The impact of international sanctions on the “Uberization” and sustainable development of public finances

Tatyana Burdelova

Abstract. The subject of the study is to minimize the risks of strengthening international financial sanctions on economic entities by building a decentralized mechanism for direct financing of budget recipients without the participation of the Federal Treasury in Russia, while ensuring that the payer fulfills its obligations and control over the targeted use of funds. The relevance of the study is to consider this mechanism in the context of international sanctions and as an alternative to a one-time collection from large businesses (windfall tax or tax on excessive profits of past years). The actuality is also confirmed by the use of the principle of “uberization” of relations between public finance entities, while the effectiveness and the need of “uberization” has already been confirmed in business practice. It is established that the financing of part of government spendings through such an alternative mechanism as “Uber” will reduce the sanctions risks for representatives of the business community. In the course of the study, specific examples of projects funded from the federal budget were analyzed, and these projects could first of all be transferred to the proposed new budget pilot financing mechanism. The conclusion is made about the efficiency of the proposed concept and the need for its further elaboration within the increased number 1) of enterprises and organizations directly financing the budget system expenditures on this electronic platform, and 2) of social, cultural and scientific projects financed with its help, gradually “uberizing” an increasing segment of budget financing.

1 Introduction

In many works of domestic and foreign scientists, the issues of “uberization” of public finances in the era of international sanctions and the growth of public spending have been reflected [1-18]. Under the consequence of international sanctions and the growth of government expenditures the federal budget of the Russian Federation is increasingly experiencing the need for prompt receipt of additional fees from large Russian companies. In 2018, the Government of the Russian Federation carefully worked out (but never implemented) a proposal to additionally withdraw about 513.7 billion rubles from taxpayers at a time to fulfill the 2018 May decrees of the President of the Russian Federation. At the end of 2020, history...
in fact repeated itself, when the Government increased the Mineral Extraction Tax 3.5 times for certain types of solid minerals, both ore and non-metallic (by introducing the Krent coefficient in the Mineral Extraction Tax calculation = 3.5). And in 2021, the situation was repeated again when the Government took steps to withdraw an additional 130 billion rubles in the form of a new increase in the Mineral Extraction Tax for iron ore and coal. Finally, in 2023 not only were the Mineral Extraction Tax rates for coal increased in the first quarter of 2023 (about 30 billion rubles of additional budget revenues), but a one-time fee (in the form of tax on excessive profits of past years) should also be established for large companies.

Extraordinary need for an urgent increase in state revenues in “manual mode” will obviously appear in future, as government spendings increase in the course of an extraordinary international situation and the increased sanctions pressure. At this stage, the one-time fee (in the form of tax on excessive profits of past years) will amount to approximately 300 billion rubles, in excess to the federal budget for 2023 and for the planning period of 2024 and 2025. The payers of this one-time fee are companies from all sectors of the economy of the Russian Federation, except oil and gas production and coal mining companies, which average annual profit according to declarations for 2021-2022 exceeded 1 billion rubles.

The author while not questioning the real need of the budget system for such an emergency revenues, nevertheless believes that any additional fee paid to the budget system creates new sanctions risks for the payers of the fee. Therefore, the author suggests approaching the problem from a non-standard point of view and considering an alternative way to cover the federal budget deficit on a one-time basis. The proposed mechanism is indeed in the current trend of decentralization of financial and economic relations and does not at all create risks of strengthening international sanctions.

2 Foreign experience of one-time fees (windfall taxes)

In foreign practice, there are cases when the government of a country urgently introduced the so-called windfall tax (a tax on financing unforeseen expenses). The most famous case of the introduction of such a one-time tax took place in the UK in 1997. At that time, labor party was elected, and they were dissatisfied with the results of the mass privatization of state-owned utility companies. According to the UK government information, this one-time tax was supposed to bring up to 5.2 billion pounds to the treasury of the UK to finance the government social security program aimed to increase the employment rate. The concept of “privatized public utility companies” has been broadly defined as including all former state-owned companies privatized through the placement of shares and regulated by the relevant privatization laws. Such companies as British Telecom, BAA, PowerGen, Railtrack, privatized electric power companies (with the exception of National Grid) and privatized water supply companies fell under this definition. The tax base was the difference between the company’s market capitalization (the price of all shares issued by it at the time of privatization and a “fair estimate” calculated as the product of the actual average annual profit of the company for the four consequent preceding years after privatization by a certain P/E coefficient [19-20].

There are also recent examples of discussions and levying extraordinary taxes on windfall profits (or extra profits). For example, in 2017-2018, the introduction of a tax on excess profits of nuclear power enterprises, formed due to the increase in prices for carbon dioxide emission quotas in the EU ETS trading system (the common quota trading system functioning as a single market in the EU, Norway, Liechtenstein and Iceland, within which more than 11 thousand of energetic, industrial and air carrier companies have access to the purchase and sale of carbon dioxide emission quotas), and due to the prolongation of the regulatory service life of nuclear E3S Web of Conferences 402, 09025 (2023) TransSiberia 2023
3 Sanction risks of Russian lump-sum payers

In the face of a difficult international situation and foreign policy pressure, representatives of the Russian business community are more loyal to the need to increase contributions to the federal budget now than in previous years. For example, when in September 2021 the Ministry of Finance of Russia proposed a bill on the introduction of windfall tax in the form of an increased corporate income tax rate of 25% or 30% for Russian companies whose dividends paid in the previous five years exceed the amount of investments in business development, representatives of the business community put forward significant amendments and as a result, the increased tax rates were not introduced.

But paying a one-time fee may carry an additional risk for businesses of falling under international sanctions or strengthening previously imposed sanctions if western countries consider this one-time fee as financial support for hostilities. To minimize this risk, the author proposes to reassemble the mechanism for collecting a one-time fee so that the funds of the payer companies automatically directly finance expenses (i.e. directly go to the recipient and not the budget system) for which federal budget funds are currently allocated, while not losing control over the timelines and completeness of payment of the fee and the targeted nature of its expenditure by state.

4 “Uberization” as a term in the modern economy

The term “uberization” is commonly used to refer to the organization of economic activities related to the purchase and sale of goods and services, the receipt and provision of goods for temporary use, coordinated through online services that minimize transaction costs by reducing the role of intermediaries in economic relations.

Uberization is a process that has become possible due to the development of information technology. Such a relationship model has the following features:

- Use of (mostly mobile) Internet sites, platforms;
- Standardization of services provided;
- Maximum automation and optimization of business processes;
- Attracting resources that are idle;
- Minimization of intermediaries in the implementation of commercial relationships between suppliers of goods or services and final consumers.

The volume of the economy of joint consumption in Russia for 2020 amounted to 1.07 trillion rubles, follows from a study by RAEC and TIAR Center. The annual growth of the sharing services market was 39%. At the same time, a year earlier, in 2019, this sector of the economy grew by 50% to 770 billion rubles compared to the previous year.

Examples of bilateral platforms include the following:

- transport: “Yandex.Taxi”, BlaBlaCar, Uber (platforms connecting passengers and drivers) and others;
5 “Uberization” of a one-time fee as an alternative to decrease sanction risks
Let us analyse this mechanism in more details on the example of direct financing of social programs, in particular on the example of the well-known Fund “Krug dobra”.

The Fund “Krug dobra” was established by Decree of the President of the Russian Federation No. 16 dated 05.01.2021 “On the establishment of a Fund to support children with severe life-threatening and chronic diseases, including rare (Orphan) diseases, “Krug Dobra””. In the Russian Federation, orphan diseases include rare diseases with a prevalence of no more than 10 cases per 100,000 people.

According to the Fund’s report for 2021 (at the time of writing, the article the report for 2022 has not yet been published), the total amount of funds actually collected due to the increased Personal income tax rate and aimed at implementing the main tasks of the Fund “Krug Dobra” in 2021 amounted to 75.05 billion rubles. In 2022, according to the Decree of the Government of the Russian Federation No. 4153-r dated December 23, 2022, 69,920,627.8 thousand rubles (almost 70 billion rubles) were additionally allocated to the Ministry of Health from the reserve fund of the Government of the Russian Federation to provide a grant in the form of a subsidy to the Fund “Krug Dobra”. In the approved federal budget for 2023 and the planning period of 2024 and 2025, the amount of the grant in the form of a subsidy to the Fund “Krug Dobra” is 409,849,294 thousand rubles in 2023, 438,212,347 thousand rubles in 2024 and 467,583,827 thousand rubles in 2025.

If instead of paying a one-time fee to the budget system, the paying companies would make charitable donations directly to the Fund “Krug Dobra” the federal budget could lower down the funds currently allocated to this Fund as expenses on other needs. For the practical implementation of this idea without losing control over the receipt and use of these funds, the state needs to apply the technology of “uberization” of this process by creating a new information system (electronic platform) that allows paying companies to register on it, electronically sign documents, transfer funds (control over the completeness of the transfer can be conducted by the Federal Tax Service of Russia directly on the same electronic platform) and even track the transfer of funds by the Fund for the purchase of expensive drugs (or medications) for sick recipients. At the same time, the document flow will not become more complicated: the requirement under the civil legislation to conclude a donation agreement in writing in this case is carried out using an electronic platform which allows to identify the payer.

Such a decision will make it possible to remove the burden of financing the Fund “Krug Dobra” from the federal budget without making changes to the legislation on taxes and fees. In addition, since the proposed solution will avoid the transfer of business funds to the accounts of the Federal Treasury, the risks of falling under new international sanctions or being subjected to tougher existing sanctions are significantly reduced for Russian companies. The revenues of the Federal Treasury from the one-time fee do not relate to any exact expenses, they can be spent by the state for any purposes provided for by the federal budget, including military ones. On the contrary, charitable donations to help seriously ill children are highly likely not to be identified by Western countries as those made by businesses financing the Government actions.

Finally, there will be no need for separate accounting of funds received from the increased 15% Personal income tax rate (to the Fund “Krug Dobra”). These funds, together with the proceeds from the basic rate of 13% on Personal income tax, can be sent to local budgets, which will not only simplify tax calculations, but also reduce the amount of inter-budget transfers from the federal budget.

Similarly, it is possible to “uberize” the financing of social, educational and research programs. The purpose of public finance is great and is supposed to provide state and local governments with funds to perform their assigned functions, including social ones. The proposed financing mechanism does not question the social function of the state and does not...
reduce its importance, but provides the state with the modern tool for the prompt increased financing of social, educational and research programs without raising taxes.

Currently, there is a worldwide trend towards the increasing use of the non-state sector in helping solving social security issues, due to the insufficiency of budget funds. In this trend, the mechanism proposed in this article for financing part of state expenditures is in fact relevant. If ten years ago information technologies were not ready for such "uberization" and could not technologically ensure control over the fulfilment of obligations, over the absence of abuse and compliance with the targeted spending of funds with such decentralized financing, now all parties involved in the process are technologically ready for this.

Since the Federal Tax Service in Russia is automated with the modern IT system, the process of tracking financial flows of economic entities by tax authorities has become more accessible. At the same time, the electronic information system (platform) can be unified for all such programs, and specialized organizations (but not state institutions or departments) should act as a controller of "transactions" on the platform. It is also necessary to think over the system of transactional commission fees paid by the platform participants for using it: this service should be at least self-supporting, not bring losses. Perhaps the best option would be to operate this electronic platform on the terms of a concession, and to determine the concessionaire on a competitive basis. When assessing the financial payback and effectiveness of the proposed new budget financing mechanism, it should be taken into account that this mechanism avoids the growth of transaction costs of the Federal Treasury for reconfiguring its support systems and distributing a new one-time fee, and even reduces such costs due to the termination of financing from the accounts of the Federal Treasury of "uberized" social, educational and research programs.

After successful testing of the new electronic platform on the most technologically advanced segment of large business, the state can expand the scope of its application by connecting medium-sized businesses to it as well, while simultaneously increasing the number of projects that are decentralized funded using such a mechanism. This will allow the state not to limit itself to the one-time use of the created technologies in the current period, but to obtain a flexible, operational and technologically advanced tool for decentralizing budgetary relations in the future.

Finally the risk of low efficiency of budgetary expenses was numerously discussed in the scientific society. The proposed mechanism provides for the mitigation of this risk by using the alternative IT platform providing 1) the transparency of social oriented transfers from companies to the recipient sector and as a result allowing for the state economic security.

6 Conclusion

In the course of low economic growth and increased uncertainty due to international sanctions, the State should ensure preparation for the emergence of new sanction risks, while maintaining a balance between the goals of growth and sustainability. Solving this problem requires improving the taxation system, increasing the efficiency of social budget expenditures, as well as increasing budget investments in infrastructure. In particular, this requires a technologically advanced, very quickly activated (if necessary) and at the same time transparent and low-risk for taxpayers mechanism for collecting one-time fees, allowing to reduce the expenditure obligations of the budget system of the Russian Federation.

It is obvious that the proposed option of transforming a one-time collection from a large business into a system of decentralized direct non-treasury financing by the business community of individual social and research programs still needs to be finalized in terms of control measures, the correct choice of a technological platform using distributed storage...
References

«Exxon sues over EU fossil fuel ‘windfall tax’» URL:

The place and role of the state in the economic security of the country

The world of the new economy

Audit statements

The Scientific Heritage

Interexpo Geo

Culture and education

Economy. Taxes. Right

2022

15(2), 633-634

13(1), 15-16

23(40), 15-16

2017

15(2), 115-127

The place and role of the state in the economic security of the country

The Scientific Heritage

Interexpo Geo

Culture and education

Economy. Taxes. Right

Audit statements

The world of the new economy

«Exxon sues over EU fossil fuel ‘windfall tax’» URL:

34. K. Kunanbaeva, S. Niyazbekova, S. Olzheken, S. Ryabichenko, E3S Web of Conferences 284, 01006 (2021) https://doi.org/10.1051/e3sconf/202128401006

35. S. Niyazbekova, L. Moldashbayeva, S. Kerimkhulle, et al., E3S Web of Conferences 258, 11011 (2021) https://doi.org/10.1051/e3sconf/202125811011

36. S. Niyazbekova, L. Moldashbayeva, et al., E3S Web of Conferences 244, 10060 (2021) https://doi.org/10.1051/e3sconf/202124410060

37. S. Niyazbekova, S. Yerzhanova, et al., E3S Web of Conferences 244, 10059 (2021) https://doi.org/10.1051/e3sconf/202124410059

38. S. Niyazbekova, M. Troyanskaya, S. Toygambayev, et al., E3S Web of Conferences, 244, 10054 (2021)


41. O. Fokina, A. Mottaeva, E3S Web of Conferences 371, 05055 (2023)

42. A. Fedyaeva, A. Mottaeva, T. Larinina, Lecture Notes in Networks and Systems, 575, 87–96 (2023)