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TAX COMPETITION: THE CASE OF TURKEY[1]
VERGİ REKABETİ: TÜRKİYE ÖRNEĞİ

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Öz

Bu çalışma öncelikle küresel vergi rekabetini, güncel kavramlar ve verilerle birlikte, vergi cennetlerine de vurgu yaparak değerlendirmektedir. Ekonomi ve finans alanındaki çalışmalar, ekonomik kurumlardan alınan raporlar ve resmi devlet kayıtları, Türkiye vergi rekabeti örneğinin analizinde sıklıkla kullanılmaktadır. Araştırma, Türkiye'deki vergi kanunları ve prosedürlerinin incelenmesi ile başlamaktadır. Vergi kanunlarının etkisi ve rekabet edebilirlikteki değişimler incelenirken yatırımcıların ve işletmelerin Türkiye'nin vergi politikasını nasıl gördükleri de inceleniyor. Çalışmalarda Türkiye'nin vergi rekabeti ve diğer ülkelerle karşılaştırma amaçları ana hatlarıyla ortaya konulmuştur. Türkiye'de artan yabancı yatırım ve gelişmiş yerli şirket rekabet gücü, düşük vergi oranları veya vergi teşviklerinden kaynaklanabilir. Vergi geliri, vergi yasalarındaki değişikliklerden etkilenebilir. Düşen vergi oranları ve teşvikler nedeniyle, toplam vergi gelirleri zaman zaman düşebilir. Bütçe dengesi ve maliye politikaları, vergi rekabeti politikalarından etkilenebilir. Düşük vergi oranları ve teşviklerin bütçe dengesi ve mali açık üzerindeki etkileri incelenmiştir. Bunun yanında küresel vergi rekabeti ve vergi cennetlerinin Türk vergi sistemi üzerindeki etkilerinin incelenmesi bu çalışmanın temel amaçlarını oluşturmaktadır. OECD verileri ışığında yapılan değerlendirmede, OECD ülkeleri arasında dolaylı vergilerin en hızlı artış gösterdiği ve toplam vergiler içindeki payı en yüksek seviyede seyreden ülkenin Türkiye olduğu hatırlanırsa, vergi rekabetinin sosyal adalet ve kamu maliyesi üzerindeki etkileri bakımından bu durumdan en olumsuz etkilenen ülkeler arasında Türkiye'nin olduğu gerçeği de açığa çıkmaktadır.

Anahtar Kelimeler: Vergi Rekabeti, Vergi Cennetleri, Vergi Sistemi, Türkiye

JEL Sınıflaması: H20, F62, E62

Abstract

This study first presents the basic concepts and current knowledge on global tax competition and this phenomenon. Studies in the economics and finance fields, reports from economic institutions, and official government records are often used in the analysis of the Turkish example of tax competitiveness. The research begins with analyzing Turkey's tax laws and procedures. The impact of tax laws and changes in competitiveness are explored, as well as how investors and businesses see Turkey's tax policy. Turkey's aims for tax competition and comparison with other nations are outlined in the studies. Increased foreign investment in Turkey and improved domestic company competitiveness may result from low tax rates or tax incentives. Tax income may be impacted by changes to tax laws. Because of reduced tax rates and incentives, total tax revenues might occasionally fall. Budget balance and fiscal policies may be impacted by tax competition policies. Examined are the consequences of low tax rates and incentives on budget balance and fiscal deficits. The main objectives of this study are to present the main practices and instruments of global tax competition, to evaluate the benefits and harms of tax competition in the context of tax havens, and finally to analyze the effects of global tax competition and tax havens on the Turkish tax system. In the light of OECD data, Turkey is the country with the fastest increase in indirect taxes and the highest share in total taxes among OECD countries, which makes it clear that Turkey is among the most negatively affected countries in terms of the effects of tax competition on social justice and public finance.

Keywords: Tax Competition, Tax Havens, Tax System, Turkey

JEL Classification: H20, F62, E62

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1. Introduction

With the current globalization process, political, socioeconomic, and cultural developments not only affect the nations in which they take place, but also have significant international effects by crossing borders. The new economic conditions emerging due to the free movement of capital and the prominence of liberal economic policies have transformative effects on the development and public finance policies of countries. The increasing importance of foreign capital and the efforts of multinational enterprises to maximize their competitive advantages have had a corrosive effect on the tax revenues of states, and the tendency of capital to escape from high corporate and income taxes has led to serious problems in ensuring the efficiency of public services. While taxation policies have become one of the main instruments of competition in this process, which has witnessed a race among nations to attract mobile capital to their countries, the same rationale has been effective in the emergence of the phenomenon of tax havens.

In this study, in which the issue of global tax competition, which is deeply affected by developing countries such as Turkey, is examined within the framework of tax havens and their effects on Turkey, it is necessary to briefly mention tax competition from these two phenomena, which appear as the basic concepts, especially with the globalization that has been increasing its impact since the 1980s and the acceleration of capital movements on a global scale, changes in tax policies have been implemented. The tax policies implemented by countries to encourage the arrival of globally mobile production factors such as foreign investments, financial capital and qualified labor force to their own countries have led to the emergence of the concept of global tax competition (Aktan and Vural, 2004).

The concept of globalization, which is the second important phenomenon, is important due to its effect on the fact that tax competition has become widespread and has become a financial dynamic affecting almost every country. The dynamics emerging with globalization have become a constant part of the concept of tax competition in parallel with the acceleration of tax competition and the rapid capital circulation of multinational companies on a global scale (Giray, 2005).

Nowadays, many countries are investigating how to encourage foreign and direct investments while formulating their tax policies and may make new regulations by taking into account the conditions of competition. In this respect, the conditions arising from global tax competition play a determining and changing role in the tax policies of countries and are of great importance. In other words, the effects of tax competition between multiple countries have some consequences that affect the tax policies of countries globally (Koşar and Van, 2012). For example, incentive improvements in a country's tax policies mean that rival countries need to create similar conditions to attract the same mobile factors of production to their own countries, that is, to offer tax reductions and incentives. Therefore, tax competition cannot be defined by ignoring the phenomenon of globalization.

Tax havens, on the other hand, are generally defined as countries or systems that provide discriminatory and special tax benefits in order to enable mobile capital to escape the tax obligations of the country to which it originally belongs (Ekmekçi, 2003). Although the concept is defined in many different ways, tax havens refer to systems that provide tax-free or low-tax investment with a non-transparent structure and structural arrangements that allow investors to escape their tax burdens.

This study examines the impact of global tax competition and related tax havens on the Turkish tax system. Today, taxation problems arising from globalization, the existence of tax havens and tax competition are among the main problems related to the fiscal and tax policies of many countries globally and nationally. The most important reason for choosing tax competition, which is so important in international dimensions, as the title of this study is that many countries, including Turkey, are significantly affected by the phenomenon of global tax competition in terms of the formulation of fiscal policies, and at the same time, global tax competition causes major economic consequences. Many international organizations, especially the OECD, are seeking measures and developing new approaches to solve the problems arising from global tax competition and tax havens (Öz, 2004).

2. Tax Problems Arising from Globalization

In addition to being defined by Adalı (1997) as an integrated market, globalization is also described by Adalı (1997) as a formation in which international relations and common values are strengthened by preventing concentration in separate groups in financial, social, cultural and political fields. In this respect, the phenomenon of globalization points to a process in which the closed national economy loses its value and becomes a historical category and national markets are integrated with the single world market.

According to Yaşar (2005), the reflections of globalization in financial markets result in countries liberalizing their internal structural institutions as well as liberalizing capital movements. Liberalization of domestic markets becomes a necessity in order to improve the quality of investment by attracting more foreign capital and to provide

depth in financial institutions. While many new economic opportunities are emerging with this new process, this situation may also bring new possible risks for the economy.

Globalization has also led to many changes in the field and processes of taxation. Arslan and Biniş (2012) state that the common denominator of these changes is that it is not possible for a country to determine its tax policy independently from other countries. On the other hand, capital, on the other hand, has become more mobile in order to benefit from the tax advantages that have emerged between countries as a result of the removal of trade barriers and the liberalization of capital markets. In other words, globalization, which offers new opportunities for countries, has also opened new and different avenues for tax evasion and avoidance.

Compared to the past, the fact that factors of production, particularly capital, have become more fluid and internationalized has increased the impact of yield differentials on capital movements. Karakurt (2005) states that taxation practices, which have an important position among return factors, are among the leading determinants of this sensitivity. For many countries, the sustainability of the current taxation approach has become impossible for this reason, and the aim of obtaining higher returns has played a leading role in the shift of capital from high-tax countries to countries with lower tax burdens.

According to Eker and Şimşek (2009), regional integration movements and globalization make it difficult for modern countries to implement independent fiscal policies in terms of creating an optimal tax base and collecting taxes and cause them to face problems. This situation, as mentioned above, results in the fact that mobile factors of production such as skilled labor and capital benefit from arbitrage opportunities between different tax systems. Aktan and Vural (2004) argue that globalization increases the external effects of nation states' tax policies on other countries. The internationalization of production and the increased international mobility of some factors of production create significant opportunities for some countries to export some of their tax burdens to other countries and thus gain a larger share of the global tax base.

A number of reports on damaging tax practices have been released by the OECD. The OECD's 1998 study "Harmful Tax Competition: An Urgent Global Problem" is the basis of the emphasis on the harmfulness of the idea of international tax rivalry (Yaşar AYYILDIZ, 2008).The OECD stressed the negative effects of tax competition in both domestic and international markets in all of its publications, as well as the kinds of steps that should be made as international cooperation in this area grows. It was stressed in the OECD study from 1998 that globalization and the increased capacity of money to move between nations as a result have resulted in tax reductions globally in recent years. The report claims that in today's world, where barriers to international capital circulation have been largely removed, countries that seek to attract capital by providing taxpayers with enticing tax opportunities may end up eroding their tax bases and causing welfare losses in other nations (Ferhatoğlu, 2006).

The OECD demonstrated damaging tax competition practices, such as preferential tax systems and tax havens, in its 1998 study. The term "tax regime" refers to low tax systems with broad tax laws and administrative guidelines that are designed to take advantage of other nations' tax bases (Hoşyumruk, 2003). The deployment of operations that have no supply or demand in the host country's domestic market may be encouraged by the availability of favorable tax regimes (Günaydn, 2004). The average corporation tax rate imposed in OECD nations has rapidly declined during the 1980s. In 1981, the average company tax rate was 47.6%; by 2010, it had dropped to 25.9%. The corporation tax rate varies every nation according to each country's path. The degree of development in the nations is the cause of this. In actuality, Ireland, Finland, Austria, and Ireland are the nations with the highest cuts to company taxes, totaling 72%, 58%, and 55%, respectively. Regarding the lowering of corporation taxes, Spain comes in bottom. The data in the following sections show that Turkey has reduced its company tax by 60% since 1980. When compared to other OECD nations, Turkey has applied the biggest corporation tax reductions, only behind Ireland.

3. Tax Competition

The emergence of the concept of tax competition, which has been attracting more and more attention in the globalization process, actually dates back to the 1950s. The appearance of this concept in the economic literature dates back to the study conducted by Tiebout in 1956 on the provision of public goods by local governments under the federal structure (Çak2008,).

In general terms, tax competition is related to the purpose of directing the location and activity area of portfolio or direct investments, especially mobile factors of production such as capital and labor, to their own interests in the use of tax policies and instruments, among various taxation authorities that have taxation authority, such as states or their subdivisions (Öncel and Öncel, 2003). In this context, as a result of tax competition, countries with taxation authority in question can create added value by attracting mobile factors of production and activities to their own regions on the one hand, and on the other hand, they can shift the tax bases that may arise in another country to their own countries as a result of the liabilities they create and the tax policies they apply (Ferhatoğlu, 2006).

Regional integration and globalization movements reduce the ability of modern states to implement independent fiscal policies and cause them to face difficulties in terms of creating an optimal tax base and collecting taxes. According to Giray (2005), as a result of these developments, tax bases and the amount of taxes to be paid are transformed into factors of production that are subject to arbitrage for enterprises and become sources of revenue that are subject to competition among countries.

Another important issue that should be emphasized when defining the concept of tax competition is the "world tax base" defined by Tanzi (2008). The concept is related to the so-called "world tax base". According to this view, since all countries will theoretically compete over the world tax base in order to gain tax revenues, there is a possibility that the over-exploited world tax base may weaken and dry up in the future. As a result of the realization of such a risk by supranational capital, efforts to transform practices that may turn into harmful or unfair tax competition into a better or rule-compliant tax competition come to the fore. According to Önal and Temelli (2011), especially the recent global crisis reveals the negative consequences of a tax base that has turned into a transnational property in the absence of proper tax competition. When the tax systems and policies of many countries are evaluated, it can be seen that tax is applied within the scope of the right to use the tax base in the necessity of financial capital accumulation regimes, but it has turned into a mechanism that can produce inequality through indirect taxes.

Based on the conditions and general definitions of tax competition, Öz and Yaraşır (2009) conclude that tax competition consists of three elements. The first of these is that tax competition practices are aimed at attracting foreign capital to the country by increasing the international competitiveness of enterprises; the second is that some countries may move to a disadvantageous or advantageous position by being affected by the tax policies and systems of other countries. In this case, in countries that do not converge or harmonize their tax systems with other countries, taxpayers may prefer countries that offer them more tax advantages. Thirdly, the tax advantages that taxpayers will obtain as a result of tax competition are realized through various tax incentives.

3.1. The Causes of Tax Competition

Although the factors that lead to tax competition have been mentioned several times above, this section examines them in detail under three main headings: the widespread expectation that the tax burden will increase, increased indirect investment and financial capital mobility, and increased labor mobility.

3.1.1. Widespread Expectation of Increased Tax Burden

Even if the administrators governing developing and developed countries have limited opportunities to raise revenue and spend, they may choose to impose taxes that may directly affect economic activities for reasons such as maintaining their political power, financing public services and fulfilling their constitutional obligations (Karakurt, 2005). Strong expectations that the tax burden may increase due to such an increase cause taxpayers to shift their capital and tax base to regions where they can pay less tax.

3.1.2. Increased Indirect Investment and Financial Capital Mobility

With the increase in the prevalence of floating exchange rate regimes, countries have opened their doors to global capital flows and indirect investments while maintaining independent monetary policies. As stated by Gedik (2011), countries are able to attract global flows by abandoning restrictive policies and providing requirements such as transparent financial markets, reliable legal practices and stable exchange rates, as well as tax regulations. Although Aktan and Vural (2004) state in their study that 95 percent of the bilateral trade agreements signed between countries consist of deregulations to avoid double taxation, many countries seek to offer more attractive conditions to attract more direct investments to their sovereign territory.

According to Sarısoy and Koç (2011), this competition is based on the positive contribution of FDI to national economies. However, in some cases, such investments have a negative impact on the country's economy and, especially in recent years, they have been challenging the existing conditions of countries in terms of taxation.

In addition to the option of increasing tax revenues by attracting foreign direct investments, tax policies designed to weaken capital outflows from the host country can become advanced steps taken by countries in the field of tax competition (Gedik, 2011).

3.1.3. Increased Labor Mobility

Like capital mobility, labor has become an increasingly mobile factor of production since the 1980s for a number of reasons. In general, bilateral trade and immigration agreements signed between countries, increased access to information about job opportunities as a result of developments in digital communication channels, high income

options and high quality of life in some foreign countries have led to an increase in the mobility rate of labor (Darık, 2007).

Restrictive measures taken to control the increase in labor mobility, which is one of the most important reasons for tax competition at the international level, are not very effective today, especially in sectors focused on skilled labor, international services, and technology (Aktan and Vural, 2004).

3.2. The Effects of Global Tax Competition

Global tax competition shows its effects in many areas with the new trends it has brought about in taxation. The fact that tax policy can be used for many economic and social purposes in addition to its fiscal function naturally results in different changes in the process of tax competition. However, another remarkable point is that the fact that the taxation power has a political meaning leads to the emergence of new approaches and problems in the political sense. Below, the social, economic, political and public finance implications of global tax competition are analyzed.

3.2.1. Social Effects

When the social function of tax is evaluated, the effect of tax competition on reducing the tax base comes to the forefront and the space for governments to implement social policies is narrowed (Gedik, 2011). Unlike the requirements of economic market conditions, the phenomenon of competition may reduce public efficiency and prevent the spread of services to the grassroots. Çalıcıoğlu (2003) argues in his study that when policymakers consider the competitive performance of the capitalist economic system, they aim to improve the investment environment as a result of high taxes and finance public services and social welfare policies in this way. Households will not mind paying high taxes as long as they benefit from social stability and strong infrastructure. However, in the competition for a low tax policy, the state runs the risk of providing inadequate public services. From this point on, the view that the detrimental effects of tax competition will come to the forefront in terms of its social effects becomes prominent.

The shift of the tax burden from mobile factors to immobile factors causes small domestic firms and ordinary individuals to bear additional costs, as well as the elimination of the employment that may be created by the domestic capital that may leave the country, and thus, no increase in household income, but on the contrary, a decrease in the tax burden and social welfare level (Ulusoy and Karakurt, 2009). Especially in developing countries, the decline in public services financed by tax revenues may slow down the social development of the country and cause the spread of poverty.

3.2.2. Economic Effects

In the context of economic theory, tax competition should lead to greater welfare for all individuals within a country's borders and administrative efficiency for governments. However, this can only be realized if global markets are perfectly competitive. As in other areas, it is not possible to speak of a global perfect competition condition in tax systems, and due to these conditions, tax policies alone cannot be expected to produce the expected economic results without competition-related regulations (Giray, 2005).

The huge amounts of capital and labor that are relocated due to tax competition cause significant repercussions on the tax revenues and labor markets of other countries, and countries that want to retain their tax bases due to competition are forced to make permanent or periodic adjustments in their tax policies and practices (Önal and Temelli, 2011). Based on this information, it is possible to infer that tax competition has micro and macroeconomic consequences such as labor market, development, foreign capital stock, tax base and fair income distribution.

3.2.3. Political Effects

One of the most important political repercussions of tax competition is expressed by Saraç (2011) as the weakening of the taxing authority of national authorities and the contradiction of the idea of the necessity of global cooperation in combating harmful tax competition with the taxing authority of national authorities. The global cooperation expressed here may mean that national taxation authority may be reduced to some extent as a result of the supervision of international institutions.

In order for competitive tax policies to be successful, it is inevitable that political institutions in the position of tax authorities should be able to make public allocations as efficiently as possible, transfer tax revenues to social services and infrastructure, and end political rent-seeking. In this respect, tax competition, if managed correctly, brings with it an international transparency policy that can attract direct investments and a political approach that can ensure more effective use of local resources in development financing (Ulusoy and Karakurt, 2009). Measures

to be taken to prevent escape to tax havens can be possible with institutional cooperation between administrations and political stability.

3.2.4. The Effects on Tax and Public Finance Policies

Tax policies are one of the most important complementary and fundamental issues of public finance policies. Taxes, which are the main instrument of public financing, are among the first elements that are affected by countries' tax competition strategies in terms of both quality and quantity (Cebeci, 2011).

While the quality of public services should be improved in order to use taxes more effectively, it is also vital to regulate the savings rate of public expenditures at the optimum level. The other option is not implementing public finance reforms and experiencing significant losses in terms of tax base (Yereli, 2005).

According to Karakurt (2005), in order to ensure the efficiency of public finance and to focus tax revenues on mobile production factors, international cooperation should be developed, institutional integration and transparency should be ensured, and the infrastructure that can provide the system competence required by the digital age should be established rapidly.

Between 2000 and 2013, the average tax income as a percentage of GDP in EU member nations varied by 1.5 points due to the weighted effects of tax competition up to 2008 and the effects of the financial crisis after that (Demirli and Ayyıldız, 2016). Prior to 2008, the ratio of tax revenue to GDP dropped in the early 2000s before increasing until the financial crisis. Bulgaria gained advantage from the competition it created through the rate, increasing the tax revenue to GDP ratio from 17.5% to 23.1% in this period, resulting in an increase of 32%. Bulgaria reduced the effective tax rate from 28.1% to 8.9% in the period from 2000 to 2008. Along with other small and medium-sized countries like Lithuania, Poland, and Portugal during this time, the Netherlands and England also saw an increase in tax receipts as a result of safeguards taken in response to capital flight. Even though the average tax rates fell between 1997 and 2007, there was an increase in tax income, which may be attributed to an increase in direct and portfolio investments, as well as an expansion of the tax base, a rise in tax compliance, and improved tax administrations. In reality, the Laffer Effect may account for the rise in income provided other variables are held constant (Demirli and Ayyıldız, 2016).

The ratio of tax income to GDP declined by around 7.5% from 2008 to 2010, and after this year, some recovery was seen (Demirli and Ayyıldız, 2016). However, after 2008, there were tax rate rises and tax expenditures decreased because of factors including the Financial Crisis and the decrease in capital flow. The revenue structure of the tax system is one of the key metrics by which we can measure the effects of the crisis. It might be claimed that each tax will have a different effect. Depending on the kind of tax, the impact of the crisis on tax revenue might differ. In this case, it can have two unique effects depending on the size of the tax base and the progressive tax rate. It has been noted that while the decline in tax receipts on essential consumer products may often be more modest, other taxes, such as corporate, commercial income, and transportation taxes, may be more affected by the recession process (Demirli and Ayyıldız, 2016).

Two sub-titles are used to describe the shift in indirect-direct tax income and the tax revenue arrangements in EU member states. It is well recognized that changes in the rates of indirect and direct taxes have varied impacts on tax collections. Economic changes could have a delayed impact on tax revenue for direct taxes because assessment and collection periods are typically annual, but they could have an immediate impact on tax revenue for indirect taxes because of the price mechanism (Kanlı, 2019). Due to their broad tax base and little tax burden, indirect taxes have a large revenue potential. In developing nations, these taxes often make up the majority of the government's revenue, which is why they are employed for financial objectives (Demircan and Ceylan, 2003).

Due to their direct impacts on macroeconomic aggregates like direct investments, economic growth, and employment, direct taxes like income and corporation taxes are utilized as the primary fiscal policy instrument in the achievement of such macroeconomic aims. It is advised to increase taxes on consumption while decreasing taxes on actual investments in order to promote them, particularly in emerging nations (Ceran, Güngör and Konya 2016). Different consequences should be anticipated depending on the type of tax. Tax revenue might fluctuate depending on the applicable policies and economic environment since taxes on income, expenditures, and wealth can be utilized for various extra fiscal or fiscal policies (Demirli and Ayyıldız, 2016). Up to the financial crisis, the consequences of tax competitiveness in the tax revenue system persisted. After then, it may be claimed that fiscal measures had a tendency to stop the recession from happening. Consequently, the GDP tax revenue of EU member nations; According to theoretical projections, consumption taxes rose during the 2008 Financial Crisis and the time of tax competition; Income/earnings taxes rose up to 2008 for a reason that we may ascribe to the effectiveness of competition, and after this year, they sharply declined as a result of the financial crisis. It is well acknowledged that a heavy tax burden on workers lowers competitiveness and slows economic growth (Batrels,

2016). Because of this, it may be claimed that EU member states have made an effort in recent years to lessen their tax burdens on employment (Demirli and Ayyıldız, 2016).

4. Tax Havens

In recent years, the so-called tax havens, which have emerged in recent years, have become an option for taxpayers to evade or avoid taxes and thus cause tax losses to governments globally (Mavral, 2003).

Tax havens enable taxpayers to evade tax on their earnings in other countries through their systems where no tax is accrued or very low tax rates are applied with the help of false tax addresses they provide, and they provide their earnings through the fees they accrue on the capital using this system (Aktan and Vural, 2004).

The most important feature that distinguishes these countries from countries that provide various tax advantages within the framework of tax competition or want to compete with low tax rates is that they lead to unfair tax competition with their non-transparent systems (Çağan, 2009).

The existence of tax havens creates both tax losses for the global system and loss of motivation for other taxpayers who intend to pay taxes. Since capital owners who adopt such a tax avoidance method do not declare the earnings from their investments in these countries, the countries that are the source of the earnings suffer tax losses (Sarıaslan, 2010).

In a report published by the OECD (2009) on tax havens, some criteria that can be used to distinguish these countries from others have been put forward. These criteria are;

- Charging a very low nominal tax or no tax at all on the activity that generates the tax,
- Lack of effective information sharing,
- Lack of transparency in financial, administrative or legal transactions,
- There is no protection against firms not actually existing or not engaging in the specified activity.

The criteria for tax havens generally overlap with the characteristics set out in the definition of harmful tax competition. Öz (2004) defines a tax haven as a place with a low population and surface area that meets the above criteria and has a pseudo-tax system, whose economic activities generally consist of the offshore banking sector, and which generates income with high and widespread tax advantages. Countries that did not comply with the OECD's call for tax transparency and cooperation between 2000 and 2002, or did not comply sufficiently, were classified as tax havens and countries engaged in harmful tax competition and their names were published in the relevant reports. Finally, it was decided to remove Lichtenstein, Monaco and Andorra from the list updated in 2012 (OECD, 2012).

In the report prepared by the OECD (2012) on harmful (unfair) tax competition, tax havens are also given an important place and the damages caused by these administrations are stated under the following headings:

- Financial flows and therefore physical investment flows are diverted by tax havens,
- These administrations undermine tax justice and affect the integrity of tax structures.
- Tax havens weaken taxpayers' conviction about voluntary compliance with tax legislation,
- It leads to a reconfiguration of the weight and level of public and tax expenditures,
- The tax burden, particularly on consumption and labor, is significantly and unfairly shifted onto less mobile factors of production,
- The burden of tax enforcement on taxpayers, as well as on politicians and the administration, is increasing.

Off-shore financial centers and tax havens bring especially developing countries face to face with significant public finance problems. According to Ulusoy and Karakurt (2009), the reason why developing countries are interested in these revenues, which are actually stolen from their own portfolios, stems from the need to improve their financial systems and institutions in a way to strengthen transparency and accountability.

Kılıç (2011) points out that developed and leading countries have not been honest enough in combating tax havens. This is because about 95 percent of the tax havens and offshore financial centers are located in former colonial states or islands belonging to Spain, France, the UK, Ireland, the Netherlands, Belgium or the US, and the

relationship and loyalty between the administrations of these administrations and the former colonial countries are still firmly maintained and maintained today.

In a similar vein, Öz and Yaraşır (2009) point out that these seemingly independent countries' strong historical ties with developed countries may not only condone, but also encourage, covert financial crimes committed in these countries. Therefore, developed countries and leading states should show the necessary support to these states and administrations, whose political decision-making mechanisms they have influence over, to reorganize tax competition in the global sense and to reach internationally accepted norms.

5. The Effects of Global Tax Competition on Turkey

As stated in Article 73 of the Constitution, the tax policies implemented in Turkey are based on expenditure-based VAT and withholding-based income tax, which are levied on individuals' expenditures, wealth and income in line with their ability to pay. According to Gencer and Kuru (2012), the most important reasons for the failure of the tax policy in the Turkish tax system, which mainly consists of indirect taxes, are the widespread use of tax expenditures, exemptions and exceptions, the inability to become a declaration-based system, the prevalence of small family companies, the low number of publicly traded companies and the widespread observation of the informal economy.

As in many developing countries, unfair tax competition negatively affects the Turkish economy and the quality of public services. According to Öncel and Öncel (2003), the most important reason for the Turkish tax system to be adversely affected by global tax competition is the inadequacy of the criteria determining the conditions of limited taxpayers and full taxpayers in corporate and income tax. As long as the criteria determining whether the income and profits are generated in Turkey or not remain inadequate and are not updated in the face of global developments, Turkey is more likely to be vulnerable to unfair tax competition, especially for corporations and individuals within the scope of narrow taxpayers.

Turkey's macroeconomic balances are similar to those of other emerging economies in terms of capital needs and the critical role of foreign direct investment, and it is not always possible to allocate the required share of public resources to investment. For this reason, attracting more foreign direct investment is thought to play a key role in eliminating the capital deficit required for Turkey to realize its technological and public development and to increase resource efficiency (Koşar and Van, 2012). Tax incentives and tax rates are of great importance in attracting international foreign direct capital flows to the country. Analyzing the regional and sectoral effects and distributions of Turkey's changes in these areas on public service efficiency and foreign direct capital inflows is of great importance for developing an effective tax competition policy.

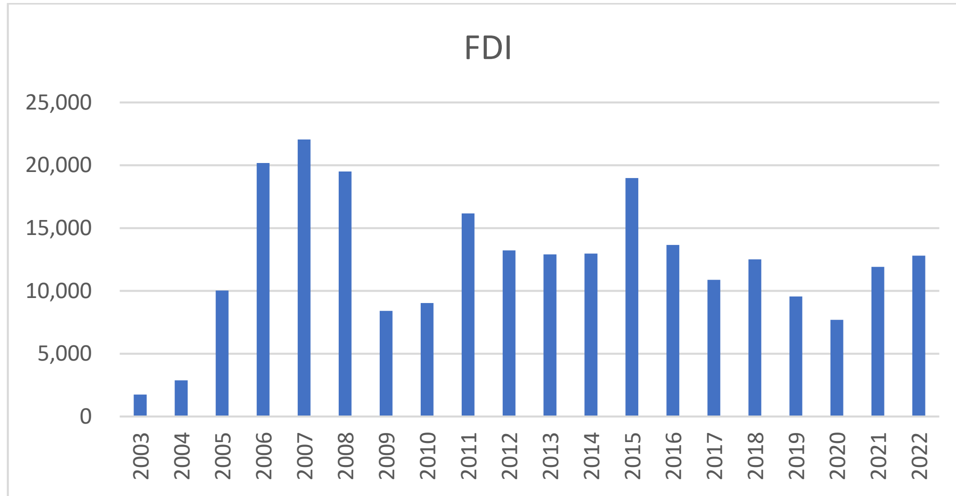
A comparison of the tax systems of OECD member countries and Turkey reveals that almost all countries collect taxes on expenditures, wealth and income and that the rates of these taxes are close to each other with certain exceptions. Following the recent adjustments in corporate and income tax rates, Turkey's tax rates are higher than those of many OECD countries. In this context, it can be simply stated that Turkey is in the EU and OECD average in terms of setting tax rates and is not a tax haven (Pehlivan and Gökbunar, 2010).

Considering that there are no complaints or follow-ups on Turkey through the OECD with the latest regulations made in 2008 regarding tax transparency and exchange of information, which are other important characteristics of tax havens, and that Turkey has signed mutual tax transparency agreements with more than 70 countries in the world and has accelerated its efforts to prevent double taxation on a global basis, it will be concluded that the Turkish tax system, which applies the OECD model, has a credibility and reliability at the same standards as the EU and OECD countries.

5.1. Impacts on Foreign Direct Investment in Turkey

The relationship between foreign direct investment and taxes has been analyzed in many studies. Sarısoy and Koç (2011) underline that in surveys conducted for foreign investors in this field, tax rates and related factors are a factor that foreign investors take into account in the selection of the investment location, but it is not the primary factor in the first place. On the other hand, econometric studies on the same subject conclude that foreign direct investments are more sensitive to tax policies and rates.

Figure 1: Foreign Direct Investment in Turkey (Billion USD)



Source: OECD Statistics 2023, https://stats.oecd.org/Index.aspx?DatasetCode=FDI_FLOW_INDUSTRY#

Koşar and Van (2012) analyze the relationship between corporate tax rate reductions made within the framework of international tax competition and the changes in foreign direct investment in Turkey between 2000 and 2011, and as a result, it is observed that these two variables are in a mutual interaction and causality relationship. According to this analysis, during the years of corporate tax cuts in Turkey, there has been a significant increase in FDI investments and the number of firms in Turkey for this purpose. Figure 1 shows the FDI inflows to Turkey between 2003 and 2022.

It may be claimed that the abovementioned inflation tax was experienced as a result of the inflation that Turkey suffered in 2022, which rose to 86% throughout the year. It would be useful to look at the amount of the inflation tax generated in the first six months of this year in order to understand the dimensions of the aforementioned inflation tax. At current values, the gross domestic product (GDP) during the first half of 2022 was 5.9 trillion Turkish Liras (TL).The sum was around 3 trillion TL at the same time frame the previous year. As a result, it can be seen that this year's nominal GDP growth climbed by 2.9 trillion TL.

However, the CPI for the first half of 2022 was reported to be 42.3 percent. The rise in GDP may thus be attributed to inflation to a degree of almost 1.2 trillion TL. It may be argued that a resource of about 276 billion TL from the public and private sector is transferred to the state through a simile of an inflation tax, given that the average tax burden in Turkey is almost 23 percent (Durmuş, 2023).Contrary to this effect found in indirect taxes, it may be claimed that tax revenues of inflation in direct taxes. have negative impacts on the Payment and collection delays are one way that high inflation rates negatively affect tax revenues. Because a loss in actual tax revenues occurs during periods of inflation when the gap between the tax received and the payment time is stretched out over a lengthy period. The withholding approach has a short period between imposition and collection, thus it can be said that this negative effect will be reduced (Koçak, Karış, and Çil, 2022). The transmission mechanisms from the exchange rate to the general price level account for the link between exchange rate and inflation rate. This transfer takes place as a result of how production costs and overall price levels are affected by an increase or decrease in the exchange rate (Terzi and Kurt, 2007). The cost of imported manufacturing inputs rises as exchange rates rise or when the value of the home currency falls. The price of imported items also rises as a result of higher exchange rates, which raises the inflation rate. The local currency loses its ability to serve as a value store as a result of the increase in the exchange rate, which also raises expectations of inflation (Sandalcı and Sandalcı, 2017). As a result, currency conversion becomes commonplace in the nation and the value of the local currency tends to decline. Currency replacement demonstrates that there is a loss of faith in the national currency and a rise in demand for foreign money (Gül and Ekinci, 2006). In other words, the depreciation of the local currency causes the inflation rate to rise, while the inflation rate rises as a result of the depreciation of the domestic currency. This clarifies the reciprocal link between the inflation rate and the currency rate. With the 2001 financial crisis, the nominal dollar rate increased. The crisis in 2001 caused the inflation rate to rise to 54.4% (Ersan and Yaraşır, 2010). The exchange rate was stable from 2002 and 2005, and each year saw a decline in inflation. The exchange rate of the dollar varied once again between 2005 and 2008. The inflation rate during this time frame was under 10%. The worldwide effects of the 2008 global financial crisis led to a rise in the dollar rate in 2009 (Tekin, 2010). Due to the effects of the crisis, there was 10% inflation in 2008. 2010 saw significant capital inflows that kept the dollar rate from increasing too much. 2011 saw a rise in the exchange rate, although the inflation rate actually decreased. The

exchange rate increased quickly between 2013 and 2015. The inflation rate throughout this time stayed below 10%. Because of the nation's geopolitical and political issues, the rise in the dollar rate after 2016 picked up speed (Saykal, 2018). The growth in the currency rate and inflation rate accelerated in 2017. The dollar exchange rate and inflation rate in 2018 hit their greatest levels in the previous ten years as a result of the financial onslaught. Despite the fact that the Central Bank and the government's actions kept the exchange rate from rising, the inflation rate remained at 16.3% (Peker and Kılıçer, 2014).

While Turkey had a global share of 2.7% as of 2004 from foreign direct investments, which increased its pace even more in the early 2000s, its share of the global pie declined, albeit increasing in terms of volume, due to the introduction of investment tax incentives by lowering tax rates in developing countries such as Ireland (Saray, 2011). According to OECD (2023) data, Turkey's FDI stocks declined by 28% between 2017 and 2021, from 196 billion to 140 billion USD (Table 1). In the same period, global FDI stocks increased by 34% for OECD countries and 50% for Turkey. In the same period, Turkey's share of global FDI stocks decreased by 48%, from 5.8 per thousand to 3 per thousand. On the contrary, the share of OECD countries in global FDI stocks increased from approximately 65% to 70%.

Table 1: Foreign Direct Positions by Countries, (Million USD)

	2005	2009	2013	2017	2021
Turkey	71,322	143,842	151,832	196,557	140,130
World	11,458,968	18,384,549	25,925,294	33,890,030	46,983,610
OECD - Total	8,873,077	12,365,745	16,493,917	22,191,292	33,071,548
United States	2,817,970	2,995,459	4,948,418	7,806,330	13,608,375
United Kingdom	788,087	1,026,351	1,512,648	1,881,501	2,689,894
Germany	647,786	965,014	955,173	996,998	1,137,696
Canada	638,650	867,470	982,529	940,279	1,442,334
Netherlands	479,405	646,343	797,556	1,497,709	2,744,525
France	371,436	648,065	761,383	819,328	958,095
Ireland	163,525	250,122	414,747	1,058,012	1,378,429

Source: OECD Statistics 2023, https://stats.oecd.org/Index.aspx?DatasetCode=FDI_FLOW_INDUSTRY#

In the YOIKK (2014) report, it is shown that the share of developing countries in foreign direct investments surpassed that of developed countries for the first time as of 2010, increasing from 50.9 percent in 2011 to 58.5 percent in 2012. Again in 2012, transition economies and developing countries attracted USD 87 billion and USD 703 billion of FDI, respectively, leading to a total flow of USD 790 billion. Considering the value of this amount in terms of tax revenues, the importance of FDI becomes evident once again.

On the other hand, although the decline in the attractiveness of developed countries, which were most affected by the 2008 global crisis, for foreign direct investment and the rise in the prominence of countries that can offer more effective tax competition policies to investors among emerging economies have increased investments in these countries, as the effects of the crisis diminish, FDI is again shifting towards developed countries, which are considered safer, and this situation can be observed more clearly in the data for 2013 in Table 1.

When these data are evaluated together, it can be concluded that there is a global conjuncture-dependent relationship between FDI and tax competition. Although tax incentives had a significant impact on FDIs during the global crisis periods when developed countries lost their safe harbor characteristic, FDIs set security as their top priority with the normalization of global economic conditions and do not make decisions based solely on tax regulations (Erasa and Kahiloğulları, 2023).

5.2. Structural Impacts on the Turkish Tax System

An analysis of the effects of the damaging global tax competition on Turkey reveals that Turkey, like other OECD countries, has been affected by these harmful developments, as evidenced by the rate of increase in social security and tax payments and revenues over the years.

Table 2: Share of Tax Revenues in GDP (1990-2021)

	1990	1995	2000	2005	2010	2015	2020	2021
Türkiye	14.5	16.4	23.5	23.1	24.7	25.0	23.9	22.8
United Kingdom	32.9	29.3	32.7	32.5	32.0	31.6	32.1	33.5
United States	26.0	26.6	28.3	26.1	23.4	26.2	25.8	26.6
Sweden	48.8	45.1	50.0	47.3	42.9	42.6	42.3	42.6
Denmark	44.4	46.5	46.9	48.0	44.8	46.1	47.1	46.9
Germany	34.8	36.3	36.4	34.4	35.5	37.3	37.9	39.5
France	41.2	42.5	43.4	42.9	42.1	45.3	45.3	45.1
Canada	35.1	34.6	34.7	32.7	31.0	32.8	34.3	33.2
Netherlands	39.7	37.2	36.9	35.0	35.7	37.0	40.0	39.7

Source: OECD Statistics 2023, https://stats.oecd.org/Index.aspx?QueryId=78166

An analysis of the share of tax revenues in GDP in Turkey reveals that this ratio, which was 14.5% in 1990, well below the OECD average (32.2%), has increased by approximately 57% until today, reaching 22.8% in 2021 and is still below the OECD average (Table 2).

Identifying the source of the tax increase that led to this situation and determining to what extent consumption taxes played a role in the increase in the share of tax revenues in GDP is important in terms of identifying the structural effects of tax competition on the Turkish tax system. In this framework, it is important to first compare the corporate tax rates in Turkey since 1990 with selected OECD member countries.

Table 3: Corporate Tax Rates in Some OECD Countries (1990-2023)

	1990	2000	2005	2010	2015	2020	2023
Türkiye[2]	45.0	33.0	30.0	20.0	20.0	22.0	20.0
United Kingdom	34.0	30.0	30.0	28.0	20.0	19.0	25.0
United States	34.0	39.3	35.0	35.0	35.0	21.0	21.0
Sweden	40.0	28.0	28.0	26.3	22.0	21.4	20.6
Germany	50.0	52.0	26.4	15.8	15.8	15.8	15.8
France	37.0	37.0	35.0	34.4	38.0	32.0	25.8
Canada	28.0	42.4	22.0	18.0	15.0	15.0	15.0
Netherlands	35.0	35.0	31.5	25.5	25.0	25.0	25.8
Ireland	24.0	24.0	12.5	12.5	12.5	12.5	12.5

Source: OECD Statistics 2023, https://stats.oecd.org/Index.aspx?QueryId=78166

An analysis of the corporate tax rates applied by selected OECD countries between 1990 and 2023 in order to monitor the changing share of consumption taxes in total tax revenues (Table 3) reveals that Turkey's corporate tax rate of 45% in 1990 has rapidly declined to 20% in recent years. The decline in the corporate tax rate, which is considered as an indicator of the provision of public services with a fair tax distribution, is 55.6%, which is about 10% points higher than the average decline in OECD countries. The corporate tax rate applied in Turkey as of 2010 is 20%, which is approximately 5% lower than the OECD average. Ireland, which has a lower corporate tax rate than Turkey among all OECD countries, owes this to its position as Europe's new technological investment

[2] 2021 rate was 23%, and the 2022 rate was applied at 25%

hub, which it realized during the relevant period, and as a result of this strategy, it still hosts a high amount of direct investment.

Table 4: Share of Consumption Taxes in Total Taxes in Some OECD Countries (1990-2021)

	1990	2000	2005	2010	2015	2020	2021
Türkiye	27.5	40.6	47.4	45.8	42.7	41.5	40.9
United Kingdom	29.3	30.8	29.4	30.2	32.7	29.8	29.5
United States	15.2	13.9	14.7	15.5	14.6	15.0	14.5
Sweden	24.0	23.6	25.1	28.7	27.3	27.5	27.3
Germany	25.8	27.6	28.1	28.7	26.7	24.1	24.6
France	27.5	25.4	25.0	25.5	25.1	26.0	26.1
Canada	24.4	22.8	23.7	22.5	21.5	20.2	20.5
Netherlands	24.0	26.9	29.3	28.2	27.1	27.5	28.0

Source: OECD Statistics 2023, https://stats.oecd.org/Index.aspx?DataSetCode=REV

When the structural development of tax revenues in Turkey between 1990 and 2023 is analyzed with OECD data (Table 4), it is seen that the share of consumption taxes in total taxes, one of the most striking examples of which is given above, increased by 48.7 percent, from 27.5 percent to 40.9 percent. The average decrease in the same area in OECD countries is 2.3 percent and the share of consumption taxes in total taxes is 26.6 percent on average by 2021. There are no OECD countries, taken as examples above, that impose consumption taxes above the rate applied by Turkey. This situation reveals the problems experienced in Turkey in terms of tax justice between the relevant years.

As a result of the pressures created by the current global conjuncture, the approach of ensuring tax efficiency generally prevails over the principle of fair taxation. In Turkey, a number of tax regulations have been made in recent years for reasons such as revising the system in line with the requirements of the age, ensuring tax harmonization and tax competition. Demirli (2011) shares the view that the regulations made in this context are generally insufficient to meet the standards regarding the principles of efficiency, fairness and simplicity.

Pehlivan and Gökbunar (2010) provide estimates and predictions in terms of the numerical expression of tax inefficiency, and argue that the burden of direct taxes is increasing day by day on the system due to corporate tax losses in areas such as import overpricing, transfer pricing, cost sharing, royalty and license transactions.

When we look at the level and frequency of preferential tax system practices among OECD member countries, we see that some countries actually function like tax havens. This is because preferential tax regimes can be implemented even if tax rates are not zero or low, or even if there is an effective information sharing and cooperation approach. In other words, OECD countries that apply preferential tax regimes also implicitly support the increase in unfair global tax competition.

In addition to being a country that has experienced all these negative effects of global tax competition, Turkey was also included in the list of countries practicing harmful tax competition by the OECD in 2000 due to the free zone and offshore banking policies it started to implement in 1985. Countries with such preferential tax regimes have been accused by the OECD of creating preferential tax regimes in order to attract highly mobile service and financial activities (Hoşyumruk, 2003).

In some cases, preferential regimes may be designed to transfer international capital flows through a specific route and to function as a conduit. Preferential tax regimes may have been created by regulations in administrative practices or tax laws outside the written framework of the system. In this context, Hoşyumruk (2003) argues that preferential tax regimes are an important threat as they implicitly allow non-tax haven countries to engage in harmful tax competition.

Turkey has made the necessary legislative arrangements in the process and ended the preferential tax regimes for free zones effective from 31.12.2008 (Pehlivan and Gökbunar, 2010).

After 2000, the Turkish tax system underwent a number of fundamental changes. Turkey's economic, social, and financial structure changed as a result of tax reforms and laws implemented during this time. In the 2000s, Turkey's income tax system underwent significant changes (Karakış, 2019). With adjustments including tax bracket

regulation, tax base expansion, and tax reductions, the income tax system has been attempted to be made more equitable and efficient. In Turkey, the company tax rates have undergone a number of adjustments during the 2000s (Kılıçarslan, 2016).

Corporate tax rates have been decreased or varied in incentive zones in order to boost business competitiveness and enhance the investment climate. The VAT system has been regulated, and as a result, the tax base has grown and the tax rates on some products and services have altered. Additionally, several sectors received reductions and VAT exemptions (Ok, 2017). The social security premium costs for both employers and workers were altered as a result of the system's adjustments. Social security changes have been implemented, and obligations of employers and employees have been established.

The tax administration has become more effective and productive, with tighter tax audits and the use of computerized tax collecting systems (Saykal, 2018). To promote investments, tax incentives and exemptions have been offered on a regional and industry basis. Its objectives were to boost the economy of Turkey, the effectiveness of the tax system, and the level of corporate competition. Tax reform outcomes, however, can occasionally be complicated and have a variety of practical effects.

Today, nations are implementing the flat rate tax system and promoting it alongside financiers; yet, this system is criticized by scientists due to its flaws and inadequacies. Due to sociological variations, the same legal rules can result in different outcomes in other civilizations (Selim, 2014). Because of this, the outcomes of implementation in Eastern Bloc nations that use comparable economic systems and have equitable income distribution may not be the same for all nations. One of the nations where these methods don't provide desirable outcomes is Turkey. However, the system is criticized for a number of reasons, including how it undermines the notion of justice, how the risk of a decline in tax revenues as a result of rate reductions, how the social security system must support this practice in order for the system to be implemented, and how discriminatory taxation undermines the impartiality of the system (Şanlı, 2022). Income tax supporters contend that the personal expenditure tax incentive to save and invest will generally benefit wealthy people and create injustice against low-income people.

The system's operating costs may rise because it will be challenging to distinguish between consumption and savings,. Moreover, as savings rise, developed economies may experience a saving paradox. He critiques the system by claiming that because the basis of the spending tax system is less than the base of the income tax and that this might lead to higher tax rates (Ok, 2017). Due to its proximity to Turkey, its sizeable economy, its extremely low flat tax rates, its comprehensive reform in the shift to a market economy, and its effective reform implementations, Russia is a significant country. is . With its 2001 flat-rate tax reform, Russia lowered its income tax rate from 30% to 13%. The results of the Russian tax reform have been discussed in the international literature as a result of the reduction in the income tax rate, the rise in tax revenue, and voluntary tax compliance (Kılıçarslan, 2016).

The importance of the exchange rate expanded as a result of economies implementing open policies and using a flexible exchange rate system. The exchange rate controls the economy and has an impact on macroeconomic factors (Alkan, 2020). The relevance of the exchange rate among macroeconomic indicators has expanded with the transformation of the Turkish economy to the open economy model. The 2000 and 2001 crises in Turkey led to an increase in the exchange rate and inflation rate (Bozdağlıoğlu, 2017).

Between 2002 and 2008, economic stability was attained; however, in 2009, the effects of the global financial crisis caused the exchange rate to rise once more. Both the currency rate and the inflation rate experienced fluctuations after 2010. The exchange rate and inflation rate have significantly increased since 2017.

The nominal exchange rate and the inflation rate are rendered stationary when first difference is taken using the Extended Dickey-Fuller (ADF) unit root test (Karabulut, 2019). The Granger causality test was used to examine the link between the stationary time series. The study led to the determination of a causal link between the nominal exchange rate and the inflation rate as well as a causal relationship between the inflation rate and the nominal exchange rate.

These findings indicate that the rise in the exchange rate is one of the main factors contributing to Turkey's rising inflation rate (Şanlı, 2022). The main cause of Turkey's rising inflation rate in recent years has been the country's dramatic rise in exchange rates. Economic measures that ensure steady exchange rate fluctuation should be put into place since exchange rate rises worsen several macroeconomic indicators.

5.3. Tax Havens and Their Impact on the Turkish Tax System

Despite the growing international sensitivity about the negative effects of tax havens, the main reason for the expansion of tax havens after the 1980s, both in terms of the number and volume of transactions, is that capital transfers have become increasingly easier for corporate taxpayers to transfer their income and profits to more advantageous and sheltered bases due to rapid developments in communication technologies.

Problems arising from tax havens may be among the most important public finance and budget problems in the long run in developed countries, which can collect higher taxes than the global average from a more limited tax base, as well as in developing countries, which have a relatively limited tax potential but are increasingly attractive regions and have high populations. Öz and Yaraşır (2009) argue that in Turkey, which is among the developing countries, a significant tax potential is smuggled to tax havens by a limited number of wealthy people who want to benefit from these advantages.

It is very difficult to estimate the global and local fiscal portrait of tax havens, but the expert opinions provided in this field can provide some guidance in understanding the dimensions of the tax haven concept. According to a report published by Henry (2012), an expert on international tax havens, as a result of the movement from the 1970s to the present day, there is currently between 20 and 30 trillion USD in tax havens on a global scale. These figures, which are based on World Bank and IMF data, do not include assets such as jewelry, ships and real estate and are analyzed only in cash terms.

In Henry's report, it is mentioned that Turkey, along with other developing countries, has suffered losses due to tax havens and the estimated dimensions of this loss. Accordingly, the share of developing countries in this amount is between 7 and 9 trillion USD. Turkey's share in this total is approximately 160 billion USD.

It is clear that the transfer of such a high amount of money to tax havens, which are recognized as the most harmful instruments of unfair international tax competition, from a country like Turkey, whose economy is so sensitive to capital movements in foreign currency, has significant economic and social consequences.

Among the primary consequences of this situation is the deficit that these untaxed assets will create in the public services of a developing country like Turkey and the tax injustice that will arise in return. According to Yaşar (2012), one of the most important sources of Turkey's current account deficit, which is estimated at an annual average of USD 67 billion and is characterized as the soft underbelly of the macro economy, is the foreign currency-denominated foreign loans smuggled to and held in tax havens. A significant portion of these loans are obtained by the private sector from tax havens such as Bahrain, Cayman Islands and Malta.

Akçakoca (2012) argues that radical measures to be taken against tax havens would bring a total of USD 45 billion in tax revenues to the budget and reduce the current account deficit by the same amount. In a similar approach, Turkey's private sector external debt level would be reduced by the amount of money held in tax havens. If direct taxes can be collected sufficiently, the pressure on direct taxes will be reduced, the tax burden on ordinary citizens will be lowered, and thus the amount of disposable national income will increase significantly.

6. Conclusion

As a result of the socio-economic and technological developments that emerged in the last quarter of the last century, there has been a need for a significant increase in public expenditures per capita, and for this reason, the tax burden of governments for financing public expenditures has started to increase and structural changes have started to be followed in the policies followed to create resources. In order to meet the public financial burden, governments have primarily used the option of increasing the local tax base, but this has led to increases in legal obligations, wealth, income and corporate tax rates, which has led both commercial enterprises and personal wealth holders to evade their tax bases in the so-called tax havens.

The economy was directly impacted by the Kahramanmaraş earthquake. Certain rules have had a direct impact on the economy. For instance, the deadlines for filing tax returns and declarations, paying taxes owed on notifications and declarations, paying all taxes, paying penalties and interest for delays accrued prior to the earthquake date, whose payment deadline coincides with the time period designated as a "force majeure," paying the second installment of the 2023 motor vehicle tax, and the earthquake itself (Şen, 2023). All taxes, fines, and delay interest that are paid in advance of the completion date, ex officio or by the administration, and whose maturity time corresponds with the beginning of the force majeure, have an extended payment term. There haven't been many research on the issue in Turkey, according to the literature on political-economic interaction. Very little is known about the relationship between Turkish politics and economics as a result of these few research. The USA and

European nations have been the subject of several studies. The findings are thus attempted to be applied to Türkiye as well. Naturally, this leads to a lot of issues (Say and Doğan, 2023).

Another important factor in the rise of these centers, which provide investors with the assurance to hide their information by ensuring the principle of non-disclosure of information to third parties and institutions through local laws and attract investors' interest rapidly with low or no tax options, is the global financial liberalization movements that have increased their weight since the early 1980s. As a result of these movements, controls on capital have been gradually reduced and even international capital movements have been encouraged.

While Bitcoin-related activities, which have dominated the economic discussion in recent days, are permitted legally in several nations, Turkey does not yet have a legal framework in place for them. The most significant characteristic of Bitcoin is that, similar to tax havens, it is a closed system, making it impossible to ascertain the transaction's value (Günay and Kargı, 2018). The fact that Bitcoin transactions cannot be tracked and may therefore circumvent financial restrictions has increased the value of the cryptocurrency for investors, especially in recent days. Additionally, because there are a finite amount of Bitcoins, this virtual currency (crypto money) is immune to the effects of inflation, and because local currencies in developing nations are less stable against Bitcoin and unstable against financial crises, Bitcoin is a highly alluring alternative. made a different choice. Many economists define Bitcoin as an unreliable investment or payment method, yet due to its 1.700 percent gain in value in 2017 alone, it has been able to raise its transaction volume day by day, defying these assertions. Because of this, several nations have decided to recognize Bitcoin as a legitimate form of payment. As a result, the topic of taxes on Bitcoin transactions has been raised due to the fact that the transactions may be documented. This choice might be interpreted as proof that the Turkish economy is affected by virtual currency (Yıldırım, 2015).

In the world, which has become an integrated market with the globalization process, international capital and product mobility takes place at a dizzying pace. The main motivation underlying the phenomenon of tax competition is to obtain the highest possible share from the earning potential arising from these movements.

In the academic literature on tax competition reviewed in the framework of this study, there are two main approaches that evaluate tax competition positively or negatively in terms of its consequences. Among the theoretical approaches, the main rationale of those who argue for the positive aspects of tax competition through the reduction of tax rates is that competition will bring benefits in terms of economic efficiency, taxpayers will be provided with the opportunity to choose, and public services can be improved by moving away from the individual preferences of the authorities. Those who argue that the negative consequences of tax competition are more severe argue that high-wealth individuals and organizations, especially from developing countries, will prefer tax havens, the tax burden will be concentrated on immobile factors such as labor force and consumption expenditures, and low-income social strata will suffer. Within the framework of this view, tax competition in favor of capital may lead to social injustice and inefficiency in public services, and it will become increasingly difficult for local governments to prevent fiscal distortions by reducing their tax bases.

Important institutions such as the EU and the OECD share the view that such social drawbacks and fiscal distortions will arise as a result of harmful tax competition and take measures and carry out studies to prevent harmful tax competition. With the regulations made under the cooperation and leadership of these two institutions, an integration policy is carried out with the participation of all nations in order to prevent the harmful dimensions of tax competition. The main objective of the OECD's approach is to alleviate the pressure of tax competition on labor with low mobility and to prevent the wage earners from paying the price of this competition. If it is remembered that Turkey is the country with the fastest increase in indirect taxes and the highest share in total taxes among OECD countries, it becomes clear that Turkey is among the countries most negatively affected by tax competition in terms of its effects on social justice and public finance.

The decrease in public spending as a result of the decline in tax revenues, the financing of public spending through borrowing, the inadequate tax inspection rate, the expansion of the shadow economy, the unfair distribution of the tax burden, and the decrease in tax revenues as a result of the reductions in the taxes to be collected can all be listed as negative effects of tax competition (Demirli and Ayyıldız, 2016).

Its structure suffers from two effects. The first of these is the reduction in the capacity for all taxes, and the second is the modification of the taxation of movable factors. The process of globalization actually intensifies tax competitiveness, which has an impact on both the structure of taxes and public spending (Demirli, 2011). The efficiency and compensation theories, however, provide an explanation for how globalization has an impact on fiscal policy.

The extension of welfare state policies by governments to safeguard their population against the rising economic dangers brought on by globalization is a component of the compensation theory. The efficiency premise is connected to tax competitiveness. The dissolution of the nation-state notion and the struggle between governments for movable resources are two characteristics of the efficiency hypothesis. It is common knowledge that taxes account for a large portion of government income. In reality, in addition to setting a specific revenue target, tax policy also serves the purposes of controlling income distribution and preserving the stability and balance of the overall economy. However, in the modern age of globalization, a nation cannot decide on its tax policy independently of other nations. Other nations adjust as a result of adjustments made to the tax rates of some nations.

Taxpayers are interested in these changes in tax systems because of how tax rates affect investment choices. As a result of tax rate decreases (so long as they occur in the upward-sloping portion of the Laffer curve) and different tax advantages and privileges, certain nations may benefit while others may suffer certain losses. In other words, one of the negative economic effects of tax competition is the income losses (Fiscal Deterioration) experienced by nations as a result of the erosion in the tax base caused by these activities.

In the light of the above-mentioned general outlook, it can be said that tax competition is a concept that strongly, albeit indirectly, affects large masses and jeopardizes tax justice. To summarize, countries try to provide employment and growth by attracting more foreign investment, but on the other hand, the erosion of tax revenues due to changes in tax systems and policies is largely passed on to the wage earners.

On the other hand, tax haven countries, which play a leading role in turning tax competition into a detrimental situation, are able to stay away from result-oriented prevention activities due to the fact that numerous multinational companies that have a say in the global economy and politics continue their activities in these countries. Since the unlimited freedom of movement of multinational companies, which are mostly originating from developed countries, is supported by these countries, the necessity for all other companies to achieve similar tax advantages in order to achieve global competitive advantage makes tax havens an inevitable solution despite their negative effects. For example, restrictions on domestic firms in the Turkish tax system may have the effect of reducing the international competitiveness of these firms and the tax collection potential of the state in the long run.

The approach adopted in the international platform and in developed countries regarding tax havens is to prevent individuals and firms that keep their capital or wealth in tax havens only for the purpose of tax evasion through unrealistic organizations and documents, but to consider the use of tax havens by production firms to increase their competitive advantage within the legal framework.

In this context, combating the harmful effects of tax havens should be carried out with global cooperation and participation, otherwise, accepting the existence of these centers, even if limited to firms that can provide international competition conditions, and making the necessary arrangements may be a viable option for the Turkish tax system. The advisory nature of the efforts to combat tax havens leads to new tax searches (digital service tax).

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