

THE OBSERVER



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Reporting Accurate and Objective Information Based on Facts, not Agenda-Setting Theories

Dominic Casey | Private Investigator

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The Myth of Offshore Banking

Part IV

[\(Part I\)](#) [\(Part II\)](#) [\(Part III\)](#)

Tax haven offshore banking is no longer a well-kept secret and [many renowned people](#) use this service.

Contrary to popular belief, offshore data which once took months to access is now readily available and expedited. Today accountants are '[receiving more attention](#)' by the US government.

President Obama's [Tax Enforcement Policy](#), which includes the revelation of offshore activity and tax information exchange agreements, is a tool for investigators. Indictments and prosecution of white collar crime are on the IRS's' agenda and investigative agencies have an abundance of white collar crime cases. The [UBS investigation](#) has become a precursor to financial revelations with expected monumental indictments. Once upon a time Swiss banks were thought to possess a fortress of [secrecy](#) and protection.

In the sixties and seventies, the European offshore activity developed, thus the [Eurodollar](#) began noticeable activity. After 1968, the Asian financial market movement was identified. In 1981, the US [International Banking Facilities](#) located in major cities and using the branches and affiliates noted a considerable activity. By the late 90's offshore banking became the well-kept secret by those who chose not to pay his/her country's taxes and resorted to banking in [tax haven](#) locations.

Many sprouting global communities resulting from offshore banking are substantially supported. Guernsey and Jersey English Channel islands independent of the UK are known for their dairy products. Jersey has a population of 91,000, yet boasts of the highest income per capita of \$57,000.00.

Monaco has a population of 35,000 and among the 650 British company directors with a registered Monaco residence; ten of the wealthiest Brits in Monaco represent \$13.5 billion. There is no personal income tax [for legal residents](#) in Monaco.

The Cayman Islands have [an agreement](#) with the United States to provide requested tax data.

The [World Offshore Website](#) offers tax news regarding international offshore banking. Some of the offshore service providers are [The Turks and Caicos](#), and the [Bahamas](#).

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It is not uncommon for cruise line tourists to open offshore banking accounts in tax haven locations. How does [offshore banking](#) operate? Basically, you are entrusting your money to a tax haven banking facility.

Because you cannot declare ownership of the account or report earned interest, **you are taking a gamble that the banking facility will return your funds.** One of the phrases used by banks to assure a new depositor of an offshore account is that your new debit card will not trigger an alarm for scrutiny because the bank 'owns the account'. Reality confirms that the owner of the debit card establishes account authority, thus making one liable for the unreported account. Should the account total \$10k or more, then it's considered tax evasion.

What legal recourse do you have if you have taken the gamble of trusting your money to an offshore bank and the banking institution assumes ownership via theft of your account? **If they choose to keep your money, you have no alternative choice.** Some choose to entrust their funds to their attorney by agreeing to signature authority. The attorney can then control the disposition of the funds. You have now put yourself into another vulnerable position. Account authority is also assumed via direct communication to the bank. The vulnerability comes in the form of possible blackmail by the embezzler. After all, you were committing tax evasion which is a crime. The offshore financial provider has a better chance of receiving their government protection than you would as a depositor.

Arthur Laffer was credited with [the Laffer Curve](#) which theorized **the arithmetic and economic effect of the government's revenue generated by taxes.** The arithmetic assumption equals the tax rate multiplied by the tax base. The economic effect assumes the tax rate will impact the tax base. Arthur Laffer agrees a similar principle existed in the [fourteenth century](#).

Strengthen America by avoiding tax havens and invest in the USA!

Tax evasion is a crime. Don't become involved in offshore financial activity. It's just a matter of time before your involvement and investment is revealed.

To report an offshore scheme or scam, contact the IRS at 1-800-829-0433.

Suggested Additional Reading:

Offshore Financial Centers and the [IMF history](#)

Senator Carl Levin of Michigan proposed the [Stop Tax Haven Abuse Act of 2011](#).