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HSBC Under IRS Scrutiny

In its ongoing efforts to weed out tax evaders who hide their money in offshore bank accounts, the IRS is taking steps to track down US taxpayers who may be keeping their money in HSBC India.

On April 7, the government sought an order from the federal court to authorize the IRS to compel HSBC to divulge details of US residents who may be using accounts at HSBC India to evade federal income taxes. This order is known as a John Doe summons that the IRS can serve on the bank, which is named such because it seeks information on tax infringements by people whose identities are unknown. The federal court granted the government's petition.

The summons directed HSBC USA to produce records identifying US taxpayers with accounts at HSBC India. This is due to the belief that many of these taxpayers have kept their accounts concealed from the IRS. US law stipulates that you are obligated to reveal all your sources of income earned worldwide and your foreign accounts if your balance exceeds \$10,000 at any one time. If you fail to do so, you may be fined up to 50% of the balance in your account.

With regards to this, a HSBC spokesperson said, "HSBC does not condone tax evasion and fully supports US efforts to promote appropriate payment of taxes by US taxpayers."

Currently, the IRS is having an amnesty program where you can voluntarily disclose

your foreign assets in exchange for a lighter sentence that does not include criminal prosecution. Therefore, if you do not participate in the voluntary disclosure program before its expiry on August 31, you would be subjected to severe action, apart from the penalty, if found guilty.

What led the IRS to scrutinize HSBC was the incriminating evidence from a case involving Vaibhav Dahake of Somerset who was indicted by a court in Newark, New Jersey and charged with conspiracy to defraud the US by using undeclared accounts in the British Virgin Islands and HSBC India to dodge paying taxes. It was discovered that employees of HSBC Holdings and its affiliates in the US assured Dahake that his HSBC accounts in India would not be reported to the IRS.

The US may also solicit the help of the Indian government in seeking relevant information on Americans with Indian bank accounts under the Double Taxation Avoidance Agreement. Via this means, information on accounts of US citizens of Indian origin may be obtained from foreign banks with branches, subsidiaries or representative offices in the US.