ruling arising presumably from the sections of the Act heretofore referred to, the policyholders, in the event that they wish to purchase the interest of the shareholders, are placed in an entirely different position.

It must be pointed out that in the case of The National Life Assurance Company of Canada and, so far as is known, in the case of all other life insurance companies in Canada incorporated under the laws of the Parliament of Canada, no plan of mutualization can be accomplished without special Acts of Parliament and, in consequence, any such plan, which upon investigation appears to be designed to avoid taxation could, and presumably would, have this fact brought to light during consideration of such petitions for change in status. Therefore, any proposed amendment to the Income War Tax Act accomplished as a result of this petition would not in any way open the doorway to the possibility of any evasion of taxation.

What is sought, as a result of this petition, is a clear-cut statement in the Income War Tax Act, as amended, to the effect that the provisions of Sections 17, 19 and 32A do not apply in the case of the mutualization of life insurance companies who seek amendments to their Acts of Incorporation in order to provide for the purchase of shareholders interest by the policyholders of such life companies. When this proposed amendment to the Income War Tax Act has been made, then and then only, will life companies be able to carry through mutualization plans however unanimously or eagerly such plans may be sought by all parties concerned.

We wish further to submit that any proposal to effect mutualization of a life company constitutes such a final and irrevocable step that it is not likely to be entered into lightly by the shareholders and certainly the basic purpose of any such step must inevitably be the mutualization of the Company.

It is respectfully submitted that the principle of the mutual operation of life companies is well accepted and the doorway to further extension of this mutualization principle should not be closed by reason of provisions in the Income War Tax Act which presumably were not meant to cover this type of transaction.

I would like to say that we present this brief with the thought of remedying a situation with respect to which all parties concerned share the same views. In other words, we believe that even the Income Tax Department shares our views—the Department can, of course, speak for itself—we believe that it shares our views about the inequalities involved, but is unable to do anything about it because of the way the Act reads.

I should like to say further that I am speaking only for our own company, although I refer you in this brief to its effect on other life insurance companies, and perhaps those companies may be interested in the same thing.

I will give an example. Let us say that a group of persons approach the shareholders of a life company, and they want to buy the shares in that company for a certain price, let us say $100 a share. The existing shareholders are considering the offer, and they confer one with the other and say, "If we are going to dispose of our shares, why not dispose of them to our policyholders and complete the mutualization of the company?" They find that in the case of the fist transaction there is no tax liability; in the case of the second transaction there will be a definite liability.

I would point out also that it is doubtful whether the fact that life companies must seek amendments to their act of incorporation before they can complete these transactions has been fully realized by the Income Tax Department, or were thought about when these provisions were so interpreted. It means in effect that any mutualization plan which is carried through must be separately investigated and passed by the Banking and Commerce Committee. The exact