



Department of Justice

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FORMER UBS CLIENT PLEADS GUILTY TO HIDING \$10 MILLION IN OFFSHORE BANK ACCOUNTS

Defendant Skimmed Proceeds from his Watch Businesses to Fund Secret Accounts

WASHINGTON – Jack Barouh of Golden Beach, Fla., pleaded guilty today to filing a false tax return, the Justice Department and Internal Revenue Service (IRS) announced. Sentencing has been set for April 16, 2010, before U.S. District Judge Adalberto Jordan in Miami. The defendant remains free on a \$1 million bail pending sentencing. He faces a maximum sentence of three years in prison.

According to court documents and statements made in court, Barouh admitted to filing a false tax return for 2007 in which he failed to report that he had an interest in or a signature authority over financial accounts at UBS AG, one of Switzerland's largest bank. He also failed to report income earned on his UBS Swiss bank accounts. The UBS accounts were opened in the names of Domilou S.A., a nominee Panamanian corporation, and Similen Investments Limited, a nominee British Virgin Island corporation. For years 2002 through 2007, the tax loss associated with the Domilou and Similen accounts at UBS is approximately \$736,269.

In addition to the Domilou and Similen accounts, the defendant owned and controlled several additional offshore bank accounts located at banks other than UBS, including accounts in Switzerland and Hong Kong.

According to court documents, the defendant owned and operated several businesses that manufactured and sold watches. Beginning in 1976, the defendant skimmed income from his watch businesses and deposited the proceeds into his undeclared UBS bank accounts. The defendant also deposited unreported sales commissions into the accounts.

According to court documents, beginning in 2007, the defendant attempted to withdraw his funds from Switzerland and repatriate all of the money into the United States. However, a Swiss attorney persuaded the defendant to transfer the money from Switzerland to a newly created bank account in Hong Kong in the name of a nominee Hong Kong corporation. The Swiss attorney then told the defendant to pay himself an annual "consulting fee" until all of the funds were brought into the United States. The Swiss attorney knew the defendant was not going to perform any consulting work.

As part of his plea agreement, the defendant agreed to pay a 50 percent penalty for the one year with the highest balance in his offshore accounts in order to resolve his civil liability for failing to file Reports of Foreign Bank and Financial Accounts, Forms TD F 90-22.1. The highest balance of all of the assets the

defendant owned and controlled offshore was approximately \$10,017,613. The defendant also must pay any additional taxes, interest and penalties he may owe.

"Today's guilty plea is the latest success in our crackdown on illegal offshore tax evasion," said John A. DiCicco, Acting Assistant Attorney General of the Justice Department's Tax Division. "The Justice Department and U.S. Attorneys' Offices will continue our investigations and prosecutions of individuals who utilize offshore accounts in Switzerland and elsewhere."

"Skimming from one's business and placing the assets in a secret offshore bank account is a classic example of tax evasion," said Jeffrey H. Sloman, U.S. Attorney for the Southern District of Florida. "With tax day looming, today's guilty plea is a reminder that those who violate the tax laws will be held accountable."

"Hiding money in foreign bank accounts to evade paying taxes is a crime," said Victor S. O. Song, Chief, IRS Criminal Investigation. "The IRS will continue our efforts to bring non-compliant taxpayers into the tax system either through the voluntary disclosure program or criminal prosecution."

Acting Assistant Attorney General John DiCicco and U.S. Attorney Jeffrey H. Sloman commended the investigative efforts of the IRS agents involved in this case, as well as Senior Litigation Counsel Kevin M. Downing and Trial Attorney Mark F. Daly of the Tax Division, and Assistant U.S. Attorney Jeffrey A. Neiman, who are prosecuting the case.

In February 2009, UBS entered into a [deferred prosecution agreement](#) pursuant to which the bank admitted to helping U.S. taxpayers hide accounts from the IRS. As part of their agreement, UBS provided the United States government with the identities of, and account information for, certain United States customers of UBS's cross-border business. Jack Barouh is the seventh former client of UBS to plead guilty to a tax felony.

U.S. citizens who have an interest in, or signature or other authority over, a financial account in a foreign country with assets in excess of \$10,000 are required to disclose the existence of such account on Schedule B, Part III of their individual income tax return. Additionally, United States citizens must file a Report of Foreign Bank and Financial Accounts, or F-Bar, with the U.S. Treasury, disclosing any financial account in a foreign country with assets in excess of \$10,000 for which they have a financial interest in or signature authority, or other authority over.

More information about the Justice Department's Tax Division and its enforcement efforts is available at <http://www.usdoj.gov/tax/>.

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