

INCOME TAXATION OF PARTNERSHIPS AND THEIR PARTNERS, by Brian J. Arnold and D. Keith McNair, Carswell, Toronto, 1981 pp. v and 212, \$38.00.

The taxation of partnerships and their partners is one of the most complicated parts of the Income Tax Act, and is not familiar to the general Bar — even though many lawyers practise in partnership. *Arnold and McNair* will, therefore, be a welcome addition to most firms' libraries.

This monograph is extracted from chapter 8 and part of chapter 19 of Ward, Smith and Arnold's looseleaf service "Current Tax Planning". Unfortunately, this means that it suffers from the double disadvantage of (1) being taken out of context and (2) likely to become obsolete rapidly. The latter is a problem common to all texts on such a rapidly changing field as taxation; the former makes the reader wonder why the authors did not devote greater attention to re-organizing and extending the material to make the book more self-sufficient and useful to the neophyte reader.

This reviewer thinks that it would have been useful if the authors had started with a careful description of what constitutes a partnership, the relationship between it and the various partners, and the relationship between partners *inter se*. Instead, page 1 starts right in with a discussion of the "many complex new provisions dealing with partnerships" under the Income Tax Act and the Income Tax Application Rules. Even a reader with considerable familiarity in taxation — but not an expert on the taxation of partners and partnerships — has difficulty orienting himself to this approach. Perhaps a second edition could start with the discussion on page 7 dealing with "the concept of a partnership", which is not clearly understood by many people, even counsel.

Second, it should be noted that the authors made some attempt to explain how the Income Tax Act treats partnerships as conduits of income to the constituent partners, who in fact pay the tax arising on the income earned by the partnership. A good example of this is the discussion on pages 59 through 67 of the calculation of the "adjusted cost base of a partnership interest", dealing with the special rules contained in section 53 of the Act to provide for a number of adjustments to the cost base of a partnership interest so as to avoid double taxation. The text abounds with numerical examples, which provide a useful practical note, although considerable attention is required to digest exactly what is being explained.

Similarly, the appendix contains two useful precedents: one an Alberta Limited Partnership Agreement, and the other a Professional Partnership Agreement. Both of these are useful in their own right, as are the annotations made by the authors with respect to various of the clauses contained therein.

Finally, there is an extremely useful section on income tax planning for partnerships. This alone justifies the purchase price of the book!

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