



UNRECORDED ECONOMY AND AUDIT

KAYIT DIŐI EKONOMİ VE DENETİM

Murat TURGUT¹

Abstract

Unrecorded economy is described as economical activities that are not recorded in gross national product accounts. It has features like being unethical, being done with cash money and being statistically immeasurable. Illegal economic activities, semi-registered economic activities and unregistered economic activities are elements of unrecorded economy.

The main reasons for unrecorded economy are as follows; financial, economic and political. Audit has an important role in fighting with unrecorded economy. An efficient tax audit structure along with civic responsibility shall prevent unrecorded economy and should create an accord between the audit structure and the taxpayer and should narrow down certain exemptions for some taxpayers. What needs to be done is a financial revision, establishing an efficient inspection system and creating awareness about tax paying.

Key Words: Unrecorded, tax, economy, audit, civic awareness.

Öz

Kayıt dıŐı ekonomi, Gayri Safi Milli Hasıla (GSMH) hesapları içerisinde görünmeyen ekonomik faaliyetler olarak tanımlanmaktadır. Kayıt dıŐı ekonomik faaliyetler ahlaki olmamak, nakit olmak ve istatistiksel olarak tam ölçülememek gibi özelliklere sahiptir. YasadıŐı ekonomik faaliyetler, yarı kayıtlı ekonomik faaliyetler ve hiç kayıt altına alınmamıŐı ekonomik faaliyetler kayıt dıŐı ekonominin unsurlarıdır. Kayıt dıŐı ekonominin nedenleri; mali, ekonomik ve siyasal nedenler olarak sayılmaktadır. Kayıt dıŐı ekonomi ile mücadelede denetimin etkinliĐi önem arz etmektedir. Etkin bir vergi denetim yapısı ve vatandaşlık bilincinin birlikteliĐi, kayıt dıŐı lıĐı önleyeceĐi gibi, ilgili yapının mükellefe uyumunu da saĐlamalı, bazı mükelleflere tanınan muafiyet ve istisnaları da daraltması gerekmektedir. Yapılması gereken, mali revizyon, etkin bir denetim mekanizması ve en önemlisi vergi bilincinin oluşturulmasıdır.

Anahtar Kelimeler: Kayıt dıŐı, vergi, ekonomi, denetim, vatandaşlık bilinci.

¹Yrd.Doç.Dr.Murat Turgut ,NiŐantaŐı Üniversitesi, İktisadi, İdari ve Sosyal Bilimler Fakültesi Muhasebe ve Finansal Yönetim Öğretim Üyesi, murat.turgut@nisantasi.edu.tr

Introduction

Unregistered economy is seen as an important financial problem in many small and big sized countries in recent years. The main reason for this emphasis on this subject is public deficit which is an indicator of the economy and the growing trend of public borrowing. The structural deterioration on other economic indicators by this growing trend brings out the importance of the issue.

Especially in the last years, tax payers were made to pay extra taxes in order to increase tax incomes which brought a temporary economic relief but none were long term measures. That is why in order to increase tax incomes it is more plausible trying to reach taxables with undeclared incomes instead of taxpayers with registered activities and incomes. At this point the importance of the concept, unregistered economy becomes clearer.

In the paper, we tried to give general information on unregistered economy with its dimensions and factors and analyze the role of tax audit and measures to prevent unregistered economy with the reasons and conclusions.

1. Unregistered Economy

“Unregistered economy is an extensive phenomenon that creates an effect on many different fields. Not only economists and tax officers are involved in unregistered economy but sociologists, politicians, legal experts, anthropologists, and statisticians are also involved in unregistered economy. As researchers take a look to the concept from their field of expertise different definitions emerged. The appearance of the unregistered economy, its reasons, its effects, and its scope are mainly in the field of economy science but it became a subject of research for different branches of science occasionally.”(Sugözü, 2008: 2-3)

“Even unregistered economy is said to become a subject of big interest with a number of articles which left great impressions through the end of 70’s the first researches on the subject were on the early 40’s. But the main interest was attracted with the paper of Gutmann, published in 1977. That’s why unregistered economy was not accepted as an international issue till the 80’s.”(Çetintaşve Vergil, 2003: 16)

“Briefly unregistered economy can be both in legal and illegal fields. Those are unwanted activities because they divert resources to undesired sectors. These activities cause the economic efficiency to recede and builds an obstacle for the state by creating a space that cannot be taxed. By creating unfair competition among companies and institutions that produce similar goods and services, it also hinders the formation of a competitive market structure.”(Yıldırım, 2012: 6)

1.1. The Factors of Unregistered Economy

“The factors inside unregistered economy that differ from one another can be classified in three groups according to tax payers.”(Sarılı, 2002: 33)

1.1.1. Underground Economy (Illegal Activities)

In case of detection of unregistered economic activities the concerned parties are made to pay tax fines whereas in illegal activities the parties involved in them get prison penalty besides tax fines. The income from these activities is called black money and making this income look legal is called money laundering.

1.1.2. Semi-Registered Economy

“Companies and people with legal activities but with mostly unregistered income from these activities can be classified in semi-registered economy. Taxpayers that perform such activities can be grouped in two”.(Sarılı, 2002: 33)

- 1- Taxpayers With Incomes Legally Unregistered
- 2- Taxpayers That Make Their Income Unregistered In Illegal Ways

1.1.3. Economy with No Registry at All

There can be active economic activities without the knowledge of tax administration. These activities have no record in tax administration system.

Hawkers, porters, commissioners can be examples for these kind of activities.

The difficulty of finding activities of the above mentioned persons cause them to be named as marginal sector and the sum of all their activities constitutes an important dimension of unregistered economy.

1.2. Dimensions of Unregistered Economy in Turkey

“Countries with the biggest unregistered economy growth have features like continuous inflation, unfair and speculative income rate growth, and uncontrolled economy. In recent years, the chronic inflation, severe speculative income, unjust distribution of income and uncontrolled economy in Turkey caused the unregistered economy to grow exponentially. The features of some economic activities makes it harder to take record of them. Agricultural activities takes the lead among them. Hence, sectors using raw materials based on agriculture have a bigger unregistered economy rate. Especially, it is estimated that in textile sector which uses raw material connected with agriculture, unregistered economy has an extensive scale.”(Sarılı, 2002: 38)

1.3.The Reasons of Unregistered Economy and Its Effects

1.3.1.The Reasons of Unregistered Economy

The basic economic reason why unrecorded economy emerged is that the resources are limited while human needs are limitless. The reasons of unrecorded economy are explained in four main topics as follows;

- 1- Economic and Financial Reasons
- 2- Administrative and Legal Reasons
- 3- Sociological and Psychological Reasons
- 4- Political Reasons

1.3.2. The Effects of Unregistered Economy

1.3.2.1. Negative Effects of Unregistered Economy

The growth of unregistered economy causes a decrease in tax collection hence it brings out budget deficits. Closing a budget deficit by internal or external borrowing makes interest rates grow which increases the investment costs of private sector. Hence it hampers the investments of private sector. Decrease in investments make unemployment rate grow and force unemployed people to work in unregistered economy. In case of closing budget deficits by issuing money via central bank, it will cause a rise in inflation rate and in income distribution accordingly.

Companies with unrecorded activities, have an advantageous position compared to the companies with recorded activities as they don't meet their obligations about tax payment, insurance etc, thus unfair competition occurs.

As unrecorded economy does not exist in records, economic indicators such as inflation, unemployment rate, growth rate figures differ from the reality. In this case it becomes harder to find the current problems and all the plans and projects of the state based on these figures becomes off the track.

The growth in unrecorded economy gives way to activities like drug usage, trafficking, gambling and prostitution and it leads to the corruption of society's morality.

1.3.2.2.Positive Effects Of Unrecorded Economy

By spending the money coming from unrecorded economy in recorded economy, consumption will rise and economy will flourish and income from unrecorded economy will be recorded.

Companies with unrecorded activities will have cost advantage which contributes to the growth of exportation and domestic income.

Doing unrecorded activities in ways that are against law will clear all kinds of bureaucratic obstacles and resources will be used in service or goods production in a fast manner.

“Unrecorded economy has positive social effects like creating jobs for people with no income and contributing to people that want higher life standards. It can be stated that unrecorded economy avoids or put off social explosions and public indignation in this manner.”(Aydemir, 1995: 41)

Unrecorded economy also contributes to the economic growth as it creates added value.

1.4.Efforts to Prevent Unrecorded Economy

If factors that create or extend unrecorded economy are eliminated then unrecorded economy will be restrained. In order to prevent or lessen unrecorded economy, medium and long term structural changes are needed instead of short term measures. First, the factors that cause unrecorded economy in Turkey should be determined and then the legal and administrative regulations should be made in order to clear away those factors.

“Some important articles from the Plans and Strategies to Fight Against Unrecorded Economy of the Revenues Administration between 2011-2013 are as follows;

- 1- In order to register unrecorded businesses, cooperating with institutions to find data on natural gas, water and electric users and making comparison with the Social Security Institution registries using geographic information system of Turkish Statistical Institute (TSI).
- 2- Ensure declaration of professions in accordance with the International Standard Profession Classification codes by making the required changes in monthly social security prime and service documents of the employees.
- 3- Inspecting online shopping from abroad with credit cards and identifying commercial activities violating exempt conditions coming with the Customs Legislation.

- 4- Establishing a system that enables Capital Markets Board (CMB) to control online activities of institutions and organizations that operate inside CMB's field of operation.
- 5- Completing the Vegetable and Fruit Market Registry System which will enable tracing vegetables, fruits and other agricultural products.
- 6- Establishing a system to inspect the processes of production, importation and registration of vehicles.
- 7- Expanding the tax awareness development educations present for 3rd, 4th and 5th classes to 6th, 7th and 8th classes all across Turkey and adding tax awareness, work and social safety topics to the curriculum.
- 8- Producing advertisements via media tools in order to raise awareness among public to fight against unrecorded economy.
- 9- Installing a system that aims sharing online, the data from the operations by notaries.
- 10- Revising sanctions and related regulations to determine the needed regulations and ensure the practice of the regulations in a scheduled manner". (http://www.gib.gov.tr/fileadmin/user_upload/Kayit_Disi_Ekonomiyle_Mucadele_Stratejisi_Eylem_Plani_2011_2013)

In order to expand the number of tax payers, income tax rate, corporate income tax rate and value added tax rate should be diminished. Expansion of taxables can only be realized by restricting exemptions as much as possible and by taxing the untaxed. Parallel to the above mentioned activities of Revenues Administration, a network, allowing communication and data sharing to some extent among state institutions is intended to be established. At the same time creating platforms where this data is shared with public and students through media channels and schools is also on the agenda. Strengthening the potential to create registered employment population, enhancing volunteer adaptation, developing auditing capacity and ensuring the deterrence of penalties are among the economic objectives of the state. The state has the following operations in order to achieve these objectives;

- 1- Ruling Automation System
- 2- Valuation Office Automation Practices (VOAP)
- 3- Human Resources Automation Practices (HRAP)
- 4- Tax Office Practices Softwares (TOPS)
- 5- Collecting Registry Data of Vehicles
- 6- Operations in the context of Electronic Tax Declaration
- 7- Collection by credit cards in electronic environment
- 8- E-Invoice, E-Archive, E-Ledger, E-Confiscation practices
- 9- Electronic Invoice Registry System (EIRS)
- 10- Monitoring system for real estate income

2. Tax Audit

“Tax audit can be described as the operations conducted by the Tax Administration in order to determine if the taxpayers are in accordance with the rules and practices pertaining to the tax system”.(HesapUzmanlarıDerneği, 2004: 131)

2.1. Objectives of Tax Audit

“The financial objective of tax audit is to ensure the collection of tax in accordance with the real figures. Tax audits has a positive effect on state’s financial status as they reveal the untaxed resources.”.(İyibilve Arica, 1985: 6)

The social objective of tax audit is to ensure welfare, social justice and fair distribution of income.

Preventing tax evasion helps the economy to become recorded thus it provides a broader base for tax collection.High tax rates will be prevented and this will contribute to the economic situation of taxpayers.

The judicial objective of tax audit is to ensure thatfinancial obligations like charges, duties and taxes are imposed, lifted or modified in accordance with the concerning law and that collection is made accordingly.

2.2.Functions of Tax Audit

Main functions of tax audit can be classified as research, prevention and correction.

“Research function aims to find if all the activities of the taxpayers are recorded, if they are correct and proper, if there are any frauds and assure the correction of improper situations.

“The basic aim of prevention function is the idea to annihilate the causes of mistakes by creating an error-proof area”.(Akdoğan, 1979: 10)

The objective of correction function is to prevent the mistakes of the taxpayers by cooperating with them along the auditing process and undertaking an educative position by warning and informing them about their mistakes.

2.3. The Structure of Turkish Tax Audit System

Till the date 10/07/2011, there was a multi-segmented audit structure consisting of Board of Finance Inspectors, Account Experts Board (AEB), Directorate of Income Inspection which is the central auditing unit of Chair Of Revenues.

Presidency of Tax Inspection Board (PTIB) was established in 10/07/2011 in order to conduct auditing and inspection activities and contribute to the preparation of legal arrangements aiming to build up fiscal policies using contemporary inspection technics.

2.4. Duties and Authorities of The Board

The board has duties and authorities like doing tax audits, analyzing taxpayers' activities and finding risk spaces, dealing with complaints and notices, monitoring inspection and audit results, developing methods, technics and standards concerning tax audits, setting moral rules and completing other duties given by the minister. Main objectives of TIB are as follows;

- Efficient tax audit
- Fight against unrecorded economy

- Fight against corruption
- Enhancing efficiency in audits

3. Unrecorded Economy and Tax Audit

3.1. Fairness in Auditing and Taxing

“The main motive in tax audits is to minimize tax evasion and to create a broader taxpayer base. Three main factors can be stated to build an efficient structure to fight against tax evasion and unrecorded economy. These are success in tax collecting, ensuring a fair taxing system and creating a functional structure including tax auditing processes. In most of the developed countries the structure is also responsible with the collection of social security contributions, health insurance and unemployment insurance primes”. (Akbeý, 2014: 63-103)

Tablo 1. Results of Tax Audits Concerning Fairness in Taxing

Yıl	The rate of declared income tax collection in total national budget tax collection (%)	The rate of declared corporate tax collection in total national budget tax collection (%)	The total rate of declared corporate and income tax collection in total national budget tax collection (%)	Indirect Taxes /Total Tax Collection (%)	Direct Taxes /Total Tax Collection (%)	Corporate tax / National Budget Tax Income (%)	Wage Taxes /National Budget Tax Income (%)
1995	2,3	4,0	6,3	56,4	43,6	9,5	16,3
1996	2,4	3,6	6,0	59,9	40,1	8,4	15,8
1997	1,9	3,6	5,6	58,2	41,8	8,3	15,6
1998	3,1	3,9	7,0	52,0	48,0	8,1	14,4
1999	3,3	3,4	6,7	53,9	46,1	10,5	14,0
2000	1,3	1,5	2,8	58,7	41,3	8,9	14,2
2001	1,2	1,7	3,0	60,1	39,9	9,3	9,6
2002	1,4	1,8	3,3	85,3	14,7	9,3	8,5
2003	1,3	2,0	3,3	86,7	13,3	10,3	7,8
2004	1,1	0,9	2,1	66,7	33,3	9,5	10,5
2005	1,1	0,5	1,6	67,9	32,1	9,6	11,8
2006	1,1	0,6	1,7	70,7	29,3	8,2	10,9
2007	1,0	0,6	1,6	67,4	32,6	9,2	12,4
2008	1,1	0,6	1,7	66,1	33,9	9,8	11,9
2009	1,2	0,6	1,8	65,2	34,8	10,5	12,2
2010	1,0	0,5	1,5	69,3	30,7	9,7	13,2
2011	1,1	1,5	2,7	67,9	32,1	10,3	13,0
2012	1,1	0,9	2,0	67,0	33,0	10,12	N/A

N/A*: No data collected.

Source: TIB, Annual Reports of the stated years;

http://gib.gov.tr/fileadmin/user_upload/VI/GBG/Tablo_3.xls.htm (Erişim Tarihi:26.09.2013);

<http://www.kesk.org.tr/content/mustafa-durmu%C5%9F-vergilemede-adalet-nas%C4%B1> (D.A.: 28.11.2013);

<http://sablon.sdu.edu.tr/fakulteler/iibf/dergi/files/2006-2-17.pdf> (Date of Access:28.11.2013).

Tax collection and its design has three important aspects regarding fairness in taxing. First, the rate of voluntarily declared taxes collected from the taxpayers with the sensation of justice. Second, the distribution of direct and indirect tax that has a great coverage in literature. And third the distribution of tax burden between labor and capital.

One of the most important indicators of voluntary accord with taxing is the rate of declaration based tax in total tax collection. As seen on Table-1, Turkey unfortunately doesn't have a positive view on this topic.

The progress of direct and indirect taxes have gradually become unsustainable. This situation harms fairness in taxing in two aspects. First one, as a consequence of the inversely growing nature of indirect taxes, taxpayers with low income rates are obliged to pay more tax than taxpayers with high income and the other is that indirect taxes are easier to reflect.

The last two columns of Table – 1 shows a comparison between the rate of corporate tax as it represents the basic tax responsibility of the capitalists and the wage taxes which is the primary burden of tax on the labor. To summarize, 60% of the labor force in Turkey pays 30% more tax than the capitalists. This situation is a result to be considered seriously by the Tax Administration regarding fairness in taxing

3.2. Efficiency of Auditing and Tax Administration

The shortest and the most proper way to measure the efficiency of tax auditing in a country is to compare the main variants and the results of the audits. To explain the dimensions of the audits since 1995, basic statistics are shown below. Based on the data collected, the number of tax inspectors and tax inspector assistants has a growing trend. Especially the trend after 2005 is significant. This is a very important transformation. This change is expected to increase the number of taxpayers, increase tax collection, reduce informality and increase the rate of direct taxes in total tax collection. The results are shown below in Table-2.

Table2. Main Variants of Tax Audits

Year	*Number of Tax Inspectors Participating in Audits	*Number of Inspection Officers	Number of Audits Realised By Tax Inspectors (thousand)	Number Of Auditees	Income and Corporate Taxpayers per Inspector**	Taxpayers per Tax Inspector	Taxpayers Inspected per Inspection Staff
1995	386	4.390	47.649	4.127.233	129	10.692	864
1996	450	4.487	46.406	4.647.853	108	10.329	941
1997	542	4.066	58.256	3.898.920	111	7.194	846
1998	307	3.841	61.635	4.460.098	207	14.528	1.075
1999	192	3.915	47.428	4.731.624	257	24.644	1.152
2000	452	3.138	55.310	5.029.339	127	11.127	1.401
2001	160	3.637	46.013	3.448.523	300	21.553	908
2002	131	2.963	56.864	2.866.037	449	21.878	926

2003	187	4.320	47.886	2.903.111	267	15.525	644
2004	295	4.554	50.292	3.176.412	177	10.767	655
2005	208	3.571	50.700	3.342.798	253	16.071	885
2006	219	3.720	67.282	3.778.146	316	17.252	959
2007	211	6.109	73.283	4.513.740	357	21.392	714
2008	1.167	47.190	68.089	4.313.620	60	3.696	89
2009	918	46.452	67.105	3.811.489	75	4.152	80
2010	828	45.108	N/A	3.753.669	2.833	4.533	82
2011	N/A***	45.634	N/A	3.462.338	N/A***	N/A***	N/A***
2012	N/A***	47.556	101.080	4.428.127	N/A***	N/A***	N/A***

N/A*: No data available.

* Extensive auditing across Turkey.

** Real Basis Taxation.

***No data is available as the "tax inspection" position was lifted after the arrangement in 2010 and no data was shown in annual audit reports of Group-A Tax Inspectors' audit results.

Source: Stated years GGM, GİB, GEP and VDK Annual Reports.

Source: Stated Years GGM, GİB, GEP and VDK Annual Reports.

The attention grabbing thing in Table 2 is the emphasis by Turkish Tax Administration given on tax inspection and the growing use of authorised personnel apart from tax inspectors. As it can be seen in the table, the number of auditees along the years are almost the same apart from the economic crisis period between 2000-2003. The number of taxpayers per inspectors has decreased whereas with the expansion in auditing staff the number of audits has increased. This leads to an expectation of rise in auditing quality. Theoretically, as a result of the improvement in auditing quality, tax collection should also ameliorate.

The influence of these audits on tax collection are shown below.

Table 3. Tax Audit and Efficiency in Tax Collection

Year	Expense nes Made To Collect 100 TL	Number of Audits Realised by Tax Inspectors	Difference Found Between Declared and Actual Tax Basis (1000 TL)	Share of tax incomes in National Budget (%)	Annual Growth of Tax Incomes (%)	Annual Growth of Tax Incomes (Recalculated based on Producer and Wholesale Price Index) (%)	Tax Load **/GDP (After 1999)*** (%)
1995	1,02	47.649	19.149	77,8	84,5	-4	14,0
1996	0,93	46.406	34.708	83,0	107,7	31,1	15,2
1997	1,65	58.256	90.426	82,5	111,5	29,7	16,5
1998	1,38	61.635	264.580	78,8	94,5	22,7	17,7
1999	2,02	47.428	328.992	79,3	60,4	7,3	19,1
2000	1,58	55.310	538.050	80,2	79,1	27,7	21,3

2001	1,71	46.013	958.446	78,1	49,9	-11,7	22,3
2002	0,72	56.864	1.803.750	79,9	50,1	0	17,0
2003	0,74	47.886	3.309.729	85,5	41,4	15,8	18,0
2004	0,83	50.292	2.836.615	84,1	19,8	8,7	18,0
2005	0,79	50.700	2.724.562	80,4	18,5	12,6	18,4
2006	0,76	67.282	4.212.648	82,9	14,6	5,3	18,1
2007	0,74	73.283	5.356.979	84,1	13,1	6,8	18,1
2008	0,75	68.089	7.803.234	84,3	11,0	-1,7	17,7
2009	0,82	67.105	7.203.822	84,3	3,3	2,1	18,1
2010	0,69	N/A*	N/A*	86,6	20,1	11,6	19,2
2011	0,68	N/A*	N/A*	89,0	20,7	9,6	19,6
2012	0,69	101.080	131.000.851	87,5	11,5	5,4	19,7

N/A*: No Data Available.

* Audit results of 2010 and 2011 by tax inspectors are not displayed because Tax Inspector and Tax Inspector Assistant positions were organized under Tax Inspection Board. Only data from audits by Income Inspectors and Tax Office Managers are displayed for 2010 and 2011. As Tax Inspection Board issued the first annual report in 2012, audit results by the tax inspectors for 2010 and 2011 could not be reached.

** Only central administration tax incomes.

*** Rejections and returns excluded.

Source: Stated Years GGM, GİB, GEP and VDK Annual Reports; GİB Tax Statistics: http://gib.gov.tr/fileadmin/user_upload/VI/GBG1.htm (Access Date: 19.09.2013)

As it can be seen on Table-3, the rise in the quality of audits is evident because the expenses have a downward trend. In 1995 the expense made to collect 100,00.-TL was 1,02.-TL. It has climbed up to 2,02.-TL through 2000 and after that started a downfall trend, reaching 0,69.-TL in 2012. What is favourable in this situation is that, this downfall occurred while the number of tax inspectors in other words the personnel expenses were growing.

3.3. Tax Audit and Fight Against Informality

Informality creates a vicious cycle by harming honest taxpayers sense of justice and avoiding them from doing their legal responsibilities properly.

Table 4. Efficiency of Tax Audit in Fighting Against Informality

Year	Number of Registered Income Taxpayers *	Number Of Corporate Taxpayers	Newly Registered Taxpayers Due To Tax Audits**	Ratio of Undeclared Tax in Potantiel Base*** (%)	Unrecorded Economy*** * (%)	Change in one Year (%)	Shadow Employment (%)	Change in Shadow Employment in one Year (%)
1995	1.829.995	319.698	N/A	30	61,3	N/A	50,9	N/A
1996	1.766.314	406.830	N/A	21	55,6	-9,30	54,7	7,47
1997	1.780.142	472.899	N/A	28	43,6	-21,58	53,7	-1,83
1998	1.882.489	533.282	N/A	28	49,2	12,84	52,4	-2,42
1999	1.988.007	560.411	56.738	45	32,7	-33,54	53,6	2,29
2000	1.846.294	581.574	50.107	35	32,1	-1,83	53,0	-1,12
2001	1.768.653	565.556	42.433	65	32,8	2,18	55,8	5,28
2002	1.729.260	585.981	42.262	37	32,4	-1,22	52,2	-6,48
2003	1.735.722	605.020	42.296	42	32,2	-0,62	52,1	-0,16
2004	1.774.568	632.093	51.611	46	31,5	-2,17	53,0	1,78
2005	1.691.499	593.166	40.062	N/A	30,7	-2,54	48,3	-8,99
2006	1.712.719	608.981	40.248	N/A	30,4	-0,98	47,0	-2,60
2007	1.724.366	634.569	51.686	N/A	29,1	-4,28	45,5	-3,27
2008	1.701.865	640.679	39.629	N/A	28,4	-2,41	43,5	-4,40
2009	1.683.308	640.786	39.681	N/A	28,9	1,76	43,8	0,65
2010	1.693.316	652.009	37.965	N/A	28,3	-2,08	43,3	-0,94
2011	1.703.754	663.967	28.060	N/A	27,7	-2,12	41,9	-3,28
2012	1.760.785	664.025	45.068	N/A	27,2	-1,81	39,4	-6,01

N/A: No data available.

*Real basis taxation,

** Extensive auditing across Turkey.

***After 2005 the authority was transferred to Revenues Administration. Revenues Administration ceased to publish variables on this topic which is one of the main indicators of tax evasion.

****As there is no single study that measures the dimensions of shadow employment results obtained with different methods are displayed unfortunately. Data for shadow employment are obtained from SSI

Source: Stated Years GGM, GİB, GEP and VDK Annual Reports; Candan (Data from TSI (TÜİK), TSI calculated the data by a questionnaire), 2007: 19; Schneider vd. (A model named MIMIC was used), 2010: 23; Yurdakul (Calculated with simple monetary ratio method), 2008: 209;

http://www.sgk.gov.tr/wps/portal/tr/sigortalilik/kayitdisi_istihdam/kayitdisi_istihdam_oranlari (Date of Access : 10.10.2013).

As it can be seen on Table 4 number of newly registered taxpayers due to tax inspections have a descending trend. Tax collection in Turkey has become more and more Indirect Tax dominant. Likewise, collected wage tax share is still bigger than the corporate tax collection. This situation harms the fairness in taxation principle severely. To summarize,

tax audits couldn't bring forth a significant fairness in taxation and an improvement in the fight against unrecorded economy and shadow employment.

Conclusion

Unrecorded economy basically refers to the inability to record the realized financial activities. These activities are practiced by people in order to ameliorate their income and to have a higher life standard.

The primary precaution to prevent unrecorded economy is to develop citizenship consciousness. Without developing such a consciousness all the efforts to build an efficient tax audit system or issuing powerful tax laws will serve to nothing. High cost of labor forces the employers to use shadow employees. What needs to be done is to reduce the employers' burden. Besides many people lost their jobs because of the economic crises in Turkey where unemployment is a serious problem. These situations force people to work in informal ways for their needs.

Tax auditing which means to control if the taxpayers and the tax office behave in accordance with the concerning law, has a crucial function in preventing unrecorded economy.

Some measures were set in recent years to prevent unrecorded economy. In this context, decree law number 646 representing an important change in the structure of tax audit system can be counted as an important step in fighting against unrecorded economy. With the stated law, all of the inspectors gathered under the same structure of "Administration of Tax Inspection Board". Practicing the auditing activity from a central structure can be mentioned as something to increase the effectiveness. To make tax inspection more influent in means of unrecorded economy the inspection staff needs to develop in quality and quantity. Creating an autonomous tax inspection structure will help to create a more effective tax audit process. Yet, with the new regulation which subordinates Tax Inspection Board directly to the Minister, autonomous inspection has become questionable. Thus, we think creating an autonomous work environment for the inspectors is a must for an efficient fight against unrecorded economy.

References

- Akbey, F., (2014). "Türkiye'de Vergi Denetimi ve Gelirleri Üzerine Bir İnceleme", Dokuz Eylül Üniversitesi İktisadi ve İdari Bilimler Fakültesi Dergisi 29 (1), 63-103.
- Akdoğan, A., (1979). Vergi İncelemesi. Ankara İktisadi ve Ticari İlimler Akademisi Yayını No:127, Ankara.
- Arıca, N. ve İyibil, A., (1985). "İşletmelerde Vergi Denetimi", Defter ve Belgeler, Ankara: Fon Matbaa.
- Aydemir, Ş., (1995). Türkiye'de Kayıt dışı Ekonomi (Vergisel ağırlıklı uzlaşma önerisi), İstanbul: Maliye Hesap Uzmanları Derneği Yayınları.
- Çetintaş, H. ve Vergil, H., (2003). "Türkiye'de Kayıt Dışı Ekonominin Tahmini", Doğu Üniversitesi Dergisi, 4 (1), 16.
- Hesap Uzmanları Derneği, (2004). Denetim İlke ve Esasları, 1. Cilt Yıldız Ofset Güncellenmiş ve Genişletilmiş 3. Baskı, İstanbul.
- Sarı, M.A., (2002). "Türkiye'de Kayıt Dışı Ekonominin Boyutları, Nedenleri, Etkileri ve Alınması Gereken Tedbirler", Bankacılar Dergisi, 41, 33-35, 38.

Sugözü, H.İ., (2008). “Kayıt Dışı Ekonomiyi Önlemede Vergi Politikaları (1980–2004 Türkiye Örneği)”, (Yayınlanmış) Doktora Tezi, Konya: Selçuk Üniversitesi Sosyal Bilimler Enstitüsü.

Toptaş,Ü.,(1998).Kayıt Dışı Ekonominin Nedenleri,No:26, Ankara:TES–AR Yayınları.

Vergi Denetim Kurulu Başkanlığı. (2013). Faaliyet Raporu. Ankara.

Yıldırım, H., (2012). “Türkiye’de 2001’den günümüze Kayıt Dışı Ekonominin Sosyal Güvenlik Kurumu Açıkları Üzerindeki Etkilerinin İncelenmesi ve Değerlendirilmesi”, (Yayınlanmış) Yüksek Lisans Tezi, Ankara: Gazi Üniv. Sosyal Bilimler Enstitüsü.

http://www.gib.gov.tr/fileadmin/user_upload/Kayit_Disi_Ekonomiyle_Mucadele_Stratejisi_Eylem_Plani_2011_2013.pdf