.

Fix taxes and fees are going to be updated considering economic situation (Yılı Bütçe Gerekçesi, gelir politikası ve uygulamaları, 2012, p. 99).

Using VAT is a common practice in tax reforms in developing countries (Shirazi and Shah, 1991, p.465). However in order to succeed with VAT; all sectors besides health, education, social development, banking and insurance sectors should be included in the tax system; to protect low income people, food, requisite consumer products, medicine, electricity, fuel, newspapers, books and public transportation services should have a discount, taxing luxurious products should proceed with a Special Consumption Tax.

The works that aim stabilization and simplification in the applications of tax laws will continue with considering fundamental tax laws (Yılı Bütçe Gerekçesi, 2014, p. 105).

Definitely, the goal of the tax system is distributing the financial burden of public expenditure fairly on individuals and diminishing the negative effects of tax on community. To reach this goal, every tax system should possess fundamental principles of reasonability, equality, fair distribution of tax load, encouraging savings, promoting work, comprehensibility and simplicity (Hacıosmanoğlu, 1995, p.4);

While regulating the tax laws, taxes should be taken according to power of tax payers and depending on a fair and balanced distribution; regulations should be understood easily by tax payers and they should have

the sufficient conditions for carrying out the formal properties of taxes (definition, notification, accrual and collection).

In addition to this, having tax laws which are not confusing or puzzling, rearranging tax incentives, exceptions and discounts, stabilizing it with no further frequent adjustments would be a significant simplification in terms of tax regulation and application.

k. Politicians must believe in the importance and effectiveness of the taxing;

How technically perfect works have been done in taxing, these regulations and changes should be demanded by “political will” (Yeni Düzenlemeler, 1992, p.17). Because the political will should clearly decide and put this decision into real life strictly to reduce tax evasion and loss, to face with all taxable capacity and to register the economically active but not taxed sections which counted as hundred thousands.

Being successful in these regulations and changes depend on the steady coordination of the units which apply these regulations. Lack of necessary coordination between units would result with misinterpreting the regulations and would create problems in achieving expected goals (Bal–Ak, 1994, p.77).

Therefore, the success of changes in the regulation strictly depends on the ability the collect revenue (and political will of course) by correct and effective application (Shirazi and Shah, 1991, p.469). This situation must be reflected to all efforts in choosing between alternative techniques as fundamental criteria which emphasize on simplicity in design and application. For example, additional theoretical and applied studies would have potentially significant benefits in terms of tax reform.

l. There should be effective measures in implementing tax consciousness into whole society;

In order to develop and implement tax consciousness in children, “verGİBilir: Education of Developing Tax Consciousness in Children” handbook for teachers and students in 3rd, 4th and 5th grade is published with the agreement between Ministry of Education and Treasury.

With the protocol, guidance counselor chosen by Ministry of Education will give education to primary school students (Yılı Bütçe Gerekçesi, 2010, p. 130).

In the context of studies in providing voluntary compliance to taxes:

- The education towards students will continue to develop tax consciousness.
- “www.vergibilir.gov.tr” will be revised and entertaining games for children will be implemented to the website.
- Supplementary materials will be provided for the education of tax consciousness.
- A character and cartoon for tax will be built and this will be carried out with TRT (Yılı Bütçe Gerekçesi, 2014, p.125).

m. Tax Policy should have a supportive role in employment;

Tax system should not possess the properties that encourage illegal working and that constrict employment. Decaying structure of economic and social life, negativities in domestic and international competitiveness, thoughts in avoiding investments by local and foreign investors, high level of unearned income are the major factors in expanding unemployment problem in Turkey (Eratlı, 1995, pp.8-9). The fundamental way of increasing employment is finding resources for investment and transmitting this resource to economy as soon as possible. It is inevitable to invest in human resources to be competitive. Instead of increasing job opportunities artificially, permanent jobs should be provided. Increasing the ability to compete of companies, providing flexibility in labor laws, subsidies for investment and measures for increasing export are the important factors of encouraging employment.

Labor is one most important factor in economic development. The growth rate of the production capacity depends on the efficiency of labor and volume of employment with the volume of investment and its effective capacity. The first thing that comes to mind, when the relation of tax and labor supply is mentioned, is the relation between wage, equivalent of labor, and tax. Especially when tax is applied onto wage, labor supply and ambition to work might decrease. However, an income tax which is increasing with high rates would lead to income effect to make a living or finding new ways of income (Coşkun, 1990, p.13).

In order to increase the competitiveness of manufacturing industry and to have a bigger slice in world trade, tax policies that decrease the costs of energy and raw materials, provide security, increase the quality of employment are going to be developed. The tax policy works will continue to provide activities in research and development, to increase investment, employment and export, to develop value added products that would compete in the international arena (Yılı Bütçe Gerekçesi, 2014, p.105).

The public revenue policy in 2014-2016 will be carried out to encourage employment and investment, to increase domestic savings, to decrease regional differences in development and to increase the

competitiveness of the economy. Having a solid and constant resource for public financial system is the main goal (Yılı Bütçe Gerekçesi, 2014, p.105).

At this point, it is important to increase employment, to decrease unemployment, to invest more in order to provide job opportunities of the unemployed and to back these investments with selective tax policy.

The detection and passing the necessary regulations will continue in order to employ more woman, young and disadvantaged groups in the labor market, to provide extra employment by companies and to prevent informal economy (Yılı Bütçe Gerekçesi, 2014, p.106).

n. A Simple, Comprehensible and Permanent Tax Reform is needed to provide a solution for general problems;

The goals of the tax reform are diminishing the inequality in distribution of tax load and rationalizing the functions of tax system. In general there are three criteria in the evaluation of tax systems. These are effectiveness, simplicity and justice (Aktürk and Gökbunar, 1996, p.141). The tax systems that increase the level of development of a tax payer by increasing the tax revenues without decreasing the tax level of another tax payer are effective. Simplicity is the ability of tax system to introduce itself. Although justice criterion is not fully defined, it is one of main reasons of tax reforms.

Besides the domestic and international changes and developments factors that a tax system belong to, the increased expectancy from a tax system in order to provide an over-all development, the debates over tax reform is in the agenda in Turkey which is changing swiftly and expanding its horizons (Usta, 1994, p.72).

One of the specific areas of the tax reform is environment. It is aimed to provide an environmental quality and effective tax system through ecological tax reforms by increasing taxes on dirty products and decreasing taxes on clean products. "Fuel with lead tax", "Energy carbon tax" Carbon dioxide tax", "Package tax", "Emission tax and other similar taxes are brought to public agenda and discounts over tax assessments for investments which prevent contamination, are provided (Aktürk and Gökbunar, 1996, p.142).

At this point, "in the context of fight with increasing air contamination and climate change, there will new regulations on special consumption tax and motorized vehicle tax concerning emissions of motorized vehicles" puts the importance of the subject (Yılı Bütçe Gerekçesi, 2014, p.106).

Recently, in developed countries, since taxing interest is seen as ineffective, discouraging and as restricting development in tax systems in practice, reform proposals encourage capital and income (Aktürk and Gökbunar, 1996, p.144). These countries are moving to a tax system which is broad based but not increasing proportioned consumption tax" especially.

Tax reforms consist of the important part of financial reforms and they are the main goal of the stability programs. A tax reform based on the real income and the principle of horizontal tax justice is recommended to developing countries such as Turkey (Akalin, 1994, p.8).

It is inevitable to reform taxes as economy, society and politics change because of the historical changes in the economic and social developments of countries. As a result of social transformations, tax systems which are a resource sharing tool, might change in time and have different form. Reforming taxes in order to follow changes in social and economic structures are always in agenda although its importance and dimensions might differ (Aktürk and Gökbunar, 1996, p.139).

The reliability of tax regimen is the key of success in tax reform (Shirazi and Shah, 1991, p.462). A determined tax policy encourages companies to have long-term point of views in their investments and finance. Changes in the regulations should be critically considered then the changes should be applied and these changes should be presented as a long term strategy. Job safety issue, introduction part, analysis of reforms, advanced consultation and having a reasonable time before application should be considered very carefully.

It is already present that instability is not prevented by recent revenue policies because malfunctions in the application are far from solving the problems (Yereli and Egeli, 1993, p.58). Thus it is compulsory to dramatically change the regulation and innovating new alternatives in taxes especially.

While defining the regulations which will be carried out to achieve expected goals in tax reform, taking account of the whole tax system; it is necessary in this point to have legal and administrative regulations in order to reach an effective, fast and fair interoperability. In contrast, because changing some sections in the law or considering only some issues could not be regarded as reform, in tax laws and other legislations, in RAD, in tax judiciary and in tax control, strong regulation are in need.

It is compulsory to make regulations to increase tax revenue undoubtedly in economic crisis periods. However, this increase should be realized by not increasing rates but by fighting with tax loss and evasion effectively and by providing a basis of consciousness and trust such that constitution foresees "tax by economic power" (Can, 2003, p.102).

State is taxing fixed wage earners and minimum wage earners heavily. Minimum wage earners are not taxed or lightly taxed in developed countries. The biggest portion of the tax revenue comes from direct consumption products. Companies could not be taxed. Tax revenues are mainly collected from middle class, lower class and fixed wage earners (Dayıoğlu, 2012).

The economic and financial programs followed after 80's foresees an export oriented transformation by funding private sector and cutting domestic demand down. The tax load continuously shifted onto lower income tax payers relying heavily on indirect taxes in order to compensate for resource loss due to support the program of cutting domestic demand down (Bektaş and Gündoğdu, 2014).

The shift from direct taxes which enables to tax high income sections more to indirect taxes caused a more imbalanced tax revenue (Kazgan, 1990, p.12)

In order to achieve success in policies, the important issues are "preventing informal economy, heavily penalizing tax evasion, having no more tax peace, monitoring taxes effectively and independently, implementing the consciousness that paying taxes is the most important duty of citizenship" (Dayıoğlu, 2012).

A good tax system should support the economy for development, not affect the income distribution in the opposite way, follow and grasp the transformations in income, expenditure and wealth, be fair and efficient enough to finance public services. It will be definitely effective to reinforce tax administration, to speed the tax judiciary up and to fill the gaps in the system to reach tax capacity (Çakmak, 2003).

Tax policies that would prevent the negative effects of taxes on income distribution are shifting from direct taxes to indirect taxes, applying indirect taxes by tax schedules, leaving out the unnecessary and excessive exempts and exceptions from indirect tax regulations, not taxing minimum and low income wage earners and taking measures to remove the negative effects of inflation on low income sections (Bektaş and Gündoğdu, 2014).

In the context of providing a financial discipline and sustaining it, in the field of tax management, "tax practice laws should be regulated with one law, income and corporal taxes should be merged, restricting exempts and exceptions, decreasing special consumption tax to a reasonable level, removing highly bureaucratic and ineffective inheritance and transfer tax, stamp tax, bank insurance process tax and some other fees (passport and diploma fees i.e.) and a financial process tax should be put in to service instead of them (Akyel and Söyler, 2014, p.107).

4. Evaluation and Conclusion

Tax policies which are used to finance public expenditure, to provide an economic stability and development, to utilize resources, to render fairly distributed national income among all income levels and more, have an important role in economic and social order of countries

Tax policies to reduce the demand in short term in fight with inflation and tax policies to increase the supply in long term, consist the applications of encouraging efficient investments for development, penalizing consumption and reviving the economy in deflationist environment with exceptions and exempts.

In order to fill the gap between low income and high income groups, taxing the high income more and taxing the low income less and transferring this revenue to disadvantage sections of the society presents the social role of tax policies.

With tax policies, for budget deficits, low level of investment, unemployment, unequal income distribution and inflation:

- Decreasing inflation
- Measures to promote export
- Encouraging investments and savings by using resources effectively and efficiently,
- Penalizing extravagance, waste and luxurious consumption and supporting productivity,
- Removing unfairness of income distribution,
- Preventing unfair taxing against wage earners,
- Decreasing tax evasion
- Financing public services and expenditure reliably are possible.

In order to be successful in tax policy which is an important tool of financial policy, it is important that "taxes should be less in numbers and simple, should consider the ability to pay with respect to income level, should prevent the luxurious consumption and waste, should decrease tax evasion and loss, should tax informal economy, should encourage export, employment and development and reforming the tax law in a simple, comprehensible and permanent way and implementing tax consciousness into whole society."

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