

EUROPE NEWS

Australia Targets Tax Evaders With Swiss Accounts

By ENDA CURRAN

SYDNEY—Australia has worked out a revised tax treaty with Switzerland that will give authorities new powers to target millionaire tax evaders, as the government scrambles to shore up its budget ahead of elections in September.

Prime Minister Julia Gillard's Labor government, which is seeking re-election, had been forced late last year to abandon an election promise to return a budget surplus after getting less revenue than expected from taxes on resource-rich Australian mining companies.

Instead of a surplus, the government is now forecasting a 17 billion Australian dollar (US\$17.04 billion) deficit for the year ending June 30 and is expected to project further deficits in its annual budget on May 14. Last year, the nation recorded a A\$44 billion deficit.

To offset declining revenue, the government is ramping up efforts to crack down on tax evaders.

Under the latest agreement, Australia and Switzerland will soon sign an updated tax treaty—the original one was agreed in 1980—giving officials the authority to gain access to information on suspected tax evaders and cutting through bank-secrecy provisions.

"Until now, we have hit a roadblock investigating people who are suspected to be hiding their money in Swiss bank accounts to avoid paying their fair share of tax," Treasurer Wayne Swan said in his weekly economic note. "This treaty means we'll be able to share information with the Swiss authorities so we can track down those who are hiding money overseas," he said.

A similar agreement with Singapore in 2010 has so far yielded about A\$100 million in new revenue, the government estimates.

The move by Australia comes amid a global push to crack down on tax avoidance by both multinational companies and high-net-worth individuals as government revenue remains constrained by slow economic growth. Australia has promised to make corporate-tax avoidance a high priority when it steers the Group of 20 industrial and developing nations forum through 2014.

The government in Canberra is already drafting tax laws designed to clamp down on big companies, including the local arm of Google Inc., that use a web of offshore holding companies to avoid paying higher local taxes. Google has said it abides by all Australian tax laws.

The Australian Tax Office said Friday it had identified more than 100 people involved in suspicious offshore dealings, as part of a coordinated drive with the U.S. and U.K. to crack down on tax evaders. It is sifting through more than two million documents related to thousands of people world-wide and linked to shell companies and trusts in Singapore, the British Virgin Islands, Cayman Islands and Cook Islands.

It said the documents identified individuals who own the assets, as well as associated accountants, lawyers and advisers.

The cases involve tens of millions of Australian dollars of potential tax evasion, it said, adding that two cases had already been referred for criminal investigation. More than 30 audits were under way, the tax office added.

