

# Interior Ministry is looking for an investor

The head of Hermitage Capital Management is accused of failing to pay billions in taxes



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**As Kommersant learned yesterday, Russian law enforcement authorities charged in absentia for not paying taxes on a large scale and wanted the British citizen William Browder, head of Hermitage Capital Management, one of the largest foreign investment funds operating in the Russian market. Ivan Cherkasov, manager of the department of this foundation in Russia, is also being sought for similar charges. Lawyers for entrepreneurs have appealed both the initiation of a case and investigative actions on it, but have not yet achieved success.**

The decision to prosecute William Browder as an accused was signed by the investigator of the investigative unit of the Main Directorate of the Ministry of Internal Affairs in the Central Federal District under Part 2 of Art. 199 of the Criminal Code of the Russian Federation (tax evasion from the organization on a large scale, sanction of up to six years in prison). A similar article by the Central Investigation Department of the Moscow police department accused Ivan Cherkasov. Investigative actions, as it became known to Kommersant, were carried out in the absence of the accused, and even their official defenders, in absentia. According to the law enforcement agencies, they sent the summons to Mr. Browder in his London office and to the Moscow address of Mr. Cherkasov, but this was rather a formality. Mr Cherkasov left Russia in the summer of 2007, shortly after as a result, she conducted the first searches at Hermitage Capital and related structures, and Mr. Browder has not appeared in Russia since 2005 - then, due to a reason that was not made public until now, his Russian visa was canceled. Nevertheless, the investigation announced both of them to the federal wanted list, and in the near future is going to appeal to the courts with a request for their arrest in absentia. This is necessary for the announcement in the international search.

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According to the investigation, it was possible to establish Mr. Cherkasov's participation in tax evasion in the course of the investigation of the Kameya LLC case, which was the first to come to the attention of police officers in May 2007. According to the documents, this company was established by LLC Baikal-M and the Cyprus Offshore Company Zhoda Limited. In Russia, according to investigators, this company was engaged in buying up shares of strategic Russian issuers (Gazprom, Surgutneftegaz, Rosneft, etc.). It was forbidden to buy Gazprom shares directly by 2006 to companies in which foreigners owned more than 51%. After the liberalization of the market in 2006, the only founder of Kameya LLC was the Cyprus offshore, at the direction of which, according to the investigation, Kameya resell all of its assets to Russian issuers of another Cyprus company, Giggs Interprizes Limited. The money received for the shares of Kameya LLC paid out in the form of dividends to its founder, Zhoda Limited. From this operation, only 5% of the tax was paid to the budget of the Russian Federation, the investigation says.

According to police, Cameo LLC had to pay from 15 to 24% of taxes. Under the intergovernmental agreement on the avoidance of double taxation between Russia and Cyprus, a tax rate of 5% is actually applied. But only if the operation has the character of international cooperation, and the foreign company taking part in it does not have a permanent office in Russia. Militiamen claim that behind the sale of shares owned by LLC "Cameo", stood the Hermitage Capital fund, which has a permanent office in Moscow. According to operatives, "the actual head of Kameya LLC, Baikal-M LLC, as well as the manager with the financial right to sign for Zhoda Limited and Giggs Interpreses Limited

According to the investigation, about 20 more LLCs in Moscow, Kalmykia, Chita Oblast, Buryatia and other Russian regions acted in the same way. However, according to law enforcement agencies, the head of Hermitage Capital, William Browder, was related to their creation or acquisition. Under tax evasion schemes using Pythagoras Investments LLC, Parfeninon LLC, Makhaon LLC, Ryland LLC, and other companies, criminal cases have been initiated that are under investigation by investigators from the Central Investigation Department of the Central Department of Internal Affairs districts of the capital and the investigation department of the Main Directorate of the Ministry of Internal Affairs of the Russian Federation for the Central Federal District. According to preliminary data from the investigation,

Information about the criminal case against William Browder in Russia seems to have taken the staff of the central office of Hermitage Capital by surprise. Vadim Kleiner, director of corporate research for an investment fund, asked to send him a list of law enforcement claims and questions that Kommersant had about this, but yesterday he could not answer them. This was also due to the fact that the head of the fund, William Browder, was not available for comment: his plane landed in London when it was already late evening in Moscow. However, Mr. Kleiner said that the company has something to say about both criminal cases and investigation methods. However, when the position of Hermitage Capital was formulated yesterday was unknown.

According to Kommersant's information, lawyers brought by the foundation to defend interests in Russia appealed to the court itself about the initiation of criminal cases. In the Tverskoy District and Moscow City Courts they tried to prove that all tax claims against both Cameo LLC and Hermitage Capital are illegal. However, they referred to the acts of inspections of these companies by the tax authorities, which did not make any claims to them. When the complaints were rejected by the courts, the lawyers appealed to the Moscow City and Prosecutor General's Office, drawing the attention of the supervisory authorities to the fact that a search at Hermitage Capital, during which office equipment and documents were seized, is illegal because associated with the company "Cameo", in respect of which the investigation was originally conducted. Having received another failure, The advocates put forward a version that the persecution of Hermitage Capital's top managers may be related to politics, namely to the well-known cooling in relations between Russia and Britain. The investigation also rejects the political component in these matters.

"B" will continue to monitor developments.

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