

#### **D. Exchange Controls**

There are currently no Jersey foreign exchange control restrictions on remittances of dividends on the ordinary shares or on the conduct of the Registrant's operations.

#### **E. Taxation**

The taxation discussion set forth below is intended only as a descriptive summary and does not purport to be a complete technical analysis or listing of all potential tax effects relevant to a decision to purchase, hold or in any way transfer ordinary shares or ADSs. Each investor should seek advice based on their individual particular circumstances from an independent tax adviser.

The following summary of the Jersey (UK in relation to dividend distributions) and the United States tax consequences is not exhaustive of all possible tax considerations and should not be considered legal or tax advice. In addition, this summary does not represent a detailed description of the tax consequences applicable to persons subject to special treatment under Jersey and United States tax laws. Prospective purchasers of ADSs are advised to satisfy themselves as to the overall tax consequences of their ownership of ADSs and the ordinary shares represented thereby by consulting their own tax advisors. In addition, this summary only addresses holders that hold ordinary shares or ADSs as capital assets, and it does not address the taxation of a United States shareholder (either corporate or individual) where that shareholder controls, or is deemed to control, 10% or more of the voting stock of the Company.

References in this discussion to WPP Shares include references to WPP ADSs and corresponding references to WPP Share Owners (or holders of WPP ADSs) include references to holders of WPP ADSs, unless indicated otherwise.

#### **United Kingdom, Jersey and the United States taxation**

##### **United Kingdom taxation**

###### ***Tax on dividends***

The Company will not be required to withhold UK tax at source from dividend payments it makes.

WPP Share Owners who are resident outside the UK for tax purposes will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends received from WPP, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such WPP Share Owner is resident. A WPP Share Owner resident outside the UK may also be subject to taxation on dividend income under local law. A WPP Share Owner who is not solely resident in the UK for tax purposes should consult his own tax advisers concerning his tax liabilities (in the UK and any other country) on dividends received from WPP, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so, and whether any double taxation relief is due in any country in which they are subject to tax.

###### ***Taxation of disposals***

An individual WPP Share Owner who has ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five tax years and who disposes of all or part of his WPP Shares during that period may be liable to capital gains tax in respect of any chargeable gain arising from such a disposal on his return to the UK, subject to any available exemptions or reliefs.

###### ***Stamp duty and stamp duty reserve tax (SDRT)***

No UK stamp duty or SDRT will be payable on the issue of WPP Shares. UK stamp duty should generally not need to be paid on a transfer of the WPP Shares. No UK SDRT will be payable in respect of any agreement to transfer WPP Shares unless they are registered in a register kept in the UK by or on behalf of WPP. It is not intended that such a register will be kept in the UK.

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The statements in this paragraph summarise the current position on stamp duty and SDRT and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries and certain categories of person may be liable to stamp duty or SDRT at higher rates.

### **Jersey taxation**

#### **General**

The following summary of the anticipated tax treatment in Jersey of WPP and WPP Share Owners and holders of WPP ADSs (other than residents of Jersey) is based on Jersey taxation law as it is understood to apply at the date of this Form 20-F. It does not constitute legal or tax advice. WPP Share Owners or holders of WPP ADSs should consult their professional advisers on the implications of acquiring, buying, holding, selling or otherwise disposing of WPP Shares or WPP ADSs under the laws of the jurisdictions in which they may be liable to taxation. WPP Share Owners or holders of WPP ADSs should be aware that tax rules and practice and their interpretation may change.

#### **Income Tax**

##### **(a) WPP**

Under the Jersey Income Tax Law, WPP will be regarded as either:

- (i) not resident in Jersey under Article 123(1) of the Jersey Income Tax Law provided that (and for so long as) it satisfies the conditions set out in that provision, in which case WPP will not (except as noted below) be liable to Jersey income tax; or
- (ii) resident in Jersey and will fall under Article 123C of the Jersey Income Tax Law, in which case WPP (being neither a financial services company nor a specified utility company under the Jersey Income Tax Law at the date hereof) will (except as noted below) be subject to Jersey income tax at a rate of 0 per cent.

WPP is tax resident in the United Kingdom and therefore should not be regarded as resident in Jersey.

##### **(b) Holders of WPP Shares**

WPP will be entitled to pay dividends to holders of WPP Shares without any withholding or deduction for or on account of Jersey tax. Holders of WPP Shares (other than residents of Jersey) will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such WPP Shares.

##### **(c) Holders of WPP ADSs**

Under Jersey law and the WPP Articles, WPP is only permitted to pay a dividend to a person who is recorded in its register of members as the holder of a WPP Share. The US Depositary will be recorded in WPP's register of members as the holder of each WPP Share represented by a WPP ADS. Accordingly, WPP will pay all dividends in respect of each WPP Share represented by a WPP ADS to the US Depositary (as the registered holder of each such WPP Share) rather than to the holder of the ADS.

The US Depositary will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of the WPP Shares held by it. In addition, holders of the WPP ADSs (other than residents of Jersey) should not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such WPP ADSs.

#### **Goods and services tax**

WPP is an "international services entity" for the purposes of the Goods and Services Tax (Jersey) Law 2007 (the **GST Law**). Consequently, WPP is not required to:

- (a) register as a taxable person pursuant to the GST Law;

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(b) charge goods and services tax in Jersey in respect of any supply made by it; or

(c) subject to limited exceptions that are not expected to apply to WPP, pay goods and services tax in Jersey in respect of any supply made to it.

### **Stamp duty**

No stamp duty is payable in Jersey on the issue or *inter vivos* transfer of WPP Shares or WPP ADSs.

Upon the death of a WPP Share Owner, a grant of probate or letters of administration will be required to transfer the WPP Shares of the deceased person. However, WPP may (at its discretion) dispense with this requirement where: (a) the deceased person was domiciled outside of Jersey at the time of death; and (b) the value of the deceased's movable estate in Jersey (including any WPP Shares) does not exceed £10,000.

Upon the death of a WPP Share Owner, where the deceased person was domiciled outside of Jersey at the time of death, Jersey stamp duty will be payable on the registration in Jersey of a grant of probate or letters of administration, which will be required in order to transfer or otherwise deal the deceased person's personal estate situated in Jersey (including any WPP Shares) if the net value of such personal estate exceeds £10,000.

The rate of stamp duty payable is:

- (i) (where the net value of the deceased person's relevant personal estate is more than £10,000 but does not exceed £100,000) 0.50 per cent. of the net value of the deceased person's relevant personal estate; or
- (ii) (where the net value of the deceased person's relevant personal estate exceeds £100,000) £500 for the first £100,000 plus 0.75 per cent. of the net value of the deceased person's relevant personal estate which exceeds £100,000.

In addition, application and other fees may be payable.

### **US federal income taxation**

#### **Introduction**

**TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS OF WPP SHARES OR WPP ADSs ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF US FEDERAL TAX ISSUES IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS OF WPP SHARES OR WPP ADSs FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON, HOLDERS OF WPP SHARES OR WPP ADSs UNDER THE INTERNAL REVENUE CODE OF 1986; AND (C) HOLDERS OF WPP SHARES OR WPP ADSs SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

The following is a summary of certain material US federal income tax consequences of the ownership and disposition of WPP Shares or WPP ADSs by a US Holder (as defined below). This summary deals only with initial acquirers of WPP Shares or WPP ADSs that are US Holders and that will hold the WPP Shares or WPP ADSs as capital assets. The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of WPP Shares or WPP ADSs by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not address all of the tax considerations that may be relevant to investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, investors that own (directly or indirectly) 10% or more of the voting stock of WPP, investors that hold WPP Shares or WPP ADSs through a

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permanent establishment, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, traders that elect to mark to market, investors that will hold the WPP Shares or WPP ADSs as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes, investors whose functional currency is not the US dollar or persons who received their WPP Shares or WPP ADSs in connection with the performance of services or on exercise of options received as compensation in connection with the performance of services).

As used herein, the term “US Holder” means a beneficial owner of WPP Shares or WPP ADSs that is, for US federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation, or other entity treated as a corporation for US federal tax purposes, created or organised in or under the laws of the United States or any State thereof; (iii) an estate the income of which is subject to US federal income tax without regard to its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for US federal income tax purposes.

This discussion does not address any tax consequences applicable to holders of equity interests in a holder of WPP Shares or WPP ADSs. The US federal income tax treatment of a partner in a partnership that holds WPP Shares or WPP ADSs will depend on the status of the partner and the activities of the partnership. Holders of WPP Shares or WPP ADSs that are partnerships should consult their tax advisers concerning the US federal income tax consequences to their partners of the acquisition, ownership and disposition of WPP Shares or WPP ADSs.

WPP does not expect to become a passive foreign investment company (a “PFIC”) for US federal income tax purposes and this summary assumes the correctness of this position. WPP’s possible status as a PFIC must be determined annually and therefore may be subject to change. If WPP were to be a PFIC in any year, materially adverse consequences could result for US Holders.

The summary is based on the US federal income tax laws, including the US Internal Revenue Code of 1986 as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect, and all of which are subject to change, perhaps with retroactive effect.

The summary of US federal income tax consequences set out below is for general information only. US Holders are urged to consult their own tax advisers as to the particular tax consequences to them of owning the WPP Shares or WPP ADSs, including the applicability and effect of state, local, foreign and other tax laws and possible changes in tax law.

### **Classification of the WPP ADSs**

US Holders of WPP ADSs should be treated for US federal income tax purposes as owners of the WPP Shares represented by the WPP ADSs. Accordingly, the US federal income tax consequences discussed below apply equally to US Holders of WPP ADSs.

### **Tax on dividends**

Distributions paid by WPP out of current or accumulated earnings and profits (as determined for US federal income tax purposes) will generally be taxable to a US Holder as foreign source dividend income, and will not be eligible for the dividends received deduction generally allowed to US corporations. A US Holder of WPP ADSs generally will include dividends in gross income in the taxable year in which such holder actually or constructively receives the dividend. US Holders that surrender their WPP ADSs in exchange for the underlying WPP Shares should consult their tax advisers regarding the proper timing for including dividends in gross income.

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Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's basis in the WPP Shares or WPP ADSs and thereafter as capital gains. However, WPP will not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Holders should, therefore, assume that any distribution by WPP with respect to the WPP Shares or WPP ADSs will constitute ordinary dividend income. US Holders should consult their tax advisers with respect to the appropriate US federal income tax treatment of any distribution received from WPP.

Under current federal income tax law, dividends paid by a foreign corporation to a non-corporate US Holder as "qualified dividend income" are taxable at the special reduced rate normally applicable to capital gains provided the foreign corporation qualifies for the benefits of the income tax treaty between the United States and the corporation's country of residence. In such case, the non-corporate US Holder is eligible for the reduced rate only if the US Holder has held the shares or ADSs for more than 60 days during the 121 day-period beginning 60 days before the ex-dividend date. WPP believes it will qualify for the benefits of the income tax treaty between the United States and the United Kingdom (the "Treaty").

US Holders of WPP Shares or WPP ADSs who receive distributions from WPP will need to consult their own tax advisors regarding the continued applicability of this special reduced rate to such distributions.

Dividends paid in pounds sterling will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the US Holder in the case of WPP Shares or the US Depositary (in case of WPP ADSs), regardless of whether the pounds sterling are converted into US dollars at that time. If dividends received in pounds sterling are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise a foreign currency gain or loss in respect of the dividend income. Generally, a gain or loss realised on a subsequent conversion of pounds sterling to US dollars or other disposition will be treated as US source ordinary income or loss.

### **Sale or other disposition**

Upon a sale or other disposition of WPP Shares or WPP ADSs (other than an exchange of WPP ADSs for WPP Shares), a US Holder generally will recognise a capital gain or loss equal to the difference, if any, between the amount realised on the sale or other disposition and the US Holder's adjusted tax basis in the WPP Shares or WPP ADSs. This capital gain or loss will generally be US source and will be a long-term capital gain or loss if the US Holder's holding period in the WPP Shares or WPP ADSs exceeds one year. However, regardless of a US Holder's actual holding period, any loss may be a long-term capital loss to the extent the US Holder receives a dividend that qualifies for the reduced rate described above under the section entitled "Tax on Dividends", above, and exceeds 10% of the US Holder's tax basis in its WPP Shares or WPP ADSs. Deductibility of capital losses is subject to limitations.

A US Holder's tax basis in a WPP Share or a WPP ADS will generally be its US dollar cost. The US dollar cost of a WPP Share or a WPP ADS purchased with foreign currency will generally be the US dollar value of the purchase price on the date of purchase or, in the case of WPP Shares or WPP ADSs traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis US Holder (or an accrual basis US Holder that so elects), on the settlement date for the purchase. Such an election by an accrual basis US Holder must be applied consistently from year to year and cannot be revoked without the consent of the Internal Revenue Service (the "IRS").

The surrender of WPP ADSs in exchange for WPP Shares (or vice versa) should not be a taxable event for US federal income tax purposes and US Holders should not recognise any gain or loss upon such a surrender. A US Holder's tax basis in the withdrawn WPP Shares will be the same as the US Holder's tax basis in the WPP ADSs surrendered, and the holding period of the WPP Shares will include the holding period of the WPP ADSs.