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## **IRS Signs Agreement on Offshore Accounts**

The IRS has recently signed a landmark information-sharing treaty with 15 foreign governments allowing it access to information on the dealings Americans have in these countries. These dealings involve working and earning a paycheck and operating a bank account in those foreign countries. The treaty is known as the Convention on Mutual Administrative Assistance on Tax Matters and is designed to combat cross border tax fraud, money laundering and other financial issues.

Under this treaty, if an American citizen should move to France, for example, the government would be able to network with the French authorities to determine if the person has started a bank account, been working and earning a regular salary or a French equivalent of a Form 1099.

However, the country most known for its bank secrecy laws, Switzerland was not a party to the treaty. The Swiss government and some of its banks, in particular UBS bank of Switzerland has run into some much-publicized trouble with the IRS since last year. UBS was sued for assisting wealthy Americans hide their income in UBS bank accounts in efforts to dodge taxes. The bank paid a \$780 million fine in February last year in lieu of criminal prosecution for its role.

In subsequent developments, UBS also agreed to disclose the personal information of 4,450 of its American account holders who are suspected of tax evasion. This disclosure is to be made by August this year but its progress was impeded by the Swiss parliament who rejected the move in June, stating that it violated Swiss banking laws. All the IRS got out of the deal was 250 names.

Without the treaty, there is no way for the IRS to obtain information on an offshore account unless the taxpayer volunteers the information. What's more, not all offshore accounts are set up with fraudulent intent. Some people inherited their accounts from a relative overseas while others conduct offshore businesses and prefer to operate an overseas account in the country they do business in. Yet others use their offshore accounts for personal expenses and buying second homes in these overseas countries while there for business or pleasure.

However, regardless of the purpose of the offshore accounts, the law pertaining to them is clear. It is the responsibility of the US taxpayer to declare these accounts and report all income exceeding \$10,000 derived from them. Thus, regardless of how the situation with the Swiss will pan out, all US taxpayers holding offshore accounts should comply with the law and make voluntary declarations on assets in these accounts. It's best to obtain professional advice in doing so.

If you want clear instruction in declaring your offshore assets for tax purposes, call us for a free consultation at (813) 200 4133.

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