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The Effectiveness of Tax Policies in Turkey: Causality Analysis / Türkiye’de Vergi Politikalarının Etkinliği: Nedensellik Analizi

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ABSTRACT

The taxation policy is intended to support economic growth, in addition to a number of objectives, such as raising funds for the financing of public expenditures, restructuring income distribution, ensuring economic stability, influencing the distribution of resources and preventing externalities. Therefore, an effective taxation policy is an important fiscal policy instrument in terms of realizing the goal of macroeconomic growth. In order to implement an effective taxation policy, the concept of the tax structure, which expresses the composition of indirect and direct taxes within total tax revenues, becomes important. Because the level of development of a country is directly related to the tax structure. In the underdeveloped or emerging economies, the share of indirect tax revenues on expenditures is higher in total tax revenues whereas the share of direct tax revenues on developed economies is higher in developed economies. Therefore, the high share of indirect tax revenues in total tax revenues is regarded as a sign of underdevelopment. On the other hand, indirect taxation on expenditures negatively affects the fair distribution of income. Therefore, in this study, it is aimed to evaluate the effectiveness of the tax policies applied in Turkey and the tax structure. In this framework, the causality relationship between the shares of indirect and direct taxes in total tax revenues and indicators of economic development for Turkey was analyzed through the bootstrap Toda-Yamamoto test developed by Hacker and Hatemi-J (2006) for the period of 1965 and 2014.

KEYWORDS Taxes; Tax Policy; Turkish Economy

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