

## **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 Republic of Ireland, 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 the Republic of Ireland, Jersey and the 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.

### **Republic of Ireland taxation**

#### **General**

The paragraphs set out below summarise the Irish tax treatment for share owners (or holders of ADSs) of holding or disposing of ordinary shares (or ADSs). They are based on current Irish legislation and an understanding of current Republic of Ireland Revenue Commissioners' practice as at the date of this document.

#### **Tax on chargeable gains**

Liability for Irish tax on chargeable (taxable) gains will depend on the individual circumstances of share owners.

##### **(a) *Disposal of ordinary shares by non-Irish-resident share owners***

Share owners who are not resident or, in the case of individuals, ordinarily resident for tax purposes in the Republic of Ireland will not be liable for Irish tax on chargeable gains realised on a subsequent disposal of their ordinary shares unless in the case of non-corporate shareholders such ordinary shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the Republic of Ireland through a branch or agency. Such share owners may be subject to foreign taxation on any gain under local law.

A WPP share owner who is an individual and who is temporarily a non-resident of the Republic of Ireland at the time of the disposal may, under anti-avoidance legislation, still be liable to Irish taxation on any chargeable gain realised (subject to the availability of exemptions or reliefs).

#### **Dividend withholding tax**

##### ***Dividends received from WPP plc***

Unless a share owner makes, or is deemed to have made, an election to receive dividends from WPP DAS Limited, a company incorporated in the UK, via the Dividend Access Plan, any dividends received will be received from WPP.

Dividends paid by WPP will generally be subject to Irish dividend withholding tax (**DWT**) at the standard rate of income tax (currently 20%) unless the share owner is within one of the categories of exempt shareholders referred to below. Where DWT applies, WPP will be responsible for withholding

DWT at source. For DWT purposes, a dividend includes any distribution made by WPP to share owners, including cash dividends, non-cash dividends and additional shares taken in lieu of a cash dividend.

DWT is not payable where an exemption applies provided that WPP has received all necessary documentation required by the relevant legislation from a WPP Share Owner prior to payment of the dividend.

Certain categories of Irish resident share owners are entitled to an exemption from DWT, including in general (but not limited to) Irish resident companies, qualifying employee share ownership trusts, charities and pension funds. Except in very limited circumstances, distributions by WPP to an Irish-resident share owner who is an individual are not exempt from DWT.

Certain non-Irish resident share owners (both individual and corporate) are also entitled to an exemption from DWT. In particular, a non-Irish resident share owner is not subject to DWT on dividends received from WPP if the WPP Share Owner is:

- an individual share owner who by virtue of the laws of the relevant country is resident for tax purposes in either a Member State of the European Union (apart from the Republic of Ireland) or in a country with which the Republic of Ireland has a double tax treaty (including the United States), and the individual is neither resident nor ordinarily resident in the Republic of Ireland; or
- a corporate share owner that is not resident for tax purposes in the Republic of Ireland and which is ultimately controlled, directly or indirectly, by persons who by virtue of the laws of the relevant country are resident in either a member state of the European Union (apart from the Republic of Ireland) or in a country with which the Republic of Ireland has a double tax treaty (including the United States); or
- a corporate share owner that is not resident for tax purposes in the Republic of Ireland nor ultimately controlled by persons so resident and which is resident for tax purposes in either a member state of the European Union (apart from the Republic of Ireland) or a country with which the Republic of Ireland has a double tax treaty (including the United States); or
- a corporate share owner that is not resident for tax purposes in the Republic of Ireland and whose principal class of shares (or those of its 75% parent) is substantially and regularly traded on a recognised stock exchange in (i) the Republic of Ireland; (ii) a member state of the European Union (apart from the Republic of Ireland); (iii) a country with which the Republic of Ireland has a double tax treaty (including the United States); or (iv) an exchange approved by the Irish Minister for Finance; or
- a corporate share owner that is not resident for tax purposes in the Republic of Ireland and is wholly owned, directly or indirectly, by two or more companies the principal class of shares of each of which is substantially and regularly traded on a recognised stock exchange in (i) the Republic of Ireland; (ii) a member state of the European Union (apart from the Republic of Ireland); (iii) a country with which the Republic of Ireland has a double tax treaty (including the United States); or (iv) an exchange approved by the Irish Minister for Finance, and provided that, in all cases noted above, the share owner has made the appropriate declaration to WPP prior to payment of the dividend.

#### **Taxation of dividends**

Non-Irish resident share owners are, unless entitled to exemption from DWT, liable to Irish income tax on dividends received from WPP. However, the DWT deducted by WPP discharges such liability to

Irish income tax. Where a non-resident share owner is entitled to exemption from DWT, then no Irish income tax arises and, where DWT has been deducted by WPP, a claim may be made for a refund of the DWT.

**(b) Stamp duty**

No Irish stamp duty or capital duty will arise on the issue or transfer for cash of ordinary shares provided such transactions do not relate to Irish stocks or securities of an Irish registered company.

**United Kingdom taxation**

***Dividends received under the Dividend Access Plan***

If a share owner makes, or is deemed to have made, an election to receive dividends via the Dividend Access Plan, such share owner will receive dividends directly from WPP DAS Limited (unless there is a shortfall in the Dividend Access Trust, in which case some or all of the dividend will be received from WPP). WPP DAS Limited is not required to withhold at source any amount in respect of UK tax from dividend payments it makes under the Dividend Access Plan regardless of who the recipient of the payment is. The Dividend Access Plan is described further in Item 8.

**Jersey taxation**

**General**

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

**Income Tax**

**(a) Holders of ordinary shares**

WPP will be entitled to pay dividends to holders of ordinary shares without any withholding or deduction for or on account of Jersey tax. Holders of ordinary 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 ordinary shares.

**(b) Holders of 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 an ordinary share. The US Depositary will be recorded in WPP's register of members as the holder of each ordinary share represented by an ADS. Accordingly, WPP will pay all dividends in respect of each ordinary share represented by an ADS to the US Depositary (as the registered holder of each such ordinary 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 ordinary shares held by it. In addition, holders of the 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 ADSs.

## Stamp duty

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

Upon the death of a share owner, a grant of probate or letters of administration will be required to transfer the ordinary shares of the deceased person, except that where the deceased person was domiciled outside of Jersey at the time of death, WPP may (at its discretion) dispense with this requirement where the value of the deceased's movable estate in Jersey does not exceed £10,000.

Upon the death of a share owner, 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 with:

(a) (where the deceased person was domiciled in Jersey at the time of death) the deceased person's personal estate wherever situated (including any ordinary shares) if the net value of such personal estate exceeds £10,000; or

(b) (where the deceased person was domiciled outside of Jersey at the time of death) the deceased person's personal estate situated in Jersey (including any ordinary 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 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 ORDINARY SHARES OR ADSs FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON, HOLDERS OF ORDINARY SHARES OR ADSs UNDER THE INTERNAL REVENUE CODE OF 1986; AND (B) HOLDERS OF ORDINARY SHARES OR 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 acquisition, ownership and disposition of ordinary shares or ADSs by a US Holder (as defined below). 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 ordinary shares or 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 ordinary shares or ADSs through a 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 ordinary shares or ADSs as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes or investors whose functional currency is not the US dollar).

This summary deals only with US Holders (as defined below) who elect or are deemed to elect (because they have not withdrawn their ordinary shares from the ADS programme prior to the dividend record date set by the US Depositary), to participate in the Dividend Access Plan.

As used herein, the term "US Holder" means a beneficial owner of ordinary shares or 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 ordinary shares or ADSs. The US federal income tax treatment of a partner in a partnership that holds ordinary shares or ADSs will depend on the status of the partner and the activities of the partnership. Holders of ordinary shares or 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 ordinary shares or ADSs.

WPP believes that it is not currently, and it 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, 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 ordinary shares or ADSs, including the applicability and effect of state, local, foreign and other tax laws and possible changes in tax law.

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

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

#### **Tax on Dividends**

Distributions paid by WPP or WPP DAS Limited 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 ADSs generally will include dividends in gross income in the taxable year in which such holder actually receives the dividend. US Holders that surrender their ADSs in exchange for the underlying ordinary shares should consult their tax advisers regarding the proper timing for including dividends in gross income.

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 ordinary shares or ADSs and thereafter as capital gains. However, WPP does 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 with respect to the ordinary shares or 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 or WPP DAS Limited.

For taxable years that begin before 2011, dividends paid by WPP or WPP DAS Limited will be taxable to a non-corporate US Holder as "qualified dividend income" at the special reduced rate normally applicable to capital gains, provided WPP qualifies for the benefits of the income tax treaty between the United States and the Republic of Ireland (the "Treaty"), which WPP believes to be the case. However, there can be no assurance that WPP will qualify for the benefits of the Treaty going forward. A US Holder will be eligible for this reduced rate only if it has held the ordinary shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date.

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 ordinary shares or the US Depositary (in case of 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 ordinary shares or ADSs (other than an exchange of ADSs for ordinary 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 ordinary shares or 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 ordinary shares or 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 ordinary shares or ADSs. Deductibility of capital losses is subject to limitations.

A US Holder's tax basis in an ordinary share or an ADS will generally be its US dollar cost. The US dollar cost of an ordinary share or an 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 ordinary shares or 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 ADSs in exchange for ordinary shares (or vice versa) should not be a taxable event for US federal income tax purposes and US Holders should not recognize any gain or loss upon such a surrender. A US Holder's tax basis in the withdrawn ordinary shares will be the same as the US