

CLIENT ALERT

After Switzerland the IRS moves on to Investigate Israeli Banks

In recent years, U.S. prosecutors have targeted offshore tax evasion, charging U.S. taxpayers, foreign bankers, lawyers, and advisors with tax crimes. UBS AG, the largest Swiss Bank, avoided prosecution in 2009 by admitting it aided U.S. tax evasion, paying \$780 million and handing over data on approximately 4,500 bank accounts held by U.S. citizens or residents. Another Swiss bank, Wegelin & Co., pleaded guilty in January of this year to helping Americans evade their federal income taxes and was ordered earlier this month to pay the U.S. authorities almost \$58 million. More recently the U.S. Government has opened a new front moving from Swiss Banks to Israeli banks.

In February of this year a California man pleaded guilty of conspiring with two Israeli banks to hide money in the two banks based in Tel Aviv. Israel does not have the same banking secrecy laws as Switzerland and the U.S. government is aware that tens of thousands of Americans have offshore accounts with Israeli banks. It is likely that these Israeli banks are cooperating with the U.S. government and passing information over on U.S. account holders in order to avoid a UBS style indictment in the U.S.

Beginning next year, foreign banks and financial institutions will be required under U.S. law to provide details of U.S. account holders to the U.S. government and those U.S. citizens and residents holding undisclosed foreign bank accounts could face prosecution. The U.S. government is also entering into inter-governmental agreements with friendly governments under

which these foreign governments will change their domestic laws to require that their banks hand over identifying information on U.S. citizens and residents who hold local bank accounts or income producing assets, directly to the IRS. An alternative form of intergovernmental agreement provides that the foreign government will change its domestic law to require local banks and financial institutions to hand information on U.S. customers over to their government tax agency that will in turn provide this information to the IRS under the terms of the information exchange clause in the relevant tax treaty.

The United Kingdom, which was the first foreign country to enter into an intergovernmental agreement with the U.S., has decided to follow the U.S. lead and has put together legislation which will compel financial institutions in its offshore dependencies, such as the British Virgin Islands, the Cayman Islands, the Isle of Man and the Channel Islands, to reveal financial information about the holdings of UK taxpaying clients and possibly clients of other nationalities with whom the UK has information exchange treaties. The British government is already putting pressure on its offshore dependencies, to provide the UK tax agency with information on account holders and beneficiaries of trusts. This information could well find its way to the IRS.

The IRS has made a determined push to find the undeclared assets of U.S. taxpayers for the last five years, and it looks like this campaign is only intensifying. If you have

assets of \$10,000 or more offshore that are undeclared to the IRS it is not too late to correct the problem, but time is running out. It is important to tell the IRS about those offshore assets before your foreign bank or financial institution does, whether directly or through their own government. The tax attorneys at Golenbock Eiseman Assor Bell & Peskoe are experienced at assisting taxpayers in making a full offshore disclosure and can advise clients on their rights and obligations in all offshore disclosure matters.

If you would like more information about disclosing previously undisclosed assets or to discuss your particular set of facts please contact:

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