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Tax Cheats with Foreign Accounts Get Caught

If you are hiding your money in foreign bank accounts in hopes of evading taxes, you had better fess up and consider the plight of these two convicted tax dodgers who got caught.

Michael F. Schiavo, managing director of SCG Consulting Group in Boston, Mass. was charged by the IRS for not reporting an offshore bank account in his name at HSBC Holdings PLC (HSBA). Schiavo failed to file the compulsory Report on Foreign Banks and Financial Accounts form (FBAR) for his account at HSBC Bermuda.

He agreed to plead guilty at a federal court in Boston. Schiavo's company, SCG Consulting Group has clients in the venture capital and private equity industries. At the same time, Schiavo also sits on the board of directors of Boston-based commercial bank, Boston Private Bank & Trust Co.

In a separate incident, Lucille Jackson of Hillsdale was charged and convicted of filing a false federal tax return that did not include income from a foreign bank account in which she had \$750,000 with UBS AG of Switzerland. The bank account was set up and funded by her father, Harry Abrahamsen in her name with the purpose of avoiding taxes.

Last November, Jackson pleaded guilty and admitted that her 2005 tax return did not show the interests, dividends and capital gains from her Swiss bank account. The amount of Jackson's tax liability was about \$12,000 but she ended up paying more than \$400,000 in taxes, penalties and interests including a penalty of \$379,688 for failing to file the FBAR.

Jackson's father, Abrahamsen also pleaded guilty in April to concealing almost \$800,000 in foreign accounts in 2005. He admitted that in 1992 and 2000, he opened foreign bank accounts in UBS, depositing more than \$1 million which he drew from his printing business, SJT Imaging Inc., using false and inflated expenses.

In 2009, the IRS and Treasury Department joined forces to combat tax evasion through offshore banks. As a result, several major foreign banks have come under scrutiny and to-date, some have been fined for assisting wealthy American taxpayers avoid taxes.

In February 2009, UBS Bank of Switzerland, in a high profile case, agreed to pay \$780 million to the IRS to avoid criminal prosecution. The bank was also charged with setting up several sham companies in tax havens like the Bahamas, Hong Kong and Panama as part of the plan in helping its US clients dodge taxes on their deposits.

In February this year, 4 Credit Suisse bankers were indicted on a charge of abetting US depositors evade taxes through secret bank accounts. Credit Suisse said it is cooperating with the US investigations into the 4 bankers.

In April, HSBC received a summons from the IRS seeking information on its American clients holding accounts in HSBC India between 2002 and 2010.

As at September 2010, about 9,000 Americans held non-resident accounts of \$100,000 or more in HSBC India but only 1,391 disclosed their accounts to the IRS. HSBC said it is cooperating with the IRS to track down tax cheats.