# THE FACTORS AFFECTING THE DISTRIBUTION OF THE TAX BURDEN IN THE TURKISH TAX SYSTEM

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#### ABSTRACT

The purpose of this study is to analyse and discuss the factors affecting the distribution of the tax burden in the Turkish Tax System.

The first part deals with the definitional and conceptual issues involving tax burden. Singificance of the studies addressing the tax burden issue is discussed in the following section. It is noted that in some cases incidence analysis may reveal that the final effects may show transformation of a progressive tax to a regressive one.

Factors affecting the distribution of the tax burden in Turkey is investigated in the third section. It is indicated that the factors can be classified in to pre-and-post payment factors and those were introduced one by one in detail. It is argued that allowances favoring relatively well-to-do groups, inefficient allocation of incentives significant loopholes in the system an a high level of tax evasion significantly distort the disturbution of tax burden in Turkey.

It is concluded that a camprehensive tax reform accompanied with radical measures for economic stability is required to improve the current situation.

#### Introduction

One of the main objectives of fiscal policies is to ensure an equal distribution of income. Taxes, the primary tools of the fiscal policies, should be analysed properly with respect to their effects on income distribution to be compatible with that aim before imposing. This requires proper studies on the tax burden and its distribution among the payers. Such studies do not only guide to the government about the direction of the tax policies, sort of taxes to levy and their amaount and the payers, but also increase the performance of the policies implemented.

During these applications, equity and fairness are the most significant principles which should be taken into account in taxation. That enables the inevitable burden arisen from imposing tax to be distributed equally among the payers.

The amaount of the burden depends not only the tax rates applies to the taxable income, but also depends on the availability of shifting that burden to other parties.

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It is intended in this paper to analyse the key factors which change the burden of taxation in the Turkish Tax System. The first part covers the definition and conceptual issues related to tax burden. Importance of such studies is mentioned in the second part. The paper is finalised with the analysis of the agents which enable the taxpayers to diminish their burdens.

## 1. Definition and conceptual issues

Tax is imposed on income, wealth and expenditures. A fair tax system necessitates to tax people according to their ability to pay. It is that relationship between ability to pay and the paid which underlines the concept of tax burden. Tax burden is a concept which may have different meanings in different uses. Its coverage may change from "the money collected as tax" in a narrow sense to larger concepts which include various effects of taxes. Generally tax burden is defined as the ratio of the taxes paid by a taxpayer in a certain time period to the income earned by that taxpayer in the same period. By the same token, the share of government tax revenues in national income also shows the tax burden in macroeconomic context.

An imposed tax creates a burden, more or less, to anyone or any group since it lowers the amount of income to spend.

Apart from the above definitions, in many studies tax burden is referred to excess burden or incidence of the tax. Excess burden is the net welfare loss from a tax which is total loss of welfare from a tax less the welfare loss caused by raising to same revenue in a way that does not disturb economic activity. However determination of excess burden requires partial analysis which is quite troublesome to do empirically. Incidence is the final resting place of a tax. Analysis of tax burden through incidence has been carried out by a number of researchers, particulary for the UK and the USA. Nevertheless such a study requires a very detailed data about tax and income distribution for both individuals and households.

## 2. Importance of the studies on tax burden

Today tax revenues constitutes almost thirty to forty percent of national income in many countries. That means a significant portion of national income transfers to government sector. For that reason the studies on tax burden, its calculation, analysis and distribution have drawn more and more attention.

Tax burden analysis is important not only for taxation policy but also important to see the possible economic effects of taxes. It may not be enough to know only the structure of a tax system and taxpayers since incidence of

the taxes may change the ultimate effects and burden of taxes and also may transform a progressive tax to a regressive tax. That's why tax burden studies are necessary to see real character of the tax system (Arsan, 1975).

Equity and fairness are two important principles which should be taken into account in imposing a tax. Tax burden studies enable an authority to see the distribution of the tax burden among groups or sectors and then to adjust the tax rates, taxable amaounts, allowances and so forth to correct the current distribution. By that way, the re-distributive function of taxation is allowed to operate.

Tax burden is used by both government and taxpayers to support or criticise tax policy. Government compares tax burdens of different sectors to tax untaxed reserves. Similarly taxpayers may use such comparisons when criticising an application, if unfair (Turk, 1992).

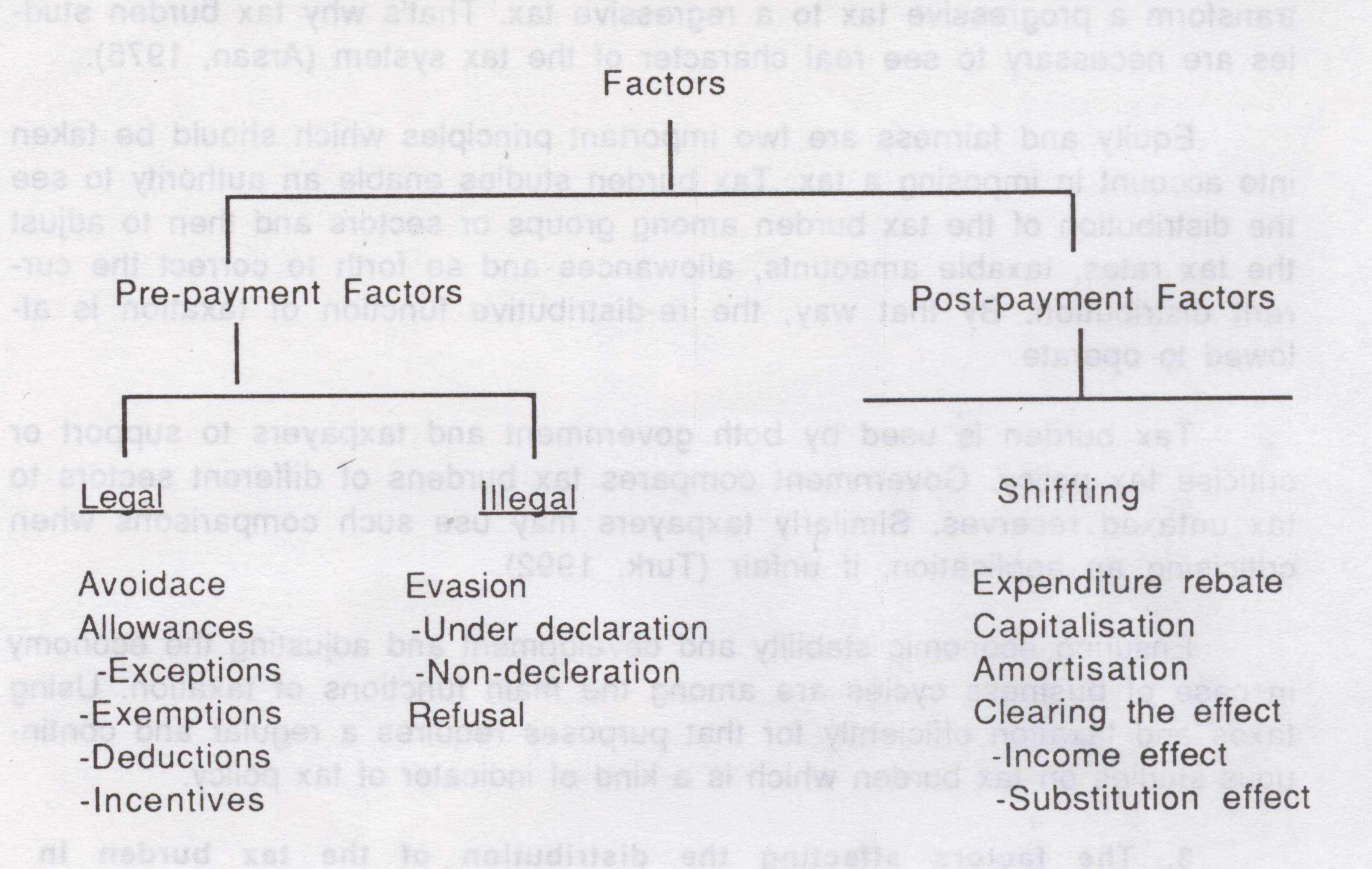
Ensuring economic stability and development and adjusting the economy in case of business cycles are among the main functions of taxation. Using taxes and taxation efficiently for that purposes requires a regular and continuous studies on tax burden which is a kind of indicator of tax policy.

# 3. The factors affecting the distribution of the tax burden in Turkish Tax System

Tax burden is a function of the taxes paid together with the income earned. The amount of taxes paid depends on the tax rates as well as the allowances given by the authority for certain payers on the one hand, and on the availability and possibility of the ways to avoid from or eveda tax on the other hand. In addition, incidence of the taxes is one of the major factors affecting the taxes paid.

Among the factors affecting the tax burden and its distribution, some of them leads to decrease the taxable amaount and enable the payers to pay less tax, while some others allow the payers to compensate or regain part of the taxes after payment. In this section, we will first analyse these factors classifying them as pre-payment factors and post-payment factors, as presented in Figure 1, then will discuss another important factor, tax rates, which is directly related with tax burden.

Figure 1. Factors Lowering Tax Burden in the Turkish System



## 3.1. Pre-payment factors

Pre-payment possibilities to diminish the tax burden can be analysed through two ways:

a) Legal ways: It is not unusual to find some loopholes or uncertainties in Turkish Tax system as in many tax systems. Taxpayers can lower their tax liabilities by making use of such loopholes within the law. similarly, individuals who benefit from some allowances given by the government for certain economic and social objectives like development, redistribution of income, pay less relative to others who do not benefit. InTurkish Tax System, the allowances create a substantial loss in the tax revenues.

#### 3.1.1. Allowances

Allowance refer to income that is tax-free. They have been designed to grant in attempt to reduce to taxable income by the extent that an individual has his income pre-empted by resposibilities like a wife or children. It would appear to enhance equity if tax was thus based more closely on disposable income rather than total income. Also, they act as a zero-rate band of income which takes large numbers of potential taxpayers out of the tax as contribut-

ing to the progressivity of the tax (James & Nobes, 1988:161). In addition, there are some economic reasons to give allowances such as encouraging development of certain branches of industries, of exports or building.

Allowances take the form of four types in Turkish Tax System (Kirbas, 1992):

- 1. Exemptions: Excluding certain individuals or institutions from taxation by law. For example, co-operatives and military cafeterias are exempted from the Corporate Tax Law.
- 2. Exceptions: Excluding certain tax bases from taxation by law. For example; according to Property Tax Law, one-fourth of the tax value of building constructed for use as residence is exepted from taxation in the five years of construction.
- 3. Deductions: Allowing to deduct certain expenses from total income in determining the taxable income. Personal allowances, disabled person's allowances, deduction of nominal interest payments from taxable profits are of examples of deductions.
- 4. Incentives: Allowances for especially developmental and economic purposes. Investment Incentive Allowance is the leading example of the goverment's efforts to promote the development of specific regions and industries. Under this scheme, a certain percantage of the cost of investment can be written off during the first year in addition to the ordinary depreciation allowances. Typical allowances attain 30 per cent for invenstments in developed regions, 40 per cent for agricultural and regional development projects, 60 per cent for priority regions and 100 per cent for research and development investments (OECD, 1992: 75).

After the theoretical discussion of allowances accompanied with examples from Turkish Tax Law, now, we can analyse the effects of the allowances on the distribution of tax burden.

#### a-Allowances in Personal Income Tax

Allowances have been designed to realise equity and equality both socially and economically in taxation. In direct taxes especially in taxes imposed on income, it is possible for the authority to adjust tax structure in such a way that those who are below a certain income level which is just enough to survive, should be excluded from taxation. However, economic purposes prevail social purposes as far as allowances concerned in Turkish Tax System.

The major exemption in income tax is personal allowance, but is has been eroded by soaring inflation. In 1980, personal allowance comprised a general allowance of TL 2880 per member of household and a special allow-

ance of TL 1899 per wage-earner in the household. Both were sharply increased 1981 so that the level of personal allowance for a single wage earner became equal to the then prevailing minimum wage level of TL 61200. The personal exemption levels were, however, not revised again until 1986 when the general allowance was abolished and the special allowance was raised to TL 72000. Yet, this remained an insignificant amaount against the high level of inflation during the first half of the 1980s. Although the personal allowance level has been revised many times since, it has failed to keep pace with inflation. Its 1991 level of TL 648000 has been only one-tenth of the annual minimum wage; i.e nine-tenth of the minimum wage is subject to taxation (OECD, 1992: 68-69).

The "expenditure rebate system" which was designed initially to reduce the tax burden of lower income groups, was extended later to other taxpayers, causing that relative advantage to disappear gradually for that groups. On the other hand, introduction of "value added tax" to the tax system the indirect tax burden of the lower income groups.

## b- Allowances in Corporate income Tax

During the 1980s, series of changes was implemented in the Corporate Tax. They contained elements aiming at encouraging investment, reducing regional inequalities and providing protection from inflation. However, over-extending the areas which have been given allowances especially incentives brought about huge costs to the government on the one hand, caused such incentives to loose the feature of selectivity on the other hand.

For allowances to be successful in application (Oyan et all, 1990):

- Targest should be in limited numbers and defined clearly.
- Incentives should be linked with the targets closely.

-Incentives and the conditions for the allowances should be taken away from arbitrariness and political influences.

-Application of the allowances should be visible and clear.

The extent of the system in Corporate Tax can be seen from Table 1. Especially export and investment incentives and portfolio management allowances take the largest shares of total allowances. High increases in amount between the years shows that many companies, particuarly private companies have benefited from the system. Share of allowances in total incomes of the companies increased to 46 per cent in 1987 from 23 per cent in 1985.

Table 1. Principle Allowances in Corporate Tax

(TL Million)	1985	1986	1987
Risturn allowances	FOOCE		
	52865	30277	141814
Earnigs from abroad(small tax payers)	11947	60717	70656
Dividends. interest. lottery	77136		
Eanarnings from abroad	69514	28611	39509
Exports of indus. products	137497	199070	656424
Allowance for agricul. products	14830	34397	25435
Freight allowances	7874	20681	39509
Tourism allowances	7112	29681	54702
Army foundation allow	6121	8628	8551
Portfolio management all.	1329	37345	340359
Emission prem. on stock shares	150	1549	22764
Loss of taken-over firms	68	7296	47820
Educational, sports and health	34	1068	3610
establishments			
Joint social sec. institutes.	5072	134561	34348
Joint foundations			127243
Financing fund	12607	55294	316588
Investment allowances	99711	322696	671703
Miscellaneous allowances *	89007	675729	670072
TOTAL ALLOWANCES	592874	1647188	3274107
Total income before allowance	254498		
	7	4411802	7175454
Share of allow. in total income	233 %	37.3 %	45.6 %

<sup>\*</sup> The high increase in miscellaneous allowances in 1986 and 1987 is arisen from the fact that some taxpayers recorded their earnings which to be included to allowance scheme, under that unique item, so, exact topic of that allowances are unknown

Source: The Directorate General of Public Revenues Ministry of Customs and Finance.

Naturally, government gives up taking some of its revenues by granting allowances. Total amount of allowances multiplied by the prevailing tax rate gives the cost of that sagrifice to the government. As can be seen from Table 2, while tax loss is 47 million Turkish Liras in 1981, it increased five times in 1981 constant prices in 1987. The next table, Table 3, presents tax losses and effective corporate tax rate in percentage. If we look at the table, the share of tax loss due to allowances in total corporate income tax revenue has doubled in 1987. It was 45.5 percent in 1985 and rose 96 percent in 1987. It means that the government has given up taking tax almost the same amaount of tax by law, with the actual taxes collected. More strikingly, by that way, effective tax rates fall down to the half. The government receives 22 percent of corporate incomes as tax instead of 46 percent, which is the legal rate. It can be said that such applications favour the profit sector against labaour sector which have received an insignificant amount of allowance

Table 2. Cost of Allowances in Corporate Tax (TL Billion)

Years	Total	Corporate	Tax Loss	Tax Loss	INDEX
	Allowances	tax rate (%)		(1981 prices)	1981=100
1981	94	50	47	47	100
1982	111	40	44	35	74
1983	155	40	62	38	81
1984	332	40	133	54	116
1985	593	46	273	77	165
1986	1647	46	758	164	350
1987	3274	46	1506	238	508

Source: Combined from 18, 19 and 21 in Oyan et al (1990:85-88)

#### 3.1.2. Avoidance

Avoidance is an individual's manipulation of his affairs within the law so as to reduce his tax ability. Tax avoidance is often referred to by expressions such as 'tax planning' or 'tax mitigation', which emphasises its legality (James & Nobes, 1988).

Tax avoidance is the adaption of wholly legal methods to reduce one's tax bill. It is argued that avoidance is used to mean something which is contrary to the spirit of the law and which accomplishes the pre-tax objective. For example, if an individual splits up his estate in various ways and into various sorts of property solely in order to pass on as possible to his heirs, he is attempting to accomplish the objective he had before inheritance tax was introduced and he is opertaing against the spirit of the law sanford, 1973).

Tablo 3. Tax Loss and Effective Tax Rate in Corporate Tax (TL Billion

Years	Income before allowances (1)	Total allowances	Total corporate tax realised (3)	Tax loss		tax rate(%)	Share of tax loss in total realised (%) (4/3)
1985	2545	593	600	273	23.3	23.5	45.5
1986	4412	1647	1201	758	37.3	27.2	63.1
1987	7175	3274	1568	1506	45.6	21.8	96.0
1988	10615	4482	2240	2062	42.2	21.1	92.0

Source: Saygilioglu (1990:14)

High tax rates imprecise laws, insufficient penalties and inequality are among the causes of avoidance. Avoidance becomes more rewarding as rates of tax become higher. Therefore, it is worth spending more money on advise, performing more complex manoeuvres and taking greater risk.

Information about avoidance is quite limited There are no accurate quantitative estimates of their importance. It is clear, however, that there are many loopholes in the tax system and that loopholes allow some sectors, who can use them, to shift their tax burden to others who cannot.

b) illegal ways: Individuals especially working in agricultural and trade sectors and in own business have opportunity to lower their tax liabilities through illegal ways. Since it is quite difficult and costly to determine their real level of incomes unless they declare. That's why one can find many individuals who hide or underdeclare the income they have great advantage relative to those whose taxes are withhold at source and so having no change to hide them, in terms of tax burden. Apart from tax evasion through hiding and underdeclaring taxable income, rejecting tax liability or tax debt is another illegal way of clearing tax burden.

#### 3.1.3 Evasion

Above discussions about causes and effects of avoidance are valid, or lee, for tax evasion as well. The major difference is that tax evasion is an individual's "illegal" manipulation of his affairs to reduce tax.

Income and wealth are redistributed towards those who successfully commit avoidance and evasion and away from those who do not. This comes about not only becuse the avoiders and evaders pay less than they otherwise would, but also because the rates of taxation have to be increased in order to raise a predetermined amount of revenue from other taxpayers. This is clearly unequitable and the perception of this will lead to further avoidance and evasion (James & Nobes, 1988).

In Turkish Tax Law, tax evasion is one of the major faults which requires various punishments. Non-recording or under-recording the taxable income, damaging or destroying the account records, arranging fraudulent documents, and so forth are regarded as tax evasion. Those who commit tax evasion may be punished by various penalties ranging fines and imprisonment to dismissing from profession, according to Tax Law (Kirbas, 1992).

#### 3.2. Post-payment factors

After-payment possibilities, the second group of factors lowering tax burden, are the ways to lessen the effects of the taxes paid through certain fiscal facilities. Shifting the taxes is the main source reflecting the burden to

the other taxpayers. By incidence of taxes, income is redistributed among taxpayers as the total tax revenue to the government remains unchanged. 'Expenditure Rebate System' introduced into the Tax Law in 1984, is also an important facility for particularly low-income earners whose essential expenditures occupy a significant share in their budget.

In addition, capitalisation and amortisation of the taxes are two other opportunities for taxpayers to diminish the effects of the taxes they paid.

### 3.2.1. Expenditure rebate system

A unique fature of the Turkish tax reform during the 1980s is the introduction of the 'expenditure rebate system' in 1984. the system was planned originally to repay to wage -earnes a certain percantege of their expenditure on basic commodities such as food, durable consumer goods, heating, medical expenses and education. The purpose pursued by this scheme was twofold (OECD, 1992: 69):

- -To reinforce the progressivity of the income tax schedule by means of the regressive structure of the rebate system (the rate of rebate being a decreasing function of expenditure and the maximum amaount of expenditure covered being limited to after-tax income).
- To encourage the formal registration of transactions in the economy, by collecting invoices presented by rebate-seeking individuals, in order to ensure a minumum standard of VAT (introduced a year later) compliance in a country where tax evasion is believed to be relatively widespread.

Later, the list of the beneficiaries of the system was extended to other taxpayers and the range of the items covered was widened to include more commodities. Therefore, the advantage given to low-income earnes to extenuate their burden of taxation has tended to disappear.

#### 3.2.2. Incidence

Incidence of the taxes is the most debated subject of taxation and the most important factor affecting the distribution of the tax burden. In fact, by definition, tax incidence is the eventual distribution of a tax following any change in prices etc. caused by the imposition of the tax (James & Nobes, 1988: 343). Therefore incidence is an integral component of any tax burden studies. Scholars distinguishes incidence from shifting of tax, the latter being the transferring or reflecting the part of the tax paid to another through generally price mechanism. Also some classifies incidence according to functional, personal, regional and intergenerational distributions (Atkinson & Stiglitz, 1980).

Musgrave considers incidence as changes in the existing distribution of real income due to taxes and takes effects of government spending together with the effects of the taxes imposed (Musgrave & musgrave, 1984; Musgrave, 1959).

Another point in indence analysis is to differentiate 'legal incidence' of a tax from its 'economic incidence'. An example can clarify this distinction: Suppose we are putting a new tax on corporate profits. The law would require corporations to pay the tax. Thus the legal incidence of the tax is on the corporations. But a corporation is only a legal entity, not a real person. some induviduals or households in the economy must be made worse off by the tax. It might be that the corporation would reduce wages by the amaount of the tax; if it succeeded, the economic incidence of the tax would be on the workers. It might be that the corporation could attempt to reduce its dividends to shareholders by the amount of the tax; in that case the economic incidence of the tax would be on shareholders. A third possibility is that the corporation would raise consumer prices by the amount of the tax, which makes the economic incidence of the tax fall on the cosumers (Brown & Jackson, 1986: 259). Therefore, it is clear that the real payer of a tax may be different from the person upon whom the tax is levied.

Although it is not easy to determinie who really pays the taxes, a standard of assumptions have been used in tax incidence studies. Usually direct taxes are assumed to be not shifting, but indirect taxes are assumed to shift towards mostly consumers. Particuarly, the common assumptions used in many incidence analysis are as follows:132

Figure 2. Incidence Assumptions

TAXES	BASIS OF ALLOCATION		
Individual income tax	to taxpayers		
Sales and excise tax	to consumers of taxed commodities		
Corporate income tax	to stockholders, consumers and corporate employees		
Propetry tax on residences	to landowners and consumers		
Propetry tax on land	to landowners		
Payroll tax on employees	to employees		
Payroll tax on employers	to employers and consumers		

These assumpitons, more or less, apply to the takes in Turkish Tax System as in other countries' tax systems.

Individual income tax is a difficult tax to be shifted. Especially the taxes imposed at source as withholding tax are inevitably borne by the payers. However, it may be easier to shift the taxes imposed on earnings from trade, agriculture and independet business. In corparate tax, the traditional view, incidence of the tax on stockholders only, was accepted for a long time. But later, many scholars have claimed that corporate tax is shifted at least partly to consumers (Krzyzaniak & Musgrave, 1963). Musgrave et al (1951) assumed in their study that one - third of corporate tax is shifted to consumers, one eight to wage - earnes and the rest to stockholders. Shifting part of corporate tax takes the form of a king of expenditure tax and thus transforms into a regressive tax from a progressive or proportional tax. In case of incidence of inheritance tax, it is assumed to be borne by heirs (Erginay, 1982:141), although some argues that it may be borne by inheritor as well (Aren, 1952: 60). Property tax on land is not shifted while propety tax on buildings forresidence may be partly shifted to tenants through an increase in rent (Aksoy, 1991: 331)

Indirect taxes, particularly consumption and expenditure taxes are easy taxes to shift. For they are included to the cost and thus to the determination of the price. Shifting of such taxes depends in the type of commodity upon which tax is levied, the structure of the market (competitive or monopoly etc.), the type of the tax (specific, general, regressive etc.), the elasticity of the commodity and so on (Turan, 1976: 73 - 75).

If one wants to rank the taxes by the possibility of shifting, customs taxes and consumption taxes come first. Property tax, inheritance tax, payroll tax (no payroll tax in Turkey) and then corporate tax are followed by income tax which has the least opportunity to shift (Aksoy, 1991: 332)

# 3.2.3. Capitalisation and amortisation

Tax capitalisation and describes the effect on the market price of an asset when a tax influences the expected yield of that asset. Taxes can affect the capital value of assets since the value of an asset reflects the income that the asset is expected to yield. If a tax changes the expected yield of an asset, then it will also changes its market price; in other words, the tax has been capitalised.

The effects of a tax on the capital value of an asset are analysed in two directions in fiscal literature:

1- Increase in the capital value of an asset (a durable good, a security etc.) at the current rate of interest due to removal of the tax imposed. This effect is called usually as tax capitalisation.

2- Decrease in the capital value of an asset due to imposition of a tax. This is called as tax amortisation. It is a sort of backward shifting of a tax (Nadaroğlu, 1983: 328 - 9).

There are various instances in which tax capitalisation amortisation are of particular importance. Most evident is the case of the property tax on land. As the property tax rate goes up, value of the land diminished (Einaudi, 1966: 389 -92). A further case of capitalisation arises in context of tax exempts; interest from securities issued by the government is exempt from income tax. Here, the process of capitalisation works in the opposite direction. Tax exemption is equivalent to a subsidy and the subsidy is reflected in an increased value of the bond (Musgrave & Musgrave , 1984: 283).

Capitalisation and amortisation of taxes are the least effective factor in shifting the tax burden for being occurring rarely.

#### 3.3. Tax rates

Tax rates are the measures applied to tax base, that is income, wealth or expenditure, to determine the amount of tax. Thus the structure of rates directly related with tax burden and is of major importance for a fair taxation.

Taxes are classified into three, according to the way the rate varies with income:

- A tax is progressive if the ratio of tax to income rises when moving up the income scale.
  - A tax is proportional if the ratio is constant, and
  - A tax is regressive if the ratio declines.

For vertical equity in taxation, taxes should be progressive. The distinction is obvious but the situation is more complex if we wish to measure the degree of progressivity or regressivity\*.

Now, turning to the structure of the tax rates in Turkish Tax System, one can see a highly changing tax rate structure. In fact it is compulsory to adjust gradually the statutory income brackets and marginal tax rates in a highly inflationary economy. Otherwise, more people might be pushed towars higher brackets, although their real income do not go up, even go down Table 4 presents the transformation of the personal income tax schedule since 1981. First of all, tax brackets and rates were modified in 1981. Then, from 1982 to 1985, brackets remained unchanged as tax rates were gradually lowered. In 1986, once again brackets and marginal and marginal tax rates were adjusted

<sup>\*</sup> For some recent studies on measurement see Musgrave & Musgrave (1984), Alchin (1984), Young (1990), Formby et al (1984) and the subsequent comment by Calmus, Rock (1983), Kiefer (1984).

and the number of brackets was reduced. Since then, brackets have been adjusted upwards to correct for inflation every single year except 1987. Actually it is very obvious to see the effect of inflation when compared the income brackets for the years, for example 1982 and 1992.

Table 4. Personal Income Tax Schedule Marginal tax rates (per cent)

Brackets (TL million)	1981	1982	1983	1984	1985
0 - 1	40	39	36	30	25
1 - 3	45	44	41	35	30
3 - 5	50	49	49	43	38
5-10	60	59	59	53	48
10-15	70	69	69	63	58
15-25	75	74	74	68	63
over 25	66	65	65	60	55

Brackets (TL million)

Marjinal tax raters%	1986	1988	1989	1990	1991	1992
25 30 35 40 45 50			12 - 24 24 - 48 48 - 96	64 - 128	24 -48	40 -80 80 -160 160 - 320

Source: Ministry of Finance and Customs

If we are to calculate the average tax rates for some income groups using table 4, it can be seen that the average tax rates are well below the statutory rates especially for upper income groups\*. For example, even though the marginal rate for an individual earning 320 million TL is 50 per cent, he pays 40 per cent of his income as tax (Table 5) this implies that the tax schedule is biased towards lower income groups for imposing higher burden of taxation.

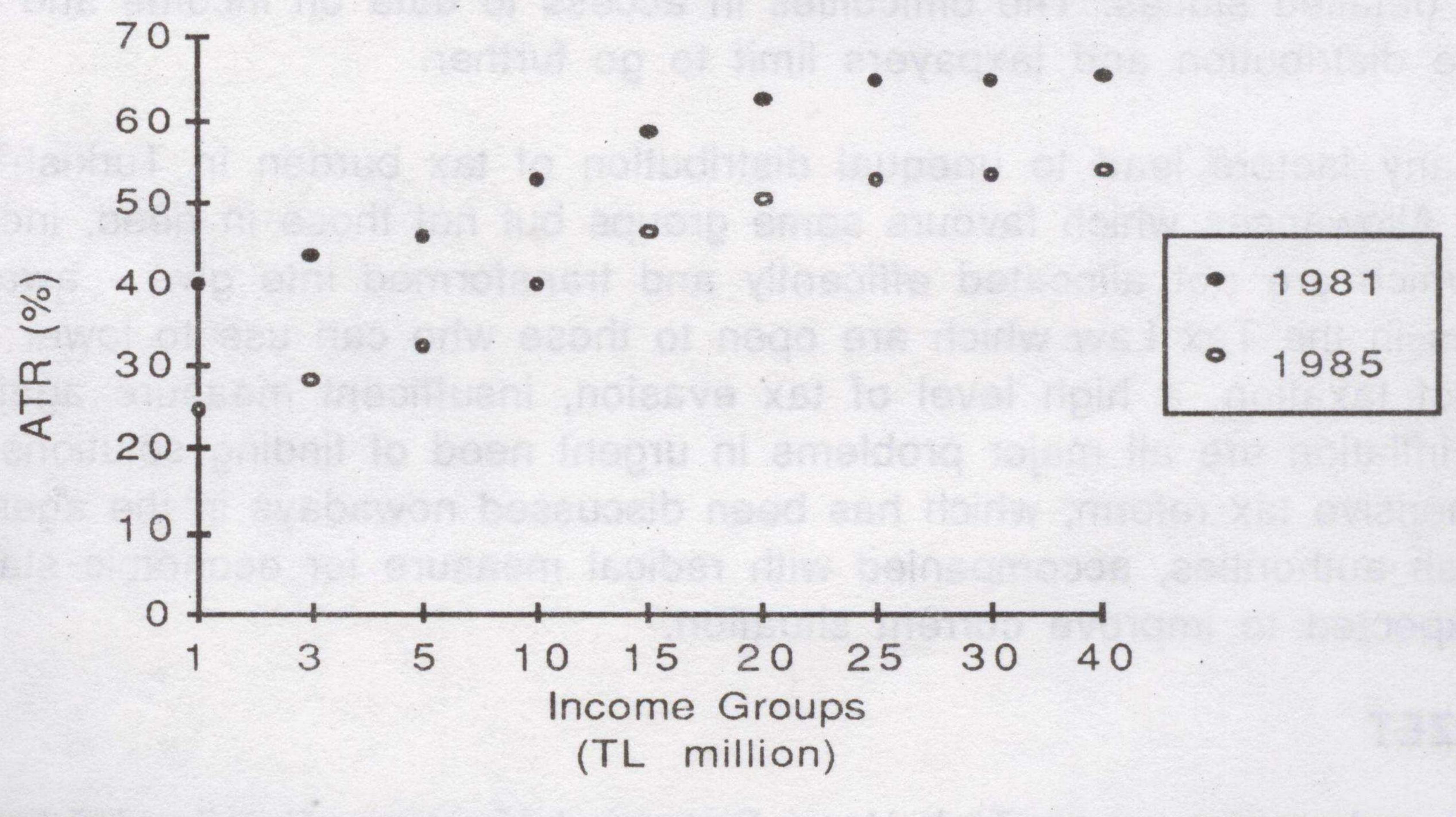
<sup>\*</sup> In fact, effective tax rates, the ratio of the taxes paid to the income declared, are much less than the statutory rates. Compare with Table 12.

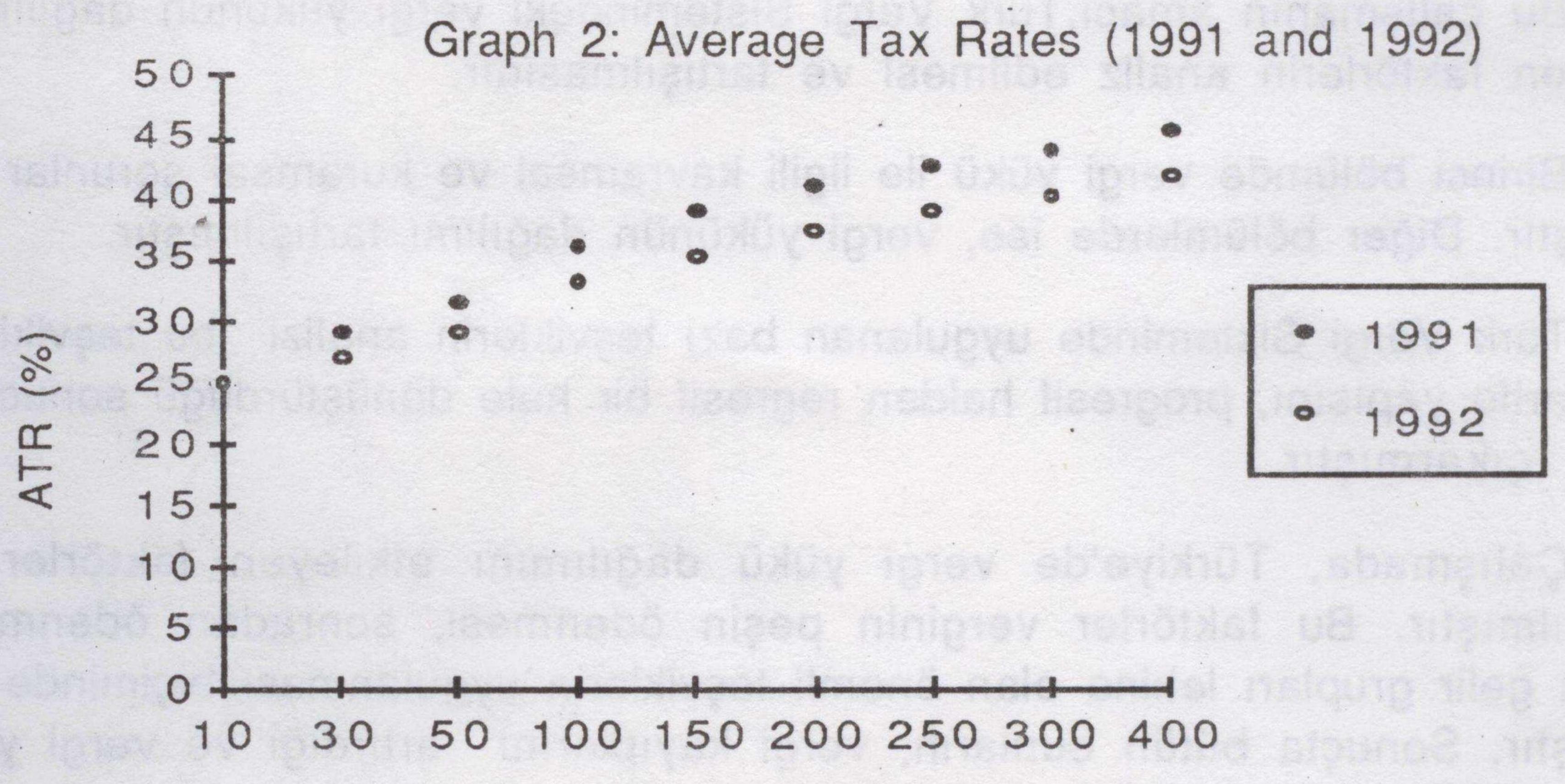
Table 5. Average Tax Rates

Income groups	ATR (%)		Income groups	ATR(%)		
(TL millon)	1981 1985		(TL million)	1991	1992	
	40.0	25.0	10	25.0	25.0	
3	43.3	28.3	30	29.0	26.7	
5	46.0	32.2	50	31.6	29.0	
10	53.0	40.1	100	36.0	33.0	
15	58.7	46.1	150	39.0	35.3	
20	62.8	50.3	200	41.0	37.3	
25	65. 2	52.8	250	42.6	39.0	
30	65.3	53.2	300	43.8	40.0	
40	65.5	53.7	400	45.6	42.0	

Source: Generated from Table 4

Graph 1: Average Tax Rates (1981 and 1985)





Income Groups (TL million)

We can benefit from Table 5 to observe the progressivity or regressivity of the tax rates. Here, it is more suitable to draw separate graphs for 1981 - 1985 and 1991 - 1992 due to highly different income brackets (ten times) swollen by high inflation. From the Graph 1, awerage tax rates follow almost a similar path in 1981 and 1992. The rates are more progressive for low - income groups while they are relatively less progressive, even flat - rate for the higher income groups. The average tax rate for the upper brackets (over 10 millions of liras) is well bellow the schedule rate which is 70 per cent. As can be seen from Graph 2, tax rates appear to be less progressive than the rates in previous years.

## Concluding Remark

An equal distribution of taxation as well as income is the primary objective of the fiscal policies. Simply taking the ratio of the tax paid to income earned does not say much about the question who pays the taxes. The analysis of redistributive effects of taxation and the tax burden has still been in need of more detailed stuties. The difficulties in access to data on income and expenditure distribution and taxpayers limit to go further.

Many factors lead to unequal distribution of tax burden in TurkishTax System. Allowances which favours some groups but not those in need, incentives which are not allocated efficiently and transformed into give - aways, loopholes in the Tax Law which are open to those who can use to lower the burden of taxation, a high level of tax evasion, insufficent measure against soaring inflation are all major problems in urgent need of finding solutions. A comprehensive tax reform, which has been discussed nowadays in the agenda of Turkish authorities, accompanied with radical measure for economic stability is expected to improve current situation.

## ÖZET

Bu çalışmanın amacı, Türk Vergi Sistemindeki vergi yükünün dağılımını etkileyen faktörlerin analiz edilmesi ve tartışılmasıdır.

Birinci bölümde vergi yükü ile ilgili kavramsal ve kuramsal sorunlar ele alınmıştır. Diğer bölümlerde ise, vergi yükünün dağılımı tartışılmıştır.

Türk Vergi Sisteminde uygulanan bazı teşviklerin analizi bu teşviklerin vergi tarife yapısını, progresif halden regresif bir hale dönüştürdüğü sonucunu ortaya çıkarmıştır.

Çalışmada, Türkiye'de vergi yükü dağılımını etkileyen faktörler de araştırılmıştır. Bu faktörler verginin peşin ödenmesi, sonradan ödenmesi, yüksek gelir grupları lehine olan önemli teşviklerin uygulanması biçiminde ele alınmıştır. Sonuçta bütün bunların, vergi kayıplarını artırdığı ve vergi yükü dağılımındaki adaleti bozduğu anlaşılmıştır.

Çalışmanın sonucunda, Türkiye'de Ekonomik İstikrarı bozmayacak ve vergi kayıplarını önleyecek nitelikte bir vergi reformunun en kısa zamanda gerçekleştirilmesi gereği ortaya çıkmıştır.

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