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New Video of Tax Official's $40M Fortune

By Alexandra Odynova

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The Stepanov couple pictured with their purported $20 million home in a video made by Magnitsky's supporters.

Real estate in Dubai and Montenegro. Regular first-class travel. Millions of dollars in Swiss bank accounts. Russia's second-best country house.

And all made possible with an annual household salary of less than $40,000.

Those are the findings of a private investigation into the assets of Olga Stepanova — the former Moscow tax official who authorized a $230 million payment that no one disputes was embezzled.

The investigation is the latest conducted by supporters of Hermitage lawyer Sergei Magnitsky, who died in jail after accusing senior Interior Ministry officials of masterminding the $230 million fraud.

The Interior Ministry, in turn, accuses Magnitsky and Hermitage in the fraud.

Magnitsky's supporters released a video documentary of their findings over the weekend and plan to lodge a complaint about Stepanova and her associates at two tax offices with investigators and prosecutors Monday.

"We've been shouting about those tax offices for years, but nothing was investigated," said Magnitsky's former boss, Jamison Firestone of the Firestone Duncan law firm.

Moreover, Hermitage Capital head Bill Browder has filed a money-laundering complaint with Switzerland's federal attorney-general and Credit Suisse, Barron's financial magazine reported Saturday.

Stepanova's husband has two secret bank accounts at a branch of Credit Suisse in Zurich that received $11 million shortly after his wife signed off on the fraudulent $230 million value-added tax refund, according to the video and documents provided to The Moscow Times by Firestone.

Swiss law requires Credit Suisse to freeze the two accounts while authorities investigate Browder's complaint.

Browder said he learned about the Swiss accounts from a Russian businessman who said he paid Stepanova and other officials for participating in the fraud, Barron's reported. Browder refused to identify the businessman but said he was disillusioned over Magnitsky's death in November 2009.

The new video, titled "Russian Untouchables. Episode 3. Olga Stepanova," claims that Stepanova, former head of Moscow's No. 28 district tax office, and her family have undeclared assets worth $38.9 million.

It also says Stepanova's former tax office and the No. 25 tax office specialized in illegal tax refunds and handed out a total of 11.2 billion rubles ($400 million) from 2006 to 2009 to businesses that had no right to the money.

Meanwhile, Stepanova and her husband, Vladlen, an employee of a minor construction firm, purchased a villa in Montenegro worth $471,000, a seaside house on Dubai's artificial Palm Islands for another $3 million, and two Dubai apartments worth $4 million, the video said. The money was purportedly paid through Vladlen Stepanov's accounts at Credit Suisse.

The couple traveled to Dubai at least nine times, the video said.

The crown jewel of the family estate is alleged to be a compound in the Moscow region's Arkhangelskoye village by the luxury Rublyovskoye Shosse, worth an estimated $20 million. Designed by prominent architect Alexei Kozyr, the house, complete with a wine cellar, gym, billiards room, sauna and home cinema, is not registered with the authorities — it doesn't exist on paper. But that did not prevent the estate from ending as runner-up for the title of Russia's best country house in a 2007 contest, the video said.

The couple's lifestyle raises questions when compared with their official earnings, which stood at a modest average of $38,300 per year between 2007 and 2009, according to income

declarations obtained by Magnitsky's supporters.

Stepanova's former deputies Yelena Anisimova and Olga Tsaryova are less well off but still own Dubai apartments worth $800,000 and $500,000, respectively, according to the video, parts of which are narrated by Firestone.

Stepanova could not be reached for comment Thursday and Friday.

The New Case

Stepanova is currently under investigation in a separate case that implicates her and her former deputies in the authorization of 4.4 billion rubles in illegal VAT refunds to eight companies in 2009 and 2010.

Investigators are also examining the actions of senior Moscow tax official Olga Chernichuk, who is suspected of assisting in the embezzlement of more than 2 billion rubles in state money.

Investigators say there is no link between this case and Magnitsky, but the similarities between the cases seem to suggest a pattern of wrongdoing by certain tax officials.

Much about the case remains unclear. The Federal Tax Service said last week that it reported Stepanova to law enforcement officials in the fall but no action was taken until April. But Moskovsky Komsomolets painted Stepanova and her deputies as anti-corruption crusaders, saying earlier this month that they resigned in January in protest of their boss Chernichuk's actions.

The Federal Security Service and the Investigative Committee raided the No. 28 tax office and Chernichuk's Moscow apartment last week. No suspects have been detained.

A Federal Tax Service spokesman declined to comment on the new video by Magnitsky's supporters, saying, "Stepanova is no longer our employee."

In the Beginning

Hermitage and Magnitsky's beef with the No. 28 tax office stems back to 2007, when Stepanova authorized the $230 million refund. The request took a single day to proceed, apparently sailing through all checks even though the funds were wired directly to Universal Savings Bank, a small bank controlled by Dmitry Klyuyev, a businessman with a criminal record.

Hermitage says the refund money was obtained by two of its subsidiaries that it lost control over after a police raid in 2007. The subsidiaries ended up with Klyuyev's group, it says.

"We assume the criminals then split the money: 40 percent to tax officers and 60 percent to Klyuyev," Firestone said.

The corporate identity theft case remains unsolved. Hermitage and Magnitsky tried to report the case, but officials accused them of embezzling the $230 million.

Magnitsky was detained in 2008 and placed in pretrial detention. As his health steadily deteriorated, Interior Ministry investigators and prison officials ignored requests to release him on bail or provide him with medical care. He died of health problems after 11 months in detention.

Although President Dmitry Medvedev ordered an investigation, no one has been charged in connection with his death. In November, the Interior Ministry reiterated its accusations that Magnitsky had tried to embezzle the money, not report its disappearance.

Two people have been jailed in connection with the $230 million fraud — petty criminals who became directors of the Hermitage subsidiaries after they were were reported hijacked by Hermitage —and a spokeswoman for the ministry's Investigative Committee, Irina Dudukina, said the two have named Magnitsky as the mastermind.

Firestone said the two were associates of Klyuyev and the Ministry is blaming Magnitsky to protect Klyuyev and the tax officials.

Hermitage has described the two as a convicted killer and a sawmill worker and said they were likely only frontpeople for the scam.

The video targeting tax official Stepanova is in response to these accusations, Firestone said.

Earlier, the pro-Magnitsky web site Russian-Untouchables.com released two other video documentaries that focused on the police officers behind Magnitsky's arrest. The officers, Artyom Kuznetsov and Pavel Karpov, received promotions after Magnitsky's death and are also accused of owning murky assets worth several million dollars.

But their purported assets pale in comparison with Stepanova's alleged off-the-book earnings.

Whether the new video exposé will result in an investigation is unclear, particularly since investigators have failed to recover even the $230 million that disappeared in 2007.

The truck that carried all documents related to Universal Savings Bank, which received the money, crashed and blew up in downtown Moscow in 2008, the Interior Ministry's Dudukina told Barron's. She did not say what caused the blast.

The bank itself was liquidated in 2009, according to the SPARK business database.

Klyuyev, who was handed a suspended sentence for attempted theft of shares in 2004, could not be reached for comment. Calls to the Interior Ministry's Investigative Committee went unanswered Friday.

Firestone said he and his allies would file complaints along with documents about the Stepanovs' bank transfers, property ownership and other deals with the Investigative Committee and Prosecutor General's Office on Monday, and copies would go online Tuesday.

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