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20 Offshore Banks Targeted by IRS

UBS Bank of Switzerland, the main bank involved in an intense tussle with the IRS over its US clients suspected of using their offshore accounts to stash their money and avoid taxes, has alleged that the IRS intends to investigate another 20 Swiss banks. As such the bank is urging the Swiss Parliament to endorse a tax treaty with the Americans aimed at improving cross border cooperation on tax evasion issues. This treaty was signed between the US Treasury and the Swiss executive Federal Council in August last year.

In a letter to the Parliament, UBS offered its view that the tax agreement with the US has the potential to affect the Swiss financial sector and economy as a whole to a large extent and needs to be approved as quickly as possible. It is common knowledge that the IRS has been having an amnesty program that gives some leeway to those guilty of tax evasion to voluntarily step forward and divulge their assets in exchange for lighter punishment. In the course of this amnesty program, the IRS has collected information on the cross border activities of another 20 Swiss banks it suspects are acting like UBS in assisting their wealthy American clients in dodging taxes using their offshore accounts. As it is, the IRS has been searching for information on American clients of these 20 Swiss banks. Should the Swiss Parliament reject the treaty, it would only serve to intensify the IRS efforts in pressurizing the banks for the information and scrutinizing its accounts. But once the tax treaty is enforced, all parties would have to comply with the provisions of the treaty.

But in January, the Swiss court ruled that parts of the treaty were illegal because they contravene Switzerland's long standing banking secrecy laws just to comply with the US demands for information on suspected American tax evaders. The Swiss judiciary has since asked the Parliament to hold off on approving the treaty. But in its letter, UBS warned Parliament that Switzerland could be blacklisted by the US along with other uncooperative tax havens if legislators do not endorse the treaty which was hammered out after long drawn negotiations between the governments of both countries. Such a development would not do Swiss companies doing business in the US any good.

Reactions by Parliamentarians were varied. The center left Green Party views the UBS letter as a means of intimidation by the bank to do ratify the treaty. The largest political party in Switzerland, the Swiss People's Party has already decided not to endorse the treaty.

Stay tuned for more tussles this tax season.

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys, CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.