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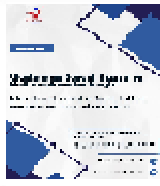

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Araştırma Makalesi/ ResearchArticle

Comparison of the Tax Auditing Process in the United States and Türkiye

Amerika Birleşik Devletleri ve Türkiye'de Vergi Denetim Sürecinin Karşılaştırılması

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ABSTRACT

Tax auditing serves as a crucial mechanism for ensuring the sustainability of public finance and enhancing tax compliance, prompting governments to develop various methods to prevent tax losses and ensure tax equity. In the United States, tax audits are conducted by the Internal Revenue Service (IRS), with most audits taking the form of correspondence audits aimed at increasing voluntary tax compliance by minimizing disputes between taxpayers and the administration. In Türkiye, tax audits are regulated under the Tax Procedure Law and are conducted by the Tax Inspection Board. The explanatory invitation procedure has been introduced to enhance the effectiveness of tax audits and minimize disputes. This procedure allows taxpayers to provide explanations before facing punitive measures due to potential tax losses, thereby alleviating the administrative burden on the tax authorities. Although Türkiye's tax audit system incorporates unique practices, the explanatory invitation mechanism structurally resembles the correspondence audit system in the United States. This study compares tax audit processes in Türkiye and the United States, providing a detailed evaluation of the similarities and differences between the audit systems of both countries.

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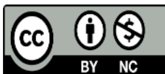
ÖZ

Vergi denetimi, kamu maliyesinin sürdürülebilirliği ve vergi uyumunun artırılması açısından önemli bir mekanizma olup, devletlerin vergi kayıplarını önlemek ve vergi adaletini sağlamak amacıyla çeşitli yöntemler geliştirmesine neden olmuştur. ABD'de vergi denetimleri, IRS tarafından yürütülmekte olup, denetimlerin büyük çoğunluğu, mükellef ile idare arasındaki uyuşmazlıkları en aza indirerek vergiye gönüllü uyumu artırmayı hedefleyen yazışma denetimi şeklinde gerçekleşmektedir. Türkiye'de ise vergi denetimi, VUK kapsamında düzenlenmiş olup, VDK tarafından yürütülmektedir. Vergi denetimlerinin etkinliğini artırmak ve ihtilafları en aza indirmek amacıyla izaha davet uygulaması ihdas edilmiştir. Bu uygulama, mükelleflerin olası vergi ziyaı nedeniyle cezai yaptırıma maruz kalmadan önce açıklama yapmalarına olanak tanımakta ve vergi idaresinin iş yükünü hafifletmektedir. Türkiye'de vergi denetim sistemi, kendine özgü uygulamalar içermekle birlikte, izaha davet müessesesi yapısal özellikleri bakımından ABD'deki yazışma denetimi ile benzerlik taşımaktadır. Çalışmada, Türkiye ve ABD'deki vergi denetim süreçleri karşılaştırılmış ve her iki ülkenin denetim sistemleri arasındaki benzerlikler ile farklılıklar detaylı bir şekilde değerlendirilmiştir.



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Introduction

Taxes constitute one of the fundamental pillars of a state's financial structure and play a crucial role in ensuring both the sustainability of social welfare and the continuity of public services. The taxation system in Türkiye is predominantly based on the declaration principle, which is also regarded as a mechanism aligning the taxation process with democratic principles (Karakoç, 2017, p. 238). Within the framework of the declaration method, taxpayers are required to accurately declare entirely the tax base, which forms the foundation of taxation. However, taxpayers or tax agents may provide false, incomplete, or incorrect declarations for various reasons. Therefore, the fair implementation of the declaration system depends on the state's ability to operate its audit mechanisms effectively and continuously. If tax audits reveal that the declared tax base is incomplete or has not been reported, the tax administration must determine the tax base ex officio. At this stage, additional or ex officio tax assessments may be carried out, and tax penalties may be imposed on the taxpayer. Moreover, failure to comply with tax obligations inevitably leads to administrative sanctions (Furtun, 2010, p. 302).

Taxpayers often perceive tax audits as an anxiety-inducing process. However, understanding the audit process can help taxpayers manage it more effectively and with less stress. While some tax audits do not pose significant issues, others can create substantial administrative and financial burdens (Weltman, 2024). Although each audit is unique, taxpayers' knowledge of the audit process enables them to make necessary preparations and manage it more efficiently. Knowing how the audit process operates is key to reducing audit-related anxiety (Whaltey).

According to a study conducted by the U.S. Internal Revenue Service (IRS), one of the primary reasons why approximately six out of ten taxpayers accurately report their taxes is the concern of being audited (IRS, 2022). This finding indicates that audits serve not only as a detection and enforcement mechanism but also as a factor that encourages voluntary tax compliance.

This study examines tax audit processes in Türkiye and the United States through a comparative approach, analyzing the similarities and differences between the tax audit practices in both countries. The study aims to explore how different economic and legal systems structure tax audits and evaluate the most effective methods for promoting tax compliance. In the context of the study, the study first explains the concept of tax auditing, followed by a detailed analysis of the tax audit process conducted by the IRS in the United States. Subsequently, the research examines the legal foundations, types, and implementation processes of tax audits in Türkiye. Finally, the study presents a comparative evaluation of both countries' tax audit systems, methods, and outcomes. This study provides a significant framework for enhancing the efficiency of tax audits, increasing taxpayers' compliance levels, and improving the effectiveness of audit mechanisms.

1. The Concept of Tax Audit

The Turkish Language Association defines auditing as "an investigation conducted to determine whether a task is being carried out properly; audit, inspection, supervision, control." The term "audit" is the noun for this action. The word "audit" is frequently used in the Turkish language. According to legal dictionaries, auditing is an official examination to reveal that an organization's or an individual's financial records do not accurately reflect reality or that incorrect tax returns have been filed (FindLaw). The concept of tax audit, on the other hand, refers to the official examination of financial records to verify that an individual or company has accurately reported and paid their taxes promptly (Tax Foundation).

Tax authorities examine a taxpayer's financial records and other relevant documents to ensure the accuracy of the information reported on the tax return and verify that the correct amount of tax has been paid. Inconsistencies in reported income, incorrect information, or deductions may trigger an audit (Burgos, 2024).

A tax audit, also known as a taxpayer examination, refers to reviewing an organization's or an individual's tax return to verify the accuracy of all reported data (Brotman Law).

Based on these definitions, tax auditing, in its broadest sense, can be defined as a detailed examination of taxpayers' financial information.

2.Tax Audit Process in the United States

An IRS audit examines an organization's or an individual's financial records, accounts, and tax documents to ensure that the information provided in the tax return complies with tax laws and that the reported tax amounts are accurate (IRS, 2024a). The IRS closely examines tax returns through tax audits to verify the accuracy of reported income and deductions (Burgos, 2024). In this context, audits help businesses and individuals comply with tax laws. The IRS analyzes and compares taxpayer data using the Discriminant Information Function (DIF) to achieve this. Each tax return is assigned a score based on an analytical evaluation (Tax Foundation) in this system. An audit is triggered when any of the following conditions are met (Tax Foundation; Greenback, 2024):

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- Failure to file a tax return
- Underreporting taxable income (incomplete declarations)
- Inconsistencies or errors in completing tax forms
- Earning a high income (above average)
- Generating income through unconventional means (cryptocurrency, self-employment, investment income, rental income, capital gains)
- Reporting unusual business expenses such as entertainment or high meal costs
- Failure to report foreign assets

Typically, tax returns are selected for audits when something appears unusual in the filing (Burgos, 2024). However, being selected for an audit does not necessarily indicate a problem. The IRS employs different methods for auditing individual taxpayers, small businesses, and self-employed individuals (Finet, 2023a):

- **Random Selection and Computer Screening:** The IRS selects some tax returns through computer screening and compares them with data from similar returns. If the system detects discrepancies, it selects returns for audit. These similar returns, known as "norms," are identified using a statistical formula. The IRS derives information on norms from audits conducted on randomly selected returns as part of its National Research Program. The IRS utilizes this program to update tax return selection criteria.
- **Related Examinations:** The IRS may also audit certain tax returns if the taxpayer is involved in transactions with other individuals or businesses already under audit. These related examinations often include business partners and investors.

IRS tax audits are generally rare. The IRS audits fewer than 1% of U.S. taxpayers each year. Regardless of what triggers an audit, the primary goal is to verify taxpayer information and ensure compliance with U.S. tax regulations (Greenback, 2024).

Typically, the IRS audits tax returns filed within the last three years, meaning the audit period usually covers the previous three tax years. However, the IRS may examine returns for up to six years if income is significantly underreported. The IRS imposes no statute of limitations on audits if a taxpayer fails to file a return or submits a fraudulent one (Finet, 2023b). The IRS generally does not go beyond six years in its audits (IRS, 2024a).

If the IRS cannot complete an audit within the required timeframe, it may request an extension from the taxpayer. This typically occurs when additional records are needed to support the taxpayer's claims. If the taxpayer does not grant an extension, the auditor will decide based on the available information, potentially leading to additional taxes and penalties (Finet, 2023a).

On the other hand, the IRS aims to complete audits as quickly as possible, with most audits occurring on tax returns filed within the past two years. Several factors determine the duration of an audit, including the type of audit, the complexity of the issues, the availability of requested information, the scheduling of meetings, and whether the taxpayer disputes the findings (IRS, 2024a).

The IRS recommends that taxpayers retain their records for three years after filing a tax return. However, this period may vary depending on the specific financial action, cost, or event recorded in the document. For example, if a taxpayer underreports more than 25% of their gross income on a return, records must be kept for six years. Taxpayers must retain records indefinitely if they fail to file a return or submit a fraudulent one (IRS, 2024b).

The IRS notifies the taxpayer by mail, not by phone, if it selects a tax return for an audit. The IRS sends taxpayers an official audit letter to indicate that it has chosen their tax return for review. This letter verifies the accuracy of reported income, deductions, and credits. Receiving such a letter does not necessarily mean the taxpayer has made an error; rather, it signifies that the IRS intends to examine the return more closely (Whaltey).

In the United States, the IRS categorizes audits into four main types: correspondence audits, office audits, field audits, and Taxpayer Compliance Measurement Program (TCMP) audits. The following sections analyze each of these audit types separately.

2.1. The Correspondence Audit

Correspondence audits are the most common and most straightforward type of IRS audit. The IRS conducts approximately 75% of its tax examinations through correspondence audits. These audits take place via mail, and there is no in-person interaction with an auditor. Correspondence audits are limited in scope and generally address minor issues that can be resolved quickly with additional documentation. The IRS uses correspondence audits

when it believes a simple exchange of information can resolve the issue (Whaltey). The IRS typically conducts these audits to clarify certain aspects of tax returns or to gather additional information. For example, if a taxpayer claims $10,000 in charitable deductions, the IRS may send a letter requesting proof of donations. In most cases, providing sufficient evidence results in a favorable outcome for the taxpayer (Burgos, 2024).

However, the initial correspondence from the IRS is usually a simple letter. While this letter is not technically an audit, unresolved issues at this stage can escalate into a full audit (Weltman, 2024). This initial letter is sent in the following situations (IRS, 2024c):

- When there is an outstanding balance due,
- If there is an issue with the tax return,
- When identity verification is required,
- If the tax return has been amended or corrected,
- When there is a delay in processing the return.

The IRS sends this notification to inform the taxpayer about the issue. For example, the IRS may state in the letter: "...You were required to report $2,500 in income but only declared $500, resulting in a tax liability for the missing $2,000". In such cases, the taxpayer can either accept the IRS's request and make the necessary adjustments or dispute the issue, which leads to further examination (Weltman, 2024).

If the taxpayer provides a satisfactory explanation in response to the initial letter within 30 days, the IRS closes the audit by issuing a "no-change" letter (Freeman Law). If the taxpayer needs additional time to gather information or prepare a response, they can request a one-time 30-day extension by submitting a written request via fax or mail (Finet, 2023b). If the IRS finds the taxpayer's response unsatisfactory, it issues a second 30-day letter, a Notice of Deficiency, informing the taxpayer of proposed tax adjustments and appeal rights (Freeman Law). At this stage, even if the taxpayer requests additional time, the IRS does not grant an extension (Finet, 2023b).

At this point, the second letter from the IRS serves as an official audit notification. This letter requests documents (such as receipts, invoices, and checks) to substantiate the accuracy of the tax return (Weltman, 2024). If the second response fails to provide a sufficient basis to resolve the issue, the IRS refers the tax return to a local office for further examination (Freeman Law).

Failing to respond to an audit letter may result in penalties, fines, and interest charges. Typically, after requesting the necessary documents and evidence, the IRS issues a second letter (Notice of Deficiency), which explains its decision and informs the taxpayer of their right to appeal (Brotman Law). In such cases, the taxpayer must file a petition with the United States Tax Court within 90 days to challenge the IRS decision (Freeman Law). Consequently, the taxpayer can present the necessary documents during this audit process or pursue legal action (Weltman, 2024).

2.2. The Office Audit

An office audit is a type of IRS audit conducted in person at an IRS office. This audit is generally more in-depth than a correspondence audit and involves an IRS examiner questioning the taxpayer about the information provided in their tax return. In an office audit, the IRS may require taxpayers to provide specific documents, including business records, financial statements, personal bank statements, and receipts. Additionally, taxpayers have the right to be represented by an accountant or attorney during these meetings (Burgos, 2024).

This audit is a serious examination requiring a prompt response for a swift resolution (Brotman Law). For this reason, office audits typically take place at an IRS office and involve a detailed review of specific aspects of a tax return. The IRS conducts office audits to address significant issues or inconsistencies that correspondence cannot resolve. For example, the IRS may initiate an office audit if a tax return contains substantial deductions, unreported income, or complex financial transactions (Whaltey). This is considered a full-scale audit and represents a significant step in terms of scrutiny (Weltman, 2024).

Although the initial notification for this audit is sent by mail, taxpayers must visit the IRS office upon receiving the invitation. The letter includes the examiner's contact information and details about the meeting to facilitate the process. Additionally, the IRS guides taxpayers on the documents and information they must present during the audit session. The IRS uses these meetings to resolve complex tax issues related to small business or non-business tax returns. An IRS examiner conducts office audits near the taxpayer's residence or business. While

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office audits are more detailed than correspondence audits, taxpayers often complete the process in a single session or within a day (Brotman Law).

An audit may conclude with no changes to the tax return, a tax liability, or even a refund owed to the taxpayer by the IRS. The initial decision given by the IRS representative is not final (Weltman, 2024). If the taxpayer fails to provide sufficient records and supporting evidence, the IRS may issue a rejection letter, including penalties and other sanctions. However, taxpayers can request a reconsideration, and if the appeal does not result in a favorable outcome, they may choose to pursue legal action (Brotman Law).

2.3. The Field Audit

Field audits are the most comprehensive type of examination conducted by the IRS. In this process, an IRS representative visits the taxpayer's home, business (if self-employed), or accountant's/representative's office to conduct an extensive review of records, making it the most intrusive and time-consuming form of audit (IRS, 2024a). These audits may also include interviews with employees or taxpayers (Tax Foundation).

The IRS generally conducts field audits to examine multiple deductions or other significant concerns beyond just one or two specific items. Field audits are typically comprehensive and may cover most or even all elements of a tax return (Burgos, 2024). While they are relatively rare for individuals, they are more common for businesses (Weltman, 2024). Field audits usually occur under three main circumstances:

- **Business Income and Expenses:** The IRS may conduct a field audit to verify the income and expenses of a taxpayer who owns a business or is self-employed. The IRS is particularly likely to conduct such audits when reported income seems inconsistent with industry norms or when taxpayers claim substantial business expenses.
- **Large Cash Transactions:** Engaging in significant cash transactions, such as making large deposits or withdrawals, may draw IRS attention. The IRS conducts field audits to ensure these transactions are correctly reported and taxed.
- **Previous Audit History:** If the IRS found inconsistencies in a taxpayer's previous audit, it might suspect ongoing issues and become more likely to conduct a field audit (Whaltey).

Field audits are typically scheduled for more complex examinations and can be highly intrusive (Hayes, 2021). IRS field representatives generally request financial records from companies, businesses, and individuals to verify the accuracy of tax returns. A typical field audit of a business includes reviewing financial records, interviewing employees, and touring the premises. Employee interviews help IRS representatives understand internal controls, business structure, and accounting procedures. Additionally, auditors assess taxpayers' business records, including correspondence audits (Brotman Law).

The IRS may take further action if it detects income underreporting, excessive deductions, or misleading information in tax returns. In such cases, the taxpayer must be represented by a tax attorney and/or the individual who prepared and filed the tax return. Most attorneys advise keeping responses as simple as possible and avoiding providing additional information, as this may lead to an expansion of the audit's scope. Penalties from a field audit that uncover errors or fraud may include additional taxes, fines, property liens, wage garnishments, criminal investigations, and court proceedings (Hayes, 2021).

Due to their complexity, field audits can take weeks or even months. The IRS agent may request additional information or clarification throughout the process. Maintaining organization and cooperation is essential to facilitate the audit and avoid unnecessary complications (Whaltey). The IRS may also request an extension of the audit period when necessary, granting the taxpayer additional time to gather information and contest decisions (IRS, 2017). The IRS generally has three years from the tax return's due date to conduct an audit. However, there are exceptions to this period. For instance, if a taxpayer omits more than 25% of their reported income, the IRS has up to six years to conduct an audit (Hayes, 2021).

In summary, the IRS conducts two primary ways: correspondence audits via mail and in-person examinations. Most audits are conducted by mail, beginning with an IRS letter requesting additional information about items reported in a tax return. Taxpayers subject to a correspondence audit can always request an in-person meeting with an IRS agent. These in-person meetings take the form of either field audits or office audits. Field audits are conducted at the taxpayer's home, business, or attorney's or accountant's office, whereas office audits occur at an IRS office (Finet, 2023a).

2.4. Taxpayer Compliance Measurement Program (TCMP) Audit

The fourth type of audit is the Taxpayer Compliance Measurement Program (TCMP). The primary purpose of this audit is to update IRS data for Discriminant Information Function (DIF) scores. DIF scores are developed by

analyzing a large group of intensive audits conducted every few years involving up to 50,000 randomly selected tax returns. In a TCMP audit, the IRS examines every item in a tax return and verifies each section with supporting documentation (RJSLAW).

A standard audit is time-consuming because taxpayers must provide documents and records such as checks, invoices, contracts, and bank statements for selected items. However, in a TCMP audit, every line of a tax return is audited. Therefore, taxpayers must provide supporting documents for all deductions instead of submitting documentation for a few selected items (RJSLAW). At this level of audit, the commission typically requires taxpayers to submit bank statements, contract documents, invoices, and receipts. In comparison, a regular IRS audit may require only a portion of a taxpayer’s documents, but a TCMP audit demands complete documentation (Brotman Law).

2.5. Tax Audit Outcomes

The IRS or state tax agencies conduct tax audits. If an audit determines that a taxpayer owes more than initially reported, it may result in additional taxes, penalties, or interest. Possible outcomes of an audit include the IRS accepting the taxpayer’s explanations and documents, proposing changes to the tax return, or the taxpayer challenging the findings by filing an official appeal (Burgos, 2024).

A taxpayer who disagrees with an IRS decision can appeal to the IRS Independent Office of Appeals to resolve the tax dispute without litigation. Alternatively, they may file a lawsuit in the United States Tax Court or another federal court (Finet, 2023a). Tax disputes may result in penalties based on underpayments. In more severe cases, taxpayers may face criminal charges, including imprisonment, for significant tax violations (Brotman Law).

3. Legal Foundations and Implementation Process of Tax Audits in Türkiye

Tax auditing refers to the inspection and control activities carried out to determine whether taxpayers or tax agents fulfill their obligations under tax legislation in a timely and complete manner. These audits are conducted within the time limits set by the tax administration and involve various methods and techniques to assess the accuracy of declared taxes. The audit process serves as a mechanism to detect incomplete or erroneous declarations, prevent tax losses, and ensure the sustainability of public finance (Yüce &Yücelen, 2021, p. 2).

According to 2023 data, the Revenue Administration conducted audits on 1,337 taxpayers through its Tax Office Directorates, resulting in a total tax assessment of 119,364,543 TRY and proposed penalties amounting to 232,769,709 TRY (Revenue Administration, 2023). Meanwhile, the Tax Inspection Board examined 60,242 taxpayers within the same year, recommending tax assessments totaling 17,452,475,511 TRY and penalties amounting to 37,220,156,575 TRY (VDK Faaliyet Raporu, 2023). These figures highlight the scope and effectiveness of tax audit activities. While Tax Office Directorates conduct audits on a more limited number of taxpayers, the Tax Inspection Board carries out broader-scale examinations. The notably high tax assessments and penalty recommendations show that the IRS bases audits on risk-based analyses, subjecting large-scale taxpayers to more intensive scrutiny.

3.1. Legal Basis and Types of Tax Audits

Turkish tax law categorizes tax audits into four main types under Part Seven (Articles 127-152) of the Tax Procedure Law (TPL, Law No. 213): tax inspection, on-site examination, search, and information collection.

1. ***Tax Inspection*** is an audit process determining whether taxpayers have fulfilled their tax liabilities and other financial obligations. This process involves examining taxpayers' books, records, and documents to assess their compliance with tax laws using technical and procedural methods. A tax inspection report documents the findings of a tax inspection report (Soydan, 2015, p. 85).
2. ***The on-site examination*** serves as a control mechanism to verify taxpayers' compliance with their tax obligations, particularly regarding material events, records, and documents. It focuses on whether taxpayers have met formal obligations such as business registration, record-keeping, and document retention. Auditors record the results of on-site examinations in a verification report (Yüce & Yücelen, 2024, p. 129).
3. ***Search*** is not explicitly defined in the Tax Procedure Law (TPL); however, Article 142 regulates the conditions under which searches can be conducted. According to this provision, if an audit or an informant report provides concrete evidence of tax evasion, a search may be conducted on the taxpayer or related individuals and premises. However, this process must comply with specific legal conditions. First, tax inspectors with audit authority must justify the need for a search in a formal request to the criminal court of peace, seeking approval. The judge evaluates the request and determines which

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locations to search. The authorized judge extends search approval to additional jurisdictions when investigations involve multiple individuals or different addresses. Additionally, if a search based on an informant's report is later found unjustified, the affected taxpayer has the right to request disclosure of the informant's identity. The tax authority is legally required to provide this information in such cases. Under Article 135 of the TPL, tax inspectors, assistant tax inspectors, the highest-ranking revenue officer in the province, or tax office directors conduct tax inspections. Additionally, officials in managerial positions within the Revenue Administration headquarters and provincial branches are authorized to conduct tax inspections.

4. ***Information Collection*** is a type of audit aimed at verifying the accuracy of taxpayer declarations by gathering necessary information for the tax administration. The collected data is classified and stored in the intelligence archive, whether obtained upon request from the tax administration or provided as a legal obligation. Unlike other types of audits, the information collection process does not result in an audit report. The use of the gathered data is determined by the Ministry of Treasury and Finance (Saraçoğlu et al., 2022, p. 185).

3.2. Tax Audit Process

Türkiye is modernizing the tax audit process by incorporating digitalization and artificial intelligence-supported analyses alongside traditional methods. The Revenue Administration integrates Big Data Analytics, Risk Assessment Systems, and AI-Based Audit Mechanisms into digital tax audit systems to create a faster, more efficient, and comprehensive audit process (İlgün, 2020, p. 12).

The tax inspection process begins with contacting the taxpayer and requests to submit books and records (Article 256 of the Tax Procedure Law, TPL) or court-approved searches (Articles 142-147 of the TPL). Audits may be conducted without prior notification (Article 138 of the TPL) and within the statute of limitations for tax assessments (Article 114 of the TPL) at any period. Tax authorities generally conduct on-site inspections at the taxpayer's place of business (Article 139 of the TPL); however, in exceptional cases or at the taxpayer's request, they may carry them out at the tax office. Tax authorities explain the subject of the audit to the taxpayer, conduct audits only during official working hours unless the taxpayer consents otherwise, and issue a document confirming the audit's completion (Article 140 of the TPL).

Tax inspections rely not only on statutory books and records but also on information obtained from third parties and official reports (Article 148 of the TPL), with the actual nature of transactions prevailing over declared data (Article 3 of the TPL). Official reports constitute a key component of the audit process, allowing taxpayers to register objections (Article 141 of the TPL). Even if a taxpayer refuses to sign these reports, relevant documents remain preserved throughout the audit (Article 257 of the TPL).

Auditors must carefully assess the findings, calculations, and interpretations made during the audit; otherwise, incorrect or misleading conclusions may result in unfavorable consequences for taxpayers (Article 3 of the TPL). Therefore, auditors must conduct each stage of the audit process meticulously and ensure taxpayers' legal rights are not violated (Article 144 of the TPL).

Under the Risk Analysis System (RAS) of the Tax Inspection Board, legal data concerning taxpayers are analyzed and compared to identify high-risk sectors and taxpayers, directing tax audit processes accordingly. Additionally, tax audits are conducted in the following circumstances (VDK Faaliyet Raporu, 2023, pp. 16-17):

- Audits based on complaints and whistleblower reports
- Tax authorities initiate audits based on findings obtained during inspections, investigations, research, and review processes
- Audits conducted in response to reports from public institutions and organizations regarding tax-related matters
- Audits initiated based on Opinions and Recommendations Reports prepared by Tax Inspectors concerning high-risk sectors

These audits evaluate taxpayers' compliance with tax regulations, prevent potential tax losses, and combat the shadow economy.

Additionally, before initiating a tax inspection, taxpayers may be invited to explain Article 370 of the TPL. This regulation aims to reduce the administrative burden while allowing taxpayers to fulfill their tax obligations without facing punitive measures, offering them an opportunity to clarify issues before an audit or tax assessment begins. Under the procedures determined by the Ministry of Treasury and Finance, taxpayers have 30 days from the date of notification to submit a written explanation. If tax authorities deem the statement satisfactory, they do not

initiate a tax audit or assessment; otherwise, they proceed with the administrative process if they suspect a tax loss. This mechanism allows taxpayers to correct tax-related errors, enhances compliance, minimizes disputes, and ensures the efficiency of tax administration.

The tax inspection process is carried out by the Tax Procedure Law and relevant regulations, following specific stages. Tax authorities conduct the audit process sequentially through the following stages: selecting the case, initiating the audit, submitting statutory books and documents, examining the audit, drafting the official report, signing the report, reviewing the audit report, hearing the taxpayer's request, settling pre-assessment disputes, and referring the case to the tax office (VDK).

3.2.1. Case Selection

This stage refers to the decision made by the Tax Inspection Board (TIB) units to subject a taxpayer to an audit, the issuance of an audit assignment order, and its notification to the designated Tax Inspector. It establishes the legal foundation of the audit at the starting point. The Tax Inspection Board Regulation outlines this process's relevant provisions.

According to Article 6(d) of the Tax Inspection Board Regulation, the assignment of Tax Inspectors, the monitoring of their tasks, and the oversight of their execution fall within the authority and responsibility of the President of the TIB. Similarly, under Article 7(2) of the Regulation, Vice Presidents are responsible for executing operations and procedures by the President's directives. Furthermore, as per Articles 9(2-b) and 9(3), Department Heads are directly accountable for supervising and managing Tax Inspectors. Under Article 6, authorities issue tax inspection assignments in writing and explicitly specify the taxpayer under audit, the matters to be examined, the scope (full or limited), the legal basis, the audit period, and its duration. Additionally, authorities electronically transmit the supporting documents attached to the assignment order to authorized inspectors, and they carry out the entire process through the Tax Inspection Board Information System (TIBIS). Moreover, under Article 8(3) of the Regulation, the audit file may be formally transferred to the relevant Department Head if deemed appropriate by the assigning unit. However, within this framework, Tax Inspectors are not authorized to transfer an audit file to another Tax Inspector at their discretion. The tax audit strictly focuses on the period and subject matter specified in the assignment order and follows those parameters. However, the assigning authorities have the discretion to modify the scope. Additionally, the TIB President is authorized to increase the number of simultaneous audit assignments handled by Tax Inspectors and may decide whether audits should be conducted individually or as a team.

3.2.2. Initiation of the Audit

The authorized Tax Inspector or Assistant Inspector officially commences the audit process within the scope of the notified assignment order. This stage involves establishing initial contact with the taxpayer and determining the scope of the audit. According to Article 7(1) of the Tax Inspection Board Regulation, auditors must begin the audit within five days of the assignment's issuance. However, if a valid excuse arises, authorities may extend this period by five days or transfer the audit assignment to another inspector. While the regulation does not provide a direct definition of "initiation of the audit," Article 7(2) states that the process includes activities such as research, examination, requests for information, and correspondence concerning the taxpayer or the sector in which they operate. This indicates that the initiation of the audit is a preparatory phase. At this stage, auditors review the documents attached to the assignment order and the taxpayer's file at the tax office to make preliminary assessments. Additionally, auditors may conduct external research to gather more comprehensive information about the taxpayer's business and activities. On the other hand, the 15-day period stipulated by the regulation for initiating the audit includes the five days for commencing work. If granted an extension, the inspector must initiate the audit within 20 days from the assignment date.

According to Article 140(1) of the Tax Procedure Law (TPL), the audit process officially begins with issuing an Audit Initiation Notification. The notification date serves as the official start date of the audit. Previously, authorities linked this date to the issuance of an official report. However, following the enactment of Law No. 7338, the issuance date of the notification itself is now considered the audit commencement date. The delivery date of the notification to the taxpayer does not impact the official start date of the audit. The Audit Initiation Notification includes the taxpayer's identity details, business title, address, audit scope (full or limited), reason for audit, relevant period, and tax type. The Tax Inspector's name and contact details are included, along with a tracking number allowing the taxpayer to monitor the audit process through the TIB website. Notifications are delivered electronically, and taxpayers can access these documents via the Digital Tax Office, Internet Tax Office, or Interactive Tax Office. According to Article 136 of the TPL, Tax Inspectors must carry official identification proving their authority to conduct audits and must present this before commencing the audit. However, since most

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audits occur at tax offices, taxpayers may reside in different cities, and books and documents are increasingly examined electronically, making physical identity verification not always feasible.

3.2.3.Submission of Statutory Books and Documents

During the audit process, the taxpayer is required to submit statutory books and documents to the audit officer in accordance with the relevant provisions of the Tax Procedure Law (TPL). Failure to comply with this submission obligation may result in various administrative sanctions.

Authorities request that books and documents be submitted in writing and formally record the delivery process in an official report. The request specifies which books and documents must be submitted and the minimum period of 15 days granted for submission. Authorities outline where the submission should occur and specify the legal consequences of failing to fulfill the obligation within the given timeframe. The force majeure circumstances and the tax holiday period may automatically extend the submission deadlines. Furthermore, according to Article 139 of the TPL, the taxpayer may be granted additional time to submit the required books and documents if a valid excuse exists. However, since the regulation does not clearly define what constitutes a valid excuse, the decision to accept or reject such justifications is left to the discretion of Tax Inspectors. In practice, authorities sometimes grant flexibility when evaluating valid excuses. If the taxpayer submits the required books and documents without waiting for a written request, they are received and recorded in an official report. According to Article 6(3) of the Tax Inspection Board Regulation, authorities request only information and documents directly related to the audit's subject and period, explicitly prohibiting requests beyond this scope.

The submission of books and documents maintained electronically is conducted through designated digital platforms, allowing taxpayers to fulfill their obligations via the Electronic Data Submission System (e-VIZ) portal, available on the Tax Inspection Board's website. The taxpayer uploads the required documents using the access code in the request letter, thus completing the submission process electronically instead of physically delivering the documents. However, suppose the taxpayer's business or residence address is in a different province from where the audit officer is assigned. In that case, authorities conduct the submission process at the relevant tax office in the taxpayer's location. If requested by the taxpayer, books and documents may also be submitted at the tax office in the inspector's designated province. Direct communication with the taxpayer cannot be established or fails to submit the requested documents within the given period. In that case, the audit process proceeds using official records available at the tax office, electronically stored data, and risk analysis reports from the Tax Inspection Board. Under the relevant provisions of the TPL, taxpayers who fail to submit their books and documents within the specified timeframe may face ex officio tax assessments, special irregularity penalties, and criminal proceedings for tax evasion, including referrals to the Public Prosecutor's Office. Additionally, taxpayers who do not comply with the submission requirement lose their eligibility for specific tax reductions and benefits, face increased collateral obligations, and may encounter significant commercial difficulties.

In cases where taxpayers fail to submit books and documents during the audit, the Council of State's Case Law Unification Board addresses whether they can present them during legal proceedings. The Board ruled that taxpayers must not present documents during a tax audit if force majeure prevents their submission. However, taxpayers who fail to comply with the submission obligation without force majeure may still present their books and documents in court, where the judicial authority must evaluate the tax administration's assessments accordingly. Regarding the impact of the tax holiday on tax audits, according to Article 1(4) of Law No. 5604, taxpayers cannot be required to submit books and documents during the tax holiday period, nor can an audit be initiated at their business premises. However, if authorities make an official request for submission before the tax holiday and the deadline falls within this period, the situation is handled accordingly. In that case, the deadline automatically extends for seven days after the holiday ends.

Additionally, Article 4 of Internal Directive No. 2017/01 on Tax Audits and Inspections regulates the types of individuals authorized to provide information and documents on behalf of taxpayers. Taxpayers may authorize certified public accountants, lawyers, or other designated individuals to submit information and documents during the audit process. For this purpose, a taxpayer's consent form is sufficient for submission to the audit officer, and notarization is not required. However, the consent form only applies to the ongoing audit process and does not grant the authorized person any legal representation rights on behalf of the taxpayer. Therefore, taxpayers should have their audit process monitored by professionals specializing in tax law, as this may be beneficial in ensuring compliance and protecting their rights.

3.2.4. Examination Phase

The authorized Tax Inspector conducts a detailed examination of the documents submitted by the taxpayer. At this stage, analysts examine the consistency between the declared taxes and the actual commercial and financial

transactions and report any detected irregularities. The audit scope includes electronic ledgers, e-invoices, and other digital records.

In tax law, typification refers to the legislator's establishment of general and abstract rules regarding taxation processes, where the conformity of a specific material event (minor premise) to these abstract rules (central premise) is referred to as typicity (Öncel et al., 1985, p. 35). Within this framework, experts assess the legal nature of the taxable event. Article 19 of the Tax Procedure Law (TPL) states that a tax liability arises when the event specified in tax laws triggers taxation or when fulfilling a legal condition. Furthermore, Article 3(B) of the TPL establishes that "the actual nature of the taxable event prevails," allowing any transaction related to the event to be proven by all types of evidence except an oath while also placing the burden of proof on the party asserting a claim that contradicts economic, commercial, and technical realities. Article 5(1-d) of the Tax Inspection Board Regulation mandates that tax inspections must be conducted based on continuous improvement, transparency, impartiality, integrity, public interest, accountability, and predictability. Additionally, Article 5(1-f) states that the primary goal of the inspection process is to determine the correct amount of tax owed by the taxpayer while also allowing for adjustments in favor of the taxpayer. Article 52(3) requires auditors to base the findings, opinions, and recommendations in their reports on evidence obtained during investigation, inspection, or inquiry processes and to ensure compliance with the relevant legislation. Within this framework, the examination and research process consists of collecting data from ledgers, documents, and other sources, objectively evaluating this information within the scope of Articles 3(B) and 19 of the TPL, along with material tax laws, and determining whether the taxable event has occurred. According to Article 148 of the TPL, Tax Inspectors may request information from public institutions, taxpayers, and individuals who have commercial relations with taxpayers, and they may integrate data obtained through third-party verification methods into the examination process. Additionally, using electronic audit systems such as the Tax Inspection Analysis System (VEDAS) enhances the effectiveness of the audit. Tax audits are not limited solely to determining the amount of tax due. However, in some cases, they also include the identification of potential tax refunds in favor of the taxpayer.

To ensure a systematic execution of the examination process, the Tax Inspection Board Regulation requires the creation of an audit file under Article 8. According to Article 8(1), inspectors authorized to conduct tax audits must prepare an audit file from the initiation and preparatory phases of the audit, documenting all findings. Article 8(2) regulates the content of this file, stating that it must include the assignment order, accounts subject to the tax audit, information obtained from external sources, violations of regulations, discrepancies in the tax base, calculation methods, and all relevant correspondence. This regulation underscores the necessity of meticulously documenting the examination process and highlights that audit files serve as evidence. Auditors must conduct the examination process within the limits set by the audit assignment letter, which defines the subject and period under review. Auditors must report to the competent authorities if they identify an issue requiring additional scrutiny or if the need arises to audit another taxpayer. Auditors do not require a separate assignment order to prepare an additional tax report for a different tax type. The authority issuing the audit assignment may modify its scope, changing a full audit to a limited one or vice versa. Since a modification in the assignment scope directly affects the inspection process methods and approach, such changes may lead to significant procedural differences in the audit methodology.

3.2.5. Preparation of the Draft Report

A draft report is prepared based on the examination findings and presented to the taxpayer. This document serves as an official examination record and constitutes one of the primary foundations of the audit process.

Article 141 of the Tax Procedure Law (TPL) allows for recording and verifying tax-related events and financial statements through official reports when necessary during tax audits. This provision also grants taxpayers the right to add objections and assessments to these reports. The article requires auditors to provide a copy of the report to the taxpayer or the relevant party under examination. Within this framework, while the authority to prepare the report primarily lies with the auditor, specific situations, such as submitting and returning books and documents, field audits, and examining records in the presence of authorized representatives, must always be documented in an official report.

Article 16(3) of the Tax Inspection Board Regulation requires auditors to give taxpayers at least two days to review the draft report before signing if they request it. Additionally, this process prohibits the inclusion of auditor opinions or subjective evaluations in the report. Article 16(4) emphasizes that auditors must inform taxpayers that reports are evidentiary instruments within tax law during the report preparation process.

The content of reports prepared during tax audits is important. It ensures the legal security of the audit process and establishes a systematic approach to evidence collection. Therefore, auditors must comprehensively detail in the reports the preparation date, location, identity, and title of the involved parties, tax-related events and financial

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statements, taxpayer objections and evaluations, supporting rulings or other evidence, a declaration confirming that the taxpayer has read and understood the report, records of whether the delivery of the report to the taxpayer and any request for a hearing before the Report Evaluation Commissions. Since reports serve as evidentiary instruments in the tax examination process and may have legal consequences for taxpayers, it is crucial for taxpayers to carefully review draft reports and include necessary explanations regarding any disputed issues. In this context, Article 18(2) of the Tax Inspection Board Regulation mandates that the inspector assess whether the legal opinions referenced in the report sufficiently explain the taxpayer's situation. Consequently, taxpayers must include precedents and other relevant documents in the report, even if the authorities did not explicitly issue a ruling or legal opinion in their name. This approach helps resolve potential legal disputes that may arise later and enhances the objectivity of decisions made due to the tax examination process.

3.2.6. Signing of the Report

The prepared report is presented for the taxpayer's approval and signed by the taxpayer. The taxpayer has the right to object to the report's contents. The signed report officially confirms the completion of the examination process and informs the taxpayer of the audit results.

The relevant parties must sign reports prepared during tax audits. In the case of individual taxpayers, the person under examination must sign, while for legal entities, their legal representatives must sign. In entities without legal personality, the persons managing them must sign. Representatives may also sign the report if an authorized power of attorney is in place. However, Internal Circular No. 2017/01 on Tax Audits and Inspections states that persons who are merely granted consent without full representation authority do not have the right to sign reports. The audit's tax inspector must sign the report alongside the taxpayer and provide a copy to the taxpayer. Since the audit location may differ from the taxpayer's business or residence address, Article 16(3) of the Tax Inspection Board Regulation specifies that if the audit occurs at the tax office, the tax inspector must sign the report at the taxpayer's business location. If the taxpayer lacks a business location, the tax inspector must sign the report at the tax office in the taxpayer's registered city of residence. However, the taxpayer may request the tax inspector to sign the report at the tax office where the tax inspector conducted the audit. Article 141 of the Tax Procedure Law (TPL) and Article 16(5) of the Regulation state that tax inspectors cannot force taxpayers to sign the report. However, if a taxpayer refuses to sign, all books and documents mentioned in the report will be seized without consent. Authorities will not return them until they assess the taxes and impose the penalties after finalizing the examination. Unless they constitute criminal evidence, taxpayers can sign the report later to reclaim their books and documents. The authorities finalize taxes and penalties once the taxpayer exhausts all legal remedies. Although the inability to reclaim documents may initially violate the taxpayer’s right to defense, taxpayers retain the right to access, copy, and reference these records for their defense and tax obligations. Not signing the report does not result in criminal penalties for the taxpayer. However, choosing not to sign may lead to administrative and legal consequences that could harm the taxpayer’s position.

3.2.7. Evaluation of the Report

The Report Evaluation Commission reviews the tax audit report prepared by the Tax Inspector from legal and technical perspectives. The commission evaluates whether the report complies with the relevant legislation and may request additional examination if necessary. The Tax Inspection Board Regulation categorizes tax audit reports into different types: tax audit reports, tax technique reports, tax crime reports, and opinion and recommendation reports. Tax audit reports are prepared based on examinations conducted under the Tax Procedure Law and other tax laws. In contrast, tax technique reports serve as complementary documents covering multiple taxpayers, tax types, or tax periods and may include findings related to the issuance or use of fraudulent documents. Reports containing findings of tax evasion are classified as tax crime reports and submitted to the Public Prosecutor’s Office. Auditors issue opinion and recommendation reports for matters such as informant rewards or the criminal liability of financial professionals. Auditors must write these reports clearly and comprehensibly, ensure compliance with applicable regulations, specify the tax and penalty amounts precisely, and provide a detailed assessment of the taxpayer’s objections.

Tax Inspectors prepared 153,819 reports, according to the 2023 activity report of the Tax Inspection Board. Tax Inspectors prepared 101,764 tax audit reports, 19,934 tax technique reports, 18,842 tax crime reports, 13,193 opinion and recommendation reports, and 86 reports categorized under other types (VDK Activity Report, 2023, p. 49).

3.2.8. Taxpayer’s Right to Be Heard

The tax audit process grants taxpayers the right to defend themselves before the Report Evaluation Commission processes the Tax Audit Report. At this stage, taxpayers may exercise their right to representation. According to Article 14 of the *Regulation on the Establishment and Working Procedures of the Report Evaluation*

Commissions, the commission may, if deemed necessary or upon request, hear the taxpayer or the audit officer. At this stage, auditors must provide taxpayers with report summaries outlining the issues subject to criticism in the report. Furthermore, Article 17/1-g of the *Regulation on Procedures and Principles to Be Followed in Tax Audits* requires auditors to record whether the taxpayer has requested to be heard before the Report Evaluation Commission.

3.2.9. Pre-Assessment Settlement Process

Pre-assessment settlement is an administrative dispute resolution mechanism that allows taxpayers to agree with the tax administration regarding taxes assessed through supplementary, ex officio, or administrative assessments and related tax loss penalties without resorting to legal proceedings. This mechanism, regulated under Article 11 of the Additional Provisions of the Tax Procedure Law, enables taxpayers to resolve potential disputes before finalizing the tax assessment process. The settlement request can be submitted in writing by the taxpayer or an authorized representative at any stage, from the audit's commencement to the final report's preparation. Additionally, taxpayers can apply electronically through the Tax Audit Board (VDK) Audit Tracking System. During settlement negotiations, taxpayers have the right to be accompanied by a representative from the relevant professional chamber or a Certified Public Accountant (CPA) or Sworn-in Certified Public Accountant (CPA-Sworn) authorized under Law No. 3568. However, these representatives do not have the authority to sign the settlement minutes. If the taxpayer fails to respond to the settlement invitation, does not attend the meeting, refuses to sign the minutes, or attempts to sign with a reservation, the process is deemed unsuccessful, and the taxpayer is no longer eligible for post-assessment settlement. After the settlement process, a triplicate settlement protocol is prepared and submitted to the taxpayer and the relevant tax office. The agreed terms become final, meaning taxpayers waive their right to initiate litigation or pursue other administrative remedies regarding the settled taxes. The authorities do not apply the penalty reduction provisions of Article 376(1) of the Tax Procedure Law to settled penalties; however, taxpayers may still negotiate penalty reductions.

According to the 2023 pre-assessment settlement results, 16,622 taxpayers participated. Of them, 8,904 taxpayers successfully settled, accepting TL 543,021,708 out of TL 559,918,843 in disputed taxes. Taxpayers settled penalties totaling TL 871,812,791, confirming TL 150,070,832 of that amount. Meanwhile, 4,726 taxpayers failed to settle, and 2,780 did not complete the process. In cases of partial settlement, 62 taxpayers reached agreements, resulting in TL 2,819,260 in assessed taxes and TL 2,752,080 in penalties. Additionally, 150 taxpayers faced TL 38,481,860 in tax liabilities for deferred settlement cases and TL 47,852,375 in penalties.

3.2.10. Referral to the Tax Office

After completing the pre-assessment settlement process, the authorities forward the finalized tax audit report to the relevant tax office. The tax office then enforces the assessments and penalties specified in the report and initiates the collection process. The date when the tax audit reports are submitted to the Review and Evaluation Commission for review by the relevant audit and inspection unit is considered the official completion date of the audit. However, due to the commission's evaluation, this does not prevent the report from being revised. The authorities must provide the taxpayer with a document confirming the completion of the audit once they conclude it, as Article 140 of the Tax Procedure Law requires. The relevant unit submits the tax audit reports to the commission, which reviews them for compliance with regulations. The commission finalizes its evaluation and returns the reports to the respective unit with an official decision record. The commission deems the reports appropriate and refers them to the tax office, forwarding the settlement records in cases where a settlement has been reached. If the amount of tax proposed for assessment exceeds a certain threshold, the report undergoes further examination by the Central Review and Evaluation Commission. If approved, the relevant department head reviews it before sending it to the tax office for execution.

As previously outlined, the tax audit process serves as a comprehensive inspection mechanism to verify the accuracy of taxpayers' declared taxes. The authorities conduct each stage of the process to safeguard taxpayer rights within the legal framework while ensuring the efficiency of the tax administration. Allowing taxpayers to exercise their right to defend themselves during the audit contributes to the fairness and transparency of the process. Furthermore, the pre-assessment settlement mechanism allows one to resolve tax disputes before they escalate into litigation. Ultimately, an effectively managed tax audit process supports the accurate collection of tax revenues and the enhancement of voluntary tax compliance.

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Evaluation and Conclusion

Each country's economic and legal structures shape tax audit processes, which vary based on government policies designed to secure tax collection, increase voluntary tax compliance, and combat tax evasion. The tax audit processes conducted in the United States and Türkiye exhibit significant differences and similarities regarding historical development, legal framework, and implementation methods. In the United States, the tax audit system is administered by the Internal Revenue Service (IRS), with the primary objective of examining the accuracy of taxpayer declarations and identifying potential discrepancies for correction. Tax authorities predominantly conduct audits through correspondence audits, enabling taxpayers to submit required documents and resolve disputes quickly without direct interaction. Although correspondence audits are limited in scope and content, they are cost-effective and time-efficient. In addition to correspondence audits, office and field audits are conducted for more comprehensive examinations. Tax authorities subject high-income taxpayers, large-scale businesses, and firms in specific sectors to stricter audit procedures. The IRS employs the Discriminant Information Function (DIF), an algorithm-based system that analyzes taxpayer returns and selects high-risk tax filings for detailed examination.

In Türkiye, tax audits are regulated under the Tax Procedure Law (TPL) and administered by the Tax Inspection Board (TIB). Türkiye categorizes its audit mechanisms into four primary types: tax inspections, on-site examinations, searches, and information collection. Among these, tax inspections represent the most comprehensive form of auditing, verifying the accuracy of declared taxes. If authorities detect tax underreporting, they may impose ex officio or additional tax assessments. On the other hand, on-site examinations focus on ensuring compliance with formal tax obligations, such as business registration and record-keeping. The explanatory invitation mechanism was introduced in 2016 under Article 370 of the TPL to enhance the effectiveness of tax audits and reduce the administrative burden. This mechanism allows taxpayers to provide explanations before being subjected to a full audit and helps prevent disputes between taxpayers and the administration before the audit process officially begins. In this respect, the explanatory invitation mechanism in Türkiye bears similarities to the correspondence audit system in the United States. However, Türkiye’s tax audit process grants broader investigative powers than the U.S. In particular, tax authorities in Türkiye have the authority to conduct searches when there is a suspicion of tax evasion. In some instances, authorities carry out physical inspections of businesses and residences with the approval of a criminal court judge.

In both countries, tax audits vary depending on the administrative capacity, technological infrastructure, legal framework, and levels of voluntary tax compliance. In the United States, the IRS utilizes advanced data analytics and artificial intelligence-supported screening mechanisms, enabling the categorization of taxpayers based on risk levels and targeted audits instead of random selections. For instance, taxpayers operating in specific industries or those reporting unusual deductions are flagged for audits using sophisticated algorithms. Türkiye has also made significant advancements in digitalization and big data analytics, with the Tax Inspection Board Risk Analysis System (TIB-RAS) evaluating taxpayer compliance behaviors. However, Türkiye’s tax audit process relies heavily on physical audits and human investigations, and technological tools are not as widely or effectively utilized as in the United States.

Both countries follow specific procedural stages regarding tax audit outcomes. In the United States, the IRS typically initiates audits through correspondence, requesting additional documents before escalating the process. If a taxpayer fails to provide satisfactory responses at this stage, the IRS proceeds with office or field audits for more detailed investigations. In Türkiye, tax inspections begin with taxpayers submitting statutory books and documents. Once inspectors complete the audit, the Tax Inspection Board reviews the inspection reports. Another critical stage in Türkiye’s tax audit system involves the pre-assessment settlement mechanism, which enables taxpayers to negotiate a resolution before authorities impose an official tax assessment. This process allows disputes to be settled without resorting to litigation and helps reduce the administrative burden. This aspect of Türkiye’s tax audit process reflects a taxpayer-friendly approach that balances enforcement with compliance incentives.

In conclusion, while the United States and Türkiye tax audit systems share fundamental principles, they differ significantly in administrative structure, technological infrastructure, legal regulations, and audit procedures. The United States follows a risk-analysis-based and technology-driven audit approach, whereas Türkiye emphasizes physical audits and human evaluations. Türkiye has implemented alternative resolution mechanisms such as explanatory invitations and pre-assessment settlements to enhance tax compliance and reduce administrative disputes. At the same time, the United States primarily conducts audits through correspondence, minimizing direct taxpayer interactions. A comparative analysis of both countries’ tax audit practices highlights the importance of expanding technology-driven audit systems and enhancing risk-based analytical methods to improve audit effectiveness and taxpayer compliance.

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