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CAUTION: Tax Basics of Offshore Account Holding

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Recently the Swiss Parliament in a monumental move repealed the long tradition of bank secrecy and eased the way for the Swiss government to hand over to the IRS the names of about 4,500 account holders in UBS AG bank suspected of evading taxes. This raises several important question including: who are these 4,500 people? What does this mean to other account holders? Who are more likely to be pursued? How should taxpayers come clean? And, What procedures to be followed?

1. WHO ARE THESE 4,500 PEOPLE?

These are account holders at UBS only. This appears to be only a minority of US account holders. In fact, a 2004 document, if still to be relied upon, provides that there are about 52,000 account relationships. This is important to note some of these accounts are owned by more than one person or sometimes one person one. person has more than one account. So, this figure does not reflect reality.

2. WHAT DOES THIS MEAN TO OTHER ACCOUNT HOLDERS?

Although this ruling only affects UBS account holders. It has serious repercussions for tax evasion enforcement. In fact, until now, the IRS had to produce the names of the individuals and their misdeeds before the Swiss authorities would divulge their bank information.

Now, under the new laws enacted by the Swiss Parliament, the IRS would just have to provide names of suspected tax evaders without showing of any misdeeds.

3. WHO ARE MORE LIKELY TO BE PURSUED?

The following list provides a relatively important group holders most likely to be pursued:

- **1 Million Francs:** People with direct ownership of an account with 1 million Swiss francs OR more between 2001 and 2008.
- **250,000 Francs:** People with direct OR indirect ownership an account with 250,000 Swiss francs between 2001 ans 2008. This would be the case especially if there was an effort to conceal using telephone or credit cards.
- **100,000 Francs:** People with direct OR indirect ownership of an account generating 100,000 Swiss francs in interests, dividends or capital gains in any years starting from 1998 to 2008.

4. WHAT PROCEDURES, MORE SPECIFICALLY, SHOULD BE FOLLOWED?

Offshore account holders should GENERALLY fill out the FORM TD F 90-22 1, if their offshore accounts hold more than $10,000 in any time during any given year. This requirement applies to taxpayers with a financial interest, often ownership or control, in a foreign bank or brokerage account.

5. WHO WOULD BE REQUIRED?

This requirement COULD apply to:

- A student studying abroad and parents if all are holding a foreign bank account.
- Offshore annuities.
- Insurance policies.
- Offshore mutual funds. And,
- Other trusts.

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