

Self-Employed Citizens: Status and Financial Support

Bondareva Natalia Anatolyevna¹

¹Candidate of Economic Sciences, Associate Professor, Department of Valuation and Corporate Finance, Moscow Financial-Industrial University Synergy E-mail: bn008@mail.ru

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Abstract

Among small business representatives, self-employed citizens, a special tax regime remains relevant – the Professional Income Tax (PIT), which provides ease of use: simplified tax registration, automatic formation of the tax base, and exemption from tax reporting. This article examines the particular status of self-employed citizens as part of the precariat, characterized not as a class but as a "social layer" lacking stable employment, social guarantees, and professional development. This limits their ability to plan for the future and disconnects them from societal engagement, which hinders the state from creating the most effective conditions for their business success. The author proposes defining a list of professions eligible for PIT that require high qualifications and whose services and developments contribute to economic growth. Consequently, it is necessary to clarify the nature and effectiveness of government-provided financial support measures: preferential loans, social contracts, subsidies, and grants. It is suggested that financial support for the self-employed be based on the real needs of the state and consumers in specific business areas, with subsequent monitoring and efficiency assessment of fund usage.

Keywords: self-employed citizens, precariat, financial support for the self-employed, self-employed professions

At the current stage of economic development, the state places high hopes on special taxation regimes. It continues policies to maintain a balance of interests with taxpayers, implementing taxation systems that are convenient to apply. This concept includes two new regimes: the Professional Income Tax (PIT) and the Automated Simplified Taxation System (ASTS), which complement the Simplified Taxation System (STS) and the Patent System. Taxpayers have a choice, as all special tax systems are voluntary and have their own limits. Only one tax regime is based on a digital platform via the "My Tax" application, eliminating personal interaction with tax authorities: no need to visit the tax office for registration, file tax returns, or calculate taxes, which are paid at a low rate with a simple phone click. However, this tax regime is slow to expand across Russia.

The PIT experiment was suspended in 2019 due to COVID-19, as the state provided opportunities for citizens to earn income. By June 2023, according to the Federal Tax Service (FTS), the number of self-employed exceeded 7.5 million, over 8% of all employed Russians. In early 2021, self-employment was a new taxation phenomenon, with barely 2 million self-employed, mostly in major cities. Currently, the largest numbers are in Moscow, Moscow Oblast, St. Petersburg, and Tatarstan. During the experiment, participants declared over 1.9 trillion rubles in income, with a calculated tax of 81 billion rubles. Dividing this four-year income by 7.5 million self-employed yields an average of 2,695 rubles per person over four years, suggesting that not all taxpayers pay taxes; FTS data indicates about 30% do not. In this context, the legally established income ceiling of 2.4 million rubles is more than sufficient.

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Studies analyzing freelancers' emergence, development, and challenges note that in Russia, the self-employment law was adopted in 2019, whereas in Europe and the USA, this social layer emerged in the 1960s–1970s. Freelancers operate under liberal employment conditions: they choose the type and volume of work, schedule, and are free from quality control. Freelancing avoids formal responsibilities (contracts, declarations, reports), proof of professional education, and standardized labor norms. This situation calls for deeper study to determine appropriate state measures for real-world application.

The constant self-employed status implies that citizens independently seek orders, set prices, and manage time. Self-employment is viable only if the citizen provides services that meet consumer needs, making them potentially valuable for implementing innovations and advancing national development. Yet, the PIT does not guarantee stable employment or regular orders, limiting financial predictability. Educational programs may interest students in self-employment, but the regime encourages adaptation to occasional earnings rather than genuine entrepreneurship. For instance, a self-employed journalist reported difficulty identifying their role in a project, questioning whether they were a real entrepreneur or simply working independently.

Freelancers are prohibited from hiring employees, hindering the development of labor discipline, legal compliance, time tracking, wage standards, tax payments, and reporting practices. This creates a population segment disconnected from societal contribution, particularly vulnerable during economic crises. These groups, constantly engaged in temporary, episodic work, often operate in the shadow economy, with limited social rights and status. This phenomenon is termed the precariat (from English *precarious*). Currently, no special terminology fully captures the precariat, which is not a class but a "social layer" lacking stable employment, guarantees, or professional growth, limiting future-oriented thinking and societal participation.

Standing's framework classifies employment groups from most protected (ruling class with secure income and social guarantees) to the precariat, noting their risk of social alienation despite entrepreneurial incentives. Researchers Tushchenko, Anisimov, Kucenkova, Tsapko, Shevchenko, Nioradze, and Romanovsky have examined this emerging layer, whose welfare depends on socio-economic policy.

Germany provides a contrasting model, where freelancers (*Freiberufler*) under §18 of the Income Tax Act must hold higher education, professional qualifications, and association membership, providing high-level services. This ensures competitiveness and professionalism. Typical professions include doctors, lawyers, auditors, tax consultants, economists, engineers, architects, pilots, journalists, photographers, scientists, artists, teachers, and lecturers. EU studies indicate self-employment choices are motivated by personal interest, family business, professional practice, flexible schedules, or lack of employee positions, whereas Russian self-employed cite professional practice, job absence, additional income, hobby, or family reasons. Russian self-employed professions tend to be low-skilled, often in construction, IT, transport, beauty industry, marketing, and research, rarely in high-intellectual sectors driving economic innovation. Germany's system prioritizes professional competence over mere self-employment status, reducing reliance on state financial or social support.

To expand self-employment in Russia, programs like "Small and Medium Enterprises" and the portal *samozanyatost.ru* provide additional benefits and services. PIT, with rates of 4% for income from individuals and 6% for income from individual entrepreneurs, raises questions about the necessity and effectiveness of additional benefits.

Government financial support measures for self-employed citizens include:

1. **Preferential loans:** up to 1 million rubles at no more than 1.5 times the Central Bank key rate for three years. Banks are hesitant due to unstable incomes and lack of documentation.
2. **Social contracts:** federal assistance for low-income citizens, ranging from 30,000 to 350,000 rubles for entrepreneurship, household management, or training, requiring a business plan and reporting.
3. **Subsidies:** for household management, dependent on regional availability, requiring status confirmation and accountability.
4. **Grants:** for citizens under 25, with regional limits, co-financing of 25%, and mandatory training.

These measures are often half-measures, inconsistently implemented across regions, and may not match real self-employed income and repayment capacity. Effective financial support should be based on actual state and consumer needs, with subsequent monitoring and efficiency evaluation.

In conclusion, tax regimes influence societal development. Increasing numbers of self-employed without structured support may create a society dependent on unpredictable earnings. Therefore, the author recommends:

- Organizing self-employment with permission to hire workers to integrate into production and social relations;
- Legally requiring professional education, training, and association membership for self-employed citizens to develop professional competencies and stable business practices;
- Conducting studies to evaluate the efficiency of financial support, particularly in agriculture, with state-guaranteed product realization.

Conclusion, Acknowledgment, and Conflict of Interest

Conclusion

The phenomenon of self-employment continues to expand as one of the most flexible yet vulnerable forms of economic activity. The study highlights that the status of self-employed citizens, although legally supported through the Professional Income Tax (PIT) regime, still reflects the broader features of the precariat—instability, limited social protection, and insufficient opportunities for long-term professional growth. While PIT provides an important mechanism for simplifying tax procedures, it cannot alone ensure sustainability or economic security for this group.

The findings suggest that state support mechanisms—such as preferential loans, social contracts, targeted subsidies, and innovation-driven grants—must be redesigned to correspond more closely to real economic needs and priority sectors. By defining a set of professions that both require advanced qualifications and contribute directly to national economic development, policymakers can ensure that financial resources are channeled where they will produce the greatest impact. Furthermore, systematic monitoring and evaluation of support measures are essential to guarantee transparency, accountability, and effectiveness in the allocation of public funds.

Overall, the self-employed represent both an opportunity and a challenge for economic modernization. Properly tailored financial support and institutional frameworks will not only empower individuals to pursue sustainable business models but will also foster economic diversification, innovation, and resilience in the face of structural shifts in the labor market.

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Conflict of Interest

The author declares no conflict of interest. The research was conducted independently, without any financial or personal relationships that could inappropriately influence the results or interpretations presented in this article.

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