Guidance for shareholders on calculating capital gains following the Aviva B Share Scheme 2022

IMPORTANT NOTE: This is a general guide. It only addresses the position of individual Shareholders resident for tax purposes and domiciled solely in the United Kingdom. The Company is not able to provide tax advice and these examples are for illustrative purposes only. Shareholders should always seek their own advice from an appropriate independent and authorised professional if they are in any doubt as to their tax position or are subject to tax in a jurisdiction other than the United Kingdom.

The comments below may not apply to certain Shareholders such as trustees, dealers in securities, Shareholders who are exempt from tax and Shareholders who have (or are deemed to have) acquired their Existing Ordinary Shares by virtue of an office or employment. They also do not apply to Shareholders who hold their shares within a CGT "wrapper" such as a stocks and shares ISA or a share incentive plan.

Introduction

The B Share Scheme was part of a reorganisation of the Company's share capital under which it returned £3.75 billion to Shareholders through the bonus issue of one new B Share for each Existing Ordinary Share held which was subsequently redeemed for cash. This was accompanied by a share consolidation where each Shareholder received New Ordinary Shares in place of their Existing Ordinary Shares at a ratio of 76 New Ordinary Shares for every 100 Existing Ordinary Shares held. Full details are set out in the Circular dated 5 April 2022. A more detailed explanation of the tax consequences of the issue of the B Shares and the share consolidation is set out in the Circular at Part IV.

What this note covers

As the issue of the B Shares and the share consolidation are treated as a reorganisation, for tax purposes the B Shares and the New Ordinary Shares are treated as if they were acquired at the same time, and for the same acquisition price, as the Existing Ordinary Shares that they replace. You will therefore need to apportion the acquisition price of your Existing Ordinary Shares between the B Shares and the New Ordinary Shares to work out their "base cost" for capital gains tax (**CGT**) purposes. You will need this in order to calculate your gain or loss on the receipt of the cash redemption amount for the B shares, and to calculate any future gain or loss you may make if you dispose of your New Ordinary Shares. This note explains how to carry out this apportionment for the purposes of your CGT calculation.

Summary

The basic steps that you need to take to calculate the amount of any gain on the receipt of the redemption proceeds for the B Shares are as follows:

1. **Step 1:** Calculate the base cost of your Existing Ordinary Shares which is, broadly speaking, the total acquisition price of those shares.
2. **Step 2:** Apportion that base cost between the New Ordinary Shares and B Shares using the following percentages: 74.68% is apportioned to the New Ordinary Shares and 25.32% to the B Shares
3. **Step 3:** Calculate the gain/loss on the redemption of the B Shares by deducting the apportioned base cost calculated at Step 2 from the proceeds received for the B Shares.

These steps are explained in more detail in the next section. Whether you have a liability to pay tax on any gain will depend on your wider personal circumstances – in particular whether your overall gains for the tax year fall below the annual exempt amount (£12,300) or whether you have any losses available to set against the gain

Detailed explanation of the steps

Step 1: Calculate the base cost of your Existing Ordinary Shares

The first calculation should be of the base cost amount relating to your Existing Ordinary Shares immediately prior to the Share Consolidation.

If you acquired your Existing Ordinary Shares after March 1982 and have not previously made any disposals of those shares, then your base cost should be the total amount you paid for your holding.

Example

Mr X acquired 800 shares in the Company in 2005 for £600. In 2017 he made a further purchase of 200 shares for £400. He has never disposed of any shares and his total holding is therefore 1,000 shares with a base cost of £1,000.

If you have previously made disposals of shares, then you will probably have used up some of your base cost when you calculated the gain or loss on that disposal and you cannot use that base cost a second time. There are also special rules that apply to disposals that are made on the same day as an acquisition of shares or within 30 days prior to an acquisition.

If you need assistance in calculating your base cost, you should consult a professional adviser. An HMRC factsheet that provides more detail on the calculation of base cost can be found here: HS284 Shares and Capital Gains Tax (2022) - GOV.UK (www.gov.uk).

Step 2 – Apportion the base cost between New Ordinary Shares and B Shares

The CGT base cost in your holding of Existing Ordinary Shares will be apportioned between your holdings of New Ordinary Shares and B Shares by reference to their respective market values on the first day of trading of the New Ordinary Shares (16 May 2022). The market value of the New Ordinary Shares is the mid-point of their quoted closing prices in the Stock Exchange Daily Official List on their first day of trading. For the purposes of this note, the market value of the B Shares has been taken to be their redemption amount.

Share	Relevant value on first day of trading, 16 May 2022 (pence per share)	Number of shares in each class received per Existing Ordinary Share
New Ordinary Share	394.65	0.76
B Share	101.69	1

To calculate the apportionment of your base cost in your Existing Ordinary Shares to each class of shares held after the Share Consolidation, apply the following calculation:

$$\left(\frac{Market\ value\ of\ relevant\ share\ class}{Total\ market\ value\ of\ shares\ held}\right) x\ base\ cost\ in\ the\ Existing\ Ordinary\ Shares$$

The result of this calculation is that the base cost of a holding of Existing Ordinary Shares is apportioned 74.68% to the New Ordinary Shares, and 25.32% to the B shares, received in respect of that holding.

Example:

Mr X held 1,000 Existing Ordinary Shares which had a base cost of £1,000.

Immediately following the Share Consolidation, Mr X holds

Share	Number	Value
New Ordinary Shares	*760*	*£2,999.34 (760 x £3.9465)*
B Shares	*1,000*	*£1,016.90 (1,000 x £1.0169)*
Total value		***£4,016.24***

His £1,000 base cost is apportioned as follows (to 2 decimal places):

To the New Ordinary Shares: 2,999.34/4,016.24 x £1,000 = £746.80

To the B shares: 1,016.90/4,016.24 x £1,000 = £253.20

If you received an amount of cash in respect of the sale of a fractional entitlement to New Ordinary Shares, you do not generally need to pay tax on that amount in the current tax year but can instead deduct it from the base cost of your New Ordinary Shares going forwards.

Step 3 – Calculate the gain/loss on the redemption of the B Shares

To calculate the gain or loss arising on the purchase of the B Shares, you should deduct the base cost apportioned to the B Share from the redemption proceeds received. Whether you have tax to pay will depend on your wider circumstances.

Example:

Mr X received disposal proceeds of £1,016.90, and the base cost apportioned to his B shares was £253.20 (see previous example). His total gain was therefore £763.70.

Mr X has no other capital gains in the tax year, so the gain falls within his annual exempt amount and he has no tax to pay on the receipt of his B Share redemption proceeds.