

## TESOP Snapshot – Tax Consequences at a Glance!

TESOP refers to the various share plans offered to employees as part of T1 (1997) and T2 (1999).

The taxation of employee share plans is extremely complex and may vary depending on your personal circumstances. **Consequently you should seek independent expert tax advice in relation to your circumstances.**

Employee shares are taxed at first instance under the specific employee share scheme (**ESS**) provisions of the Tax Act. Once the shares have been taxed under the ESS provisions, they then generally fall within the capital gains tax (**CGT**) provisions where there will be tax consequences (capital gains/losses) if the shares are subsequently disposed of.

At the time the TESOP schemes were offered to employees it was possible to defer the tax consequences of the grant under the specific ESS provisions for up to 10 years (depending on the type of share). Alternatively, it was possible to elect to be immediately assessed on the shares granted and to offset a tax exemption up to \$1,000 (**The Tax Exemption Election**). All TESOP shares (1997 and 1999) have now been taxed under the specific ESS provisions. Accordingly, subsequent dealings in TESOP shares now generally fall within the CGT provisions.

The following table is a snap shot of the various tax consequences relating to participating in the TESOP schemes. **More details in relation to the tax implications are contained in the guide.**

As you will note from the table below, the tax implications vary depending on:

- The type of share you were granted;
- Whether or not you made the Tax Exemption Election (ie. in your 1998 income tax return for TESOP 97 shares and in your 2000 income tax return for TESOP 99 shares);
- The CGT cost base choice you make in relation to your shares, where relevant. In 2001 significant changes were made to the tax laws governing ESS, where the employee made the Tax Exemption Election. For shares granted prior to these changes, being TESOP 97 and TESOP 99 shares, the employee is allowed to determine the cost base under the “old rules” (where the cost base equals the TMV of the shares on the date they are effectively released from the trust) or under the “new rules” (where the cost base equals the TMV of the shares on the date the employee first obtained an interest in the shares - \$3.30 in the case of TESOP 97 shares and \$7.40 in the case of TESOP 99 shares);
- Whether you repaid your TESOP loans; and/or
- Whether you have ceased employment with a Telstra Group company.

Type Of Share	Taxing point under ESS Provisions	Amount assessed under ESS Provisions	Cost base of share for CGT Purposes	Qualifying period for 50% CGT discount	Guide reference
<b>TESOP 97 <u>Non</u> Loan Shares – Irrespective of whether Tax Exemption Election Made</b>	None	None	Choice: (a) \$3.30 (if applying 50% CGT discount) (b) \$3.39 (if applying CGT indexation instead of 50% CGT discount)	15 November 1998	Box A
<b>TESOP 97 Extra <u>Non</u> Loan Shares – Tax Exemption Election Made</b>	15 November 1997	(\$3.30 x No. of extra shares) - \$1,000	Choice: (a) \$3.30 (date interest 1 <sup>st</sup> acquired); or (b) Tax Market Value ( <b>TMV</b> ) at the <u>earlier</u> 15 November 2000 restriction period (\$6.58) or cessation date (if applicable)	<u>Earlier</u> of 15 November 2001 or 12 months after cessation of employment (if applicable)	Box I
<b>TESOP 97 Extra Non Loan Shares – Tax Exemption Election <u>Not</u> Made</b>	<u>Earlier</u> of: (a) 15 November 2000 (b) Cessation of employment	If: (a) \$6.58 (b) TMV of shares on cessation date	If: (a) \$6.58 (b) TMV of shares on cessation date	If: (a) 15 November 2001 (b) 12 months after cessation date	Box J
<b>TESOP 97 Loan &amp; Extra Loan Shares – Tax Exemption Election Made</b>	15 November 1997	(\$3.30 x No. of extra shares) - \$1,000	Choice: (a) \$3.30 (date interest 1 <sup>st</sup> acquired) (b) TMV of shares when loan repaid (\$2.70 if loan was repaid on 25 March 2011 ie. automatically via dividend payments)	12 months after repayment of the loan	Box E
<b>TESOP 97 Loan &amp; Extra Loan Shares – Tax Exemption Election <u>Not</u> Made</b>	<u>Earlier</u> of: (a) 10 year anniversary (15 November 2007) (b) Loan repayment (c) Cessation of employment	If: (a) \$4.69 (TMV on 15 November 2007)* (b) TMV of shares on date loan repaid* (c) TMV of shares on cessation date*  *Less \$3.30 per loan share and \$0 per extra loan share	If: (a) \$4.69 (TMV on 15 November 2007) (b) TMV of shares on date loan repaid (c) TMV of shares on cessation date	12 months after repayment of the loan	Box F
<b>TESOP 97 Loyalty Shares – Tax Exemption Election Made</b>	15 November 1997	\$3.30	Choice: (a) \$3.30 (if applying 50% CGT discount) (b) \$3.39 (if applying CGT indexation instead of 50%)	15 November 1999	Box A

			CGT discount)		
<b>TESOP 97 Loyalty Shares – Tax Exemption Election <u>Not</u> Made</b>	17 November 1998	\$6.55	\$6.55	17 November 1999	Box B
<b>TESOP 99 Loan Shares – Tax Exemption Election Made</b>	16 October 1999	Nil	Choice: (a) \$7.40 (date interest 1 <sup>st</sup> acquired) (b) TMV of shares when loan repaid - this may be after the 10 year anniversary and/or cessation date (if applicable)	12 months after repayment of the loan	Box M
<b>TESOP 99 Loan Shares – Tax Exemption Election <u>Not</u> Made</b>	Earlier of: (a) 10 year anniversary (16 October 2009) (b) Loan repayment (c) Cessation of employment	If: (a) \$3.15 (TMV on 16 October 2009)* (b) TMV of shares on date loan repaid* (c) TMV of shares on cessation date*  *Less \$7.40 per loan share (Nil if value is negative)	If: (a) \$3.15 (TMV on 16 October 2009) (b) TMV of shares on date loan repaid (c) TMV of shares on cessation date	12 months after repayment of the loan	Box N
<b>TESOP 99 Loyalty Shares TESOP 99 Extra Shares – Tax Exemption Election Made</b>	16 October 1999	(\$7.40 x No. of loyalty/Extra shares) - \$1,000  Nil if amount negative	Choice: (a) \$7.40 (date interest 1 <sup>st</sup> acquired); or (b) TMV at the <u>earlier</u> 16 October 2002 restriction period (\$4.81) or cessation date (if applicable)	<u>Earlier</u> of 16 October 2003 or 12 months after cessation of employment (if applicable)	Box K
<b>TESOP 99 Loyalty Shares TESOP 99 Extra Shares – Tax Exemption Election <u>Not</u> Made</b>	16 October 2002	\$4.81	\$4.81	16 October 2003	Box L
<b>2006 Public Offer Shares and loyalty shares</b>	Not Applicable	Not Applicable	(a) If 2 <sup>nd</sup> instalment prepaid \$3.60 less discount received (b) Otherwise \$3.46	20 November 2007	Box D