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<b>LIMITED PARTNERSHIPS</b> <b>Lyle R. Hepburn</b>  <b>Release No. 6, July 2025</b>
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This text is a thorough guide to the law of limited partnerships in Canada. It contains relevant legislation and jurisprudence from each province and the territories. It also provides valuable forms and precedents as well as tax valuations. This publication offers an index for selected legal literature on limited partnerships, which includes citations to secondary legal literature from both the United States and the Canadian legal community. The materials indexed are useful both for theoretical studies and as an aid to the practice of law.

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### What's New in this Update:

This release features updates to the case law annotations under the *Partnership Act* in Chapter 16—British Columbia. This release also features updates to the case law annotations under the *Partnerships Act* in Chapter 20—Ontario. This release also includes an update to the Canada Revenue Agency information notice regarding Partnerships.

### Highlights:

- **British Columbia—Partnership Act—Section 55**—Justice Douglas explained that section 55(2) of the *Partnership Act*, R.S.B.C. 1996, c. 348, defines a limited partner's interest in a limited partnership as personal property, noting that Justice Harris confirmed in *Asher Place* that, in BC, a limited partnership is a creature of statute and governed by Part 3 of the *Partnership Act*. Typically, a limited partner does not participate in the management of the limited partnership, a function reserved for the general partner, and, as a rule, a limited partnership acts only through its general partner. Limited partners are passive investors in a limited partnership but nonetheless have an interest in it. A limited partner may advance a derivative claim, in the name and on behalf of a limited partnership, against the general partner alleged to have wronged the partnership. Justice Douglas concluded that the plaintiffs, as limited partners, had no direct proprietary interest in the assets of the WS Scott LP, including the allegedly diverted Project sale proceeds. Justice Douglas concluded that the plaintiffs' remedy was to pursue a common law derivative action, in the name and on behalf of the WS Scott LP. Plaintiffs' counsel provided no authority to support the proposition that the plaintiffs, as limited partners, could advance personal proprietary claims to an interest in the subject lands, in their own names and on their own behalf: *Lam v. WS Scott Station Development Limited Partnership*, 2025 CarswellBC 242, 2025 BCSC 149 (B.C. S.C.).
- **Ontario—Partnerships Act—Section 29**—A motion by the plaintiff Cirone for an Order compelling the defendant/plaintiff by counterclaim, Morris to answer questions refused at his examination was granted. Section 29(1) of the *Partnership Act*, confirms that an obligation to account may arise whenever a benefit has been derived by a partner, without the consent of the other partners, from any transaction concerning the partnership. The plaintiff alleged that the defendant partners withdrew \$700,000 of partnership funds without the consent of the plaintiff. The plaintiff further alleged that a GIC for \$220,000 had gone missing from the firm's operating funds during the accounting period without explanation. The plaintiff

alleged that the \$220,000 was a firm asset withdrawn from the firm's bank accounts by the defendant partners without the plaintiff's knowledge or consent. The Associate Justice noted that the Ontario Court of Appeal in *Rochwerg v. Truster* confirmed that s.29(1) of the *Partnership Act* must be interpreted broadly such that while a transaction "concerning the partnership" requires a link between the transaction and the partnership, that link can include, but is not limited to, activities or services within the "scope of the [partnership] business". In the Associate Justice's view, the wording of section 29(1) of the *Partnership Act*, in relation to the allegations as pleaded rendered the trust accounts relevant to the issues as pleaded. In this regard, the firm's trust accounts contained information which concerned the partnership as there was a link between the trust accounts and the activities or services within the scope of the partnership business: *Cirone v. Morris*, 2024 CarswellOnt 21118, 2024 ONSC 7385 (Ont. S.C.J.).