

Tax Service Challenges Legality of Raids

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The Federal Tax Service said Tuesday that it has complained to prosecutors about the legality of last week's search at its Moscow office.

The Federal Security Service and the Investigative Committee raided a district tax inspection office and the apartment of senior Moscow tax official Olga Chernichuk as part of a multimillion-dollar embezzlement case.

Investigators believe that Chernichuk might have assisted a St. Petersburg-based company, ES-Kontraktstroi, in an attempt to embezzle 2 billion rubles (\$71 million) in state money by requesting value-added tax refunds it had no right to.

The former head of the district tax inspection office, Olga Stepanova, is also suspected of authorizing illegal VAT refunds for 4.4 billion rubles to eight other companies in 2009 and 2010.

But the Federal Tax Service said Tuesday that it had actually rejected ES-Kontraktstroi's VAT

claims earlier. It also said it reported Stepanova to law enforcement agencies last fall but no one acted until April, RIA-Novosti reported, citing a tax service spokeswoman.

Chernichuk and Stepanova remain at liberty.

Seven officials in the district tax inspection office that was searched last week have been linked to the arrest of Hermitage lawyer Sergei Magnitsky, who died from untreated health problems after being arrested on tax charges. The case against him, which supporters say was fabricated, was opened after he accused senior Interior Ministry officials of profiting from an illegal VAT refund scheme.

Meanwhile, a businessman linked to the ES-Kontraktstroi case has denied wrongdoing.

Kommersant reported last week that businessman Alexander Udodov was suspected of co-organizing the VAT fraud scheme with Chernichuk. But Udodov told RIA-Novosti on Tuesday that he was not aware of any case against him. He said he has filed a request with law enforcement agencies to find out whether he was implicated in a criminal case but received no reply. He also said he was out of Moscow on a business trip but planned to return.

This is the second public conflict between law enforcement agencies since the start of the year. The first saw the Investigative Committee target the Prosecutor General's Office, accusing its officials of providing protection to an illegal gambling ring in the Moscow region.

The Investigative Committee was subordinate to the Prosecutor General's Office for years, but the Kremlin separated the two in January.

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