

Seizing assets as a punishment for “splitting up” dividends

FAO top managers of companies, directors of financial, tax and legal divisions, chief accountants and chief financial officers

Pepeliaev Group advises that the Russian General Prosecutor’s office has filed a lawsuit to seize assets of a group of companies for a failure to comply with counter-sanctions measures.

The prosecuting authorities are active in initiating lawsuits to seize assets of different companies. As a rule, the grounds for such claims are violations committed during privatisation, violations of [antitrust](#) legislation and of legislation concerning foreign investments, as well as accusations of involvement in extremist activities.

Now, a failure to comply with counter-sanctions measures has been added to this list¹.

“Splitting up” again

If the same business is organised as several legal entities, which civil legislation permits, the state authorities may treat this as the “splitting up” of the business with a view to avoiding taxes. Depending on the stage of the “dialogue” with the state authorities, they either recover taxes from the business or impose criminal liability for evading tax and/or legalising the tax savings.

Recently, prosecuting authorities began answering the question of what will happen if dividends are divided into permitted² tranches of RUB 10 million.

The General Prosecutor's office has accused the owners of Glavprodukt³ group of having syphoned abroad in 2022-2024 nearly RUB 1.38 billion under the disguise of paying dividends. The claim states that the payments were

¹ Special economic measures and retaliatory measures (counteractions) imposed by Russian legislation and aimed at hostile actions of foreign states.

² Clause 2 of the Russian President’s Decree No. 95 dated 5 March 2022.

³ The lawsuit has been filed against all companies of the holding structure and applies both to the Glavprodukt Group and to Selkhozproekt, Verkhovsky milk canning factory and plant, Orelprodukt, Promstroj, Baltic canning factory and so on.

artificially divided into amounts of less than RUB 10 million to dodge statutory restrictions⁴.

All moveable and immovable property, membership interests and shares controlled by the beneficial owners of the Group have been seized.

What to think about and what to do

Such approach of the state authorities (represented by the Russian General Prosecutor's office) to restrictions on the payment of dividends sends an alarming signal to all companies that pay dividends abroad.

Help from your adviser

Pepeliaev Group's lawyers have broad experience both in advising clients concerning all matters connected with the payment of dividends (including counter-sanctions, tax, customs, corporate, currency and criminal law matters) and in defending businesses against claims. We are ready to provide our recommendations for choosing the most suitable solutions.

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⁴ According to the file of state commercial cases and public sources.