

Taxes and Retail Markets in the Formal and Informal Economy

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ABSTRACT

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Participants in the internal market possess a diverse range of economic interests, and this diversity affects domestic regulation of trading activities. Focusing on the tax and retail market situations in the Republic of Kazakhstan and the Russian Federation, this study aims to explore how different tax arrangements affect the trading sector within the formal and informal economy. Using statistical and administrative open data sources, the conceptual foundation of the given tax systems was established. Results show that the fiscal regulation of macro-economic processes allows achieving economic growth via internal trade; however, taxing those who operate within the informal sector, where levels of productivity and income are relatively low, can provide only a small financial boost. To reduce the extent of informal activity, this study advises policymakers to introduce a regulatory mechanism that couples incentives with legal support. The present research findings are useful for individuals or corporate structures seeking information about the trading and tax exactitudes in the internal markets within the developing countries in order to familiarize themselves with the tax law and its impact on the business strategy.

1. INTRODUCTION

Retail trade has transformed over the past six years under the influence of objective global processes. The global center of gravity in consumer spending began to shift from the US and Europe to the emerging markets. In a world where almost everyone has a mobile phone, the pace of this transition is strongly related to the pace at which the mobile payment systems are adopted [1]. As more activities can now be done using the Internet, the number of different crimes, including those related to payment processing, has also increased. According to global trade statistics, there is not a single country in the world that has not seen a decline in trade turnover over the past six years. Whereas Asia has suffered the least severe reduction in the volume of trade (0.5%), the Middle East (9.7%) has experienced the greatest drop in trade turnover. Thanks to the anti-crisis programs introduced to support various institutions, from crucial enterprises to small and medium-sized businesses, the CIS countries have occupied the middle position in this ranking with a 4.3% decrease in trade turnover [2]. The largest declines were recorded for non-food products. As nearly half of the population fell into the cost of living crisis or experienced unemployment, many consumers adopted a saving behaviour, causing the general demand for non-food products to become significantly deferred [3]. The infrastructure of internal trade (e.g., fairs, online marketplaces, wholesale and retail businesses) has a considerable impact on the supply of goods

and services [4].

Trade, in particular domestic trade, acts as a link between production and consumption, ensuring that all needs of the population are satisfied [5]. Antonyan [6] defined the retail market as a secular structure that rests upon rational norms within the socially created trading platform. Its spatial structure is influenced by the social hierarchy of market participants through pricing and consumer actions. Depending on the situation, the market can take the shape of formal and informal activities [7]. Formal and informal markets are not separate entities, but rather operate in personal-political or micro-macro tandem that generates new trade routes, contacts, and consumption patterns [6, 8]. Formal markets are mostly stationary “brick-and-mortar” outlets (e.g., stalls, kiosks, booths, etc.) embedded into the social landscape through registration as a market entity [9]. In the broad sense, markets have become partially institutionalised, but remain flexible, which implies a certain degree of informality. In most cases, informal markets exist within the formal structure of stationary markets in the form of itinerant and spontaneous trading. The study of the CIS retail trade in the frame of a formal and informal economy represents an important and promising field, considering the growth of these markets and the extent to which their operational activities impact the economy of the region. Apparently, the CIS countries, Russia and Kazakhstan in particular, offer vast opportunities for the development of retail trade, given the markets’ scale and the non-stop development of different forms of cooperation between the

sellers and consumers. The research context covers rather pressing and urgent issues of today's retail trade, both in the context of the formal market and the circumstances of the emergence of the informal market conditions. Understanding these factors enables developing important strategies to improve customer interaction, increasing taxation transparency and overall economic capacity, thus adding to the business competitiveness and enhancing the overall retail trade. Therefore, the main goal of the current research is to come up with a more concise definition of fiscal regulations that can be utilised for monitoring and developing the retail sector of the economy, both in formal and informal forms of the market. The research aims to come up with a proposal for further development of the existing methods of fiscal interaction in the retail trade market through the example of Russia and Kazakhstan as the brightest representatives of the CIS countries, which can substantially reduce the informal activities in the sector of these economies, and thus improve the overall situation in the retail trade of the region.

2. LITERATURE REVIEW

A distinctive feature of spontaneous trading, sometimes defined as street economy, is that trading activities may last for less than a day while still being part of the greater network; in most cases, the boundaries of the market are not clearly defined, so the market landscape ends up being flexible and evolves constantly. In spontaneous markets, traders focus on distributing inexpensive goods to avoid situations where their items sit unsold. Exploring the various benefits of spontaneous trading, Sirkeci [10] came to the conclusion that this entrepreneurial sector is a crucial part of urban life, as it satisfies the daily needs of low-income citizens with zero bureaucracy. Most street peddlers do not incur registration costs, nor do they declare their products. More often, their efforts are focused on earning enough money to make ends meet [11]. In developing countries, the informal street economy is a by-product of an increase in outsourcing and subcontracting [12]. More specifically, those who resort to selling goods on the street are viewed as marginalized populations engaged in sidewalk trading as a means of survival in the absence of other options. The downside of unregistered and informal businesses is that their existence makes local governments lose revenue that would otherwise be used to improve the quality of life of the population, and they undermine the safety of consumption. At the same time, informal entrepreneurship is viewed as a breeding ground for micro-business and a means of escaping corrupt public officials. Note that informal entrepreneurship exists within the shadow economy, and therefore, in addition to entrepreneurial competencies, those engaged in such activity can form bad habits as a consequence of doing business in the shadows. Regardless of how much informality prevails worldwide, there is still no common understanding of a reliable and consistent set of drivers and consequences of this phenomenon among scholars. Both informality and taxation are often viewed as policy instruments, therefore making informality and taxation depend on the specific tax instrument to be applied for the reasons of regulation [13].

Among the causes of the shadow economy, researchers highlight high taxes, complex tax laws, ineffective tax enforcement, lack of incentives to carry out business transactions and make payments through formal banking

channels, and low trust in the government [14]. To eliminate tax leakage and combat the shadow economy, researchers advocate increasing revenue collection through the use of advanced technologies. For example, all online transactions can be registered electronically as a means of promoting electronic tax administration, but more solutions exist. The system of laws regulating the calculation and collection of taxes within the country is subject to systematic changes that policymakers add to improve business conditions for entrepreneurs and to increase the country's competitiveness in the global market [15]. The control measures to enforce formalization may include audits of the populations (citizens, legal entities, and individual entrepreneurs) engaged in electronic financial transactions to identify non-compliance (including through the use of big data) and taxes imposed on Internet purchases (e-commerce), among other things [16]. The researchers argue that modern tax schemes emphasize the state's intention to leverage technology to increase tax collection. Informality in the retail market, in particular and in the trade in general, has also been viewed by researchers as the mode of economic activity traditionally connected to the so-called political economy due to the circumstances of the diversified methods and instruments that can be drawn in dealing with a certain amount of lobbying tools [17].

Today, the Federal Tax Service receives information about traders from the fiscal data operator. This is true for Russia, at least. The researchers, however, predict that all economic entities engaged in domestic trading will require cash registers equipped with an Internet-connected device for remote data transmission. Van Opstal et al. [18] found that the internal market is susceptible to changes in transaction costs, responds more softly to financial literacy programs, and is insensitive to tax interventions. Yépez [7], on the contrary, posited that taxation strongly impacts all aspects of the market, from product prices to the cost of doing business. In particular, researchers point out that tax policy dictates discretionary consumer spending, forces enterprises to work in certain markets, and even determines the quality and quantity of goods sold. Therefore, taxes must be considered as an instrument of state regulation of the economy.

The studies reviewed above articulate a certain vision of retail entrepreneurship that is largely built on the results of a qualitative assessment. Such results are not very reliable when presented alone, but the authors did not provide a quantitative analysis of micro-business activities and related administrative problems alongside them. The novelty of the current study lies in the presentation of empirical data on the determinants of retail trade in the internal market through a macroeconomic approach, which is actively used as a means of analyzing tax regulation issues. A number of scholars argue that taxes drive the currency, hence stating that there is no need for sovereign governments to use taxes as a source of income and they need to rethink tax policy [19].

The paper proceeds as follows. The first section presents the rationale for this research and reviews the literature about domestic trading, challenges in the retail market, various tax interventions, and related empirical data. The next section describes the methodological approach, followed by a description of the author's solution vision. Section 4 presents the results and shows similarities with the findings of other studies. Section 5 presents the conclusions, outlines practical implications, and suggests directions for further study.

The purpose of the current study is to assess how tax interventions affect trade in the formal and informal sectors by

inspecting fiscal relations between the state and the trading participants in the internal market. For doing so, we summarized the trade patterns and trends that have occurred within the economy, examined the key indicators of tax system performance, and assessed the impact of taxes on trading activities in formal and informal sectors of the economy.

3. MATERIALS AND METHODS

This study considers trade as one of the sectors responsible for spurring economic growth, which also acts as a link between the market and the tax reforms. Its role in economic development has increased amidst changes made to the tax system in an attempt to eliminate potential market distortions. The analysis covers one year from 2022 to 2023. The focus lies on the CIS countries, particularly the Republic of Kazakhstan and the Russian Federation. While dependent on fossil fuels, these two countries look at the retail market as a potential route to diversify the national economy from oil.

The Commonwealth of Independent States is a rather fresh union of countries, although it derives from the previously well-built economic cooperation of the republic - members of the USSR. The regional and historical connections make it easy for all the new states to cooperate based on the previously-created ties; therefore, it might be presumed that all of the new countries are to be equally studied due to their inevitable inter-dependence in the market functionality. Yet, the present research has been confined to highlighting the situation in the markets of Russia and Kazakhstan due to the fact that these participants of the retail trade possess the biggest capacity to demonstrate the link between fiscal policy and retail trade transparency.

While Russia has traditionally been by far the largest player in the region with 75% of its GDP, the second largest remains Kazakhstan, making up 8% of the whole CIS GDP, which inevitably makes these countries the leaders in the routine retail operations both inside their economies and beyond, making them more typical to be analysed and then described in terms of formal and informal markets' interaction with the taxation policies that can be utilised for all the other participants of the market.

3.1 Research materials and sampling

The study draws data from various sources: (1) existing studies on taxation and entrepreneurship by Kosta and Williams [12], Mambetalieva [15], and Sirkeci [10]; (2) materials released by the Federal State Statistics Service (Russia) for year 2021 and the Bureau of National Statistics (Kazakhstan) for years 2021 and 2023; and (3) 2023 reports from international organizations, i.e., OECD and WTO. Data collected from these sources was analyzed and processed using descriptive statistics. The results are presented as tables (Microsoft Excel) and histograms (MacType).

3.2 Methodological design and work stages

The study consists of three stages: (1) analyzing the retail trading landscape of the countries under study; (2) looking at all statistics and analytical data relating to trade taxation in Kazakhstan and Russia; and (3) assessing the effects of various tax solutions for formal and informal scenarios. The retail trading landscape assessed at the first stage of the study

includes characteristics relating to the state of retail trade. These characteristics include the retail trade turnover, the structure of the retail market, the total number of marketplaces for retail goods (this includes open-air retail events akin to a fair, also known as "yarmarka"), and the total number of active market participants in the retail sector. This information was processed and imported into a table for further analysis.

Data relating to trade taxation was derived from the Eurasian Economic Commission's 2023 Statistical Yearbook. The focus fell on indirect taxes: a value-added tax (VAT), excise tax, and self-employment (SE) tax. The value-added tax is levied on the difference between the tax paid on purchases and the tax collected on sales and is included in the final price of a particular product or service. Excise taxes are selective taxes imposed on goods and services that are intended for domestic consumption. To improve indirect tax compliance, the governments of Kazakhstan and Russia have introduced different tax regimes. Kazakhstan's government has adopted the Single Aggregate Payment (SAP) system, which simplifies the registration of informal entrepreneurs, whereas the Russian government taxes the professional income of individuals who make and sell goods and services without hiring anyone (self-employed tax) and earn up to 2.4 million rubles per year. The data are presented as a summary table for further comparative analysis.

Data relating to the impact of indirect taxes on trade in the formal and informal sectors was derived from reports released by the Eurasian Economic Union [20]. This includes information related to special tax regimes (i.e., SAP and SE) and the core indicators of socio-economic development (i.e., trade and tax revenue as a share of GDP, income distribution by quantiles, and formal/informal employment in the trading industry). The proportion of formal and informal in the fiscal economic system was calculated according to the following equation: $\frac{a}{b} = \frac{c}{d}$ [21]. This ratio corresponds to the proportion of indirect taxes based on VAT as the principal tax revenue tool received from companies' and individuals' economic activity in businesses of different forms and sizes.

3.3 Methodological tools, formulas, and iterations

The study has been done using the traditional strategy of data compilation with further quantitative and qualitative analysis. The present-day fiscal strategies and tools of the retail sector in Russia and Kazakhstan were compared with the models that contain a more balanced approach to the use of taxation instruments for retail trade in the frames of formal and informal economies. Then the new recommendations were offered as a tool to increase the fiscal efficiency and overall economic transparency and sustainability of the retail companies of Russia and Kazakhstan as the brightest representatives of the CIS region.

3.4 Limitations

The study only focuses on two countries. Both have developing markets and export-oriented economies. The results may be only partially generalized to the scope of developing countries outside our sample.

3.5 Ethics of the research

All the materials and data under the analysis in the present articles are available for public access and subject to no

copyright, thus there is no conflict of interest in the authors' developments.

4. RESULTS

In the literature, the internal market is defined as a system within a single country where different market participants (i.e., the state, producers, and consumers) engage in economic exchanges to ensure business continuity. Among the main indicators characterizing the development of domestic trade are those related to retail trade. Economic fluctuations of the last six years weakened consumer activity, causing retail sales to drop, as shown in Table 1.

In 2023, the turnover volume of retail trade decreased by 1.1% in Russia and 2.1% in Kazakhstan, compared with the previous year. The contraction in retail sales was likely due to a dramatic rise in spending on food items, rather than non-food purchases. The upward trend in the share of food products within the retail trade turnover was more prominent in

Kazakhstan, but Russia has also experienced an increase in food spending. At the macro level, the retail market comprises 751 markets in Kazakhstan and 816 markets in Russia; more than half of them target a broad market segment and provide consumers with a vast range of goods. Regardless of whether it is a mass market or a niche market, the average number of places for trade is 0.25 per 1,000 people, significantly lower than the norm of 2.7 places. According to the data collected and compiled under the present research, as of 2023, there were 26,076 trade fairs held in Kazakhstan per market, which is 6,362 less than in Russia, the latter having operated 32,438 trade fairs, correspondingly. This suggests that the market participants in Kazakhstan are slightly less active compared to their Russian counterparts, in spite of the data demonstrating a larger amount of small businesses and enterprises launched in Kazakhstan if compared to the same type of companies operating in the retail trade market of the Russian Federation. This gives a chance to doubt the connection between the quality and quantity of such enterprises in case they use the trade fair format as a form of making a profit.

Table 1. Retail trade trends in Kazakhstan versus Russia in 2023

Kazakhstan	Russia
Population, as of the 2023 census: 20,033.9 million people	Population, as of the 2023 census: 146,425.7 million people
Volume of retail trade turnover (% against the previous year)	
96.9%	97.8%
Structure of retail trade turnover	
Food products: 59.7%	Food products: 51.8%
Non-food products: 40.3%	Non-food products: 48.2%
Total number of marketplaces for retail goods, as of 2023	
751 markets with 174.5 thousand places for trade	816 markets with 221.7 thousand places for trade
Types of retail markets	
Mass markets: 501 (63.8% of total markets)	Mass markets: 400 (52.2% of total markets)
Niche markets: 250 (36.2% of total markets)	Niche markets: 361 (47.8% of total markets)
Total number of trade fairs per year	
26,076	32,438
Topology of economic actors engaged in the internal retail trading	
Legal entities: 60.4%	Legal entities: 82.5%
Individual entrepreneurs: 39.6%	Individual entrepreneurs: 17.4%

Source: Bureau of National Statistics under the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan [22, 23], Eurasian Economic Commission [20], Federal State Statistics Service [24].

Table 2. Taxation in Kazakhstan and Russia, as of 2022

Kazakhstan	Russia
The country's tax policies are aimed at encouraging businesses to move from the informal to the formal sector and at expanding the non-resource tax base.	The country's tax program is aimed at simplifying the tax administration procedure, in particular for individual taxpayers.
Indirect tax changes adopted in 2022	
The Single Aggregate Payment (SAP) was introduced. This is a nationwide tax regime, which encourages legalization of informally employed individuals.	A tax on the professional income of self-employed people was introduced. The self-employed (SE) income tax was adopted in all regions of the country.
Income tax	
13%	4-6%
VAT	
21%	38%
Excise tax (applies to goods produced for sale in the internal market)	
1%	6%
Other taxes	
57%	39%
Number of taxpayers in the formal retail market, thousand people	
Legal entities	Legal entities
432.0	4,371.3
Individual entrepreneurs	Individual entrepreneurs
1,185.2	8,847.5

Note: In Kazakhstan, the number of individual taxpayers in Kazakhstan is 17824.8 thousand people (or 23.6% of all taxpayers), whereas the number of foreign formal organizations is 2.3 thousand (or 2.3% of all taxpayers); in Russia, these figures are 156581.6 thousand (41.9%) and 12.1 thousand (31.1%), respectively.

Source: Bureau of National Statistics under the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan [22, 23], Eurasian Economic Commission [20], Federal State Statistics Service [24].

Another important distinction lies in the fact that even though the retail markets in both countries are dominated by actors registered as a legal entity, the percentage of individual entrepreneurs in Kazakhstan is higher (39.6% versus 17.4%, respectively). Individual entrepreneurship is crucial for economic diversification, so the government may want to stimulate its growth through indirect taxes (such as VAT and excise tax). Table 2 summarizes the specifics of indirect taxation in Kazakhstan and Russia.

Data in Table 2 shows that Kazakhstan and Russia rely on the same indirect taxes, with VAT as their main source of tax revenue. Legal entities engaged in entrepreneurial business activity and individual entrepreneurs account for 58.1% and 16.0% of all taxpayers in Kazakhstan and 16.2% and 10.8% of all taxpayers in Russia, respectively. In 2022, both countries introduced a special tax regime as a means of combating tax evasion. In Kazakhstan, where the share of individual entrepreneurs is almost a quarter of all taxpayers, the new addition, i.e., the SAP, was aimed at reducing informal employment, whereas in Russia, where the percentage of individual entrepreneurs is lower than expected considering its market size, the government taxed those who are self-employed in the micro-business in order to ensure social protection. Figure 1 illustrates how these special tax regimes affected the link between the informal workforce and the formal economy.

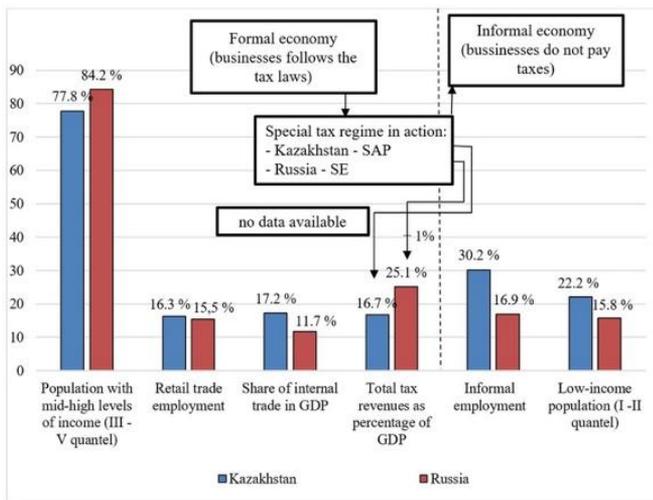


Figure 1. Systematic analysis of tax regulations in the context of formalising the informal economy

Source: Adapted by the authors from the reports released by the Bureau of National Statistics under the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan [22, 23] and Federal State Statistics Service (Rosstat) [24]

Unlike the formal market, the informal market consists of low-skilled workers and has less physical capital; hence it is associated with low productivity and necessity-driven competition. More specifically, 1.1 to 1.3 self-employed informal workers can cover the needs of a single low-income consumer. In contrast, on average, above-average or high-income consumer only requires that 0.2 formally employed individuals engage in trading. To reduce the external effects of informal trading, national governments have tightened their tax regimes by introducing the SAP (Kazakhstan) and the self-employed income tax (Russia).

For Russia, the tax solution led to an annual increase of 1.5% in the tax base, which does not serve as a good economic justification for exploiting this tax scheme. To make it more

productive and conducive to economic growth, as is the case with the taxation of the formal economy (i.e., the share of internal trade in GDP is 11.7% for Kazakhstan and 17.2% for Russia, with the employment rates of 15.5% and 16.5%, respectively), the government should consider raising the level of financial literacy among domestic entrepreneurs. One way to do this is to provide incentives and tighten the law enforcement process by obligating entrepreneurs to digitalize their trading activities [22]. Note that digitalization is essential to increase competitiveness among business entities, as it is crucial for economic development within the country.

5. DISCUSSION

The present research has demonstrated a situation in the Russian retail trade sector compared to the one of Kazakhstan in terms of various tax arrangements' influence on trading within the formal and informal economy.

The study is based completely on the matter of comparative quantitative and qualitative analysis between the fiscal policies in retail trade of the biggest CIS economies in order to figure out the efficiency level of the already-existing taxation schemes to the productivity, competition development, and sustainability within the frames of formal and informal economies, striving to bring the largest possible amount of the retail trade tax-payers out of the shadow economy [9, 25]. The retail sector of Russia and Kazakhstan can be used as a bright model to be followed not only by the CIS regions but also by other economies from Asia and Europe, due to the fact that despite the volatility of the retail sector these economies have been going through lately, they are managing to increase their GDP by the implementation of special tax regimes, those being the SAP (Kazakhstan) and the self-employed income tax (Russia). Just like any other country's retail industry, the ones of the Republic of Kazakhstan and the Russian Federation depend largely on the market fluctuations connected with the global economic processes and crisis, which inevitably results in a number of small business operators' attempts to use the tax evasion schemes. Therefore, these economies are in urgent need of implementing a more flexible, yet efficient fiscal policy that can allow them to add up to the national taxation profit, at the same time giving an incentive to the market players to comply with the fiscal regulations in the most beneficial way [11, 26].

Based on the current findings, the country's internal market ensures business continuity within the country and is characterized by indicators related to domestic trading. In Russia and Kazakhstan, the retail infrastructure development is rather slow, as (1) there are not enough places for retail trade; (2) the available retailers are mostly legal entities; and (3) consumers generally spend more money on mass-produced items. These findings suggest that retail-market players in developing countries fail to consider what their audiences need in terms of products and services and that the existing institutional and market advantages are tailored to corporate actors. In addition, local consumers prioritize products that satisfy their most basic needs.

The original approach that had been proposed by Bargain et al. [27], Blokhin and Gridin [28], and Svirsky [4], has drawn similar conclusions, arguing that markets are important to international and local traders that seek to maintain critical functions of their businesses [4, 27], but the complex tax system implemented in the post-Soviet countries prevents

individual entrepreneurs from coming out from the shadows [29], creating an imbalance between the number of individual entrepreneurs and legal entities [28].

The previous research findings have been taken into account and now there is a more precise understanding of how the fiscal policy is operating in the retail trade domain of Russia and Kazakhstan [6, 25]. The precise structure of the retail market depends on the income level and lifestyle of the country's population. For stable economic development, having an effective mechanism of fiscal regulation is key, since taxes are the backbone of the national budget and an instrument to hold taxpayers accountable as trader entities. The descriptive statistics presented in this study show that Kazakhstan and Russia have similar tax systems and a large portion of their budgets comes from the VAT. In 2022, their tax legislation was transformed to bring the informal sector out of the shadows and to achieve economic diversification, i.e., one of the foundations of sustainable and inclusive, long-term growth [26]. In light of this event, it was decided to examine the effects of the new tax regimes on formal and informal domestic trading. Results show that low-income buyers in Kazakhstan and Russia make their purchases from the informal market, which represents the low-price segment of the internal market. According to some researchers, taxation efforts are more likely to affect the well-being of the elderly population than the income of working-age citizens [30]. In addition, government attempts to increase formal employment by taxing micro-businesses, as in the case of Kazakhstan and Russia [31], may be misguided [21]. Formalization strategies should focus on small, medium-sized and large organizations equally to provide more job opportunities to skilled workers and to reduce economic risks through diversification. Hence, it is best to encourage individual entrepreneurs to raise their financial literacy while promoting the integration of technology into trade businesses. Previous research shows that raising financial and tax literacy enhances the perception of fairness [32]. Another way to combat tax evasion is to formally reward business tax inspectors for refusing to accept informal payments [33], but only through comprehensive measures the government can limit corruption, for its financial source is shadow income generated through the concealment of revenue and other illegal actions [34]. The analysis of the quality and quantity of different legal forms and sizes of the enterprises in Russia and Kazakhstan proves that the comparisons are unlikely to coincide for large and small businesses, yet they bear no dependence whatsoever on the choice between entering the formal market through trading using the concepts of a supermarket sales or fairs, which calls for broadening the scope of research in the future in the attempt to diversify the taxation instruments for the small entrepreneurs that tend to keep evading taxes by a more eclectic set of fiscal instruments. The latter are expected to take into account the annual turnover and expenditures, rather than the choice of the form of retail performance and the grounds for consumer interaction.

The present findings indicate, however, that the example of Russia and Kazakhstan can be applied to the other economies of the CIS countries, whose individual entrepreneurs show a tendency to make their income mostly from trade business in a much smaller volume if compared to the retail trade companies operating in the form of legal entities, as evidenced by tax revenues to the country's consolidated budget. The state's efforts to support micro-business, in particular the self-employed, are currently directed towards the low-income individuals who try to survive by doing business in the

informal sector, rather than towards the promotion of micro-business growth at a national level.

The Federal Tax Service of Russia has developed and released an app for those who are self-employed and wish to pay the self-employed income tax. The app called "My Tax" allows users to check their business for tax controversy every month before the tax payment date, and provides advice based on an automatically generated tax risk score. Users who select factors 1 to 3 can then "revise the operating conditions", whereas those who pick factors 4 to 6 are instructed to "eliminate the violations". In the scenario where factors 7 to 9 are present, the app will warn the user that the tax office may show interest in their tax operations. This matrix can also be used by organizations to assess the risk of incorporating self-employed individuals into their workforce, as companies that benefit from informal employment may be held liable for not paying the full amount of taxes (the income is taxed at 13%, or 15% if it exceeds 5 million rubles) or fined under Article 123 of the Tax Code. Evidence collected via My Tax may thus help hold the tax-evading company accountable [35-38]. Moreover, due to the fact that the companies operating in the retail sector of Russia and Kazakhstan in the form of self-employment taxation mode, show the potential capacity to increase in number and therefore add up to the transparency of taxation in these countries, it is highly recommended to elaborate on the functions of such fiscal policy as a promising tool for implementation in the other regions of the CIS, including the economies with a rather low level of small entrepreneurship activity, to considerably decrease the number of small businesses operating in the informal markets, which, in its turn, is bound to cut down on the number of shadow operations and tax evasion cases in the retail trade of the CIS countries.

6. CONCLUSIONS

The present study provides insights into the Kazakhstan and Russian retail markets, their trade volume, structure, and legal base. The findings show that the share of food products in the retail trade turnover is currently increasing; this trend is especially pronounced in Kazakhstan, and the likely reason behind it is the fact that the low-income populations within the country focus on satisfying basic needs only. The macro-level conditions for comfortable living in Russia and Kazakhstan are unsatisfactory, as evidenced by the low number of places within the retail market where ordinary citizens could engage in trading activity. As it stands, the retail market is dominated by legal entities, whereas individual entrepreneurs have a small presence in the retail trade sector. The descriptive statistics on the tax system suggest that Kazakhstan and Russia have a similar tax structure. The difference is that Kazakhstan's tax policy focuses on unshadowing de facto businesses, whereas Russia's tax intervention aims to provide social protection to de facto self-employed in the informal sector. Having calculated the ratio of formal to informal socio-economic activity, it has been found that the national economies of the target countries have a retail structure and its share of informal employment is rather large, especially in Kazakhstan. The special tax regime introduced to tighten the rules for individual entrepreneurs was found to have low effectiveness in reducing the shadow trade turnover.

In this connection, alternative formalization interventions are recommended to aim at improving the financial literacy of

entrepreneurs and should be largely focused on digitalizing all sorts of economic activities done by enterprises of all types in these economies. In addition, it is necessary to provide self-employed individuals with appropriate access to independent tax risk assessment tools. It is important to control the permanent extension of the tax base so that the tax burden on the existing taxpayers does not facilitate tax evasion and does not cause “regulatory overkilling”.

The implementation of the proposed alterations in the fiscal policy of Russia and Kazakhstan together with the use of digital technologies in taxation for the actors of the retail trade market of all forms and sizes are also recommended as a promising instrument of a guaranteed increase of fiscal policy transparency and profitability, which, in the long run, will reduce tax evasion and informality amount retail trade players, hence increasing the sustainability of the market as a whole, not only in Russia and Kazakhstan but also in the other CIS countries.

6.1 Practical application and further research

The question of the practical use of the present research is connected to the fact that the leading retail sector companies of Russia and Kazakhstan, as well as the other CIS countries of different sizes, demand a new balanced fiscal policy consisting of the diversified taxation strategy, based on the eclectic approach to the retail trade companies of different types, forms, and sizes. The sustainability of the retail trade in the CIS through the example of its leading economies, those being Russia and Kazakhstan, is very important nowadays due to the fact that the modern challenges and crises strive for a more eclectic and balanced approach to regulating the taxpayer’s legal status. The data obtained and the conclusions made so far can be offered as a sort of practical guide to be used by businesses and leading experts in the field of taxation to productively simplify the tax system in a manner that fits the specifics of the national economy. Future research should assess the financial literacy and behaviour of individual entrepreneurs in post-Soviet countries, as well as the matter of diversifying the taxation instruments and schemes for small enterprises and self-employed individuals.

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NOMENCLATURE

VAT	Value-added tax
SE	Self-employment
SAP	Single Aggregate Payment