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Russia Demands Metals Giants Pay Windfall Tax

Surging prices have helped metals companies “trick” the state out of $1.4 billion, a key government figure said Monday, demanding they pay up the difference.

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Russia's metals firms have cashed in on surging global prices. **Sergei Bobylev / TASS**

Soaring profits for Russia’s metals companies have cost the government 100 billion rubles ($1.4 billion) in lost taxes, according to a key government minister.

In an interview with business site RBC, Russia’s First Deputy Prime Minister Andrei Belousov slammed the country’s leading metals firms and said the government would push forward with a windfall tax to get its hands on a piece of the industry’s booming revenues.

“Through the coronavirus, metallurgists’ income increased significantly against the background of what was happening. That’s not all bad. It’s even good that they pay dividends. But the bad news is that they all raised prices on the domestic market in line with the rise in

world prices," said Belousov, an influential government figure who was previously an economic adviser to President Vladimir Putin.

"We calculated that they tricked us — the state, the budget — out of 100 billion rubles ($1.4 billion) of state investments. This money, I believe, should be returned to us in the form of tax."

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Shares in Russia's top metals firms sank in trading Monday morning after the comments were published. Steel-maker Severstal dropped 6% at the start of the session in Moscow before recovering slightly. Nornickel shares fell 2.4% while MMK was down 0.6%.

Metals prices have soared over the last six months as production in key economies such as China, the U.S. and Europe comes back after the coronavirus pandemic. That helped Russia's commodity giants post some of their highest-ever profits.

Russia's corporates have also started 2021 strongly, posting their best performance in more than five years, even as the wider economy has only just started to return to growth.

Belousov's comments come at a time of heightened political pressure on Russia's businesses. Earlier in May, Prime Minister Mikhail Mishustin slammed the "greed" of food manufactures and supermarkets, saying they were profiteering off a global rise in food prices by hiking retail prices for key food products.

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Russia's competition authority — the Federal Anti-Monopoly Service (FAS) — has also launched an investigation into the country's leading steel manufacturers for "maintaining monopolistically high prices." FAS said the companies had hiked prices on the domestic market faster than the increase in global commodity prices at a time of subdued local demand.

Kremlin spokesperson Dmitry Peskov appeared Monday to back the idea of a windfall tax on the metals giants. In a daily press briefing he told reporters metals prices have been "very high."

"This is economic life," he said. "Businesses make money, businesses pay taxes."

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