

## Reuters:

### Secrecy changes push offshore clients towards disclosure

\* \$30-\$50 bln U.S client money may need compliance advice

\* Banks, trustees seen worried about own liability

*By Martin de Sa'Pinto and Lisa Jucca*

**ZURICH, May 19 (Reuters)** - Law and consultancy firms are racing to win market share in the booming tax advisory business as crumbling bank secrecy rules leave rich investors scrambling to declare billions of dollars of untaxed wealth. A high-profile tax fraud probe into Americans hiding money at secret UBS bank accounts in Switzerland and pressure from western nations to lift bank secrecy worldwide is putting the heat on U.S. citizens holding undeclared wealth. But lawyers and tax advisors are benefitting from the situation, as more and more Americans are knocking on their doors to come clean. "Some people may consider it low-hanging fruit -- easy to pick. Voluntary disclosure is an area where many (advisers) see a market opportunity and they try to be front-runners in that area," said Milan Patel, a Senior Associate at law firm Withers LLP. "It's not a business we targeted to grow, but it has recently turned into an important part of our business," he said, adding that he was now spending more than half of his time on voluntary disclosure, up from 10 to 20 percent previously.

The March 23 publication of general procedure for voluntary disclosure by the U.S tax authority, the Internal Revenue Service (IRS), has given offshore account holders the incentive and guidelines to bring their affairs into line. "I would expect more and more U.S citizens and tax residents (with undeclared accounts) to decide they want to regularise their situation," Thomas O'Donnell, a partner at the law firm Baker & McKenzie, which also advises clients on voluntary disclosure. While there is debate about how many U.S citizens and tax residents may need to be brought into line and how much money may be involved, experts believe the numbers to be sizeable.

#### NOT JUST U.S. CLIENTS

Fritz Kaiser, chairman of Liechtenstein-based financial advisory Kaiser Ritter Partner Group, told a press event on Tuesday that undeclared assets held by U.S. clients in Switzerland and Liechtenstein could amount to \$30-50 billion, although other experts say the figure is hard to estimate. The group, which has mainly focused on managing assets for the wealthy, is another group hoping to profit from developments in the offshore banking world. "We want to maintain a strong banking confidentiality regime to protect people's privacy, but we must be quick to offer internationally tax-compliant services," the group said.

Tax lawyers say U.S. clients seeking to declare their untaxed wealth have hidden assets of on average between \$1 million and \$10 million. Below this range, it may be too expensive for clients to seek expert help. Above, they are more likely to entrust their affairs to their private banks, experts say. "Anyone who wants to do voluntary disclosure would be well advised to find competent professional assistance," O'Donnell said. "U.S citizens need to file their tax returns accurately, otherwise they risk compounding potential tax issues."

The focus is currently on U.S clients in response to the Obama administration's aggressive drive to reel in tax dodgers. However, as European nations led by Germany begin to follow suit, tax experts see their potential market growing. While rich individuals have already started approaching advisers, banks and trustees may soon follow suit as they became more aware of the changing regulatory scenario. "When it comes to voluntary disclosure, we are really at the starting point now," Patel said. "Clients are coming to us because of what they read in the newspapers. Banks and trustees are also becoming more and more aware that things are changing and they are worried about their own liability." "No-one wants to be the next UBS."

*(Additional reporting by Albert Schmieder; Editing by Rupert Winchester)*