

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	E	F	E	F
TESOP 97 Extra Non-Loan Shares	I	J	I	J
TESOP 99 Loyalty Shares TESOP 99 Extra Shares	K	L	K	L
TESOP 99 Loan Shares	M	N	O	P

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"> 1997 Public Offer Shares TESOP 97 Non Loan Shares TESOP 97 Loyalty Shares (Where you <u>elected</u> to seek the \$1,000 tax exemption in your 1997/98 tax return) 	<p><u>When you sell your shares</u></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>[Example (No.2)] relating to the tax consequences of the sale of your TESOP 97 Non-Loan shares.</p> <p>[Example (No.5)] relating to the tax consequences of the sale of your TESOP 97 Loyalty Shares.</p> <p>[Example (No.6)] 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"> TESOP 97 Loyalty Shares 	<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>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>[Example (No.5)] relating to the tax consequences of the sale of your TESOP 97 Loyalty Shares.</p>

C	<ul style="list-style-type: none"> • 1999 Guaranteed Allocation Shares • 1999 Public Offer shares 	<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 \$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>[Example (No.8)] relating to the tax consequences of the sale of your 1999 Guaranteed Allocation shares.</p> <p>[Example (No.9)] relating to the tax consequences of the sale of your 1999 Public Offer shares.</p>
D	<ul style="list-style-type: none"> • 2006 Public Offer shares and loyalty shares 	<p><u>When you sell your Shares</u></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>[Example (No. 14)] relating to the tax consequences of the sale of your T3 Sale Shares and loyalty shares.</p>	<p><u>When you sell your Shares</u></p> <p>This is not applicable in 2013/14.</p>

E	<p>Where you <u>elected</u> to seek the \$1,000 tax exemption in your 1997/98 tax return</p> <ul style="list-style-type: none"> • TESOP 97 Loan Shares • TESOP 97 Extra Loan Shares 	<p><u>When you sell your shares</u></p> <p>When you sell your shares you calculate your capital gain as:</p> <ul style="list-style-type: none"> • Proceeds of sale • Less the Tax Market Value of the shares on the <u>latter</u> of : <ul style="list-style-type: none"> • 15 November 2000; or • the <u>earlier</u> of: <ul style="list-style-type: none"> • the date the loan is repaid¹; or • immediately prior to when the Trustee disposes of the shares on your behalf. <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>[Example (No.1)] relating to the tax consequences of the sale of your TESOP 97 Loan shares.</p> <p>[Example (No.3)] relating to the tax consequences of the sale of your TESOP 97 Extra Loan shares.</p>	<p><u>When you sell your shares</u></p> <p>This is not applicable in 2013/14.</p>
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¹ 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>F</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"> • TESOP 97 Loan Shares • TESOP 97 Extra Loan Shares 	<p><u>When you sell your shares</u></p> <p>Your capital gain will be:</p> <ul style="list-style-type: none"> • Proceeds of sale • <u>Less</u> either: <ul style="list-style-type: none"> • 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 • If your loan was repaid prior to 15 November 2007 - the tax market value of the shares on the loan repayment date. <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>[Example (No.1)] relating to the tax consequences of the sale of your TESOP 97 Loan shares.</p> <p>[Example (No.3)] relating to the tax consequences of the sale of your TESOP 97 Extra Loan shares.</p>	<p><u>When you sell your shares</u></p> <p>Your capital loss will be:</p> <ul style="list-style-type: none"> • Either: <ul style="list-style-type: none"> • 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 • If your loan was repaid prior to 15 November 2007 - the tax market value of the shares on the loan repayment date. • <u>Less</u> the proceeds of sale. <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</p>	<p>Where you <u>elect</u>ed to seek the \$1,000 tax exemption in your 1997/98 tax return</p> <ul style="list-style-type: none"> • TESOP 97 Extra Non-Loan Shares 	<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>When you sell your shares you calculate your capital loss as:</p> <ul style="list-style-type: none"> • \$6.58, being the Tax Market Value of the shares on 15 November 2000 • <u>Less</u> proceeds of sale. <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>[Example (No.4)] relating to the tax consequences of the sale of your TESOP 97 Extra Non-Loan shares.</p>

<p>J</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"> • TESOP 97 Extra Non-Loan Shares 	<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"> • \$6.58 being Tax Market Value of the shares at 15 November 2000 • <u>Less</u> proceeds of sale. <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>[Example (No.4)] relating to the tax consequences of the sale of your TESOP 97 Extra Non-Loan shares.</p>
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<p>K</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"> • TESOP 99 Loyalty Shares • TESOP 99 Extra Shares 	<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"> • Proceeds of sale • <u>Less</u> \$4.81 being the Tax Market Value of the shares on 16 October 2002. <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><u>Note:</u> 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"> • \$4.81 being the Tax Market Value of the shares on 16 October 2002 • <u>Less</u> proceeds of sale. <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><u>Note:</u> 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>[Example (No.11)] relating to the tax consequences of the sale of your TESOP 99 Extra shares.</p> <p>[Example (No.12)] relating to the tax consequences of the sale of your TESOP 99 Loyalty shares.</p>
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<p>L</p>	<p>Where you did <u>not</u> elect to seek the \$1,000 tax exemption in your 1999/2000 tax return</p> <ul style="list-style-type: none"> • TESOP 99 Loyalty Shares • TESOP 99 Extra Shares 	<p><u>When you sell your shares</u></p> <p>Your capital gain will be:</p> <ul style="list-style-type: none"> • Proceeds of sale • <u>Less</u> \$4.81 being the Tax Market Value of the shares on 16 October 2002. <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>[Example (No.11)] relating to the tax consequences of the sale of your TESOP 99 Extra shares.</p> <p>[Example (No.12)] relating to the tax consequences of the sale of your TESOP 99 Loyalty shares.</p>	<p><u>When you sell your shares</u></p> <p>Your capital loss will be:</p> <ul style="list-style-type: none"> • \$4.81 being the Tax Market Value of the shares on 16 October 2002 • <u>Less</u> proceeds of sale. <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>
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<p>M</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"> • TESOP 99 Loan Shares 	<p><u>When you sell your shares</u></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"> • Proceeds of sale • <u>less</u> the Tax Market Value of the shares on the <u>latter</u> of : <ul style="list-style-type: none"> • 16 October 2002 (being \$4.81); or • the <u>earlier</u> of: <ul style="list-style-type: none"> • the date the loan is repaid; or • immediately prior to when the Trustee disposes of the shares on your behalf. <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><u>Note:</u> 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 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"> • Tax Market Value of the shares on the <u>latter</u> of : <ul style="list-style-type: none"> • 16 October 2002 (being \$4.81); or • the <u>earlier</u> of: <ul style="list-style-type: none"> • the date the loan is repaid; or • immediately prior to when the Trustee disposes of the shares on your behalf • <u>Less</u> proceeds of sale. <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><u>Note:</u> 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>[Example (No.10)] relating to the tax consequences of the sale of your TESOP 99 Loan shares.</p>
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N	<p><u>Only applicable if your employment with Telstra did not cease during the 2013/14 year.</u></p> <p>Where you did <u>not</u> elect to seek the \$1,000 tax exemption in your 1999/2000 tax return</p> <ul style="list-style-type: none"> • TESOP 99 Loan Shares 	<p><u>When you sell your shares</u></p> <p>If you sell your shares during the 2013/14 year your Capital Gain will be:</p> <ul style="list-style-type: none"> • Proceeds of sale • 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. <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"> • 16 October 2009; • the date the loan was repaid; or • the date you ceased your employment with the Telstra Group. <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>[Example (No.10)] relating to the tax consequences of the sale of your TESOP 99 Loan shares.</p>	<p><u>When you sell your shares</u></p> <p>This is not applicable in 2013/14.</p>
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<p>O</p>	<p><u>Only applicable if you ceased relevant employment with Telstra during 2013/14</u></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"> • TESOP 99 Loan Shares 	<p><u>When you sell your shares</u></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>If the loan was NOT repaid in full when you ceased relevant employment your capital gain will be:</p> <ul style="list-style-type: none"> • Proceeds of sale • <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. <p>If the loan was repaid in full when you ceased relevant employment your capital gain will be:</p> <ul style="list-style-type: none"> • Proceeds of Sale; • <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 behalf². <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><u>Note:</u> 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 calculated in the following manner.</p> <p>If the loan was NOT repaid in full when you ceased relevant employment your capital loss will be:</p> <ul style="list-style-type: none"> • 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 • <u>Less</u> proceeds of sale. <p>If the loan was repaid in full when you ceased relevant employment your capital loss will be:</p> <ul style="list-style-type: none"> • 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; • Less the proceeds of sale³. <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><u>Note:</u> 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>
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² 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

³ 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>P</p>	<p><u>Only applicable if you ceased relevant employment with Telstra during 2013/14</u></p> <p>Where you did <u>not</u> elect to seek the \$1,000 tax exemption in your 1999/2000 tax return</p> <ul style="list-style-type: none"> • TESOP 99 Loan Shares 	<p><u>When you sell your shares</u></p> <p>If you sell your shares during the 2013/14 year your Capital Gain will be:</p> <ul style="list-style-type: none"> • Proceeds of sale • <u>Less</u> the Tax Market Value of the shares on the date of the Taxing Point (explained above). <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><u>When you sell your shares</u></p> <p>If you sell your shares during the 2013/14 year your Capital Gain will be:</p> <ul style="list-style-type: none"> • Tax Market Value of the shares on the date of the Taxing Point (explained above) • <u>Less</u> proceeds of sale. <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>[Example (No.10)] relating to the tax consequences of the sale of your TESOP 99 Loan shares.</p>
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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.**