

The U.S. Announces Penalty Rates for Swiss Banks Involved in Tax Probe

by Joseph M. Donegan on September 16, 2013

The Department of Justice unveiled a new program designed to both encourage Swiss banks to cooperate with U.S. investigations into tax evasion and outline potential penalties these financial institutions may face for hindering these tax law cases.

U.S. authorities announced that Swiss banks seeking to avoid prosecution for facilitating tax evasion through the use of secret accounts held by Americans may still face penalties of up to 50 percent of the asset value. According to the agreement, participating banks must agree to a 20 percent penalty of the value of undisclosed U.S. accounts held by the bank on August 1, 2008. The penalty will increase to 30 percent for secret accounts opened after that date but before the end of February 2009. Any secret accounts opened after February 2009 will incur the maximum 50 percent fee.

Although the deal will not apply to those 14 Swiss institutions already under investigation, authorities will allow other institutions to avoid criminal probes if they agree to pay the penalties and disclose information on U.S. clients.

In addition to providing information on an account-by-account basis, participating banks will be required to cooperate in treaty requests for account information and close bank accounts of those American clients who fail to comply with U.S. tax laws.

"This program will significantly enhance the Justice Department's ongoing efforts to aggressively pursue those who attempt to evade the law by hiding their assets outside of the United States," said Attorney General Eric Holder. "In addition to strengthening our partnership with the Swiss government, the program's requirement that Swiss banks provide detailed account information will improve our ability to bring tax dollars back to the U.S. treasury from across the globe."

In light of hefty penalties and financial ramifications, the Justice Department and Swiss Federal Department of Finance released a joint statement urging Switzerland to encourage banks to participate.