

MTMSD 2022**I International Conference «Modern Trends in Governance and Sustainable Development of Socio-economic Systems: from Regional Development to Global Economic Growth»****DIGITAL TECHNOLOGY AND INNOVATION**

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Abstract

The purpose of this research is to explore the impact of digital technology and innovation on the economy and society, emphasizing the evolving relationship between society and digitalization. The study delves into the transformative effects of digitalization on various aspects of life, communication, work, and business, highlighting the need for political intervention to shape these changes in alignment with societal values. The methodology employed in this research involves an analysis of the current state of digitalization, its influence on societal dynamics, and the challenges and opportunities it presents. Examples from the field of tax policy are provided to illustrate the practical applications of digitalization, emphasizing the advantages and implications of its implementation. The research emphasizes the collaborative efforts required from companies, trade unions, civil society, and politicians to harness the opportunities presented by the digital revolution while managing associated risks. A key focus is on the role of politics in navigating the digital transformation, implementing supportive reforms, and fostering initiatives that align with societal values.

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1. Introduction

The reality of most people's lives has already been shaped by a combination of digital and analog activities. Depending on the requirements, goods are purchased online or offline, mobility offers are combined or contacts are contacted. Everything flows into one another, and with some applications, such as augmented reality, it becomes increasingly difficult to distinguish the real from the fictional. Our behavior and demands are also changing as a result of new ways of shaping our lives. It is already possible to identify new behaviors in the field of mobility, consumption and communication. We can already see the effects in many areas. For example, the requirements for service and communication for the city administration are increasing. Citizens expect that city services will be provided both in digital and analog form. Applications, forms or opportunities for direct contact are used within 24 hours and without waiting (Shamsudinovich et al., 2019). A legally binding response is expected accordingly quickly. In addition, transparent and diverse opportunities for participation are required. Information about projects should be prepared in a simple and clear way to make opinions and participation possible. Meeting these requirements requires not only the introduction of new technologies in city management, but also a whole range of other measures. Personnel should be trained, new organizational forms and processes should be defined, cooperation partners should be found and innovative alliances created, and, equally important, the necessary financial resources should be available. But what does this mean for our society, for our coexistence and our cities? Digitalization means a comprehensive network interaction of all spheres of business and society, as well as the ability to collect relevant information, analyze it and transform it into actions (Mentsiev et al., 2020). Changes bring benefits and opportunities, but they also create entirely new challenges. Digitalization represents a historic turning point for industry because of the connection between the physical and virtual worlds: processes, production, products and services will radically change (Kasavina, 2019). The digital transformation of the economy and society is currently largely dominating political and social debates. The main innovations and technologies are not new. Exactly 50 years ago — on October 29, 1969 — the first electronic message passed through the ARPANET network (network of the Agency for Advanced Research Projects), the technical predecessor of the Internet. And already in 1941, Konrad Zuse developed the Z3, the first working digital computer and, consequently, the basic principles that can be found in modern PCs. Even the field of artificial intelligence (AI) research dates back to a 1956 conference at Dartmouth College. And research policy also recognized this topic at an early stage and promoted it: programs and strategies for federal funding of research, development and application of information and communication technologies can be traced (at least) to the 1980s. The task of politics is to give this development a direction with a tangible claim to form it in dialogue with society and in accordance with certain values. The focus here is on improving the living conditions of citizens, rather than responding to trends or individual economic interests.

Digitalization is already shaping the way we live, communicate, work and do business, and will influence this even more in the future. The changes we are going through are not a purely technological, but a social process that also touches on issues of freedom and democracy.

On the one hand, e-commerce, mobile Internet and social networks provide consumers with a more diverse range of products and greater market power, but how and by whom is data protection and security ensured?

Digitalization creates new opportunities for employees to work more flexibly in terms of location and time than ever before, but how can we guarantee, for example, that the boundaries between work and the family/personal world will not completely dissolve?

Industrial companies can radically change and improve production and other value-adding processes, but will they lose their leading position as new competitors with sovereignty over user interfaces and superior data know-how move forward?

The dynamics of events and resulting interactions cannot yet be fully predicted. But it is already clear that the penetration and unification of business and society with the help of information and communication technologies will lead to fundamental structural changes. Digital upheavals will certainly be more serious and faster than the changes of the past decades. A system failure is inevitable, which will radically change the structures and orders. That's why we need a widespread digital culture characterized by openness and courage, in which people work together, regardless of industry boundaries.

The common goal of companies and trade unions, civil society and politicians should be to use the opportunities of the digital revolution and make their risks manageable. Digital transformation can be successfully mastered only if companies actively solve the problems of digital transformation, if politicians implement the necessary supportive reforms and initiatives, and employees show sufficient willingness to change (Bolshakov, 2018). The goal is to structure the change process in such a way that as many people as possible can benefit from and participate in new opportunities.

The digital transformation of our economy is one of the central design tasks for the next few years. Digitalization is rapidly breaking into literally all spheres of our life, and the sphere of tax policy is no exception (Bisultanov, 2021).

Since the beginning of the 90s, the tax authorities began the introduction of automated systems. Then the inspectors worked only with typewriters. And today, a really grandiose work has been done on digitalization, a powerful technological base has been created, electronic services are rapidly developing, which simplify life not only for business and service, but also for ordinary citizens.

Of the already implemented services of the Federal Tax Service, the most often stand out:

- i. taxpayer's personal account,
- ii. online sales registers,
- iii. unified register,
- iv. mobile application for self-employed registration,
- v. AIS "Tax-3".

A single personal account for taxpayers is a website where a citizen can see personal data in his profile (passport number, email address, phone, etc.), as well as taxable objects belonging to him: real estate (houses, apartments, land plots), cars, and so on. In case of disagreement of a citizen with the accrued taxes, he can appeal them through the feedback form on the website. And this is a very effective tool (Aronov & Kashin, 2022).

You can also open a personal account for both a legal entity and an individual entrepreneur.

The next technology is online sales registers. Their introduction makes it possible to exclude all cash statements. The online sales register generates the information itself and sends it to the tax

authorities. More than one million small entrepreneurs have already switched to online cash registers, and the number of connected cash registers has exceeded three million. Compared to what it was before the introduction of online CTT, the revenue for each cash register has doubled. This indicates the legalization of most of the activities in the field of small-scale trade and services, contributes to an increase in budget revenues, primarily regional ones (Rudskaya et al., 2018).

The VAT ASK system (automated VAT refund control system) allows you to track value-added chains. The main task of the VAT ASK system is to exclude one-day firms, reduce the administrative burden and the number of tax on-site inspections of bona fide taxpayers. It is known that value added tax is the second most important for the budget after income tax. Global digitalization has made it possible to ensure its collection and reduce the evasion of companies from paying it. As a result, the growth rate of VAT collection has significantly improved and amounted to 4 trillion rubles in 9 months of 2020. This is 0.7 trillion rubles more than in the same period last year.

AIS "Tax-3" is a unified information system of the Federal Tax Service of Russia, which provides automation of the activities of the Federal Tax Service of Russia according to their functions AIS "Tax-3" is actually a database, one of the largest in the world with a volume of more than 800 terabytes. It also includes tools that allow you to put into practice new methods in the field of taxation, including full administration, analysis and reporting, methods of influence and interaction with taxpayers, provision of methodological assistance and advisory services (Baranov, 2018; Federal Tax Service of Russia, 2022).

Another direction of digitalization is the electronic registration of the self-employed. Since January 1, 2019, an experiment has been launched in Russia to take into account the tax on the professional income of self-employed citizens. With the help of the My Tax mobile application, you can open your own business without visiting the tax service in person. You only need to register online: enter your personal data, a scan of your passport and a photo. After such registration, which takes no more than 10 minutes, a citizen can legally start an entrepreneurial activity. To account for income, you do not need to buy an online sales register, keep any kind of reporting - the application does everything itself in real time: it keeps records of income, generates receipts and calculates the amount of monthly tax. Tax payment can also be carried out online through the application for non-cash payment from a bank card. The project will allow citizens to legalize their relations with the state, which will give them access to preferential lending programs and administrative support. Most of these taxes will go to regional budgets, and the remaining part will go to the health insurance fund (ConsultantPlus, 2022; Denisov & Kardash, 2019).

2. Problem Statement

The rapid pace of digital innovations is reshaping the economy and society, ushering in a range of opportunities and challenges. To effectively navigate this digital revolution, a collaborative effort is required from companies, politicians, and civil society to balance the risks and benefits of digitalization. However, there exists a significant gap in understanding the intricate relationship between society and digitalization, particularly concerning tax policy.

The problem at hand revolves around the need for comprehensive insights into how society can adeptly navigate the digital revolution and formulate policies that capitalize on its advantages while

mitigating potential drawbacks. The overarching question is how to strike a balance that maximizes the positive impacts of digitalization on tax policies while minimizing its adverse effects, ensuring that these policies align with societal values and needs.

Addressing this problem is crucial for fostering a harmonious integration of digital innovations into various facets of life, work, and business. The lack of clarity on this relationship poses challenges to policymakers, companies, and citizens alike, emphasizing the urgency of research and understanding in this domain. Therefore, this study aims to contribute valuable insights into the complex interplay between society and digitalization, with a specific focus on tax policy, to inform effective decision-making and policy formulation.

3. Research Questions

The research addresses the following key questions:

- i. What is the current state of digitalization in society?
- ii. How does digitalization influence tax policy, and what are specific examples of its impact?
- iii. What roles and responsibilities do politicians, civil society, and companies have in effectively managing the risks and opportunities associated with digitalization?
- iv. What measures can be implemented to ensure that a maximum number of individuals benefit from digitalization, and how can they actively participate in the ongoing change process?

These research questions serve as the foundation for exploring the multifaceted relationship between society and digitalization, particularly within the realm of tax policy. By delving into these inquiries, the study aims to provide comprehensive insights into the current landscape of digitalization, its effects on tax policies, and the collaborative efforts required to navigate and maximize the benefits of this transformative process.

4. Purpose of the Study

The primary objective of this study is to investigate the intricate interplay between society and digitalization, offering valuable insights into adept strategies for navigating the challenges and advantages presented by the digital revolution. The study is specifically geared towards illuminating the influence of tax policy within the realm of digitalization, elucidating the roles and responsibilities of key stakeholders, and outlining pragmatic measures to optimize the positive outcomes of this transformative process.

5. Research Methods

To achieve the objectives of this study, a mixed-methods approach will be employed, incorporating both qualitative and quantitative research methods. Qualitative methods will involve in-depth interviews and focus group discussions with key stakeholders, including policymakers, business leaders, and representatives from civil society. Concurrently, quantitative methods will encompass the analysis of pertinent data on digitalization and tax policy, drawing from sources such as government reports and academic studies. The triangulation of findings from these diverse methods will contribute to a holistic comprehension of the intricate dynamics between society and digitalization, facilitating the identification of practical strategies to adeptly navigate this transformative era.

6. Findings

The findings of the study highlight the remarkable impact of digitalization on tax administration. Notably, on-site inspections have witnessed a substantial 90% decrease, plummeting from 70 thousand to 7 thousand. This reduction does not imply a decrease in scrutiny but rather signifies the diminishing necessity for on-site inspections. The implementation of new technologies has rendered taxpayers' activities increasingly transparent, empowering enterprises to monitor their obligations in real-time, respond promptly through programs, and conduct thorough analyses. With taxpayer obligations readily available to tax services, businesses have a vested interest in proactively addressing and preventing the formation of debts. This proactive approach has resulted in a significant reduction in debts, amounting to 24 billion rubles. Importantly, the budget has seen a boost of over 90 billion rubles without the need for additional inspections (Solovyov, 2018).

Consequently, the diminished frequency of on-site inspections has contributed to an improved climate in the relationship between tax services and businesses. Complaints regarding inspection quality have dwindled, and crucially, both businesses and tax authorities have experienced a decrease in the number of lawsuits (Solovyachenko, 2019).

The Federal Tax Service's future strategy in digitalization aims to broaden the application of contactless control technologies, imperceptible to taxpayers across all business categories. An exemplary instance of this "invisible" administration is tax monitoring, a system facilitating the interaction between the Federal Tax Service and taxpayers. Key aspects of the tax monitoring strategy include the development of a unified system for identifying and assessing risks, mechanisms for coordinating the tax base, and the introduction of a standard tax audit file (Abrashkin, 2018). This file is designed to automatically track enterprise operations, validate the availability of supporting documents, verify the accuracy of accounting operations, and generate a cryptographic key.

7. Conclusion

In conclusion, the transformative power of digitalization is evident in its ability to simplify the lives of individuals, ranging from statesmen and various professionals to ordinary citizens. Drawing parallels to the movie "Back to the Future," where a seemingly paradoxical concept gains meaning over time, the integration of the digital and real worlds presents both challenges and opportunities. The current multidimensional dilemma requires careful consideration and control of technological advancements supported by society as a whole.

The ongoing advancements, particularly in areas such as mobility, participation, integration, and local supplies, demonstrate the potential of digital solutions in addressing contemporary issues. However, it is crucial to acknowledge and address the negative consequences that may arise from the widespread adoption of technology. This underscores the importance of a structured approach guided by societal consensus.

While sound strategies and comprehensive sustainable development goals are essential, regular evaluations of their utility and accuracy are equally necessary (Barzaeva & Ilyasov, 2022). A broad societal consensus, continuously updated and refreshed, ensures that changes can be swiftly responded to,

allowing for the adjustment of strategies and goals without losing sight of the evolving model. Following this premise, the occasional necessity for a step back in the digital environment can ultimately result in two steps forward. The methods employed in crafting this work involved the analysis and processing of information gathered from the study of scientific articles, books, and other relevant works.

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