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American HSBC Account Holders Receive IRS Letters

In what is widely seen as a move to further clamp down on tax evasion through offshore accounts, the Justice Department has sent numerous letters to account holders of HSBC offshore accounts, in particular in India or Singapore. This initiative is a joint effort by the Justice Department and the IRS to track down more taxpayers who use offshore accounts to hide their assets after the IRS' dispute with UBS Bank of Switzerland last year.

In the dispute, the IRS filed a lawsuit against UBS after the bank was found to have assisted wealthy American taxpayers in evading taxes by setting up accounts with it between 2000 and 2007. The bank signed a deferred prosecution agreement and paid \$780 million to avoid criminal prosecution. It also agreed to release personal details of more than 250 of its American clients suspected of evading taxes. Subsequently, the IRS continued to pursue the matter and the bank agreed to release more information on a further 4,450 of its clients by August this year.

At the same time, the IRS allowed an amnesty period for errant taxpayers holding offshore accounts they have not declared to come forward voluntarily with such information. As a result of this move, some 15,000 taxpayers declared their assets in offshore accounts during the amnesty to avoid prosecution. Since UBS signed the deferred prosecution agreement, 2 bankers and 3 other alleged facilitators of tax crimes have been prosecuted.

IRS Commissioner Doug Shulman said the agency is hiring another 800 employees in the next year to beef up its capabilities of uncovering financial institutions, advisors and others who assist taxpayers in fraudulently avoiding taxes. The IRS also plans to increase its staff in 8 overseas branches including Hong Kong while opening new branches in Sydney, Beijing and Panama City.

The letters from the Justice Department did not explicitly mention HSBC but common thing among all recipients of the letters was that they all held HSBC accounts overseas. Some of the recipients were not aware they were liable to tax as they had their Indian taxes withheld and thus assumed they were tax-compliant. Many such taxpayers have assets left to them by Indian relatives which they keep in bank accounts in India when they re-settled in the US. Similar situations applied to some who had accounts in Singapore.

Kevin Downing, a senior attorney in the tax division of the Justice Department, visited Singapore and Beijing and held high-level discussions with bankers and regulators about offshore tax prosecutions. He also gave a talk to tax lawyers at a conference organized by New York University on June 18.

The most important thing to realize is that declaring assets held overseas is not limited to those in UBS; it includes accounts in any country.

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.