

FEDERAL OIL & GAS TAXATION, by J. B. Katchen and R. W. Bowhay, 3rd edition, 1979, Richard DeBoo Limited, Toronto, 150 pp., \$34.95.

CANADIAN TAXATION OF OIL AND GAS INCOME, by E. N. Holland, G. R. Schulli, and R. M. Kemp, 1979, C.C.H. Canadian Limited, Toronto, 434 pp., \$35.00.

THE TAXATION OF PARTNERSHIPS, by L. A. Eddy, second edition, 1977, Richard DeBoo Limited, Toronto, 190 pp., \$21.95.

CAPITAL GAINS AND ROLLOVERS, by L. A. Eddy, 1979, Richard DeBoo Limited, Toronto, 200 pp., \$35.00.

One might reasonably ask why persons would write *books* on specialized areas of the Income Tax Act. On the one hand, by the very fact of being published in book form, these texts may rapidly become outdated. Readers, and particularly professional advisors who require accurate up-to-the-minute information about the Act, are almost certain to rely on the various loose-leaf tax services which keep much closer track of the frequent and voluminous amendments being made each year (or even more frequently) to the Act. On the other hand, the theoretical concepts underlying various areas of taxation are ideally suited to separate treatment in book form, even at some cost to currency.

Katchen and Bowhay's *Federal Oil & Gas Taxation* probably suffers the most from this trade-off. Political and economical events during the last decade have greatly changed the economic climate of the oil and gas industry throughout the world, and this, coupled with federal and provincial tensions, has been reflected by frequent amendments to this area of the Act. Indeed, it is not possible to understand the taxation of oil and gas operations in Canada without reference to both the Federal Parliament's disallowance of the deduction of Crown royalties payable to provincial governments for the purpose of calculating federal income tax, and the subsequent introduction of tax reductions and credits (in varying forms) by provincial governments. These tensions, as well as the temptation to tax resource industries more heavily than other businesses on equivalent profit, appear likely to endure for some time into the future.

While it would be unrealistic to expect Katchen and Bowhay to provide readers with a crystal ball to foresee these major developments, one hopes that their fourth edition will document these certain changes. One could also ask for further discussion on the economic and policy issues underlying the tax treatment of revenue from oil and gas operations. Why should the Act allow a deduction for depletion? Why should Canadian exploration costs be treated effectively as totally deductible current expenses? Why should Canadian development expenses be treated differently? And why should individuals be treated differently from corporations? How does the Act encourage further exploration for these resources, or ensure that Canada's supply is both secure and sufficient to meet its projected demand? Of course, *Federal Oil & Gas Taxation* is a technical book written (one presumes) principally for lawyers and accountants who want a general idea of the rules applicable to these operations; policy questions may not interest them when advising their clients.

In this reviewer's opinion, C.C.H.'s *Canadian Taxation of Oil and Gas Income* is a much more useful text for both the general reader and his professional advisors. It is much longer than Katchen and Bowhay's book

(410 pages compared with 150); this undoubtedly gives it a competitive advantage in being able to explain the peculiarities of the oil and gas industry to the uninitiated reader, as well as to provide a lengthier and more organized discussion of each of the salient tax considerations arising in the industry. In addition, Holland, Schulli and Kemp devote three complete chapters (chapters 28, 29 and 30) to tax shelters. These chapters are extremely useful to the reader who wants to know not only what are the technical rules governing the taxation of this industry, but also how the rules can be used. Finally, while (notwithstanding its title) Katchen and Bowhay frequently refer to provincial taxation of oil and gas revenue, Holland, Schulli and Kemp devote a separate chapter to the tax and royalty treatment of these properties in each of the three western provinces. In sum, therefore, it is submitted that the concepts which are developed and explained in *Canadian Taxation of Oil and Gas Income* will be useful to the reader long after the unremitting flood of amendments to the Act have eroded the usefulness of *Federal Oil & Gas Taxation* and have made a fourth edition necessary.

Larry Eddy's books *The Taxation of Partnerships* and *Capital Gains and Rollovers* also measure up quite well as useful conceptual texts. The provisions dealing with partnerships are some of the most difficult parts of the Act, despite the frequency with which this form of business organization is used. Although *The Taxation of Partnerships* is the oldest of the four books reviewed here, it provides a good conceptual framework to the reader for understanding these provisions of the Act; and Chapter 8, *Tax Planning*, focuses on practical ways for the reader to use these provisions. Similarly, Mr. Eddy's recent book on *Capital Gains* provides a thorough treatment of subdivision c of Division B of Part I of the Act. His three chapters on rollovers (Chapters 13, 14 and 15) show the reader how to use the Act to defer the crystallization of capital gains in a large number of practical circumstances. Even though this book will date with each succeeding Federal Budget, it will be extremely useful for the average practitioner who is interested in the tax consequences of his client's transactions, but who is not (and does not want to become) a tax expert.

Therefore, at least three of these books are useful for their discussions of the concepts underlying the Income Tax Act, and could thus even benefit a firm which subscribes to one or more of the looseleaf services.

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