

Treasury Report Reveals How Succession Tax Ended

In answer to repeated requests from Conservative Leader George Drew, who demanded the tabling of all cases of succession duty fraud on the records of the Treasury Department, Premier Hepburn yesterday in the Legislature tabled detailed accounts of thirty cases "chosen at random from the voluminous files of the department."

The estates included in the report represented a total revenue to the Province of \$26,000,000 from succession duties. Of this amount, \$15,685,817 was voluntarily contributed to the Provincial Treasury when succession duty affidavits were filed and an additional \$10,425,748 was realized after investigation had disclosed assets not revealed in the original report.

In one case more than \$3,000,000 extra duty was collected according to the report, while another case showed a duty collected after investigation twenty times as great as the amount originally paid.

"Fraud Fully Outlined."

The Premier, in bringing down the report, declared that the amount of fraud and the "methods resorted to in attempting to defraud the Government" were fully outlined in each case. In response to a demand by Colonel Drew, he promised to table similar data on all cases as soon as practicable.

The report was tabled and made available to the public at the insistence of Colonel Drew after Premier Hepburn had risen in the House with the suggestion that the information be passed over to the Conservative Leader for his private consideration.

"I have no intention of accepting any information of a private character," Colonel Drew replied. "The Prime Minister threatened the other day to make public the names of those estates which he claimed had defrauded the Government in succession duty reports. I asked him to table that information. Not thirty cases—all of them. I ask him again to make public the names of all estates involved in succession duty fraud."

Promises Complete List.

"Very well, I will table the thirty cases," replied the Prime Minister. "It will take some considerable time to prepare reports on the other cases, but they will be tabled at the earliest possible moment."

Twenty-nine of the thirty estates included in the report showed the amounts originally collected and the additional duty and penalties levied following investigation. In the other estate, according to the statement filed, settlement is held up due to the injunction granted in the Kaufmann case.

A summary of the estates reported follows:

BOOTH ESTATES.

Original duty \$5,855,421
Additional duty 3,000,000

The additional collection was the result of investigation into two estates of members of the family of the late J. R. Booth, Ottawa lumber king. One estate, probably that of the lumber king himself, was stated to have been made up of assets of approximately \$8,000,000 and of gifts made prior to death approximating \$13,000,000. "As a result of the investigation it was found that assets had been omitted and that there had been a failure to report gifts in the amount of \$3,275,000 to members of the family, etc.," the report said.

Revaluation of the company owned by the deceased and of stocks and bonds together with the undisclosed assets and gifts increased the total value of the estate by \$8,537,600.

The other estate, it was reported, should have included gifts amounting to \$350,000 of unreported gifts to family while other gifts uncovered by the investigators amounted to \$360,000. In addition shares owned by the estate were revalued at an increase of \$900,000.

WALLACE NESBITT.

Original duty \$ 472,547
Additional 1,549,252

Inquiry was started through probe "into the practice of various brokerage houses in connection with the handling of various succession duty-free bonds of the Province of Ontario. When it was evident the department was getting very close to the real state of affairs the head of the brokerage house mostly concerned found it necessary and convenient to leave for England on a hurried passage on the liner Bremen."

Nesbitt "had occupied during his lifetime positions of high importance . . . it was evident that he had been endowed with great mental faculties and it is regrettable that the only conclusion that the department can now draw is that he used these mental faculties during a large part of his lifetime to conceive ways and means of avoiding and evading taxation."

JOHN McCLARY.

Original duty \$145,000
Additional duty 700,000

The additional duty collected was based on non-disclosure of gifts to various members of the family, aggregating \$482,000 and through revaluation of stock of the company, which was grossly undervalued. Affidavits had been obtained from various donees and with one exception all of them declared that they had received no gifts save what might have been given for his or her maintenance, education and support. Despite these affidavits, investigation revealed that the total gifts received by four of the individuals was in excess of \$75,000 and the average per person approximately \$50,000.

The value of the shares in the company was increased by two and a half million dollars. These were declared at \$300 per share and it was found that at or about the time of probate offers in excess of \$1,200 per share had been turned down by the deceased and by his representatives after his death.

SPENCER ESTATES.

Original duty \$212,191.14
Additional 660,000.00

Our investigation disclosed that millions of dollars of bearer investments of different types had been withheld from the estate assets and that large gifts of similar bearer securities had been made to various members of the family and not reported for succession duties. Members of the family all denied any knowledge of the above-mentioned transactions.

The evidence, after investigation, was so conclusive that all admitted

guilt and settlement was made for \$660,000 additional duty, interest and penalties.

ELLEN SMALLMAN.

Original duty \$32,112.84
Additional duty 627,722.96

Investigation here disclosed that bearer investments of approximately two million dollars were withheld from the estate assets as reported to the succession duty office. It was apparently the opinion of the estate representatives that bearer securities could not be traced, and for that reason they were not reported. In this case, as in almost every case where bearer securities have been withheld, the department found that the same practice of evasion was made in connection with the income tax. As a result of the departmental investigation the Crown recovered an amount almost twenty times the amount which had originally been paid at the time of probate.

SIR JOHN EATON.

Original duty \$6,388,386
Additional duty 542,666

The investigation into this estate revealed the high-water mark for attempts which were made to circumvent the proper payment of succession duty—attempts not made or instigated by the deceased himself in any large degree, but concocted and voluntarily schemed by a group of associates at a time when the deceased had been stricken down and was lying for two weeks preceding death in a state of coma. During this period every means was being resorted to that medical skill could find in order to effect his recovery, but it was during this same period that his business associates were so concerned with the adoption of methods to reduce the payment of succession duties to this Province that, acting under a general power of attorney executed by the dying man many years before when he had been in the prime of health, and given with the apparent intention of enabling his extensive affairs to be conducted during his frequent absences, they purchased succession duty-free bonds to an amount exceeding \$1,600,000.

It should be remembered that this main group of associates included individuals who were to become executors of the estate following this man's death. There was no limit to the extent of the activities of these friends in order to gain their objective. Activities and responsibilities which can safely be said to have been taken and conducted without the slightest knowledge of the dying man.

Handicapped as these associates were by this man's illness and having neither the time nor the means to carry out their schemes directly on behalf of the deceased, it was arranged by them that the company which the deceased controlled should, during this same period, advance a loan to the amount of \$1,200,000 to assist in the purchase of these succession duty-free bonds, which were going to be included in his estate. In their frenzied rush against time, our investigation revealed that it was necessary even to falsify the records of a bank; further, that many of the bonds being purchased had not become the actual property of the deceased at the time of his death; that the purchase money for some of these bonds was received by the dealer subsequent to the testator's death; that there was misrepresentation of the delivery date of some of these bonds; that securities, confirmed by the dealer as sold to the deceased prior to his death, had not at the same date of death been acquired by the dealer who had subsequently confirmed their sale to this group.