

## **Impact of the coronavirus pandemic on small and medium-sized businesses in Russia**

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**Abstract.** The article examines the impact of the coronavirus pandemic in Russia and the traces it left in the national economy, as well as the economic situation in Russia at the current stage of development, ways to overcome the crisis and state support for small and medium-sized businesses.

**Keyword.** Small business, coronavirus, pandemic, economic crisis, economic policy, anti-crisis policy, state support for entrepreneurship

The coronavirus that has engulfed the planet has made its own changes not only in the lives of people themselves, but also had its consequences for business and tax legislation. The number of cases is increasing with a certain frequency for almost a year, despite the measures taken by various countries - including the introduction of total "lockdowns", of course, this can not but affect the state of large and small businesses. Most of all, individual entrepreneurs, small firms and farms suffer from such innovations.

Speaking of small businesses, it can be noted that the majority of companies engaged in small businesses have been caught up in the crisis. The greatest losses were caused by the virus to small bakeries, cafes, restaurants that are "around the corner". It was their mask regime and strict quarantine restrictions that affected them the most. Anastasia Tatulova, an entrepreneur from Moscow, co-founder of a chain of family cafes, and a columnist for the Russian magazine Forbes, explains how the coronavirus has turned out for small businesses. "The day before yesterday, my competitor filed for bankruptcy, yesterday a colleague in the industry, thousands of employees were left without jobs and income. And this is just the beginning. Every day, businesses that have been creating a comfortable environment in cities for many years are dying, developing offline. ... In fact, the entire and so scanty layer of small and medium-sized businesses in our country has died. " - writes Anastasia [1]. She is concerned not only about the state of small businesses in Russia, but also about the income levels of small business owners, as, in her opinion, " many businesses like hers will simply disappear after the crisis [1].»

One of the most serious problems faced by businessmen is not the preservation of profits on the former scale during the pandemic, but the survival of the business. Loans, mortgages and debts are a primary concern for small business owners, as small businesses are often synonymous with family businesses. It is obvious that for small and medium-sized businesses, the consequences of the coronavirus can be fatal and even irreversible. Anastasia Tatulova compares the current

situation in small business with the crisis after the revolution of 1917. "I have already closed five cafes out of 33 in Moscow. Revenue on the network fell by 85%. 90% of small and medium-sized entrepreneurs — such as me—will not be able to recover from the virus. " - writes Anastasia in her column [1]. Anastasia Tatulova believes that the crisis can bankrupt entrepreneurs, reducing their incomes below the average, as a result of which they will not be able to afford the previous price segment of goods and services that they could afford before the crisis: children's education, entertainment and travel. This list also includes the payment of loans, the purchase of consumer goods and services, including food.

2020 is considered the most difficult year for both manufacturers and consumers: the shutdown and closure of many enterprises made us think about how to survive the crisis and what you can save in such a difficult time. More and more people began to save on food: go to grocery stores, restaurants and cafes less often, use delivery services more often, and collect a grocery basket once for a longer period. Consumers are increasingly turning away from such goods and services that used to be considered family leisure – going to the cinema, a game room for children, which were open in almost every shopping center before the crisis. Real estate, household appliances, cars, jewelry and other luxury goods are a thing of the past for consumers. The coronavirus crisis can be called a debt crisis – a huge number of people will not be able to pay off their mortgages and loans on time. The government has even established credit holidays for people with mortgages, car loans, and large consumer loans. In 2020, the IMF made bets on economic recovery by the end of 2021, but now this does not seem realistic: small businesses are rapidly closing. Representatives of the Center for Strategic Research said that the income of more than 50% of Russians has significantly decreased as a result of the crisis in 2020. Consumers began to pay attention to discounts, promotions, and discount offers in order to reduce their costs. Online stores and delivery services help them compensate for the cost of public transport. Especially popular is free shipping, which in many stores is included in the price of a product or service.

Government support for small businesses (shown in Figure 1) is a major opportunity for entrepreneurs to fight the crisis, but even this is not enough for small and medium-sized businesses to return to their pre-crisis financial performance.

Figure 1 - " Federal support for small and medium-sized businesses in the context of the new coronavirus pandemic»

## Федеральная поддержка малого и среднего предпринимательства в условиях пандемии новой коронавирусной инфекции

### П Р А В И Л А

предоставления в 2020 году из федерального бюджета субсидий субъектам малого и среднего предпринимательства, ведущим деятельность в отраслях российской экономики, в наибольшей степени пострадавших в условиях ухудшения ситуации в результате распространения новой коронавирусной инфекции



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субъектам МСП, имеющих работников:  
организациям – в размере 1 МРОТ, умноженного на  
количество работников в марте 2020 г.,  
увеличенное на единицу – в отношении ИП

**Обязательное условие – сохранение не менее 90% количества работников в марте 2020г.**

**Получение субсидии – за апрель и за май 2020г.**

**Для получения - обращаться в налоговый орган, начиная с 01.05.2020.**



Nevertheless, for some businessmen, the crisis has become an opportunity to find new niches in the already established traditional areas of their activities. Oleg Burlak, a businessman from Tolyatti, told how during the period of the pandemic, he converted the shop for the production of peanut paste into a full-fledged production of antiseptics. Entrepreneurs from Kursk, who before the pandemic were mainly engaged in sewing stage costumes for local theaters and clothing for the clergy, began to sew medical masks. Novocherkassk Lubricants Plant (NZSM) during the pandemic reoriented production for the production of antiseptics [2]. In a difficult time of crisis, more people began to think about their health: entrepreneurs are no exception. For business, a new opportunity to make a profit, the appearance of which was difficult to predict, is a focus on health care.

It is not that big business is coping with the pandemic and all sorts of restrictions better than small business. Obviously, the decline in production makes large entrepreneurs close some of the branches and divisions, while certainly reducing the staff of their companies. During the period of the raging coronavirus, only large pharmaceutical corporations remain in the black, the volume of production of which does not decrease, but, on the contrary, increases in proportion to the number of sick people around the world who are constantly in need of vital medicines.

Vladimir Putin said that total restrictions in the near future in Russia are not planned. This is due to the fact that the economy and the work of the business will actually stop.

According to him, the stable macroeconomic policy of recent years has allowed to mitigate the consequences of the pandemic for the Russian economy. And the Russian authorities managed to maintain macroeconomic stability and prevent a sharp increase in the level of inflation, despite the difficulties in the financial markets associated with the pandemic. Putin noted that the efficiency of budget spending to support the economy is increasing. The total amount of federal support funds in the current year is about 4.5% of GDP [3].

The President said that it is necessary to extend the tax deferral for companies engaged in small and medium-sized businesses in various fields. According to him, "not all companies in the

affected industries had an objective opportunity to restore their former position, they still have problems" [3].

There is no other way out for any country than to close to universal quarantine, or to observe all precautions, wearing masks in public places and at work, of course, in the first case, business will suffer more than in the second, but the number of patients is significantly reduced, and therefore the cost of medical care. Along with fundamental changes in the daily life of people, the structure of business is also changing, new amendments are being made to the tax legislation that radically change life, making it easier to do business during the pandemic. According to the Government Decree of 24.04. 2020 N570 field inspections that have already begun are suspended, new inspections are not appointed, penalties are suspended for a certain period, the deadlines for submitting documents and explanations are extended by 20 working days according to the requirements from the IFNS [4].

The draft Resolution of the Government of the Russian Federation proposes a number of measures and eases for SMEs in relation to the terms of their tax obligations. It is important that these measures do not apply to all, but only to the SMEs included in the register as of 01.03.2020 and "operating in the sectors of the Russian economy that are most affected, including as a result of the spread of the new coronavirus infection COVID-19, the list of which is determined by the Government of the Russian Federation".

In addition, the Government proposes to approve new rules for granting deferral or installment payments for taxes, in which it is proposed not to accrue penalties for the period from March to May 2020 for taxes due in 2020. These rules apply to taxpayers whose activities have been put at risk in the sectors of the economy most affected by the pandemic. In order to apply these rules, the Government has defined a list of strategic, system-forming or city-forming organizations operating in the sectors of the Russian economy.

The conditions for granting a deferral are a decrease in income by more than 10% over the years, a decrease of more than 10% in sales income for transactions subject to the 0% VAT rate; a loss in the reporting periods of 2020, provided that there was no loss in 2019. One of these conditions may serve as a reason for granting a deferral.

For small and medium-sized enterprises that are subject to special tax regimes, the deferral can be granted automatically, without an application and a special decision, for taxes that will be due after the rules come into force. Also, when applying for installments or deferrals, the list of applications attached to the documents is reduced. The deferred payment is from 3 to 12 months, depending on the company's performance. For example, for organizations that are not strategic, system-forming, or city-forming, a 6-month deferral can be granted if revenue decreases by more than 20%. The maximum period for the provision of installments is from 3 to 5 years, depending on the decline in the business performance of the organization and its status.

According to Government Resolutions, the most affected are entrepreneurs whose business is related to air, railway and auto transportation, the activities of museums, cinemas, tourism, public catering, hotel complexes and retail trade. Large-scale industry, on the other hand, suffered moderately from the pandemic-related crisis. The greatest damage is caused by companies that produce transport equipment and equipment, household appliances, and the furniture industry.

To a lesser extent, the metallurgical industry and metalworking, the production of glass, electrical equipment, textiles and clothing were affected. The damage in these industries is estimated by economists as acceptable during the crisis. According to the forecast of the Ministry

of Economic Development, the decline in industry in 2020 will be 5.2%, according to the forecast of the Ministry of Industry and Trade — 8.6%. The second quarter will be the most difficult for the Russian economy, and a gradual recovery of dynamics is expected in the second half of the year. Food, paper, chemical, gas and electricity production were all largely unaffected by the coronavirus crisis, according to economists, while medical equipment and pharmaceuticals were among the few industries that benefited during the quarantine period. The structure of anti-crisis financing and the most affected sectors are shown in Figure 2.



Figure 2- "The structure of anti-crisis financing and the most affected industries"

The changes associated with general isolation in 2020 affected business conduct and tax legislation, which entails consequences for the economy and the management of economic accounting of profits and losses in the near future. For the entire economy, the pandemic has become an opportunity to review their priorities, and for the country and the world-it is an indicator of the effectiveness and success of doing business on a large and small scale.

The Cabinet of Ministers approved and submitted to the State Duma a bill to increase the mineral extraction tax (MET) by 3.5 times for metallurgists and fertilizer producers.

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