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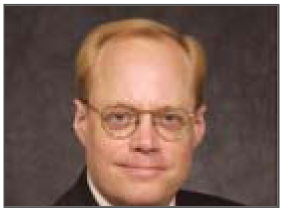

Robert W. Wood

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Another Swiss Banker Indicted For U.S. Tax Crimes

Another high level Swiss banker has been charged with conspiring to evade U.S. taxes. The latest indictment is of Martin Dunki, formerly Senior VP at Swiss private bank Rahn & Bodmer. He lives in Switzerland and has not been arrested, but has been charged with one count of conspiracy to defraud the IRS. It carries a maximum sentence of five years in prison.

This comes on the heels of the trial in Florida of Raoul Weil, a former top UBS banker who was acquitted of tax evasion. He was the highest-ranking Swiss banker prosecuted in the U.S. crackdown, but the jury quickly acquitted him. Now Mr. Dunki could face trial too. The feds allege that his was instrumental in helping American evade taxes between 1995 and 2012.

The alleged techniques included accounts in the names of sham foundations in Liechtenstein. When that became too hot, the feds say sham foundations in Panama were used. Then, when bank accounts were too visible, the feds claim Mr. Dunki helped clients buy gold and keep it in a Swiss vault for American clients. Cash too.

Then there were sham Liberian corporations, the charges claim. For one American alone, the indictment charges, Mr. Dunki helped hide $300 million in Liberian entities. For another, the feds claim bank statements were altered to slice off bank names and account numbers to avoid detection by U.S. customs.

The U.S. claims that Mr. Dunki ferried cash to clients in the U.S. Another claimed avenue was money sent to New York diamond dealers, where U.S. clients could later pick up stones. More direct and hands-on involvement is claimed in this case than with the recently acquitted Mr. Weil.

Yet several former UBS bankers testified that Mr. Weil was deeply involved in hiding $20 billion from the IRS. Martin Liechti, the former UBS head of banking in the Americas, testified that Mr. Weil knew thousands of accounts didn’t comply with U.S. tax law. Some former clients testified too.

Mr. Dunki might hope not to wait as long as Mr. Weil did. Weil was indicted in 2008, finally arrested in Italy in 2013, and tried in 2014. The IRS has indicted and prosecuted other foreign bankers and advisers, sending a chill through advisers everywhere. Many names and addresses are being added to the mountains of information collected from voluntary disclosures, whistleblowers and FATCA.

FATCA is a pervasive U.S. law that makes foreign banks and financial institutions report on Americans. Numerous U.S. taxpayers have disclosed their offshore accounts. In June 2014, the IRS revamped and expanded its programs. For depositors and banks alike, disclosure and penalties are vastly better than the alternative. Notably, closing foreign accounts is not an alternative to coming clean with the IRS.

In 2009, UBS paid a $780 million fine, and more recently, Credit Suisse Group AG's main bank subsidiary pleaded guilty and paid a $2.6 billion penalty. With around 120 prosecutions and tens of thousands of Americans stepping forward to pay taxes, penalties, and interest, the IRS has collected billions.

Today, almost no offshore account or trust is safe. Already many countries are implementing broad disclosure policies, even Russia and China. For Americans who fail to step forward, the IRS and Department of Justice warn of their vast resources. The IRS and Justice Department may not be scorching the earth, but they aren't far off.

Offshore accounts and the income and penalties associated with them have accounted for billions of dollars flowing to the IRS over the last five years. And it isn't over yet.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.