



US ruling may let Revenue see into Swiss accounts

By Michelle McGagh | 09:30:00 | 09 July 2008

A summons issued to UBS in the US that allows the US tax authorities to access information about previously secret investment in Switzerland could have a knock-on effect in the UK.

The US Federal Court issued a John Doe summons to a Miami branch of UBS, meaning that the bank has to provide details of US taxpayers with accounts at UBS in Switzerland.

Details were previously hidden from the US Internal Revenue Service (IRS) in line with an agreement between banks and the US authorities.

The clampdown follows a former UBS private banker, Bradley Birkenfeld, pleading guilty to the charge of helping a US billionaire avoid income tax. Birkenfeld, an American living in Switzerland, admitted helping wealthy clients to create 'nominee and sham entities'.

David Treitel (pictured), tax director at US Tax & Financial Services in London, said any information the IRS obtained would be circulated to other tax authorities, similar to events in Lichtenstein earlier in the year.

'There are implications for UK investors and it is worrying for them if they hold money in a Swiss bank and they haven't declared it,' he said. 'I am assuming the US will be able to get hold of the information and send it to their tax treaty partners across the world, including the UK.'

Treitel recommended that clients with a substantial amount of undeclared income consult a solicitor and gain legal privilege, which can bar HM Revenue & Customs from obtaining some information.

For insubstantial amounts, he advised making a tax return as soon as possible because penalties could be as much as the tax.

The court action brings new woes for UBS, which has been Europe's biggest sub-prime casualty with losses of \$38 billion. Chairman Peter Kurer was reported to have told Swiss TV that UBS would not need further capital after its \$15 billion (£7.5 billion) rights issue.

But analyst Keefe, Bruyette & Woods said it expected stricter capital requirements from the Swiss regulator to hit the bank's profitability and warned it could face a further \$2 billion in writedowns by year end. In a note to investors it also said UBS could lose many of its top staff to rivals in a second wave of departures.

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