

# Update on FBARs FATCA OVDI and Emerging Trends in Cross-border Tax Enforcement

Although IRS is holding out a velvet glove by encouraging noncompliant taxpayers to come into compliance, it is showing no mercy in going after other taxpayers still seeking to hide wealth offshore.

The U.S. federal government continues to view offshore tax evasion as a major contributor to the tax gap. As a consequence, the government has been intensifying international enforcement efforts, specifically targeting U.S. persons with undisclosed foreign accounts or holdings in an effort to encourage more compliance. After breaching the formerly impenetrable wall of bank secrecy in Switzerland, the government is now relentlessly pursuing U.S. holders of undisclosed accounts not only in Europe, but also in Asia where offshore private banking is increasingly migrating. Given these ongoing enforcement activities, U.S. taxpayers are finding it increasingly difficult, as well as perilous, to hide wealth offshore. As a result of taxpayers that have come forward to date and voluntarily disclosed their offshore holdings (over 39,000 as of December 2012)," the government is engaged in extensive data mining, sifting through leads and other information gleaned through these disclosures as well as informants and other sources to widen the net. Armed with this information, the government is increasing the stakes by pursuing criminal charges against private client advisors at foreign banks that have facilitated or assisted U.S. persons in hiding wealth offshore. Most recently, the government successfully prosecuted a centuries-old Swiss bank for conspiring to help U.S. taxpayers hide accounts offshore notwithstanding that the bank had no affiliate or physical presence in the U.S. As a practical result, the bank has been essentially shut down.

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