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## IRS Petitions for HSBC to reveal Tax Cheats

The IRS has petitioned for a federal court authorization to enable it to obtain information on HSBC Bank's American account holders using their foreign accounts to evade taxes. Most of these account holders are believed to be wealthy Americans of Indian descent who hold HSBC bank accounts in India worth in excess of \$100,000.

The IRS says there are 9,000 high net worth Indian US residents who maintain at least \$100,000 in their bank accounts in HSBC India but only 1,921 of them have disclosed details of their accounts. In a statement to a San Francisco court, senior IRS official Daniel Reeves said, "This indicates that thousands of US taxpayers of Indian origin who maintain more than \$100,000 in accounts with HSBC, may have failed to disclose their HSBC India accounts to the United States Government." He went on to say, "It is also likely that those taxpayers may have failed to report income earned on those undisclosed accounts.

"American law requires such account holders to annually declare any offshore account that contains at least \$10,000 in a special filing. In a recent development, Indian American Vaibhav Dahake of New Jersey, was charged with conspiracy to defraud the US by using undeclared accounts

in the British Virgin Islands and at HSBC India to evade paying his income taxes. This brought about an increase in investigations into other American-owned HSBC accounts in India. According to papers filed in the US government petition, employees of HSBC India and its affiliates in the US have assured Dahake that all bank accounts maintained in India would not have to be declared to the IRS.

Other non-resident Indian clients of HSBC have told IRS investigators that they were given the same assurance of being able to invest in HSBC accounts in India without paying US income tax on interest earned and that HSBC India would not report these details to the IRS.

HSBC has 470 branches in the US under HSBC Bank USA. In addition, the bank used to have two HSBC India representative offices in New York and Fremont, California to tap into the burgeoning non-resident Indian market. Both offices were closed down in June last year.

But despite the closure of these offices, it is still possible for the non-resident Indian account holders to access their HSBC India accounts from the US.

The government has filed a petition with the court to allow the IRS to serve a John Doe summons on HSBC that authorizes the IRS to obtain information on possible tax fraud by people of unknown identities. The petition, once approved by the court, would direct HSBC USA to produce records identifying US taxpayers with accounts at HSBC India, many of whom are believed by the government to have hidden their accounts from the IRS.