

UBS warns U.S. clients as tax amnesty deadline nears

Fri Sep 18, 2009 2:03pm EDT

By [Kim Dixon](#)

WASHINGTON (Reuters) - UBS AG has formally warned wealthy American clients that secret Swiss accounts may be revealed to U.S. tax authorities after the Wednesday expiration of an amnesty program that could give them immunity from prosecution.

A letter from UBS told clients they have 20 days to hire a representative, or be assigned one by Swiss authorities who will be processing the names, according to a copy of one of the letters obtained by Reuters, dated September 10.

The letter landed in the mailboxes of rich Americans as they decide whether to participate in the U.S. Internal Revenue Service's tax amnesty program -- an uncommon chance to reveal income in tax havens such as Switzerland, Cayman Islands and Monaco.

In exchange for coming clean by the September 23 deadline, individuals would pay back taxes and a reduced fine, while generally avoiding criminal prosecution.

After months of tortuous negotiations that involved the Swiss government and challenged the country's tradition of banking secrecy, UBS agreed in August to disclose the names of 4,450 American holders of secret accounts at UBS.

Bryan Skarlatos, a tax lawyer at Kostelanetz & Fink in New York who has clients under criminal investigation, said UBS sent the letter to offshore accounts of all sizes -- even those with relatively modest assets under \$1 million.

"Everybody who was coming to my office last week, said 'it's not going to be me,'" he said.

The letter said the IRS is seeking information about those with direct accounts at UBS in Switzerland and those who owned accounts indirectly through an off-shore company.

When the amnesty program expires, any tax cheats found by the IRS face more costly penalties as well as possible criminal prosecution.

"These people are panicking," said Paul Behling, a lawyer with Withers Bergman, a firm working on about 300 such cases worldwide. "Basically it's a rush for them."

UBS' four-page letter spelled out a process it said may "ultimately result in the submission of your account documents to the IRS (U.S. Internal Revenue Service) and the loss of the opportunity to participate in the IRS

Voluntary Disclosure program."

The IRS refuses to say how many tax amnesty applications have been filed. However, the agency did say that during a single week in July, about 400 individuals turned themselves in under the program, four times higher than the number of tax evaders coming forward in all of 2008.

MORE PROSECUTIONS SOON?

As part of the August civil settlement with the U.S. government, UBS promised to hand over the first 500 of the 4,450 names to the Swiss authorities within 60 days. The Swiss would then evaluate the cases and forward them to U.S. officials.

According to William Sharp, an attorney at Sharp Kemm in Tampa, Florida, who represents American clients of UBS and was in Switzerland this week, UBS did in fact transfer the first 500 files to Swiss authorities on September 11.

IRS Commissioner Doug Shulman in August urged investors with money or securities in overseas accounts to step forward before the deadline. "No matter what institution you're with, the IRS is willing to pursue both the institution and the individual," Shulman said.

At one time, the 4,450 accounts were worth as much as \$18 billion, the IRS said.

Owners of the accounts have the option to appeal their case in the Swiss legal system, but names may still be forwarded to the U.S. government while that process plays out.

In February, UBS agreed to pay \$780 million to settle criminal charges that it had helped American clients evade taxes on about \$20 billion concealed in offshore accounts.

Late last month, the U.S. government said it was building criminal cases against more than 150 American clients of UBS. The number of criminal probes is widely expected to mushroom soon.

"These are easy cases to prosecute," said Christopher Rizek, an attorney at Caplin & Drysdale and former Treasury Department official in the Clinton Administration. "We know as a fact that cases are being packaged and sent to (Department of) Justice now."

The letter said UBS will provide clients with its own account information to comply "free of charge."

(Additional reporting by Paschal Fletcher; Editing by Julie Vorman, Lisa Von Ahn, Dave Zimmerman and Steve Orlofsky)

© Thomson Reuters 2009. All rights reserved. Users may download and print extracts of content from this website for their own personal and non-commercial use only. Reproduction or redistribution of Thomson Reuters content, including by framing or similar means, is expressly prohibited without the prior written consent of Thomson Reuters. Thomson Reuters and its logo are registered trademarks or trademarks of the Thomson Reuters group of companies around the world.

Thomson Reuters journalists are subject to an Editorial Handbook which requires fair presentation and disclosure of relevant interests.