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## **IRS Turns to Informant in Offshore Tax Evasion Probe**

Renzo Gadola was a former UBS Bank employee, having worked there from 1995 to 2008. He is also the informant to the IRS in their ongoing efforts to prosecute Swiss banks for assisting wealthy American taxpayers dodge taxes. For his role in the affair, Gadola could have been sentenced to a maximum of 16 years behind bars but was given five months' probation by a Florida federal judge and fined of \$100 because the IRS sought for leniency on his behalf.

Gadola revealed some critical information that was hitherto unknown to the IRS – the role of cantonal (regional) banks including Basler Kantonalbank in abetting tax evasion by American taxpayers amounting to hundreds of millions of dollars in taxes. Gadola's testimony will continue as a condition for his probation. According to a senior official of the US government, Gadola may now be called "to testify before a grand jury or at a trial against former clients, Swiss bank colleagues or other banks."

Gadola got off easy compared to his erstwhile colleague, UBS ex-personal banker Bradley Birkenfeld, who was sentenced to 40 months jail in a rural Pennsylvania prison. Birkenfeld also helped wealthy American UBS clients evade taxes by hiding their taxable assets in Swiss bank accounts but subsequently turned informant on the matter. This led to a crackdown on UBS bank that later grew into a still-ongoing investigation by the US Justice Department on a dozen or so other Swiss banks.

In 2009 when all this took place, it sparked a diplomatic showdown between the US and Swiss governments over the disclosure of banking details of suspected American tax evaders. Swiss banking secrecy laws are famous for keeping banking information of clients under wraps. But the US Justice Department threatened criminal prosecution which finally led to the disclosure of banking details of over 4,400 UBS American account holders suspected of tax evasion. The Swiss bank also had to pay the US government \$780 million in fines.

But Birkenfeld also admitted to carrying diamonds in a toothpaste tube for one client and lied to US prosecutors about what he did for his top client, California billionaire property developer Igor Olenicoff. In contrast, prosecutors say that immediately after his arrest on November 8, 2010, Gadola began cooperating with US officials, providing crucial information on other bankers and Swiss financial institutions offering offshore banking services. As a result, US officers arrested Christos Bagios, a banker at Credit Suisse in January on suspicion of helping as many as 150 US clients hide up to \$500 million from the IRS when he worked at UBS. Bagios has been granted bail.

Gadola also blew the cover of his own business partner in selling offshore tax evasion services, Martin Lack, himself a former senior UBS banker. Lack and Gadola went into partnership after Gadola left UBS. Lack was indicted in August.

Besides UBS, other Swiss banks currently under investigation are Credit Suisse, HSBC Holdings Plc and Basler Kantonalbank, a large Swiss cantonal bank. Cantonal banks are mostly owned by the government in Switzerland.