



## Information for individual shareholders resident in the UK

The following information:

- should be read in conjunction with Section 1 of Part X of the Circular published on 10 December 2013; which can be found [here](#);
- does not constitute tax advice and is intended only as a guide to current United Kingdom law and HMRC's published practice (which are both subject to change at any time, possibly with retrospective effect);
- relates only to certain limited aspects of the United Kingdom taxation treatment of shareholders and is intended to apply only to shareholders who are resident only in the United Kingdom for United Kingdom tax purposes and to whom split-year treatment does not apply and who are and were at all relevant times the absolute beneficial owners of their original Vodafone Shares, their New Ordinary Shares, their B shares, and/or C shares and their Verizon shares (as the case may be) and who at all relevant times held and hold them as investments (and not as securities to be realised in the course of a trade);
- is not exhaustive and may not apply to certain shareholders, such as dealers in securities, broker dealers, insurance companies and collective investment schemes, shareholders who are exempt from taxation and shareholders who have (or are deemed to have) acquired their Vodafone shares by virtue of an office or employment. Such persons may be subject to special rules.

**Shareholders who are in any doubt as to their tax position should consult an appropriate professional adviser.**

## How will I be taxed if I chose to receive B shares and I am a UK Shareholder?

### *The cash payment*

Depending on your individual circumstances, the cash payment may be subject to capital gains tax. The size of any capital gain will depend on the base cost of your original Vodafone shares. Whether the gain is taxable will depend on, among other things, whether any of your annual exempt amount is available.

### *The Verizon shares*

You will not be taxed when you receive the Verizon shares. However, the base cost of your Verizon shares may be less than their market value at the point the Scheme became effective. The base cost of your Verizon shares will be relevant to the calculation of any tax payable when you ultimately sell your Verizon shares.

After the Return of Value, the base cost of your original Vodafone shares will be allocated between your: (i) cash payment; (ii) New Vodafone Shares; and (iii) Verizon shares.

### **Example**

*James acquired 100 Vodafone shares when the share price was £1.50. His total original base cost is therefore £150 and he elects for B shares.*

*Assuming James elected to receive sterling, for tax purposes he would record cash of £29.53 (100 x \$0.4928005, converted to GBP at the USD:GBP foreign exchange rate on 21 February 2014, being 1.6686) in respect of the Return of Value. (Note that the actual cash received will be slightly different because the foreign exchange rate for tax purposes is different to that used to remit sterling proceeds to shareholders\*\*)*

*After the consolidation, James is left with:*

- 54 New Vodafone Shares (100 x 6 / 11, rounded down) with an aggregate market value on 24 February 2014 (the first day of trading) of £130.90 (54 x £2.42); and*
- 2 Verizon shares (100 x 0.0263001, rounded down) with an aggregate sterling market value on 24 February 2014 (the first day of trading) of £56.55 (2 x \$47.02, converted to GBP at the USD:GBP foreign exchange rate on 24 February 2014 of 1.6631).*



James needs to allocate the base cost of his original Vodafone shares between the: (i) cash payment; (ii) New Vodafone Shares and (iii) Verizon shares. He also needs to adjust the base cost to deal with fractional entitlements.

**Step 1:** apportion the base cost between the part of the holding disposed of for the cash received and the rest of the holding.

James's original base cost is £150. The proportion of the base cost attributable to the part of the holding disposed of is the amount of cash recorded by James (£29.53), divided by the sum of the cash amount recorded (£29.53) plus the aggregate market value, on 24 February, of James' New Vodafone Shares (£130.90) and Verizon shares (£56.55) – 13.61% (i.e.  $£29.53 \div (£29.53 + £130.90 + £56.55)$ ).

The amount of the base cost attributable to the part of the holding disposed of for the cash received is therefore equal to 13.61% of James's original base cost – £20.41 ( $£150 \times 13.61\%$ ).

**Step 2:** apportion the balance between the New Vodafone Shares and the Verizon shares.

The balance in James's case is £129.59 ( $£150 - £20.41$ ). That should be apportioned between the New Vodafone Shares and the Verizon shares by reference to their respective market values on 24 February, converted into sterling using the exchange rate prevailing on 24 February (so £130.90 in the case of the New Vodafone Shares and £56.55 in the case of the Verizon shares).

James must therefore divide the market value of the New Vodafone Shares on 24 February (£130.90) by the aggregate market value, on 24 February, of James's New Vodafone Shares (£130.90) and Verizon shares (£56.55). Doing so tells him that the proportion of the balance of the original base cost attributable to the New Vodafone Shares is 69.84% (and that the proportion attributable to the Verizon shares is accordingly 30.16%).

The amount of the balance attributable to the New Vodafone Shares is equal to 69.84% of £129.59 – i.e. £90.50 – and the amount of the balance attributable to the Verizon shares is equal to 30.16% of £129.59 – i.e. £39.09.

**Step 3:** James must also deduct the amount of cash he receives in respect of his fractional entitlements to Verizon shares from this base cost in the Verizon shares.

James was strictly entitled to 2.63001 Verizon shares ( $100 \times 0.0263001$ ), but the fractional entitlement to 0.63001 Verizon shares was sold on his behalf. James received a cash payment of £18.17 as a result of that sale. James must deduct that amount (or, if he received a non-sterling amount, the sterling equivalent of the amount he received, calculated using the relevant exchange rate on 21 February) from his base cost in the Verizon shares (£39.09) in order to arrive at the base cost he must use for capital gains purposes - £20.92 ( $£39.09 - £18.17$ ).

## Result

For capital gains purposes, James's base cost in:

- i) the shares that he disposed of in return for the cash payment is **£20.41** (i.e.  $150 \times 29.53 \div (29.53 + 130.90 + 56.55)$ );
- ii) his New Vodafone shares is **£90.50** (i.e.  $(150 - 20.41) \times 130.90 \div (130.90 + 56.55)$ ); and
- iii) his Verizon shares is **£20.92** (i.e.  $((150 - 20.41) \times 56.55 \div (130.90 + 56.55)) - 18.17$ ).



## How will I be taxed if I chose to receive C shares if I am a UK Shareholder?

### *The Return of Value*

The total amount of the Return of Value (i.e. both the amount of the cash payment and the market value of the Verizon shares) will be subject to income tax in the same way as any other dividend paid to you by Vodafone.

### *The Verizon shares*

Depending on your individual circumstances, when you sell your Verizon shares, any gain you make may be subject to capital gains tax. You may be subject to capital gains tax if the sale proceeds from selling your Verizon shares exceed the base cost allocated to them.

The total base cost of your holding of New Vodafone shares and Verizon shares will be equal to the sum of the base cost of your original Vodafone shares and the market value of the Verizon shares at the point the Scheme became effective. That total base cost will be allocated between your New Vodafone Shares and your Verizon shares.

### **Example**

*Jane acquired 100 Vodafone shares when the share price was £1.80. Her total original base cost is therefore £180 and she takes the default C share option.*

*Assuming Jane elected to receive sterling, for tax purposes the dividend is made up of cash of £29.53 (100 x \$0.4928005, converted to GBP at the USD:GBP foreign exchange rate on 21 February 2014 of 1.6686) and 2 Verizon shares (100 x 0.0263001, rounded down). (Note that the actual cash received will be slightly different because the foreign exchange rate for tax purposes is different to that used to remit sterling proceeds to shareholders\*\*).*

### **Income tax**

*For the purposes of calculating the value of the dividend for tax purposes, Jane's 2 Verizon shares have a value of £57.67 (2 x \$48.115, being the relevant market value of the shares, converted to GBP at the USD:GBP foreign exchange rate on 21 February 2014, being 1.6686). The value of the dividend received by Jane is therefore £87.20 (i.e. the aggregate of the cash received of £29.53 and the sterling equivalent of the market value of the Verizon shares received of £57.67).*

### **Capital gains tax**

*After the consolidation, Jane is left with:*

- i) 54 New Vodafone Shares (100 x 6 / 11, rounded down) with an aggregate market value on 24 February 2014 (the first day of trading) of £130.90 (54 x £2.424); and*
- ii) 2 Verizon shares (100 x 0.0263001, rounded down) with an aggregate sterling market value on 24 February 2014 (the first day of trading) of £56.55 (2 x \$47.02, converted to GBP at the USD:GBP foreign exchange rate on 24 February 2014 of 1.6631).*

*For capital gains purposes, in addition to her original base cost (£180), Jane will be treated as having given additional consideration for her aggregate holding of New Vodafone Shares and Verizon shares equal to the sterling equivalent of the market value of the Verizon Shares on 21 February (£57.67). Her total base cost in that aggregate holding will therefore be £237.67 (i.e. £57.67 + £180).*

*Jane needs to allocate that total base cost between the (i) New Vodafone Shares and (ii) Verizon shares, by reference to their respective market values on 24 February, converted into sterling using the exchange rate prevailing on 24 February. She also needs to adjust the total base cost to deal with fractional entitlements.*

**Step 1:** *apportion the total base cost between the New Vodafone Shares and the Verizon shares.*



*Jane's total base cost of £237.67 should be apportioned between the New Vodafone Shares and the Verizon shares by reference to their respective market values on 24 February, converted into sterling using the exchange rate prevailing on 24 February (so £130.90 in the case of the New Vodafone Shares and £56.55 in the case of the Verizon shares).*

*Jane must therefore divide the market value of the New Vodafone Shares on 24 February (£130.90) by the aggregate market value, on 24 February, of her New Vodafone Shares (£130.90) and Verizon shares (£56.55), being £187.45. Doing so tells her that the proportion of the total base cost attributable to the New Vodafone Shares is 69.84% (and that the proportion attributable to the Verizon shares is accordingly 30.16%).*

*The amount of the total base cost attributable to the New Vodafone Shares is equal to 69.84% of £237.67 – i.e. £165.97 – and the amount of the total base cost attributable to the Verizon shares is equal to 30.16% of £237.67 – i.e. £71.70.*

**Step 2:** *Jane must also deduct the amount of cash she receives in respect of her fractional entitlements to Verizon shares from this base cost in the Verizon shares.*

*Jane was strictly entitled to 2.63001 Verizon shares ( $100 \times 0.0263001$ ), but the fractional entitlement to 0.63001 Verizon shares was sold on her behalf. Jane received a cash payment of £18.17 as a result of that sale. Jane must deduct that amount (or, if she received a non-sterling amount, the sterling equivalent of the amount she received, calculated using the relevant exchange rate on 21 February) from her base cost in the Verizon shares (£71.70) in order to arrive at the base cost she must use for capital gains purposes - £53.53 (£71.70 - £18.17).*

**\*\*** Please note that the cash payment for shareholders who elected to receive sterling was initially made in dollars. The sterling equivalent was remitted based on exchange rates obtained in the market between 24 and 25 February 2014. These exchange rates are US\$ to sterling 1.667415 and US\$ to the euro 1.374450. Please note that these exchange rates are not relevant for the calculation of tax under either the B or C share options.