

# TAXATION OF UNREGISTERED SEX WORKERS

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# INTRODUCTION

- Fiscal and monetary policies are the main tools of governments all over the World, especially during the crises such as 2008-2009 Global Financial Crisis and recent COVID-19 pandemic.
- Therefore, governments and authorities need to tackle these crises with strong fiscal policies. However, as in the world, it is not always at the desired level of countries to collect taxes due to unwillingness of individuals and organizations to pay taxes along with some possible systemic problems.
- In this study, the taxation of unregistered sex workers in Turkey and the aspects of increased tax revenues along with recorded economic results are examined by an economic impact analysis method with certain assumptions obtained from international organizations.
- In this study, rather than the social dimension of informality, only the financial dimension is dealt with. In this study, it is indisputable what this moral dimension implies for societies, but the economic / financial size it covers despite the insufficiency of the data sources used is revealed.

# LITERATURE REVIEW

- Today, one of the most serious social problems in all countries is “sex work”. The individual working / forced or exploited labor as a sex worker is labeled as “the other” in the society, excluded and isolated. The subject is not known enough, not taken seriously, or often it is overlooked. (Sexual Education Treatment and Research Association, 2013, p. 15).
- It is likely that sex work, which is the subject of controversy as to whether it is the oldest profession in history, has started as a temple prostitute as part of religious life with great civilizations in history. Prostitution was not something to be ashamed of in the Sumerian age or in Babylon. In the time of Hamurabi (c. 1750 BC), prostitutes served as intermediaries between gods and worshipers at the temple (Sexual Education Treatment and Research Association, 2013, p. 10).
- Sex work goes back to around 2500 BC. For the first time in 450 BC, sex work was taxed in Ancient Athens Solon. Since then, sex work has spread around the world. ...The Pastor and Spiritual Assembly of St. Paul Cathedral rented properties for sex workers in 1287. In 1309, the Strasbourg Psychologist established a brothel to increase his income. (KARHAN, 2011, p. 20).

# INFORMALITY AND SEX WORK

- For many governments all around the world, when sex work is registered and done with permission it is usually perceived as it does not cause any problems in subjects such as health, economy, law and security, not including religious motivations in this study.
- Since our study is focused on unregistered sex workers, it will not be included in the issue of documented staff or at brothels. However, only when employees are informal, a wide variety of problems may arise as well.
- One of the most important sources of income for states is taxes. Increasing tax revenues is important for creating funds for the services to be provided by the state. In the article 73 of Turkish Constitution titled “Tax Duty”, everybody is obliged to pay taxes according to their financial power in order to meet public expenses. " provision is included. In the income tax law, the subject of the tax is “Real persons' income is subject to income tax. Income is the net amount of a person's earnings and returns in a calendar year. " is included in the Income Tax Law 1960.

# INFORMALITY AND SEX WORK

- Sex workers in Turkey are also subject to tax regardless of whether they are registered or not. There is no problem for registered sex workers because sex workers working in brothels appear to be the payroll worker of those who work and are included in the social security system.
- The government collects income tax on the basis of income on payroll. Sex workers who work informally do not pay the state any tax on their income. The main reason for this is that sex work is not considered a profession.
- Sex workers working in certain sex clubs in the Netherlands, especially in Amsterdam, are considered as individual initiatives by the Dutch authority. Employees have to submit their income tax returns and pay their taxes. (Bernardi, 2018, p. 9).
- According to the income tax law, the income of natural persons is subject to income tax. Income, on the other hand, is the net amount of earnings and returns obtained by a natural person in a calendar year. In the second article of the income tax law, the elements of income are counted. (Income Tax Law, 1960).

# PURPOSE, SCOPE AND METHOD OF THE RESEARCH

- The research is to reveal the dimensions of the informality of sex work, which is an element of tax evasion.
- Document scanning is carried out using the secondary data.
- Within the scope of the study, sufficient data must be available to calculate taxes.
- Therefore, the data used for this were taken from the United Nations Aids Fighting site <http://kpatlas.unaids.org/dashboard> and the World Bank site <https://data.worldbank.org/indicator/SP.POP.TOTL>.
- The number of sex workers in Turkey were estimated based on the information contained from abovementioned sources.
- Then, within the scope of the relevant data, the financial dimensions of sex work and informality are analyzed in terms of different variables such as income, earnings, insurance, and taxes. In the study, analyzes were carried out using TURMOB data.

# Table-1 Number of Sex Workers and their Population by Years in the World

	# of Sex Worker	Population	Rate
Spain	70.300	46.742.697	0,001504
Scotland	1.000	4.580.084	0,000218
Netherlands	25.000	16.693.074	0,001498
Switzerland	20.000	7.912.398	0,002528
Serbia	3.900	7.234.099	0,000539
Bulgaria	10.000	7.348.328	0,001361
Syria	25.000	21.082.966	0,001186
Tunisia	25.000	10.741.880	0,002327
Yemen	54.000	23.807.588	0,002268
.....	.....	.....	.....
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<b>Total</b>	<b>3.352.200</b>	<b>3.171.326.278</b>	<b>0,001057</b>
<b>TURKEY</b>	<b>87.014</b>	<b>82.319.724</b>	<b>0,001057</b>

**Source:** <http://kpatlas.unaids.org/dashboard>; <https://data.worldbank.org/indicator/SP.POP.TOTL>

# PURPOSE, SCOPE AND METHOD OF THE RESEARCH

- In the table above, the number of sex workers in the countries of Europe, Asia and Africa in UNAIDS has been presented.
- Comparing the countries' population published by World Bank and Turkey's population, number of sex workers in Turkey has been predicted.
- Accordingly, 3,352,200 people work as sex workers in 50 randomly selected countries.
- The population of fifty countries is 3,171,326,278.
- Approximately 0.1057% of the total population work as sex workers.
- According to World Bank data, in 2018, Turkey's population is 82,319,724 people.
- The number of sex workers in Turkey are an estimated 87,014 people.

This figure has been reached based on the official data of other countries, however the actual number may come to be more than that as sex work is considered to be a legally unacceptable business line and is not a law-recognized profession.

# Table-4 Estimated VAT- Insurance Premium and Income Tax Calculation-1

	Per Capita	Total (87.014)
Excluding VAT	152.539	13.273.092.936
4-B Insurance Premium	6.818,00	539.261.452
Other expense within the scope of Article 68 of GVK (30% of income is calculated.)	45.761	3.981.927.706
Taxable Base	99.959	8.697.903.777
Income tax payable	23.445	2.040.125.023
VAT to Calculate	27.457	2.389.156.450

**Source:** <http://kpatlas.unaids.org/dashboard>; <https://data.worldbank.org/indicator/SP.POP.TOTL>

# PURPOSE, SCOPE AND METHOD OF THE RESEARCH

- Total amount of 179.997 TL VAT included, calculated according to Income-1.
- The overall VAT rate in the service sector is 18%.
- Tax calculation is based on the amount excluding VAT.
- On the other hand, VAT excluded in Table-4 is 152.539,74 TL.
- When the 30% of the insurance premium and other expenses calculated from the lower level is deducted from this amount, the taxable base is 99.959,82 TL.
- The income tax to be paid for 2019 is 23.445 TL and the VAT tour to be paid is 27.457 TL.

***NOTE:** For presentation, we did not include all the tables, please see our full paper for all tables and figures.*

## Table-8: Estimated VAT- Insurance Premium and Income Tax Calculation -2

	Per Capita	Total (87.014)
<b>Excluding VAT</b>	228.813	19.909.934.382
<b>4-B Insurance Premium</b>	6.818	593.261.452
<b>Other expense within the scope of Article 68 of GVK (30% of income is calculated.)</b>	68.644	5.972.989.016
<b>Taxable Base</b>	153.351	13.343.683.914
<b>Income tax payable</b>	42.133	3.666.160.862
<b>VAT to Calculate</b>	41.186	3.583.758.604

**Source:** <http://kpatlas.unaids.org/dashboard>; <https://data.worldbank.org/indicator/SP.POP.TOTL>

# PURPOSE, SCOPE AND METHOD OF THE RESEARCH

- It is the total amount of 270.000 TL VAT included, calculated according to Income-2.
- The overall VAT rate in the service sector is 18%.
- Tax calculation is based on the amount excluding VAT.
- In Table 8, according to Income-2, VAT excluded amount is 228,813 TL.
- When the 30% portion spent on insurance premium and other expenses calculated from the lower level is deducted from this amount, the taxable base is TL 153.351.
- The income tax to be paid for 2019 is 42.133 TL and the VAT to be paid is 41.186 TL.

***NOTE:** For presentation, we did not include all the tables, please see our full paper for all tables and figures.*

# CONCLUSION AND REMARKS

- Within the scope of this study, we can conclude that there might have many dimensions with regard to informal records of sex work in Turkey. In this context, data obtained from limited sources were utilized in calculating the income of informal sex workers. However, if a more comprehensive study is to be carried out, it is obvious that the income obtained will differ according to the type of service provided and the number will likely to increase.
- In the context of results; looking at Calculation 1, it is seen that registering sex workers will contribute to the increase of all tax revenues by 0.25%. It is also seen that income tax based on declaration will increase by 22.02%. The contribution of this income to the country's economy is remarkable. VAT is incurred in exchange for the service of sex workers, and the total amount collected by employees accounts for 1.65% of the VAT charged on the Inward. Its share in the Value Added Tax Based on Declaration is 1.72%.

# CONCLUSION AND REMARKS

- Looking at Calculation 2, it is seen that registering sex workers will contribute to 0.45% increase in all tax revenues. It is seen that the income tax based on declaration will increase by 39.58%. The contribution of this income to the country's economy is remarkable. VAT is incurred in exchange for the service of sex workers, and the total amount collected by employees accounts for 2.47% of the VAT charged on the Inward. Its share in the Value Added Tax Based on Declaration is 2.57%.
- Generally, sex work is a cultural and morally unacceptable profession in underdeveloped and developing countries. Because extramarital affair is an act that is not approved in most societies. Especially in the Middle East geography and in countries where Muslim people live, sex work is a work that is not approved by the society and the state. Therefore, it is inevitable to take a negative approach towards sex workers.

# CONCLUSION AND REMARKS

- One of the indicators of the level of development of countries is understood by how they treat their citizens. The right to work, one of the most fundamental human rights, can be violated by the practices of states. Sex workers are at the head of the group suffering from this situation. Due to the pressure of the society and the state, they cannot perform their jobs as easily as other employees. Since their work is not recognized by a government, the trend towards informality increases, and even all sex workers working outside brothels work informally.
- In summary, in this study, rather than the social dimension of informality, only the financial dimension is dealt with. Although there is no acceptance or adoption in terms of social and moral criteria, this reality, which stands before us as a reality, can be evaluated within the framework of the financial gains of many countries. In this study, it is indisputable what this moral dimension implies for societies, but the economic / financial size it covers despite the insufficiency of the data sources used is revealed.



**THANKS FOR YOUR ATTENTION**

