

## US Indicts Brazilian Indy-500 Champ Castroneves on Tax Evasion

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Brazilian car racer Hélio Castroneves, 33, a resident of Coral Gables, in Florida, and two-time winner of the Indianapolis 500, was indicted by a grand jury, this Thursday, October 2, on charges of conspiracy to defraud the United States of income taxes and with six separate counts of income tax evasion for tax years 1999 through 2004.

The indictment was announced by the Justice Department, U.S. Attorney for the Southern District of Florida R. Alexander Acosta and Internal Revenue Service-Criminal Investigation (IRS-CI) Special Agent-in-Charge Michael E. Yasofsky Jr.

Also charged in the indictment were Hélio Castroneves' sister and business manager, Katiucia Castroneves of Miami, and his attorney, Alan R. Miller of Michigan.

Count one of the indictment charges Hélio Castroneves, Katiucia Castroneves and Miller with conspiring to defraud the United States by using an offshore Panamanian shell corporation - Seven Promotions Corporation (Seven Promotions) - to fraudulently conceal from the IRS income received from two sources: Coimex Internacional SA (Coimex) and Penske Racing Inc. (Penske).

Count one alleges that Hélio Castroneves entered into sponsorship contracts with Coimex, a Brazilian import and export company, for 1999, 2000 and 2001. Each year's contract required Coimex to pay Hélio Castroneves \$2,000,000.

However, pursuant to an unwritten side agreement, Hélio Castroneves returned US\$ 1,800,000 each year to certain Coimex executives, and kept US\$ 200,000 for himself. Of the \$600,000 Hélio Castroneves retained from the Coimex contracts, he reported only \$50,000 on his federal income tax returns.

In regards to the Penske income, count one of the indictment alleges that Hélio Castroneves joined Penske as a race car driver in November 1999, and that Miller negotiated the deal with Penske and drafted the resulting contracts.

Under the terms of the contracts, Hélio Castroneves' US\$ 6,000,000 three-year (2000, 2001 and 2002) compensation package would be split between a US\$ 1,000,000 driver agreement and a US\$ 5,000,000 licensing agreement.

Pursuant to the licensing agreement, Seven Promotions was to receive the US\$ 5,000,000 in exchange for the licensing rights to Hélio Castroneves' name, likeness and image. The indictment specifically alleges that Hélio Castroneves, Katiucia Castroneves and Miller engaged in a scheme to avoid paying taxes on the US\$ 5,000,000 in licensing agreement income by creating a "deferred royalty plan" that required Penske to send the US\$ 5,000,000 payment to an offshore company - Fintage Licensing B.V. (Fintage) - in the Netherlands, instead of to Seven Promotions.

Despite advice from outside tax counsel that Hélio Castroneves would not qualify for the deferred royalty plan and would owe income tax on all payments under the licensing agreement if he or any member of his family owned or controlled Seven Promotions, the three defendants engaged in this deferred royalty plan. Accordingly, Miller and Hélio Castroneves falsely represented to tax counsel that neither Hélio Castroneves nor anyone in his family had any interest in, or control of, Seven Promotions.

Based on these misrepresentations, the deferred royalty plan was executed between Penske and Fintage; Penske paid Fintage the US\$ 5,000,000 originally due to Seven Promotions under the licensing agreement, and no income tax was ever paid by Hélio Castroneves on the US\$ 5,000,000 in licensing agreement payments.

In counts two through seven of the indictment Hélio Castroneves and Katiucia Castroneves are charged with six counts of tax evasion based on allegedly false federal income tax returns filed by Hélio Castroneves for years 1999 through 2004.

Miller is charged with three counts of tax evasion based on allegedly false federal income tax returns filed by Hélio Castroneves for years 2000 through 2002.

If convicted, the defendants face a maximum penalty of five years in prison on the conspiracy to defraud the United States count, and five years in prison on each of the tax evasion counts.

"Taxpayers, small and large, famous and not famous, should be aware of the enormously severe consequences they face if they fraudulently use offshore accounts to hide income, including potentially going to prison, paying back all their taxes plus interest and penalties, and being branded a felon for the rest of their lives," said Nathan J. Hochman, Assistant Attorney General of the Justice Department's Tax Division.

"Whether one makes a living parking cars or racing them, paying taxes is a responsibility that everyone shares. Our tax laws apply equally to everyone, regardless of status, class and income, and the U.S. Attorney's Office will prosecute these cases vigorously," said U.S. Attorney Acosta.

Acosta commended the investigative efforts of the IRS. He also noted the assistance and cooperation in this investigation of the Brazilian Federal Police, the Dutch Federal Police and the Brazilian Federal Public Minister's Office in São Paulo.

"It is a legal requirement for individuals to accurately report all income and pay their tax liabilities," said Special Agent-in-Charge Yasofsky of the IRS-CI Miami Field Office. "IRS will investigate and hold accountable those who conspire to intentionally evade their responsibility in complying with the tax laws."

"Using offshore corporations for the purpose of evading taxes is a crime. This case sends a clear message that the IRS is committed to vigorously enforcing the lax laws and stopping offshore tax evasion," said IRS Commissioner Doug Shulman.