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IRS Investigates Credit Suisse Bank

In another case of suspected tax evasion using offshore bank accounts, the IRS has launched an investigation into another Swiss bank, Credit Suisse, much like it did with UBS Bank of Switzerland about two years ago. The question is what will happen to American taxpayers who have not disclosed their offshore accounts. History is likely to repeat itself and Credit Suisse will have to hand over the names of their clients suspected of tax evasion to the IRS.

In light of these developments, it is advisable for all US taxpayers with undisclosed offshore bank accounts (whether in Credit Suisse or not), to participate in the IRS' Offshore Voluntary Disclosure Initiative (OVDI) and to do it in the next few weeks before the program ends.

This is not the first time an OVDI is offered. The last one that was organized by the IRS was held two years ago and ended in October 2009 saw more than 15,000 taxpayers step forward to declare their offshore assets. The OVDI offers a limited punishment for non-declaration of taxable income in the form of penalties, interests and fines but without criminal prosecution.

Over the next few weeks it is highly likely that foreign banks like Credit Suisse disclose clients' names suspected of dodging taxes which can result in substantial civil and possibly criminal investigations into these taxpayers' affairs. The deadline to participate in the 2011 IRS OVDI is August 31 so I urge all taxpayers with undisclosed offshore bank accounts to get in touch with a tax litigation attorney immediately in order to assess their exposure.

In a separate development, Martin Lack, a former UBS AG banker and now a Swiss resident and investment consultant, was indicted on a charge of conspiring to help wealthy Americans evade taxes by hiding accounts in a smaller Swiss regional bank. According to the indictment, the strategy was to avoid paying taxes through accounts at UBS and an unnamed cantonal bank. A source familiar with the strategy disclosed the cantonal bank as Basler Kantonalbank.

Lack assisted 9 US taxpayers to withdraw money from their undeclared offshore accounts and discouraged them from participating in the IRS OVDI. He conspired with Renzo Gadola, a UBS banker from 1995 until 2008. Gadola pleaded guilty last December 22 in federal court in Miami, admitting that he encouraged American clients to move their undeclared UBS accounts to Basler Kantonalbank. Officials of Basler Kantonalbank say the bank is cooperating with the IRS.