Behavioral Aspects of Tax Amnesties and Their Effects in Twelve Countries

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Summary

This paper overviews the theoretical and empirical research on tax amnesties and weighs their advantages and disadvantages. The paper questions if tax amnesties have any tax compliance impacts in the medium to long term as some papers have claimed or if they are more of a hindrance to tax compliance because of their unjust and degenerating effects. The paper examines the available data for the effects of tax amnesty programs on the ratio of tax revenues to GDP and the Gini coefficient for 12 countries focusing specifically on Turkey. The main aim of the paper is to identify better alternatives to tax amnesties in terms of both tax revenue and tax justice. The results of the study show that while the short-term revenue effect of tax amnesties is uncertain, their medium and long-term negative effects on tax justice and income distribution are almost certain. In addition, the study reveals that improving tax revenue is hardly the main reason behind most tax amnesties.

Tax compliance of citizens is crucial for a government to be able to ensure public goods and redistribute wealth effectively. However, it is a well-known fact that taxpayers often under-report their income, exaggerate their deductions, or simply do not file their returns (Alm and Soled, 2021). Governments implement all kinds of measures to increase taxpayer compliance. One of the controversial fiscal tools for improving tax compliance and increasing tax revenue is the creation of tax amnesty programs. Even advanced countries with sound institutions are tempted to implement tax amnesty programs to meet their short-term financing needs. However, tax amnesty is fundamentally unfair and in favour of tax evaders. Therefore, their implementations would lead to damaging but hard to quantify effects in social fabric with medium to long term tax non-compliance consequences. This is particularly the case in countries with weak institutions and undemocratic structures.

However, it is difficult to measure the direct and indirect effects of tax amnesty. First of all, empirical evidence for the effects of tax amnesty is rare. There is also limited field data on tax amnesty. Therefore, the possibilities of investigation are very limited. Data available from international experience in the literature reflect that the costs of the tax amnesty programs often exceed the benefits of said tax amnesty programs (Baer and Le Borgne, 2008).

Indeed, recent research reveals that 'tax amnesties have negative effects on voluntary tax compliance' (Alm and Malézieux, 2020).

In addition to their negative effect on tax compliance, they also affect income distribution negatively. *Alstadsæter et al.* (2019) observed that tax evasion, which cannot be caught by random audits, increases with the wealth of the taxpayer. The new microdata (such as 'Swiss leaks' and 'Panama Papers') that leaked from major overseas financial institutions support this.

This article provides an overview of theoretical and empirical research on tax amnesties. The study, while establishing the theoretical framework for tax amnesties, it focuses on tax amnesties applied in selected developed and developing countries. In this context, the tax amnesty periods of the countries and the number of years they applied tax amnesties have been determined. In addition, it has been tried to identify if tax amnesty increases the ratio of tax revenues to the GDP or not. Then, it is investigated if tax amnesty has any effect on income distribution justice.

At least one country from each continent is aimed to be included in this study and a comparison was made among countries that applied the highest number of tax amnesties and the countries that have hardly applied tax amnesties. It is expected that the study will contribute to the literature as it provides evaluation and solution suggestions in terms of tax revenues to GDP ratio and income distribution within the framework of tax amnesty frequency.

This paper offers an overview of the theoretical and empirical research on tax amnesty, and in particular, seeks to find answers to the questions: 'Does tax amnesty encourage renewed compliance?' and 'If so in what kind of countries?' The rest of the paper is organized as follows. Section 2 presents a literature review of the reasons for tax amnesty and it weights the costs and benefits of tax amnesty. Section 3 provides comparative statistical data on tax amnesty and Gini coefficient in 12 countries particularly focusing on Turkey. Section 4 deals with alternative strategies for tax amnesty. Finally, Section 5 concludes and offers some policies for better outcomes.

LITERATURE REVIEW: REASONS OF TAX AMNESTIES AND THEIR EFFECTS

The commonly accepted meaning of tax amnesty is official pardon. Tax amnesty is the acknowledgment and forgiveness of guilt in a new tax structuring based on an agreement between the taxpayer and the government (Purnama and Mulya, 2020). Tax amnesty is a government program in which a tax evader can pay their unpaid taxes without being subject to additional penalties for this tax evasion (Alm and Malézieux, 2020). Taxpayers who commit tax crimes are given the chance to clear themselves by paying some of their tax debts.

While creating tax amnesty programs by governments, it should be carefully designed which taxpayers will benefit from the amnesty, what taxes and/or tax penalties will be covered, what revenues or penalties will be forgiven in the amnesty program. However, one of the most important issues is the legal process of the tax amnesty program. Tax amnesty programs allow delinquent taxpayers to repay all or part of their unpaid taxes without being prosecuted or penalized. *Figure 1* demonstrates the framework of tax amnesties. Tax amnesties are expected to achieve the following goals:

- increase tax compliance;
- increase tax revenues and accelerate collection;
- facilitate transactions of the tax administration;
- politically looking good to taxpayers;
- attract repatriation of capital from abroad.

Figure 1

THE FRAMEWORK OF TAX AMNESTY
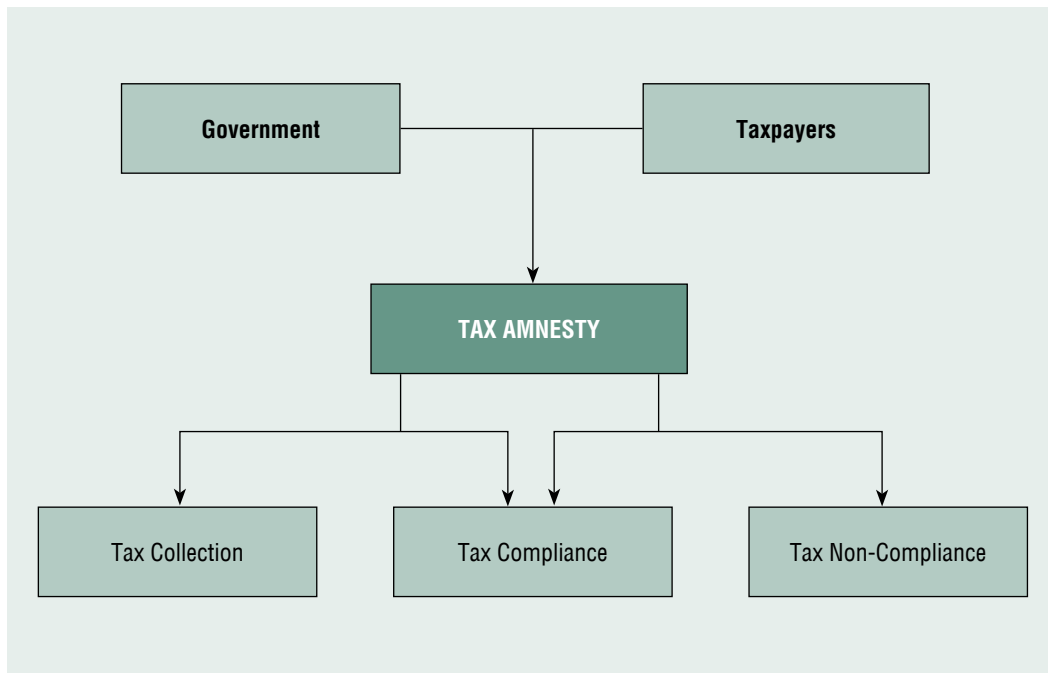
Source: Own editing

A typical tax amnesty has three key features. First, the tax amnesty is short-lived in nature and is usually applied for two to three months. Second, participation in tax amnesty is voluntary. Finally, a tax amnesty is the waiver of fines and penalties for avoidance, but not the principal amount of taxes payable (Luitel, 2005).

Policymakers generally see tax amnesties as an efficient policy tool due to the thought that they will bring additional income (Luitel and Sobel, 2007; Baer and Le Borgne, 2008). However, unlike general assumptions, *Luitel and Sobel* (2007) make the important point that tax amnesties have little effect on tax revenues. Similarly, *Stella* (1991) points out that tax amnesties are unlikely to generate a significant amount of additional income even in the short term. *Luitel and Sobel* (2007) found that if tax amnesties are repeated, the following tax amnesty provides less short-term income than the previous one. The literature shows that repeated tax amnesties can erode collected gross income and negatively affect voluntary tax compliance.

The probability of a tax amnesty gives tax evaders the opportunity to delay their tax duties until tax authorities provide the best conditions for them. In other words, they look for a bargain. Of course, this imposes an additional cost on the honest taxpayers, who pay their fair share of taxes. For this reason, *Ibrahim et al.* (2017) suggest that the government should avoid implementing frequent and predictable tax amnesty programs. *Oladele et al.* (2019) argue that tax evasion can be reduced if tax amnesties are implemented within the framework of tax audits and fines. What is generally accepted in the literature is that any tax amnesty should be supported by a much stricter sanction (Leonard and Zeckhauser, 1987).

According to *Alm and Beck* (1990), tax amnesties have a positive effect on tax compliance and tax revenues if the amnesty makes individuals feel that paying taxes is the norm and if individuals anticipate an amnesty that will have a harsher package of sanctions than the current regime. *Alm et al.* (2009) argue that the long-term effects of tax amnesties on tax revenue remain unclear. Because if faithful taxpayers react to the treatment of tax evaders, they may reduce their voluntary compliance with the current tax in anticipation of another amnesty in the future.

Looking at the revenue collection criteria, it has been seen that some of the amnesty programs were successful and this became attractive to governments. However, historical data shows that tax amnesties rarely have significant effects on public revenues. If tax amnesties are well designed and seldomly implemented, it might be possible to achieve positive results. However, this is unlikely to occur without creating a climate of positive discrimination for honest taxpayers. The taxpayers who pay their taxes regularly may consider the tax deductions as 'justice arising from justice'.

There are two main factors that determine the perception and therefore the behaviour of taxpayers. The first of these is the perception of the individuals in the society that the tax system is fair and the second is the perception that the quality of public services is high. The fairness perception of taxpayers is likely the most significant determinant of tax compliance (Erdoğdu and Geyik, 2020). As long as the tax system is complex, tax laws cannot be implemented, tax compliance decreases, and tax evasion is observed (Bonifert Szabóné, 2020: 534).

Kirchler et al. (2012) argue that justice should be delivered at distributive, procedural, and punitive levels. *Batrancea et al.* (2016) argue that the fairer taxpayers perceive the tax system, the more compliant citizens will be. Therefore, governments need to consider

fair taxation practices to build trust. It is claimed that when taxpayers are not punished for their tax evasion, the possibility of them complying with the tax voluntarily declines. Taxpayers who pay their taxes on time should bear a higher tax burden, as tax evasion puts legally operating enterprises at a competitive disadvantage and distorts competition (Parragh and Palotai, 2018).

EMPIRICAL EVIDENCE ON TAXPAYER'S BEHAVIOUR: COUNTRY PRACTICES

Tax amnesty programs have been implemented by many countries. Tax amnesty programs create different effects in the economy according to their types, the purpose of their implementation, and the financial and political characteristics of the countries. The countries selected in the study were first separated according to the level of development and the continent they are located in and then categorized according to the frequency of applying to tax amnesty programs. Turkey has been examined as a separate example since it is an OECD member that implemented so many tax amnesties since its establishment.

According to *Table 1*, the first three countries to grant the highest number of amnesties in a certain period are Mexico, Bangladesh, and Turkey, respectively. It is almost obvious that tax amnesties were implemented in these three countries for political rather than economic reasons. Amnesty programs were often the first to be implemented by governments after elections. These three countries are followed by Argentina, Italy, Russia, France, Germany, Netherlands, Indonesia, Canada, and Norway respectively. According to the data obtained from *Table 1*, we divided 12 countries into two groups, the ones that implement a tax

Table 1

TAX AMNESTIES IN SELECTED COUNTRIES

Country	Period of Tax Amnesties	Tax Amnesty Frequency	
		Month	Year
Mexico	2005–2017	26.6	2.4
Bangladesh	1975–2019	31.0	2.5
Turkey	1924–2021	32.3	2.6
Argentina	1987–2019	43.4	3.5
Italy	1971–2015	47.1	4.0
Russia	1993–2017	48.3	4.0
France	1951–1986	70.6	5.8
Germany	1949–2005	83.0	7.0
Netherlands	1934–2013	94.0	7.5
Indonesia	1964–2017	126.0	10.6
Canada	1970–2018	144.5	12.0
Norwey	1987–2016	179.5	14.5

Source: Own edited based on data from www.gib.gov.tr; https://nbr.gov.bd/

amnesty within less than 4 years and the ones that implement a tax amnesty within more than 4 years.
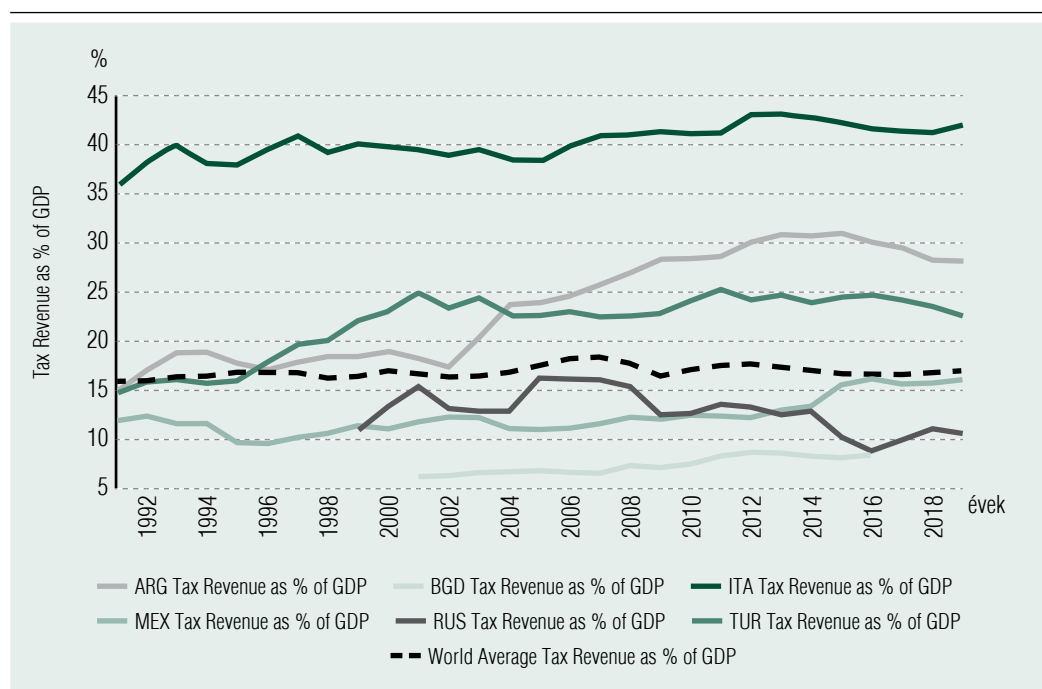
Figure 2 shows the ratio of tax revenues to GDP in countries applying tax amnesty for 4 years or less in the period of 1991-2019. According to *Figure 2*, the ratio of tax revenue to GDP is much below the world average in Bangladesh, Mexico and Russia. Although Argentina and Turkey are above the world average, Argentina's ratio of tax revenues to GDP has made a significant leap since 2004. On the other hand, the ratio of tax revenues to GDP in Turkey has started to decrease since 2016 and converged with the world average. The ratio of tax revenues to GDP in Italy is far above both the world average and the other countries in the group.

Italy applied tax amnesties between 1971 and 2015. In the 1991-2019 period, 7 tax amnesties were applied. While the ratio of tax revenue to GDP was 40.5% in 1993, after the amnesty, it was 38.6% in 1994. A similar pattern was observed in the following amnesties. The ratio of tax revenue to GDP was 40.1% in 2001, 39.6% in 2002, 40.0% in 2003, and 39.2% in 2004. While it was 42.0% in 2009 tax amnesty, the ratio decreased 2 years after amnesty. In the 2015 tax amnesty, it was 43.0%. After that, it again decreased.

Mexico has been the country that applied the highest numbers of tax amnesties in a certain period of time among the selected countries. It can be argued that tax amnesties could not achieve the targeted increase in tax

Figure 2

TAX REVENUE AS % OF GDP IN COUNTRIES APPLYING TAX AMNESTY FOR 4 YEARS OR LESS

Source: Own edited based on OECD, World Bank and UN data

revenue. Since 2016, the ratio of tax revenues to GDP has converged to the world average. Lately, the Mexican government announced that the implementation of tax amnesties brings more harm than good and they will not consider implementing amnesties anymore.

Turkey is among the countries that apply tax amnesty most frequently. It is observed that almost after every election tax amnesties are applied in Turkey. One of the other countries that frequently applied tax amnesties is Bangladesh. In this country, the ratio of tax revenue to GDP is below the world average. In this case, it can be argued that tax amnesties are not successful in increasing tax revenues. Russia is another country that applied tax amnesties very frequently in the 1990s. Although the ratio of tax revenue to GDP somewhat increased in Russia, this is hardly the result of tax amnesties. In any case, like Bangladesh, the ratio of tax revenue to GDP in Russia is below the world average.

Argentina is another country that applied frequent tax amnesties. In this country, tax amnesties were implemented particularly in the 1987-2019 period. In 1991, the ratio of tax revenue to GDP was 15.1% in Argentina and increased to 17.6% in 1992. The ratio was 18.1% in 1995 and after the amnesty; it declined to 17.7% in 1996. While the ratio was 26.4% in 2007, it became 27.6% in 2008. It was 28.9% in 2009 and after the amnesty it improved slightly and became 29.1% in 2010. The ratio was 30.7% in 2016, after the amnesty, it deteriorated to 30.0% in 2017. In 2019, the ratio further deteriorated to 28.7%. Except for the last one, it can be argued that tax revenues increased in Argentina after the tax amnesties. However, after the amnesty in 2016, the desired increase in tax revenue could not be achieved.

*Figure 3* demonstrates the ratio of tax revenue to GDP in countries applying tax amnesty for more than 4 years in the period of 1991-2019. In Figure 3, it is seen that only Indonesia has a ratio of tax revenue to GDP below the world average. The Netherlands, Canada, Germany, Norway, and France are above the world average. France has been at the top, increasing its tax revenues since 2009.

Looking at the 1991-2019 period, Canada applied tax amnesties in 2000, 2017, and 2018. While the ratio of tax revenue to GDP was 34.7% in 2000, it decreased to 34.1% after the amnesty. In 2017 and 2018, the ratio of tax revenue to GDP was 33.1% and 33.2%. As can be seen, tax amnesties have provided an increase of 0.1%, which can be neglected. France applied for tax amnesties in the 1951-1986 period. In 2009, it decided to reduce tax penalties and related interests to encourage the declaration of unregistered assets. However, it is difficult to evaluate this decision as a tax amnesty application. It is the country with the highest tax revenues without applying any tax amnesties in the 1991-2019 period. Germany is a country that used to apply tax amnesties until 1949-2005. In the 1991-2019 period, tax amnesty was implemented in 1992, 1993, 2001, 2004, and 2005. The ratio of tax revenue to GDP in 1992 and 1993 was 35.8%. In 1994, it increased to 36.2%. While it was 35.1% in 2001, it declined to 34.6% in 2002 after the amnesty. In 2004 and 2005, it was 34.3% and 34.4%, respectively. The ratio of tax revenue to GDP increased to 34.9% in 2006. Although Germany has not applied any tax amnesties afterwards, tax revenues have increased since 2010.

The Netherlands applied tax amnesties in 1934-2013, and it implemented tax amnesties in 1991, 1998, 2009, and 2013. While the ratio of tax revenue to GDP was 36.3% in 1998, it reached 37.2% in 1999. Later in 2009, the same figure was 34.9% in 2009 and became 35.7% in 2010. Once again, the

Figure 3

TAX REVENUE AS % OF GDP IN COUNTRIES APPLYING TAX AMNESTY FOR MORE THAN 4 YEARS
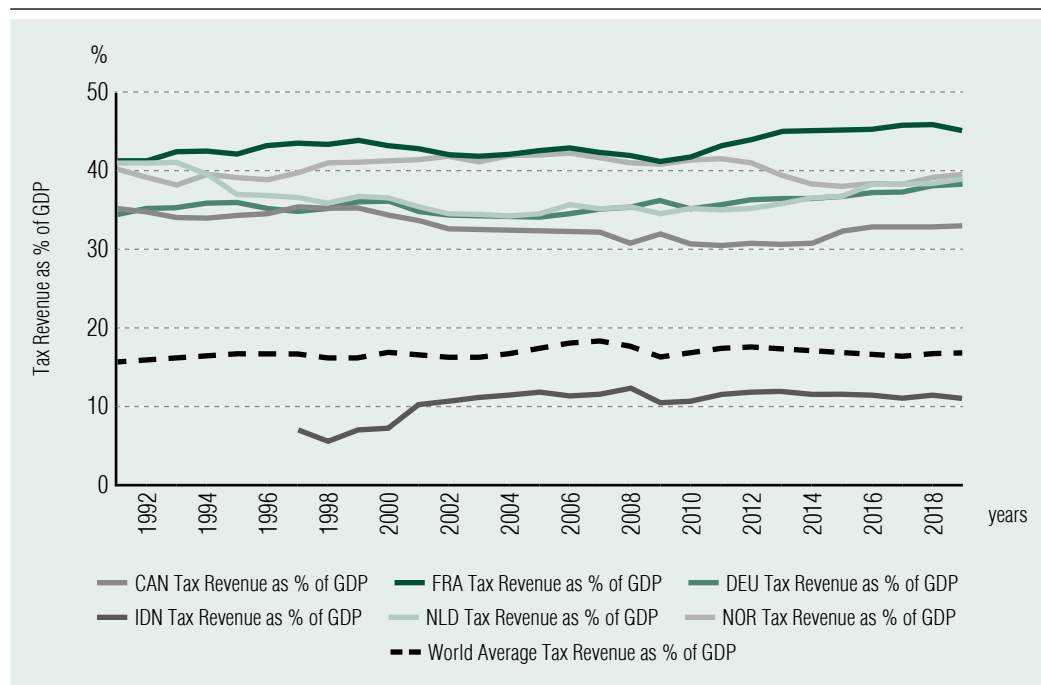
Source: Own edited based on OECD, World Bank and UN data

ratio of tax revenue to GDP ratio increased to 37.1% from 36.1% in 2014 after the 2013 tax amnesty. It can be said that the ratio of tax revenue to GDP ratio increased in the years after the Dutch tax amnesties. However, the ratio of tax revenue to GDP has increased even more since 2013.

Norway implemented tax amnesties in 1987, 2007, and 2016. While the ratio of tax revenues to GDP was 42.0% in 2007, this ratio dropped to 41.3% in 2008. This ratio was 38.9% in 2016. The following year after the amnesty it slightly dropped to 38.8%. Norwegian tax revenues increased 2 years after the amnesty. What we know is Norway is a country that applies tax amnesties rarely and the ratio of tax revenues to GDP is above the average of the world.

Indonesia applied tax amnesties in 1964,

1984, 2007, 2015, 2016, and 2017. When the tax amnesty was implemented in 2007, the ratio of tax revenues to GDP was 12.2%. After the amnesty, this rate increased to 13.0%. However, after 2008, tax revenues declined again. This rate was 12.1% in 2015 and dropped to 12.0% in 2016, and to 11.6% in 2017. The ratio of tax revenues to GDP was 12.0% in 2018 and 11.6% in 2019.

Figure 4 shows the Gini coefficient in countries applying tax amnesty for 4 years or less in the period of 1991-2019. Italy and Bangladesh are below the world Gini coefficient average. It can be argued that the income distribution justice in these two countries is fair, compared to the world average. Turkey has surpassed the world average of the Gini coefficient since 2002. While Russia had a Gini coefficient below the world average in

Figure 4

GINI COEFFICIENT IN COUNTRIES APPLYING TAX AMNESTY FOR 4 YEARS OR LESS
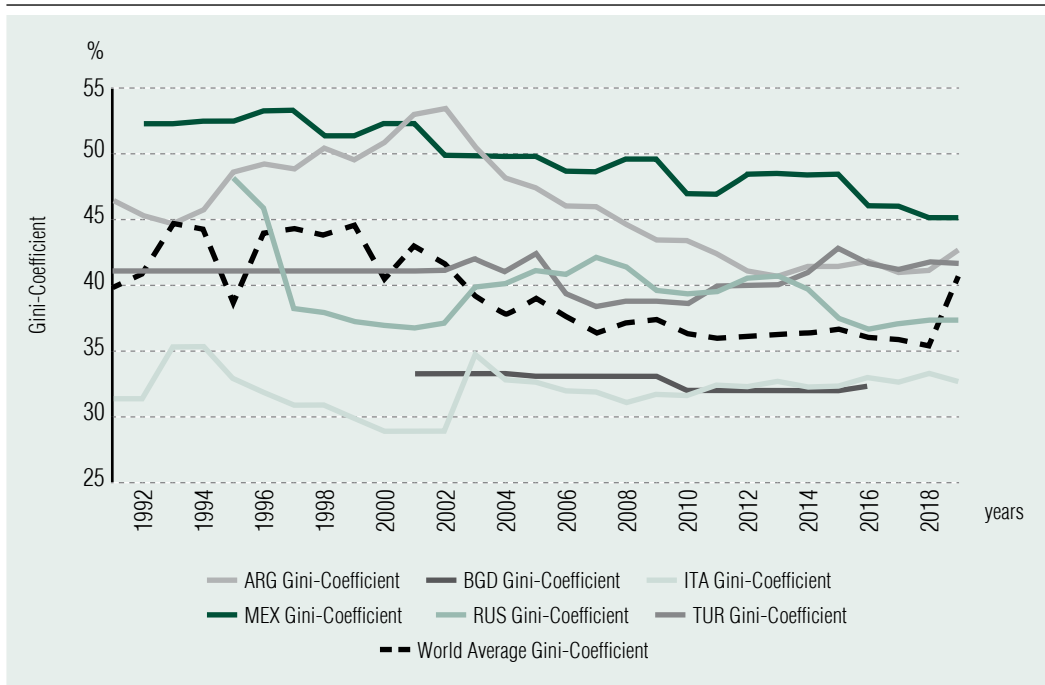
Source: Own edited based on OECD, World Bank and UN data

1996, it has started to rank above the world Gini coefficient since 2003. Argentina has been a country that is above the world Gini coefficient average since 1993. However, all the countries mentioned have started to move away from the world average in terms of income distribution justice. Among these Mexico is the country with the highest Gini coefficient in the world. Considering Mexico is the country that most frequently applies tax amnesties, it can be argued that tax amnesties trigger income inequality.

Figure 5 shows the Gini coefficient in countries applying tax amnesty for more than 4 years in the period of 1991-2019. Norway, the Netherlands, Germany, France, and Canada are the most equitable countries in income distribution. In terms of tax amnesties, Norway is the country that has applied the least number of tax amnesties and has the best Gini coefficient. Indonesia, on the other hand, had a better income distribution, below the world Gini coefficient average before 2010. However, its Gini coefficient began to increase above the world average after 2010 and income distribution deteriorated. We think this deterioration must be related to tax amnesties implemented in 2007, 2015, 2016, and 2017.

The Turkish Case

Turkey appears to be addicted to tax amnesties. From the establishment of the Turkish Republic in 1923 until 2021, a total of 37 tax amnesties were applied. As can be seen from *Table 2*, tax amnesties have become

AGINI COEFFICIENT IN COUNTRIES APPLYING TAX AMNESTY FOR MORE THAN 4 YEARS
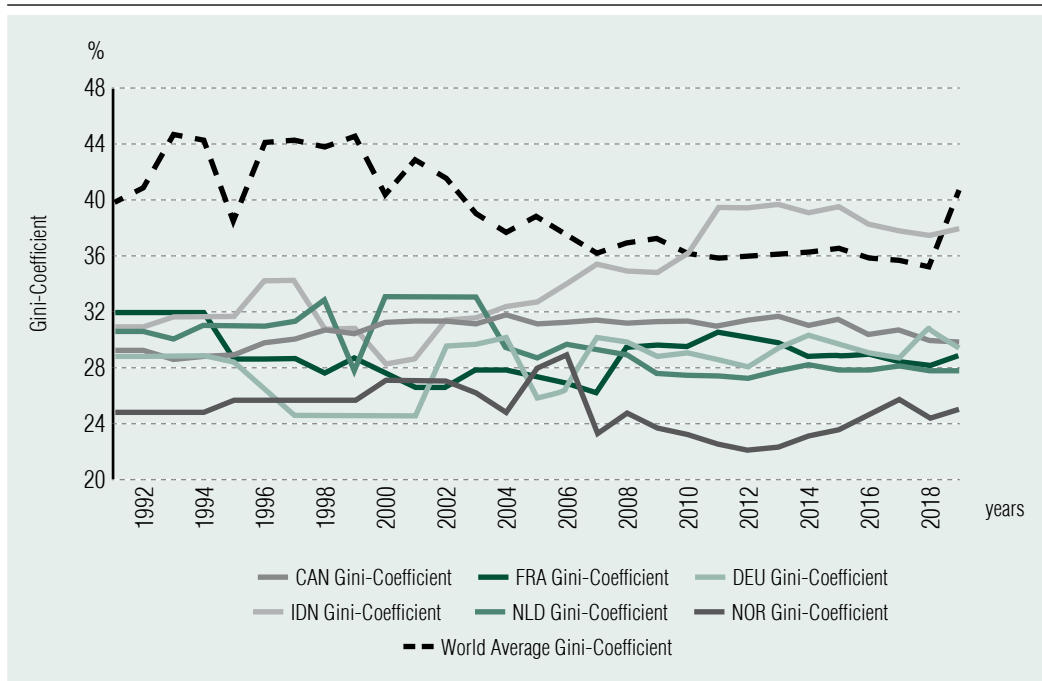
Source: Own edited based on OECD, World Bank and UN data

an instrument of tax policy in the Turkish tax system. Most of the governments in Turkey ignored the suggestions of tax specialists and applied many tax amnesties with false hopes if not for political calculations.

When the general elections held in Turkey are examined, it is seen that tax amnesties came into effect almost certainly immediately after the election years. The 1924 tax amnesty after the 1923 election, the 1928 tax amnesty after the 1927 election, the 1946 election and the 1946 tax amnesty, the 1961 election and the 1961 tax amnesty, the 1965 and the 1966 tax amnesties after the 1965 election, the 1974 tax amnesty after the 1973 election, the 1983 tax amnesty after the 1983 elections the 1987 election and the 1987 tax amnesty; the 1992 tax amnesty after the 1991 election, the 2002 and the 2003 tax amnesties after the 2002

election; the 2008 tax amnesty after the 2007 election, the 2011 tax amnesty after the 2011 election, the 2016 tax amnesty after the 2015 election, the 2018 tax amnesty after the 2018 election explain this situation. Therefore, we argue that tax amnesties in Turkey are mainly the result of political concerns.

The results are very ambiguous even for the short term. According to *Güler* (2020), Turkey frequently resorts to tax amnesties due to insufficient savings and low economic and political costs. *Baer and Le Borge* (2008), *Erdogdu et al.* (2016), *Sabnita* (2019) and *Güler* (2020) express the same argument. Tax amnesty is used as a way to get votes for political decisions and/or politicians in Turkey.

Turkey's repeated tax amnesty programs in 2003 and 2005 have not been successful in

Table 2

AMNESTIES IN TURKEY

Date	Law
17.05.1924	First Tax Amnesty
05.08.1928	Elvin-i Selas's Tax Amnesty
15.03.1934	Arrears of Asset Tax Cancellation
04.07.1934	Law No 2566 on The Elimination of Arrears of Tax.
29.06.1938	Law No 3568 on Balance of Land Tax Cancellation
13.06.1946	Law on Forestry Companies to be Exempted from Some Taxes
21.01.1947	Law No 5050 on Cancellation of Tax Wastes for Soil Crops
26.10.1960	Law No 113 on Amnesty
28.12.1961	Law No 281 on Tax Penalties Default Fine's Deferred and Liquidation
23.02.1963	Law No 218 on Some Crime and Penalties Amnesty
13.06.1963	Law No 252 on Sports Club's Tax Debt Amnesty for Once
05.09.1963	Law No 325 on State-Owned Enterprises Tax Debt Liquidation Before 1960
16.07.1965	Law No 691 on Municipalities and Their Enterprises Debt Cancellation and Arbitration By Treasury
03.08.1966	Law No 780 on Some Crime and Penalties Amnesty
28.02.1970	Law No 1319 on Estate Tax
15.05.1974	Law No 1803 on Some Crime and Penalties Amnesty Because of the 50th Year of the Republic
20.03.1981	Law No 2431 to Accelerate the Collection and Declaration of Wealth Elements out of Declaration
02.03.1982	Addition Law No 2431
22.02.1983	Law No 2801 on Some Public Claims Charged with A Special Way to Compromise
04.02.1985	Law No 3239 on The Fourth Tentative Item
03.12.1988	Law No 3505 on The First Tentative Item
21.12.1988	Law No 3512
15.12.1990	Law No 3689 on The First Tentative Item
21.02.1992	Law No 3787
05.09.1997	Law No 400 on Public Notification of Collection
22.07.1998	Law No 4369
06.02.2001	Law No 414 on Public Notification of Collection
07.03.2002	Law No. 4746 Related to the Amnesty Arrangement with the Estate Tax
27.02.2003	Law No 4811 on Tax Peace Law

Date	Law
22.11.2008	Law No 5811 on Asset Peace Law
25.02.2011	Law No 6111 on Tax Amnesty
10.09.2014	Law No 6552 on Tax Amnesty
19.08.2016	Law No 6736 on Tax Amnesty
27.05.2017	Law No 7020 on Tax Amnesty
18.05.2018	Law No 7143 on Tax Amnesty
17.11.2020	Law No 7256 on Tax Amnesty
09.06.2021	Law No 7326 on Tax Amnesty

Source: Gerger (2012: 109); Güler (2020: 264) and www.gib.gov.tr

increasing long-term income and improving voluntary tax compliance (Baer and Le Borge, 2008). According to *Sabnita* (2019), it is difficult to convince taxpayers that the amnesty will not be repeated, as it is part of the legislation in Turkey. Repeated tax amnesties in Turkey reduce the credibility of the government along with voluntary tax compliance. *Bozdoğan and* Şimşek (2018) analysed the effects of tax amnesty on tax revenues for Turkey's 1980-2014 period and concluded that tax amnesties generally affect tax revenues negatively.

Figure 6 shows the Gini coefficient in OECD member countries in the period of 1991-2019. In *Figure 6*, Turkey is above both the world and OECD country averages in terms of the Gini coefficient. In short, income distribution justice is not at the desired level in Turkey. It can be argued that tax amnesty programs negatively affect income distribution justice or deepen income distribution injustice. Norway, on the other hand, is the country that implemented one of the lowest numbers of tax amnesty programs and is the most equitable country in terms of the income distribution. Here, it can be concluded that tax amnesty programs negatively affect income distribution justice.

ALTERNATIVE STRATEGIES TO AMNESTIES

Country experiences with tax amnesties primarily focus on 2 basic questions. The first of these is why a tax amnesty is considered, and the second is what alternative policies may be available to tax amnesty (Baer and Le Borgne, 2008).

Regardless of their direct and indirect effects, tax amnesties mean a relaxation of tax enforcement efforts (Leonard and Zeckhauser, 1987). Even if they have positive short-term income effects, tax amnesties basically mean avoiding a tax reform. According to *Villalba* (2017), tax amnesties are only the second-best tools and should only be used when deep reforms in the tax system cannot be made.

In some countries, instead of one-time tax amnesties, there are permanent or permanent programs that provide softer handling of voluntary disclosure of tax violations at any time. Tackling tax evasion can be an effective way to collect more tax revenues, especially from the very rich (Alstadsæter *et al.*, 2019).

In most cases, instead of implementing a tax amnesty program, the best policy is to deal with poor tax compliance, which is the source of the problem. Improving tax compliance is a key development goal to increase revenue

GINI COEFFICIENT IN OECD MEMBER COUNTRIES
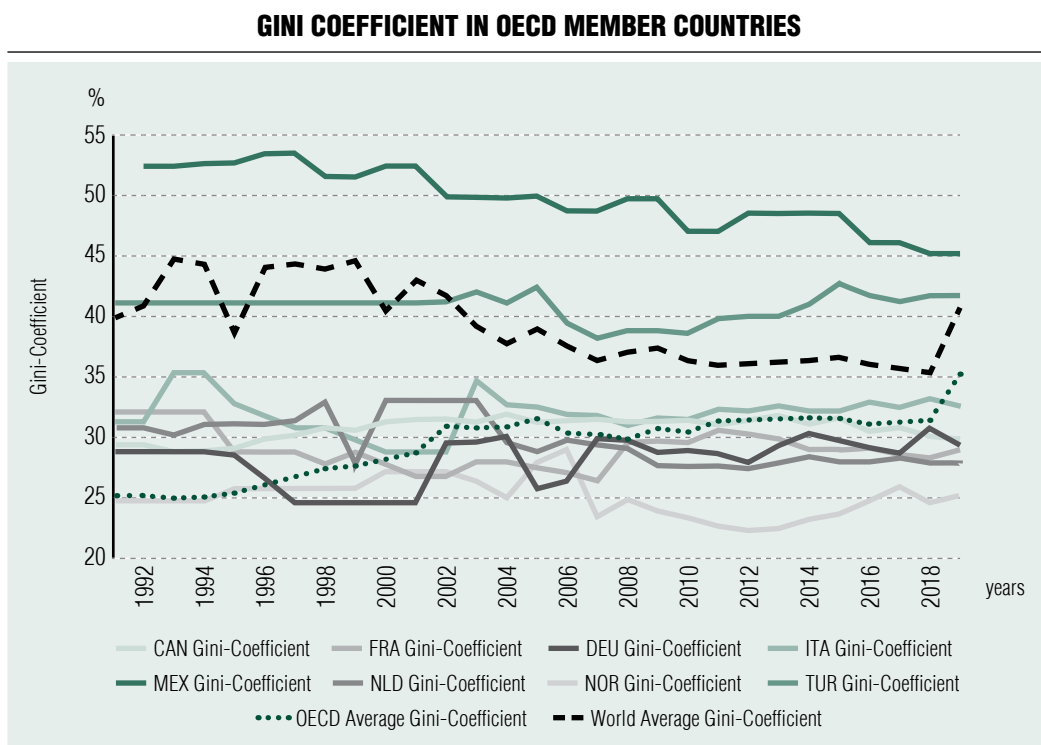
Source: Own edited based on OECD, World Bank and UN data

and build strong, reliable public institutions. Poor compliance is often the result of several factors, particularly poor governance, a weak legal system, and improper tax policy.

One of the strategies that can be implemented instead of the tax amnesty program is the implementation of medium and long-term alternative strategies. For example, the legal framework for tax administration, basic tax administration procedures and management should be strengthened. According to *Baer and Le Borgne* (2008), such a strategy should aim to broaden the tax base and reduce tax rates while at the same time simplifying the tax policy regime. In light of some of the weaknesses in the legal framework for tax administration in many developing countries, specific measures that may be considered to strengthen this framework include:

▶Remove legal barriers to taxpayer information access by tax authorities;

▶Require taxpayers to provide security when appealing to the Tax Administration, rather than automatically suspending or cancelling administrative actions that require the collection of overdue taxes;

▶Establish an appropriate interest penalty system. Give the Tax Administration appropriate collection and enforcement authority. The Tax Administration must have the legal authority to collect a delinquent debt and impose penalties without prior court approval. Enforcement authority should also include the possibility of amortizing individual tax obligations that are considered irrecoverable;

▶Establish an effective and fair instalment payment program for taxpayers who are temporarily unable to meet their tax obligations.

At the same time, the tax authority's priority should be to strengthen the basic system and procedures:

▶Ensure the taxpayer registration is complete, accurate, and secure;

▶Reduce the percentage of non-filers, suspension filers, and delinquent taxpayers;

▶Strengthen collection enforcement processes usually by focusing on the most recent and largest arrears first; provide guidelines for cancelling tax delinquency deemed irreparable; ensure that tax authorities have the appropriate organization and personnel to carry out enforcement work;

▶Design and implement a well-designed instalment program;

▶Strengthen the audit function and evaluate the final result of the audit, including the actual payments obtained from the assessment;

In addition to all these practices, proper tax management is an important factor in increasing the efficiency of tax management and increasing the level of taxpayer compliance over time, with the application of tax amnesties becoming the exception rather than the rule (Baer and Le Borgne, 2008).

It can be argued that the contact of the tax authority with the taxpayer may increase compliance in the short term. Sometimes an anodyne, placebo theme also has this effect. This may also be due to the fact that it shows the taxpayer that it is 'on our radar' of the tax office. This action represents a consistent effort to reduce tax evasion (Slemrod, 2018).

CONCLUSIONS AND RECOMMENDATIONS

The findings of this paper provide further support for earlier studies that conclude successful tax amnesties should be the exception rather than the norm. International experience shows that the benefits of tax amnesty programs are at best overstated and often the social costs of tax amnesty programs exceed the programs' benefits. Even the short-term revenue effect of tax amnesties is ambiguous when all of the costs involved are taken into account. The medium and long-term effects of tax amnesties are close to disastrous in terms of not only revenue but also tax justice and income distribution. Besides, even if tax amnesties are capable of producing additional revenue that does not necessarily justify tax amnesties since the ends do not justify the means.

The paper identified that tax amnesties are fundamentally unfair, palliative, and degenerative tools. They tend to create serious negative effects in the fabric of society and the economy depending on their types, the purpose of their implementation, and the financial and political characteristics of the countries. Tax amnesties are degenerative tools because they are in effect make tax a kind of bargaining subject. Worst still, tax evaders would have good bargaining power against tax authorities compared to honest citizens, who pay their taxes regularly. The ugly reality, in the end, is that the additional burden caused by those who did not pay their fair share of taxes is imposed on the honest taxpayers, who pay their fair share of taxes. As a result, honest taxpayers or annoyed non-delinquents may lose faith in the tax system and they may begin to behave as non-compliant not to feel like fools.

The practices of the twelve countries examined in the paper show that the ratio of tax revenues to GDP does not increase in the countries that implement the highest number of tax amnesties. At this point, it is illuminating to see that France, which implemented its last tax amnesty in the 1980s, has the highest tax revenue to GDP ratio. Norway is another country with the lowest number of tax amnesties. This is also the country with the best income distribution among the 12 selected countries. Therefore,

it is argued that tax amnesties have a negative tax compliance effect in the long term and are likely to worsen income inequality.

Amnesties in Turkey are examined in more detail in the paper. It is seen clearly that the main reason behind the implementation of many tax amnesties in Turkey is political rather than economic. This finding is also consistent with the results of *Baer and Le Borge* (2008), *Erdogdu et al.* (2016), *Erdoğdu and Geyik* (2020), *Sabnita* (2019), and *Güler* (2020). This argument is supported by the fact that almost after every election a tax amnesty is implemented in Turkey. Most of the governments in Turkey ignored the suggestions of tax specialists and applied many tax amnesties with false hopes. The results are apparently less than satisfactory even for the short term.

It is emphasized in the paper that taxation is not just a means of financing the government but also a very visible component of the social contract underlying the state. What is important to recognize is that the glue that keeps a society united is the justice and trust that comes with it. Fairness does not have a price tag on it and it should not be sold for a few pennies even if tax amnesties are capable of producing. Social capital literature reveals that one of the best investments with the highest return is building trust in society. Parallel to this, some recent work conducted in public finance literature provided evidence that normative factors like justice and trust play much more important roles than generally assumed for tax compliance. What is implied here is that the priority of tax administrations should be trust-building and strengthening their core systems and procedures.

Tax amnesties can encourage not only tax evaders but also honourable members of society to choose non-compliance. In most cases rather than implementing a tax amnesty program, the best policy is to deal with the source of the problem, which is weak tax compliance. This study suggests first to fight tax evasion and broaden the tax base to promote voluntary tax compliance. For this, it is crucial to increase the effectiveness of tax enforcement tools; improve the legal framework for tax administration, basic tax administration procedures and management; and build up trust between the citizens and the state. Fighting tax evasion can also be an effective way to collect more tax revenue, particularly, from the very wealthy.

Limitations and Suggestions for Further Research

The biggest problem encountered during the study was to access historical data regarding the legal background for each country's tax amnesties and to determine their frequency, especially for the years before the 1980s. The most important limitation is that some countries' Gini coefficient data are not published regularly and some annual data is missing. Furthermore, it is rare to locate studies from the perspective of economic policy in public finance literature although it is very much necessary. We hope to see more future studies that evaluate tax amnesties from an economic policy perspective. We think that analysis of decisions related to tax amnesty taken by countries within the framework of efficiency proves to be a good topic for further research. Panama Files (Papers) and Swiss Leaks can be very valuable for such research.

Data availability

The datasets generated and analysed during the current study are not publicly available due to the fact that they constitute an excerpt of research in progress but are available from the corresponding author depending on reasonable request. ■

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