

TAX DODGERS, THE UGLY TRUTH

By Stephen Kimber



In 1972, Kenneth Colin Irving suddenly disappeared from the province in which he had been born, built his business empire and prospered.

Poof... Gone.

But then, like magic, he immediately popped backed up again, freshly re-minted, no longer a New Brunswicker but now a Bermudian. Canadians for Tax Fairness estimates that, during that presto-change-o process, Irving "stashed at least \$3 billion of his assets in Bermuda."

Bermuda, of course, is what one critic has described as "the North Korea of offshore centres," a happy hunting ground for international tax avoiders.

We are talking, of course, about *those* Irvings: our revered oil and gas, newsprint, newspaper, toilet paper, shipbuilding, ship repairing, marine terminal constructing, heavy equipment renting (phew!... take a breath), railroading, trucking, home renovating, french-fry-making, New Brunswick-owning Irvings.

Although most of the businesses from which Irving created his wealth were – and are – rooted in New Brunswick, their profits immediately began flowing to his new residence in Bermuda, neatly bypassing the Canadian taxman.

Thanks to Irving's legally defensible geographic and accounting jiggery pokery, K.C. managed to not only avoid "hundreds of millions in capital gains taxes," but he also didn't pay \$142 million in Canadian taxes – on just one of his Bermuda subsidiaries!

And that was then...

By the time K.C. Irving died in 1989 at the age of 89, *Fortune* magazine estimated his personal fortune at \$5.6 billion, making him then the 11th wealthiest man in the world. (These days, Ikea's Ingvar Kamprad – see page 119 – another notorious tax avoider, checks in at number 11 on some wealth listicles. Could there be a pattern here? But I digress...)

K.C. Irving, progenitor of those Irvings and their successful corporate empires, must also be remembered, less fondly, as one of this country's tax-avoiding trail blazers. His well-worn trail – leading eventually to Lichtenstein, the Caymans, the Isle of Man, the Bahamas and assorted tax havens – is now littered with billions of dollars in unreported, untaxed Canadian income.

What makes the Irving tax tale especially intriguing – not to forget egregious – is that it has continued unchecked and unchallenged for close to 45 years. As *Financial Post* columnist Diane Francis put it not so long ago: "Most of New Brunswick is still owned by a series of tax-free Bermuda trusts on behalf of the Irving family."

The biggest change since 1972: there are now more places into which various generations of Irvings can pack their profits. According to a recent report in the *Globe and Mail*, there are now at least 174 privately held Irving companies – perhaps as many as 250 – worth a combined \$10 billion or more.

The Irvings don't just not pay federal taxes. In 2004, Irving Oil managed to squeeze property tax concessions that resulted in Irving cutting a single cheque to the City of Saint John for \$500,000 instead of paying \$8 million a year for 25 years! The provincial government then passed a bill "whose sole purpose was to green-light" the arrangement.

And so it goes.

New Brunswick? It has not fared as well as the Irvings. The province's deficit this year will nudge \$500 million, and its accumulated debt is \$12.6 billion – not that much more than what the Irving companies are said to be worth.

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So here's a question. What if the Irvings had paid their fair share of Canadian federal, provincial and municipal corporate and individual taxes since 1972?

And here's another. How much of the at least \$199 billion estimated to be hidden offshore by wealthy Canadians – robbing government coffers of at least \$8 billion a year – has been squirreled away by Atlantic Canada's wealthiest companies, families and individuals? At what cost?

We may never know. Canadian governments, including the current one, soap-box about the need to shutter tax havens and close tax loopholes. But there's been precious little action to achieve either.

And that continues to cost us all.

Stephen Kimber, who teaches journalism at the University of King's College, is the award-winning author of one novel and nine nonfiction books.

FEEDBACK

✉ skimber@atlanticbusinessmagazine.com;
dchafe@atlanticbusinessmagazine.com;

🐦 @skimber; @AtlanticBus; @ABM_Editor; #JustSayin'