Vergileme ve Mali Yönetişim Arasındaki Bağlantı

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ABSTRACT
Balancing public revenues and expenditures is a challenge for governments and governments apply to various methods to have a sustainable fiscal discipline and a sound fiscal management. One of the tools which help governments to implement sound fiscal managements is the concept of fiscal governance. Fiscal governance is a policy instrument that is expected to increase the fiscal performance of the countries. On the other hand, one of the fundamental factors which affect the fiscal management of the countries is taxation. Main objectives of this study are to reveal the interplay between the concepts of taxation and fiscal governance -particularly the impact of taxation on having a sound fiscal governance- and to propose policy implications on taxation and fiscal governance.
INTRODUCTION

Balancing public revenues and expenditures is a challenge for governments and different governments apply to various methods to have a sustainable fiscal discipline and a sound fiscal management. One of the items which help governments to implement sound fiscal managements is the concept of fiscal governance. In this context, effective management of public expenditures is a key for the fiscal performance of a country and in literature, studies generally emphasize the importance expenditure aspect of fiscal governance. But, literature on the income aspect of the fiscal governance is not much. This paper mainly focuses on this dimension of the concept of fiscal governance.

The concept of fiscal governance comprises simply rules, procedures and regulations that have an impact on how budgetary processes are conducted (Dziemianowicz, 2014). Fiscal governance consists of four fundamental components: (i) Numerical fiscal rules, (ii) medium term budgetary frameworks, (iii) budgetary procedures, and (iv) independent fiscal institutions (Kaplanoglou ve Rapanos, 2011: 4-5). And, the concept aims to prevent unsustainable fiscal policies which increase debt levels and budget deficits to unsustainable levels, provide access to budgetary indicators, reduce the cyclical process of the formation of fiscal policies, improve the efficiency of public expenditures and increase the transparency of fiscal policy (Dziemianowicz, 2014: 61-62; Karakurt, 2016: 188). At first glance, it sounds such a concept which more deals with the topics about public expenditure but the public income and thus taxation is also a determinative factor for a well-managed fiscal governance.

Taxation is the most important public revenue for many countries. Therefore, it is a determinative factor of level of public incomes in many countries. Consequently, the effective management of tax policy is indispensable for fiscal performance of these countries. Because insufficient public revenues impede the fiscal performance of countries by leading excessive budget deficits and debt burden. Thus, a wrong income management trivializes the effective management of public expenditures. In this framework, the main objective of this study is to shed light on the linkage between taxation and fiscal governance in the sense that how these concepts have the potential to affect each other and to propose policy implications for policymakers.

1. The Concept of Fiscal Governance

According to the European Commission, fiscal governance can be defined as “those rules, regulations and procedures that influence how budgetary policy is planned, approved, carried out, monitored and evaluated.” Also Dziemianowicz (2014) defines fiscal governance as “rules, regulations and procedures that affect the way fiscal policy is planned, approved, conducted and monitored”. These definitions includes particularly national numerical fiscal rules, independent fiscal institutions and medium-term budgetary frameworks. Also another definition states that “fiscal governance is the combination of institutions, rules, and norms that structure governance in these policy areas.” In parallel with all these definitions, the concept fiscal governance is related to fiscal rules, fiscal institutions, norms affect the fiscal policies and other items that shape especially the budgetary policies and the term simply focuses on how budget policies is planned, monitored, implemented and approved. Fiscal governance is also associated with more than public entities, business and citizens engaged as well.

Since the 1970s, constant fiscal deficits and high public debt levels have been ubiquitous in many OECD countries. Fiscal balances of many developed and emerging economies have been negative in the past 40 years with an average deficit of around %3 of GDP per year for both groups. Fiscal deficits reflect a variety of internal and external shocks which directly affect not only budgetary position but also whole economic environment. And, fundamental factors behind the unsustainable budget deficits and rising public debts are inadequate fiscal

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discipline and weakness in fiscal management. (Debrun et al, 2009: 44) The global crisis which broke out in 2008 and the expansionary policies against the crisis have raised budget deficits and debt levels in many developed countries, as well. For this reason, the sustainability of public finance was at stake, and therefore there has been a growing interest in increasing the oversight of the budget, the discipline of public finance, and fiscal consolidation. In this framework, besides providing stability in budget revenues, efforts to rationalize public expenditures as well as the coordination of fiscal policy have become a vital necessity. This brings the concept of fiscal governance back to the foreground. (Karakurt, 2016: 187; Dziemianowicz, 2014: 60)

Over the last twenty years, many study have suggested that the governments may not be able to run sound fiscal policies that support their long-term growth. Consequently, public debts and budget deficits in many countries may increase. Indeed, these variables have recently increased dramatically which also have led to the recent global economic downturn. In this context, in 2005, the European Council stressed the importance of national fiscal rules and financial institutions in the provision of fiscal discipline. The conclusion is that: legally binding fiscal rules, transparency, budgetary procedures or independent fiscal agencies can help policymakers to curb excessive deficits and debt burden. (Kaplanoglou ve Rapanos, 2011:4)

Increasingly in the literature, it is stated that the institutions governing the budgetary processes determine the financial performance of the country (Von Hagen, 1992). Thus, the concept of financial governance has begun to develop and spread (Karakurt, 2016: 187). According to European Commission (2009) a sound fiscal governance is one of the cornerstones of the better quality of public finance. Many studies have shown that there is a relationship between fiscal governance and the stability of national fiscal policies (Giosi et al, 2014: 95). In this context the aim of financial governance is to expand the country's economy through a more stable and sustainable financial structure by improving the long-run performance of the economy. Good fiscal governance facilitates structural reforms and is quite useful in terms of public finance (Karakurt, 2016: 186). Fiscal governance, which means coordination of fiscal policy, is also covered by the concept of public administration and refers to the application of governance methods that can be applied in the private sector to the public sector. (Dziemianowicz, 2014: 61) Just as stated above fiscal governance can be defined as rules, regulations and procedures that affect the planning, approval, implementation and supervision of fiscal policy. In this respect, good financial governance can support sound budgetary position and structural reforms in medium and long term. (Giosi et al, 2014: 95).

According to a study conducted by Hallerberg and Hagen (2004) there are two different international approaches to the design of financial governance. These are simply the delegation model and contract models. In the delegation model, the power is given to the Minister of Finance (financial entrepreneur) to overcome the coordination problems of budgeting. The minister's role is to design the budget to ensure that all actors in the process meet the existing limits. On the other hand, the contract model is based on pre-determined budgetary objectives and rules. Here, all members of the government form specific budgetary goals. By doing so, it becomes possible to concentrate on the means necessary to achieve financial targets (Hallerberg et al., 2004: 7-9) Well functioning of both methods simply depends on sufficient institutionalism and depoliticization of the budgetary processes. (Dziemianowicz, 2014)

In this respect, the objectives of fiscal governance are generally (Dziemianowicz, 2014: 61-62; Karakurt, 2016: 188):

- Preventing and sustaining unsustainable fiscal policies that increase debt levels and budget deficits, and ensuring access to budgetary indicators,
- to reduce the cyclical process of the formation of fiscal policies,
- to ensure and improve the efficiency of public expenditures,
- Increase the transparency of fiscal policy.

We simply need a framework for fiscal governance which can help governments to ensure fiscal discipline and to be stick to sound fiscal policies is needed. In this context, existing literature adopts four elements that shape this framework: (i) numerical fiscal rules, (ii) medium term
budgetary frameworks, (iii) budgetary procedures, and (iv) independent fiscal institutions (Kaplanoglou ve Rapanos, 2011: 4-5).

1.1. Numerical Fiscal Rules

“Fiscal rules can be defined as specific, binding constraints on the government’s range of policy options in areas such as the budget balance, debt, spending or taxation.” (Mihaljek and Tissot, 2003: 22). Therefore, they are a number of legal restrictions upon fiscal policy tools such as debt, government spending and budget. The most important function of fiscal rules is to ensure price stability, macroeconomic stability and economic growth by ensuring a sustainable fiscal discipline. As stated before, one of the aims of fiscal governance is to have sustainable fiscal policy and here the linkage between fiscal rules and fiscal governance is revealed.

It is possible to classify the fiscal rules as indicated below (Debrun, et al., 2008: 8):

- Balanced budget rules, golden rule or budget deficit rules covering the budget deficit limit
- Debt rules expressing limitations on total or net public debt
- Expenditure rules that express a ceiling on total expenditures or on some certain expenditures
- Income rules that impose a limit on the tax burden or prevent an increase in unexpected revenues before the period.

The legal sub-structure of the rules should be established first. The constitutional framework in which the rules take place is very important for their success. Subsequently, exceptions to the rule should be as little and well-defined as possible. Partisan behavior of politicians should also be avoided and precautions should be taken against sudden shocks. In the operational part, as stated by Kopits and Symansky (1998), the financial rules should be well defined, transparent, appropriate, consistent, simple, flexible, feasible and effective. In order to have these features rules should not be changed very often, cannot be circumvented easily and should be supported by fiscal indicators. At the same time the rule should be applicable. The rule to be imposed without the possibility of implementation would cause a shake-up of confidence in fiscal policy practitioners. Institutionalism is also key for well-functioning fiscal rules. Absence of required institutions would hinder the functioning of rules, as well. (Günaydın and Eser, 2009:58)

For implementation of fiscal rules, national governments or supra-governmental structures like European Union take a number of measures. One of the example of these type of measures is “Treaty on Stability, Coordination and Governance in the Economic and Monetary Union”. In accordance with this treaty the signatory governments commit to have a fiscal rule that requires balanced general government budget, for instance.4

Fiscal rules mean a self-restriction of the general fiscal policy for a country. In this context, fiscal rules can help countries to take the government debts and budget deficits under control. The rules can also ensure the independency and predictability of the fiscal policy. The aim here is to establish trust for fiscal policy. For the success of the rules political will is a key; if politicians do not regard the rules as a must they cannot be successful (Kovacs and Csuka, 2012: 247-248).

1.2. Independent Fiscal Agencies

The first independent fiscal agency in Europe was founded in 1945, in the Netherlands under the name Central Planning Bureau (CPB). After that, Congressional Budget Office established in USA in 1975 and its function is making non-partisan budgetary and macroeconomic analyses for the Congress. Today there are many countries not only in Europe but in other regions of the world.

4https://www.ecb.europa.eu/pub/pdf/other/mb201203_focus12.en.pdf?0ea588cebeb103061ba3778c8208513, access date: 25.07.2018
In literature there are two main types of independent fiscal agencies: Independent fiscal authorities and fiscal councils. The former is responsible for making fiscal policies and their authorities in fiscal policy design is just like independent central banks’ authorities in monetary area. In this context they are authorized to set targets and develop policies on fiscal balance in harmony with sustainability of debts and/or macroeconomic stability. The latter has no authority or mandate over fiscal policies but responsible for making independent analysis and thus assist the government over budgetary and macroeconomic decisions. Also according to many studies fiscal councils contribute a lot to the fiscal discipline of countries. Today, there is not independent authority in any country but many countries have independent fiscal authorities. (Debrun et al, 2009)

**Figure 1: A Taxonomy Of Independent Fiscal Councils**

![Diagram of Independent Fiscal Councils]

Source: Debrun, 2009:57

According to IMF (2013) fiscal councils are independent public institutions targeting promote a sustainable public finance policy via assessments of fiscal policies and performance, making macroeconomic and budgetary estimations. Also Hagemann (2011) defines a fiscal council as a state institution with non-elected staff who is responsible for providing an unbiased analysis on fiscal performance and/or making advices on fiscal policy from a positive and normative perspective.

### 1.3. Medium Term Budgetary Framework

In recent years, increasing public expenditures and high public debt stocks that raised by the accompanying financing problem caused many countries to attempt to discipline public finances. Increasing public deficits and borrowing, as well as the need to reduce tax and fiscal sustainability in public finances have led to the implementation of the medium-term budgetary framework. (Karakurt, 2016: 189)

European Commission defines a Medium term budgetary framework as “those fiscal arrangements that allow government to extend the horizon for fiscal policy making beyond the annual budgetary calendar.” In this framework, according to Sherwood (2015) there are at least two approaches to medium term budgetary framework: ‘procedural approach’ and ‘quantitative approach’. The former approach interprets the medium term budgetary framework as a number of procedures and arrangements that ensures production of multi-annual...
budgetary figures. However, the latter approach which is the more quantitative one, considers the medium term budgetary framework as a set of numbers, a budget plan. (Sherwood, 2015)

In this context, according to European Commission (2007) medium term budgetary framework enhances transparency of the budgetary objectives by giving information to economic agents about the public finances, provide the policy makers with a fiscal policy that conducted with better time consistency, allow a better planning instrument by developing quality of decision making process and facilitate implementation of structural reforms. (European Commission, 2007: 152) This information also verifies that the concept of fiscal governance is not only associated with public entities, but also in interaction with business and citizens.

It is noteworthy that, an effective medium-term budgetary framework should include the following characteristics: First of all, the medium-term budgetary framework should be based on realistic macroeconomic forecasts. Unless this rule is followed, optimist macroeconomic estimates put pressure on public spending in multi-year expenditure plans. Secondly, specific and stringent rules must be put in order to get rid of pressure of public deficits on the medium-term budgetary framework. This feature is related to a strong political commitment to these rules. Lastly, it should be emphasized that the medium-term budgetary framework should act according to the constraints in the annual budget. Also there are two types of medium term budgetary framework called flexible and fixed and these types of medium term budgetary frameworks should be distinguished in terms of their functions. The flexible medium-term budgetary framework broadly addresses medium-term objectives based on government policy changes. On the other hand, the fixed medium-term budgetary framework aggregates budgetary objectives for a specified period including a more detailed public finance. (Giosi et al., 2014: 104-105)

1.4. Budgetary Procedures

Strengthening budgetary procedures is the last dimension of the concept of fiscal governance. To ensure fiscal discipline, consideration of only the other components of financial governance alone is not enough since there is a strong relationship between budgetary procedures and other components of fiscal governance (Ranalli & Giosi, 2011). Because, budgetary procedures are used in the processes of preparation, approval and execution of the budget. (European Commission, 2007 transferred by Giosi et al, 2014) Also a wide range of empirical literature exists on how effectiveness of budgetary procedures improves fiscal performance. In this context, based on the findings in literature and information provided in the OECD/World Bank database the European Commission carried out an analysis and compiled seven characteristics of budgetary procedures. (Giosi et al, 2014:106-107; European Commission, 2007: 130) These are simply transparency, multiannual planning horizon, centralization of the budget process, centralization during execution, the use of top-down budgeting techniques, prudent economic assumptions and reserves, and performance budgeting. (European Commission, 2007: 130)

Transparency provides accountability to the policies the government implements. According to European Commission (2007) there are some key elements of transparency of a budget: Budgetary process must be conducted systematically and timely; the budgetary documents should be comprehensive as possible and should report the contingent liabilities like loan guarantees and public-private partnership, extra-budgetary funds and tax expenditures; multi-year impacts of new policies should be revealed; all the models and economic assumptions applied should be disclosed; there should be an independent scrutiny of budget by legislature and the government should be held accountable; the right of the media and non-governmental organizations to act as a watchdog for the public should not be restricted. Multiannual planning horizon consists of the following factors: macroeconomic forecasts for several years, national mid-term budgetary targets, legal basis of the medium term budgetary framework, deviations between annual budget and medium-term targets, and multi-annual expenditures estimates. Centralization of the budget process composed of budgetary procedures that able to prevent the common pool problem. Because, spending decisions that are divided between centers which internalize benefits without taking into account the costs of public debt or tax increases can lead to the common pool problem. Centralization in the budget implementation
process also includes the authority of the budget authorities to intervene in the budgetary management of the ministries. Therefore, centralization in the budget implementation process should be viewed as a control mechanism that monitors the effectiveness of other elements (features) of budgetary procedures, such as top-down budgeting or performance budgeting, which requires considerable flexibility in the implementation of expenditure plans. Prudent economic assumptions provide budgetary procedures and robust fiscal credibility and avoid overly optimistic macroeconomic forecasts. These anomalies (overly optimistic estimates) can be eliminated by the establishment of independent financial institutions. Top-down budgeting techniques are mechanisms that prevent disadvantages of bottom-up budgeting that cause increased spending, when there is no incentive to reduce resources used by Ministries. Top to bottom budgetary objectives are generally consistent with expenditure ceilings. In addition, these tools are used to reduce expenditures in the budget and the debate in parliament. In general, top-down budgeting techniques have spending limits that are determined by priorities in the strategic plan. Performance budgeting means an output-based budgeting rather than an input-based budgeting. Performance strengthens the connection between resources and output provided to programs on budgeting. Thus, the quality of public finance and the effectiveness of public expenditures are ensured. Performance budgeting plays an important role in ensuring the sustainability of public finance and the effectiveness of public expenditures. (Giosi et al, 2014; Karakurt, 2016; European Commission, 2007)

2. The Linkage Between Taxation and Fiscal Governance

Taxes are the most important public revenue for most of the modern states. Therefore, it is a key for governments to have an effective tax system for a sound public financial management. Taxes which are not only a vital public revenue for many countries but also an effective macro-economic policy tool. Through a well-managed taxation process a country can shape the macro-economic dynamics in the desired way.

A sound fiscal management is a fundamental and determinative factor for developments and growth of countries. Such a policy can help countries to overcome crises by curbing the budget deficits, managing debts in an effective way and monitoring fiscal performance of the countries. In this context, as stated before, a good fiscal governance is a must for a sound fiscal management. Another factor determines the economic performance of the countries is their tax policies. Countries can boost their economic development and/or growth by implementing sound tax policies, for instance. In this section the link between taxation and good governance is revealed.

A large proportion of public revenues is collected by taxes. When we take into account that primary objective of fiscal rules which is a component of the concept fiscal governance is to avoid excessive public debt and budget deficits, the importance of taxation for a sound fiscal governance can be realized. Balanced budget means that public expenditures and revenues are equal. And, in order to achieve this objective, taxes should be collected in an efficient way and taxes in the country should not hinder the functioning of the free-market economy. Otherwise government revenues may be insufficient to meet the government expenditures. If tax revenues are not sufficient, governments apply to other revenues like public debt. And such a policy may danger the sustainability of fiscal management by increasing the level of public debts.

On the other hand, judicious taxation policies are fundamental to sound fiscal governance. Although taxes which are main component of the public revenues secure the quality of public services and they also have the potential to impede the economic performance of the countries if used in a wrong way. A very high tax burden lessens the rate of return for investors and accordingly their willingness to invest, hire and grow. Also, an over-complicated tax system has the potential to hamper the economic productivity. It also should be noted that in the global market place which is becoming increasingly borderless having a competitive tax system is a key for economy of the countries. In this context, governments’ fiscal sustainability relies on monitoring the impact of taxation on economic performance vigilantly (OCC, 2012).

Tax departments of Ministry of Finances are simply responsible for all legal aspects of tax system as well as forecasting tax revenues and calculations macro-fiscal effects for the taxes. This is a component of the revenue forecasting process. If the expected tax revenue forecasts
are not realistic, budget revenue estimations become misleading and governments may experience fiscal crises due to overoptimistic tax revenue forecasts. Such a policy again may danger the general fiscal policy. Transparency in tax policies is another point to be emphasized. It determines the quality of fiscal governance. One of the aims of fiscal governance is to increase the transparency of fiscal policy and taxation is a fiscal policy element.

Also, in accordance with the first article of ‘Taxpayer Bill of Rights’, which is a concept that has been put forward by conservative groups primarily in the US, taxpayers have the right to be informed. In other words, a taxpayer has the right to know what s/he have to do in order to comply with the tax laws. Also according to the third article of the aforementioned declaration, taxpayers have the right to pay no more than the correct amount of tax and this articles are directly related to the concept of transparency which is among the main aims of fiscal governance.

Moreover, in accordance with the tenth article of the ‘Taxpayer Bill of Rights’, taxpayers have the right to a fair and just tax system. Also, Magna Carta and the principle of ‘no taxation without representation’ declares the fundamental right of taxpayers. However, although it is a controversial issue what a fair and just tax system, such a system is simply expected to have a lever effect for the whole economy. A more robust economy is expected to make it easier for revenue collectors to collect more tax by diversifying the tax resources. Here, it should be noted that if a government cannot collect enough revenue, it can be meaningless to have an effective management of expenditure on which the concept of fiscal governance is built.

On the other hand, it should be noted that one of the objectives of the concept of tax compliance is to prevent traffic deviations of goods and finally tax evasion. In fact, the aims of tax compliance are mentioned in the most general sense in the second article of the Treaty of Rome. In accordance with the second article of the agreement “the Community shall have as its task, by establishing a common market and progressively approximating the economic policies of Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated raising of the standard of living and closer relations between the States belonging to it.” This article explains the general objectives of the European Union and that the concept of tax harmonization is one of the means used to achieve these general objectives (Güngör, 2001: 61). In this context, as stated before in this paper, it is expected to be more possible to have a well-functioning fiscal governance in an environment where the economy is relatively robust. When we take into account that one of the objectives of the Treaty of Rome and thus tax compliance is to promote harmonious development of economic activities, we can discover another interplay between the taxation policies and fiscal governance. This relationship is much more explicit when analyzed in the context of European Union. Because, according to top policy-makers in the European Union, the measures that remove the barriers in front of the free-market economy are at the same time expected to boost the economic activities.

### 3. Policy Implications

Countries –especially suffering from crises- should implement prudent short-term actions and long-term planning to manage their budget in the best way. As stated before in this study, having a competitive tax system is getting more and more important for the economic performance of the countries in the fast globalizing marketplace. Above all, countries which desire to have a competitive tax structure should diminish the tax burden on production by implementing various policies such as eliminating the capital tax, reducing the taxes like general corporate income tax and corporate minimum tax, accelerating capital cost allowance for production equipment and reducing taxes on capital investments. Such measures can make an economy more equitable, open and competitive in the globalized economy. The

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6 In this context, while direct taxes have the potential to increase the transparency of taxation policies, indirect taxes are facilitator factors especially in developing countries, for instance. Therefore, taxation policies vary according to the countries' socio-economic dynamics.

7 https://www.irs.gov/pub/irs-pdf/p5170.pdf, access date: 05.02.2018

8 https://ec.europa.eu/romania/sites/romania/files/tratatul_de_la_roma.pdf, access date: 06.02.2018
governments also should ensure that their tax policy will remain responsive to domestic and foreign circumstances. Unanticipated tax policies again are other factors which can block the investments by reducing the investors willing to invest. Collectively and prudent implementations of these policies can help countries to support their economic performance in the middle- and long-run. Governments should also have clearly defined targets and policies for budget deficit and debt reduction. Furthermore, municipal government spending should be held accountable. They should be transparent in their using public funds in order to use this funds in a more effective way. So, municipal governments should be required to guarantee a competitive bidding process for delivery of public services. This kind of measures are expected to make sure public funds are used in the most efficient way. Inconsistent application of tax system by municipal governments further hampers the competitiveness of the tax system of the country. Also, progressive tax policies which do not penalize the production unnecessarily and lead to more robust tax base, bring more jobs, let governments to gain higher revenues. In a highly competitive economic environment, the governments should have the most effective level of taxation and offer equal opportunities for all industries. In regions where the sectors do not have the equal opportunities due to the tax system the government stifle economic actions (OCC, 2012).

In this context, for ensuring transparency, budget documents and related data should be open, accessible, understandable, clear and transparent. One of the fundamental aims of fiscal governance is to increase transparency of fiscal policy. In order to serve this target, all the information in the budget about taxes and expenditures should be clear and understandable. Budgetary measures taken by taxes and aims of these measures should be revealed and articulated. A user-friendly format of a budget is one of the ways of achieving this. Also shareholders⁹ should be able to contribute in a helpful way to the budgetary processes. Government may contribute to this process by explaining relative costs and benefits of the tax expenditures, for instance. On the other hand, some independent fiscal authorities which are a kind of fiscal agency are responsible for adjusting the level of taxes. One of the tasks of British Office of Budget Responsibility is assessment of functioning tax regulations and public debt stability, for example (Dziemianowicz, 2014: 67). In this context, these kind of organizations should design the taxation policies prudently and in harmony with macro-economic objectives of the country.

On the other hand, many countries—especially developing and undeveloped countries—need structural reforms in their tax administration. The main aim of a tax administration is the enforcement of tax laws. Effective, efficient, fair and impartial application of the tax laws is a key for having a well-functioning tax administration. In order to achieve these targets, above all, a tax administration must have a highly qualified manpower and adequate resources in terms of structure of organization. Another measure is that the tax administration must have technological means that help the effective collection of taxes. Also, a well-functioning tax administration should have a deterrent penalty system.

All these measures have the potential to increase the tax revenues and every single increase in revenue collection is expected to provide the authorities with a wider sphere of influence for management of expenditures. Thus, when it is considered that one of the fundamental aims of the concept of fiscal governance is sound management of public expenditures, all the actions stated above are at the same time have the potential to facilitate the implementation of fiscal governance in any country.

CONCLUSION

Countries increasingly apply fiscal governance for their fiscal performance and fiscal governance is expected to help governments to have a sound public financial management via fiscal rules, independent fiscal institutions, medium-term budgetary framework and budgetary procedures. In this study, taxation is proposed as another determinative factor of the fiscal governance as well in the sense that it is a determinative factor of the level of public income and public income is the main arbiter of the level of public debts and debt burden.

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⁹ Parliament, citizens and civil society
Poorly-managed tax policies have the potential to decrease the public incomes and also hinder the economic growth of the countries. Insufficient public income may cause excessive debt burden and unsustainable budget deficits. When it is taken into account that the main aims of the fiscal governance are related to an effective management of public expenditures the importance of taxation for a sound fiscal governance is revealed. Therefore, above all, countries should have an effective income management and taxation policy in order to have a well-managed fiscal governance.

In this context, governments should take the necessary measures to grow their tax incomes. They should have effective and competitive tax systems, manage the taxation process in an effective way in the sense that they can levy taxes to the grey economy as possible, collect taxes with a minimum cost and have transparent tax management, their tax systems should not hamper the economic development and growth and they should boost the economic performance by tax expenditures. Tax expenditures and their aims also should be indicated clearly in the budgetary documents since transparency of public policies is among the main objectives of the fiscal governance.

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