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Swiss Banks still allegedly Assisting Tax Cheats

Two years ago, the IRS and the US government engaged in a prolonged tussle with UBS bank of Switzerland over suspected wealthy US taxpayers hiding their assets in UBS bank accounts so as to avoid paying taxes. In the end, the US fined UBS \$780 million and compelled it to disclose information on 4,450 American UBS clients on suspicion of tax evasion.

This year, a similar possible situation may unfold with another Swiss bank, Credit Suisse that has disclosed it is under investigation by the US Justice Department on the same grounds as UBS two years ago. So it appears that despite the recent developments and the IRS' best efforts to fight tax evasion, the practice might still be prevalent.

This claim might be more fact than fiction with the most recent development of 2 separate indictments. The first one, revealed earlier this month by the US attorney in Manhattan, was that when UBS was going through its tussle with the IRS two years ago, one of its bankers left the bank and brought several American UBS clients with him. He later allegedly assisted them in opening secret accounts in 5 other Swiss banks.

The second indictment pertained to a Swiss financial advisor who managed secret funds for his US clients. This Swiss advisor allegedly managed secret funds for these clients and moved their accounts from UBS to 2 private Swiss banks.

In these indictments, both the banker and financial advisor were charged with using illegal methods in hiding taxable money like opening bogus businesses in Hong Kong

and shell foundations in Liechtenstein in efforts to hide taxable money from the IRS. Although the Swiss banks concerned were given false information in the documents that the account holders were not Americans, nevertheless if sufficient due diligence had been done, the banks could have detected the fraud because the relevant information was at their disposal. The Swiss banks were not named in the indictments.

These cases just go to show how deeply Swiss banks rely on tax evasion. Presently, the US government and the Swiss government are reportedly hammering out a global agreement that could bring about a heavy collective fine against these banks. But Switzerland is again reluctant to divulge more information about American banking clients. How this latest episode of the cat and mouse game between the IRS and tax cheats turns out remains to be seen.