

# Tax Adviser's Letter

## On Taxation of The Trust And Unitholders

(Prepared for inclusion in this Prospectus)

29 March 2000

**PricewaterhouseCoopers Taxation Services Sdn Bhd**  
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 Wisma Sime Darby  
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 P.O.Box 10192  
 50706 Kuala Lumpur

**The Board of Directors**  
 BHLB Pacific Trust Management Berhad  
 52 & 54, Jalan SS21/39  
 Damansara Utama  
 47400 Petaling Jaya  
 Selangor Darul Ehsan

Dear Sirs

### **TAXATION OF THE 5 FUNDS<sup>1</sup> ("THE TRUST") AND UNITHOLDERS**

This letter has been prepared for inclusion in the Master Prospectus to be dated 29 April 2000 in connection with the offer of units in the 5 funds.

The taxation of income for both the Trusts and the Unitholders are subject to the provisions of the Malaysian Income Tax Act 1967 ('the Act'). The applicable provisions are contained in Section 61 of the Act which deals specifically with the taxation of trust bodies in Malaysia.

The Trusts will be regarded as resident for Malaysian tax purposes since the Trustees of the Trusts are resident in Malaysia.

The income of the Trusts consisting of dividends, profit<sup>2</sup> or interest (other than interest which is exempt from tax) and other investment income derived from or accruing in Malaysia after deducting tax allowable expenses, is liable to Malaysian income tax at the rate of 28 per cent.

Dividends received by the Trusts would have suffered tax deducted at source at 28 per cent, unless specific exemptions apply eg pioneer company dividend. There is no further tax that will be payable by the Trusts on the dividends. However, such tax or part thereof will be refundable to the Trusts if the total tax so deducted at source exceeds the tax liability of the Trusts.

Income of the Trusts in respect of dividends received from overseas investments is exempt from tax and distributions from such income will be tax exempt in the hands of the unitholders.

Interest income from the following investments is exempt from tax:

- (a) Securities or bonds issued by the Government;
- (b) Bonds, other than convertible loan stock, issued by public companies listed on the Kuala Lumpur Stock Exchange;
- (c) Bonds, other than convertible loan stock, issued by a company rated by Rating Agency Malaysia Berhad and Malaysian Rating Corporation Berhad;
- (d) Bon Simpanan Malaysia issued by the Central Bank of Malaysia; and
- (e) Interest paid or credited by any bank or financial institution licensed under the Banking and Financial Act 1989 or the Islamic Banking Act 1983.

The interest income exempted from tax at the unit trust level will also be exempted from tax when it is distributed to the unit holders.

Deductions in respect of Managers' remuneration, maintenance of register of Unitholders, share registration expenses, secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postage are allowed based on a formula subject to a minimum of 10 per cent and a maximum of 25 per cent of the expenses.

Profits on disposal of investments by the Trusts will not be subject to income tax but where the investments represent shares in real property companies, such profits will be subject to real property gains tax (RPGT). A real property company is a controlled company which owns or acquires real property or shares in real property companies with a market value of not less than 75 per cent of its total tangible assets. A controlled company is a company which does not have more than 50 members and is controlled by not more than 5 persons. The rates of RPGT applicable on such gains are as follows:

<b>Category of disposal</b>	<b>Rate of RPGT</b>
Disposal within 2 years after date of acquisition	30%
Disposal in 3rd year after date of acquisition	20%
Disposal in 4th year after date of acquisition	15%
Disposal in 5th year after date of acquisition	5%
Disposal in 6th year after date of acquisition and thereafter	Nil

Unitholders will be taxed on an amount equivalent to their share of the total taxable income of the Trusts to the extent of the distributions received from the Trusts. The income distribution from the Trusts will carry a tax credit in respect of the tax paid by the Trusts. Unitholders will be entitled to utilise the tax credit against the tax payable on the income distribution received by them. No additional withholding tax will be imposed on the income distribution from the Trusts.

Corporate Unitholders, resident and non-resident, will be liable to income tax at 28 per cent on distributions of income received from the Trusts. The tax credits attributable to the distribution of income will be utilised against the tax liabilities of these Unitholders.

Individuals and other non-corporate Unitholders who are resident in Malaysia will be subject to income tax at graduated rates ranging from 2 percent to 30 per cent (reduced to 29 per cent with effective from year of assessment 2000 (current year)). Individuals and other non-corporate Unitholders who are not resident in Malaysia will be subject to income tax at 30 per cent (reduced to 29 per cent with effective from year of assessment 2000 (current year)). The tax credits attributable to the distribution of income will be utilised against the tax liabilities of these Unitholders. Non-resident unitholders may also be subject to tax in their respective jurisdictions and depending on the provisions of the relevant tax legislation and any double tax treaties with Malaysia, the Malaysian tax suffered may be creditable in the foreign tax jurisdictions.

The distribution of gains arising from the disposal of investments of the Trusts will be exempted from tax in the hands of the Unitholders.

Any gains realised by Unitholders (other than dealers in securities, insurance companies or financial institutions) on the sale or redemption of the units are treated as capital gains and will not be subject to income tax.

Unitholders electing to receive their income distribution by way of investment in the form of new units will be regarded as having purchased the new units out of their income distribution after tax.

We hereby confirm that the statements made in this report correctly reflect our understanding of the tax position under current Malaysian tax legislation.

Yours faithfully

for and on behalf of

**PRICEWATERHOUSECOOPERS TAXATION SERVICES SDN BHD**

**Kang Beng Hoe**

**Executive Director**

PricewaterhouseCoopers Taxation Services Sdn Bhd have given their written consent to the inclusion of their report as Tax Advisers in the form and context in which it appears in this Prospectus and have not withdrawn such consent prior to the delivery of a copy of this Prospectus for approval.

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<sup>1</sup> The 5 funds are:-

BHLB Pacific Double Growth Fund

BHLB Pacific Emerging Companies Growth Fund

BHLB Pacific Savings Fund

BHLB Pacific High Growth Fund

BHLB Pacific Dana Al-Ihsan

<sup>2</sup> For the BHLB Pacific Dana Al-Ihsan in which is conducted in accordance with the Principles of Shariah, income will also include gains or profits in lieu of interest which will be treated as interest for purposes of taxation.

29 March 2000

The Board of Trustees / Directors  
BHLB Pacific Trust Management Berhad  
52 & 54, Jalan SS21/39  
Damansara Utama  
47400 Petaling Jaya  
Selangor Darul Ehsan

Dear Sirs

**Re: BHLB PACIFIC BOND FUND  
TAXATION OF THE TRUST AND UNITHOLDERS**

**Taxation of the Unit Trust Fund**

The Fund and Unitholders are subject to the provisions of the Malaysian Income Tax Act, 1967, and in particular Section 61 thereof which deals specifically with the taxation of trust bodies established in Malaysia.

**Tax Position of the Fund**

The income of the Fund in respect of dividends from Malaysian companies and interest income from deposits is liable to Malaysian income tax at the rate of twenty eight percent (28%) with effect from Year of Assessment 1998.

Deductions in respect of the Management Company's remuneration, secretarial, audit and accounting fees, telephone charges, printing and stationery costs and postage are allowed based on a formula subject to a minimum of ten per centum (10%) and a maximum of twenty five percent (25%) of the expenses.

Profit on the disposal of investments by the Fund is not subject to income tax. Similarly, interest income earned from securities or bonds issued by the Government, or bonds, other than convertible loan stocks, issued by public companies listed on the Kuala Lumpur Stock Exchange (KLSE) or by a company rated by Rating Agency Malaysia Berhad or Malaysian Rating Corporation Berhad or Bon Simpanan Malaysia issued by Bank Negara Malaysia are exempted from income tax. With effect from Year of Assessment 1999, interest income of the Fund derived from Malaysia and paid or credited by any bank or financial institution licensed under the Banking Financial Institutions Act 1989 or the Islamic Banking Act 1983, will also be exempt from tax.

With effect from Year of Assessment 1998, income received by the Fund from sources outside Malaysia is exempt from tax.

With the gazetting of the Income Tax (Amendment) Act 1999 on 8 July 1999, income derived in 1999, i.e. the basis period for Year of Assessment 2000 (preceding year basis), other than dividend income paid out of prior years income, shall be waived from income tax. The tax payable on dividend income would however be sheltered by the corresponding Section 110 credit.

**Tax Position of the Unitholders**

Unitholders are taxed on an amount equivalent to their share of the total taxable income of the Fund, to the extent that this is distributed to them. The income distribution from the Fund will carry with it a tax credit in respect of the tax paid by the Fund. Unitholders are entitled to utilise the tax credit as a set off against the tax chargeable on the income distribution received by them. No additional withholding tax will be imposed on the income distribution from the Fund.

Corporate Unitholders, resident or non-resident in Malaysia, are liable to income tax at twenty eight percent (28%) with effect from Year of Assessment 1998 on distribution of income from the Fund to the extent of an amount equivalent to their share of the total taxable income of the Fund.

Individuals and other non-corporate Unitholders who are resident in Malaysia will be subject to income tax at graduated rates. Individuals and other non-corporate Unitholders who are not resident in Malaysia, for tax purposes, are subject to income tax at thirty percent (30%). [It was proposed in the 2000 Budget that the rate will be reduced to twenty nine percent (29%) with effect from Year of Assessment 2000 (current year basis). However, the relevant Finance Bill has yet to be gazetted at the date of the issuance of this letter].

The distribution of gains arising from the disposal of investments of the Fund and other exempt income earned by the Fund are exempt from tax in the hands of Unitholders. With effect from Year of Assessment 1998, distributions of exempt foreign income are also similarly exempt in the hands of the Unitholders. In the case of corporate Unitholders, distribution from foreign exempt income can also be further paid out to its shareholders and is also exempt in their hands.

Any gains realised by Unitholders (other than dealers in securities, insurance companies or financial institutions) on the transfers or redemptions of the Units are treated as capital gains and not subject to Malaysian taxes.

Unit split issued by the Fund are exempt from tax in the hands of the Unitholders.

With the gazetting of the Income Tax (Amendment) Act 1999 on 8 July 1999, income derived in 1999, i.e. the basis period for Year of Assessment 2000 (preceding year basis), other than dividend income paid out of prior years income, shall be waived from income tax. The tax payable on dividend income would however be sheltered by the corresponding Section 110 credit.

The tax position is based on the Malaysian tax laws and provisions as they stand at present. Unitholders are advised to seek professional advice on their respective tax positions.

Yours faithfully

**Chew Theam Hock**  
**Director**