



25 September 2024

SUPPLEMENTAL TAX INFORMATION

On 28 August 2024, Prudential plc (the “**Company**”) announced the declaration of a 2024 first interim dividend of 6.84 US cents per ordinary share (the “**Dividend**”). On 30 August 2024, the Company confirmed that a scrip dividend alternative will be offered in respect of the Dividend in accordance with the shareholder approval obtained at the 2024 annual general meeting.

A shareholder circular in relation to the scrip dividend alternative has been published on 13 September 2024 (the “**Scrip Dividend Circular**”), which encloses a mandate form to be completed by certain shareholders. The Scrip Dividend Circular includes a letter from the Chair setting out further information on the scrip dividend alternative, including how eligible shareholders can elect to receive the scrip dividend alternative and shareholders were referred to Part IV (Tax Information) for indicative guidance on the tax treatment of the scrip dividend alternative for certain tax residents of the United Kingdom and Hong Kong. Any terms used but not otherwise defined in this notice take their meaning from the Scrip Dividend Circular.

In paragraphs 2.2 and 2.3 of Section A of Part IV entitled “United Kingdom Taxation”, the Company advised that it had sought confirmation from HM Revenue and Customs (“**HMRC**”), by way of statutory clearance under section 1092 of the Corporation Tax Act 2010, that, following the demerger of M&G plc in October 2019, the issue of the new shares (and payment of sale proceeds from the Dealing Facility) would not be treated as a “chargeable payment” for the purposes of Chapter 5 of Part 23 of the Corporation Tax Act 2010. The Company can confirm that as at [23] September 2024 HMRC have now provided confirmations under section 1092 of the Corporation Tax Act 2010. HMRC have also provided separate confirmations as to the correct treatment of the scrip dividend alternative for United Kingdom stamp duty and SDRT purposes, by way of the non-statutory clearance service. For further details, shareholders are advised to refer to the supplemental tax information below, which takes into account these latest confirmations.

Section A: United Kingdom Taxation

The comments set out below summarise certain limited aspects of the United Kingdom tax treatment of the Evergreen Scrip Dividend Scheme and cash dividends for certain shareholders in the Company, and do not purport to be a complete analysis of all tax considerations relating to the Evergreen Scrip Dividend Scheme or cash dividends. They are based on current United Kingdom legislation and current published HMRC practice (which may not be binding on HMRC), in each case as at [23] September 2024, both of which are subject to change, possibly with retrospective effect. Shareholders should be aware that any such changes, in particular to rates of taxation, may take immediate effect, rather than having effect from the following tax year. The comments are also, where indicated, based on confirmations received by the Company from HMRC. Shareholders should be aware that they may not be able to rely on such confirmations as against HMRC, and such confirmations may not be binding on HMRC.

The comments are intended as a general guide, and do not constitute tax or legal advice. In addition, they do not deal with certain types of shareholder in the Company, such as charities, trustees, persons carrying on certain financial activities (including market makers, brokers, dealers in securities, intermediaries and persons connected with depository arrangements or clearance services), persons who have, or could be treated for tax purposes as having, acquired their ordinary shares by reason of their employment or office or as carried interest, persons connected with the Company, persons holding more than 5 per cent. of all ordinary shares, collective investment schemes, persons subject to United Kingdom tax on the remittance basis, or insurance companies.

References below to “**UK Holders**” are to shareholders in the Company who are resident (and, in the case of individuals, domiciled) for tax purposes in, and only in, the United Kingdom (and to whom split-year treatment does not apply), who hold their ordinary shares as an investment (other than under a self-invested personal pension plan or individual savings account or other regime providing for exemption from tax) and who are the absolute beneficial owners of their ordinary shares. The comments set out below do not, save where expressly stated otherwise, apply to persons who are not UK Holders.

Shareholders are reminded that, with effect from 3 March 2023, the Company’s tax residence changed from the United Kingdom to Hong Kong.

Any decision to elect for the scrip dividend alternative will be a matter for individual determination by each shareholder, taking into account their own circumstances and the tax implications resulting therefrom.

IF YOU ARE IN ANY DOUBT ABOUT YOUR TAX POSITION OR YOU ARE SUBJECT TO TAXATION IN ANY JURISDICTION OTHER THAN THE UNITED KINGDOM, YOU SHOULD CONSULT AN APPROPRIATELY QUALIFIED INDEPENDENT PROFESSIONAL ADVISER IMMEDIATELY. SHAREHOLDERS SHOULD NOTE THAT TAX LAW AND INTERPRETATION CAN CHANGE AND THAT, IN PARTICULAR, THE LEVEL AND BASIS OF, AND RELIEFS FROM, TAXATION MAY CHANGE, AND THAT MAY ALTER THE BENEFITS OF INVESTMENT.

1. UK Holders not electing for the scrip dividend alternative

1.1 Withholding taxes

The Company is not required to withhold United Kingdom tax at source from dividends paid on ordinary shares.

1.2 Individual UK Holders

Individual UK Holders who do not elect for the scrip dividend alternative and, accordingly, receive a dividend in cash, may be subject to United Kingdom income tax on that dividend as set out below. In the paragraphs below, “**taxable dividend income**” means dividend income which is not covered by the relevant individual’s personal allowance or otherwise exempt from tax.

The general tax treatment of dividends paid by the Company to UK Holders who are individuals is as follows:

- Dividends paid by the Company do not carry any United Kingdom tax credit.
- All dividends received by an individual UK Holder from the Company (or from other sources) will, except to the extent that they are earned through an ISA, self-invested pension plan or other regime which exempts the dividends from tax, form part of the UK Holder's total income for income tax purposes and will represent the highest part of that income.
- A nil rate of income tax applies to the first £500 (for the tax year 2024-2025) of taxable dividend income received by an individual UK Holder in a tax year (the "**Nil Rate Amount**"), regardless of what tax rate would otherwise apply to that dividend income.
- Any taxable dividend income received by an individual UK Holder in a tax year in excess of the Nil Rate Amount is taxed at special rates, as set out below.

Where an individual UK Holder's taxable dividend income for a tax year exceeds the Nil Rate Amount, the excess amount (the "**Relevant Dividend Income**") will be subject to United Kingdom income tax at dividend rates determined by thresholds of income, which for the tax year 2024-2025 are as follows:

- at the rate of 8.75 per cent., to the extent that the Relevant Dividend Income falls below the threshold for the higher rate of income tax;
- at the rate of 33.75 per cent., to the extent that the Relevant Dividend Income falls above the threshold for the higher rate of income tax but below the threshold for the additional rate of income tax; and
- at the rate of 39.35 per cent., to the extent that the Relevant Dividend Income falls above the threshold for the additional rate of income tax.

In determining whether and, if so, to what extent the Relevant Dividend Income falls above or below the threshold for the higher rate of income tax or, as the case may be, the additional rate of income tax, the UK Holder's total taxable dividend income for the tax year in question (including the part within the Nil Rate Amount) will, as noted above, be treated as the highest part of the UK Holder's total income for income tax purposes.

1.3 UK Holders within the charge to United Kingdom corporation tax

(A) Small companies

UK Holders within the charge to United Kingdom corporation tax which are "small companies" (for the purposes of the United Kingdom taxation of dividends) will be liable to United Kingdom corporation tax on dividends paid to them by the Company in respect of ordinary shares. This is because, following the change to the Company's tax residence with effect from 3 March 2023, the Company is not resident in a "qualifying territory" for the purposes of the United Kingdom taxation of dividends. The Company understands that HMRC do not consider Hong Kong to constitute a "qualifying territory" for these purposes.

(B) Other UK Holders within the charge to United Kingdom corporation tax

UK Holders within the charge to United Kingdom corporation tax which are not “small companies” (for the purposes of the United Kingdom taxation of dividends) will not be subject to United Kingdom tax on dividends from the Company so long as the dividends fall within an exempt class and certain conditions are met. Dividends paid on non-redeemable shares that do not carry any present or future preferential rights to dividends or to the relevant company’s assets on its winding up are an example of dividends that should fall within an exempt class, subject to certain anti-avoidance rules.

2. UK Holders electing for the scrip dividend alternative

2.1 Withholding taxes

The Company is not required to withhold United Kingdom tax at source on the issue of new shares.

2.2 Individual UK Holders

(A) Receipt of new shares and (if applicable) sale of new shares under the Dealing Facility

The United Kingdom tax treatment of individual UK Holders who elect for the scrip dividend alternative and, accordingly, receive new shares is complex and uncertain. While there is legislation charging “stock dividend income” to income tax (sections 409-414A of the Income Tax (Trading and Other Income) Act 2005) and providing for the United Kingdom capital gains tax (“CGT”) treatment of shares received thereby (section 142 of the Taxation of Chargeable Gains Act 1992), that legislation is not applicable in the case of the Company, as it applies only where the issuer of the relevant shares is a United Kingdom resident company. With effect from 3 March 2023, the Company ceased to be United Kingdom resident.

The Company has sought confirmation from HMRC as to the correct treatment of the scrip dividend alternative (including the sale of any new shares under the Dealing Facility) for United Kingdom income tax and CGT purposes, and HMRC have provided certain specific confirmations. HMRC have confirmed only the specific points set out below, and have not provided any more general confirmation that the Company’s understanding of the tax treatment is correct. Accordingly, shareholders should be aware that HMRC may take a different view to the Company as to the correct tax treatment of the scrip dividend alternative.

The Company believes that the receipt of the new shares should be considered to be a capital, rather than income, transaction for UK Holders. Accordingly, subject to the application of any anti-avoidance rules, the Company believes that individual UK Holders should not be subject to income tax on the receipt of new shares (whether as a dividend or otherwise). HMRC have confirmed to the Company that, if the receipt of the new shares is a capital transaction, the anti-avoidance rule in section 396A ITTOIA 2005 would not, in and of itself, bring the receipt of the new shares into charge to income tax.

The Company has separately sought confirmation from HMRC, by way of statutory clearance under section 1092 of the Corporation Tax Act 2010, that, following the demerger of M&G plc in

October 2019, the issue of the new shares (and payment of sale proceeds from the Dealing Facility) will not be treated as a “chargeable payment” for the purposes of Chapter 5 of Part 23 of the Corporation Tax Act 2010. HMRC have confirmed that they are satisfied that the issue of the new shares (and payment of sale proceeds from the Dealing Facility) will be made for bona fide commercial reasons and will not form part of any scheme or arrangements the main purpose or one of the main purposes of which is the avoidance of tax. They will not therefore represent chargeable payments for the purposes of section 1086 of the Corporation Tax Act 2010. Accordingly, section 1086 of the Corporation Tax Act 2010 will not, in and of itself, bring the receipt of the new shares or of the sale proceeds for new shares sold via the Dealing Facility into the charge to income tax.

For CGT purposes:

- HMRC have confirmed to the Company that the issue and receipt of the new shares will constitute a reorganisation of share capital within sections 126-128 of the Taxation of Chargeable Gains Act 1992.
- As a result, (i) an individual UK Holder should not be treated as having made a disposal of their existing Prudential shares or an acquisition of new shares, and (ii) the new shares should be treated as the same asset, acquired at the same time, as that UK Holder’s existing Prudential shares.
- The base cost of individual UK Holders in their holding of Prudential shares (including the new shares) should not be increased as a result of the receipt of the new shares.
- For individual UK Holders who are Dealing Facility Shareholders, the sale of new shares under the Dealing Facility should be treated as a part disposal of such a UK Holder’s holding of Prudential shares (including the new shares). Such a UK Holder’s base cost in their holding of Prudential shares should be apportioned between the new shares and the previously held shares by reference to market value as at the date of disposal of the new shares.

UK Holders are strongly advised to consult an appropriately qualified independent professional adviser prior to making any decision as to whether to elect for the scrip dividend alternative.

(B) Future cash dividends in respect of new shares

Individual UK Holders are referred to paragraphs 1.1 and 1.2 above in respect of the United Kingdom tax treatment of cash dividends received by them in future on new shares.

(C) Future disposals of ordinary shares (other than under the Dealing Facility)

A subsequent disposal or deemed disposal of ordinary shares, including any new shares (other than under the Dealing Facility), may, depending on the individual UK Holder’s specific circumstances (including the availability of any exemption or relief), give rise to a chargeable gain (or an allowable loss) for the purposes of CGT.

For Individual UK Holders who make a chargeable gain, CGT is currently charged at a rate of 10 per cent. or 20 per cent. (for the tax year 2024-2025), depending on the Individual UK Holder's total taxable gains and income in a given year. Most individuals have an annual exemption (£3,000 for the tax year 2024-2025) such that CGT is only chargeable on gains arising from all sources during the tax year in excess of that figure.

Individuals who are temporarily not resident in the United Kingdom may, in certain circumstances, be subject to United Kingdom tax in respect of gains realised while they are not resident in the United Kingdom.

2.3 UK Holders within the charge to United Kingdom corporation tax

(A) Receipt of new shares and (if applicable) sale of new shares under the Dealing Facility

The United Kingdom tax treatment of UK Holders within the charge to United Kingdom corporation tax who elect for the scrip dividend alternative and, accordingly, receive new shares is complex and uncertain.

The Company has sought confirmation from HMRC as to the correct treatment of the scrip dividend alternative (including the sale of any new shares under the Dealing Facility) for UK corporation tax purposes, and HMRC have provided certain specific confirmations. HMRC have confirmed only the specific points set out below, and have not provided any more general confirmation that the Company's understanding of the tax treatment is correct. Accordingly, shareholders should be aware that HMRC may take a different view to the Company as to the correct tax treatment of the scrip dividend alternative.

The Company believes that the receipt of the new shares should be considered to be a capital, rather than income, transaction for UK Holders. Accordingly, subject to the application of any anti-avoidance rules and subject to the following sentence, the Company believes that UK Holders within the charge to United Kingdom corporation tax should not be subject to United Kingdom corporation tax on income on the receipt of new shares (whether as a distribution or otherwise). UK Holders within the charge to United Kingdom corporation tax should note that, to the extent that the new shares received by them are not paid up out of "new consideration", the issue of the new shares may constitute a distribution for United Kingdom corporation tax purposes by virtue of section 1022 of the Corporation Tax Act 2010.

The Company has separately sought confirmation from HMRC, by way of statutory clearance under section 1092 of the Corporation Tax Act 2010, that, following the demerger of M&G plc in October 2019, the issue of the new shares (and payment of sale proceeds from the Dealing Facility) will not be treated as a "chargeable payment" for the purposes of Chapter 5 of Part 23 of the Corporation Tax Act 2010. HMRC have confirmed that they are satisfied that the issue of the new shares (and payment of sale proceeds from the Dealing Facility) will be made for bona fide commercial reasons and will not form part of any scheme or arrangements the main purpose or one of the main purposes of which is the avoidance of tax. They will not therefore represent chargeable payments for the purposes of section 1086 of the Corporation Tax Act 2010. Accordingly, section 1086 of the Corporation Tax Act 2010 will not, in and of itself, bring the receipt of the new shares or of the sale proceeds for new shares sold via the Dealing Facility into the charge to corporation tax on income.

For the purposes of United Kingdom corporation tax on chargeable gains:

- HMRC have confirmed to the Company that the issue and receipt of the new shares will constitute a reorganisation of share capital within sections 126-128 of the Taxation of Chargeable Gains Act 1992.
- As a result, (i) a UK Holder within the charge to United Kingdom corporation tax should not be treated as having made a disposal of their existing Prudential shares or an acquisition of new shares, and (ii) the new shares should be treated as the same asset, acquired at the same time, as that UK Holder's existing Prudential shares.
- The base cost of UK Holders within the charge to United Kingdom corporation tax in their holding of Prudential shares (including the new shares) should not be increased as a result of the receipt of the new shares.
- For UK Holders within the charge to United Kingdom corporation tax who are Dealing Facility Shareholders, the sale of new shares under the Dealing Facility should be treated as a part disposal of such a UK Holder's holding of Prudential shares (including the new shares). Such a UK Holder's base cost in their holding of Prudential shares should be apportioned between the new shares and the previously held shares by reference to market value as at the date of disposal of the new shares.

UK Holders are strongly advised to consult an appropriately qualified independent professional adviser prior to making any decision as to whether to elect for the scrip dividend alternative.

(B) Future cash dividends in respect of new shares

UK Holders within the charge to United Kingdom corporation tax are referred to paragraphs 1.1 and 1.3 above in respect of the United Kingdom tax treatment of cash dividends received by them in future on new shares.

(C) Future disposals of ordinary shares (other than under the Dealing Facility)

For UK Holders within the charge to United Kingdom corporation tax, a disposal or deemed disposal of ordinary shares, including any new shares (other than under the Dealing Facility), may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom corporation tax, subject to any available exemptions, reliefs or allowances. Corporation tax is charged on chargeable gains at the rate of corporation tax applicable to that UK Holder.

2.4 UK stamp duty and United Kingdom stamp duty reserve tax ("SDRT")

This paragraph 2.4 applies to all shareholders electing for the scrip dividend alternative, regardless of whether they are UK Holders or not.

(A) Issue of new shares under the scrip dividend alternative

HMRC have confirmed to the Company that no United Kingdom stamp duty or SDRT should arise on the issue of new shares under the scrip dividend alternative.

(B) Sale of new shares under the Dealing Facility

HMRC have confirmed to the Company that no United Kingdom stamp duty or SDRT should arise on the sale of new shares under the Dealing Facility, provided that any instrument of transfer (including in connection with the Dematerialisation of such shares) is executed outside the United Kingdom, on the basis that such new shares will be registered on the Company's Hong Kong branch register.

Non-UK stamp duties may apply to any such sale. The attention of shareholders electing for the scrip dividend alternative is drawn to Section B of this Part IV entitled "Hong Kong Taxation" in respect of Hong Kong stamp duty.

(C) Subsequent dealings in ordinary shares (other than under the Dealing Facility)

HMRC have confirmed to the Company that no United Kingdom stamp duty or SDRT should arise to a shareholder on the sale of any ordinary shares within CCASS, on the basis that such ordinary shares are registered on the Company's Hong Kong branch register.

HMRC have confirmed to the Company that no United Kingdom stamp duty or SDRT should arise to a shareholder on the sale of any ordinary shares held on the Company's Hong Kong branch register but transferred outside of CCASS, provided that any instrument of transfer is executed outside the United Kingdom, on the basis that such ordinary shares are registered on the Company's Hong Kong branch register.

Non-UK stamp duties may apply to any such sales. The attention of shareholders is drawn to the Section B of this Part IV entitled "Hong Kong Taxation" in respect of Hong Kong stamp duty.

Section B: Hong Kong Taxation

The comments set out below summarise certain limited aspects of the Hong Kong tax treatment of the Evergreen Scrip Dividend Scheme and cash dividends for certain shareholders in the Company on the Hong Kong branch register, and do not purport to be a complete analysis of all Hong Kong tax considerations relating to the Evergreen Scrip Dividend Scheme or cash dividends. They are based on current Hong Kong laws and current published Hong Kong Inland Revenue Department practice (which may not be binding on the Inland Revenue Department), in each case as at 3 September 2024, both of which are subject to change, possibly with retrospective effect.

The comments are intended as a general guide, and do not constitute tax or legal advice. In addition, they do not deal with certain types of shareholders in the Company, such as persons who may be regarded as acquiring the new shares as part of a trading activity, collective investment schemes, charities and trustees. The comments apply only in relation to shares held on the Hong Kong branch register.

Any decision to elect for the scrip dividend alternative will be a matter for individual determination by each shareholder, taking into account their own circumstances and the tax implications resulting therefrom.

IF YOU ARE IN ANY DOUBT ABOUT YOUR TAX POSITION OR YOU ARE SUBJECT TO TAXATION IN ANY JURISDICTION OTHER THAN HONG KONG, YOU SHOULD CONSULT AN APPROPRIATELY QUALIFIED INDEPENDENT PROFESSIONAL ADVISER IMMEDIATELY. SHAREHOLDERS SHOULD NOTE THAT TAX LAW AND INTERPRETATION CAN CHANGE AND THAT, IN PARTICULAR, THE LEVEL AND BASIS OF, AND RELIEFS FROM, TAXATION MAY CHANGE, AND THAT MAY ALTER THE BENEFITS OF INVESTMENT.

(A) Dividends

No tax will be payable in Hong Kong in respect of dividends Prudential pays to shareholders whether paid in cash or new shares. Dividends distributed to Prudential's shareholders will be free of withholding taxes in Hong Kong.

(B) Capital gains

No tax is imposed in Hong Kong in respect of capital gains. However, trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where the trading gains are derived from or arise in Hong Kong will be chargeable to Hong Kong profits tax.

(C) Stamp duty and SDRT

No Hong Kong stamp duty should generally be payable on the allotment and issuance of new shares pursuant to the Evergreen Scrip Dividend Scheme, including the issuance of new shares to HSBC under the Dealing Facility.

The new shares in respect of each Dealing Issuance will be issued to HSBC in physical form and then deposited into HSBC's stock account with CCASS to be held in uncertificated form ("**Dematerialisation**"). The standard form of transfer to be executed by HSBC as transferor and HKSCC Nominees Limited as transferee for each Dematerialisation will be subject to a flat rate of stamp duty of HK\$5. This will be payable for every Dematerialisation for each daily Dealing Issuance of new shares and will take place over a period not exceeding 25 Hong Kong trading days following the Dividend Payment Date ("**Dematerialisation Stamp Duty**"). Further detail on the Dealing Facility is set out at Part II paragraph 10 of this circular.

Hong Kong stamp duty will be payable in respect of new shares sold on behalf of the Dealing Facility Shareholders pursuant to the Dealing Facility. Such shareholders will bear the cost of stamp duty in respect of the sale of the new shares to which they are entitled, and such amount will be deducted from the cash proceeds payable to the relevant Dealing Facility Shareholder. The stamp duty is charged on each of the seller and the relevant purchaser at the ad valorem rate of 0.1 per cent. of the consideration for, or (if greater) the value of, the new shares sold. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK\$5.

The attention of shareholders electing for the scrip dividend alternative is drawn to paragraph 2.4 of Section A of this Part IV entitled "UK Taxation" in respect of United Kingdom stamp duty and United Kingdom SDRT.