



June 24, 2010

## [Swiss To Help IRS Nab Tax Dodgers](#)

After a much-publicized initial rejection by the Swiss lower house of parliament of an IRS-UBS deal in which the Swiss bank agreed to forward details of 4,450 of its American depositors suspected of tax evasion, the lawmakers have now made an about turn and voted in favor of the deal. By doing so, the parliament has also agreed not to seek a national referendum on the issue, something that was a distinct possibility during the initial rejection.

By allowing to the deal to go ahead, the Swiss government has effectively softened their stand on sticking strongly to the well-known Swiss secrecy banking laws. These laws are not only well-known but have been a cornerstone of the Swiss economy as a major incentive for many wealthy industrial and retail investors to pour their money into the Swiss banks.

Last year, Switzerland's largest bank, UBS was found to have helped wealthy Americans place deposits of up to \$20 billion with them in order to hide their money from the IRS. As a result, the bank paid a fine of \$780 million to avoid criminal prosecution. But the American government pressed for legal action against the bank demanding the release of details of some 52,000 of its American depositors suspected of tax evasion. But UBS turned down the demands, justifying their action by saying they were bound by Swiss secrecy laws.

The Swiss government had to step in to negotiate a solution to the impasse. Both countries' governments came to the agreement for UBS to release details of 4,450 of its account holders the IRS feels have been dodging taxes using their offshore accounts. This agreement meant the Swiss would not hold such a strong interpretation on their banking laws.

But as it turned out, a Swiss court ruled that the agreement violated Swiss laws. The Swiss government was forced to get the lawmakers in parliament to step in to pass a law to ratify the deal. Under the agreement, the Swiss tax authority must decide by August whether the US government is entitled to be given information about the 4,450 American accounts holders. These account holders will be told beforehand that they are chosen and will then be able to appeal those decisions in Switzerland.

After an initial opposition, the Swiss lower house subsequently passed the bill. But the legislation does include a clause that makes it contingent upon a public referendum. Should a public vote be called, it would mean the Swiss will not be able to hand over the details of the 4,450 depositors by the August deadline.

The IRS are in the meantime playing a wait and see game but have said that they are ready to pursue all options including legal action should the Swiss miss the deadline.