Chapter 8
Legal Framework for the E–Taxation in Turkey

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ABSTRACT

This study analyzes the legal framework of e-taxation in the Turkish Republic. Tax service is commonly provided by using ICT in many countries. In e-government applications in Turkey, provision of e-tax service is one of the leading projects. Among the members of OECD, electronic tax return, payment systems and tax automation systems generated in this area have gained an increasing importance. Taxpayers fill the declarations electronically and also pay tax debts without going to the tax offices. E-taxation system is becoming widespread in Turkey. Implementation of the system in Turkey started in 1998 with VEDOP I and continued with 2004 VEDOP II and 2007 VEDOP III Projects. These applications are legislated by the Tax Procedure Law in Turkey. Thus, legal regulations on electronic recording are established on a legal basis. In this study, e-government tax applications in the Turkish Tax Law (e-tax return, e-books, e-signature, e-audit) and legal base of this application is examined. Information is given on how it is implemented by means of information technologies in Turkey. The main purpose of the study is to examine what legal regulations were enacted for registering and taxation in the use of information technologies and to determine the current situation in Turkey.

INTRODUCTION

E-Tax system is an important online service that enables citizens to file their tax returns online. These systems are particularly favorable for governments because they avoid many of the mistakes taxpayers make in manual filings. Also, through data matching, they help to prevent tax evasion. E-taxation is mostly common in countries such as the USA, Australia, Canada, Finland, France and Germany. The concept of electronic tax administration is a concept that was initially put forth by

the American Tax Administration (IRS-Internal Revenue Service). In 2000, IRS, which continued its activities within the framework of its strategic plan, sent returns to more than 35 million Americans in electronic form fast, reliably, accurately, and in an easy to reach way using the IRS electronic filing (e-file) system, which was an alternative to paper statement. Organizations such as OECD, WTO, G8 and EU also attach importance to the concept of e-government and e-governance. After all, this process has become a requirement of the democratic rule of law. E-democracy has led to the implementation of increasingly flourishing public projects. E-taxation enhances the efficiency of taxation in the realization of common practices of national and international platforms through the sharing of information. Taxpayers filling the declarations electronically and also paying tax debts without going to the tax offices have led e-taxation system to become highly desirable in Turkey. The general perspective of this chapter is to provide information about e-government applications and e-taxation system in Turkey in some detail, answering questions such as: how e-taxation legal regulations are organized in Turkish Tax Law and which e-taxation applications are mostly used in Turkey. The chapter discusses the legal regulations in some more detail.

BACKROUND

ICT helps to lead efficiency, transparency and contribute to the improvement of tax assessment and collection system. The implementation of ICT based tax assessment and collection system contributes to the improvement of good financial governance the transparent and responsible management of public resources (Napierala & Kiefer, 2009).

Electronic tax filing systems are defined as e-government applications that have now spread all over the word in a short time. In order to avoid

a lot of mistakes of taxpayer in tax return fillings, governments especially prefer those systems helping them to prevent tax evasion by data matching. Using developed electronic tax filings, the data warehouses let tax inspectors to analyze declarations more intensively and enable policy makers to develop fairer and more effective tax policies (Dinara et al., 2012).

In order to give opportunity to enable the country to perform Information Society standards, e-Transformation Turkey project was started in 2003. The State Planning Organization (SPO) of Turkey was responsible for project coordination. The preparation and activation of Information Society Strategy (ISS) which includes 4 years period, from 2006 to 2010, is the main step towards the information society (Medeni, 2011, p. 1). In March 2005, the Short Term Action Plan was called e-Transformation Turkey. 2005 Action Plan was the second step of that. Different activities on international technology were either recommended or monitored for the progress. Another initiative definition of Information Society Strategy in connection with the short-term targets of the action plans of the e-Transformation Turkey Project was initiated in 2005. It was a step further to give opportunity to Turkey to get both the benefit from ICT and identify the middle and long term strategies and also goals for the realization of transformation.

Finally, the High Planning Council in July 2006 adopted Turkey's Information Society Strategy (2006-2010). The Strategy includes two main priorities regarding e-Government: one is citizen-oriented service transformation and the other is the modernization of Public Administration (E-Government Practice Editorial Team, 2010).

Law No. 877 dated 28 July 2006 is the law by which the Turkish Grand National Assembly approved the Ninth Development Plan (2007–2013) which constitutes Turkey's main policy document. In the section 'Ensuring the Dissemination and Effectiveness of e-Government Applications,' to

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