



August 31, 2010

Suit Against UBS to be Dropped by IRS

In the ongoing tussle between the IRS and UBS bank of Switzerland over the identities of thousands of suspected tax evaders holding UBS bank accounts, the Swiss bank has recently released details of 2,000 such account holders thus far. The IRS duly expects the bank to honor their earlier commitment to disclose another 2,450 names of American tax dodgers this fall. The threshold of account balance the IRS is looking for is a minimum of 1 million Swiss francs (about \$977,000). This also applies to American account holders who have sham company bank accounts with the same total. As such, the IRS has declared that it would drop a civil lawsuit against the bank although the release of the remaining names will be past the deadline of August 31.

It is not only tax evaders that the IRS is after. The agency is also intent on unearthing American UBS clients who are deemed to have been involved in 'tax fraud and the like'. This definition covers concealment of funds, the submission of incorrect or false information to UBS or IRS and what the IRS calls a 'scheme of lies'. The minimum account balance for this crime may be less than 1 million Swiss francs but more than 250,000 Swiss francs (about \$244,000).

Another category of tax wrongs the IRS is looking for are Americans who have not filed a special disclosure document known as a W-9 for at least three years since 1998 and whose bank account held at least 100,000 Swiss francs.

The IRS had earlier threatened to renew its legal challenge to UBS in the form of a broad request for client names known as John Doe summons that would have targeted up to 52,000 names of UBS clients. The lawsuit, that was originally brought against UBS by the IRS and supported by the Justice Department, was initiated a day after UBS reached a deferred prosecution agreement of \$780 million with the US government. Now with the announced withdrawal of the IRS suit, UBS and the Swiss government can heave a huge sigh of relief.

But according to experts, the revelation of client details may have repercussions on other parties. Since the disclosure would also reveal details of other bankers, lawyers and consultants who helped these UBS clients evade taxes, the Justice Department could launch investigations and legal proceedings against these parties also. As it is, the US government is already investigating other Swiss banks and financial advisors.