

REFLECTIONS OF THE TAX STRUCTURE IN TURKEY ON THE STATE AND THE TAXPAYER

Prof. Dr. Hakkı M. AY

Selçuk University

ORCID: 0000-0001-9033-8248

Öğr. Gör Nihal GÜNEŞ AY

Selçuk University

ORCID ID: 0000-0001-9788-7872

Abstract

Countries are classified as economically developed and underdeveloped. According to their level of development, countries are economically and socially different. The largest and most important source of financing for modern states today is taxes levied gratuitously. Printing money or going into debt as an alternative to taxes always creates inflation pressures. For this reason, taxes are an alternative source of income. The tax structure describes the composition of taxes that take place in the system and have different effects. Tax structures also differ according to the level of development of countries. The tax system in developed countries has the weight of direct taxes. Direct taxes can be fairer because they take into account the personal characteristics of people. The tax system of underdeveloped countries is dominated by the weight of indirect taxes that do not take into account personal characteristics. Since the tax structure of Turkey is weighted by indirect taxes, it has the characteristics of an underdeveloped country. Indirect taxes, which consist of more unfair taxes, have different reflections from the point of view of the state and the taxpayer. While indirect taxes for the state are collected more easily and effortlessly; it can be more cruel for the taxpayer. The reason for many of the criticisms directed at Turkey's tax system is based on the tax structure. In this study, the economic and social effects of indirect taxes in Turkey are explained. Solutions are offered for the criticisms of the tax system.

Keywords: Tax structure, indirect tax, moral tax, Turkish tax system

INTRODUCTION

It is a fact that the goals of states and the economic policies pursued have changed over the historical period. During the periods when the neutral state understanding prevailed, states avoided intervention in economic and social life as much as possible. They advised that the state should not influence the market through its revenues and expenditures. Therefore, only limited services were performed within the framework of a minimal state understanding. During the period when mercantilist thought prevailed, the state aimed to bring precious metals such as gold and silver, which had limited supplies and stocks in the world, to the country. Customs

duties and tariffs have been shaped within the framework of policies that increase exports and reduce imports.

After the Great war and economic crises, not the neutrality of the state, but the interventionist approach began to make itself felt in the economic policies followed. As a matter of fact, urbanization, industrialization, income growth, increasing demands and expectations have led to quantitative and qualitative growth of government expenditures and services. In fact, with globalization, social state and local democracy reflected in the policies, the share of states in national income has constantly increased. These developments have led to an increase in tax revenues within the national economies, especially in the last fifty years (Smith, 2015:12). It is stated by the German economist Adolph Wagner that public expenditures are constantly increasing above the increase in national income (Diamond, 1977: 37-38).

The composition and technique of a country's tax system are closely related to the economic and social structures of that country. As a matter of fact, the efficiency expected from a tax is a mandatory result of this commitment (Gülşen and Yıldiran, 2021:53). The tax structure reflects the choice between the principles of fairness and efficiency, which are at two different extremes in the tax policies to be applied. Dec. As a matter of fact, in the vast majority of tax literature, it is assumed that public decision makers choose and implement policies according to general social criteria such as efficiency and fairness (Hettich and Winer, 1988. 701). It will be possible to change the tax structure to be established in today's modern economies in line with the principle of justice in favor of direct taxes only (Karabacak & Meçik, 2022: 161).

Taxes collected for financial and non-financial purposes should be designed in accordance with the source, the level of development of the country and the distribution of income (Brochier & Tabatoni, 1971:71). The tax structure of each country varies according to economic development, different economic, social and political goals to be pursued, and the wealth of institutions and rules it has. Underdeveloped countries are in serious need of financing at the stages of economic development. Fundamental changes that will be brought about in the economic and social structure will be able to be realized through large public expenditures. As it is known, the chronic structural problems of underdeveloped countries include low realization of income and, accordingly, savings. In case of insufficient internal resources, it will be desirable to create internal resources by the creation of new taxes before expensive external (debt) sources. Since the unity of consumers cannot be achieved in underdeveloped countries, governments will try to generate new sources of financing, especially through indirect taxes on consumption.

This study contains explanations and analyses about the tax structure of Turkey, which has an undeveloped economy, the Decrees of preferred taxes, and where it stands between ensuring justice and efficiency.

THE CONCEPT OF TAX STRUCTURE

Modern tax policies are regulated in accordance with the objectives of the public. Taxation should support not only providing the necessary funds for government expenditures, but also ensuring fair distribution of income, economic stability, contributing to resource allocation and

economic growth. The aim of a properly designed tax system is to achieve the desired fiscal policy objectives in the most effective way by limiting undesirable distortions, minimizing tax expenditures and collection costs, and promoting economic growth. The effectiveness of taxation, and especially the tax structure, plays an important role in ensuring economic growth and fiscal consolidation.

The concept of tax structure refers to the share of tax types in the entire tax revenue and national income in a tax system (Korkmaz, 1982:21). According to another definition, tax structure is a concept used to express the composition and mutual location of taxes collected from different incomes, wealth and expenditures (Ay and Talaşlı, 2008: 136-137). At the same time, the tax base covers the structural characteristics of tax rates as well as the scope of discounts, exemptions and exceptions (Gülşen, 2022:86).

The area where the discussions about the tax structure are concentrated is economic development and political decision-making processes. There is a close relationship between the tax structure and the economic structure of a country and the tax structure may change at each stage of economic development (Arsan, 1968:43-44). From a different point of view, the tax structure is an effective tool used for a number of political goals. According to this, politicians can change the tax structure in their interests in order to increase the number of votes with net returns in political areas (Pinar, 2002:84). Since every political party that comes to power has different ideologies, there are changes in the use of public revenues and expenditures, which are fiscal policy tools, with every change of government (Hettich & Winer, 1984:67-68). It is widely believed that politicians make decisions that advance their own political interests rather than the economic interests of their constituents. These decisions include decisions such as whether to implement new programs such as health and education, whether to build new or improve existing infrastructure such as roads and bridges, and whether to bid to attract or retain firms and sports clubs to their jurisdictions (Biglaiser & Mezzett, 1997:425).

Studies with some comparisons confirm that the tax structure is usually related to the level of economic development. Initially, new taxes or tax rates and amounts are set in parallel with the level of economic development. For this reason, the tax structures of developed (industrial) countries have different characteristics from the tax structures of underdeveloped countries (Hitiris, 1990:29).

According to Musgrave, there is a strong relationship between the economic development of countries and their tax structures (Gülşen, 2022:87). Since the collection expenditures of taxes levied on consumption and foreign trade are low, indirect taxes should be given weight at the initial stages of development. Because in the early stages of development, the tax system has not yet been formed and the collection of taxes is quite difficult because the political unity is weak. However, the easiest taxes to collect are indirect taxes levied on consumption. Direct taxes are not easy to collect because there is a tax culture that has not yet been formed in underdeveloped countries. Therefore, indirect taxes that are easy to collect, low transaction costs and levied without being felt by taxpayers (financial anesthesia) (Kagan, 2024) are preferred by underdeveloped countries that have an economic development goal at the

beginning of their development. Generally, excise taxes are collected on tobacco, alcohol, fuel oil, vehicles and increasingly electronic communication in these countries (actionaid, 2018). An important reason for this is that the tax culture has not yet been formed with the high transaction costs associated with collecting taxes. In countries that are in the early years of the development process, the tax system and the political union are relatively weak, which makes it difficult to collect taxes.

Scientists have been participating in discussions about which source should be taxed more for a long time (Çevik, 2005:89). One of the objectives of the tax reforms has been to improve income fairness and some social goals, as well as economic incentives for capital formation and economic growth. During the last thirty years, many countries have adopted some tax regulations to encourage economic development as a result of increasing savings and investments. Reducing the tax rates and amounts on capital income and increasing taxes on consumption have been the main policy of tax reforms.

According to traditional economic theory, distortions occur in the economy as a result of taxation and economic growth is negatively affected. Given a simple production function, it is clear that taxation can affect growth through its impact on physical capital, human capital, and total factor productivity. Some studies indicate that corporate and personal income taxes are the taxes that cause the most damage to growth, while consumption, environmental and property taxes are less harmful (OECD, 2008:466). The optimal design of a tax system depends on many factors and differs from country to country. Various studies claim that increasing consumption taxes while at the same time lowering taxes on labor and capital can activate the growth forces of the economy. At the same time, other studies indicate that the tax burden and the tax structure will have different effects on economic activity in different countries, periods and under changing conditions (Stoilova, 2017:1041). Changes in the overall tax rates or tax structure also have an impact on economic growth. As a matter of fact, according to many studies, it has been proven that taxes levied on income give positive results on the economic growth rate during the transition to consumption and property taxes. In addition, it has been observed that the transition from consumption and property taxes to taxes levied on income has a positive effect for underdeveloped countries (Yanikkaya and Turan, 2020:217).

The global competitiveness of countries that apply low tax rates to corporate earnings in order to attract capital movements and international corporate investments to the country will increase. Even if they achieve their economic, social and political goals, a harmful and/or unfair tax competition will arise, as the tax base of rival countries will erode (Temeli ve Yakar Önal, 2012:6). However, in order to attract investment and capital, in addition to legal regulations, the existence of factors of production that have superiority in the international arena is also necessary. Because in economies that specialize in line with comparative advantages, production efficiency increases and the living standards of society will rise (Matthews, 2011:3).

The tax burden, which is also expressed as the psychological pressure that occurs on taxpayers during paying taxes (Sen and Sağbaş, 2015: 66-67), can change consumption and savings decisions. Although taxes are not supposed to change people's preferences and behaviors and protect their neutrality, today's states also use taxes for non-financial purposes (Akdoğan,

2016:127). The fair distribution of the tax burden to be ensured between individuals, regions, professions and sectors will have an impact on the attitude and behavior of taxpayers towards tax. Dec. The first condition for taxpayers' attitudes and behaviors towards taxes to be compatible is that taxes are fair. The fact that the tax burden takes into account the personal and family situations of individuals is an indicator of the fair distribution of taxes (Başaran Yavaslar, 2011:62).

The personal and family situations of individuals are taken into account by using techniques such as increasing rate tax tariff, separation rule, minimum subsistence discount, exemption and exception. The distribution of indirect and direct taxes examined within the tax structure within the tax system can give an idea about whether the tax burden is distributed fairly. Because indirect taxes, consisting of consumption taxes, have an objective character and do not take into account personal and family characteristics. However, taxes should not arbitrarily target groups, individuals or activities. At the same time, it should distribute the costs in such a way that people at different income levels recognize their changing abilities to pay these costs (income, health, etc.) (Wise & Berger, 2010:6). If the weight of indirect taxes is in question in the tax system, taxes are not distributed fairly in that country because the characteristics and paying powers of individuals are not taken into account.

Indirect taxes are taxes that indirectly target the financial powers of individuals and institutions. Taxes that directly target the financial powers of individuals and institutions are called direct taxes (Turhan, 1998:98). Those who tax consumption are indirect taxes, while those who tax income and wealth are covered by direct taxes.

Indirect taxes are usually flat-rate and their collection is carried out in a short time and easily. The indirect tax paid for those at the same income level does not cause injustice only because it is at the same tax rate for individuals at that income level. However, it leads to injustice for individuals of different income levels. For example: an individual with a minimum wage for 5 kg of olive oil and a manufacturer will pay the same rate and amount of indirect tax. The tax paid by minimum wage earners relative to their income will be high. Indirect taxes are in accordance with taxpayer psychology because they are collected without the taxpayer's knowledge, even without knowing how much is paid. Since indirect taxes are levied on the delivery of goods or the performance of services, there is no possibility of tax evasion or tax avoidance. The same tax rate or amount is collected from low-income individuals and high-income individuals. Since they are of an objective nature, the personal (for example, whether there are disabled people) and family (marital status or number of family parts with dependents) situations of individuals and their ability to pay taxes are not taken into account. Therefore, indirect taxes are cruel and unfair. Since it is unclear by whom and when any goods will be purchased, the payer of indirect taxes cannot be known in advance. Indirect taxes are transferred to the next taxpayer at the stages from production to the consumer due to the feature of reflection (transfer / transfer), the tax is transferred to the next taxpayer. But the tax is finally paid by the final consumer.

The income tax included in direct taxes consists of the earnings and income obtained by individuals from different income elements. Income tax is subject to an increased rate tariff.

With this feature, the tax base of the taxpayer whose income increases also increases. If the base is rising, more rates are applied. Paid paid less tax, while the winner of a lot will pay more tax. In addition, by using many techniques to reach the individual's paying power in income tax, justice can be achieved in taxation. In addition to the increasing rate tax tariff, minimum subsistence allowance, separation theory, exemption and exception applications also make income taxes fairer. In addition, these taxes cannot be reflected and remain on the paying taxpayer.

THE STRUCTURE OF TAXES IN TURKEY

According to their subjects, taxes are divided into three categories: income, consumption (expense) and wealth. The classification of taxes in Turkey according to their subjects is shown in Table 1.

Table 1. Classification of Taxes in Turkey According to Their Subjects

1- Taxes Levied on Income	2- Taxes Levied on Consumption	3- Taxes Levied on Wealth
<ul style="list-style-type: none"> - Income Tax - Corporate Tax 	<ul style="list-style-type: none"> - Value Added Tax - Special Consumption Tax - Customs Duty - Stamp Duty - Special Communication Tax - Tax on Games of Chance - Digital Service Tax - Accommodation Tax - Bank and Insurance Transactions Tax - Taxes Levied in Accordance with the Municipal Revenue Law <ul style="list-style-type: none"> • Environmental Cleaning Tax • Advertising and Advertising Tax • Entertainment Tax • Communication Tax • Electricity and Gas Consumption Tax • Fire Insurance Tax 	<ul style="list-style-type: none"> - Property Tax - Motor Vehicle Tax - Inheritance and Transfer Tax - Valuable Housing Tax

If the tax structure of Turkey is to be examined, it is necessary to determine which indirect and direct taxes are. Indirect taxes are taxes that can be reflected (transferred) according to the finance literature and the taxpayer and the amount of collection are known in advance. Within the Turkish tax system, income and corporate tax levied on income, real estate, motor vehicles, inheritance and transfer received on wealth and wealth transfer, as well as valuable housing tax constitute direct taxes. The vast majority of taxes levied on consumption, especially value added tax and special consumption tax, constitute indirect taxes (with the exception of some taxes within municipal revenues). In 2020, three new taxes were introduced into the Turkish tax system: Accommodation Tax, Digital Service Tax and Valuable Housing Tax. With this arrangement, the number of taxes in the Turkish tax system has increased.

The issue of Turkey's tax structure, the tax system and the weight of indirect and direct taxes in the revenue are important. In addition, the concept of indirect and direct taxes, which are directly related to the social structure such as tax paying power, income redistribution and economic development, is one of the main factors within the scope of ensuring tax justice when the financial power of individuals is taken into account (Türk and Barışık, 2021:46). Tax justice comes at the top of the issues that scientists working on tax issues focus on (Demircan, 2015:260; Peran and Gümü, 2017: 187). Decide that the idea that the taxes to be released will be distributed among the individuals who make up the society in the most appropriate way to justice prevails (Edizdoğan, 2000:139) is important in terms of tax compliance and revenue. As in every field, justice will be achieved in taxation by protecting freedoms or minimizing inequalities (Hayek, 1978:100). Tax justice is valid starting from the justification of the law and the minutes of the assembly before the entry into force of the tax, up to the implementation and judicial processes. Because it will not be possible for a tax application that is believed to be unfair to be successful and achieve the expected goals (Rawls, 2003:21). As long as the law is based on justice (Karakoc, 2014:217), it will be able to remedy human problems.

In order to have an idea about the Deficiency of the tax system in Turkey, it is necessary to look at the tax burden and its distribution among individuals. While Turkey's tax burden is 24.4%, this rate is around 35% on average in OECD countries (Çağdaş, 2020:91). The fact that the increase in tax revenues is higher than the increase in national income means an increase in the tax burden (Öztürk et al., 2019: 49). However, the total tax revenues in Turkey are lower than the increase in national income. Therefore, the tax burden is low in Turkey. However, the tax burden felt by citizens is quite heavy. The reason for this different perception is due to the distribution of the tax burden. Because when the current tax structure in Turkey is examined, it turns out that indirect taxes are weighted. Table 2 shows the distribution of indirect and direct taxes within the tax revenues within the tax structure of Turkey.

Table 2: Tax Structure of Turkey (Distribution of Indirect and Direct Taxes) (Million TL)

Years	Indirect Taxes	% Share	Direct Taxes	% Share
2015	279.291	68,5	128.528	31,5
2016	308.821	67,3	150.180	32,7
2017	359.768	67,0	176.849	33,0
2018	390.105	63,0	231.431	37,0
2019	416.720	62,0	257.140	38,0
2020	551.924	66,3	281.139	33,7
2021	746.245	64,0	418.743	36,0
2022	1.462.827	62,2	890.459	37,8
2023	2.945.975	65,5	1.554.890	34,5
2024	4.808.069	66	2.496.795	34

Source: Republic of Türkiye Ministry of Treasury and Finance (2025). Budget Finance Statistics, Statistics (10.06.2025) <https://www.hmb.gov.tr/kamu-finansmani-istatistikleri>

Table 2 shows that indirect taxes are always collected more than direct taxes in Turkey. in 2015, the share of indirect taxes in tax revenues reached 68.5%. although it fell to 62% in 2019, it rose again in 2023 and reached 65.5%. even according to the budget realizations for 2024, this rate has increased to 66%. The fact that the share of indirect taxes in a tax system is high shows

that the distribution of taxes in that country is unfair and cruel. Indirect taxes, consisting of objective qualified consumption taxes in Turkey, pose a situation against low and fixed income individuals (minimum paid, retired, civil servants and workers) because they do not take into account solvency, personal and family characteristics.

The fact that indirect taxes have a ratio of 2/3 within the total tax burden is 73 of the Constitution. it constitutes a violation of the provision “fair and balanced distribution of the tax burden is the social purpose of fiscal policy” contained in the article. The state and taxpayers have responsibilities to ensure that the tax system is fair. It is the responsibility of the state to pay more taxes at the same rate and amount from those with the same level of solvency, and from high-income people, therefore, to distribute the tax burden fairly. Taxpayers should be able to keep track of the taxes they pay, ask for accounts and audit expenditures (UŞD, 2017).

In the tax levied on the income of individuals %15, %20, %27, %30 and an increasing rate of 40% is applied (Deloitte, 2024). Taxes levied on consumption, on the other hand, are usually flat-rate. However, an increasing tax tariff is applied to the earnings and income of individuals obtained from different income elements - in order to ensure fairness in taxation.

EVALUATION OF THE TAX STRUCTURE IN TURKEY

The share of indirect taxes in tax revenues in Turkey is close to 70%, while in developed countries this rate is at the level of 30%. Although economic development has been experienced over time, the composition of the tax structure is preserved. In Turkey, where the weight of indirect taxes is experienced, the reflections of this situation on the state, which is the active subject of tax, and the taxpayer, which is the passive subject of tax, are different.

In Terms Of the State

It is understandable that countries prefer indirect taxes at the initial stages of their economic development because they are easy to collect and compatible with taxpayer psychology. While the importance of taxes levied on trade and consumption in low-income countries is increasing, taxes levied on income are becoming insignificant (Greenaway and Milner, 1991: 95-132). Indirect taxes are preferred not only because they are easy to collect, but also because they will prevent inflation by taxing consumption and can be a good source of savings (Mintz, 2003:226). Giving weight to indirect taxes for financing at the beginning of economic development may cause some reactions due to this unfair practice. However, if direct taxes are preferred, producers and the working class will resist this application this time (Selcuk, 2002:43, Musgrave, 1989: 215-216).

With the progress of industrialization and the maturation of economic development, the tax structure of countries also changes. Income and corporate taxes, which are included in direct taxes in developed economies, constitute the most important source of income for the public budget. The importance of consumption taxes, on the other hand, decreases relatively. At a time when economic development is increasing and the industrial sector is gaining weight, the tax base is expanding because both income and expenditure flows are increasing (Batatel,

1984:117-118). Therefore, with the economic development, the structure of the tax is changing and direct taxes are starting to gain weight (Bulutoğlu, 1988:422).

Turkey has the appearance of an underdeveloped country in terms of its tax structure. If the state weighs direct taxes, taxes on income and wealth will rise, taxpayers' savings will increase while their consumption will decrease. In the meantime, the desire of labor to work will decrease and Deceleration in production will occur. The decline in production will force entrepreneurs to reduce their investments. As a result, economic growth will fall, supply inflation will start due to low production, and economic growth will also decrease with a decrease in tax revenue. Due to these possible negative consequences, when countries enter the inflation period, they will prefer indirect taxes rather than direct taxes as the tax policy tool they will apply (Kamacı and Kurt, 2024:147). The economic development in Turkey cannot change the tax structure. In order to ensure a fair distribution of income, no structure changes are made from taxes to the party. At this point, the relationship between income per capita and tax structure Decays (Karabacak & Meçik, 2022:149).

The efficiency of indirect taxes is high and the cost is low. On the other hand, direct taxes require labor and cost to analyze and collect returns due to the fact that they are based on the declaration (Bingöl, 2021). For this reason, tax administrations in Turkey also want the tax structure to develop in favor of indirect taxes. In addition, in Turkey, which is in the middle income trap, both the tax system does not work healthily and the size of the informal economy makes it necessary to focus on indirect taxes in terms of tax management (Kayalidere, Mastar Ozcan and Tepekule, 2016: 1913). Governments that want production not to contract and the economic growth rate not to fall do not hesitate much about inflation pressure. During these periods, indirect taxes, which increase tax revenue due to base and price increases, are the reason for preference.

The existence of institutions that will allow them to act collectively, such as associations and trade unions established on behalf of the producer and working class, puts pressure on the government. In the same way, those who have large wealth and capital can also put pressure on trade unions and non-governmental organizations, as well as government officials, to reduce or at least not increase direct taxes levied on income and wealth due to their connections. Government officials will have to prefer indirect taxes due to their political concerns in the face of these large communities, which are a union of ideas and actions. As it is known, indirect taxes are collected from consumer individuals without being noticed due to the financial anesthesia feature. The inability of consumers to act together in the context of ideas and actions is another preferred reason for indirect taxes.

International tax competition, which started with globalization, is extremely important for underdeveloped and developing countries with a lack of savings and investment. These countries, which want to bring foreign direct capital investments and portfolio investments into their economies, have pushed to reduce the tax rates on investment and capital, especially corporate tax. Globalization movements have increased the mobility of capital and shifted to countries with low tax rates - such as tax havens. Countries that have suffered capital losses due to these tax facilities provided to foreign investors and capitalists, on the one hand, have started

to go to such facilities themselves, and on the other hand, they have had to focus on indirect taxes as a necessary source of financing for public services. the fact that the corporate tax rate was 46% at the beginning of the 1990s and has been reduced to 20% in 2017 as of today (Atuçuran, 2023) is a reflection of globalization. Today, this rate is 25%.

From the Taxpayer's Point of View

The fact that indirect taxes are excessive in terms of units and revenues within a tax system has various disadvantages for the taxpayer. Those who do not receive an adequate share of the national income are constantly dealing with consumption taxes in their daily lives. Although these taxes are usually flat-rate; in fact, because they create different effects on different income groups, they create an increasing-rate tax effect on the contrary.

On the contrary, the increasing Decrement is due to the relationship formed as a result of a comparison between the tax burden incurred and the total income level (Ermeýdan, 1992:136). Indirect taxes levied on consumption have an increasing effect on the contrary, as they leave lower income groups under a higher tax burden compared to middle and upper income groups. The marginal consumption tendency of goods and services for which indirect taxes are levied is high. Usually, these goods and services are included more in the consumption of low-income individuals and families. On the other hand, the tendency of individuals and families with high incomes to marginally consume the same goods and services that they consume in their mandatory and daily lives decreases as their incomes increase. In this case, the share of indirect taxes paid by high-income segments in relation to their incomes is gradually decreasing.

Since indirect taxes do not take into account the personal and family situations of taxpayers, they have the opposite effect of increasing proportionality and this makes the income distribution more unfair (Noyan and Avşarligil, 2007:51; Türk, 1969:304; Tuncer, 1970:53-54). The ratio of the total indirect taxes paid by low-income segments of society to their incomes is higher than the average compared to the average of Turkey and high-income segments. This means that the poorest segments of society pay almost twice the tax burden of the richest segments of society. Therefore, the actual tax burden of individuals and families in Turkey increases as the income level decreases (Özatay, 2010) or the ratio of taxes paid for goods and services consumed to their income decreases as the income of individuals and families increases (Öncel, Kumrulu and Çağın, 2005:399).

Due to inflation, the tax burden of the lower income group increases and the injustice in the income distribution also increases. Because high inflation increases the unfair distribution of income. This environment causes an income injustice against people with fixed incomes or labor income. Even if the inflation rate decreases, there will be no direct improvement in the income distribution. Inflation has similar effects on the income distribution as an inversely increasing rate tax. High-income people, who are at the top of the pyramid in income distribution, will protect themselves from the negative effects of inflation - such as elements of wealth- because they have opportunities (Aktan et al., 2002: 7) they may even come to a more advantageous situation. As a result, indirect taxes levied on consumption negatively affect the distribution of income. These taxes can be reflected to the last final consumer through the price

mechanism. With this reflection, the lower income groups of the society are under heavier tax burden compared to the middle and upper income groups.

One of the aspects of indirect taxes reflected to the taxpayer is that the share of indirect taxes in total tax revenues increases with the introduction of taxes such as special consumption tax, special communication tax, digital service tax to close the financing gap of the public in economic crises or extraordinary situations. However, these taxes in question become permanent in the Turkish tax system even if the crisis or emergency passes (Karabacak. & Meçik, 2022:161). This situation distorts the tax structure in favor of indirect taxes, contradicts the principles of certainty and predictability in taxation, and endangers the sustainability of taxes because it negatively affects taxpayer behavior.

The fact that the state constantly increases its tax burden by resorting to indirect taxes to finance increasing public expenditures can often be abused by the taxation authority granted to it by the constitution (Local and Ata, 2011:23). However, the use of taxes in the right areas not only improves the development of the economy and increases the well-being of individuals (Akçağlayan & Kayıran, 2010:134), but also ensures the continuity and sustainability of taxes.

The state's application of exemptions, exceptions, discounts and postponements to certain segments makes it difficult for honest taxpayers to comply with taxes. Rational tax facilities are applied in every economy for economic and social reasons. However, in an environment where taxpayers are under the heavy burden of indirect taxes on the grounds of meeting the increasing financing needs of public expenditures, providing tax facilities for segments that are already at the top of the income distribution undermines tax ethics.

If the tax burden in a country is above optimal and the sanctions system is too weak, the relative size of the informal sector is negatively related to the economic growth rate. In other words, changes in the quality of policies and government institutions that promote the informal economy will also lead to a decrease in economic growth (Loayza, 1997:19). The tax burden, both actual and felt, is among the reasons for the informal economy (Schneider & Williams, 2013:37; Dec'Anno, 2003:9). In fact, the increase in the rate of the informal economy is due to the increase in the tax burden (Feige, 1989: 371; Mazhar & Méon, 2017: 90, 101).

There is a reality of tax evasion and informal economy in Turkey. It is impossible for persons who are addressees to indirect taxes to evade these taxes. However, tax evasion in Turkey is mostly carried out by direct taxpayers – income and corporate tax. In addition, the informal economy, which is formed by economic events that take place outside the knowledge and control of the state, usually falls directly into the domain of taxpayers. Direct taxpayers who are the most dishonest commit the act of tax evasion, which is the biggest tax crime, as well as informal economic activities. In countries with high levels of corruption in the economic freedom index, income per capita is also low. Due to reasons such as high tax burden, unfair income distribution and corporate weakness in tax management, there are also incidents of bribery in these countries that are considered as a substitute for tax other than tax evasion (Gülşen and Yıldırım, 2021:49). Structural and supervisory reforms should be carried out in order to minimize tax losses and evasions rather than increasing the rates and amounts of taxes (Çelik, 2016:259).

Taxpayers may show negative reactions against taxes and the state due to the use of indirect taxes levied from them, which are cruel and do not respond to their demands and expectations, in ineffective and inefficient areas. Taxes used outside of priority and compulsory public services negatively affect the taxpayer's tax ethics.

Globalization movements have accelerated the free movement of capital. The shift of capital income to countries that apply lower taxes has led to fewer and fewer taxes being applied to capital income in terms of tax competition. On the other hand, this loss of tax income experienced in capital income is being tried to be eliminated by taxes on labor income and consumption expenditures. In contrast to the increase in the tax burden on labor income and expenditures, the decrease in taxes levied on financial gains such as interest, dividend income will lead to the emergence of wealth inequalities in the future (Piketty, 2014:536-537).

In Europe, in the first months of 2024, farmers protested against the applications that the subsidies granted to them would be removed. In countries where the agricultural sector is strong, such as Germany, France and the Netherlands, farmers have taken widespread and long-term actions out of concern that the price of diesel will increase (Frost, 2024). Similarly, in Kenya, a poor African country, there were violent public protests against tax hikes (Incekaya, 2024). On the other hand, in Turkey, with the painful experiences left by violent actions that resulted in death in the past, such constitutional rights cannot be used in order to seek rights and to make their voices heard.

CONCLUSION

It gives an idea about the tax structure of a country, the level of development of the economy and the fair distribution of taxes. Since developed economies have completed their development and fulfilled their social state functions, their tax systems bear the brunt of direct taxes, which are fairer. However, it bears the brunt of indirect taxes, which are easier to collect in economies that are still at the beginning of economic development, are compatible with taxpayer psychology and will not cause major social reactions. Turkey's tax structure is just like an underdeveloped country that is still at the development stage, a country where indirect taxes take a large share.

Turkey has economic, political, administrative and social problems. The country has many problems such as being in a middle income trap, low income, the actual tax burden is low but the perceived high, the existence of an informal economy, weak audits and penalties and distance from deterrence, the distance of public spending from efficiency and productivity. The fact that the tax structure is far from justice is one of these problems. When taxes cannot be obtained from income and wealth, consumption taxes, which are usually paid by the final consumer as a result, are preferred. Consumption taxes further deepen the existing income distribution injustice.

The tax harmonization studies and practices of the European Union are an important resource in the fields of both democratization, free market and tax justice (Gül, 2023). Both in the European Union countries and in other developed countries, the tax systems are based on direct taxes, which are fairer. Combating tax losses and evaders and unregistered in Turkey, on the

one hand, will increase tax revenues, and on the other hand, the lost tax ethics of honest taxpayers will be restored.

The ratio of total tax revenues to gross domestic product in Turkey is quite low compared to developed countries. This ratio actually shows that the country has the potential to produce resources (Özatay, 2010). The creation of a fair tax system will positively change the way taxpayers view the state and taxes. As for taxes, governments' focus on indirect taxes, which are easy to collect, makes social peace difficult. It promotes hostile feelings between rich and poor people. On the one hand, tax ethics of taxpayers should be increased with tax policies and practices, and on the other hand, compliance with the moral tax principle should be expected and demanded from the state.

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