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Shell Companies Hit All-Time Low in Russia

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Zamir Usmanov / TASS

Enhanced monitoring and tighter incorporation rules have helped Russia reach an all-time low in its share of registered shell companies.

Shell companies often exist only on paper and hide their true owner to facilitate the transfer of money. They can easily be used to hide illicit funds, and are often suspected of facilitating money laundering and tax evasion.

Data from Russia's Federal Tax Service estimates that suspected shell companies make up 7.3 percent of all incorporated entities in Russia, reported the RBC business portal on Tuesday.

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That number has dwindled over the years, from 1.8 million suspected shell companies in 2011

to 1.6 million in 2016 and down to 1.2 million in 2017. As of June 1, 2018, the number of suspected shell companies was 309,500, RBC said, using data from the Federal Tax Service.

Legal amendments give the tax service expanded powers to question entities that they fear may be fictitious, and mete out harsher punishments, Artyom Kiryanov, head of the Russian Taxpayers Union's executive committee told RBC.

"The tax authorities previously had no right to deny registration," an unnamed Federal Tax Service official told RBC.

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However, others say shell companies are simply no longer as relevant. Their "time has passed," Ilya Munerman, head of the Interfax Group's research division, Interfax LAB, told RBC.

Instead, criminal networks prefer to use "outwardly decent" companies that are nearly bankrupt.

"Scammers are now looking for legal entities with a history... and aren't deceiving the state as much as [they are deceiving] banks and other entrepreneurs," said Munerman.

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