Problems in Tax Audit Activity and Solution Suggestions

Mustafa AY[1], Gülçin ADIYAMAN [2] and Ömer TOSUN[3]

[1]Prof. Dr. Selçuk Üniversitesi, Türkiye
[2]100/2000 YÖK PhD Student
[3] Graduate Student

***Abstract*:** *It is important for the effective evaluation of the tax audit system to collect tax revenues, which have the most important share among the state revenue items, in full and on time. For this reason, the tax administration in Turkey spends heavily to ensure the tax audit. It is observed that many tax audit activities of the regulations have positive results regarding the size of tax revenues, as well as tax losses and informality due to legislation and human, technical, and socio-cultural characteristics. By using the technological features of taxation, which is of vital importance for the continuity of the state, it contributes to the provision of audit tax application at the targeted level by focusing on the creation of current and dynamic structures for legislation and training expenditures to increase the tax awareness of regulators. To study these restrictions and examine the issues to ensure the execution of tax audits, literature related to the data obtained in the study was reviewed, and then tax audit procedures and the problems experienced were mentioned. The opinions of tax audit experts were then evaluated using the questioning method.*

Keywords: Turkish Tax System, Tax Audit, Tax Audit Specialist

1. Introduction

According to modern state understanding, states have different economic duties as social states. The fact that states can implement these duties has brought the issue of financing expenditures to the agenda. Although there are various revenues for financing these expenditures, the most basic source is taxes. Taxes are expressed as unrequited, forced, and legal final payments received from those who have the ability to pay to meet the public services of the states, depending on their ability to pay. There are two sides to the tax: creditors and debtors. Natural and legal persons qualified as tax debtors must fulfil their tax obligations within the framework of tax laws. The state, which is called the tax creditor, is responsible for checking whether the taxpayers fulfil their tax obligations correctly and on time and for the collection of taxes. Taxes, which are the main source of financing public expenditures according to contemporary tax systems, are collected based on the declaration. The declaration principle is valid for most taxes in our country. Since taxpayers declare their taxable income on the basis of the declaration, the relationship between tax administration and taxpayers should be highly compatible. This is because some taxpayers fulfil their tax obligations fully and on time, whereas others perceive these obligations as a burden. For this reason, taxpayers often tend to avoid declaring all or part of their income for reasons such as insufficient development of tax awareness, morality, and complexity of tax legislation. Thus, a tax audit institution is required. In the simplest sense, tax auditing is the investigation of the compliance of the transactions carried out by the taxpayers and the tax administration with the principles determined by laws, regulations, and by-laws. Tax audits within the scope of this conceptual framework aim to prevent tax loss and evasion, ensure that the administration acts in accordance with the tax legislation, place tax awareness on taxpayers, and increase voluntary compliance with tax with the formation of tax morale. Based on this situation, the aim of the study is to examine the tax audit institution in theory and practice, to investigate the problems and solutions in the field of tax auditing in our country, and to investigate the duties of taxpayers and tax officers. The success of a country's tax system

depends on an effective tax audit as well as good legal regulations regarding taxation. Even if the laws are suitable for the socioeconomic conditions of the country and the tax administration works well, the lack of an effective tax audit causes deterioration in the system over time (Schmolders, 1976:97). In this respect, efficiency in tax auditing refers to obtaining maximum tax revenue with minimum cost, in the context of the "economic principle", a general taxation principle (Aytekin, 2007:87). It aims to provide the expected income, reduce tax collection costs, help macroeconomic targets of tax applications, and reduce income inequality by ensuring efficiency in tax auditing (Anlar and Cengiz, 2016:56). Despite the legal regulations and measures taken, there are factors that reduce the effectiveness of tax audits due to different reasons. The reasons for this include the existence of various uncertainties and gaps in our tax legislation, the frequent changes in tax laws, the complexity of the system leading to different interpretations, and its inconsistency with the economic and social conditions of the country preventing an effective tax audit (Acar and Merter, 2004:8). This complexity in tax legislation is not only for taxpayers but also creates difficulties for accountants, auditors, and tax judges (Organ, 2008:173). Constant changes in the tax system cause legislation to be inadequately understood, gaps in the legislation, and thus tax incompatibility (Kumluca, 2003:94).

2. Literature Review

In the study conducted by Özker (2002), the functional structure and audit-specific expectations in tax auditing were examined. According to this study, tax audits are aimed at tax receivables and target tax revenues in the current year. According to the results of this study, it is necessary to regulate the determinants of the relationship between sanctions in tax legislation and tax liabilities. In the study conducted by Acar and Merter (2004), tax audit and efficiency problem in Turkey in the post-1990 period were examined. In this study, tax revenues of the years 1991-2003, taxpayers' inspection rates, and taxes subject to examination were considered. In this study, the tax base is found, and tax audit and tax collection differences are given. According to the results of the study, while the tax audit rates after 1990 were 2.03-4.89%, the tax audit average is 2.94%, so tax auditing is not done enough in our country. In a study conducted by Mert (2009), the effects of computer internet technology on tax audits and solution proposals in Turkey were examined. In this study, the case study method was prepared with a tax office group manager and ten supervisors were included in the participants. Twelve questions were answered by supervisors. According to the results of this study, the contribution of computers and the Internet to tax audits is quite large, and it is thought that increasing the audit rate, increasing the independence of tax auditing, and increasing the width of the audit staff will also be effective. In the study conducted by Rakıcı (2011), the new structure of tax audits in Turkey and the function of preventing the informality of auditing were examined. According to this study, the informal economy is one of the main problems in developing and underdeveloped countries. According to the results of this study, to prevent informality, it is necessary to make legal arrangements regarding the efficiency of tax auditing. In a study conducted by Akbey (2014), the effect on tax audits and revenues in Turkey since 1995 was discussed. In this study, the effect of an increase in the number of tax inspectors on the reduction of informality, tax collection, and justice in taxation was examined. In this study, the development of tax audit staff over the years, basic variables related to tax audits, efficiency in tax auditing and collection, number of staff, and tax revenue relations were examined, and the results are discussed. According to the results of the study, an increase in the number of audit staff could not reveal the desired results with the effect of tax amnesties and economic crises. In a study conducted by Uğur (2016), the applicability of the risk analysis system to tax audit effectiveness was mentioned. In this study, the number of tax inspections in the carpet sector in Gaziantep, the number of tax inspectors, the number of inspection taxpayers per inspector, tax levied, and penalties to be cut. According to the results of this study, risk analysis is important in tax audit effectiveness, and it is necessary to switch to the e-audit system. In the study conducted by Aktaş (2019), tax audit and the effectiveness of tax audit in Turkey were examined. This study discusses the ideas of taxpayers and non-taxpayers on tax auditing and efficiency through a survey study. According to the survey results, the fact that tax issues are clear and understandable, the reduction of false documents, and the completeness and correctness of taxes greatly affect tax efficiency.

3. Method of the Research

The research was qualitative, and the interview method was used. The interview method, which is one of the most preferred methods for determining and analysing the problems, needs, and expectations related to a situation in a certain area, aims to obtain the information and thoughts of the participants about the situation. Therefore, interview questions were developed within the framework of a certain standard, and reliable data were obtained at the end of the interview by acting objectively against the participants. The general purpose of tax audits is to identify and penalize taxpayers who do not fulfil their obligations in tax laws. However, the only purpose of penalties and inspections is not to find and punish those who commit tax crimes. In addition, punishment and supervision have a psychological purpose, such as directing individuals and institutions to act in accordance with legislation (Kumluca, 2003:93).

3.1. Study Group of the Research

The universe of the research consists of expert "tax inspector," "tax inspector assistant" and "income specialist" personnel. The sample of the research, on the other hand, consists of 12 people working on the Konya Tax Inspection Board and Konya Tax Office, considering the time and financial opportunities, and the thoughts that it can be reached more easily, and a suitable environment will be created during the study. The research sample was determined using a non-random technique. The qualifications of the participants are presented in Table 1.

TABLE I: Qualifications of the People Participating in the Research

	TITLE	EDUCATION STATUS			WORKING YEAR			INSTITUTION IT IS WORKING AT
		University	Degree	Doctorate	0-5 Year	6-10 Year	11-above	
1	TAX INSPECTOR	2	1	-	-	1	2	KONYA TAX INSPECTION BOARD PRESIDENCY
2	ASSISTANT TAX INSPECTOR	5	1	-	2	4	-	KONYA TAX INSPECTION BOARD PRESIDENCY
3	INCOME SPECIALIST	3	-	-	-	-	3	KONYA TAX OFFICE
	TOTAL	**10**	**2**	**-**	**2**	**5**	**5**	

When Table 1 is examined; Among the participants within the scope of the research, it is seen that 3 people are tax inspectors, 6 people are assistant tax inspectors and 3 people are income experts. Ten participants were university graduates, and two had completed higher education. Two of the participants had been working in tax audit for 1-5 years, five for 6-10 years and five for 11 years or more. Data were collected using an interview. A questionnaire was administered to conduct interviews.

3.2. Data Collection Preparation of the Research

The interview developed for the research consisted of 15 open-ended questions to be answered within the scope of the research. Before preparing for the interviews, a comprehensive literature review was conducted on the subject, and surveys related to the field were examined. The questions were then prepared based on the subjects of the research. Necessary measures were taken to ensure that the interview contents were valid and reliable. It was assumed that the participants answered the questions sincerely and correctly, and due care was taken to ensure that the questions were understood and answered correctly by the participant staff. In addition, while the interview questions were being developed, the validity and reliability of the questions were reviewed by considering the opinions of experts working on this subject. Open-ended interview questions were asked to be suitable for the research model and to analyse the data in depth. The survey questions used in the interviews are as follows:

Question 1: What do you think are the negative aspects of tax legislation in Turkey?

Question 2: What do you think are the problems experienced in tax audits in Turkey?

Question 3: In your opinion, what issues arise from taxpayers regarding the problems experienced in tax audit effectiveness?

Question 4: Do you think tax auditors' training is sufficient?

Question 5: Do you think that necessary technical and institutional support is provided to tax auditors?

Question 6: Do you think tax auditors are supported in developing themselves (master's, doctorate, foreign language, etc.)?

Question 7: In your opinion, are tax auditors' personal rights, such as salary, etc., sufficient?

Question 8: In your opinion, tax auditors are under pressure, threats, etc. from taxpayers. Does this result in a negative reaction?

Question 9: Do you think tax auditors feel safe from external pressure?

Question 10: Do you think that the number of tax inspectors is sufficient?

Question 11: Do you think that combining tax audit duties with different titles under the title of "Tax Inspectorate" increases audit effectiveness?

Question 12: Do you think that carrying out tax audits through the accounting system will have positive results?

Question 13: Do you think that the developing technology in the tax audit system is used adequately? In this context, with advanced information technologies: Do you think that the use of "artificial intelligence," Internet tax office, "cloud computing," blockchain, "XBRL reporting format," and "robotic" systems will increase tax audit effectiveness?

Question 14: In your opinion, can regulations be implemented in the tax audit system, such as practices that expand the base and open up new tax areas?

Question 15: Do you think that encouraging informative training activities for taxpayers would be beneficial in increasing tax audit effectiveness?

3.3. Analysis Method of Research Data

The information obtained as a result of the interviews made with the participants during the research was analysed with "content analysis," which is one of the qualitative analysis methods. The aim of this analysis was to understand the concepts and connections that can explain the data at hand. Therefore, coding and theme creation were performed during the analysis of the research data. Similar concepts obtained from the interview questions were evaluated by accumulating them under a certain theme. As a result of the survey conducted within the scope of the study, four main themes for tax audit effectiveness emerged. The themes and related questions were as follows:

-   Issues related to tax legislation were determined by Question 1, Question 11, Question 12, Question 13, and Question 14.
-   Issues for taxpayers were determined by Question 3, Question 14, and Question 15.
-   Issues for tax audit staff were determined by Question 4, Question 5, Question 6, Question 7, Question 8, Question 9, and Question 10.
-   Matters related to tax control practices were determined by Question 2, Question 11, Question 12, Question 13, Question 14, and Question 15.
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4. Conclusion and Evaluation

The tax administration, which fulfils one of the most important functions of the state, should be well organized in terms of audit and service and should be shaped with well-functioning and adequate equipment. However, problems arising from tax legislation regulations, taxpayers' approaches to tax, and some problems in practice, the inability to conduct an effective tax audit in our country, and the excessive informal economy emerge. With the study carried out in this context, the opinions of tax audit experts were taken through an interview method, and the findings obtained from the research were shaped around four main themes. According to this, it has been determined that among the main reasons why tax audit efficiency could not be realized at the desired level, there were changes in the tax legislation or made in the legislation from time to time. Today, most taxes are carried out

with the assessment and collection of transactions made upon the declaration of taxpayers. In this case, human and socio-cultural factors come to the fore, and human emotions and public authority can come face-to-face. The results of the study indicate that the most important factors in eliminating this are tax awareness and education.

Based on the findings obtained from the interviews with tax experts within the scope of the study, it was determined that the main reasons for the failure of the tax audit effectiveness to be realized at the desired level were the changes in the tax legislation or those made from time to time. All of the tax experts, whose opinions were obtained through semi-structured interviews, stated that "tax peace laws issued at short intervals prevent taxpayers from both making the correct declaration and paying their taxes on time". In this context, it is recommended to avoid frequent and high tax amnesty, exemptions, and exceptions or to do so at the marginal balance level with social justice and political expectations. In this context, the subject of tax increase in tax peace laws erases all deficient declarations made by the taxpayer in the past and is exempt from auditing. is holding. This transaction also leads the taxpayer to under-report their tax. Another issue regarding tax legislation is that taxpayers can reduce these amounts by 90% by entering into a compromise on taxes and penalties determined in the audit, which is another reason that leads taxpayers to tax evasion. It is observed that the negative effects of the tax bases and the reduction in the penalty put forward by the reconciliation commission are more negative than the effect of increasing tax revenues. This practice increases the tendency to avoid taxes because it is attractive to taxpayers and provides ease of payment. It has been stated that to increase the efficiency of tax auditing, more fair and equal taxation in tax legislation and making arrangements to open new tax areas and to include smaller levels of tax base and rates will yield positive results. This process may bring more workload due to detailed tax assessments, notifications, accruals, and collection transactions, but this weakness can be eliminated by using more technological opportunities. In addition, the VAT and Special Consumption Tax (SCT) applications, which are indirect tax revenue items, are reduced to the 1-2% level and even to 0% for some goods and services, if necessary, rather than the aim of generating tax revenue. It is believed that this will increase the efficiency of the tax system, thus strengthening the direct tax system, as in developed countries. According to the findings obtained from the interviews conducted within the scope of the research, another point expressed towards increasing tax audit efficiency is that it is an approach in which tax auditing is carried out for many purposes, such as deterrence, education, raising tax awareness, ensuring justice and equality in tax, and detecting mistakes made; therefore, legal characteristics are prioritized rather than financial qualifications, which is to increase tax revenue. As a result of the interviews about tax legislation, it is considered that there is a need to separate the functions of tax audits, to focus on making them for economic purposes, and to develop new applications for socio-cultural and systemic purposes.

As a result of the study, it was determined that the personal rights of tax auditors are at a sufficient level, they are supported institutionally for their career development, and they do not face any threat or pressure during their audit activities. However, it is among the results obtained in the research that the number of tax audit staff should be increased and more institutional support should be provided for the audit staff to feel safe. Another important finding is that revenue administration should provide self-control in the electronic environment to carry out an effective audit. According to the common opinion of the tax experts participating in the research, it is thought that the income and expenses of taxpayers will be fully recorded, and income tracking will be carried out effectively with the use of information systems and electronic tax audits. "Artificial intelligence applications," "internet tax office applications," "cloud computing and blockchain systems," "XBRL reporting format" and "robotic systems," which are today's advanced technological applications and are used successfully in tax audit systems of some developed countries. It is evaluated that such technological applications are not used sufficiently in our country, that the losses will be reduced, and that an effective tax audit system can be established by further integrating these systems into the infrastructure of the enterprises. In conclusion, the tax system is complex, consisting of declaration, assessment, accrual, and collection. For these transactions to be carried out effectively, it is necessary to establish the efficiency and productivity of tax audit activities. For this purpose, it should be ensured that tax legislation is up-to-date and dynamic, emphasis should be placed on educational activities, tax awareness should be created in taxpayers, and tax avoidance behaviours should be prevented with incentive systems. Speed and

convenience should be gained through the more effective use of advanced technological opportunities in the tax system, and informality should be prevented by reducing losses by increasing electronic recording capabilities. In addition, it should be evaluated that increasing the number of tax audit staff and providing them with more corporate assurance will contribute to the effectiveness of tax auditing.

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