Considerations of Taxpayers According to Situation of Benefiting From Tax Amnesty: An Empirical Research

Selçuk İpek
Associate Prof. Dr.
Çanakkale Onsekiz Mart University
Biga Faculty of Economics and Administrative Sciences
Department of Public Finance
Biga, Çanakkale, Turkey

Mehmet Öksüz
Çanakkale Onsekiz Mart University
Institute of Social Sciences
Çanakkale, Turkey

Sibel Özkaya
Çanakkale Onsekiz Mart University
Institute of Social Sciences
Çanakkale, Turkey

Abstract

The concept of tax amnesty is an important factor that affects tax compliance of taxpayers. A survey is conducted to measure tax considerations of taxpayers living in Thrace Region according to degree of using tax amnesty. The survey results are analyzed by the SPSS program. At this stage Chi Square analysis is applied. The data obtained is tabulated and interpreted. According to these data following results are obtained for taxpayers living in Thrace region and not benefit from tax amnesty: Tax amnesty encourages tax evasion. Tax amnesties undermine confidence in government. Tax amnesty reduces tax compliance. Tax amnesty should never be applied. Tax amnesty in Turkey is applied to protect some of taxpayers. Tax amnesty must be applied only one-time. In contrast, taxpayers which benefits from tax amnesty have exactly opposite opinion.

Keywords: Tax Amnesty, Tax Compliance, Thrace Region

1. Introduction

The concept of tax compliance is defined as interpreting needed information about taxes on time, fulfilling obligations of taxpayers without preoccupation and paying their taxes on time without any sanctions (Silvani & Katherina, 2000). More generally, we can say that it involves fulfillment of a tax laws correctly (Torgler & Schaltegger, 2005). Both tax compliance and non-compliance is very important subject in terms of their tax administrations in the world (Torgler & Murphy, 2004). The basic critical question about tax compliance is "Why people pay or do not pay their taxes?" (Feld & Frey, 2007). Because, taxes mean that a gratuitous transfer of purchasing power from taxpayers to government. For this reason many taxpayers do not want to pay their taxes and they see taxes such an obediential obligation (İpek, 2010).

Tax amnesty has a very important place in the factors of affecting tax compliance. Tax amnesty is also one of the factors that affecting the considerations of taxpayers. According to several studies that have done before, there is usually a negative relationship between tax amnesty and tax compliance[1].

---

[1] For additional information. Doğan Şenyüz, *Vergilemede Yükümlü Psikolojisi,* Bursa, 1995; James Alm; William Beck, "Tax Amnesties and Compliance In The Long Run: A Time Series Analysis", *National Tax Journal*, 46(1), 1993, 53-60; O. Fatih Saraçoğlu; Eren Çaşkurlu, "Tax Amnesty with Effects and Effecting Aspects: Tax Compliance, Tax Audits and Enforcements Around; The Turkish Case", International Journal of Business and Social Science, 2(7), 2011, 95-103; L. Julio Laborda; Fernando Rodrigo, "Tax Amnesties and Income Tax Compliance: The Case of Spain", Fiscal Studies, 24(1), 2003,

In this study, considerations of taxpayers in terms of benefiting or not benefiting from the tax amnesty are analyzed (including taxpayers who gain business profit or income from independent personal services in the Thrace Region) and searched for the question of "How tax amnesty affects the tax compliance?". In this context, after we briefly deal with relationship between tax amnesty and tax compliance, we analyze survey results which including taxpayers living in the Thrace Region (Çanakkale, Edirne, Kırklareli and Tekirdağ).

2. *Tax Compliance and Tax Amnesty: A Conceptual Description*

Tax compliance is generally defined as the fulfillment of tax obligations correctly. Both voluntary tax compliance and non-compliance of taxpayers are the most important points in terms of their tax administrations in the world (Torgler and Murphy, 2004). It is important for legislators to know factors that causes declaring or not declaring taxpayers income correctly and paying or not paying their taxes entirely (Smith and Kinsey, 1987). There are mainly two approaches about tax compliance: "rational choice approach" and "moral sentiments approach". Tax compliance is affected by economic factors such as audit rate, effectiveness of penalties and possibility to be caught, according to rational choice approach which was developed by Allingham and Sandmo in 1972. According to "moral sentiments approach", tax compliance is not affected by only economic factors; also social, political, legal, cultural and especially psychological factors affects the tax compliance (Aktan, 2006, Kirchler et al., 2003).

We can abstract the factors affecting the tax compliance, under two heading as individual and environmental factors. Individual factors consist of: ability to pay taxes, tax moral, loyalty to government, to adopt the status of political power, thoughts of taxpayers about others (taxpayers), the concordance between public services and choices of taxpayers, the effective use of public revenues and demographic factors. And the environmental factors are defined as: factors arising from the tax administration and tax system, factors arising from the economic conjuncture and factors arising from the political system. The tax amnesty application is one of the environmental factors that affecting tax compliance arising from tax administration and tax system.

Amnesty which means giving up a right connotes that decided penalties are diminished or completely eliminated by the competent bodies. Based on this definition tax amnesty can be defined as the application that government disclaims the right of its receivables due to decided and unpaid receivables on time, accruing penalties and provides payment of original receivables also aims to accelerate its revenue.

Tax amnesty applications provide governments a way of obtaining short-term revenue by collecting overdue tax debts (McKenzie, 2010). If we look from this perspective, tax amnesty is an effective way of reducing cumulative compliance problems. For this reason, a new and better tax applications will not affected by the previous situations and will not keep in step with current non-compliance (Lerman, 1986). Those against tax amnesty think that this application is an unfair tax deduction for taxpayers who do not pay their taxes on time and do tax evasion (Alm & Beck, 1993). In addition, problems about government budget should not be a justification for giving tax amnesty to taxpayer who does not pay taxes (NJBIZ, 2009). According to Franzoni, it is not possible that gaining additional net revenue from the tax amnesty (Franzoni, 2000).

Governments should entirely display the tax amnesty program by estimating effects of short- and long-term gains and losses   before the implementation of tax amnesty and also they should decide if the program is applied or not, according to the results of assessments (Tunçer, 2002).

Generally characteristics of tax amnesties are emphasized as followings: they are used for short-term such as 2-3 months, it is based on voluntary participation in tax amnesty, however if taxpayer who does not participate in the amnesty is caught by audit administration, tax penalties can be more heavily, governments give up only amount of tax penalties in tax amnesty, do not disclaim original amount of taxes (Luitel & Sobel, 2007).

Because of the tax amnesty, taxpayers who pay their taxes completely and on time tend not to act rationally and, taxpayers who evade taxes tend to act rationally. This situation penalizes unfairly taxpayer who pays taxes entirely and on time and encourages tax evasion.

73-96; A. Stuart Weinreb, "Tax Amnesty Programs and Voluntary Compliance Initiatives: A Way to Mitigate Declining State Revenues", The Tax Adviser, 40(6), 2009, 1-6.

In spite of being conscious and having high moral values, taxpayers can generally change their attitude in view of examples which are harmful for their selves but provide great benefits to others. Look to taxpayers for not changing their attitudes in this situation is too optimistic (Tunçer, 2003).

3. An Empirical Research: Considerations of Taxpayers Living in Thrace Region about Tax Amnesty

The establishment of an efficient tax system depends on determining and evaluating tax considerations and behaviors of taxpayers. Therefore, a survey is conducted in order to reveal the resultant effects of tax amnesty on the tax payers living in Thrace Region.

3.1. Methodology

The most effective method is face to face questionnaire method in determining attitudes and behaviors of taxpayers about tax amnesty. Just because of this, face to face questionnaire method is used in this study. Simple random sampling method is used in selection of sample. The size of random sample is determined as 348 people by using n=t2pq/d2 [significance level is α=0.05 , sampling error is ± %5 (t=1.96, p= 0.05, q=0,05)] (Baş, 2001). The empirical research is carried out on taxpayers who gain business profit or income from independent personal services in the Thrace Region. In the aggregate there are 453 questionnaire but 45 of these are out of use. Therefore only 408 questionnaires are appraised. The research is done by the year of 2011.

The survey consists of three sections: Demographic information such as age, gender and education levels of taxpayers are researched in the first section. In the second section the aim is to measure tax considerations and attitudes of taxpayers. Additionally, in the third section, measurement of tax considerations of taxpayers about tax amnesty is aimed.

A large part of questions are created by using Likert collection scale (Yükselen, 2006) -a kind of scale that is developed to determine the various levels of factors such as "attitude, perception and belief" and to analyze the collected data in surveys. This method was developed in 1932 by Likert (Arkonaç, 2005). Analyses are carried out by using SPSS 16.0 for Windows Statistical Package Program.

3.2. Distribution of Taxpayers According to Demographic Characteristics

Firstly, information about demographic characteristics of taxpayers are provided priority, because these characteristics can be effective on tax approaches.

As shown in Table 1, %21,3 of taxpayers which participate in survey are 30 and under 30 age group. %36,2 of taxpayers which participate in survey are 31-40 age group and it represents the majority of the taxpayers. %24,2 of taxpayers participate in the survey are 41-50 age group also %18,3 of taxpayers participate in the survey are 51 and above 51 age group. If we look allocation of gender, we can see that 124 people are women and 284 people are men. In addition, a majority of respondents have university degree and it is %37,7. After bachelor graduates, high school graduates have the highest rate with %32,6. These results are more important for intelligibility of questions asked in the questionnaire and tax-related concepts. Because there is a generally accepted idea about the level of education: If education level of taxpayers increases, level of knowledge about tax increases (Table 1).

3.3. Chi Square Analysis Results: Considerations of Taxpayers According to Benefiting from Tax Amnesty

At this section, it is investigated that if there is a intense relationship between the level of benefiting from tax amnesty and taxation and attitudes, perceptions and behaviors of taxpayers. The results interpreted in tables. Some of taxpayers who participated in the survey have benefited from tax amnesty before, these are over the age of 51 and the percentage is the highest rate with %33. 41-50 age group follows these taxpayers with an average of %30,9. If we look at the average age of taxpayers who has already benefited from tax amnesty before, between the ages of 31 and 40 represents the percentage of %38,9. As a result of the use of Chi Square Analysis, we cannot say that benefiting from tax amnesty does not depend on age groups (Table 2). %20,2 percentage of taxpayers who have benefited from tax amnesty are women and %79,8 percentage of taxpayers are men.%33,4 percentage of taxpayers who have not benefited from tax amnesty before are women and %66,6 percentage of taxpayers are men. As a result of the use of Chi Square analysis, there is no correlation between benefiting from tax amnesty and gender (Table 2). %37,3 percent of taxpayers who have benefited from tax amnesty think that tax amnesty encourages tax evasion, %30,9 percent of taxpayers are uncertain at this subject. Most taxpayers who have not benefited from tax amnesty (%67,6) think that tax amnesty encourages the tax evasion.

In addition, Chi Square Analysis revealed that there is a relationship between benefiting from tax amnesty and perceptions that tax amnesty encourages tax evasion (Table 3).

According to results of the survey conducted in Thrace Region, %64,9 percent of taxpayers who have benefited from tax amnesty think that tax amnesty does not shake the confidence of government. However, this situation is quite different in terms of taxpayers who have not benefited from tax amnesty. In this context, %55,8 percent of taxpayers who have benefited from tax amnesty think that tax amnesty shakes the confidence of government. Chi Square Analysis revealed that there is a relationship between benefiting from tax amnesty and attitudes about shaking confidence of government (Table 3).

According to the results of this study, there is a general belief that tax amnesty does not reduce the willingness to pay taxes. In this context, %48,9 percent of participations say yes to this statement and %6,4 percent of participants strongly disagree. However, taxpayers who have not benefited from tax amnesty have the exactly opposite approach about this situation. %31,2 percent of the participants strongly agree, %31,2 percent of taxpayers say that I agree. Thus, there is a different approach between taxpayers who have benefited from tax amnesty and have not benefited the amnesty. As a result of the Chi Square Analysis, there is a relationship between benefiting from tax amnesty and willingness to pay taxes (Table 3).

Taxpayers who have benefited and not benefited from tax amnesty give different answers the question about if they are completely against tax amnesty or not. As you can see in the table, %22,4 percent of participants are against tax amnesty, and %68,1percent of participants say that I am not against tax amnesty. If we consider taxpayers who have not benefited from tax amnesty, we can see that %51percent of participants are against tax amnesty and %33,8 percent of participants say that I am against tax amnesty. As a result of the Chi Square analysis, we can see that there is a relationship between benefiting from tax amnesty and consideration of being against tax amnesty (Table 3).

Taxpayers who have benefited and not benefited from tax amnesty give different answers the question about if tax amnesty is used to protect some of taxpayers or not. As you can see the table, %23,4 percent of participants who have benefited from tax amnesty think that tax amnesty is used to protect some of taxpayers. On the other hand, %52,6 percent of participants who have not benefited from tax amnesty think that tax amnesty is used to protect some of taxpayers. Also, we can say that, there is relationship between benefiting from tax amnesty and considerations of participants about using tax amnesty for protecting some of taxpayers (Table 3). A consideration which sustains that tax amnesty application should be used only one time have too low rate among taxpayers who have benefited from tax amnesty. In this context, only %22,3 percent of taxpayers who participate in the survey say that I strongly agree, and %9,6 percent of participants say I agree. However, if we consider taxpayers who have not benefited from tax amnesty, we can easily see that there is a general belief about tax amnesty should be used only one time. %31,8 percent of these taxpayers certainly agree this subject, and %17,8 percent of the taxpayers say that I agree. Chi Square Analysis revealed that there is not a relationship between benefiting or not benefiting from tax amnesty and considerations about tax amnesty should be used only one time (Table 3).

4. Conclusions

Although tax amnesties redouble tax revenue in the short-term, they diminish tax revenue in the long-term. Because if tax amnesty is referred very often by government, taxpayers think that there will be probably an amnesty about taxation in the near future and for this reason they will tend not to fulfill their tax obligations. Government needs more tax revenue and it is rational to meet the revenue needs via the efficient tax system, not the tax amnesty so, doing studies to create awareness of taxation is one of the most important factors about this subject. It should be noted that in the countries whose taxpayers have the tax awareness, there is a significantly tax compliance.

As a result of this study, we can easily understand that taxpayers who have benefited or not benefited from tax amnesty have different approaches about tax and tax amnesty. At this stage Chi Square analysis is applied. The data obtained is tabulated and interpreted. According to these data following results are obtained for taxpayers living in Thrace region and not benefit from tax amnesty: Tax amnesty encourages tax evasion. Tax amnesties shake confidence of government. Tax amnesty reduces tax compliance. Tax amnesty should never be applied. Tax amnesty in Turkey is applied to protect some of taxpayers. Tax amnesty must be applied only one-time. In contrast, taxpayers which benefits from tax amnesty have exactly opposite opinion.

References

Aktan, C. C. (2006). Vergi Psikolojisinin Temelleri ve Vergi Ahlakı. In C. C. Aktan, D. Dileyici, & İ. Y. Vural (Eds.), Vergileme Ekonomisi ve Vergileme Psikolojisi. Ankara: Seçkin Yayıncılık.

Allingham, M. G., & Sandmo, A. (1972). Income Tax Evasion: A Theoretical Analysis. Journal of Public Economics, 1(3-4), 323-338.

Alm, J., & Beck, W. (1993). Tax Amnesties and Compliance In The Long Run: A Time Series Analysis. National Tax Journal, 46(1), 53-60.

Arkonaç, A. S. (2005). Sosyal Psikoloji. İstanbul: Alfa Yayımevi.

Baş, T. (2001). Anket. Ankara: Seçkin Yayıncılık.

Feld, L., & Frey, B. S. (2007). Tax Compliance as the Result of a Psychological Tax Conract: The Role of Incentives and Responsive Regulation. Tax&Policy, 29(1), 102-120.

Franzoni, L. A. (2000). Amnesties, Settlements and Optimal Tax Enforcement, Economica, 67(266), 153-176.

İpek, S. (2010). İdarelararası Vergi Paylaşımına Farklı Bir Yaklaşım: Yerel Vergiler ve Vergi Uyumu. In F. Altuğ, Ö. Çetinkaya, & S. İpek (Eds.), Mahalli İdareler Maliyesi Üzerine Yazılar (pp. 31-61). Bursa: Ekin Yayınları.

Kirchler, E., Maciejovsky, B., & Schneider, F. (2003). Everyday Representations of Tax Avoidance, Tax Evasion, and Tax Flight: Do Legal Differences Matter?. Journal of Economic Psychology, 24, 535-553.

Laborda, L. J., & Rodrigo, F. (2003). Tax Amnesties and Income Tax Compliance: The Case of Spain. Fiscal Studies, 24(1), 73-96.

Lerman, A. H. (1986). Tax Amnesty: The Federal Perspective. National Tax Journal, 39(3), 325-332.

Luitel, H. S., & Sobel, R. S. (2007). The Revenue Impact of Repeated Tax Amnesties. Public Budgeting & Finance, 27(3), 19-38.

McKenzie, M. (2010). Tax Payback, Smart Business Columbus, 18(6), 28.

NJBIZ. (2009). Tax Amnesyt Unfairly Rewards Deadbeats. 22(18), 05.04.2009, 16.

Saraçoğlu, O. F., & Çaşkurlu, E. (2011). Tax Amnesty with Effects and Effecting Aspects: Tax Compliance, Tax Audits and Enforcements Around; The Turkish Case. International Journal of Business and Social Science, 2(7), 95-103.

Silvani C., & Katherina B. (2000). Vergi İdaresi Reform Stratejisinin Planlanması: Tecrübe ve İlkeler. (Translated: Ö. Saraç). Türk İdare Dergisi, 426, 189-220.

Smith, K. W. & Kinsey, K. (1987). Understanding Taxpaying Behavior: A Conceptual Framework with İmplications for Research. Law&Society Review, 21(4), 639-663.

Torgler, B., & Schaltegger, C. A. (2005). Tax Morale and Fiscal Policy, CREMA Working Paper, 2005-30, http://www.crema-research.ch/papers/2005-30.pdf. (April 20, 2012)

Torgler, B., & Murphy, K. (2004). Tax Morale in Australia: What Shapes it and Has it Changed over Time?. CREMA Working Paper, 2004-04, http://www.crema-research.ch/papers/2004-04.pdf. (April 20, 2012)

Tunçer, M. (2003). Vergi Ahlakı-Vergi Uyumu İlişkisi ve Türkiye. Vergi Sorunları Dergisi, 181,   92-114.

Tunçer, M. (2002). Vergi Uyumunun Artırılması ve Türkiye. Unpublished Ph.D. Thesis, Marmara University Institute of Social Sciences.

Weinreb, A. S. (2009). Tax Amnesty Programs and Voluntary Compliance Initiatives: A Way To Mitigate Declining State Revenues. The Tax Adviser, 40(6), 1-6.

Yükselen, C. (2006). Pazarlama Araştırmaları, Ankara: Detay Yayıncılık.

Table 1. Distribution of Taxpayers According to Demographic Characteristics

Demographic Characteristics		Number	Percent
Age	30 and under age group	87	%21,3
	31–40 age group	148	%36,2
	41–50 age group	98	%24,2
	51 and above age group	75	%18,3
	Total	**408**	**%100**
Gender	Female	124	%30,4
	Male	284	%69,6
	Total	**408**	**%100**
Education	Primary School	25	%6,1
	Secondary School	30	%7,4
	High School	133	%32,6
	Associate Degree	66	%16,2
	Bachelor's Degree	154	%37,7
	Total	**408**	**%100**

Table 2. Situation of Benefiting From Tax Amnesty According to Distribution of Demographic Factors

Demographic Characteristics		Have You Ever Benefited from the Tax Amnesty?		
		Yes	No	Total
		Number(Percent)	Number(Percent)	Number(Percent)
Age	30 and under age group	8 (%8,5)	79 (%25,2)	87 (%21,3)
	31–40 age group	26 (%27,7)	122 (%38,9)	148 (%36,3)
	41–50 age group	29 (%30,9)	69 (%22,0)	98 (%24,0)
	51 and above age gruop	31 (%33,0)	44 (%14,0)	75 (%18,4)
	Total	**94 (%100)**	**314 (%100)**	**408 (%100)**
Pearson Chi-square statistic 28,432 (sd:3, p- value 0,000)				
Gender	Female	19 (%20,2)	105 (%33,4)	124 (%30,4)
	Male	75 (%79,8)	209 (%66,6)	284 (%69,6)
	Total	**94 (%100)**	**314 (%100)**	**408 (%100)**
Pearson Chi-square statistic 5,982 (sd:1, p- value 0,014)				
Education	Primary School	13 (%13,8)	12 (%3,8)	25 (%6,1)
	Secondary School	8 (%8,5)	22 (%7,0)	30 (%7,4)
	High School	32 (%34,0)	101 (%32,2)	133 (%32,6)
	Associate Degree	13 (%13,8)	53 (%16,9)	66 (%16,2)
	Bachelor's Degree	28 (%29,8)	126 (%40,1)	154 (%37,7)
	Total	**94 (%100)**	**314 (%100)**	**408 (%100)**
Pearson Chi-square statistic 14,591 (sd:4, p- value 0,006)				

Table 3. Situation of Benefiting From Tax Amnesty According to Another Perceptions

1. Strongly Agree 2. Agree 3. Undecided 4. Disagree 5. Strongly Disagree		**Have You Ever Benefited from the Tax Amnesty?**		
		Yes	**No**	**Total**
		Number(Percent)	Number(Percent)	Number(Percent)
Tax amnesty encourages tax evasion	1	15 (%16,0)	106 (%33,8)	121 (%29,7)
	2	20 (%21,3)	106 (%33,8)	126 (%30,9)
	3	29 (%30,9)	48 (%15,3)	77 (%18,9)
	4	25 (%26,6)	52 (%16,6)	77 (%18,9)
	5	5 (%5,3)	2 (%0,6)	7 (%1,7)
	Total	**94 (%100)**	**314 (%100)**	**408 (%100)**
Pearson Chi-square statistic 33,769 (sd:4, p- value 0,000)				
Tax amnesties shake confidence of government	1	13 (%13,8)	90 (%28,7)	103 (%25,2)
	2	12 (%12,8)	85 (%27,1)	97 (%23,8)
	3	8 (%8,5)	35 (%11,1)	43 (%10,5)
	4	30 (%31,9)	61 (%19,4)	91 (%22,3)
	5	31 (%33,0)	43 (%13,7)	74 (%18,1)
	Total	**94 (%100)**	**314 (%100)**	**408 (%100)**
Pearson Chi-square statistic 32,899 (sd:4, p- value 0,000)				
Tax amnesty reduces tax compliance	1	12 (%12,8)	98 (%31,2)	110 (%27,0)
	2	18 (%19,1)	98 (%31,2)	116 (%28,4)
	3	12 (%12,8)	46 (%14,6)	58 (%14,2)
	4	46 (%48,9)	61 (%19,4)	107 (%26,2)
	5	6 (%6,4)	11 (%3,5)	17 (%4,2)
	Total	**94 (%100)**	**314 (%100)**	**408 (%100)**
Pearson Chi-square statistic 38,471 (sd:4, p- value 0,000)				
Tax amnesty should never be applied	1	9 (%9,6)	75 (%23,9)	84 (%20,6)
	2	12 (%12,8)	85 (%27,1)	97 (%23,8)
	3	9 (%9,6)	48 (%15,3)	57 (%14,0)
	4	35 (%37,2)	86 (%27,4)	121 (%29,7)
	5	29 (%30,9)	20 (%6,4)	49 (%12,0)
	Total	**94 (%100)**	**314 (%100)**	**408 (%100)**
Pearson Chi-square statistic 53,579 (sd:4, p- value 0,000)				
Tax amnesty in Turkey is applied to protect some of taxpayers	1	9 (%9,6)	69 (%22,0)	78 (%19,1)
	2	13 (%13,8)	96 (%30,6)	109 (%26,7)
	3	19 (%20,2)	53 (%16,9)	72 (%17,6)
	4	41 (%43,6)	73 (%23,2)	114 (%27,9)
	5	12 (%12,8)	23 (%7,3)	35 (%8,6)
	Total	**94 (%100)**	**314 (%100)**	**408 (%100)**
Pearson Chi-square statistic 27,104 (sd:4, p- value 0, 000)				
Tax amnesty must be applied only one-time	1	21 (%22,3)	100 (%31,8)	121 (%29,7)
	2	9 (%9,6)	56 (%17,8)	65 (%15,9)
	3	36 (%38,3)	75 (%23,9)	111 (%27,2)
	4	17 (%18,1)	57 (%18,2)	74 (%18,1)
	5	11 (%11,7)	26 (%8,3)	37 (%9,1)
	Total	**94 (%100)**	**314 (%100)**	**408 (%100)**
Pearson Chi-square statistic 11,760 (sd:4, p-value 0,019)				