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Swiss Lawyer Pleads Guilty to Helping U.S. Clients Evade Taxes

by David D. Stewart and Stephanie Soong Johnston

Summary by **taxanalysts**

A Swiss lawyer on August 16 pleaded guilty to one count of conspiring to help U.S. clients file false tax returns and evade U.S. taxes on assets held in Swiss banks.

Full Text Published by **taxanalysts**

A Swiss lawyer on August 16 pleaded guilty to one count of conspiring to help U.S. clients file false tax returns and evade U.S. taxes on assets held in Swiss banks.

Edgar Paltzer, who was indicted in April, appeared in the U.S. District Court for the Southern District of New York just days after surrendering to authorities at John F. Kennedy International Airport. The charge carries a maximum sentence of five years in prison; a sentencing hearing is scheduled for February 21, 2014. (Prior coverage [☞](#); DOJ release [☞](#).)

Paltzer was a partner with Zurich law firm Niederer Kraft & Frey (NKF), but after his indictment, NKF announced that he had already resigned. Paltzer is a citizen of both the United States and Switzerland and is licensed to practice law in New York.

The indictment [☞](#) describes the arrangements Paltzer and codefendant Stefan Buck used to conceal client assets and avoid reporting requirements under the IRS's qualified intermediary program. Paltzer was accused of helping clients to set up Liechtenstein foundations using "off-the-shelf" corporations registered in the British

Virgin Islands and Panama.

Buck, a Swiss citizen who remains at large, was the head of private banking at Zurich-based Bank Frey, whose chair, Markus Frey, was a partner at NKF. Bank Frey accepted a large number of new U.S. clients after UBS entered into a deferred prosecution agreement with the United States, when other Swiss banks began closing undeclared accounts. Buck has been suspended from his duties at the bank, and Frey has left NKF but remains chair of the bank.

It is reasonable to assume that Paltzer will cooperate with U.S. authorities, according to Bryan C. Skarlatos of Kostelanetz & Fink LLP. Paltzer will probably hand over information about his clients and other banks, financial advisers, and trust companies; his cooperation would then be evaluated before he is sentenced, Skarlatos told Tax Analysts. Skarlatos speculated that concern over being extradited to Switzerland may have influenced Paltzer's decision to plead guilty.

Skarlatos said the case is yet another example of the government's continued clampdown on the Swiss financial industry and its role in U.S. tax evasion.

"It's a continuing drumbeat of enforcement against Swiss banks and advisers," he said. "It's no secret that the U.S. attorney's office is going to continue going after Swiss banks and advisers until Switzerland is able to reach some kind of global deal where information is exchanged."

For Jeffrey A. Neiman, a former assistant U.S. attorney who led the prosecution of UBS and is now in private practice in Florida, the case is groundbreaking because it signifies the Justice Department's willingness to work with Swiss bankers and advisers who come forward voluntarily and admit wrongdoing.

"There's a way to come forward and have a dialogue. And with the right banker with the right information, they can even become a whistleblower, and make a boatload of money," Neiman said. "Bankers [and advisers] should not be afraid to have a dialogue with the Justice Department, because it's better to come and deal with it before your options are more limited."

Edward M. Robbins Jr. of Hochman, Salkin, Rettig, Toscher & Perez noted that U.S. authorities across the country have about 30 active cases targeting fugitive Swiss bankers, advisers, attorneys, and other enablers of fraud schemes, but Paltzer's case is notable because he turned himself in.

"Getting a Swiss attorney [to plead guilty] is a substantial victory for the government because it's so hard to get these Swiss guys over here," Robbins told Tax Analysts.

He also predicted that the U.S. authorities' scope will expand to target employees of foreign banks with branches in the U.S. who are suspected of facilitating tax fraud domestically.

"I think the takeaway here is the government is still grinding along on this offshore banking project -- there's no sign of it going away," Robbins said.

Tax Analysts Information

Code Sections: Section 7201 -- Attempt to Evade Tax
Section 7206 -- Fraud and False Statements

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Subject Areas: Criminal violations

Fraud, civil and criminal
Tax avoidance and evasion
Tax havens

Industry Group: Banking, brokerage services, and related financial services

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