

## ENSURING EFFICIENCY IN TAX AUDIT: TURKEY AS A CASE STUDY

## VERGİ DENETİMİNDE ETKİNLİĞİN SAĞLANMASI: TÜRKİYE ÖRNEĞİ

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### ABSTRACT

It is obvious that the tax, which is the income obtained by the state based on its sovereign power, is important in terms of financing public expenditures in developing countries. However, the efficiency of the tax audit, which we come across while investigating the compliance of the tax in question with the necessary legal regulations, is equally important. In this study, tax audit in our country, the effectiveness and efficiency of recent changes in the tax audit, and tax audit performed in other countries will be evaluated by comparison.

**Keywords:** Tax Audit, Informal Economy, Tax Audit Board

### ÖZET

Devletin egemenlik gücüne dayanılarak elde ettiği gelir olan vergi kaynağının gelişmekte olan ülkeler nezdinde kamu harcamalarının finansmanı bakımından önemli olduğu pek tabiidir. Ancak söz konusu verginin gerekli yasal düzenlemelere uygunluğunun araştırılmasında karşımıza çıkan vergi denetiminin etkinliği de bir o kadar önem arz etmektedir. Bu çalışmada ülkemizde yer alan vergi denetimi ile son dönemde vergi denetiminde yer alan değişikliklerin denetim üzerinde etkinliği ve verimliliği ve diğer ülkeler nezdinde yapılan vergi denetimi mukayese edilerek değerlendirilmesi yapılacaktır.

**Anahtar Kelimeler:** Vergi Denetimi, Kayıt Dışı Ekonomi, Vergi Denetim Kurulu

### 1.INTRODUCTION

The concept of tax awareness, which is the willingness of taxpayers to fulfill their tax debt arising from the law, and tax ethics, which is a level of honesty in fulfilling this willingness are the cornerstones of tax audit. States, in this context, want to use the entire taxable economic potential effectively and desire to minimize the negative consequences of tax awareness and tax ethics.

Tax audits aim to eliminate the negative aspects of tax awareness and ethics mentioned above and to facilitate tax compliance of taxpayers, as well as providing tax revenues that governments need (Yoruldu, 2019).

In our tax legislation, the collection of tax revenues is generally made according to the taxpayers' tax return. In this context, the taxpayers' considering the taxes as an expense and seeking legal or illegal remedies will cause the tax collections not to be at the desired level. The rational taxpayer, on the other hand, will try to make his/her tax statements in full within the framework of tax compliance considering the possibility of not paying the tax in full and being subject to tax inspection. The effect of tax control on tax effort can also be seen from this point of view. In addition, not checking whether the tax returns reflect the truth or not will damage the conviction of the taxpayers, who show compliance to tax, to the principle of justice, which is among the taxation principles (Beşel, 2017).

There are regulations regarding tax examination in Articles 134 to 141 of the Tax Procedure Law No. 213. The regulation in Article 134, namely, "The purpose of tax examination is to investigate, determine and ensure the accuracy of the taxes to be paid." provides information on the scope of tax examination in order to make the socio-economic and financial objectives of tax examination effective.

In this study, the improvement made by the establishment of Tax Audit Board according to the Decree Law No. 646 Amending Certain Laws and Decree Laws for the Establishment of the Tax Audit Board in 2011, and the effectiveness of tax auditing in our country will be evaluated. In our assessment, the purpose and importance of tax audit, history of tax audit in Turkey, the importance of division of labor and specialization in tax audit, the efficiency of taxpayer-based tax audit will be explained in comparison to tax audit mechanisms in other countries.

## **2-THE CONCEPTS OF TAX AUDIT AND EFFICIENCY IN AUDIT**

The concept of audit is explained by the Turkish Language Association as "The process of collecting and evaluating evidence by an expert unit for the purpose of determining and reporting the compliance of information about a public or private institution with pre-determined criteria".

### **2.1- Tax Audit**

Although audit and inspection are described as conceptually similar to each other, there are some differences between them. It is stated that the concepts of inspection and "murakabe" were used instead of the concept of audit during the Ottoman state (Yücel, 2009); that inspection was an activity that could only be carried out on-site, but some audits could be carried out remotely by providing the necessary information and documents; that in traditional use, inspection included activities from public sector to public sector whereas the concept of inspection from public sector to private sector. With the Decree Law No. 646 Amending Certain Laws and Decree Laws for the Establishment of the Tax Audit Board in 2011, the Tax Audit Board, which is perceived as a reform, had the authority to examine, inspect and investigate as it was previously operating under the name of the Finance Inspection Board and it also incorporated the concept of inspection. However, in our country, the Directorate of Inspection was established under the structure of Republic of Turkey Ministry of Treasury and Finance with the amendment to the Presidential Decree on Presidential Organization numbered 1 published in the Official Gazette dated 17/07/2018 and numbered 30474. With the appearance of the Directorate of Inspection, which does not have the authority to audit the market as an audit tool from the public sector to the public sector, the concepts of audit and inspection were separated in theory and practice, thereby paving the way for functional efficiency in auditing.

The seventh part of the first book of the Tax Procedure Law is divided into relevant chapters on tax auditing, and it is concluded that the audit consists of inspection, tax examinations, search and information gathering respectively. It is stated in Article 134 of the Tax Procedure Law No. 213, that the purpose of the tax audit is to determine the accuracy of the taxes to be paid and, if necessary, to provide the audit power before the taxpayer within the framework of the legal legislation. In this context, tax audit can be defined as investigating the taxpayers within the framework of the legal legislation in order to utilize the whole tax capacity of the country in accordance with the principle of justice, which is one of the taxation principles of the tax collecting administration, and to enable the collection of taxes without loss (Karyağdı, 2000).

## 2.2- Efficiency in Tax Audit

Adam Smith's taxation principles play a guiding role in terms of efficiency in tax auditing. In case that the principle of justice, which is defined as the taxation of everyone according to their ability to pay; the principle of certainty, which means that the taxation process should be precise and specific; the principle of appropriateness, which means that the tax is collected at the most appropriate time and place; and the principle of being economic, which is the principle of low tax collection costs are all realized, the efficiency in tax audit can also be accepted as achieved (Langham, 2012).

A tax audit conducted within the framework of the principle of justice will have more positive results on income distribution. A tax audit conducted to raise the tax to the required level in accordance with the legal legislation will strengthen the citizens' loyalty to the state. A tax audit based on the taxpayer's subjective status will increase the tax ethics and taxation of the taxpayer and also contribute to the increase in tax awareness.

Although the state has dominance on the concept of efficiency, it should not be overlooked that the taxpayer is a stakeholder in this matter. Tax inspections conducted by completely ignoring the feelings of the taxpayers do not result in financially sound results in the future. In reducing the informal economy to the required level, in addition to an effective tax audit, it is also necessary that taxpayers are aware of their responsibilities and act accordingly, and their voluntary compliance with tax is present.

## 3- THE PURPOSE AND IMPORTANCE OF TAX AUDIT

The main purpose of the tax audit is to determine the extent to which tax responsible parties and taxpayers comply with the provisions of the legal legislation. In a sense, it is seen that the tax audit, which controls whether the tax compliance process works effectively, fulfills the financial purpose of the tax by enabling the financing of public expenditures. In accordance with the principle of justice, one of the taxation principles explained in the previous section of the study, the social purpose of tax control will be fulfilled by preventing income injustice among taxpayers. The legal purpose of the tax audit will be realized by utilizing the law and justice mechanisms that strengthens the state belonging, and the implementation of the provisions of the legal legislation on the taxpayers. Looking at the issue in terms of price stability and full employment, tax audit contributes to the economic purpose in order to eliminate the negative effects of budget deficits and financing debts etc (Taytak, 2019).

It is clear that the principle of legality in taxes has an important place in developing countries. In this context, the necessity of applying tax legislation equally among citizens by utilizing tax audit clearly reveals the importance of tax auditing. The importance of tax audit increases with the aim of preventing tax losses and evasions, which are the negative effects of the informal economy. The importance of tax auditing being active and dominant at the national level in preventing the mentioned tax losses and evasion cannot be denied. Failure to actively implement tax audit will accelerate the transition of taxpayers from the formal economy to the informal economy.

In this case, tax audit remains non-negligible in terms of transition to the formal economy and ensuring the efficiency of the law and justice mechanisms(Rakıcı, 2011).

#### **4- TAX AUDIT SYSTEM IN TURKEY**

With the establishment of Ministry of Finance in the Ottoman Empire as the first board for implementing tax audit, the authority and tasks of the "Başbâkî Kulluğu", which was the highest authority for financial audit until the beginning of 19th Century, was transferred to Financial Inspectors (Köse, 2000). In the article on "Başbâkî Kulu" in the "Dictionary of Ottoman Historical Expressions and Terms", Financial Inspectorship, which was established following the establishment of Ministry of Finance, are accepted as the continuation of "Başbâkî Kulu". It is also mentioned that following the abolition of "Başbâkî Kulluğu", Financial Inspectors started to fulfill the audit duty, which was previously conducted by "BaşbâkîKulluğu"(Pakalın, 2004).

With the law numbered 29.05.1945 / 4709, a new tax audit unit, namely Public Accountants Board, was established under the Ministry of Finance. This board executed external audit. Additionally, Revenue Controllers Board under the Ministry of Finance assumed the role of an executive authority for internal audit of the budget whereas Tax Auditors Unit, having same authority, acted as the executive authority for tax audit.

With the Decree No. 646 on Amendments to Certain Laws and Decrees for the Establishment of the Tax Audit Board in 2011, all the audit units described above were gathered under one roof and took their place in the audit system as the Tax Audit Board.

##### **4.1-Pre-2011 Tax Audit System**

Previous to Decree Law No. 646, the tax audit system in Turkey was carried out by Finance Inspectors, Public Accountants, Income Controllers and Tax Inspectors under the Directorate of Revenue Administration as a result of the European Union compliance process. At the same time, tax audits were also carried out by the largest property officer and tax office directors of the province, which is also specified in the Tax Procedure Law No. 213.

Regarding the matter mentioned in Section 1.1. Finance Inspection Board conducts both market and public sector auditing, Public Accountants Board just conducts market audit whereas Revenue Controllers and Tax Auditors perform the task of auditing both budget items and market.

Such a complex tax control system was leading to weakness in bureaucracy, the inability to ensure efficiency in tax auditing, the perception of "audit after audit" on taxpayers, and the conflicts of authority between the supervisory units due to insufficient legal legislation.

In order to eliminate the existing problems and to carry out the tax audit more actively, effectively and in a coordinated manner, all tax auditing units were gathered under a single roof, namely the Tax Audit Board with the Decree Law No. 646.

##### **4.2 Post-2011 Tax Audit System**

In 2011, the Tax Audit Board took its place in the tax audit system with the amendment made in the 20th article of the abolished Decree Law No.178 and the subparagraph a of the 1st article of the Decree Law No.646. With the regulation made, the central audit units (Finance Inspection Board, Public Accountants Board, Directorate of Revenue Controllers) and the provincial audit units (Tax Inspectors Bureau) were gathered under a single roof with the title of "tax inspector".

Considering the personnel distribution of the audit units gathered under a single roof, the rate of tax auditors is 81.5%, while the rate of personnel of central audit units is 18.5% (Darıcı, 2011). As can be seen by taking the above-mentioned ratios into consideration, the regulation made aimed at an effective tax audit and minimizing the informal economy by activating the supervisors who are organized at a dispersed level and strong in terms of ratio, at the national level.

According to the regulation, the structure of the Tax Audit Board consists of president, vice presidents, group presidents and tax inspectors (tax chief inspector, tax inspector, assistant tax inspector) working under the ministry.

With the arrangement made, the way to increase the efficiency in auditing has been paved by minimizing the coordination activity between audit units. With the latest regulation, conflict of authority, which is seen as the most important problem in the audit structure, has been prevented.

#### 4.3- Investigation of the Effectiveness of These Regulations on Tax Audit

Efficiency in tax auditing can be defined as collecting the highest income with the lowest costs, (Aytekin, 2007) obtaining expected income, low tax collection costs, helping tax practices achieve macroeconomic targets and reducing income inequality (Anlar, 2016).

It is essential to know the aim of the audit performed in order to measure the efficiency of tax auditing (Somuncu, 2014). Additionally, the main goal should be ensuring collective efficiency in tax auditing. As mentioned in our study, efficiency in auditing can be kept at the desired level as a result of the concepts of tax awareness and tax ethics and ultimately, voluntary compliance with tax. Another issue is having sufficient number of personnel to take part in the tax audit process.

With the Decree Law No. 646, a new board consisting of 170 Finance Inspectors, 335 Public Accountants, 368 Revenue Controllers and 3.854 Tax Auditors was formed. Tax auditors have a high share in this new supervisory board, accounting for 81.5% of the total audit staff. The ratio of auditors included in the board from the other three departments is 18.5% (Darıç, 2011). The distribution of staff of the Tax Audit Board between 2012 and 2017 is as follows.

**Table 1.** Tax Audit Board Distribution of Staff 2012-2017

Years	President		Vice President		Chief Tax Inspector		Tax Inspector		Assistant Tax Inspector	
	Dolu	Boş	Dolu	Boş	Dolu	Boş	Dolu	Boş	Dolu	Boş
2012	1	0	4	0	367	622	2.502	3.592	1.889	5.266
2013	1	0	1	5	326	565	2.714	2.730	2.508*	5.397
2014	1	0	1	5	295	596	3.121	2.323	5.796	2.109
2015	1	0	0	6	288	1.601	3.556	2.188	5.360	1.245
2016	1	0	0	6	239	1.650	3.018	3.226	5.244	861
2017	1	0	0	6	219	1.670	2.868	3.626	5.156	699

**Source:** Annual reports of the Tax Audit Board were used.

\* 4.584 Assistant Tax Inspectors, whose entry exams were held in 2013 and their appointment processes continue, are not included in the table.

##### 4.3.1- Assessment based on the Number of Personnel Participating in the Audit

If the number of personnel involved in the audit process affects the auditing activities, this will guide us in terms of efficiency. As the number of audit staff increases, the increase in the audits performed, or the decrease in the number of taxpayers or audits per auditor will show us whether an effective tax audit is carried out due to the more efficient performance of the audits.

In the table below, the number of examinations per auditor is shown by years.

**Table 2.** The Number of Inspections and Taxpayers per Audit Staff

Years	Audit Staff Number *	Total Inspection Number **	Number of Inspections per Audit Staff	Audited Taxpayer Number	The Number of Taxpayers per Audit Staff
2012	4.758	105.761	22	46.845	9.8
2013	5.548	163.367	29	71.352	12.8
2014	9.212	149.047	16	55.284	6
2015	9.204	159.500	17	58.676	6.3
2016	8.501	185.462	22	49.817	5.8
2017	8.243	119.026	14	44.182	5.3

**Source:** Annual reports of the Tax Audit Board were used.

\* The number of auditors was found by gathering the full positions of tax chief inspectors, tax inspectors and assistant tax inspectors in the Tax Audit Board.

\*\* While determining the total number of inspections, if more than one period of a taxpayer was examined, then each period was considered as a separate inspection.

As can be seen in the table above, the number of taxpayers per audit staff decreases over the years. This result shows us that tax inspections were carried out comprehensively, efficiently and with the aim of efficiency in tax auditing.

However, looking at the OECD data shows that the number of audit staff is below the data averages. The table below shows the ratio of auditors to the number of personnel working in the taxation policies of countries according to OECD data.

**Table 3.** Share of Audit Staff in Total Employed Personnel in Taxation Process in OECD Countries

OECD Countries	Total Number of Personnel Employed in Taxation Process	Percentage of Audit Staff (%)
Australia	17.477	35
Austria	7.484	63.7
Belgium	19.485	-
Canada	38.172	28.9
Chile	4.195	40.4
Czechia	14.272	19
Denmark	5.861	40.7
Estonia	983	67
Finland	5.072	38.9
France	66.964	15.3
Germany	110.494	39.6

Greece	8.000	25
Hungary	17.870	36.3
Iceland	240	65.4
Ireland	5.745	30.7
Israel	5.104	40.3
Italy	31.706	38.4
Japan	56.194	63.3
Korea	18.841	24
Luxembourg	984	42.1
Mexico	25.457	35.2
Netherlands	20.873	41.8
New Zealand	3.433	22.4
Norway	6.733	41.6
Poland	47.593	24.8
Portugal	10.066	16.8
Slovakia	6.813	22.9
Slovenia	2.365	57.6
Spain	22.402	22.6
Sweden	7.877	32.5
Switzerland	925	25.4
<b>Turkey</b>	<b>51.046</b>	<b>19.9</b>
United Kingdom	53.205	42.7
USA	86.977	34
<b>OECD Average</b>	-	<b>36.2</b>

**Source:** OECD, 2015. Tax Administration 2015: Comparative Information on OECD and Other Advanced and Emerging Economies, OECD Publishing, Paris. s. 191.([https://read.oecd-ilibrary.org/taxation/tax-administration-2015\\_tax\\_admin-2015-en#page93](https://read.oecd-ilibrary.org/taxation/tax-administration-2015_tax_admin-2015-en#page93), Eriřim Tarihi:19.05.2020).

According to the table above, the ratio of auditors to the total number of personnel in our country is below OECD averages. Although this rate was at the level of 32% in 2017 OECD data, it shows that the number of audit staff in our country is insufficient for us (OECD, 2017)<sup>1</sup>. According to the table, the number of tax auditors in France also being below the average implies that the insufficient number of the auditors is not important in terms of efficiency. On the other hand, since the tax audit aims to transition to the formal economy, the unregistered economy is low in the UK and Japan, where the share of administrative personnel is high, showing us how important the number of audit staff is.

<sup>1</sup> OECD (2017). Tax Administration 2017 Comparative Information on OECD and Advanced and Emerging Economies, Paris: OECD Publishing.(15.02.2018),[https://read.oecd-ilibrary.org/taxation/tax-administration-2017\\_tax\\_admin-2017-en#page1](https://read.oecd-ilibrary.org/taxation/tax-administration-2017_tax_admin-2017-en#page1).

#### 4.3.2- Assessment Based on the Audit Rate

Rate of audits performed at the national level can also give us information in terms of effectiveness in auditing. From this point of view, the audit ratios, which are among the efficiency indicators in our country, are given in the table below.

**Table 4.** Nationwide Audit Rates of Taxpayers in Turkey (2011- 2017)

YEARS	Number of Taxpayers *	Number of Audited Taxpayers	Audit Rate (%)
2011	2.367.721	16.267	0,68
2012	2.422.975	46.845	1,93
2013	2.460.281	71.352	2,9
2014	2.472.658	55.284	2,23
2015	2.527.084	58.676	2,32
2016	2.541.016	49.817	1,96
2017	2.636.370	44.182	1,68

**Source:** Tax Audit Board 2016 Report of Activities, p. 45. Tax Audit Board 2017 Report of Activities, p. 43.

\* Taken from the Official Web Site of Revenue Administration. It consists of adding the Number of Active Income Tax Taxpayers and the Number of Active Corporate Tax Taxpayers.

The USA, which has an audit rate of around 1% and is an example for all countries with its success in tax auditing, is an example among the countries that are effective in tax control (Alm;Black; Mckee, 2004)<sup>2</sup>. As presented in the table above, the audit rate is 2% on average in our country, where it is 1% in the USA, which is among the developed countries. As a result of the decision to organize audit units under a single roof, namely the Tax Audit Board, and to increase the number of auditors, which was put into effect in 2011, our country has made a significant progress in terms of efficiency in tax auditing.

## 5- REGULATIONS MADE IN THE PRESIDENTIAL DECREE NO: 1

### 5.1- Arrangement for Division of Labor and Specialization

With the approval of the Minister, groups were established under the the Tax Audit Board in order to benefit from the auditors efficiently. For this purpose, the board was organized as follows.

- Small and Medium Sized Taxpayers Group (A)• Large Scale Taxpayers Group (B)
- Counter Organized Tax Evasion Group (C)
- Disguised Capital, Transfer Pricing and Foreign Earnings Group (Ç)
- Value Added Tax Refund Examinations Group (D)

<sup>2</sup> ALM, J., BLACK wee, C. and MCKEE, M. (2004). 'AuditSelectionandFirmComplianceWith a Broad-BasedSalesTax', NationalTaxJournal, 57(2). 209-227. aktaran M. FIRAT. (2015). Türkiye'de Vergi Denetiminde Etkinlik Sorunları ve Özerk Gelir İdaresi, Türk Dünyası Araştırmaları Dergisi, Sayı.216, s.166.

The Board, whose aim is to encourage the registered economy, and to minimize tax losses/evasions and possible resulting tax crimes, a new regulation was made with the Presidential Decree No.1 in order to provide division of labor and specialization in tax auditing. The legislative provisions regulated in order to make the tax audit more effective and the tax inspections, which are a market audit tool, to result more efficiently, are as follows:

As a result of the amendment made in the Presidential Decree No. 1 by the Decree No. 60, published in the Official Gazette No. 31103 dated 18.04.2020, the following are regulated:

'ARTICLE 6- The phrase "Heads of Groups" in the first paragraph of Article 228 of the Presidential Decree No. 1 is amended as "Heads of Departments", the second paragraph is amended as follows, the phrase "heads of groups" in the third paragraph is amended as "heads of departments", and the following clauses were added right after the fifth paragraph with the phrase "the size of assets and stock holders' equities" coming right after "the sectors in which they belong and the subjects of investigation".

"(2) In the fulfillment of the duties assigned to the Board, for the purpose of sectoral and functional specialization and the provision of the division, where appropriate, the following directorates may be established directly under the Presidency with the approval of the Minister.

- a) Directorate of Auditing,
- b) Directorate of Audit of Tax Evasion,
- c) Directorate of Audit of Tax Returns,
- ç) Directorate of Sectoral Audit."

" (6) The procedures and principles for determining and changing the directorate where Tax Inspectors (Tax Chief Inspector, Tax Inspector and Tax Deputy Inspector) will serve are determined by regulation.

(7) In order to ensure the unity of practice in the execution of tax review duties and to address the uncertain issues arising regarding the implementation of the provisions of the legislation, the Advisory Commission may be established to provide an opinion to the Tax Audit Board. The establishment of the Advisory Commission as well as the working procedures and principles are determined by regulation.' In our country where the tax base is wide, this arrangement that helps tax auditing to be concluded faster, minimizes bureaucratic obstacles and facilitates the determination of the taxpayer portfolio in the selection of risk analysis and increases the same motivation will undoubtedly make tax auditing more effective, which is the main subject of our study.

## 5.2- Regulation on Taxpayer Rights

Another issue that is subject to effectiveness in tax auditing is the use of the attitudes, behaviors and rights of the parties to the audit on a legal basis. A legal arrangement was made regarding the determination of the taxpayer rights in the tax control mechanism, in which tax examination personnel and taxpayers encounter. For this purpose, the 'Circular on Taxpayer Rights in Tax Inspection' dated 18/01/2017 and numbered 2416 was published by Tax Audit Board. In the mentioned circular a framework was established regarding the rights of taxpayers including the following regulations: Before starting the examination, the tax inspectors should inform the relevant taxpayer that they are authorized with the necessary credentials, and the subject of the examination should be explained to the taxpayer in the same way; the taxpayer can determine an authorized person (Independent Accountant and Financial Advisor, Certified Public Accountant, Lawyer etc.) to represent him; by taking into consideration the tax privacy, the taxpayer may be informed at every step of the tax examination; the taxpayer should be asked whether he/she requests to be listened before Report Evaluation Commissions; in the event that the taxpayer requests in writing, the draft examination memorandum should be send to the e-mail address of the taxpayer, which was recorded in the examination kickoff memorandum, at least two days prior to the finalization of the memorandum.

This is the most important regulation regarding the rights of the taxpayer, and it minimizes the pressure on the taxpayer during the examination process. In addition, the application of 'Taxpayer Portal' has been initiated within the Presidency in order to enable the notices to be made according to transparency.

In addition to this circular, 'Taxpayer Rights Board' was established with the amendment made in the Presidential Decree No.1. The mentioned regulation consists the following:

'ARTICLE 8 - The following article has been added to come after the 238th article of the Presidential Decree number 1.

"Taxpayer Rights Board

ARTICLE 238/A- (1) The Taxpayer Rights Board is established to decide on basic principles and rules for the protection of taxpayer rights, to ensure the adoption and implementation of these principles and rules, to evaluate applications on taxpayer rights and to make recommendations to the Ministry.

(2) The formation of the Taxpayer Rights Board, the selection, appointment and duration of the members, and their working procedures and principles are regulated by regulation.

(3) The Board is authorized to request the necessary information regarding its duties from all public institutions and organizations. All public institutions and organizations that are asked for information are obliged to provide it. The confidentiality of the obtained information, which lies within the scope of tax privacy, is respected. The Chairman and members of the Board as well as the personnel appointed to the Board may not disclose the confidential information, personal data, trade secrets and related documents of the public, interested parties and third parties to anyone other than the authorities authorized by the legislation in this regard for the benefit of themselves or third parties, which we obtained during their fulfillment of their duties. This obligation continues after they left their duty."

With the arrangements made, it will be possible to talk about a healthy, effective and efficient tax examination to the extent that the parties act in accordance with the rights and authority they have in the tax audit mechanism and fulfill their obligations on the legal basis. These arrangements, which are made to provide that the taxpayers become aware of their rights in the tax audit process and to carry out a rational examination process, to increase the sensitivity about the protection of taxpayer rights, shed light on the fact that our tax audit system will be more efficient.

## 6- EVALUATION OF TAXPAYER SELECTION

OECD's 'Compliance Risk Management: Audit Case Selection Systems' report included two key factors in the selection of taxpayers to be audited. Firstly, the timely use of accurate and comprehensive data; secondly, the availability of information in analyzing and prioritizing existing data, updating audit selection parameters and providing strategic risk management process (OECD, 2004)<sup>3</sup>.

The most effective aspect that stands out in the selection of taxpayers using today's technological resources is the risk analysis study. In this context, with the recent technology momentum of our country, risk area determination is carried out within the scope of the Tax Audit Board.

With the Risk Analysis Branch Directorate established within the board, the data obtained about the taxpayer/potential taxpayers within the framework of the information obtained from both public and private institutions and the risk analysis information as a result of cross-examinations are shared with the Board and the tax examination process of the taxpayers takes place.

<sup>3</sup> OECD (Organisation for Economic Co-Operation and Development), (2004a), Compliance Risk Management: Managing and Improving Tax Compliance, Forum On Tax Administration Compliance Sub-group Guidance Note.

However, it is stated in the second article of 'Regulation on Procedures and Principles to Be Followed in Tax Examinations' that taxpayers who are not found to be risky as a result of the risk analysis will also be subjected to examination process. It is stated in the Article 9 of the aforementioned regulation that 'In case the one tone examined cannot be contacted due to reasons such as death, obliviousness, abandonment of work or the country, or the ledgers and documents are not presented within the given time period despite contact with the relevant party, or the relevant party refuses to sign the memorandum of initiating the examination, the examination shall be carried out on the basis of the results of risk analysis of the Presidency, if any, with all kinds of information and documents obtained from the documents and other sources in the tax office file of the relevant party.' and full effectiveness in tax auditing is aimed using risk analysis results.

The previously dispersed organization of the tax auditing system prior to the Decree Law no. 646 strengthened the taxpayers' perception of 'audit after audit' when evaluated together with risk analysis issues. The arrangements made and the collection of the audit system under single roof prevented this negativity. Ultimately, it is undeniable that the new regulation on the organizational structure of the Tax Audit Board mentioned in Section 4.1 of our article will increase the efficiency in risk analysis studies to be carried out using individual audit criteria for different taxpayer groups.

## 7.EVALUATION AND CONCLUSION

States attach importance to auditing tax, which is the most important source of financing for public expenditures and borrowings. For this purpose, the competence of the auditing bodies, decision-making and implementation methods are a major issue in ensuring effectiveness in auditing. In addition, inserting tax awareness/moral concepts into the society will increase effectiveness in tax audit, and the effort to direct the informal economy towards the registered economy by basing tax compliance on the basis of willingness in a sense is also important in the tax audit mechanism.

Concepts such as description of penalties and crimes in the laws, tax audit rates, technological infrastructures of countries, and active use of audit personnel will increase efficiency in auditing, and thus direct the financial resources that may remain idle in the countries to their financial policies and therefore help achieve success at efficiency in income distribution and resource allocation.

When examining the tax audits carried out in the USA, England, Germany and France based on the major legal systems, it is seen that the specialization in the tax audits of the mentioned countries is done on a sectoral basis, division of labor and active specialization are fully implemented, importance is given to the taxpayer rights, and risk analysis systems are effectively used.

The tax audit units in our country were in a dispersed organization prior to the Decree Law No. 646 in 2011. This situation created the perception of "audit after audit" on taxpayers, situations such as emergence of conflict of authority due to the lack of legislation on audit organizations resulted in moving away from effectiveness in auditing. By gathering all audit units under the roof of the reformist institution Tax Audit Board, a new window has been opened in data auditing with the active use of the audit area at the national level.

Our tax audit structure, which changes day by day, is similar to the structures of developed countries. With the aim of increasing efficiency in tax auditing, with the latest regulation, division of labor was created by establishing tax evasion audit directorate, tax returns audit directorate, sectoral audit directorate under Tax Audit Board, and also by making full separation in active specialization. 'Taxpayer Rights Board' was established, and a new regulation was made that facilitates tax compliance and increases efficiency in tax auditing.

With all these improvements in our audit structure and reaching efficiency in tax auditing, we believe that the financial and economic contributions of the audit results to the country's economy will increase rapidly in the near future.

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