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No Payment Agreed in Swiss Tax Investigation

While the government investigates 11 Swiss banks in its ongoing crackdown on tax evasion, the Swiss government has said no payment has been fixed or agreed upon in settlement of this issue. However, the Swiss have reiterated their support of any US initiative by handing over personal details of banking clients.

Two years ago, Swiss bank UBS paid the US government \$780 million in fines to escape legal proceedings over its role in helping US clients evade taxes and handed over personal details of over 4,400 of its clients suspected of tax evasion. This time, another 11 Swiss banks are under investigation including Credit Suisse, Basler Kantonalbank and Julius Baer.

The Swiss government has held talks with the IRS over the last few months aimed at hammering out a deal similar to that of UBS two years ago. Mario Tuor, spokesman for the Swiss government department responsible for international financial affairs said that under the existing double taxation treaty, transfer of names and personal banking details could be done as part of a deal to resolve the issue.

While the Swiss have indicated their willingness to forge a deal, it is unclear whether they would negotiate just one deal for the entire banking sector comprising of more than 300 banks. Switzerland's state secretary for the finance ministry and the country's chief negotiator on international tax matters, Michael Ambuehl is in Washington this week for talks with IRS officials. However, Tuor insisted, "We have not made a financial offer as part of the ongoing talks."

Swiss Finance minister Eveline Widmer-Schlumpf said she expected a deal to be made by end of the year based on existing double taxation agreements as talks intensified. Speaking to the weekly Bilanz, she said, "I assume that we will find a solution by the end of the year." In the meantime, Widmer-Schlumpf said her government would resist any forms of what she calls 'fishing expeditions' or broad requests for banking client information without hard evidence of tax evasion.

Widmer-Schlumpf's view is that the Swiss parliament should act on a proposal to allow US authorities to ask for help finding names of suspected tax dodgers based on defined behavioral patterns in its next sitting in December.

Credit Suisse said recently it had made a provision of 295 million Swiss francs (about \$334 million) to pay the US government to close its investigations. It added the final payment may exceed its provision. When Widmer-Schlumpf was asked if Credit Suisse would have to divulge more banking clients' details than the 4,450 clients' data that UBS had handed over, she said her government would only deliver more bank data after its courts had denied any client appeals.

With the economy still sluggish, many governments are intensifying their efforts to recoup lost revenue by hunting down tax evaders. Switzerland has already worked out deals with Germany and Britain to regularize untaxed Swiss bank accounts held by Germans and Britons.