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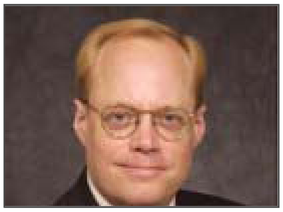

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Nina Ricci Perfume Heir Jailed For Tax Fraud, Plus $5.5M Fines And Forfeitures

Ms. Arlette Ricci, of the Nina Ricci perfume and fashion fortune, has been convicted of tax fraud for hiding millions in an HSBC account. The world doesn't like tax evaders, and offshore accounts have become especially sensitive worldwide. Although U.S. taxpayers have the most rigorous tax regime, with banks worldwide now ferreting out Americans under its massive FATCA law, the Foreign Account Tax Compliance Act.

But France is after tax evaders too. Unlike many French criminal sentences, this one involves a year-long prison term, followed by a two year suspended sentence. Ms. Ricci also drew a fine of 1 million euros, and the court even confiscated two properties worth 4 million euros. These figures do not count the millions in back taxes that also must be repaid.

Ms. Ricci can appeal, as seems likely. Her lawyer has suggested that the sentence is unduly harsh. A request for revising the sentencing conditions is expected. Ms. Ricci's daughter, Margot Vignat, 51, was also convicted. However, she received a more lenient eight-month suspended sentence.

HSBC's Swiss private banking arm is being investigated after a leak revealed large scale tax fraud. Many other tax prosecutions are expected, and in that sense, Ms. Ricci's case was a kind of test case for the Swissleaks scandal. The names of thousands of HSBC clients were handed over to the French government in 2009 by whistleblower Herve Falciani, a former employee of the bank's Swiss unit.

In the UK, France and elsewhere, there is increasing intolerance for undisclosed accounts, a kind of spillover effect from FATCA, America's global tax enforcement law that applies virtually everywhere. FATCA was quietly enacted in 2010, and had a four-year ramp up. What is most amazing is not its impact on Americans—although that is considerable—but its impact on the world.

Never before has an American tax law attempted such an astounding reach. FATCA requires foreign banks to reveal Americans with accounts over $50,000. Non-compliant institutions could be frozen out of U.S. markets, so everyone is complying. FATCA grew out of a controversial rule. America taxes its citizens—and even permanent residents—on their worldwide income regardless of where they live.

In 2009, the IRS struck a groundbreaking deal with UBS for $780 million in penalties and American names. More recently, Credit Suisse took a guilty plea and paid a record $2.6 billion fine. And other Swiss banks are also striking deals under a massive Department of Justice program.

Banks worldwide are handing over American account details to the IRS. Some banks send FATCA letters promising disclosure to IRS, but some just disclose with no warning. With Swiss bank deals, prosecutions, summonses, and FATCA, the IRS has quicker, better and more complete information than ever. And as Ms. Ricci's case proves, you don't have to be American to end up in tax trouble over offshore accounts.

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