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City Hall Wants Part of Sberbank SPO Proceeds

By Irina Filatova

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Investors and reporters seen reflected in the glass at VTB's annual conference in Moscow. **Vladimir Filonov**

City Hall hopes that part of the tax levied on the Central Bank's $5.2 billion income from selling a 7.6 percent stake in Sberbank will go to replenish the city budget, Deputy Moscow Mayor Andrei Sharonov said Wednesday.

"We are waiting for an official decision on that issue, which is not in our competency," he told a panel session at VTB Capital's investment conference. Before the decision is made, the Finance Ministry and the Central Bank must determine "the nature of that payment," Sharonov added.

Deputy Prime Minister Arkady Dvorkovich, who participated in the session, said that legislative amendments might have to be made to channel the funds to City Hall.

"We'll be looking for a decision that will satisfy both the federal government and the Moscow government," Dvorkovich said.

The announcement, however, is at odds with recent remarks by Prime Minister Dmitry Medvedev, who said at a meeting with his deputies Monday that he approved the Finance Ministry's proposal to transfer all the proceeds from Sberbank's offering to the federal budget.

Under current law, the Central Bank's core profit is transferred to the federal budget without being taxed, while its non-core profit is subject to a 20 percent corporate tax. Of that amount, 18 percentage points are channeled to regional budgets, while 2 percentage points are transferred to the federal government.

The Central Bank might have paid a corporate tax on the revenues it raised from Sberbank's secondary public offering last month, because selling the shares is not the regulator's core business, Interfax reported late last month, citing an unidentified official at the Central Bank. Of that amount, about $940 million would go to the Moscow budget, according to Interfax.

City Hall expects to balance this year's budget by reducing costs and doesn't plan any borrowings until the end of this year, said Sharonov, who oversees economic policy.

The participants of the panel session also touched upon the issue of improving the quality of life in Moscow.

Vladimir Mau, rector of the Russian Presidential Academy of National Economy and Public Administration, said that Moscow's role has been reduced to being a "transition point from Siberia to London" over the last few years.

Sharonov acknowledged that problems exist, saying that Moscow lags behind other big cities in terms of the quality of life. He expressed concern about this "mid-term risk," saying that a low quality of life directly affects people's decisions on whether to live in Moscow or move to a different city.

An encouraging factor, however, is that Moscow remains one of the world's 15 most attractive cities for investors, Sharonov said, adding jokingly that Moscow is in fact no longer a transition point, "because there are direct flights from Siberia to London."

The dispute was ended by Dvorkovich, who said that the city is rather a "transition point between London and Siberia," because investors come to Moscow first before moving to other regions.

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