

Risk of Big Tax Loss as Okhta Site Faces Sale

By [Nadezhda Zaitseva](#)

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The St. Petersburg budget could lose about 20 billion rubles in taxes from Gazprom Neft if the company selects a site for its office complex in another region of Russia after the controversial Okhta Center skyscraper plan was scrapped.

The subsidiary oil firm of state gas behemoth Gazprom pays about 25 billion rubles (\$836 million) every year in taxes to the city budget, said Sergei Kupriyanov, a representative of Gazprom. In 2008, the company's press service said it paid 21 billion rubles in taxes.

The company registered as a taxpayer in St. Petersburg in mid-2006. Now the city could lose a major source of revenue, fears one senior City Hall official. In early December, St. Petersburg Governor Valentina Matviyenko reversed her earlier decision permitting the construction of a 400-meter tall business center across the Neva River from Smolny Cathedral that would house the company's headquarters.

Gazprom Neft will pay taxes to the region in which its new office and business center is constructed, Kupriyanov said.

The Leningrad region administration weighed in on the fight for Gazprom Neft's tax contributions late last year, offering the company four plots of land of 30 to 40 hectares for the construction of its office and business center. The plots are located in Utkina Zavod, Kudrovo, Veryovo (in the Gatchinsky district) and in Novoye Devyatkinno.

The arrival and departure of a major tax contributor cannot take place without the involvement of the federal authorities, said Alexander Khodachek, branch director of the Higher School of Economics. Gazprom Neft re-registered in St. Petersburg not for the purpose of building the skyscraper, but to be nearer to the developing export points of raw hydrocarbon materials in Primorsk and Ust-Luga, he said.

The 2011 revenue of the Leningrad regional budget is 48 billion rubles (\$1.6 billion), while St. Petersburg has 351 billion rubles. "Easy" money — which comes from tax payments by large companies instead of from the creation of new production facilities — can be lost just as easily, and the city authorities should always be prepared for such a risk, Khodachek said.

Gazprom has put up for sale the plot of land on the bank of the Neva, across from the Smolny Cathedral, that was the site for the planned Okhta business center, Vedomosti reported Monday. A "For Sale" sign has appeared on the fence around the project site. The press service of Okhta Center confirmed that Gazprom intends to sell the plot, and that the company is now looking at different options for where to move the planned building.

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