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HOW NATIONALIST ARE WE WHEN WE PAY TAXES?

It has been two months since the May 14, 2023 General Elections. Depending on the election results, the question "Is nationalism rising in Turkey?" has come to the agenda. Thus, while the votes of the nationalist segment represented by the Nationalist Movement Party (MHP) were around 3-5 percent in the 1970s, the proportion of voters represented by newly established parties such as the Grand Unity Party (BBP), the Reformist Democracy Party (later Millet Party) and the parties that recently split from the MHP (İyi Party, Zafer Party) pushed the level of 25 percent in the May 2023 elections.

With the appointment of Mehmet Şimşek as the Minister of Treasury and Finance at a time of rising debate on nationalism, the debate on "return to rationalization" in the economy has become the dominant topic on the agenda. Later, tax increases came to the fore to reduce the budget deficit, which is expected to be at record levels. The increases in corporate taxes, VAT rates, and fees were followed by a massive increase in special consumption tax (SCT) on petroleum products.

However, a wide range of people, including the People's Alliance partner Fatih Erbakan², criticized these practices, claiming that the budget deficit cannot be controlled by increasing tax rates. In this context, www.ekonomim.com columnist Alaattin Aktaş pointed out that the collection of accrued taxes remained at 71 percent in 2022 and drew attention to the fact that tax collection should be prioritized rather than bringing additional taxes³. The uncollected

¹https://www.tepav.org.tr/en/ekibimiz/s/1420/M.+Coskun+Cangoz_PhD

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² <https://t24.com.tr/haber/erbakan-butce-acigi-vergi-zamlari-ile-kapatilamaz,1120342>

³ <https://www.ekonomim.com/kose-yazisi/yeni-vergi-en-kolayi-siz-once-tahakkuk-edeni-toplayin/700156>

taxes in 2022 amounted to 1.1 trillion TL, which is the size of the additional budget law adopted by the Turkish Grand National Assembly last week. This means that even without engaging in reform efforts such as extending the tax base, if the Ministry of Treasury and Finance could only collect the taxes that have already been accrued, there would be no need for additional taxes and rate hikes.

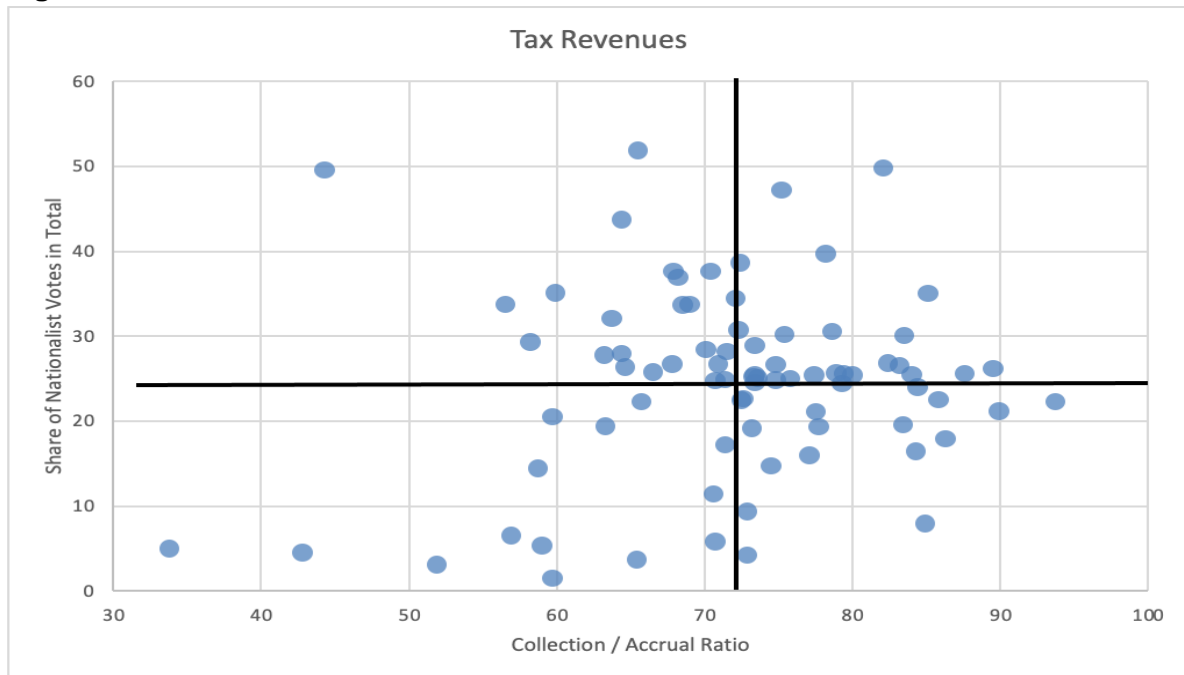
On the other hand, while blaming the tax administration, it should not be overlooked that taxpayers are also not attentive enough to fulfill their duties and even prefer not to pay some of their obligations.

Based on the May 2023 election results, which show that nationalist votes have increased considerably, province-based data for 2022 point to interesting data on taxpayers' tax payment behavior.

Tax-collection/Accrual Ratios in Provinces with High Nationalist Vote

In 20 of the 45 provinces where nationalist votes are above the Turkey average (24.6 percent), the collection/accrual ratio is lower than the Turkey average (71.9 percent). In this context, in the top 5 provinces (Çankırı, Aksaray, Yozgat, Gümüşhane and Osmaniye) the nationalists' votes are above 40 percent, and the average collection/accrual rate is 66.3 percent. However, the average of 45 provinces w 72.4 percent is in line with Turkey as a whole (Figure 1).

Figure 1 – Province-based Nationalist Votes and Total Tax Revenue Collections



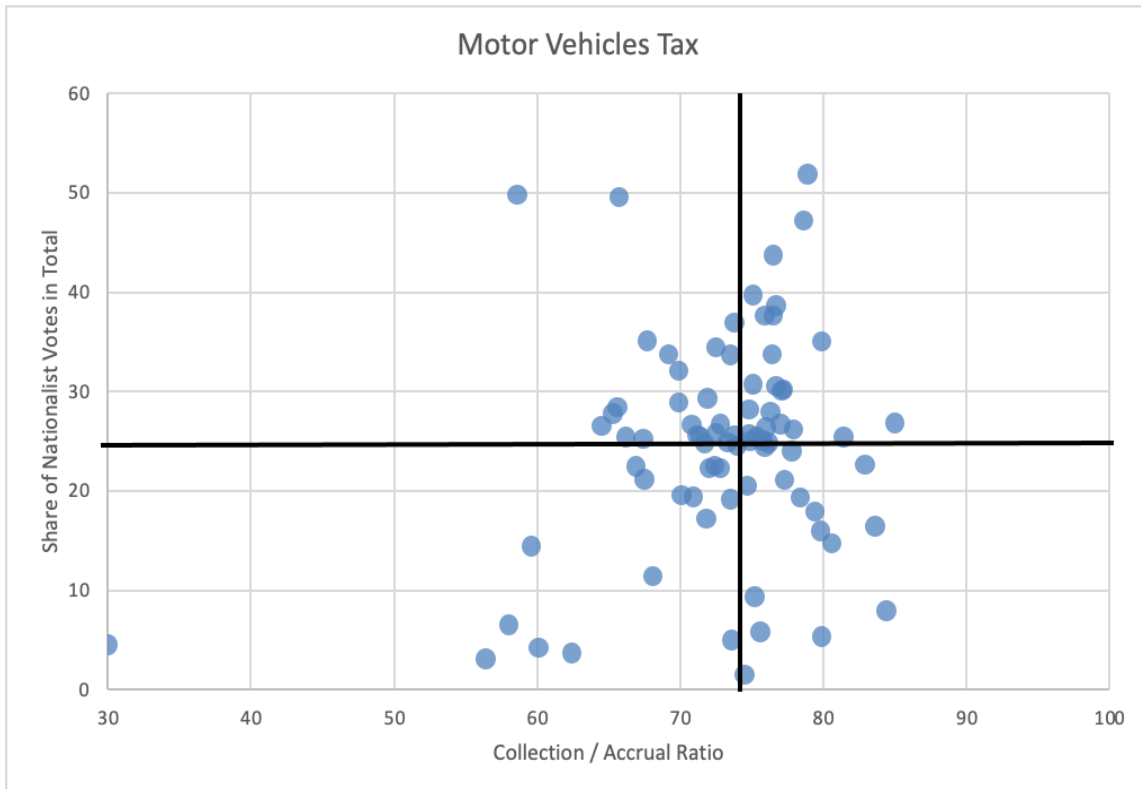
Source: Author's calculations using Ministry of Treasury and Finance data

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The collection performance of taxes paid by declaration is lower than the other taxes. However, the province-based distribution is similar to the data above.

Motor Vehicle Tax (MTV) is the tax that provides the highest contribution to the budget among taxes on property. However, the collection rate of MTV (72.7 percent) is lower than the collection rate of income tax (78.3 percent). In the average of 45 provinces with nationalist votes above 25 percent, the MTV collection rate is 73.4 percent, in line with the general average, while the average of the 5 provinces with the highest nationalist votes is 71.7 percent, slightly below the national average (72.7 percent). On the other hand, among the provinces in the top five, the collection/accrual ratio was 58.6 percent in Aksaray, 65.7 percent in Yozgat and 67.7 percent in Kilis (Figure 2).

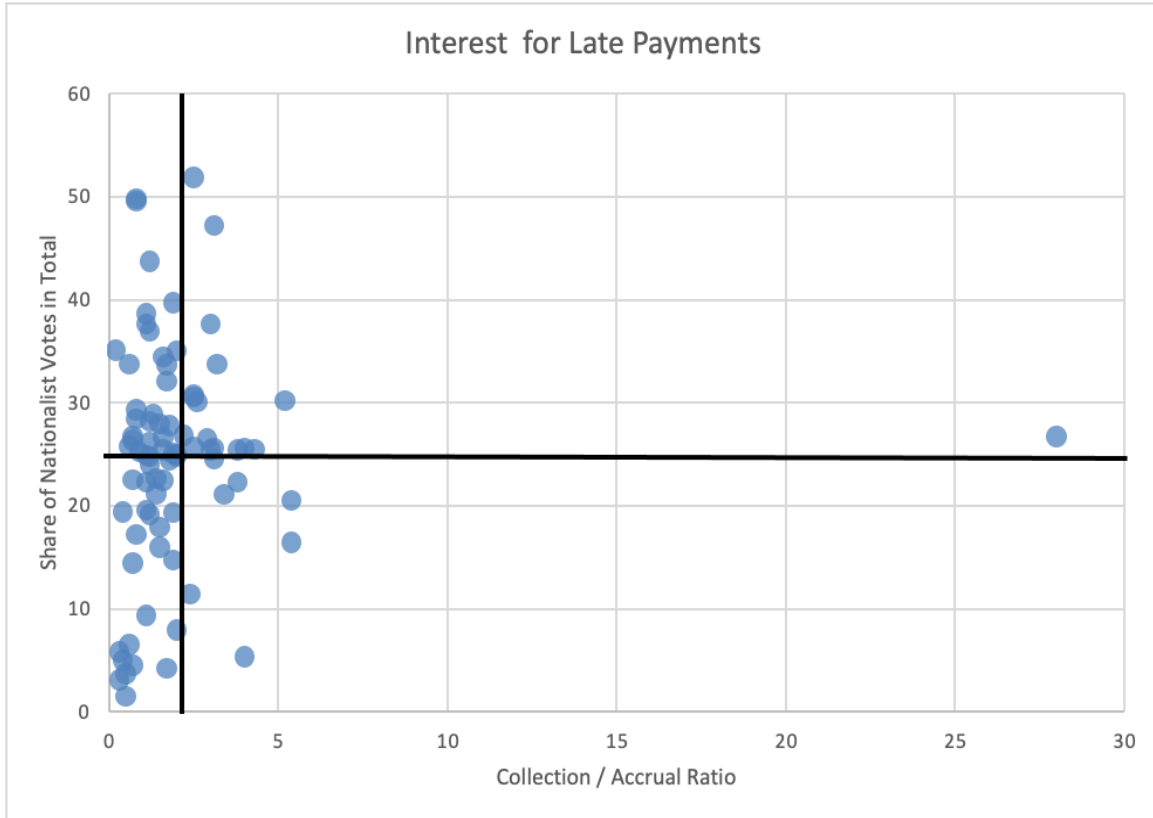
Figure 2 - Province-Based Nationalist Votes and Motor Vehicle Tax Collections



Source: Author's calculations using Ministry of Treasury and Finance data

The renewal of tax amnesties every two to three years, which allows for the non-imposition of sanctions against those who violate tax laws, negatively affects the tax administration's performance and the taxpayers' motivation to pay. Due to the frequency of tax amnesties, only 2.1 percent of taxpayers nationwide pay the late payment penalties arising from the failure to pay taxes, duties, and fees on time. In 45 provinces where nationalist votes are relatively high, the collection of late payment interest was only 2.5 percent. While this rate decreased to 1.7 percent in the 5 provinces with the highest nationalist votes, it is 8 per thousand in Aksaray and Yozgat, 1.2 percent in Osmaniye and 2 per thousand in Kilis. Meanwhile, in Denizli, where nationalist votes are 26.8 percent, the collection rate of late payment interest is 28 percent, the highest in Turkey (Figure 3).

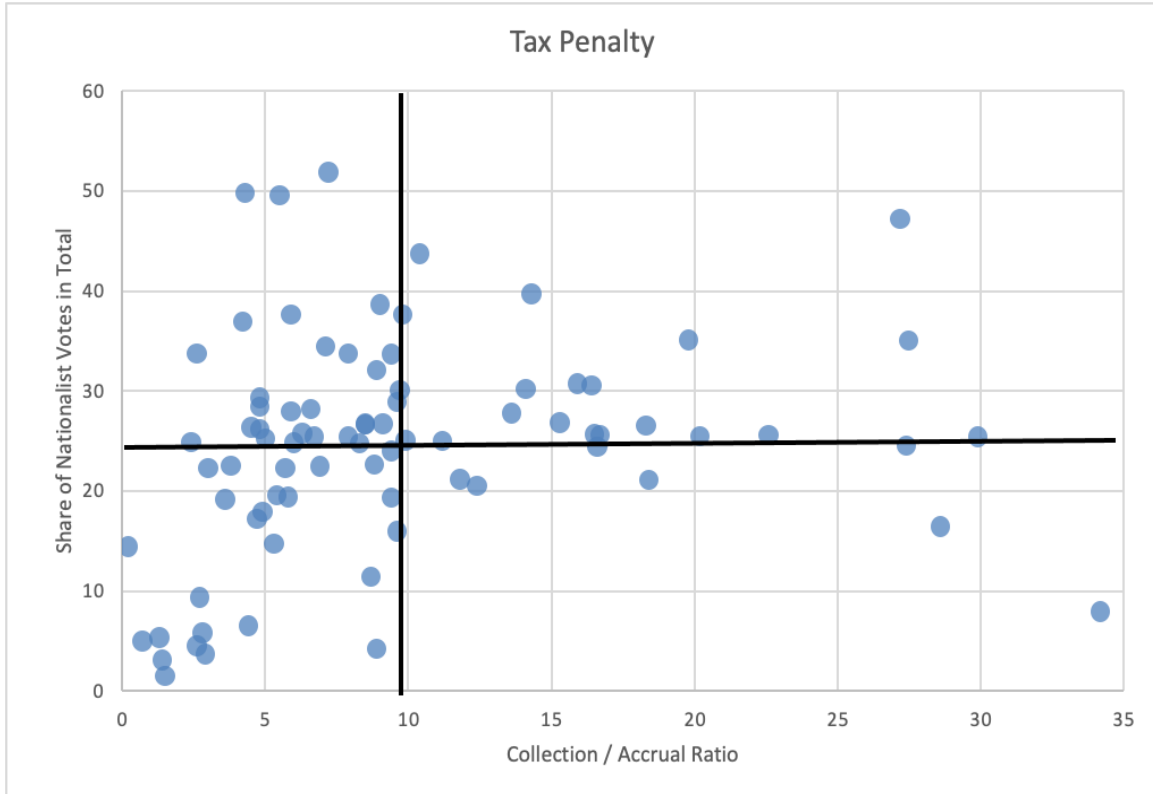
Figure 3 - Province-based Nationalist Votes and Interest Collections for Late Payments



Source: Author's calculations using Ministry of Treasury and Finance data.

It is observed that tax penalties are not paid in parallel with the taxpayer preference for not paying interest for late payment. The fact that the collection/accrual ratio for tax fines is 9.8 percent in Turkey indicates that this situation is unrelated to voting preferences. However, it is not possible to say that provinces with a predominant nationalist voting preference are positively differentiated in tax penalties, just like in interest for late payment. In fact, although the average of 45 provinces that voted for nationalist parties above 25 percent is above the national average with 11.2 percent, tax penalty collection in 27 of these provinces is below the national average. Even though the collection/accrual ratio of tax fines is 10.9 percent in the top five provinces with the highest nationalist vote share, where one out of every two votes is directed towards nationalist parties, it is noteworthy that it is 7.2 percent in Çankırı, 4.3 percent in Aksaray and 5.5 percent in Yozgat (Figure 4).

Figure 4 - Province-Based Nationalist Votes and Tax Penalty Collections



Source: Author's calculations using Ministry of Treasury and Finance data.

The MHP, which predominantly attracts nationalist votes, aims to "build a fully independent, strong and great Turkey inspired by the values of the nation's history and origins"⁴, while the Good Party aims to "build a productive, prosperous, happy and strong Turkey in every field with a nation first and country first policy"⁵. Therefore, taxation, which is essential for the revival of the nation, is a civic duty and one of the fundamental elements of the contract between society and the state. In fact, when journalist Abbas Güçlü states that "nationalism means paying taxes to the last penny," it is noteworthy that in conditions where nationalist votes increase, tax payment behavior does not occur in parallel.⁶

⁴ https://www.mhp.org.tr/htmldocs/mhp/program/editor/mhp_tarihcesi.html

⁵ <https://iyiparti.org.tr/iyi-parti>

⁶ <https://www.milliyet.com.tr/yazarlar/abbas-guclu/milliyetcilik-yarisi-6952486?sessionid=2>