

## Dynamics of contactless payments and related tax revenues during a pandemic

**Keywords:** government digital platforms, digital government, big data, COVID-19, tax revenues.

### Abstract

During the period of the pandemic since March 2020, the number of contactless payments has increased in Russia. In many ways, the cause of the increase of non-cash calculation was the desire of businesses and taxpayers to reduce the spread of COVID infection. The article provides an analysis of data on tax revenues and the use of contactless payment services on regional indicators for the Russian Federation in the period from March 2020 to March 2021. The results obtained allow us to speak about the statistical relationship between these indicators.

### Introduction

Currently, in the field of public administration, more and more attention is paid to the introduction of innovative IT - systems and products. Against the backdrop of the pandemic in Russia, the development of technologies has significantly accelerated, aimed at convenient and quick receipt of government services and services from the comfort of your home, in just a few clicks. The introduction of diverse innovations, adjusted to the dynamically changing lifestyle of people and their behavioral and sociocultural habits and patterns, entailed a number of administrative and economic changes in the sphere of public administration.

Such changes have had an active impact on changes in services and service delivery. New state digital online platforms and applications have appeared to provide high-quality and fast services, thanks to which the tools for their provision have changed in a short time. Many Russian scientists have devoted their work to the development of services during the pandemic. Among them Dmitrieva N.E., Zhulin A.B., Kashanin A.V., Lavrent'ev N.V., Plaksin S.M., Potapova E.G., Styryn E.M., Shklyaruk M.S., B. A. Schigolev.

In their works, they write that the coronavirus pandemic in Russia has affected all government in different ways. "Shocks" became noticeable from January 2020 and occurred in the payment system for goods and services. During the period of the pandemic, the number of contactless payments and non-cash payment methods has noticeably increased in Russia. The introduction of new digital platforms touches upon general issues of digitalization as a tool to improve the efficiency of public administration and transform the system of relations between government bodies, business and society. B. Kleinvik, M. Jansen, V. Bauer, E. Styryn, A. Cordella describe this in a structured and understandable manner using already implemented examples of digital platforms in their works. In many ways, the reason for the increase in non-cash payments was the desire of firms and taxpayers to reduce the spread of coronavirus infection - the share of non-cash payments in Russia in 2020 was about 70%, an increase of 6 percentage points compared to 2019. According to the Bank of Russia, the "contribution" of the coronavirus pandemic to the share of non-cash payments as a whole amounted to about 3%. For the Federal Tax Service (FTS), this was reflected in a significant increase in tax revenues to the federal and consolidated budgets, where non-cash payments are present.

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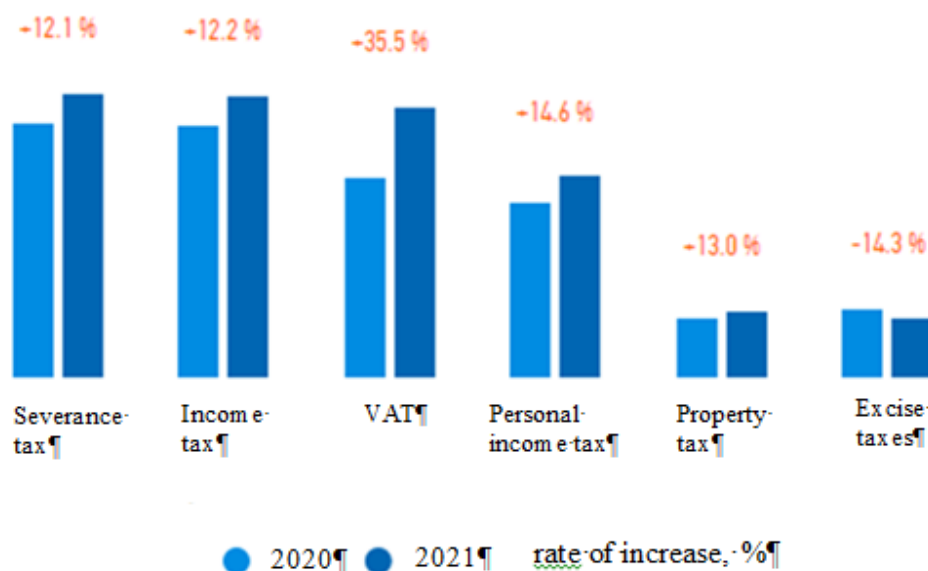
<sup>1</sup> Evita Titkova, Graduate School of State and Municipal Administration in the HSE University, Russia

## Contactless payments and related tax revenues during a pandemic

The initial hypothesis of the study is that the pandemic affects the quality and speed of development of government services for contactless payments. The confirmation of this hypothesis will be proved based on open data of the Federal Tax Service of Russia and the Bank of Russia by the method of verification and case-study.

According to the theories of public administration, the best position of the state in the economic sphere for the current period is interaction with society and citizens, which implies maximum comfort in obtaining public services. Citizens' participation in innovations of the public administration system (participatory theory government), in particular in the digitalization of the public administration system at the level of civil society, has a productive effect on the system of work of the state apparatus. Nowadays, e-government, using feedback tools, analyzes the totality of citizens' opinions, on the basis of which contactless payment schemes are built, while the final decision remains with government bodies (in particular, the FTS).

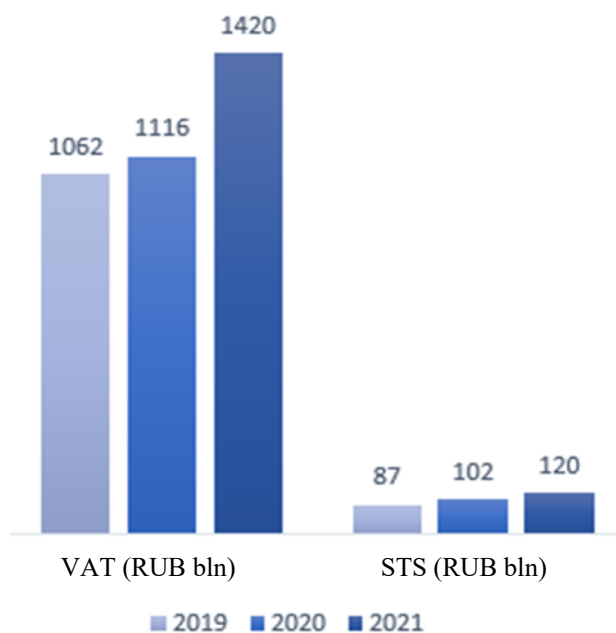
If you look at the revenues to the consolidated budget of the Russian Federation for the period January-April 2020 - 2021 by the main types of tax revenues, it is obvious that the maximum increase is accounted for by VAT - it is 35.5%.



Revenues by types of taxes to the consolidated budget of the Russian Federation for January - April 2020 - 2021, billion rubles<sup>2</sup>

The main tax rates, the funds at which are currently received by the budget with the help of non-cash payment instruments (APM), and from which it is almost impossible to hide, are VAT and the simplified taxation system (STS, special tax regime in Russia aimed at reducing tax burden on small businesses, as well as simplification of tax and financial accounting. Combines VAT, income tax and property tax). If you look at the data of the FTS of Russia at the indicated rates for the last three years, a confident trend in the increase in revenues is obvious.

<sup>2</sup> <https://analytic.nalog.ru/portal/index.ru-RU.htm>



Dynamics of VAT and STS receipts in the consolidated budget of the Russian Federation in the first quarter of 2019, 2020 and 2021, data from the Federal Tax Service of Russia.

Now taxpayers prefer less touch the cash and personally visit stores - instead came to delivery by courier services to the door and payments and buying app in the online stores and websites with the help of non-cash payment instruments (APM) , a variety of which every year is increasing ( cards, rings with M/ Chip Mastercard technology, PayPal, NFC chips). Value added tax is levied at all stages of production or provision of a service, therefore, an increase in receipts at the specified rate with an increase in APM is quite obvious. This behavior was also facilitated by the policy of the main regulator - the Central Bank, which reduced the commission for accepting cards for stores, which they paid to banks, thereby motivating the development of online commerce.

Sberbank took advantage of this motivational action by introducing a system of quick payments for transfers to third-party banks and the MIR payment system, with the help of which the state has been providing tourist cashback for schoolchildren and students from 2020.

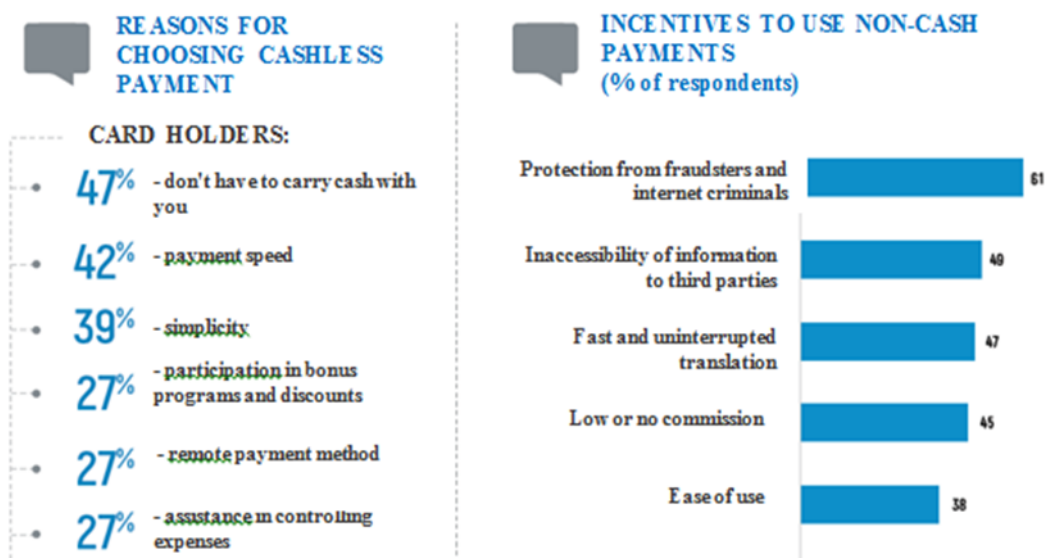
According to the results of a sociological survey conducted by the Bank of Russia in 2020, 74% of respondents use a debit card - the most demanded APM. This is followed by mobile and online banking (45%), internet payments (33%), credit cards (27%), transfers from a mobile phone account (19%) and e-wallet (18%).

Year	ATM machines					Terminals		
	Cash withdrawal		No cash withdrawal			Electronic terminals	Cashless payment	Electronic terminals
	Total	Payment for goods and services	Total	Without using cards (their details)	Using cards (their details)			
2020	127 567	124 703	150 326	8 358	141 968	3 211 097	103 710	190 223
2021	121 967	118 136	149 548	5 730	143 818	3 434 244	171 352	181 337
Proportion	0,96	1,06	1,01	1,46	0,99	0,94	0,61	1,05

Bank of Russia data on the criteria for the use of ATMs and terminals for 2020 - 2021<sup>3</sup>.

According to the statistics of the Bank of Russia for 2020 - 2021 published on the official website on the use of payment cards in the criteria for transactions with them, it can be clearly seen that the growth of non-cash payment terminals is approaching 0.4% per year, which confirms the demand for non-cash payments. At the same time, the number of ATMs and terminals that deal with cash (have the function of issuing or accepting cash) is rapidly decreasing.

The changes in the payment method have had an active influence on the changes in services and the provision of services. Many new government online platforms and applications have appeared for the provision of high-quality and fast services, due to which the tools for their provision have changed in a short time. Below are the reasons for choosing the APM and the statistics of the Bank of Russia showing the incentives for using the APM.



Rating of incentives for using APM<sup>4</sup>

According to the General Director of Visa in Russia, Mikhail Barner, not all resources have been used yet and in the near future we will continue to observe the transition of cash payments to non-cash payments, but,

<sup>3</sup> <https://www.cbr.ru/statistics/nps/psrf/>

<sup>4</sup> [http://www.cbr.ru/collection/collection/file/35422/results\\_2020.pdf](http://www.cbr.ru/collection/collection/file/35422/results_2020.pdf)

perhaps, not at such a huge pace as it was at the beginning of the pandemic. "But still 70% should approach 90% plus in the next three to four years."<sup>5</sup> .

Many companies, such as KPMG and YuKassa, adhere to the same position, relying on the similar experience of other countries (Canada, Sweden, South Korea). With the expert point of view, the overall proportion of non-cash payments in the amount of 90% is possible if a major purchase, such as buying a car, which is now largely committed for cash will be transferred online.

According to BCG, during the pandemic, Russia entered the world top-5 in terms of the rate of population abandonment of cash in favor of non-cash payments. The net change in consumer cash payments (the share of consumers who more actively used cash during the pandemic, minus the percentage of consumers who began to use less cash) in Russia was minus 48%, BCG estimated. Only Great Britain (minus 62%), Canada (minus 59%) and Australia (minus 53%) are ahead of it. Romania shares the fourth position with Russia, and the Netherlands in fifth place (minus 47%)<sup>6</sup>.

## Conclusion

Based on the analysis of the data of the Bank of Russia and the FTS of Russia, it can be concluded that the pandemic has a direct impact on the quality and speed of development of public services for contactless payments, the direct result of which is an increase in the volume of tax receipts to the federal and consolidated budget of the Russian Federation.

As we can see, the information of the Bank of Russia, demonstrating the growth and popularity of APM, is aligned with the dynamics of tax revenues associated with the use of APM. Thus, a correlation can be traced between these data, confirming the hypothesis that the pandemic has accelerated the development of public services to increase the number of contactless payments, which in turn accelerates the process of "whitewashing" the economy.

Analysis relevant sources have shown that digital platforms are currently one of the main tools in the implementation of services for taxpayers. In the process of creating and further modernizing digital platforms, government, the private sector and representatives of the banking environment are involved, which makes it possible to integrate a sufficient amount of necessary data to provide services. The ability to receive and analyze a set of opinions at the junction of positions from representatives of different parties allows us to make services more flexible in accordance with user requests. The satisfaction of citizens in the quality of the provision of services, in turn, contributes to an increase in citizens' confidence in public authorities and the formation of a positive reputation, on the basis of which the state opens up an opportunity to apply new paternalism to improve the welfare of society.

This research is a very "young" direction that requires deep and thorough study. That is why many aspects raise questions and discussions. The government of the future will represent a qualitatively new form of management mechanisms, interaction between society, government and business and, of course, instruments of interaction between them. Citizens prefer the convenience and unwittingly create thereby spare cash ( «cashless society» ) society<sup>7</sup>. In this case, we can talk about "whitewashing the economy", because with the

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<sup>5</sup> [http://www.cbr.ru/collection/collection/file/35422/results\\_2020.pdf](http://www.cbr.ru/collection/collection/file/35422/results_2020.pdf)

<sup>6</sup> <https://web-assets.bcg.com/f5/15/5fce110c4befb7436a4aeecebec2d/global-payments-2020-press-release-ru.pdf>.

<sup>7</sup> Belyanin A.V., Zinchenko V.P. Trust in the economy and public life. Moscow , 2009.

disappearance of cash, it will become almost impossible to hide from paying taxes<sup>8</sup>. At the moment, cash is the only thing that ensures the anonymity of taxpayers. Will the state be able to completely “whitewash” the economy and make taxpayers' payments transparent against the background of the coronavirus in a short time? After all, any online payment can be calculated and recognized the end user, without preserving privacy. Continuing research will help find the answer to this question.

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<sup>8</sup>Loewenstein G., Haisley E. The Economist as Therapist: Methodological Ramifications of «Light» Paternalism // The Handbook of Economic Methodologies. 2006. Vol. 1.

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