Offshore Accounts in the Bullseye: IRS Targets Customers at 20 More Swiss Banks

If any of your clients have undisclosed offshore accounts, simply filing delinquent foreign bank account reports may subject them to large civil penalties — up to the greater of \$100,000 or 50% of the account value for each year in which the form wasn't filed — in addition to criminal prosecution. Approach such situations with caution.

Taxpayers with such undisclosed accounts should continue to look over their shoulders, because the IRS may soon be close at their heels. In a letter to Swiss lawmakers, embattled UBS AG warns that the IRS might be poised to crack down on American tax evaders at up to twenty more Swiss banks that it learned about through a recent targeted voluntary disclosure program.

The bank urged the lawmakers to approve last year's agreement between the U.S. and Swiss governments for disclosure of the names of 4,450 American UBS clients suspected of evading U.S. taxes. The Swiss government is scrambling to salvage the agreement in light of a January ruling that the agreement violated Swiss law by defining the term "tax fraud" too broadly.

The ruling also threatens a separate deal, in which UBS avoided indictment by paying a \$780 million fine and admitting to criminal wrongdoing in sales of offshore banking services that aided U.S. tax evasion. The ruling may put UBS in the difficult position of being unable to fulfill the terms of its deferred prosecution agreement, which requires disclosure of an additional 150 names.

UBS also warned that not approving the agreement would risk Switzerland being added to the EOCD's blacklist of uncooperative tax havens.

UBS's warning dovetails with a recent statement by an IRS official that the U.S. will "very shortly" launch another prosecution against a foreign bank, similar to its case against UBS. Linda J. Osuna, the Special Agent in Charge of the IRS's Tampa Office, said that the case against the unnamed bank would be for "the same behavior that got UBS in trouble."

The new case may stem from last month's guilty plea by a U.S. client of HSBC, Europe's biggest bank, to conspiring to hide assets abroad. HSBC recently disclosed an ex-employee's theft of information about up to 24,000 Swiss accounts from a swath of international clients. The information is in the hands of the French government, where the ex-employee fled, and the U.S government may be negotiating to obtain the names of any U.S. account holders.

Osuna also said that further cases are likely to result from last year's voluntary disclosure program, which has already led to more than 14,500 individuals coming forward and admitting to holding previously undisclosed offshore accounts. Osuna said that additional voluntary disclosures come in every day.

In a related development, UBS has announced that in the wake of the U.S. case against it, authorities in Britain, Canada and Australia are investigating the bank's offshore business, along with those of a number of other Swiss and non-Swiss banks. US said it is cooperating with those requests to the extent permitted by Swiss law.