CrowleysDFK
Chartered Accountants

Proposed Vodafone Return of Value to Shareholders

February 2014

In September 2013, Vodafone Group plc announced the proposed disposal of its 45% interest in Verizon Wireless to Verizon Communications Inc. for US$130 billion.

Vodafone also announced that it intends to carry out a "return of value" to its shareholders, partly in cash and partly in Verizon Consideration Shares. While the figures are still provisional, this return of value is stated to be approximately €1.25 per Vodafone share held – being €0.89 in Verizon shares and €0.36 in cash.

The method by which Vodafone intends to return this value to shareholders involves the issue by it of B Shares ("Capital Option") or C Shares ("Income Option") to shareholders.

This announcement affects a significant number of people in Ireland as many shareholders who originally purchased shares in Eircom on its public flotation in 1999 now hold shares in Vodafone.

What are the tax implications of this "return of value"

1. If I opt for the B Shares (Capital Option)?

Opting for the B Shares (Capital Option) will mean that the return of value will be subject to capital gains tax treatment in Ireland.

Capital Gains Tax is currently 33% and is charged on the gain made on the disposal of capital assets, such as land, shares etc.

The Revenue Commissioners have confirmed that, based on the provisional return of value figures (i.e. €1.25 per Vodafone share held) , those shareholders who acquired their Vodafone shares in exchange for Eircom shares in 2001, will not have a capital gains tax liability.

This is because the base cost of Vodafone Shares for former Eircom shareholders is €4.53 per share.

Opting for the B Shares (Capital Option) will, in most cases, minimise Irish tax for those Vodafone shareholders who:

i. Pay the higher 41% rate of income tax;

ii. Acquired their Vodafone shares in exchange for Eircom shares in 2001; or

iii. Have other capital losses which they can use to shelter any gain on this "return of value".

2. If I opt for the C Shares (Income Option)?

Opting for the C Shares (Income Option) will mean the return of value will be subject to income tax treatment in Ireland.

The full return of value amount (comprising cash plus the value of Verizon shares) will be treated a dividend received and subject to income tax, PRSI (if applicable) and universal social charge in the hands of the individual shareholder.

Income Tax is currently either 20% or 41%. Universal social charge is levied at up to 7% and PRSI is generally levied 4%.

Opting for the C Shares (Income Option) will, in most cases, minimise Irish tax for those Vodafone shareholders who:

i. Pay the lower 20% rate of income tax; and

ii. Have made a gain on this "return of value" that is not sheltered by other capital losses or the annual personal CGT exemption of €1,270.

For further information on the tax implications of B Shares or C Shares for former Eircom shareholders, see the Revenue Commissioners' eBrief: http://www.revenue.ie/en/tax/cgt/vodafone-shareholders.html

How do I opt for the B Shares (Capital Option) or the C Shares (Income Option)?

Vodafone has sent a guide to each shareholder on this Return of Value to Shareholders.

This guide contains a Form of Election that allows you to choose

- between the B Shares (Capital Option) or C Shares (Income Option);
- the currency in which you would like to receive your payments; and
- if you would like to receive a share certificate for your new holding.

You must return this Form of Election to Vodafone before 1.00 p.m. on **20 February 2014**.

Vodafone has confirmed that if you do nothing, you will receive the C Shares (Income Option).

What will I be left with once the Return of Value is completed?

You will receive cash and Verizon shares as part of the Return of Value.

You will continue to hold some Vodafone shares (after the share consolidation).

Vodafone has offered a dealing facility to shareholders who wish to sell their Verizon shares immediately after the Return of Value.

The dealing facility allows shareholders to sell their Verizon Consideration Shares, without paying any dealing costs or commissions.

You must return this Dealing Form before 5.00 p.m. on **4 April 2014** if you wish to avail of this facility.

Any sale of these Verizon shares or your Vodafone shares will be liable to capital gains tax treatment in Ireland.

Future dividends received from Verizon or Vodafone will be liable to income tax treatment in Ireland.

Please contact our Tax Department if you require assistance with the above.

Contact

Siobhán O'Hea
Tax Manager
Crowleys DFK
T: 021 427 2900
E: sohea@crowleysdfk.ie

The information contained in this article should be used as a general guide only. Individual tax advice should be sought before any transaction is undertaken.

Whilst every effort has been made to ensure the information included in this article complies with current legislation, Crowleys DFK cannot be held responsible for any errors or omissions.

For more information, please contact us at: marketing@crowleysdfk.ie

This publication is intended only as a general guide and should not be used as a substitute for professional advice.

www.crowleysdfk.ie

DFK

16/17 College Green
Dublin 2
Ireland

Tel +353 1 6790800
Fax +353 1 6790805

5 Lapps Quay
Cork
Ireland

Tel +353 21 4272900
Fax +353 21 4277621