yönetim ve ekonomi araştırmaları dergisi
journal of management and economics research

Cilt/Volume: 19 Sayı/Issue: 1 Mart/March 2021 ss. /pp. 110-132
U. Sandalcı, İ. Sandalcı, Doi: http://dx.doi.org/10.11611/yead.779788

EFFECT OF TAXATION ON MIGRATION IN THE GLOBALIZATION PROCESS

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ABSTRACT

In a globalized world, many economies have become integrated, making it easier for taxpayers to move between states without having to bear too much financial burden. As a result of this, taxpayers leave their legal residence and migrate to other regions or countries due to factors such as tax administration structure, complexity of the tax system, tax fairness, tax perception, and the weight of the tax burden in particular. In the study, the factors in taxation that drive taxpayers to immigrate and the effects of taxation on immigration were investigated. The results of the study revealed that taxes play a role in the preferences of especially the taxpayers in certain industries and high-skilled specialists to change their legal residence. Accordingly, taxpayers migrate to regions or countries with lower tax burden from the regions or countries where the tax burden is heavier.

Keywords: *Globalization, Taxation, Migration.*

JEL Codes: *H20, H24, H26.*

KÜRESELLEŞME SÜRECİNDE VERGİLEMENİN GÖÇ ETKİSİ

ÖZET

Küreselleşmiş bir dünyada birçok ekonomi birbirine entegre hale gelerek mükelleflerin çok da fazla bir mali yüke katlanmadan devletler arasında hareket kabiliyeti kolaylaşmıştır. Bunun bir neticesi olarak da vergi yükünün ağırlığı başta olmak üzere vergi idare yapısı, vergi sistem karmaşıklığı, vergi adaleti, vergi algısı gibi faktörlere bağlı olarak mükellefler yasal ikametgâhlarını terk ederek başka bölge veya ülkelere göç etmektedirler. Çalışmada vergilemenin mükellefleri göçe iten unsurları ve göç etkisi araştırılmıştır. Çalışmanın sonucunda özellikle yüksek vasıflı uzmanlar ile belirli sektördeki mükelleflerin yasal ikametgâhlarında değişiklik yapma tercihlerinde vergilerin de payının olduğu ortaya çıkmıştır. Buna göre mükellefler, vergi yükünün daha ağır olduğu bölge veya ülkelerden daha hafif olan bölge veya ülkelere göç etmektedirler.

Anahtar Kelimeler: *Küreselleşme, Vergileme, Göç.*

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Makale Geçmişi/Article History

Başvuru Tarihi / Date of Application	: 12 Ağustos / August 2020
Düzeltme Tarihi / Revision Date	: 05 Şubat / February 2021
Kabul Tarihi / Acceptance Date	: 25 Şubat / February 2021

Araştırma Makalesi/Research Article

JEL Kodları: *H20, H24, H26.*

1. INTRODUCTION

International integrations that increase with globalization have led to the disappearance of national borders, and expanded and accelerated the mobility of potential tax bearers, such as labor and capital, with reduced cost; while the advances in technology and improved means of communication and transportation have significantly affected the taxation rights and capacities of countries. This has led to new pursuits in the field of taxation other than classical methods. One of the important developments during this process was the introduction of taxes as a means of competition among countries. In particular, countries that want to attract foreign capital have started to use taxes as an incentive by making a series of adjustments in their tax rates, tariffs, bases and tax burdens. As a result, a significant transformation took place in the tax structures of countries. Accordingly, in consideration with the economic conditions experienced in the world, countries resort to reducing their tax burdens in order to not to lose their own capital to foreign countries, but to attract foreign capital to their own countries. Such practices also cause tax competition among countries, resulting in harmful consequences.

Although unlimited mobility of factors of production are necessary for economic development and progress in the globalized world, it may result in some negative consequences in terms of fiscal aspects. One of these negative financial consequences is the increase in the diversity and nature of the reactions of the factors of production towards the taxes. The tax competition among countries and the faster and easier mobility of factors of production across the borders partially limits the powers of nation states in the field of taxation, and paves the way for the real or legal persons, who carry out the taxable actions, to use every means possible to reduce their tax burden or to avoid this burden entirely. In this regard, they use either legal or illegal means. As a result of globalization, tax havens where one of the tax avoidance places used by taxpayers especially caused to elimination of the boundaries of financial instruments. Tax havens, which create an attractive environment for financial services and portfolio investments, aim to reduce the tax burdens of individuals and institutions by providing banking, accounting, legal services, and infrastructure services, such as communications, hotels, office tools and supplies.

Another problem caused by globalization in the field of taxation is that real or legal entities move their fiscal and/or legal residence to countries, regions or states with lower tax rates from the countries, regions or states with a high tax structure. Accordingly, taxpayers who consider the tax burden heavy in their country or in the regions with different tax rates or the taxpayers who consider the tax system unfair move their fiscal and/or legal residence to places with fair tax system or lighter tax burden. In this way, taxpayers immigrate to countries where the tax burden is lighter, and they are taxed according to the tax legislation of that countries and become limited taxpayers of the country they left, in accordance with the bilateral tax agreements and international agreements.

It is of importance to determine the reasons why taxpayers immigrate and move their legal residence, i.e. the reasons that drive taxpayers to immigrate due to taxes. Accordingly, heavy tax burden is the primary reason. On the other hand, many factors such as tax administration structure, tax ethics, tax psychology, tax culture, tax system complexity, tax awareness, exceeding tax solvency, tax perception, extent of audits and penalties also have an effect on immigration. First, the relationship between globalization and tax is discussed in the present study, where the effect of globalization on the migration of taxpayers was investigated. Afterwards, the effects of globalization on taxes are discussed. In the last section, the factors that drive taxpayers to immigrate due to taxation, and country examples are presented.

2. GLOBALIZATION AND TAXES

There have been major periods in history that have affected all aspects of human life and led to major changes. These periods include the stone age, mineral period, first age, medieval age, new age and modern age. In general the agricultural and hunter-gatherer era to the transition to settled life of human history is considered the first, the use of the steam machinery and the mass production in line with the industrial revolution is considered the second, and finally, the progress of technology that spread into every corner of human life is considered the final major development.

The transformation in many areas including technological, economic, social, cultural, psychological, religious, and political, areas has connected nations and the life system around the globe has also undergone this transformation in this regard. Moreover, the development and expansion of the communication and transportation network paved the way for lifting the borders of nation states. With globalization, which is an expected consequence of this change and development in the world, nations have interacted with each other in many areas, including social, cultural, economic, political, etc. areas. Economy has undergone many changes and improvements as the globalization spread into many areas of life. Along with globalization, goods and services, factors of production, technological knowhow and financial resources started to move freely between countries, and it can be stated that the factors, goods, services and financial markets have become integrated gradually. The weakening of the influence of nation states in these areas, and the increasing importance of multinational corporations is one of the most fundamental features of the globalization process. Accordingly, the world has become a market and nations have become potential customers.

The phenomenon of globalization, which emerged in the mid-1970s after the collapse of international monetary system called the Bretton Woods, has gained momentum in line with the developments in information and communication technology, and has led to many economic, social, cultural, political, etc. changes in the world. Such a significant change in the world economic order has led to an increase in international economic, financial, political, cultural and social relations and the adoption of open market systems. In this new order, countries have also begun to adapt their economic and political structures to globalization (Ay and Meriç, 2004: 295). The increased economic integration in this process provided individuals and institutions the freedom to use the foreign economic advantages, and thus enabled them to open branches in other countries or to move their business headquarters abroad. Moreover, the liberalization achieved by foreign exchange and capital movements has increased the mobility of firms (Edwards and Rugy, 2002: 4).

The integration and development of financial markets as a result of globalization has provided many economic and financial benefits, but also made many risks inevitable (Köstekçi and Yıldız, 2019: 67). Globalization has caused companies to become multinationals and to carry out economic activities in multiple areas in many different countries at the same time, and this has brought about some problems in the field of taxation. Indeed, taxes which constitute the most important share of public revenues in almost every country, are an indispensable source of financing. Tax revenues are fundamental to sustain public services, which are the main aim of the states, especially for the states with limited natural resources and have no means to obtain non-tax revenue. In addition, the fact that taxes provide a extra fiscal policy instrument to the states in the economic field has increased its importance even more for developed and developing countries as a result of globalization. In addition to financing public expenditures, states use taxes as a fiscal policy tool for many non-fiscal purposes, such as ensuring fairness in income distribution and providing economic growth and stability. Therefore, the importance of taxes for nation states has increased with globalization. In this context, the nation-state structure has been weakened by globalization and replaced by an integrated world order. This manifests itself in two specific cases in globalization (Giray, 2005: 102-103);

i) In the period up to the globalization process, each state was deciding its tax structure and system according to the requirements and structure of its own country, while the tax policies applied had limited impact on other countries' economies and tax systems. As a result of increased economic integration and capital movement due to globalization, countries became more sensitive to the tax policies of the competing countries or the countries where they had trade relations.

ii) The acceleration of globalization has resulted in the limitation of the sovereignty and independence of nation states over taxation.

Due to its trans-boundary nature, globalization leads to a reduction in the taxation capacities of nation states in the event of high volatility tax. For example, companies in regions with heavy tax burden may shift their activities to the tax-advantageous regions, moving capital may shift to regions with lower tax burden, and consumers may prefer countries where the tax rates are lower. In addition, skilled labor can also migrate to countries where the social security system is more advantageous and the tax burden imposed on the labor force is lower (Schulze and Ursprung, 1999: 297).

In this context, the possible effects of globalization on taxation have brought new pursuits in the field of taxation, apart from known methods. Taxes have started to be used as a means of competition among countries in this process, and this has caused new regulations on tax rate, tax tariff and tax base in countries that wanted to attract foreign capital, leading to new transformations in the tax systems of countries (Kargı and Yayğır, 2016: 4). Taxes, which are used as a means of economic competition in the globalization process where labor, capital and factor mobility are gaining momentum, have brought some new problems. The tax problems that arise with globalization consist of issues as stated in the literature, such as tax competition, tax havens and tax migration.

3. EFFECTS OF GLOBALIZATION ON TAXATION

3.1. Tax Competition

The tax competition was addressed by C Tiebout (1956) for the first time in the theoretical framework and described as the reduction in effective tax rates as a result of increased fiscal and economic integration (Öz and Yaraşır, 2009:5). In other words, tax competition is defined as contribution to the development of the country's economy by lowering tax rates in order to attract foreign investment to the country or to increase competition in businesses (Pinto, 2002:1).

In general, what is emphasized in the tax competition definitions is the tax policy differentiations that countries apply to attract various factors of production to their own countries. In this context, tax competition can be defined as a process, in which companies or states that want to increase their competitiveness at national or international level use their taxation authority to reduce their tax burdens against competing units or countries (Aktan and Vural, 2004:1).

The expected main goal of tax competition is to increase the competitiveness of tax authorities at the regional or national level in order to attract moving capital to their regions or countries by reducing the tax burdens of corporations or individual taxpayers. The two dimensions of tax competition are the increase of investment by encouraging domestic investors and ensuring economic growth and development by encouraging foreign investors and foreign capital to invest in the country (OECD, 2003:14). In this context, it can be stated that tax policies, which are implemented at the central or local level by the states as a result of competition, have a positive or negative effect on the tax policies or revenues of other states (Edwards and Rugy, 2002:3).

The effect of tax competition on tax revenues is seen in two cases of "tax rate effect" and "tax base effect". The "tax rate effect" is a positive effect and refers to the increase in tax revenues due to the increase in tax rates. The "tax base effect" is defined as the contraction of the tax base and the decrease in the tax revenues due to the shifts in the moving capital to the countries with lower rates, as a result of the increase in tax rates. The effect of the tax base allows tax rates to remain low. Indeed, countries will not tend to increase the tax rate since they don't desire a limited tax base. It is argued that a joint increase of tax rates on capital would be beneficial in this regard (Giray, 2005:97).

In addition, when a country changes its tax policies against other countries to a degree that disrupts competition, it attracts economic activity or retains its economic power. Additionally, the accumulation of economic activities in certain regions or countries that implement low tax policies prevents excessive tax collection by other countries (Ferhatoğlu, 2006: 51).

3.2. Tax Haven

Although they are within the borders of a particular country, tax havens are defined as regions consisting of economic and financial islets, which provide all kinds of tax exemptions and controls to foreign capital. This term refers to regions that encourage tax evasion to attract foreign capital using the principles of eased tax laws and strict banking secrecy, rather than attracting real investments (Addison, 2009: 711).

Most tax havens consist of islets that are small and have scarce natural resources, thus unsuitable for industrial development. Since they cannot promote physical investments, they create an attractive environment in terms of financial investments and portfolio investments, and aim to minimize tax liability on individuals and institutions for investments in areas such as banking, accounting, legal services, communications, transportation, etc. (Günaydın, 1999: 79).

Some of the characteristics of tax havens are described in the OECD report "Harmful Tax Competition: A Rising Problem", under four key factors (OECD, 1998):

- Very low tax burden or no tax collection in countries considered tax havens,
- Lack of effective exchange of information regarding the protection of personal and financial information,
- Lack of transparency in all kinds of businesses and transactions,
- Lack of transactions requiring a real taxpayer.

In recent years, the emergence or increase of so-called tax havens has given taxpayers the means of the tax avoidance or tax evasion, leading to a reduction in nation states' tax revenues. These regions that offer low tax rates or no tax, encourage taxpayers in other countries for tax evasion by providing fraudulent tax addresses; thus, these regions generate revenue and collect taxes over the attracted capital, while the countries that loose capital also face with tax losses (Aktan and Vural, 2004:9). In addition, institutions or individuals that carry out their operations informally through tax havens cause inequality in competition, loss of tax revenue, increase in tax burden on registered taxpayers, and tax injustice (Yereli and Orkunoğlu Şahin, 2018: 176).

4. IMMIGRATION EFFECT OF TAXATION

The taxes levied for financing public expenditures in the early days have started to be collected for different purposes along with the many changes in the economic, social, cultural, political, administrative, legal, etc. areas. Accordingly, in line with the effect of globalization, which is divided into the periods starting from late 19th century to 1914, 1914 to 1945-50s, and the period after 1945-50 (Bayar, 2008:26) and gradually accelerated after the 1980s, taxes began to be used for numerous non-fiscal purposes, such as economic stability, fair income distribution, economic growth, and poverty reduction. In line with the expansion and change in the areas of use and scope of taxes, the effects of taxation have also expanded and changed. The limited effect of taxes used for fiscal purposes has expanded with the introduction of non-fiscal purposes, and has started to be felt in many areas, including economic, social, political, fiscal, administrative, etc. areas. Accordingly, taxes can affect the economic behavior of individuals and in most cases become a very important factor affecting the fiscal decisions of households and firms (Lamantia and Pezzino, 2017:1). Undoubtedly, this effect varies depending on the share, breadth, types, structure and system of taxes in the overall economy. In countries where the share of tax revenues in the total economy is high and have a broad base, the effects of taxes are high and wide. Table 1 shows the share of tax revenues in GDP in the OECD, EU countries and the world.

Table 1. Share of Taxes in GDP (1975-2017) (%)

	1975	1980	1985	1990	1995	2000	2005	2010	2015	2017
EU	16.5	17.7	18.4	19.1	19.5	20.6	19.7	19.4	20.1	20.3
OECD	13.3	15.5	14.3	14.4	14.8	16.1	15.1	13.9	15.4	15.7
WORLD	13.2	14.2	13.9	14.2	14.6	15.6	14.3	13.3	14.2	15.12

Source: World Bank, 2020

An increase is seen in the shares of taxes in GDP in the OECD, EU and the world in Table 1, as of 1975-2017, despite the fluctuations over the years. Accordingly, compared to 1975, there were increases in the share of tax revenues in GDP, in OECD countries, EU countries, and in the world. This increase was especially higher in EU countries. As of the period under consideration, the increase in the share of taxes in GDP has led to the increase in the scope and impact of the taxes. Compared to 1975, taxes in 2017 affect economic, social, political, administrative, etc. areas more, and appropriate tax plans are made for these areas.

The effects of taxes arise in economic, social, financial, political, cultural, psychological, etc. areas, depending on many factors, such as their size in economy, breadth of tax base, purpose and diversity of use, structure, and technique (Demirli, 2011). Accordingly, several studies state that taxes are effective on justice in the distribution of income (Demirgil, 2018), struggle against poverty (Aydın and Turgay, 2011), tax compliance (Saygın, 2019), savings, investments, economic growth, economic development, employment and income distribution (Şaşmaz and Yayla, 2019:319). In addition, there are studies about the effect of taxes on consumption, democracy (Association of Tax Inspectors, 2014), the informal economy (Zengin and Tütüncü, 2016), tax morale, tax psychology (Aktan, 2012), tax culture, tax understanding (Demir, 2018), tax perception, and tax awareness (Sağlam, 2013). Similarly, there are studies stating that taxes are effective on tax avoidance and evasion of taxes (Koç, 2019), culture (Işık, 2009), tax strike and denial (Çakar, 2013), tax planning (Nar, 2015) tax implications

(Taşkın, 2010) and migration (Aronson, 1973, Brueckner, 1981, Lin, 1985, Simula and Trannoy, 2018, Kleven et al., 2019).

Migration is the geographical displacement of labor from one place to another, which is characterized as a factor of production (Çelik, 2005: 167). In another definition, it is defined as the permanent or temporary displacement of people from one geographical location (e.g. city, village) to another to spend all or part of the rest of their lives (Akkayan, 1979: 21). Although it is possible to define migration according to different criteria such as causes (mandatory and voluntary migration), objectives (work, asylum) and the methods used to move to the destination (legal, illegal), mandatory migration is defined as an immigration for reasons such war, disaster, exile or being forced to leave. In voluntary migration, where individuals decide to migrate themselves, the main drive is their hope to get better living conditions. This displacement of migrants who could not find jobs in the country where they live or who quit their jobs countries for any reason (economic and social dissatisfaction, inequality of opportunity) to find jobs abroad or to work in the job they have already found is defined as "labor migration". This kind of migration movement can also be studied in terms of the nature of the labor force: the migration of educated people called "brain migration" and the migration of unqualified workers (according to evaluation in target countries) (Yılmaz, 2014: 1686-1687).

International migration has been increasing rapidly since the 1960s. This trend continues as countries increasingly need the migrants to mitigate the effect of the declining and aging population on the economy and the budget. The movement of people between countries has significant economic consequences for both receiving and migratory countries. The size of the labor force of the countries receiving migration and their per capita production are increasing in line with the migration. For migratory countries, the decline in the number of people reduces the number of workers and brings about changes in the composition of skills within the workforce. The decline in labor supply decreases production per capita. In particular, migration of skilled workers reduces overall productivity and further increases the decline in production (Coppel et al., 2001).

Fiscal anachoresis is another effect of taxes on migration in the literature; accordingly, those who perform fiscal anachoresis due to the effect of taxation stop working, leave their assets and lands, and migrate to places, lands and regions where they will not be subject to tax and stay out of the tax burden. Fiscal anachoresis is a form of conduct against taxes, where a certain individual or a group of individuals vacate their legal residence and move to other regions in order to avoid tax obligations imposed by the state (Pürsünlerli Çakar, 2013: 1300-1301). Accordingly, individuals leave their legal residence and immigrate due to taxes. Migration of taxpayers to another country or region by changing their legal residence has gained a more important dimension, especially in line with globalization and increased mobility of labor.

It should also be noted that in order for taxes to cause taxpayers to change their legal residence, the cost-benefit analysis should be in favor of the benefits. Indeed, there will be explicit and implicit costs that taxpayers, who leave their legal residence due to taxes and migrate to other countries or regions, will face due to immigration. Accordingly, the benefits gained due to migration should again be higher than the foreseen and unforeseen explicit and implicit costs due to migration. Therefore, the effect of taxes on immigration is seen mostly in individuals with high income levels and in the high-skilled workers. The benefit of avoiding the tax burden imposed on the individuals with high income is higher than the cost caused by immigration. In recent years, high-skilled migration has an absolute and relative upward trend since the increase in economic integration has reduced migration costs, especially for those with high skills (OECD, 2002).

Traditionally, capital is much more mobile than labor since the mobility costs of capital are low (Liebig et al., 2006:4). However, since the early 1980s, the "age of human capital" has replaced the previous economic regime in which physical capital played a critical role. Globalization has facilitated the mobility of labor, especially skilled labor, much easier than before. Today, high-skilled workers account for about 35% of the OECD migrant stock, and 11.3% of the world workforce. A high-skilled worker is six times more likely to migrate than a low-skilled one (Simula and Trannoy, 2018: 2). Along with the ease of this mobility, individuals with high income levels migrate to other countries or regions to pay less or no tax, i.e. to avoid tax liability by abandoning their legal residence (Kleven et al., 2019: 1). This is why the states have long sought to impose less tax on people, especially those with higher incomes, to avoid immigration (Young and Varner, 2011: 256).

When labor and consumption preferences are not directly tied to residence, the optimal tax system encourages individuals to reside where their marginal benefits are the highest (Wilson, 1982: 381). High tax rates on high-wage earners can force high-skilled workers to migrate to countries where the tax burden is lower. This limits the function of governments to redistribute income by using taxes as a policy tool (Kleven et al., 2013: 1892). The literature on taxable income elasticity indicate that high-income taxpayers are more sensitive to the changes in marginal tax rate, compared to middle or low-income taxpayers (Alm and Wallace, 2000: 165). Accordingly, due to the effect of taxes, high-skilled labor migrates and becomes a full taxpayer of its new legal residence along with the increase of international mobility and the decrease in cost of emigration. They became limited taxpayer of the country left behind, in accordance with international tax treaties. Public administration taxes may be subject to certain limitations in their use for financial and non-financial purposes in countries where taxes have a high impact on immigration. Indeed, any change in tax policies can lead to both the brain drain and reductions in tax revenues by the migration of capital and labor. Therefore, the reasons behind the taxes that drive taxpayers to immigrate, i.e. why individuals migrate due to taxes, need to be analyzed well.

4.1. The Factors of Taxes that cause Immigration

Reduced migration costs have also reduced barriers to international labor mobility. In this context, it has become easier for high-skilled individuals who voted with their feet to immigrate to countries with lower tax burden from countries with higher tax burdens (Simula and Trannoy, 2018: 1). Migration of taxpayers by leaving their legal residence, as a result of the effects of taxes and easier and less costly mobility of labor due to globalization, leads to numerous economic, social, political, and administrative consequences. These effects occur in different ways for migratory and immigration countries. In general, migration of high-skilled labor or high-income groups may cause problems in the financial structures of migratory countries (Simula and Trannoy, 2018: 2). This creates limitations on the freedom of governments to use taxes for fiscal and non-fiscal purposes (Kleven et al., 2013: 1892). Ultimately, no state wants reductions in tax revenues due to migration of potential taxpayers to other countries because of their tax policies. At this point, the factors of taxes that cause taxes that caused migration gain importance. In other words, questions such as "Which tax-related reason leads to immigration of individuals? or leads them to want to migrate? or which aspect of taxes leads to migration?" play a decisive role in the solution of the problem.

Individuals' decisions to immigrate from one country to another are believed to originate from the after-tax income they can earn. In this case, the average tax rate, which measures the total income tax paid (excluding state transfer payments) as a percentage of the total income, is effective in the immigration decision. As a way to avoid taxes, individuals change their place of residence in response to tax differences resulting from resident-based local income taxes (Agrawal and Foremny, 2018: 1). Along with the average tax rate, people also take into account possible future earnings and the taxation rate of each additional income earned. In this case, immigration decisions are also affected by the marginal tax rate (Claus et al., 2010:3). Accordingly, individuals decide to migrate in order to get rid of the tax burden in the current period or to pay less tax in the future. This reason is actually the basis of the decision to immigrate. Taxpayers immigrate for lower tax rates, hence lower obligations and tax burden. Indeed, high tax rates encourage immigration (Mirrlees, 1982: 319-320).

Another factor that affects immigrate of taxpayers due to taxes is the complex structure of the tax system. The complexity of the tax system can be examined in four different categories. These are: the complexities caused by tax policies, the complexities caused by tax legislation, the complexities caused by tax management, and the complexity of tax compliance (Evans and Tran-Nam, 2013). The complexity of the tax system and the excessive taxation-related procedures give the taxpayer a sense of fiscal illusion (Heyndels and Smolders, 1995: 128). A complex tax system structure causes taxpayers' compliance costs to rise (Kaplow, 1996: 139), resulting in immigration of taxpayers to places where the tax legislation is clearer and more understandable, tax transactions are easier and less procedural, where they can carry out their tax transactions without needing any help, and where the relationship between the public services demanded, the tax paid, and the size of the public sector is right and realistic (https://research-repository.st-andrews.ac.uk/, 2014).

Another issue that affects taxpayers' immigration due to taxes is the tax compliance. The full, complete and timely performance of taxpayers' tax-related duties is called tax compliance (Lederman, 2003: 977). While there are many factors that affect tax compliance, the most important of these arise from the tax system/structure. Accordingly, factors such as tax rates, tax amnesties, tax penalties and audits affect tax compliance and influence taxpayers' behavior (Fischer et al., 1992: 2). Low tax compliance leads taxpayers to look for ways to get rid of the tax burden. Accordingly, taxpayers resort to legal or illegal means to avoid the burden of taxes they do not comply with. One way is the abandonment of their legal residence, i.e. immigration to other countries or regions (Lamantia and Pezzino, 2017: 2-3).

Another factor of taxes that drives taxpayers to migrate is the tax awareness and tax perception. Tax awareness refers to the acceptance and awareness of taxpayers that the purpose of tax collection is to ensure their participation in the financing of expenditures that will be returned to them as services through public administration. It is the awareness of the fact that if the state exists and is serving us, there must be taxes in exchange for these services (Edizdoğan et al., 2011: 228). Tax perception, however, can be defined as the idea in taxpayers' minds about tax caused by internal and external stimuli, i.e. the speculations they heard, or the understanding or judgment in their minds about tax (Sağlam, 2013: 319). Accordingly, taxpayers' perception of the tax system and their awareness of the reason for tax collection will prevent them from trying to get rid of the tax burden. In other words, the taxpayers' awareness that the taxes they pay return to them as public services and their perception of the taxes in this way will have a positive effect on the taxpaying. This situation will prevent them from leaving their legal residence and avoiding taxes, in other words, immigrate (Hoque et al., 2013: 9). Since those with higher education levels are more sensitive to the taxes paid, immigration will increase if they perceive that taxes are being spent on inactive areas (Claus et al., 2010: 3).

Incentives given to economic units or privileges such as exceptions, discounts and exemptions in the country's tax system also play a role in the migration of labor from its legal residence. After a proper cost-benefit analysis, people migrate to countries with tax incentives and privileges. Thus, the tax burden is reduced or in some cases eliminated by taking advantage of the incentives and privileges of the immigrated country. In fact, many countries use incentives to receive immigration (Del Carpio et al., 2016: 2-4). Therefore, the taxpayers, who immigrate to countries or regions where they wish to benefit from tax incentives and privileges by leaving their legal residence, become a limited taxpayer and pay less tax both in the country they immigrate to and in the country they migrated from. Many countries resort to such incentives and grant privileges to attract especially high-skilled labor (Bertoli et al., 2012). Accordingly, there is a tendency to migrate to places with higher incentives and privileges from the countries or regions with different tax regimes (Coomes and Hoyt, 2008: 921-923).

Another factor that drives taxpayers to immigrate is the negative expectations of the future of the tax system in the country and the strictness of tax audits. Accordingly, taxpayers' belief that the current tax system of the country will be fairer and taxpayer-oriented in the future, and that tax controls will not put a pressure on taxpayers, in other words their beliefs about the progress in all aspects are effective on both tax evasion and immigration of taxpayers. People prefer to be a taxpayer of their own country in such conditions (Lamantia and Pezzino, 2017: 16).

Yet, another factor that causes taxpayers to migrate is the regulation of tax policies against high-income individuals. Accordingly, collection of higher taxes from high-income or high-skilled labor through the tax policies of the states forces these segments to avoid the tax burden. At this point, tax policies have a definite effect on immigration (Bucovetsky, 2003: 250-251). States that raise taxes imposed on the rich and transfer wealth to the poor cause an increase in the migration abroad, resulting in a loss of taxes. Such a policy not only erodes the tax base, but also damages the market wage balance by causing a shortage of high skilled workers and a surplus of low skilled workers (Young and Varner, 2011: 256).

4.2. Country Examples on Immigration due to Taxation

In fact, individuals do not tend to migrate much since they do not want to leave their jobs, do not want to leave their families, friends and neighborhoods. In other words, there is actually a general discontent caused by immigration (Young and Varner, 2011: 258). Despite all this, taxpayers leave their legal residence and migrate to places with higher tax benefits due to the tax factors that cause migration between regions or countries. This migration is undoubtedly decided by comparing the long-term benefits and costs, and by taking the positive and negative aspects into account. Therefore, the driving force of taxes on immigration is seen mostly in taxpayers with high income levels and high-skilled workers (Simula and Trannoy, 2018: 2-3). While it is difficult to measure the extent of the effect of taxes individuals' immigration decisions, there is no doubt that taxes are important in most people's personal fiscal adjustments. Indeed, according to a survey by New World Wealth, 95,000 millionaires migrated to new countries in 2017 and 108,000 millionaires in 2018 (Tax Foundation, 2020).

According to a study by Akcigit et al. (2016: 2936-2940), the most innovative individual inventors are significantly affected by tax rates when deciding where to live. In addition, if any country lowers its tax rate, more foreign inventors will move to the country. A strong and significant relationship was found between the migration of inventors, the key to a country's innovation and growth, and high tax rates, at the macroeconomic level. According to the conclusion drawn by Simula and Trannoy (2018: 4) in their study of migration trends of football players, the domestic players' migration flexibility relative to domestic tax rates (0.15) is quite low. In contrast, the flexibility of foreign players is around 1. This means that a 10% increase in the average tax rate of a given country would trigger the migration of 1.5% of domestic players and 10% of foreign players. These studies show that per capita income has a positive effect on the net migration rates towards any state (Ganong and Shoag, 2017).

It's clear that individuals with higher income levels sometimes move across borders to avoid taxes. Indeed, the media is full of cases of famous people emigrating because of such taxes. As an example, the Rolling Stones avoided marginal tax rates (over 90%), which were extremely high in the UK at the time by leaving the UK. However, many other British rock stars, including David Bowie (Switzerland), Ringo Starr (Monte Carlo), Cat Stevens (Brazil), Rod Stewart (United States) and Sting (Ireland) had migrated to places with lower tax rates. In addition, actor Gerard Depardieu moved to Belgium and eventually Russia in response to the 75% millionaire tax in France, while numerous sports stars in tennis, golf and motor racing migrated to countries with lower tax rates (Kleven et al., 2019: 1). As can be seen, especially high-skilled individuals and those with a higher income tend to immigrate to pay less tax. Accordingly, these individuals migrate to countries with less tax burden and move their residence.

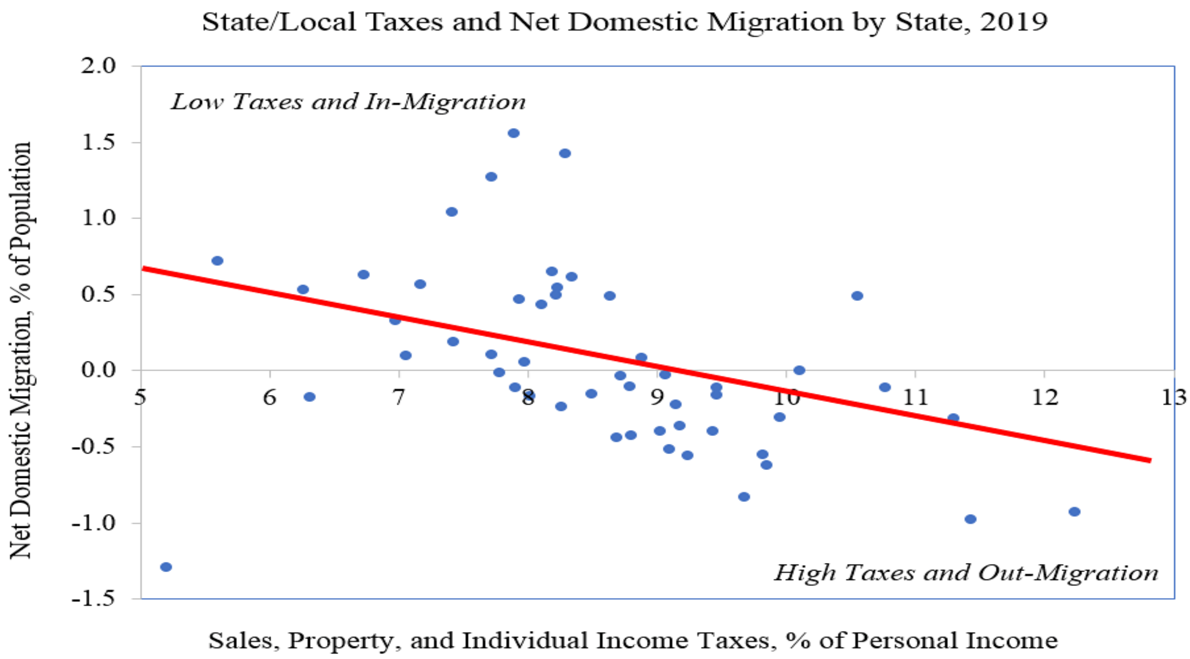
According to the US Census Bureau annual state population estimates per year in 2018, the states that received the most immigrants were Florida (+132,602), Arizona (+83,240) and Texas (+82,569), while the major emigration states include New York (-180,306), California (-156,068) and Illinois (-114,154) (United States Census Bureau, 2019). While many factors are effective in this migration, higher differences in taxes imposed among the states are the main determinants. It appears that states experiencing a higher population growth are often the states with lower tax and similar burdens. Studies have shown that states with lower personal income taxes receive significantly more immigration than countries with higher income tax rates. Seven of the nine states with low personal income taxes have received positive immigration domestically, with a net increase of more than 339,000 last year. In contrast, the majority of countries with higher income tax rates faced with domestic foreign migration last year. This indicates that individuals living in the United States continue to demonstrate their responses by their acts (Williams, 2019).

IRS data show a trend of migration from high tax states to low tax states. Between 1999-2010, the high-tax states of New York, New Jersey and California lost about 1.2 million individual taxpayers and more than $97 billion in revenue. This amount does not include company losses. In contrast, the low-tax states Nevada, Wyoming and South Dakota gained about 172,000 individual taxpayers and $15 billion in revenue over the same period. People are moving from states with high tax rates to the states with lower rates (Kyle Pomerleau, 2013).

Through IRS data, annual losses of states due to immigration of individuals between states due to taxes were calculated in the United States for the period 1992-2018. According to these calculations, the states with maximum losses include California ($73.52 billion), New York ($120 billion), Illinois ($62.52 billion), while the states with the minimum losses were Utah ($4.41 billion), New Mexico ($0.61 billion), Kentucky ($0.37 billion), and Mississippi ($0.41 billion). Accordingly, annual gross income losses are higher in states with higher tax rates (www.howmoneywalks.com, 2020). According to data taken from the U.S. Census Bureau, Florida's population increased by 566,476 people last year. More than 63,000 New Yorkers have moved to Florida, and more than 450,000 have immigrated from New York, a state with a particularly high tax rate (Houri, 2019).

According to data of the US Census Bureau about the immigration between the states, Americans continue to immigrate from high-tax to low-tax-rate states. According to this census, people were migrating from high-tax states such as California, Connecticut, Illinois, New York and New Jersey to lower-tax states such as Florida, Idaho, Nevada, Tennessee and South Carolina (Edwards, 2020).

Figure 1. Interstate Tax Migration



Source: Chris Edwards, 2020

In the chart, each blue point shows a condition. The vertical axis shows the net migration figures among the states as a percentage of the annual state population divided by the 2018 country population. The horizontal axis shows state and local household taxes as a percentage of personal income in 2017. The red line is a regression line. On the right, the net external migration in countries with high tax rates is shown. The blue dots on the far right represent Hawaii and New York, which each has a loss of domestic immigration of about 1 percent annually. Taxes of nearly all the countries on the left are less than 8.5 percent. Accordingly, there is a tendency to migrate from states with high tax burdens to states with low tax burdens.

A study, which investigated the movements of income taxpayers in 38 municipalities in the Bern region of Switzerland between 2002 and 2011, reported that personal income tax had an effect on the change of residence of individuals between cantons. According to the study, estimated flexibility of tax-related migration relative to the net average tax rate is high in high-income taxpayers. As a result, all other things being equal, a 1% increase in the average tax rate forces 1.17% of the population to move to another country. On the contrary, the low-income segment does not systematically react to income tax changes, and even some low-income individuals react negatively (Roller and Schmidheiny, 2017).

According to the census data published in France, a growing number of French people with high incomes are leaving the country due to the higher tax rates as believed by some researchers. According to the report, about 42,000 millionaires left France between 2000 and 2014. French film star Gerard Depardieu, for example, has accepted Russian citizenship as a result of his pursuit for a regime with less tax burden. Actors like Depardieu and Mickelson have changed their residence to have less tax burden (www.france24.com, 2015). In the last year alone, 12,000 millionaires have migrated from France to various parts of the world. The prime minister has expressed the need for a new low tax on wealth to limit the migration of millionaires from France. According to New World Wealth's annual millionaire migration report, nearly 10,000 people left France for other countries in 2015 (Malm, 2017). Especially wealthy retirees, athletes and other celebrities apply for citizenship in other countries and immigrate due to high tax rates (James B. Stewart, 2013). French income tax of up to 45%, one of the highest rates in the world, is triggering emigration of high-earning financiers and seriously damaging the country's investment image (Hoon, 2017).

The effect of tax reform in Spain, which authorizes regions to set tax rates, on migrations was investigated. It was concluded that the reform in question has an impact on the immigration of individuals as it causes differences in tax. More specifically, a net 1% increase in the tax rate in a region increases the likelihood of moving from that region by 1.5%. The authors estimate that the maximum migration flexibility is 0.25 on average. This suggests that, all else being equal, a 10% increase in the average tax rate in a given region reduces the corresponding migrant stock by 2.5% (Agrawal and Foremny, 2018: 23-25, 35).

Kleven et al. (2014) investigated the impact of income tax on migration for the period 1991-2008 in the Denmark for the top 1% population with the highest income. Accordingly, the effect of 1 unit increase in average income tax on migration was found to be 1.6 in foreigners and 0.02 in natives in the 1991-2008 period. In other words, while the increase in average income tax has had a significant impact on immigration of foreigners, it has had less impact on domestic investors.

According to a survey by New World Wealth (NWW), Australia ranks first among the top places where the ultra-rich individuals have migrated recently (Alexander Sazonov, 2019). According to the NWW report, many wealthy foreigners are migrating to Australia due to its low crime rate, low taxes and the overall safety of the country. Countries including China, Russia and the UK are losing many millionaires due to taxes. Table 2 shows the numbers and percentages of new millionaires gained by the countries in 2018. While many factors are influential in the number of millionaires gained or in the number of millionaires moving between countries, one of these factors is the current tax burdens of countries (Katie Warren, 2019).

Table 2. Number of New Millionaires of Countries in 2018

Countries	Number of New Millionaires	Percentage of Millionaires Gained
Spain	1.000	1%
Greece	1.000	2%
Portugal	1.000	2%
Israel	1.000	1%
Singapore	1.000	1%
New Zealand	1.000	1%
Caribbean Islands	2.000	3%
United Arab Emirates	2.000	2%
Switzerland	3.000	1%
Canada	4.000	1%
USA	10.000	1%
Australia	12.000	3%

Source: Katie Warren, 2019

Table 4 shows the stocks of foreigners and the average migration rates of individuals ranked in the top 5% and top 10% of the income distribution over the period 2009-2015, using CPS data for the EU-LFS and the US. The migration rate is the proportion of individuals who have changed their country compared to the previous year. The share of foreigners' capital is the share of foreign citizens in the top percentage (in the top ten percent).

Table 3. Migration Rates of those on Top of the Income Distribution and Shares of Foreigners

Country	Migration Rates		Foreign Capital Stock	
	Top 10%	Top 5%	Top 10%	Top 5%
Austria	.31	.16	6.4	3.4
Belgium	1.1	.87	14	11
Bulgaria	.36	.59	.30	.56
Croatia	1.3	-	.31	.64
Czech Republic	.30	.43	2.1	2.5
Denmark	.43	.41	4.9	3.0
Estonia	.75	.58	6.7	5.0
France	.45	.30	3.9	2.4
Germany	.45	.21	5.4	4.6
Hungary	.39	.27	.81	.57
Italy	.04	.04	2.3	.88
Latvia	.65	.37	7.8	7.2
Lithuania	.33	.28	.71	.66
Luxembourg	2.4	2.2	54	43
Poland	.14	.12	.33	.15
Portugal	.30	.29	1.3	.82
Romania	.06	.03	.18	.16
Slovakia	.51	.32	.78	.79
Slovenia	.10	.31	.49	.37
Spain	.12	.11	3.9	2.5
Switzerland	2.3	1.5	26	19
United Kingdom	1.5	.93	11	8.7
USA	.26	.26	5.7	5.6

Source: Kleven et al., 2019: 38

According to Table 3, the migration rates of the top 5% segment with the highest income vary between 0.04% and 2.4%. This rate is between 0.03% and 2.2% in the top 10% segment. The foreign investment stock varies between 0.15% and 19% in the top 5% foreigner segment, while this ratio is between 0.18% and 12% in the top 10% segment. In general terms, it is seen that the high-income segment of the countries immigrated during the 2009-2015 period, and that this ratio is higher in the countries with higher foreign capital stock. Accordingly, due to the increase in foreign capital stock, migration movements also increase.

5. CONCLUSION

Taxes, which are a fiscal transfer from individuals to the public, have numerous economic, social, psychological and fiscal effects due to their gratuitous, compulsory nature that causes a material loss in taxpayers. One of these effects is the migration of taxpayers to other regions, states or countries due to taxes. In particular, easier and cost-effective movement of labor and elimination of national borders along with globalization have made the migration due to taxes more attractive for taxpayers. Although this effect of taxes on immigration has increased recently, taxpayers with high incomes in general largely reside where they were born or where they started their careers. High-income taxpayers are generally socially and economically dependent on their places as they have a high level of education in society and highly skilled. For this reason, their tendency to migrate is low. However, individuals with high-income, retirees, those who do not depend on a particular place, and high-skilled individuals migrate between countries or within the country if there are high tax differences between the regions. Accordingly, they migrate to countries or states or cantons where the tax rates are lower. Indeed, in addition to tax rates, many other factors, such as finding more affordable housing, better job expectations or a more attractive climate are also effective in this immigration movement.

The working flexibility plays a major role in individuals' tendency to migrate. In the constantly evolving high-tech environment and increasingly globalized world, the migration tendency of highly-paid employees and senior managers increases when they can retain their jobs and businesses and work from virtually anywhere with an internet connection. Migration of highly-skilled individuals creates has a negative impact on tax revenues and also leads to significant economic costs in terms of decreasing positive exogeneity of this segment with high added value. Indeed, taxpayers make decisions to migrate by doing a cost-benefit analysis and taking many factors into account. One of these factors is the difference in tax burden between the region in which he/she resides and the region in which he/she intends to immigrate. Accordingly, taxpayers can make decisions to change their legal residence by considering the difference in the average tax rate along with other factors. Although the tax burden is decisive in the individuals' migration decision due to taxes, factors such as the complex structure of the tax system, tax compliance, tax awareness, tax perception, incentive given to economic agents, or exceptions, discounts and exemptions in the country's tax system, expectations regarding the future of the tax system, strictness of the tax audits, and regulations of tax policies against high-income individuals also have an effect on these decisions. Taxpayers decide whether to immigrate by taking these and similar tax factors and other factors into account.

When we consider at the effects of taxes on immigration within the perspective of countries, it is seen that taxpayers in the United States migrate from states with higher tax rates to states with lower rates. Similarly, taxpayers in Spain and Switzerland tend to migrate from regions/provinces/cantons where tax rates are high to regions/provinces/cantons where the tax rates are low. However, due to higher tax rates, high-income or high-skilled taxpayers are migrate from France and Denmark. In general, given the countries discussed in the study, it is observed that taxpayers tend to migrate, especially if there are tax differences within the country, and that this tendency increases with the increase in freedom of action and the decrease of costs along with globalization. Accordingly, taxpayers' emigration alternatives due to taxes have become easier and more feasible. Indeed, taxpayers' decision to immigrate does not solely depend on the tax rates. However, the difference in tax rates also has an increasing impact on immigration decisions, especially for certain segments. This effect increases as the mobility of labor in the international dimension becomes even easier and cheaper due to globalization. As a result, taxpayers with high income levels, retirees, high qualifications, and who able to carry out their activities without being connected to a particular place tend to immigrate due to taxes. Such taxpayers are more likely to consider the impact of taxes when making an immigration decision or a decision to change their legal residence.

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Hakem Değerlendirmesi: Dış bağımsız.

Çıkar Çatışması: Yazar çıkar çatışması bildirmemiştir.

Finansal Destek: Yazar bu çalışma için finansal destek almadığını beyan etmiştir.

Teşekkür: -

Peer-review: Externally peer-reviewed.

Conflict of Interest: The author has no conflict of interest to declare.

Grant Support: The author declared that this study has received no financial support.

Acknowledgement: -