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Audit Chamber Says Evraz Unit Owes $600M of Tax for Undermining

By Irina Filatova

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A coal mining subsidiary of steel giant Evraz owes the federal budget over 20 billion rubles ($600 million) in taxes, an investigation by the Audit Chamber has revealed, a report said Wednesday.

Miner Yuzhkuzbassugol — the country's biggest producer of coking coal — failed to pay 17.7 billion rubles of income tax and 2.4 billion rubles of subsoil tax between 2007 and 2012 after it produced less coal than had been stipulated by its mining license, Kommersant reported, citing sources familiar with the results of the investigation.

From 2007 to 2012, the company mined just 34.5 million metric tons of coal, far below the 88 million metric tons outlined in the initial license, the terms of which were later amended downwards.

Spokespeople for both Evraz and the Audit Chamber confirmed to The Moscow Times that

there had been an investigation into Yuzhkuzbassugol, but they were tightlipped about the details.

Evraz did not agree with the outcome of the investigation and informed inspectors of its objections, the company said in e-mailed comments, without elaborating.

Yuzhkuzbassugol was investigated as part of a large-scale check of the efficiency of subsoil use between 2007 and 2012 for the federal budget, a spokeswoman for the Audit Chamber said. The investigation is still underway and involves other companies, she said, without specifying which.

Mechel and Magnitogorsk Iron & Steel Works, as well as a source close to Severstal, told Kommersant that there had been no investigations into their mining units this year.

The results of the check will be made public only after a meeting of the Audit Chamber's board scheduled for November, the spokeswoman said.

The claims of the Audit Chamber are baseless, as they contradict the existing legislation, said Yevgeny Timofeyev, head of Tax practice at Goltsblat BLP.

According to the tax code, the subsoil tax can be levied only on minerals that have actually been extracted, he said. The intended production volume cannot be the basis for taxation, he said.

Yuzhkuzbassugol is 100 percent owned by Evraz. Last year, the company mined almost 8.5 million metric tons of coking coal, according to Evraz's website.

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