



Observatory for the Protection of Taxpayers' Rights

Below you will find a questionnaire filled in by or with the contribution of the National Reporter of Turkey, Prf. Dr. Billur Yaltı, a representative from the Academia.

This questionnaire comprises the National Reporter assessment on the level of compliance of the minimum standards and best practices on the practical protection of taxpayers' rights identified by Prof. Dr. Pistone and Prof. Dr. Philip Baker at the 2015 IFA Congress on "*The Practical Protection of Taxpayers' Rights*". This report was filled in considering the following parameters:

1. It contains information on those issues in which there were movements towards or away from the level of compliance of the relevant standard/best practice in Turkey between 2015 and 2017.
2. It is indicated, by the use of a checkmark () whether there were movements towards or away from of the level of compliance of the relevant standard/best practice in Turkey between 2015 and 2017.
3. It contains a summarized account on facts (legislation enacted, administrative rulings, circulars, case law, tax administration practices) that serves as grounds for each particular assessment of the level of compliance of a given minimum standard / best practice, in a non-judgmental way.

Minimum Standard	Best Practice	Shift towards	Shift away	Development
1. Identifying taxpayers, issuing tax returns and communicating with taxpayers				
Implement safeguards to prevent impersonation when issuing unique identification numbers				
The system of taxpayer identification should take account of religious sensitivities				
Impose obligations of confidentiality on third parties with respect to information gathered by them for tax purposes	Where tax is withheld by third parties, the taxpayer should be excluded from liability if the third party fails to pay over the tax			
Where pre-populated returns are used, these should be sent to taxpayers to correct errors				
Provide a right of access for taxpayers to personal information held about them, and a right to apply to correct inaccuracies	Publish guidance on taxpayers' rights to access information and correct inaccuracies			
Where communication with taxpayers is in electronic form, institute systems to prevent impersonation or interception		✓		In 2015, the MoF has introduced electronic application for income and corporate taxpayers for tax refunds where all communication, inspection, analysis and reporting are conducted online. In 2016, The MoF has launched a VAT Refund Tax Payer's Satisfaction Management System where VAT refund applications and surveillance can be made online. In 2016, electronic notification system has also been launched. According to the verbal information received from the MoF officials, electronic applications and the MoF network are protected by a firewall system and the intrusion tests are conducted four times a year.
Where a system of "cooperative compliance" operates, ensure it is available on a non-discriminatory and				

voluntary basis				
Provide assistance for those who face difficulties in meeting compliance obligations, including those with disabilities, those located in remote areas, and those unable or unwilling to use electronic forms of communication				
Minimum Standard	Best Practice	Shift towards	Shift away	Development
2. The issue of tax assessment				
	Establish a constructive dialogue between taxpayers and revenue authorities to ensure a fair assessment of taxes based on equality of arms			
	Use e-filing to speed up assessments and correction of errors, particularly systematic errors	✓		On 1 July 2016, the Tax Inspection Board has launched a Taxpayer Portal where the taxpayers may receive information about the inspections started about themselves, the current stage of the inspection and may also submit online their demands or opinions or conciliation applications. In 2016, the electronic inspection analysis system has been started and ongoing tests have been conducted with respect to the electronic inspection of taxpayers using electronic invoice and book system.
3. Confidentiality				
Provide a specific legal guarantee for confidentiality, with sanctions for officials who make unauthorised disclosures (and ensure sanctions are enforced)	Encrypt information held by a tax authority about taxpayers to the highest level attainable	n	n	In 2016, the Law no. 6698 on the Protection of the personal data was approved by the parliament. Thus the protection in respect to automatic processing of personal data has been implemented by law as provided in article 20 of the Turkish Constitution. However, the taxpayers are excluded from the scope of the law with regard to the rights to have access, object and correct the information that has been processed by the MoF. No improvements are observed in that regard
Restrict access to data to those officials authorised to consult it. For	Ensure an effective fire-wall to prevent unauthorised access to data held by revenue			

encrypted data, use digital access codes	authorities			
Audit data access periodically to identify cases of unauthorised access				
Introduce administrative measures emphasising confidentiality to tax officials	Appoint data protection/privacy officers at senior level and local tax offices			
If a breach of confidentiality occurs, investigate fully with an appropriate level of seniority by independent persons (e.g. judges)				
Introduce an offence for tax officials covering up unauthorised disclosure of confidential information				

Minimum Standard	Best Practice	Shift towards	Shift away	Development
3. Confidentiality (cont).				
Provide remedies for taxpayers who are victims of unauthorised disclosure of confidential information				
Exceptions to the general rule of confidentiality should be explicitly stated in the law, narrowly drafted and interpreted				
If “naming and shaming” is employed, ensure adequate safeguards (e.g. judicial authorisation after proceedings involving the taxpayer)	Require judicial authorisation before any disclosure of confidential information by revenue authorities			
No disclosure of confidential taxpayer information to politicians, or where it	Parliamentary supervision of revenue			

might be used for political purposes	authorities should involve independent officials, subject to confidentiality obligations, examining specific taxpayer data, and then reporting to Parliament			
Freedom of information legislation may allow a taxpayer to access information about himself. However, access to information by third parties should be subject to stringent safeguards: only if an independent tribunal concludes that the public interest in disclosure outweighs the right of confidentiality, and only after a hearing where the taxpayer has an opportunity to be heard				
If published, tax rulings should be anonymised and details that might identify the taxpayer removed	Anonymise all tax judgments and remove details that might identify the taxpayer			

Minimum Standard	Best Practice	Shift towards	Shift away	Development
3. Confidentiality (cont).				
Legal professional privilege should apply to tax advice	Privilege from disclosure should apply to all tax advisors (not just lawyers) who supply similar advice to lawyers. Information imparted in circumstances of confidentiality may be privileged from disclosure			
Where tax authorities enter premises which may contain privileged material, arrangements should be made (e.g. an independent lawyer) to protect that privilege				

4. Normal audits.				
<p>Audits should respect the following principles:</p> <ul style="list-style-type: none"> (1) Proportionality (2) <i>Ne bis in idem</i> (prohibition on double jeopardy) (3) <i>Audi alteram partem</i> (right to be heard before any decision is taken) (4) <i>Nemo tenetur se detegere</i> (principle against self-incrimination). <p>Tax notices issued in violation of these principles should be null and void</p>				
<p>In application of proportionality, tax authorities may only request for information that is strictly needed, not otherwise available, and must impose least burdensome impact on taxpayers</p>		✓		<p>Tax Law amendment 2016: Tax audits can only be conducted within the subjects and tax periods specified in the assignment letter of the tax auditor. The tax auditor is not entitled to demand any documents or books that are not related to the specified audit subject and tax period. In case where the auditor determines different subjects to be investigated and criticized, he is not authorized to change or expand the initial audit subject but required to inform the MoF. During the tax audits, the auditor may demand the submission of books and documents by written letter. For the submission of those books and documents, the auditor is required to set a time limit not less than 15 days.</p>
	<p>In application of <i>ne bis in idem</i> the taxpayer should only receive one audit per taxable period, except when facts that become known after the audit was completed</p>			
Minimum Standard	Best Practice	Shift towards	Shift away	
4. Normal audits (cont).				
<p>In application of <i>audi alteram partem</i>, taxpayers should have the right to attend all relevant meetings with tax authorities (assisted by advisors), the</p>		✓		<p>Amendments introduced by the Ministry of Finance (MoF) on the Regulation on the Tax Audit Procedure (RTAP) (2015): Taxpayers are entitled to include any kind of precedent advance</p>

<p>right to provide factual information, and to present their views before decisions of the tax authorities become final</p>				<p>rulings that might be relevant with the case in the tax audit minutes which are drawn up by the tax auditor during the audit and include all kind of facts, events, and account positions related to taxation. The tax auditor is required to evaluate the relevancy of the advance ruling submitted by the taxpayer within its final audit report. In addition, the tax auditor is obliged to inform the taxpayer about the possible transactions that might be done onwards pursuant to the audit minutes. Thus, the taxpayers are entitled to receive information about the possible consequences of the audit prior to tax audit report has been drawn. The latter amendment serves for the foreseeability and certainty about the final outcome of tax audits.</p>
<p>In application of <i>nemo tenetur</i>, the right to remain silent should be respected in tax audits.</p>				
	<p>Tax audits should follow a pattern that is set out in published guidelines</p>			
	<p>A manual of good practice in tax audits should be established at the global level</p>	<p>✓</p>		<p>On 24 April 2017, the MoF has released an internal circular No.2017/1 on tax inspections. Accordingly, the tax audits shall not be permitted to start within the final six month period of statute of limitations. Thus, the assignment of a tax auditor should be made until the end of June of the relevant year for taxes that will be subject to statute of limitations during the year of inspection. Under the Turkish tax law, if a tax is not assessed and the taxpayer is not notified of the assessment within 5 years of the first day of the year which follows the occurrence of the event which created the tax liability, it can no longer be collected. The newly introduced circular provides safeguard to the taxpayers in terms of the abusive applications of the tax administration by initiating a tax audit as of the last days of statute of limitations and submit the case to the valuation commissions in order to circumvent the statute of limitations. Furthermore, the circular provides a time limit for the submission of the tax inspection report on taxes that will be subject to statute of limitations during the year of inspection. Accordingly, in cases where the inspections are about taxes within the final year of statute of limitations, the tax auditors are required to submit their tax audit report to the tax offices until the end of the 10th month of</p>

				the year of statute of limitations.
	Taxpayers should be entitled to request the start of a tax audit (to obtain finality)			
Where tax authorities have resolved to start an audit, they should inform the taxpayer	Where tax authorities have resolved to start an audit, they should hold an initial meeting with the taxpayer in which they spell out the aims and procedure, together with timescale and targets. They should then disclose any additional evidence in their possession to the taxpayer	✓		According to article 140 of the Tax Procedure Law, all kind of facts, events, and account positions related to taxation are included in audit minutes drawn up by the auditor during the inspection. The taxpayers have the right to submit objections and remarks regarding the audit content. In such a case the objections and remarks of taxpayers have to be included in the audit minutes. However, previously, there was no obligation for the auditor to submit the drafts of the audit minutes to the taxpayer for his review in a reasonable time. The amendments to the RTAP introduces a two day period for the submission of the draft tax audit minutes to the taxpayers upon demand. Although the time period is short, the taxpayers now have the opportunity to review the content of the draft minutes and include their objections and arguments on proper grounds.
Taxpayers should be informed of information gathering from third parties				
	Reasonable time limits should be fixed for the conduct of audits	✓		In 2015 the MoF introduced a time limitation on the information collection procedure initiated due to an information exchange request by a foreign country pursuant to Article 26 of the tax treaty. Accordingly, such investigations must be done immediately and be completed within two months from the date the exchange of information request has been received by the MoF.
Technical assistance (including representation) should be available at all stages of the audit by experts selected by the taxpayer				
Minimum Standard	Best Practice	Shift towards	Shift away	Development
4. Normal audits (cont).				
The completion of a tax audit should be accurately reflected in a	The drafting of the final audit report should involve participation by the taxpayer, with	✓		Under article 140 of the Tax Procedure Law, tax auditors are required at the end of the audit process to prepare a tax audit report

document, notified in its full text to the taxpayer	the opportunity to correct inaccuracies of facts and to express the taxpayer's view			which is subject to the supervision of the tax audit report evaluation of commissions. According to the Regulation on the Organization and Procedure of Tax Audit Report Evaluation Commissions[1], taxpayers may also be heard by the tax audit report evaluation commission depending on the discretion and decision of the commission. The newly introduced amendments are related with that procedure in two aspects: Firstly, during tax audits, taxpayers must be asked whether they require to be heard before the audit report evaluation commissions. Taxpayers' intent should be included in the audit minutes in that regard. Secondly, although the taxpayers were granted the right to be heard before the so called commission, they were not entitled to receive the final audit report before the hearing; i.e. taxpayers who were unaware of the content of the final audit report did not have proper opportunity to discuss, criticize or object on it. Under the new amendments, the final audit report summary must be delivered to the taxpayer before the hearing to be held in the report evaluation commission. These amendments strengthen the right to be heard, informed and object within the meaning of equality of arms.
	Following an audit, a report should be prepared even if the audit does not result in additional tax or refund			
5. More intensive audits.				
	More intensive audits should be limited to the extent strictly necessary to ensure an effective reaction to non-compliance			
If there is point in an audit when it becomes foreseeable that the taxpayer may be liable for a penalty or criminal charge, from that time the taxpayer should have stronger protection of his right to silence, and statements from the taxpayer should not be used in the audit procedure				
Entering premises or interception of communications should be authorised by the judiciary				

Authorisation within the revenue authorities should only be in cases of urgency, and subsequently reported to the judiciary for <i>ex post</i> ratification				
Inspection of the taxpayer's home should require authorisation by the judiciary and only be given in exceptional cases.	Where tax authorities intend to search the taxpayer's premises, the taxpayer should be informed and have an opportunity to appear before the judicial authority, subject to exception where there is evidence of danger that documents will be removed or destroyed			
	Access to bank information should require judicial authorisation			
Minimum Standard	Best Practice	Shift towards	Shift away	Development
5. More intensive audits (cont).				
	Authorisation by the judiciary should be necessary for interception of telephone communications and monitoring of internet access. Specialised offices within the judiciary should be established to supervise these actions			
Seizure of documents should be subject to a requirement to give reasons why seizure is indispensable, and to fix the time when documents will be returned; seizure should be limited in time				
	If data are held on a computer hard drive, then a backup should be made in the presence of the taxpayer's advisors and the original left with the taxpayer			
Where invasive techniques are applied, they should be limited in time to avoid disproportionate impact on taxpayers				
6. Review and appeals.				

	E-filing of requests for internal review to ensure the effective and speedy handling of the review process			
The right of appeal should not depend upon prior exhaustion of administrative reviews				
	Reviews and appeals should not exceed two years			
<i>Audi alteram partem</i> should apply in administrative reviews and judicial appeals				

Minimum Standard	Best Practice	Shift towards	Shift away	Development
6. Review and appeals (cont).				
Where tax must be paid in whole or in part before an appeal, there must be an effective mechanism for providing interim suspension of payment	An appeal should not require prior payment of tax in all cases			
	The state should bear some or all of the costs of an appeal, whatever the outcome			
Legal assistance should be provided for those taxpayers who cannot afford it				
Taxpayers should have the right to request the exclusion of the public from a tax appeal hearing				
Tax judgments should be published				
7. Criminal and administrative sanctions.				
Proportionality and <i>ne bis in idem</i> should apply to tax penalties				

	Where administrative and criminal sanctions may both apply, only one procedure and one sanction should be applied			
	Voluntary disclosure should lead to reduction of penalties			
Sanctions should not be increased simply to encourage taxpayers to make voluntary disclosures				
8. Enforcement of taxes.				
Collection of taxes should never deprive taxpayers of their minimum necessary for living				

Minimum Standard	Best Practice	Shift towards	Shift away	Development
8. Enforcement of taxes (cont).				
	Authorisation by the judiciary should be required before seizing assets or bank accounts			
Taxpayers should have the right to request delayed payment of arrears				
	Bankruptcy of taxpayers should be avoided, by partial remission of the debt or structured plans for deferred payment			
Temporary suspension of tax enforcement should follow natural disasters				
9. Cross-border procedures.				
The requesting state should notify the taxpayer of cross-border requests for information, unless it has specific	The taxpayer should be informed that a cross-border request for information is to be made			

grounds for considering that this would prejudice the process of investigation. The requested state should inform the taxpayer unless it has a reasoned request from the requesting state that the taxpayer should not be informed on grounds that it would prejudice the investigation				
	Where a cross-border request for information is made, the requested state should also be asked to supply information that assists the taxpayer			
	Provisions should be included in tax treaties setting specific conditions for exchange of information			

Minimum Standard	Best Practice	Shift towards	Shift away	Development
9. Cross-border procedures (cont).				
If information is sought from third parties, judicial authorisation should be necessary				
	The taxpayer should be given access to information received by the requesting state			
	Information should not be supplied in response to a request where the originating cause was the acquisition of stolen or illegally obtained information A requesting state should provide confirmation of confidentiality to the requested state			
A state should not be entitled to receive information if it is unable to				

provide independent, verifiable evidence that it observe high standards of data protection				
	For automatic exchange of financial information, the taxpayer should be notified of the proposed exchange in sufficient time to exercise data protection rights			
	Taxpayers should have a right to request initiation of mutual agreement procedure			
Taxpayers should have a right to participate in mutual agreement procedure by being heard and being informed as to progress of the procedure				

Minimum Standard	Best Practice	Shift towards	Shift away	Development
10. Legislation.				
Retrospective tax legislation should only be permitted in limited circumstances which are spelt out in detail	Retrospective tax legislation should ideally be banned completely			
	Public consultation should precede the making of tax policy and tax law			
11. Revenue practice and guidance.				
Taxpayers should be entitled to access all relevant legal material, comprising legislation, administrative regulations, rulings, manuals and other guidance				
Where legal material is available				

primarily on the internet, arrangements should be made to provide it to those who do not have access to the internet				
Binding rulings should only be published in an anonymised form				
Where a taxpayer relies upon published guidance of a revenue authority which subsequently proves to be inaccurate, changes should apply only prospectively				

Minimum Standard	Best Practice	Shift towards	Shift away	Development
12. Institutional framework for protecting taxpayers' rights.				
Adoption of a charter or statement of taxpayers' rights should be a minimum standard	A separate statement of taxpayers' rights under audit should be provided to taxpayers who are audited			
	A taxpayer advocate or ombudsman should be established to scrutinise the operations of the tax authority, handle specific complaints, and intervene in appropriate cases. Best practice is the establishment of a separate office within the tax authority but independent from normal operations of that authority			
	The organisational structure for the protection of taxpayers' rights should			

	operate at local level as well as nationally			
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