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UBS Case End of Round 3

November 17, 2010

Round One: With the joint announcement of the [IRS](#) and the SFTA on November 15, 2010 <http://www.irs.gov/newsroom/article/0,,id=231520,00.html> and <http://www.irs.gov/newsroom/article/0,,id=231520,00.html> the cases that almost brought down UBS AG and broke Swiss bank secrecy laws is nearing an end.

The case was initially filed as a criminal case resulting in UBS AG paying \$780 M USD in penalties, turning over information on 400 account holders and the Justice Dept agreeing to a deferred prosecution agreement.

Round Two: The second phase was a civil John Doe Summons enforcement proceeding where the [IRS](#) asked for information on 50,000 account holders. A compromise was fashioned following an amendment to the U.S. – Swiss Tax Information Exchange Agreement, where information on 4,500 accounts was to be provided. The joint announcements today show that account data on 4,000 accounts has been provided and that there are 500 +/- in appeals status.

The 4,500 account holders are among those U.S. persons who did not take advantage of the Offshore Voluntary Disclosure Initiative offered by the [IRS](#) up to October 15, 2009. The traditional voluntary disclosure program is still open to those taxpayers who are eligible and wish to come clean.

Round 3: The point of this article is that the announcements are not the end of the process of the US to break bank secrecy laws and attack money launderers, terrorists and tax evaders, in fact it is just the beginning.

With the HIRE Act adding IRC §1471-1474 (Foreign Account Tax Compliance Act) the US has through an amendment of the Internal Revenue Code unilaterally changed Tax Information Exchange Agreements (treaties) forever. Onerous penalties will be applied directly against offending foreign banks who do not cooperate in providing information to the [IRS](#) about US account holders. Will US account holder be welcome at some banks? Time will tell, but added due diligence costs and may have a deterrent effect. There certainly are traps for the unwary taxpayer or those who are unwilling to come clean.

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