

## 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 Non Loan Shares – Irrespective of whether Tax Exemption Election Made</b>	None	None	<u>Choice:</u> (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 Non Loan Shares – Tax Exemption Election Made</b>	15 November 1997	(\$3.30 x No. of extra shares) - \$1,000	<u>Choice:</u> (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	<u>Choice:</u> (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	<u>Choice:</u> (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	<u>Choice:</u> (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>	<u>Earlier</u> 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	<u>Choice:</u> (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

# Detailed Guide – Tax consequences if you dispose of your TESOP 97, TESOP 99 and Telstra Shares in 2013/14

This section will assist you in determining the capital gains tax consequences if you sell your TESOP 97, TESOP 99 or Telstra Shares in 2013/14 or the Trustee disposes of your TESOP 97 or TESOP 99 Shares on your behalf in 2013/14.

It is important that you refer to the appropriate box in the main table below. The appropriate box for you to refer to in the main table below depends upon:

- the type of shares you acquired;
- whether you made an election in respect of those shares or not; and
- whether your relevant employment with Telstra continues or ceased in 2013/14.

You cease relevant employment with Telstra if you are no longer employed by any of the following:

- your employer when you acquired your shares; or
- a company in the Telstra Group.

For a brief snapshot of the tax consequences please see the [“TESOP Snapshot – Tax Consequences at a Glance”](#) document available on this website. Otherwise, please refer to the detailed table below.

## Summary Reference Table

The following points and the Summary Reference Table below will help you to refer to the appropriate box in the main table below.

1. Refer to **BOX A** for TESOP 97 Non Loan Shares, 1997 Public Offer Shares and TESOP 97 Loyalty Shares (where you elected to seek the \$1,000 tax exemption in your 1997/98 tax return).
2. Refer to **BOX B** for TESOP 97 Loyalty Shares (where you did not elect to seek the \$1,000 tax exemption in your 1997/98 tax return).
3. Refer to **BOX C** for Guaranteed Allocation Shares and 1999 Public Offer Shares.
4. Refer to **BOX D** for 2006 Public Offer T3 Shares.

Type of Share	Continuing employee		Employee who ceased employment in 2013/14	
	Tax Election made in year shares acquired	No Tax Election made in year shares acquired	Tax Election made in year shares acquired	No Tax Election made in year shares acquired
TESOP 97 Loan Shares TESOP 97 Extra Loan Shares	<b>E</b>	<b>F</b>	<b>E</b>	<b>F</b>
TESOP 97 Extra Non-Loan Shares	<b>I</b>	<b>J</b>	<b>I</b>	<b>J</b>
TESOP 99 Loyalty Shares TESOP 99 Extra Shares	<b>K</b>	<b>L</b>	<b>K</b>	<b>L</b>
TESOP 99 Loan Shares	<b>M</b>	<b>N</b>	<b>O</b>	<b>P</b>

This table deals with the capital gains tax consequences of arm's length sales of shares in 2013/14. It is possible for a capital gains tax event to occur on a disposal of shares other than a sale.

In determining the gain or loss you may take into account certain additional costs, such as incidental selling costs. For example, brokerage on the sale of shares. You should draw these costs to the attention of your tax agent when preparing your tax return for 2013/14.

**If you made an election in your 1997/98 tax return (affecting your TESOP 97 shares) and/or your 1999/2000 tax return (affecting your TESOP 99 shares)** you may have a choice in relation to how you calculate the cost base of your shares for capital gains tax purposes. If you make the choice in relation to a share, the relevant tax cost will be:

- the tax market value of the share at the date you first acquired an interest in the share (i.e. \$3.30 in respect of TESOP 97 shares and \$7.40 in respect of TESOP 99 shares);
- **rather** than the tax market value of the share at the date the Restriction Period ends (refer table setting out TESOP Restriction Periods).

This choice may impact on the capital gain or loss you make when you dispose of your shares.

**If you made an election in your 1999/2000 tax return and you disposed of your TESOP 99 Loyalty Shares, TESOP 99 Extra Shares or your TESOP 99 Loan Shares in the 2013/14 year, you should carefully consider making this choice.**

**You should also carefully consider making this choice in relation to your TESOP 97 Loan Shares and Extra Loan Shares if you had made an election in your 1997/1998 tax return, not repaid your loan by 25 March 2011 and if you disposed of these shares during the 2013/14 year. The following tables assume that if you were in this position, you would choose \$3.30 as the cost base of these shares (being the tax market value of the shares on the date of grant). If you did not make the choice, the cost base of your shares will be \$2.70 (being the tax market value of the shares on the date your loan was repaid). If you do not make this choice, you will have a larger capital gain on disposal of the shares.**

The way in which you prepare your 2013/14 income tax return will be sufficient evidence of the making of the choice. **You are not required to lodge a written election with the Australian Taxation Office evidencing your choice.**

**If you did not make an election in your 1997/98 tax return (affecting your TESOP 97 shares)** and you had not previously ceased employment with the Telstra group or repaid your TESOP 97 loan by 15 November 2007 (the 10 year anniversary of the TESOP 97 scheme) the cost base of your TESOP 97 Loan Shares and Extra Loan Shares, for capital gains tax purposes, is \$4.69 (being the tax market value of the shares on 15 November 2007).

**If you did not make an election in your 1999/2000 tax return (affecting your TESOP 99 shares)** and you had not previously ceased employment with the Telstra group or repaid your TESOP 99 loan by 16 October 2009 (the 10 year anniversary of the TESOP 99 scheme) the cost base of your TESOP 99 Loan Shares and Extra Shares, for capital gains tax purposes, is \$3.15 (being the tax market value of the shares on 16 October 2009).

Box	Type of Shares	Capital Gains when you sell your shares Sales Proceeds >Tax Cost	Capital Losses when you sell your shares Sales Proceeds < Tax Cost
A	<ul style="list-style-type: none"> <li>• 1997 Public Offer Shares</li> <li>• TESOP 97 Non Loan Shares</li> <li>• TESOP 97 Loyalty Shares (Where you <u>elect</u> to seek the \$1,000 tax exemption in your 1997/98 tax return)</li> </ul>	<p><b><u>When you sell your shares</u></b></p> <p>When you sell these shares you have a choice to calculate your capital gain as either:</p> <p>(i) <u>Half of</u> - the amount equal to proceeds of sale less \$3.30 (after first taking into account any capital losses); or</p> <p>(ii) Proceeds of sale less \$3.39 (i.e. \$3.30 adjusted for inflation until 30 September 1999)</p> <p><b>[Example (No.2)]</b> relating to the tax consequences of the sale of your TESOP 97 Non-Loan shares.</p> <p><b>[Example (No.5)]</b> relating to the tax consequences of the sale of your TESOP 97 Loyalty Shares.</p> <p><b>[Example (No.6)]</b> relating to the tax consequences of the sale of your 1997 Public Offer Shares.</p>	<p>This is not applicable in 2013/14.</p>
B	<p>Where you did <u>not</u> elect to seek the \$1,000 tax exemption in your 1997/98 tax return</p> <ul style="list-style-type: none"> <li>• TESOP 97 Loyalty Shares</li> </ul>	<p><b><u>When you sell your shares</u></b></p> <p>This is not applicable in 2013/14.</p>	<p><b><u>When you sell your shares</u></b></p> <p>When you sell your shares you calculate your capital loss as \$6.55 (which was the Tax Market Value of the shares at 17 November 1998) less proceeds of sale.</p> <p>The capital loss can be offset against other current year capital gains or can be carried forward to be offset against future capital gains.</p> <p><b>[Example (No.5)]</b> relating to the tax consequences of the sale of your TESOP 97 Loyalty Shares.</p>

<p><b>C</b></p>	<ul style="list-style-type: none"> <li>• <b>1999 Guaranteed Allocation Shares</b></li> <li>• <b>1999 Public Offer shares</b></li> </ul>	<p><b><u>When you sell your shares</u></b></p> <p>This is not applicable in 2013/14.</p>	<p><b><u>When you sell your shares</u></b></p> <p>Your capital loss will be \$7.40 less proceeds of sale.</p> <p>The capital loss can be offset against other current year capital gains or can be carried forward to be offset against future capital gains.</p> <p><b>[Example (No.8)]</b> relating to the tax consequences of the sale of your 1999 Guaranteed Allocation shares.</p> <p><b>[Example (No.9)]</b> relating to the tax consequences of the sale of your 1999 Public Offer shares.</p>
<p><b>D</b></p>	<ul style="list-style-type: none"> <li>• <b>2006 Public Offer shares and loyalty shares</b></li> </ul>	<p><b><u>When you sell your Shares</u></b></p> <p>Your capital gain will be the proceeds of sale less your cost base.</p> <p>If you prepaid your second instalment the cost base of your shares will be \$3.60 less the discount received because you prepaid the second instalment. Otherwise the cost base of the shares and the loyalty shares will be \$3.46.</p> <p>If the shares were held by you for longer than 12 months the assessable gain will be reduced by 50% (after first taking into account any capital losses).</p> <p><b>[Example (No. 14)]</b> relating to the tax consequences of the sale of your T3 Sale Shares and loyalty shares.</p>	<p><b><u>When you sell your Shares</u></b></p> <p>This is not applicable in 2013/14.</p>

<p><b>E</b></p>	<p><b>Where you <u>elected</u> to seek the \$1,000 tax exemption in your 1997/98 tax return</b></p> <ul style="list-style-type: none"> <li>• <b>TESOP 97 Loan Shares</b></li> <li>• <b>TESOP 97 Extra Loan Shares</b></li> </ul>	<p><b><u>When you sell your shares</u></b></p> <p>When you sell your shares you calculate your capital gain as:</p> <ul style="list-style-type: none"> <li>• Proceeds of sale</li> <li>• Less the Tax Market Value of the shares on the <u>latter</u> of : <ul style="list-style-type: none"> <li>• 15 November 2000; or</li> <li>• the <u>earlier</u> of: <ul style="list-style-type: none"> <li>• the date the loan is repaid<sup>1</sup>; or</li> <li>• immediately prior to when the Trustee disposes of the shares on your behalf.</li> </ul> </li> </ul> </li> </ul> <p>As the shares were held by you for longer than 12 months after the repayment of the loan on 25 March 2011, the assessable capital gain will be reduced by 50% (after first taking into account any capital losses).</p> <p><i>Note: You <u>may choose</u> to calculate the capital gain as the proceeds of sale less \$3.30. However, if the Tax Market Value determined above is greater than \$3.30, choosing \$3.30 as your cost base may increase your capital gain.</i></p> <p><b>[Example (No.1)]</b> relating to the tax consequences of the sale of your TESOP 97 Loan shares.</p> <p><b>[Example (No.3)]</b> relating to the tax consequences of the sale of your TESOP 97 Extra Loan shares.</p>	<p><b><u>When you sell your shares</u></b></p> <p>This is not applicable in 2013/14.</p>
-----------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------

<sup>1</sup> If the loan was fully repaid on the payment of the interim dividend on 25 March 2011, the cost base of the shares will be \$2.70.

<p><b>F</b></p>	<p><b>Where you did <u>not</u> elect to seek the \$1,000 tax exemption in your 1997/98 tax return</b></p> <ul style="list-style-type: none"> <li>• <b>TESOP 97 Loan Shares</b></li> <li>• <b>TESOP 97 Extra Loan Shares</b></li> </ul>	<p><b><u>When you sell your shares</u></b></p> <p>Your capital gain will be:</p> <ul style="list-style-type: none"> <li>• Proceeds of sale</li> <li>• <u>Less</u> either: <ul style="list-style-type: none"> <li>• If your loan was <u>not</u> repaid by 15 November 2007 (i.e. the Ten Year Anniversary of TESOP 97) - \$4.69 per share; or</li> <li>• If your loan was repaid prior to 15 November 2007 - the tax market value of the shares on the loan repayment date.</li> </ul> </li> </ul> <p>As the shares were held by you for longer than 12 months after the expiry of the Restriction Period the assessable capital gain will be reduced by 50% (after first taking into account any capital losses). Note the expiry of the Restriction Period may be after 15 November 2007 i.e. if the loan has not been repaid by that date.</p> <p><a href="#">[Example (No.1)]</a> relating to the tax consequences of the sale of your TESOP 97 Loan shares.</p> <p><a href="#">[Example (No.3)]</a> relating to the tax consequences of the sale of your TESOP 97 Extra Loan shares.</p>	<p><b><u>When you sell your shares</u></b></p> <p>Your capital loss will be:</p> <ul style="list-style-type: none"> <li>• Either: <ul style="list-style-type: none"> <li>• If your loan was <u>not</u> repaid by 15 November 2007 (i.e. the Ten Year Anniversary of TESOP 97) - \$4.69 per share; or</li> <li>• If your loan was repaid prior to 15 November 2007 - the tax market value of the shares on the loan repayment date.</li> </ul> </li> <li>• <u>Less</u> the proceeds of sale.</li> </ul> <p>The capital loss can be offset against other current year capital gains or can be carried forward to be offset against future capital gains.</p>
<p><b>I</b></p>	<p><b>Where you <u>elect</u>ed to seek the \$1,000 tax exemption in your 1997/98 tax return</b></p> <ul style="list-style-type: none"> <li>• <b>TESOP 97 Extra Non-Loan Shares</b></li> </ul>	<p><b><u>When you sell your shares</u></b></p> <p>This is not applicable in 2013/14.</p>	<p><b><u>When you sell your shares</u></b></p> <p>When you sell your shares you calculate your capital loss as:</p> <ul style="list-style-type: none"> <li>• \$6.58, being the Tax Market Value of the shares on 15 November 2000</li> <li>• <u>Less</u> proceeds of sale.</li> </ul> <p>The capital loss can be offset against other current year capital gains or can be carried forward to be offset against future capital gains.</p> <p><i>Note: You may choose \$3.30 as your cost base rather than \$6.58. However, such a choice may result in you losing all or part of your capital loss and you making an assessable capital gain rather than a capital loss on disposal.</i></p> <p><a href="#">[Example (No.4)]</a> relating to the tax consequences of the sale of your TESOP 97 Extra Non-Loan shares.</p>

<p><b>J</b></p>	<p>Where you did <u>not</u> elect to seek the \$1,000 tax exemption in your 1997/98 tax return</p> <ul style="list-style-type: none"> <li>• TESOP 97 Extra Non-Loan Shares</li> </ul>	<p><u>When you sell your shares</u></p> <p>This is not applicable in 2013/14.</p>	<p><u>When you sell your shares</u></p> <p>Your Capital Loss will be:</p> <ul style="list-style-type: none"> <li>• \$6.58 being Tax Market Value of the shares at 15 November 2000</li> <li>• <u>Less</u> proceeds of sale.</li> </ul> <p>The capital loss can be offset against other current year capital gains or can be carried forward to be offset against future capital gains.</p> <p><b>[Example (No.4)]</b> relating to the tax consequences of the sale of your TESOP 97 Extra Non-Loan shares.</p>
-----------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<p><b>K</b></p>	<p>Where you <u>elected</u> to seek the \$1,000 tax exemption in your 1999/2000 tax return</p> <ul style="list-style-type: none"> <li>• TESOP 99 Loyalty Shares</li> <li>• TESOP 99 Extra Shares</li> </ul>	<p><u>When you sell your shares</u></p> <p>If you choose \$7.40 (being the tax market value of the shares when you first acquired an interest in them) as your share's cost base, no capital gain should arise as the Tax Market Value of Telstra shares did not at any point exceed \$7.40 in the 2013/14 financial year.</p> <p>If you do not choose \$7.40 as your cost base, your capital gain will be:</p> <ul style="list-style-type: none"> <li>• Proceeds of sale</li> <li>• <u>Less</u> \$4.81 being the Tax Market Value of the shares on 16 October 2002.</li> </ul> <p>If the shares were held by you for longer than 12 months after the expiry of the Restriction Period the assessable capital gain will be reduced by 50% (after first taking into account any capital losses).</p> <p><i>Note: If you do not choose \$7.40 as the cost base of your share, this may result in you losing all or part of your capital loss and you making an assessable capital gain.</i></p>	<p><u>When you sell your shares</u></p> <p>You may choose to calculate your capital loss as \$7.40 (being the market value of the shares when you first acquired an interest in them) less the proceeds of sale.</p> <p>If you do not choose \$7.40 as your cost base, your capital loss will be:</p> <ul style="list-style-type: none"> <li>• \$4.81 being the Tax Market Value of the shares on 16 October 2002</li> <li>• <u>Less</u> proceeds of sale.</li> </ul> <p>The capital loss can be offset against other current year capital gains or can be carried forward to be offset against future capital gains.</p> <p><i>Note: If you do not choose \$7.40 as the cost base of your shares, this may result in you losing all or part of your capital loss.</i></p> <p><b>[Example (No.11)]</b> relating to the tax consequences of the sale of your TESOP 99 Extra shares.</p> <p><b>[Example (No.12)]</b> relating to the tax consequences of the sale of your TESOP 99 Loyalty shares.</p>
-----------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<p style="text-align: center;"><b>L</b></p>	<p><b>Where you did <u>not</u> elect to seek the \$1,000 tax exemption in your 1999/2000 tax return</b></p> <ul style="list-style-type: none"> <li>• <b>TESOP 99 Loyalty Shares</b></li> <li>• <b>TESOP 99 Extra Shares</b></li> </ul>	<p><b><u>When you sell your shares</u></b></p> <p>Your capital gain will be:</p> <ul style="list-style-type: none"> <li>• Proceeds of sale</li> <li>• <u>Less</u> \$4.81 being the Tax Market Value of the shares on 16 October 2002.</li> </ul> <p>As the shares were held by you for longer than 12 months after the expiry of the Restriction Period the assessable capital gain will be reduced by 50% (after first taking into account any capital losses).</p> <p><b>[Example (No.11)]</b> relating to the tax consequences of the sale of your TESOP 99 Extra shares.</p> <p><b>[Example (No.12)]</b> relating to the tax consequences of the sale of your TESOP 99 Loyalty shares.</p>	<p><b><u>When you sell your shares</u></b></p> <p>Your capital loss will be:</p> <ul style="list-style-type: none"> <li>• \$4.81 being the Tax Market Value of the shares on 16 October 2002</li> <li>• <u>Less</u> proceeds of sale.</li> </ul> <p>The capital loss can be offset against other current year capital gains or can be carried forward to be offset against future capital gains.</p>
---------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<p style="text-align: center;"><b>M</b></p>	<p><b>Where you <u>elected</u> to seek the \$1,000 tax exemption in your 1999/2000 tax return</b></p> <ul style="list-style-type: none"> <li>• <b>TESOP 99 Loan Shares</b></li> </ul>	<p><b><u>When you sell your shares</u></b></p> <p>If you choose \$7.40 (being the market value of the shares when you first acquired an interest in them) as your share's cost base, no capital gain should arise.</p> <p>If you do not choose \$7.40 as your cost base, your capital gain will be:</p> <ul style="list-style-type: none"> <li>• Proceeds of sale</li> <li>• <u>less</u> the Tax Market Value of the shares on the <u>latter</u> of : <ul style="list-style-type: none"> <li>• 16 October 2002 (being \$4.81); or</li> <li>• the <u>earlier</u> of: <ul style="list-style-type: none"> <li>• the date the loan is repaid; or</li> <li>• immediately prior to when the Trustee disposes of the shares on your behalf.</li> </ul> </li> </ul> </li> </ul> <p>If the shares were held by you for longer than 12 months after the Restriction Period expires, the assessable gain will be reduced by 50% (after first taking into account any capital losses).</p> <p><i>Note: If you do not choose \$7.40 as the cost base of your share, this may result in you losing all or part of your capital loss and you making an assessable capital gain.</i></p>	<p><b><u>When you sell your shares</u></b></p> <p>You may choose to calculate your capital loss as \$7.40 less the proceeds of sale.</p> <p>If you do not choose \$7.40 as your cost base, your capital loss will be:</p> <ul style="list-style-type: none"> <li>• Tax Market Value of the shares on the <u>latter</u> of : <ul style="list-style-type: none"> <li>• 16 October 2002 (being \$4.81); or</li> <li>• the <u>earlier</u> of: <ul style="list-style-type: none"> <li>• the date the loan is repaid; or</li> <li>• immediately prior to when the Trustee disposes of the shares on your behalf</li> </ul> </li> </ul> </li> <li>• <u>Less</u> proceeds of sale.</li> </ul> <p>The capital loss can be offset against other current year capital gains or can be carried forward to be offset against future capital gains.</p> <p><i>Note: If you do not choose \$7.40 as the cost base of your share, this may result in you losing all or part of your capital loss and you making an assessable capital gain.</i></p> <p><b>[Example (No.10)]</b> relating to the tax consequences of the sale of your TESOP 99 Loan shares.</p>
---------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<p style="text-align: center;">N</p>	<p><b><u>Only applicable if your employment with Telstra did not cease during the 2013/14 year.</u></b></p> <p><b>Where you did <u>not</u> elect to seek the \$1,000 tax exemption in your 1999/2000 tax return</b></p> <ul style="list-style-type: none"> <li>• <b>TESOP 99 Loan Shares</b></li> </ul>	<p><b><u>When you sell your shares</u></b></p> <p>If you sell your shares during the 2013/14 year your Capital Gain will be:</p> <ul style="list-style-type: none"> <li>• Proceeds of sale</li> <li>• less \$3.15 per share (being the Tax Market Value of the shares on 16 October 2009) or, if your Taxing Point (discussed below) was a date prior to 16 October 2009, the Tax Market Value of the shares on that date.</li> </ul> <p>The Taxing Point of your shares under the employee share scheme provisions of the Tax Act will be the earlier of:</p> <ul style="list-style-type: none"> <li>• 16 October 2009;</li> <li>• the date the loan was repaid;</li> <li>or</li> <li>• the date you ceased your employment with the Telstra Group.</li> </ul> <p>If the shares were held by you for longer than 12 months after the Restriction Period expires (ie. when the loan is repaid), the assessable capital gain will be reduced by 50% (after first taking into account any capital losses). Note however that the Restriction Period may expire after 16 October 2009 if the loan has not been repaid by that date.</p> <p><b>[Example (No.10)]</b> relating to the tax consequences of the sale of your TESOP 99 Loan shares.</p>	<p><b><u>When you sell your shares</u></b></p> <p>This is not applicable in 2013/14.</p>
--------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------

<p><b>O</b></p>	<p><b><u>Only applicable if you ceased relevant employment with Telstra during 2013/14</u></b></p> <p><b>Where you <u>elected</u> to seek the \$1,000 tax exemption in your 1999/2000 tax return</b></p> <ul style="list-style-type: none"> <li>• <b>TESOP 99 Loan Shares</b></li> </ul>	<p><b><u>When you sell your shares</u></b></p> <p>If you choose \$7.40 (being the market value of the shares when you first acquired an interest in them) as your share's cost base, no capital gain should arise (unless you sell your shares for more than \$7.40).</p> <p>If you do not choose \$7.40 as your cost base, your capital gain will be calculated in the following manner.</p> <p><b>If the loan was NOT repaid in full</b> when you ceased relevant employment your capital gain will be:</p> <ul style="list-style-type: none"> <li>• Proceeds of sale</li> <li>• <u>Less</u> the Tax Market Value of the shares on the earlier of the date the loan was repaid in full or immediately prior to when the Trustee disposes of the shares on your behalf.</li> </ul> <p><b>If the loan was repaid in full when you ceased relevant employment</b> your capital gain will be:</p> <ul style="list-style-type: none"> <li>• Proceeds of Sale;</li> <li>• <u>Less</u> the Tax Market Value of the shares on the earlier of the date the loan was repaid in full or immediately prior to when the Trustee disposes of the shares on your behalf<sup>2</sup>.</li> </ul> <p>If the shares were held by you for longer than 12 months after the Restriction Period expires, the assessable capital gain may be reduced by 50% (after first taking into account any capital losses).</p> <p><i>Note: If you do not choose \$7.40 as the cost base of your share, this may result in you losing all or part of your capital loss and you making an assessable capital gain.</i></p>	<p><b><u>When you sell your shares</u></b></p> <p>You may choose to calculate your capital loss as \$7.40 (being the market value of the shares when you first acquired an interest in them) less the proceeds of sale.</p> <p>If you do not choose \$7.40 as your cost base, your capital loss will be calculated in the following manner.</p> <p><b>If the loan was NOT repaid in full</b> when you ceased relevant employment your capital loss will be:</p> <ul style="list-style-type: none"> <li>• Tax Market Value of the shares on the earlier of the date the loan was repaid in full or immediately prior to when the Trustee disposes of the shares on your behalf</li> <li>• <u>Less</u> proceeds of sale.</li> </ul> <p><b>If the loan was repaid in full when you ceased relevant employment</b> your capital loss will be:</p> <ul style="list-style-type: none"> <li>• Tax Market Value of the shares on the earlier of the date the loan was repaid in full or immediately prior to when the Trustee disposes of the shares on your behalf;</li> <li>• Less the proceeds of sale<sup>3</sup>.</li> </ul> <p>The capital loss can be offset against other current year capital gains or can be carried forward to be offset against future capital gains.</p> <p><i>Note: If you do not choose \$7.40 as the cost base of your share, this may result in you losing all or part of your capital loss and you making an assessable capital gain.</i></p>
-----------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<sup>2</sup> If, however, the loan was repaid in full by 16 October 2002, the Tax Market Value of your shares will be determined at 16 October 2002 and will be \$4.81

<sup>3</sup> If, however, the loan was repaid in full by 16 October 2002, the Tax Market Value of your shares will be determined at 16 October 2002 and will be \$4.81

<p><b>P</b></p>	<p><b><u>Only applicable if you ceased relevant employment with Telstra during 2013/14</u></b></p> <p><b>Where you did <u>not</u> elect to seek the \$1,000 tax exemption in your 1999/2000 tax return</b></p> <ul style="list-style-type: none"> <li>• <b>TESOP 99 Loan Shares</b></li> </ul>	<p><b><u>When you sell your shares</u></b></p> <p>If you sell your shares during the 2013/14 year your Capital Gain will be:</p> <ul style="list-style-type: none"> <li>• Proceeds of sale</li> <li>• <u>Less</u> the Tax Market Value of the shares on the date of the Taxing Point (explained above).</li> </ul> <p>If the shares were held by you for longer than 12 months after the Restriction Period expires (which may be different from your Taxing Point), the assessable capital gain will be reduced by 50% (after first taking into account any capital losses).</p>	<p><b><u>When you sell your shares</u></b></p> <p>If you sell your shares during the 2013/14 year your Capital Gain will be:</p> <ul style="list-style-type: none"> <li>• Tax Market Value of the shares on the date of the Taxing Point (explained above)</li> <li>• <u>Less</u> proceeds of sale.</li> </ul> <p>The capital loss can be offset against other current year capital gains or can be carried forward to be offset against future capital gains.</p> <p><b>[Example (No.10)]</b> relating to the tax consequences of the sale of your TESOP 99 Loan shares.</p>
-----------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

### Disclaimer

This is a general description of the tax consequences, which can apply to your participation in TESOP 97 or TESOP 99. The tax consequences for you may be different depending on your own circumstances, particularly if you have participated in other employee share schemes, if you have any particular arrangements in relation to your shares or for shares you acquire otherwise than under TESOP 97 or TESOP 99.

This information has been prepared for participants who are, and will continue to be, Australian tax residents. The information does not apply to:

- (a) individuals engaged in foreign service;
- (b) temporary residents of Australia for tax purposes;
- (c) foreign tax resident; or
- (d) individuals who are no longer employees of Telstra.

If you fall within these categories you should discuss the matter with your tax advisor.

The description of the capital gains tax consequences of your participation in TESOP 97 and/ or TESOP 99 is based on **Class Ruling (CR 2001/28) issued by the Commissioner of Taxation.**

If you have any questions about preparing your tax return or the tax consequences of your participation in TESOP 97 or TESOP 99 (including the capital gains tax consequences) in your particular circumstances, you **should seek guidance from your own registered tax adviser.**

## GENERAL COMMENTS

### No Written Election Required for 2013/14 but past Written Elections still relevant

Again, this year you do **not** have to consider making any written elections in respect of the TESOP shares you acquired under TESOP 97 or TESOP 99. However, whether you made any written elections is relevant in determining the cost base of your shares for capital gains tax purposes (see below).

You will not be assessed this year under the employee share scheme provisions of the Tax Act on TESOP shares you acquired under TESOP 97 or TESOP 99. This is because a taxing point will already have arisen in respect of those shares. Therefore, no further action is required by you unless you sold your shares during the 2013/14 income year.

### DIVIDENDS ON TESOP 97 AND TESOP 99 SHARES RECEIVED IN 2013/14 TO BE INCLUDED IN YOUR ASSESSABLE INCOME

During 2013/14 Telstra paid a fully franked final dividend for 2012/13 of 14 cents per share which was paid on 20 September 2013 and a fully franked interim dividend for 2013/14 of 14 cents per share which was paid on 28 March 2014.

You should include the dividends you received, together with the attached franking credits, as assessable income at Item 11, Boxes S, T and U of your 2013/14 tax return. This is the case even if the dividends were paid to you via the TESOP Trusts and even if part of the dividend has been applied to reduce your Telstra provided loans.

### WHAT HAPPENS IF YOU SOLD YOUR TESOP OR OTHER TELSTRA SHARES IN 2013/14?

There will be tax consequences if you disposed of your TESOP shares during the 2013/14 year. The tax consequences will differ depending upon your individual circumstances.

You should click on the detailed guide below to assist you in determining the capital gains tax consequences for you. It will be important for you to refer to the appropriate box in the table in the guide to determine the capital gains tax consequences. These boxes do **not** deal with circumstances where you are assessed otherwise than under the capital gains tax provisions.

You should be aware that the gains on the disposal of shares by certain taxpayers may effectively be assessed as ordinary income rather than under the capital gains tax provisions.

**Please click on the [“Share Disposals”](#) link on this website which provides the Detailed Guide – Tax Consequences if you dispose of your TESOP 97, TESOP 99 and Telstra Shares in 2013/14.**

For a less detailed guide and a brief snapshot of the tax consequences, please refer to **[“TESOP Snapshot – Tax Consequences at a Glance”](#)** located on this website.

Please also click on the [“\*Illustrative examples\*”](#) link on this website to assist you in determining the tax consequences for you.

The following general comments will also help you to determine the tax consequences under the capital gains tax rules if you sold any of your Telstra shares.

If you disposed of shares for more than their tax cost you may be assessed on any net gain. If you disposed of shares for less than their tax cost you may be entitled to offset the loss against other capital gains you made in 2013/14 or to carry the loss forward to be offset against any capital gains you may make in the future. The tax cost of your shares is discussed further below in the section entitled *“What is the tax cost of your shares?”*

If you made a gain or loss under the capital gains tax provisions you should include the amount in the appropriate box at Item 18 of your 2013/14 tax return (Supplementary section).

### **Will you get the 50% Capital Gains Tax Discount?**

Under the Capital Gains Tax provisions you may be entitled to a discount for assets you have held for 12 months or more (“12 month qualifying discount period”). Under this discount you may only be assessed on 50% of a capital gain you make (after allowance for any capital losses you may have) when you sell certain assets such as your Telstra shares.

The Commissioner of Taxation issued a Class Ruling (CR 2001/28) on 18 July 2001 applicable to TESOP Participants stating that, in the Commissioner’s opinion, **where you sought the benefit of the \$1,000 tax exemption, shares must be held for longer than 12 months from the date that the Restriction Period ends** (the Restriction Period, in some cases, does not end when your relevant employment ceases) **not from the date when you acquired your shares under TESOP**, before the 50% CGT discount will be available.

[Please click on the “\*Restrictions\*” link on this website for details on the TESOP Trade Restriction Periods.](#)

This is the same as the treatment where the \$1,000 tax exemption has **not** been sought (although, this is not specifically dealt with in the Class Ruling).

### **What is the tax cost of your shares?**

Whether or not you made a written election in the income year in which you acquired your shares (being the 1997/98 income year for TESOP 97 shares and/or the 1999/2000 income year for TESOP 99 shares) to be taxed upfront on your shares is relevant to determining the cost base of your shares when you dispose of them.

#### ***No Election***

If you did **not** seek the \$1,000 tax exemption and you are assessed under the capital gains tax regime, the tax cost for the shares will be the “tax market value” of those shares at the earlier of when your relevant employment with the Telstra Group ceases or when your Restriction Period ends. If you have TESOP 97 Loan Shares and Extra Loan Shares and your loan was **not** repaid by 15 November 2007 (being the 10 year anniversary of the TESOP 97 scheme) your cost base for these shares is \$4.69 per share (being their tax market value on 15 November 2007). If you have TESOP 99 Loan Shares and your loan was **not** repaid by 16 October 2009 (being the 10 year anniversary of the TESOP 99

scheme) your cost base for these shares is \$3.15 (being their tax market value on 16 October 2009).

### ***Election Made***

If you did seek the \$1,000 tax exemption, you will have a choice as to how you calculate your tax cost for the shares.

If you do **not** make a choice, then based on the Commissioner's opinion in CR 2001/28, **the tax cost for the shares will be the "tax market value" of those shares when the Restriction Period ends, not when you acquired your shares under TESOP.**

**Note: the Restriction Period on your TESOP 97 Loan Shares and Extra Loan Shares ended on 25 March 2011**, being the date the loan was repaid in full. **The tax market value of those shares on 25 March 2011 was \$2.70.**

If you **do** make the choice, then the tax cost for the shares will be the tax market value of the shares at the date you first acquired an interest in them, not the tax market value of the shares at the date the Restriction Period ends. That is, \$3.30 in respect of TESOP 97 shares and \$7.40 in respect of TESOP 99 shares.

Due to the movement of the listed price of Telstra shares over recent years, it is possible that the market value of your shares at the date you first acquired them (i.e. \$3.30 in respect of TESOP 97 shares and \$7.40 in respect of TESOP 99 shares) may be higher than their market value at the date the Restriction Period ended. If this is the case, you should carefully consider making this choice if you disposed of these shares during the 2013/14 year.

Generally, the higher the cost base of your shares the higher the capital loss you will realise upon sale, which may be offset against current or future year capital gains. Alternatively, in circumstances where the sale proceeds exceed your cost base for your shares, the higher the cost base the lower the capital gain upon which you may be assessed.

The way in which you prepare your 2013/14 income tax return will be sufficient evidence of the making of the choice. **You are not required to lodge a written election with the Australian Taxation Office evidencing your choice.**

Irrespective of whether or not you make the choice, the 12 month qualifying discount period will commence from the date the Restriction Period ends.

**You may also make the choice in relation to shares you disposed of prior to the 2013/14 year of income.** If you believe that such a choice would have been appropriate in your particular circumstances you should consult your registered tax adviser. It may be possible to seek an amendment to prior year assessments within 4 years after the day on which the tax became due and payable under the relevant assessment.

Under TESOP 97 and TESOP 99, when the Restriction Period ends the Trustee can, depending on the particular circumstances, sell the shares for you or transfer the shares to you. In either case the availability of the CGT discount and the cost of your shares in determining whether you make a capital gain or loss are worked out in the way described above and in the attached guides.

Further information on the Telstra Employee Share Scheme is available at <http://www.telstra.com.au/abouttelstra/investor/my-shareholding/employee-shareholder-scheme/index.htm>

To view your TESOP holding online please go to the share registry's website at [www.linkmarketservices.com.au/telstra](http://www.linkmarketservices.com.au/telstra), and select "Employee Plan Login". To gain access to data on your TESOP shares, you will need to select Telstra Corporation Limited from the drop-down list, enter in your Holder Identifier (HIN/SRN), your surname and postcode. Alternatively, you may contact the share registry by telephone on 1300 88 66 77 or email [telstra.esop@linkmarketservices.com.au](mailto:telstra.esop@linkmarketservices.com.au).

## Disclaimer

This is a general description of the tax consequences which can apply to your participation in TESOP 97 or TESOP 99. The tax consequences for you may be different depending on your own circumstances, particularly if you have participated in other employee share schemes, if you have any particular arrangements in relation to your shares or for shares you acquire otherwise than under TESOP 97 or TESOP 99.

This information has been prepared for participants who are, and will continue to be, Australian tax residents. The information does not apply to:

- (a) individuals engaged in foreign service;
- (b) temporary residents of Australia for tax purposes;
- (c) foreign tax residents; or
- (d) individuals who are no longer employees of Telstra.

If you fall within these categories you should discuss the matter with your tax advisor.

The description of the capital gains tax consequences of your participation in TESOP 97 and/or TESOP 99 is based on **Class Ruling (CR 2001/28) issued by the Commissioner of Taxation.**

If you have any questions about preparing your tax return or the tax consequences of your participation in TESOP 97 or TESOP 99 (including the capital gains tax consequences) in your particular circumstances, you **should seek guidance from your own registered tax adviser.**

## TESOP Trade Restriction Periods

**Where you sought the relevant \$1,000 tax exemption (in your 1997/98 tax return and/or your 1999/2000 tax return)**

Share Type	Restriction Period Expiry Date
TESOP 97 – Loan Shares / Extra Loan Shares	Latter of : <ul style="list-style-type: none"> <li>• 15 November 2000; or</li> <li>• the date the loan is repaid <sup>1</sup></li> </ul>
TESOP 97 – Extra (1:4) Non-loan Shares	Earlier of: <ul style="list-style-type: none"> <li>• 15 November 2000; or</li> <li>• when you cease employment with the Telstra Group <sup>2</sup></li> </ul>
TESOP 99 – Extra (1:4) Shares and TESOP 99 – Loyalty (1:10) Shares	Earlier of: <ul style="list-style-type: none"> <li>• 16 October 2002; or</li> <li>• when you cease employment with the Telstra Group <sup>2</sup></li> </ul>
TESOP 99 - Loan Shares	For continuing employees the date is the latter of : <ul style="list-style-type: none"> <li>• 16 October 2002; or</li> <li>• the date the loan is repaid <sup>3</sup></li> </ul>
<ol style="list-style-type: none"> <li>1. This is irrespective of whether your relevant employment with the Telstra Group has ceased. If you had ceased employment prior to 15 November 2000, the relevant date was when the loan was repaid. Where the shares are sold for you by the Trustee, the relevant time is immediately prior to when the shares are sold.</li> <li>2. This also includes situations where you cease employment with a company that was part of the Telstra Group at the time of the relevant Telstra float (and you were employed by that company at the time of the float).</li> <li>3. This is irrespective of whether your relevant employment with the Telstra Group has ceased. However, if you cease employment prior to 16 October 2002, the relevant date is when the loan was repaid. Where the shares are sold for you by the trustee, the relevant time is immediately prior to when the shares are sold.</li> </ol>	

**Where you did not seek the relevant \$1,000 tax exemption (in your 1997/98 tax return and/or your 1999/2000 tax return)**

The expiry of the relevant Restriction Period will be determined in the same manner as described in the table.

When working out whether you make a capital gain or loss when you sold your TESOP shares, the tax cost will be the Tax Market Value of those shares at the earlier of:

- the abovementioned times;
- when your relevant employment with the Telstra Group ceased; or
- The 10 year anniversary of the relevant share scheme.

## **Disclaimer**

This is a general description of the tax consequences, which can apply to your participation in TESOP 97 or TESOP 99. The tax consequences for you may be different depending on your own circumstances, particularly if you have participated in other employee share schemes, if you have any particular arrangements in relation to your shares or for shares you acquire otherwise than under TESOP 97 or TESOP 99.

All information provided is of a general nature only and circumstances may vary greatly between participants. The information has been prepared for participants who are, and will continue to be, Australian tax residents. The information does not apply to:

- (a) individuals engaged in foreign service;
- (b) temporary residents of Australia for tax purposes; or
- (c) individuals who are no longer employees of Telstra.

If you fall within one of these categories you should discuss the matter with your tax advisor.

The description of the capital gains tax consequences of your participation in TESOP 97 and/or TESOP 99 is based on **Class Ruling (CR 2001/28) issued by the Commissioner of Taxation.**

If you have any questions about preparing your tax return or the tax consequences of your participation in TESOP 97 or TESOP 99 (including the capital gains tax consequences) in your particular circumstances, you **should seek guidance from your own registered tax adviser.**

## Questions & Answers – 2013/14

**Q. What are TESOP 97 and TESOP 99?**

**A.** TESOP 97 – offer made to employees to acquire shares in Telstra under the Telstra Employee Share Ownership Plan as part of the 1997 initial public float of Telstra shares.

TESOP 99 – offer made to employees to acquire shares in Telstra under the Telstra Employee Share Ownership Plan as part of the 1999 additional public float of Telstra shares.

**Q. How do I find out what TESOP shares I have if I can't remember?**

**A.** If you would like to find out more information on what TESOP shares you have you should contact the Telstra ESOP hot line on 1300 88 66 77 (overseas +61 2 8280 7755) or you can visit the Share Registrar's web site at <http://www.linkmarketservices.com.au> and select "Employee Plan Login". To gain access to data on your TESOP shares, you will need to select Telstra Corporation Limited from the drop-down list, enter in your Holder Identifier (HIN/SRN), your surname and postcode.

**Q. What do I need to do if I have TESOP 97 and/or TESOP 99 shares, still work with Telstra and have not sold any of my TESOP 97 or TESOP 99 shares or repaid my loans?**

**A.** You should include the dividends you received, together with the attached franking credits, as assessable income at Item 11, Boxes S, T and U of your 2013/14 tax return. This is the case even if the dividends were paid to you via the TESOP Trusts and even if part of the dividend has been applied to reduce your Telstra provided loans.

**Q. What are TESOP 97 loan shares and TESOP 97 extra loan shares?**

**A.** TESOP 97 Loan Shares are the shares purchased by employees as part of TESOP 97 using the interest free loan provided by Telstra (maximum of 2,000 shares). TESOP 97 Extra Loan Shares are the extra 1 for 4 shares provided to employees who acquired Loan shares in TESOP 97 (maximum of 500 shares). The loans in relation to these shares were fully repaid on the payment of the 2011 interim dividend on 25 March 2011, at which time the Trustee transferred these shares to you.

**Q. How do I know whether I made an election to be immediately assessed on my TESOP 97 or 99 loan shares and TESOP 97 extra loan shares, subject to the \$1,000 exemption, in my 1997/98 or 1999/2000 income tax return - if I can't remember?**

**A.** If the election was made it should have been retained with your copy of your 1997/8 or 1999/2000 income tax return and records. The election should not have been sent to the Australian Taxation Office when you lodged your return.

**Q. Can I change my mind about making a written election?**

**A.** No, if you made an election for TESOP 97 and TESOP 99 the election is irrevocable. It is also too late to make a written election in respect of your TESOP 97 or TESOP 99 shares if you have not already made the written election, unless the Commissioner of Taxation specifically allows you to do so. You should discuss this matter further with your tax adviser.

**Q. What do I need to do if I made the election?**

**A.** Nothing, the shares will only have further tax implications if disposed of.

**Q. What is the tax market value (TMV) and why is it important for me to know what it is?**

**A.** If the taxing point for your shares under the employee share scheme provisions happens prior to 1 July 2009, the TMV of your shares is the weighted average of the prices at which the shares were traded on the stock exchange in the one week up to and including the day of the deferred taxing point. If the taxing point for your shares happens after 1 July 2009, the TMV is the ordinary market value of your shares. (NB: The ATO has advised that it is reasonable to continue to use the weighted average actual price as a method for determining the market value after 1 July 2009).

It may be relevant in determining the cost base of your shares when calculating any capital gains/losses you may have made if you have disposed of your TESOP shares.

The tax market value of a share on a particular day is available from the Telstra Share Registry (1300 88 66 77).

**Q. What happens if I sold my shares, or some of my shares before 30 June 2014 but don't get paid for them until after that date?**

**A.** Generally, the relevant date on a sale of shares for capital gains tax purposes is the contract date. This means that if you made a contract to sell your shares in the year ending 30 June 2014 the tax consequences of selling your shares will generally be in the year ending 30 June 2014. You should discuss this matter further with your tax adviser.

**Q. If I sold my TESOP 97 or TESOP 99 shares in the last few years and calculated my Capital Gains Tax liability based on an incorrect cost base, what should I do?**

**A.** You are able to request an amended assessment from the ATO within 4 years of the date of the incorrect original assessment.

You only have a choice in relation to how you calculate your cost base for certain TESOP shares. The choice applies only to those TESOP shares subject to a trade restriction period (refer to the restriction period table in the Guide) and only where you sought the \$1,000 tax exemption in your 1997/1998 tax return (in respect of your TESOP 97 shares) or in your 1999/2000 tax return (in respect of your TESOP 99 shares).

**Q. I find this all very confusing – where can I get some help?**

**A.** This is a very complex area of taxation law. Detailed guidance is available at [www.telstra.com.au/abouttelstra/investor/my-shareholding/employee-shareholder-scheme/index.htm](http://www.telstra.com.au/abouttelstra/investor/my-shareholding/employee-shareholder-scheme/index.htm). However, if you have any further queries you should seek your own independent expert tax advice.

**Disclaimer**

This is a general description of the tax consequences, which can apply to your participation in TESOP 97 or TESOP 99. The tax consequences for you may be different depending on your own circumstances, particularly if you have participated in other employee share schemes, if you have any particular arrangements in relation to your shares or for shares you acquire otherwise than under TESOP 97 or TESOP 99.

All information provided is of a general nature only and circumstances may vary greatly between participants. The information has been prepared for participants who are, and will continue to be, Australian tax residents. The information does not apply to:

- (a) individuals engaged in foreign service;
- (b) temporary residents of Australia for tax purposes;
- (c) foreign tax residents; or
- (d) individuals who are no longer employees of Telstra.

If you fall within one of these categories you should discuss the matter with your tax advisor.

The description of the capital gains tax consequences of your participation in TESOP 97 and/ or TESOP 99 is based on **Class Ruling (CR 2001/28) issued by the Commissioner of Taxation**.

If you have any questions about preparing your tax return or the tax consequences of your participation in TESOP 97 or TESOP 99 (including the capital gains tax consequences) in your particular circumstances, **you should seek guidance from your own registered tax adviser**.

# Illustrative Examples

**# Note – the share prices and the tax market values referred to in these examples are for illustration purposes only. The tax market value of a share on a particular day is available from the Telstra Share Registry (1300 88 66 77).**

**## Note - these examples deal only with the taxation consequences for participants who are assessed under the capital gains tax provisions (and not the ordinary income provisions) for a disposal of shares in the 2013/14 year. They do not deal with the taxation consequences of disposing of shares in earlier or later years.**

**### Note - these examples deal ONLY with the tax consequences if you are a continuing employee or you ceased your relevant employment with Telstra during the 2013/14 year. They do not deal with participants who ceased employment prior to the 2013/14 year.**

**#### Note - these examples assume that participants will not have capital losses available to offset against any capital gains made on the disposal of the shares.**

<u>Share Type</u>	<u>Example</u>
TESOP 97 Loan Shares	1
TESOP 97 Non-Loan Shares	2
TESOP 97 Extra Loan Shares	3
TESOP 97 Extra Non-Loan Shares	4
TESOP 97 Loyalty Shares	5
1997 Public Offer Shares	6
1997 Shares Purchased through the stock exchange	7
1999 Guaranteed Allocation Shares	8
1999 Public Offer shares	9
TESOP 99 Loan Shares	10
TESOP 99 Extra Shares	11
TESOP 99 Loyalty Shares	12
1999 Shares Purchased through the stock exchange	13
T3 Sale Shares and Loyalty Shares	14

# Example 1

## TESOP 97 Loan Shares

### Example:

- As part of the 1997 Public float of Telstra shares you took up the maximum employee offer of 2,000 loan shares.
- These shares were subject to a trade Restriction Period.
- The loan for these shares was repaid in full on 25 March 2011 (with the payment of the 2011 interim dividend) and the shares were transferred to you by the Trustee. The tax market value of the shares on this date was \$2.70.
- On 4 December 2013 you sold your shares for \$5.05 per share.
- For the purposes of this example we have assumed that the tax market value of the share is the same as its market value and we have ignored selling costs such as brokerage.

### **Tax consequences - If you elected to seek \$1,000 tax exemption in your 1997/98 tax return**

Your capital gain or loss from the sale will equal the proceeds of the sale less the cost base of your shares.

You can choose \$3.30 as the cost base for these shares (if you do not make the choice, the cost base of your shares will be \$2.70, being the market value of the shares on the date the loan was fully repaid).

Assuming you make the choice, your capital gain is:  $(2,000 \times \$5.05) - (2,000 \times \$3.30) = \$3,500$

Note: if you had not made the choice you would have made a larger capital gain on disposal. The way you prepare your return is evidence of whether or not you made the choice i.e. you are not required to lodge a written election with the Australian Taxation Office.

### **Tax consequences - If you did not elect to seek \$1,000 tax exemption in your 1997/98 tax return**

As the loan was not repaid by 15 November 2007 i.e. the ten year anniversary of TESOP 97, the cost base of your shares will be \$4.69.

Consequently, your capital gain is:  $(2,000 \times \$5.05) - (2,000 \times \$4.69) = \$720$

## Example 2

### TESOP 97 Non-Loan Shares

#### Example:

- As part of the 1997 Public float of Telstra shares you took up the maximum employee offer of 2,000 non-loan shares at their public offer price of \$3.30.
- These shares were **not** subject to a trade Restriction Period.
- On 4 December 2013 you sold your shares for \$5.05 per share.
- For the purposes of this example we have assumed that the tax market value of the share is the same as its market value and we have ignored selling costs such as brokerage.

**Whether you elected to seek the \$1,000 tax exemption in your 1997/98 tax return is irrelevant in respect of the tax consequences arising from the disposal of these shares.**

Your capital gain from the sale will equal the proceeds of the sale less \$3.30 (being your cost base in the shares).

Consequently, your capital gain is:  $(2,000 \times \$5.05) - (2,000 \times \$3.30) = \$3,500$

## Example 3

### TESOP 97 Extra Loan Shares

#### Example:

- As part of the 1997 Public float of Telstra shares you took up the maximum employee offer of 2,000 loan shares.
- Consequently you were entitled to 500 extra loan shares.
- These shares were subject to a trade Restriction Period.
- The loan for your TESOP 97 Loan shares was repaid in full on 25 March 2011 (with the payment of the 2011 interim dividend) and these shares were transferred to you by the Trustee. The tax market value of the shares on this date was \$2.70.
- On 4 December 2013 you sold your shares for \$5.05 per share.
- For the purposes of this example we have assumed that the tax market value of the share is the same as its market value and we have ignored selling costs such as brokerage.

#### **Tax consequences - If you elected to seek \$1,000 tax exemption in your 1997/98 tax return**

Your capital gain or loss from the sale will equal the proceeds of the sale less the cost base of your shares.

You can choose \$3.30 as the cost base for these shares (if you do not make the choice, the cost base of your shares will be \$2.70, being the market value of the shares on the date the loan was fully repaid).

Assuming you make the choice, your capital gain is:  $(500 \times \$5.05) - (500 \times \$3.30) = \$875$

Note: if you had not made the choice you would have made a larger capital gain on disposal. The way you prepare your return is evidence of whether or not you made the choice ie. you are not required to lodge a written election with the Australian Taxation Office.

#### **Tax consequences - If you did not elect to seek \$1,000 tax exemption in your 1997/98 tax return**

As the loan was not repaid by 15 November 2007 i.e. the ten year anniversary of TESOP 97, the cost base of your shares will be \$4.69.

Consequently, your capital gain is:  $(500 \times \$5.05) - (500 \times \$4.69) = \$180$

## Example 4

### TESOP 97 Extra Non-Loan Shares

#### Example:

- As part of the 1997 Public float of Telstra shares you took up the maximum employee offer of 2,000 non-loan shares. You did not take advantage of the Telstra loan.
- Consequently you were entitled to 500 extra non-loan shares.
- These shares were subject to a trade Restriction Period which expired on 15 November 2000. (This example assumes you did not cease your relevant employment with Telstra before 15 November 2000). The tax market value of the shares was \$6.58 on 15 November 2000.
- On 4 December 2013 you sold your shares for \$5.05 per share.
- For the purposes of this example we have assumed that the tax market value of the share is the same as its market value and we have ignored selling costs such as brokerage.
  - For more information on when the Restriction Period expires for these shares refer to the TESOP Trade Restriction Periods table.

#### **Whether you elected to seek the \$1,000 tax exemption in your 1997/98 tax return is irrelevant in respect of the tax consequences arising from the disposal of these shares.**

Your capital loss from the sale will equal \$6.58 (being the tax market value of shares at 15 November 2000, which is when the restriction period expired for extra non-loan shares) less the proceeds of the sale.

Consequently, your capital loss is:  $(500 \times \$6.58) - (500 \times \$5.05) = \$765$

*The capital loss can only be used as an offset against other capital gains you may have made during the year. Otherwise, the loss would need to be carried forward for offset against other capital gains you may make in the future. Once offset against a capital gain, it will be the net gain which may or may not be subject to the 50% discount, depending on how long the gain asset was held.*

Note: If you elected to seek the \$1,000 tax exemption in your 1997/98 tax return, you may choose to apply the capital gains tax provisions differently from the basis outlined above. You may choose \$3.30 as the cost base for your shares. However, such a choice would result in a capital gain rather than a capital loss.

## Example 5

### TESOP 97 Loyalty Shares

#### Example:

- As part of the 1997 Public float of Telstra shares you purchased 2,000 shares under the public offer (at their public offer price of \$3.30).
- You held your purchased shares for more than 12 months and consequently you were entitled, under the employee offer, to a further 200 loyalty shares.
- These loyalty shares were **not** subject to a trade Restriction Period.
- On 4 December 2013 you sold your loyalty shares for \$5.05 per share.
- For the purposes of this example we have assumed that the tax market value of the share is the same as its market value and we have ignored selling costs such as brokerage.
- This example assumes that you did not cease your relevant employment with Telstra before 17 November 1998.

#### **Tax consequences - If you elected to seek \$1,000 tax exemption in your 1997/98 tax return**

Your capital gain from the sale will equal the proceeds of the sale less the cost base of your shares (being \$3.30 per share).

Consequently, your capital gain is:  $(200 \times \$5.05) - (200 \times \$3.30) = \$350^*$

#### **Tax consequences - If you did not elect to seek \$1,000 tax exemption in your 1997/98 tax return**

Your capital loss from the sale will be \$6.55 less the proceeds of sale.

\$6.55 is the tax market value of shares on 17 November 1998 being the date TESOP 97 Loyalty Shares were allotted.

Your capital loss is:  $(200 \times \$6.55) - (200 \times \$5.05) = \$300^*$

*\*The capital loss can only be used as an offset against other capital gains you may have made during the year. Otherwise, the loss would need to be carried forward for offset against other capital gains you may make in the future. Once offset against a capital gain, it will be the net gain which may or may not be subject to the 50% discount, depending on how long the gain asset was held.*

## Example 6

### 1997 Public Offer Shares

#### Example:

- As part of the 1997 Public float of Telstra shares you acquired 2,000 shares at their public offer price of \$3.30.
- These shares were **not** subject to a trade Restriction Period.
- On 4 December 2013 you sold your shares for \$5.05 per share.
- For the purposes of this example we have ignored selling costs such as brokerage.

**Whether you elected to seek the \$1,000 tax exemption in your 1997/98 tax return is irrelevant in respect of the tax consequences arising from the disposal of these shares.**

Your capital gain from the sale will equal the proceeds of the sale less \$3.30 (being your cost base in the shares).

Consequently, your capital gain is:  $(2,000 \times \$5.05) - (2,000 \times \$3.30) = \$3,500$

## Example 7

### 1997 Shares through the Stock Exchange

#### Example:

- On 1 December 1997 you purchased 2,000 instalment receipts through the stock exchange for \$2.40.
- These shares were **not** subject to a trade Restriction Period.
- On 17 November 1998 you paid the 2<sup>nd</sup> instalment of \$1.40.
- On 4 December 2013 you sold your shares for \$5.05 per share.
- For the purposes of this example we have ignored selling costs such as brokerage.

**Whether you elected to seek the \$1,000 tax exemption in your 1997/98 tax return is irrelevant in respect of the tax consequences arising from the disposal of these shares.**

Under the capital gains tax provisions, your capital gain from the sale will equal the proceeds of the sale less the cost of the shares/instalment receipts ( $\$2.40 + \$1.40 = \$3.80$  per share).

Consequently, your capital gain is:  $(2,000 \times \$5.05) - (2,000 \times \$3.80) = \$2,500$

For some taxpayers the gain/loss made on the sale of the shares will be dealt with under the “income” provisions of the tax rules.

*If the shares were held by you for longer than 12 months, the capital gain may be reduced by 50% (after first taking into account any capital losses).*

## Example 8

### 1999 Guaranteed Allocation Shares

#### Example:

- As part of the 1999 Staff Offer you acquired 2,000 shares at their public offer price of \$7.40.
- These shares were **not** subject to a trade Restriction Period.
- On 4 December 2013 you sold these shares for \$5.05 per share.
- For the purposes of this example we have ignored selling costs such as brokerage.

**Whether you elected to seek the \$1,000 tax exemption in your 1999/2000 tax return is irrelevant in respect of the tax consequences arising from the disposal of these shares.**

Under the capital gains tax provisions, your capital loss from the sale will equal the amount you paid for the shares (\$7.40 per share) less the proceeds from the sale.

Consequently, your capital loss is:  $(2,000 \times \$7.40) - (2,000 \times \$5.05) = \$4,700^*$

For some taxpayers the gain/loss made on the sale of the shares will be dealt with under the “income” provisions of the tax rules.

*\*The capital loss can only be used as an offset against other capital gains you may have made during the year. Otherwise, the loss would need to be carried forward for offset against other capital gains you may make in the future. Once offset against a capital gain, it will be the net gain which may or may not be subject to the 50% discount, depending on how long the gain asset was held.*

## Example 9

### 1999 Public Offer Shares

#### Example:

- As part of the 1999 **Public** Offer of Telstra shares you acquired 2,000 shares at their public offer price of \$7.40.
- These shares were **not** subject to a trade Restriction Period.
- On 4 December 2013 you sold these shares for \$5.05 per share.
- For the purposes of this example we have ignored selling costs such as brokerage.

**Whether you elected to seek the \$1,000 tax exemption in your 1999/2000 tax return is irrelevant in respect of the tax consequences arising from the disposal of these shares.**

Under the capital gains tax provisions, your capital loss from the sale will equal the amount you paid for the shares (\$7.40 per share) less the proceeds from the sale.

Consequently, your capital loss is:  $(2,000 \times \$7.40) - (2,000 \times \$5.05) = \$4,700^*$

For some taxpayers the gain/loss made on the sale of the shares will be dealt with under the “income” provisions of the tax rules.

*\*The capital loss can only be used as an offset against other capital gains you may have made during the year. Otherwise, the loss would need to be carried forward for offset against other capital gains you may make in the future. Once offset against a capital gain, it will be the net gain which may or may not be subject to the 50% discount, depending on how long the gain asset was held.*

## Example 10

### TESOP 99 – Loan Shares

#### Example:

- As part of the 1999 float of Telstra shares you took up the maximum employee offer of 400 loan shares.
- These shares were subject to a trade Restriction Period.
- On 4 December 2013 you chose to pay the remaining loan balance on these shares and sold them for \$5.05 per share.
- For the purposes of this example we have ignored selling costs such as brokerage.

#### **Tax consequences - If you elected to seek \$1,000 tax exemption in your 1999/2000 tax return**

Your capital gain or loss from the sale will equal the proceeds of the sale less the cost base of your shares.

You can choose \$7.40 as the cost base for these shares (if you do not make the choice, the cost base of your shares will be \$5.05, being the market value of the shares on the date the loan was fully repaid).

Assuming you make the choice, your capital loss is:  $(400 \times \$7.40) - (400 \times \$5.05) = \$940^*$

Note: if you had not made the choice you would have made no capital gain and no capital loss on disposal as your cost base would be the same as the sale proceeds. The way you prepare your return is evidence of whether or not you made the choice ie. you are not required to lodge a written election with the Australian Taxation Office.

#### **Tax consequences - If you did not elect to seek \$1,000 tax exemption in your 1999/2000 tax return**

As the loan was not repaid by 16 October 2009 i.e. the ten year anniversary of TESOP 99, the cost base of your shares will be \$3.15 (the tax market value of the shares on 16 October 2009).

Consequently, your capital gain is:  $(400 \times \$5.05) - (400 \times \$3.15) = \$760^{**}$

*\* The capital loss can only be used as an offset against other capital gains you may have made during the year. Otherwise, the loss would need to be carried forward for offset against other capital gains you may make in the future. Once offset against a capital gain, it will be the net gain which may or may not be subject to the 50% discount, depending on how long the gain asset was held.*

*\*\*As the shares were not held by you for longer than 12 months after the Restriction Period expired (ie. when the loan was repaid in full), you will not be able to access the 50% CGT discount on the sale of the shares.*

# Example 11

## TESOP 99 – Extra Shares

### Example:

- As part of the 1999 float of Telstra shares you acquired 800 Guaranteed Entitlement shares.
- Consequently you were entitled to 200 extra shares.
- These shares were subject to a trade Restriction Period which expired on 16 October 2002. This example assumes that you did not leave your relevant employment with Telstra before 16 October 2002. The TESOP Trustee transferred the shares to you on that date. The tax market value on that date was \$4.81 per share.
- On 4 December 2013 you sold the shares for \$5.05.
- For the purposes of this example we have assumed that the tax market value of the share is the same as its market value and we have ignored selling costs such as brokerage.
  - For more information on when the Restriction Period expires for these shares refer to the TESOP Trade Restriction Periods table.

### **Tax consequences - If you elected to seek \$1,000 tax exemption in your 1999/2000 tax return**

If you make the choice to use \$7.40 as the cost base for your shares, your capital loss from the sale will equal \$7.40, multiplied by the number of shares you acquired, less the proceeds of the sale.

Consequently, your capital loss is:  $(200 \times \$7.40) - (200 \times \$5.05) = \$470^*$

Note: If you do not choose \$7.40 as your cost base, the share's cost base will be \$4.81 being the tax market value of the shares at the expiry of the Restriction Period. In such a case you would be in a capital gain position rather than a capital loss.

### **Tax consequences - If you did not elect to seek \$1,000 tax exemption in your 1999/2000 tax return**

You should previously have been assessed under the Employee Share Scheme provisions of the Tax Act on \$4.81 per share being the tax market value of the shares at the expiry of the Restriction Period.

Accordingly, your capital gain is:  $(200 \times \$5.05) - (200 \times \$4.81) = \$48$

*\*The capital loss can only be used as an offset against other capital gains you may have made during the year. Otherwise, the loss would need to be carried forward for offset against other capital gains you may make in the future. Once offset against a capital gain, it will be the net gain which may or may not be subject to the 50% discount, depending on how long the gain asset was held.*

## Example 12

### TESOP 99 – Loyalty Shares

#### Example:

- As part of the 1999 float of Telstra shares you acquired 800 Guaranteed Entitlement shares.
- You held these shares for longer than 12 months and therefore you were entitled to 80 loyalty shares.
- These shares were subject to a trade Restriction Period which expired on 16 October 2002. This example assumes that you did not leave your relevant employment with Telstra before 16 October 2002. The TESOP Trustee transferred the shares to you on that date. The tax market value of Telstra shares on that date was \$4.81 per share.
- On 4 December 2013 you sold the shares for \$5.05.
- For the purposes of this example we have assumed that the tax market value of the share is the same as its market value and we have ignored selling costs such as brokerage.
  - For more information on when the Restriction Period expires for these shares refer to the TESOP Trade Restriction Periods table.

#### **Tax consequences - If you elected to seek \$1,000 tax exemption in your 1999/2000 tax return**

If you make the choice to use \$7.40 as the cost base for your shares, your capital loss from the sale will equal \$7.40 multiplied by the number of shares you acquired less the proceeds of the sale.

Consequently, your capital loss is:  $(80 \times \$7.40) - (80 \times \$5.05) = \$188^*$

Note: If you do not choose \$7.40 as your cost base, the share's cost base will be \$4.81 being the tax market value of the shares at the expiry of the restriction period. In such a case you would be in a capital gain position rather than a capital loss.

#### **Tax consequences - If you did not elect to seek \$1,000 tax exemption in your 1999/2000 tax return**

You should previously have been assessed under the Employee Share Scheme provisions of the Tax Act on \$4.81 per share being the tax market value of the shares at the expiry of the Restriction Period.

Accordingly, your capital gain is:  $(80 \times \$5.05) - (80 \times \$4.81) = \$19.20$

*\*The capital loss can only be used as an offset against other capital gains you may have made during the year. Otherwise, the loss would need to be carried forward for offset against other capital gains you may make in the future. Once offset against a capital gain, it will be the net gain which may or may not be subject to the 50% discount, depending on how long the gain asset was held.*

## Example 13

### 1999 Shares Purchased through the Stock Exchange

#### Example:

- On 1 December 1999 you purchased 2,000 instalment receipts through the stock exchange for \$3.70.
- These shares were **not** subject to a trade Restriction Period.
- On 2 November 2000 you paid the 2<sup>nd</sup> instalment of \$2.90.
- On 4 December 2013 you sold your shares for \$5.05 per share.
- For the purposes of this example we have ignored selling costs such as brokerage.

**Whether you elected to seek the \$1,000 tax exemption in your 1999/2000 tax return is irrelevant in respect of the tax consequences arising from the disposal of these shares.**

Your capital loss from the sale will equal the cost of the shares/instalment receipts ( $(\$3.70 + \$2.90 = \$6.60)$  per share) less your proceeds from the disposal.

Consequently, your capital loss is:  $(2,000 \times \$6.60) - (2,000 \times \$5.05) = \$3,100^*$

*\*The capital loss can only be used as an offset against other capital gains you may have made during the year. Otherwise, the loss would need to be carried forward for offset against other capital gains you may make in the future. Once offset against a capital gain, it will be the net gain which may or may not be subject to the 50% discount, depending on how long the gain asset was held.*

## Example 14

### T3 Sale Shares

#### Example:

- As part of the T3 float you purchased 1,000 Instalment Receipts for \$3.60 (\$2.00 paid with your application, with a 2<sup>nd</sup> instalment paid on 29 May 2008).
- These shares were **not** subject to a trade restriction period.
- You have a cost base in respect of the IRs equivalent to \$3.46 x 1,000 underlying Sale Shares, plus \$3.46 x 40 Loyalty Rights.
- You sell 500 Sale Shares on 4 December 2013 for \$5.05 each.
- For the purposes of this example we have ignored selling costs such as brokerage.

**These shares were not acquired as part of an employee share scheme (ESS), therefore any ESS elections are irrelevant.**

Under the capital gains tax provisions, your capital gain from the sale will equal your proceeds from the disposal less the cost of the shares (\$3.46 per Sale Share).

Consequently, your capital gain is:  $(500 \times \$5.05) - (500 \times \$3.46) = \$795$

## Disclaimer

This is a general description of the tax consequences, which can apply to your participation in TESOP 97 or TESOP 99. The tax consequences for you may be different depending on your own circumstances, particularly if you have participated in other employee share schemes, if you have any particular arrangements in relation to your shares or for shares you acquire otherwise than under TESOP 97 or TESOP 99.

This information has been prepared for the participants who are, and will continue to be, Australian tax residents. The information does not apply to:

- (a) individuals engaged in foreign service;
- (b) temporary residents of Australia for tax purposes;
- (c) foreign tax residents; or
- (d) individuals who are no longer employees of Telstra.

If you fall within these categories you should discuss the matter with your tax advisor.

The description of the capital gains tax consequences of your participation in TESOP 97 and/ or TESOP 99 is based on **Class Ruling (CR 2001/28) issued by the Commissioner of Taxation.**

The description of the capital gains tax consequences of your sale of T3 IRs in the 2006/07 year is based on **Class Ruling (CR 2007/51) issued by the Commissioner of Taxation.**

If you have any questions about preparing your tax return or the tax consequences of your participation in TESOP 97 or TESOP 99 (including the capital gains tax consequences) in your particular circumstances, you should **seek guidance from your own registered tax adviser.**

## Glossary

- **1997 Public Offer Shares** – shares acquired through the public offer in November 1997.
- **1999 Public Offer Shares** – shares acquired through the public offer in October 1999.
- **2006 Public Offer Shares** – shares acquired through the public offer in November 2006.
- **2006 Bonus Loyalty Shares** – 1 for 25 bonus shares provided to shareholders who hold their 2006 Public Offer instalment receipts until 15 May 2008 and pay the final instalment on or by 29 May 2008.
- **Guaranteed Allocation Shares** – shares purchased by employees, with their own money, under the Commonwealth component of TESOP 99.
- **Tax Act** - the *Income Tax Assessment Act 1936* or the *Income Tax Assessment Act 1997*.
- **Tax Market Value** –if the taxing point for your shares under the employee share scheme provisions of the Tax Act happens prior to 1 July 2009 – the weighted average of the prices at which the shares were traded on the stock exchange in the one week up to and including the day on which the restriction period ends. This value is available from the Telstra Share Registry (1300 88 66 77).

If the taxing point for your shares is determined under the employee share scheme provisions of the Tax Act and happens on or after 1 July 2009 – the ordinary market value of your shares.

- **Telstra** – Telstra Corporation Limited or a subsidiary of Telstra.
- **TESOP 97** – offer made to employees to acquire shares in Telstra under the Telstra Employee Share Ownership Plan as part of the 1997 initial public float of Telstra shares.
- **TESOP 97 Extra Loan Shares** – the extra 1 for 4 shares provided to employees who acquired Loan shares in TESOP 97.
- **TESOP 97 Extra Non-Loan Shares** – the extra 1 for 4 shares provided to employees who acquired Non-Loan Shares in TESOP 97.
- **TESOP 97 Loan Shares** – shares purchased by employees as part of TESOP 97 using the interest free loan provided by Telstra.
- **TESOP 97 Loyalty Shares** – the extra 1 for 10 shares provided to employees who acquired Public Offer Shares in the 1997 float of Telstra shares and held them for 12 months.
- **TESOP 97 Non-Loan Shares** – shares purchased by employees as part of TESOP 97 using their own money instead of the interest free loan provided by Telstra.
- **TESOP 99** – offer made to employees to acquire shares in Telstra under the Telstra Employee Share Ownership Plan as part of the 1999 additional public float of Telstra shares.
- **TESOP 99 Loan Shares** – shares acquired by employees as part of the Telstra component of TESOP 99 using the interest free loan provided by Telstra.
- **TESOP 99 Loyalty Shares** – the extra 1 for 10 shares provided under the Commonwealth component of TESOP 99 to employees who acquired Guaranteed Allocation Shares and held them until at least 2 November 2000.
- **TESOP Extra 99 Shares** – the extra 1 for 4 shares provided under the Commonwealth component of TESOP 99 to employees who acquired Guaranteed Allocation Shares.
- **Subsequent share purchases** – any other shares or instalment receipts acquired by an employee other than as part of TESOP 97, TESOP 99 or as part of the public float in 1997 or further public float in 1999.
- **Written Elections** – the election under tax law made by an employee before they lodged their 1997/98 Tax Return (affecting their TESOP 97 shares) and/or their 1999/2000 Tax Return (affecting their TESOP 99 shares).