

## **BPY Privatization – Tax Q&A**

### **For Canadian unitholders**

1. Is the disposition of BPY units a taxable transaction?
  - The disposition of BPY units is a taxable transaction, unless a shareholder receives BAM shares as consideration and elects “rollover treatment” for their BPY units exchanged for BAM shares. The exchange of BPY units for BAM shares would be tax deferred, provided that a joint tax election is filed under section 85 of the Tax Act.
  - If a shareholder elects rollover treatment and files a joint tax election, there would be two separate transactions to report, one of which would be tax deferred: (i) the sale of a number of BPY units in exchange for cash and New LP preferred units is taxable, and (ii) the sale of a number of BPY units in exchange for BAM shares is tax deferred.
  
2. Am I eligible for a tax deferred transfer of my BPY units for BAM shares and how do I complete this?
  - Refer to pages 7 and 8 of the Letter of Transmittal and Election Form. In summary, to be eligible for a tax deferred transfer / rollover treatment:
    - The unitholder must be an Eligible Canadian Holder which includes a resident of Canada that is not exempt from tax;
    - The Eligible Canadian Holder must elect rollover treatment by ticking the appropriate box on page 7 of the Letter of Transmittal; and
    - The Eligible Canadian Holder must make a joint tax election through a website: <https://iqm-ca.pwc.com/Global/Account/LogOn?ReturnUrl=%2fTaxElection%2fSurveySession%2fIndex>  
The joint tax election must be filed within 85 days following the Effective Date (closing date of the transaction, which is July 26, 2021).
  
3. What are the proceeds of disposition for tax purposes of my BPY units?
  - If a joint tax election is not made and it is a fully taxable transaction, the proceeds of disposition of the BPY units is equal to the fair market value of the consideration received. The proceeds of disposition would be: (a) for BPY units sold for cash, the amount of the cash; (b) for BPY units sold in exchange for New LP units, the liquidation value of USD \$25 per unit; and (c) for BPY units sold in exchange for BAM shares with no joint tax election being made, the FMV of the BAM shares. Canadian tax rules do not specify the precise method to determine fair market value (FMV) of property, however a commonly used method is the 5-day VWAP of the BAM shares ending on the closing date, which is CAD \$63.1859 per share.
  - If a joint tax election is made, the proceeds of disposition of the BPY units sold in exchange for BAM shares pursuant to such election, should be equal to the elected amount as per the joint tax election form.
  
4. If I received my BPY units in 2013 from the spin-off by BAM, what is the tax cost base of my units?
  - Please refer to the website for the cost base continuity up to the transaction date: <https://bpy.brookfield.com/~media/Files/B/Brookfield-BPY-IR-V2/tax-information/2021%20Forms/BPY%20Adjusted%20Cost%20Base%202021%20-%20Updated%20for%20Q1%202021.pdf>

5. What will be the tax cost base of the New LP units and BAM shares that I receive?
  - The tax cost base of the New LP units should be the liquidation value of USD \$25/unit
    - If no joint tax election is made, the disposition for BAM shares is a fully taxable transaction and the tax cost base for BAM shares should be the FMV of the BAM shares received as described in the first bullet of 3 above plus any fractional share cash consideration.
    - If a joint tax election is made, the tax cost base for the BAM shares received should be equal to the elected amount on the joint tax election form less any fractional cash consideration received from BAM.
  
6. How will the distributions from New LP be taxed?
  - The distributions from New LP are expected to be 100% taxable as interest income.
  
7. What tax slip will New LP unitholders receive?
  - New LP unitholders will receive an annual T5013 slip.
  
8. Will distributions from New LP be subject to withholding tax?
  - We expect that Canadian shareholders would not be subject to withholding tax on New LP distributions.
  
9. How will dividends from the BAM shares be taxed?
  - Dividends from BAM received by individuals should be treated as eligible dividends. Refer to the Tax section on BAM's web site for more details.
  
10. What tax slips will BAM shareholders receive?
  - BAM shareholders will receive a T5 slip.
  
11. Are the BAM shares and the New LP units eligible investments, for purposes of registered accounts (RSP, TFSA, etc)?
  - Yes, the BAM shares and the New LP units will be qualified investments under the Income Tax Act for a trust governed by a Registered Plan.
  
12. Do I need to file a Form T1135 in respect of the New LP units or BAM shares?
  - No