

British Privatization Tax Precedent Eyed

By [The Moscow Times](#)

February 19, 2012

The  **Moscow Times**

Russia may follow the example of a £5 billion (\$7.9 billion) one-time windfall tax imposed on privatized utilities in Britain in 1997, the head of the country's budget watchdog said.

Prime Minister Vladimir Putin said earlier this month that he may charge a one-time fee on entrepreneurs who acquired assets in "unfair" 1990s privatizations.

"We'll find those willing to pay part compensation for 'unfair' privatizations," Sergei Stepashin, a former prime minister who heads the Audit Chamber, said in an interview published Friday in the official government newspaper, Rossiiskaya Gazeta.

"There's an example for us: Tony Blair's government carried out a similar measure with a number of big companies that were privatized under Margaret Thatcher."

Within months of its landslide 1997 victory, Blair's Labor government imposed the £5 billion tax on the "excess profits" of utilities sold to investors by the previous Conservative government. The new government contended the British utilities were undervalued when

privatized and wanted the new owners to make up the difference through the tax.

Russia will consider imposing a levy equal to the difference between the market value and actual price paid in the asset sales in the 1990s, Stepashin said, adding that the process may involve legal proceedings, if necessary.

Since he came to power in 2000, Putin has repeatedly pledged not to reverse the 1990s auctions, which handed holdings in the oil, metals and other industries to so-called oligarchs, or wealthy businessmen, who built ties to the government after the fall of communism. Moscow is the city with the greatest number of billionaires at 79, compared with New York's 58, according to Forbes magazine.

"We have to draw a line under this period, so that society accepts the outcome, ending this problem of the 1990s," Putin said at a meeting in Moscow of the Russian Union of Industrialists and Entrepreneurs, a lobby group for big business. He described the privatizations that took place through auctions as "frankly speaking unfair."

Alexei Mordashov, the billionaire owner of steelmaker Severstal, said on Feb. 9 that Putin's proposal was a "sensitive" issue. "The desire and need to turn the page is understandable, while it's unclear whom to tax exactly — those who privatized, who own now, or minorities," he said.

Billionaire Mikhail Prokhorov, who's standing for president in the March election, said this month that all the businessmen who bought state assets in the 1990s should decide themselves how much they want to compensate the state.

If elected president, he vowed to donate almost all his money to charity. Prokhorov's fortune was estimated last year by Forbes at \$18 billion, making him Russia's third-richest person.

After being elected to the presidency in 2000, Putin agreed not to revisit the government's asset sales from the previous decade on condition the tycoons stay out of politics.

Mikhail Khodorkovsky, once Russia's richest man and owner of the country's biggest oil producer, was imprisoned for tax evasion and fraud, and his Yukos company was dismantled in a campaign he alleges was motivated by his political activities.

Khodorkovsky's Menatep Bank bought a 78 percent stake in Yukos for \$300 million in a so-called loans-for-shares auction that was organized by Menatep in December 1995. The energy producer's market capitalization later rose to as high as \$30 billion.

Some of the biggest Russian companies were auctioned off to the businessmen at knockdown prices after the loans-for-shares plan, which was created to prop up late President Boris Yeltsin's government. Among other transactions under the loans-for-shares program, billionaire Vladimir Potanin's Interros Holding bought a 38 percent stake in miner Norilsk Nickel.

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