

## **HSBC discloses tax evasion probes in India, other countries**

Global banking giant HSBC has disclosed being probed by tax authorities in India and several other countries, including against its Swiss and Dubai units, for allegedly abetting tax evasion of four Indians and their families.

Besides, the bank has been approached by the regulatory and law enforcement agencies of various countries for information on persons and entities named in the leaked 'Panama Papers' -- which included hundreds of Indians who had indulged in alleged tax violations through offshore tax havens with the help of Panamanian law firm Mossack Fonseca.

Disclosing the "tax-related investigations" in its latest annual report published last week, HSBC further said it has set aside \$773 million (over Rs 5,000 crore) as a provision for various tax- and money laundering-related matters.

"There are many factors that may affect the range of outcomes, and the resulting financial impact of these investigations and reviews. Due to uncertainties and limitations of these estimates, the ultimate penalties could differ significantly from the amount provided," HSBC said, while adding that it is cooperating with the relevant authorities.

"Various tax administrations, regulatory and law enforcement authorities around the world, including in the US, France, Belgium, Argentina and India, are conducting investigations and reviews of HSBC Swiss Private Bank and other HSBC companies in connection with allegations of tax evasion or tax fraud, money laundering and unlawful cross-border banking solicitation," it said.

Giving case-wise details, it further said the Indian tax authorities in February 2015 had issued a summons and request for information to an HSBC company in India.

"In August 2015 and November 2015, HSBC companies received notices issued by two offices of the Indian tax authority alleging that the Indian tax authority had sufficient evidence to initiate prosecution against HSBC Swiss Private Bank and an HSBC company in Dubai for allegedly abetting tax evasion of four different Indian individuals and/or families and requesting that the HSBC companies show why such prosecution should not be initiated.

"HSBC Swiss Private Bank and the HSBC company in Dubai have responded to the show-cause notices," it said, but did not disclose the name of the Indian individuals.

The British banking major first came under the scanner in India after a leaked list of hundreds of Indian clients of its Geneva branch found its way to the Indian tax authorities. Similar lists made their way to tax authorities in various other countries, prompting probes.

The Indian government has stepped up its fight against blackmoney, allegedly stashed in Switzerland, in recent years and there have been apprehensions that the so-called illicit wealth might have got shifted to other places such as Dubai.

The probe got widened after 'Panama Papers' -- another list of individuals and entities from across the world using offshore tax havens -- became public last year.

About another long-running case, HSBC said it is continuing to cooperate in ongoing investigations by the Department of Justice and the Internal Revenue Service in the US regarding whether certain HSBC companies and employees, including those associated with HSBC Swiss Private Bank and an HSBC company in India, acted appropriately in relation to certain customers who had US tax reporting obligations.

"In connection with these investigations, HSBC Swiss Private Bank, with due regard for Swiss law, has produced records and other documents to the DoJ.

"In August 2013, the DoJ informed HSBC Swiss Private Bank that it was not eligible for the 'Program for Non-Prosecution Agreements or Non-Target Letters for Swiss Banks' since a formal investigation had previously been authorised," it said.

HSBC also gave details about the probes in Belgium, France and Argentina, among other countries, while cautioning investors that "in light of the media attention regarding these matters, it is possible that other tax administration, regulatory or law enforcement authorities will also initiate or enlarge similar investigations or regulatory proceedings".

About Panama Papers case, HSBC said it has received requests for information from various regulatory and law enforcement authorities around the world concerning persons and entities believed to be linked to Mossack Fonseca and Co, a service provider of personal investment companies.

"HSBC is cooperating with the relevant authorities. Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of this matter, including the timing or any possible impact on HSBC, which could be significant," it added.

The British banking giant also said the US markets regulator SEC (the Securities and Exchange Commission) is investigating multiple financial institutions, including HSBC, in relation to hiring practices of candidates referred by or related to government officials or employees of state-owned enterprises in the Asia-Pacific.

"HSBC has received various requests for information and is cooperating with the SEC's investigation. Based on the facts currently known, it is not practicable at this time for HSBC to predict the resolution of this matter, including the timing or any possible impact on HSBC, which could be significant," it said.

*(Economic Times)*