



TESOP 2004 / 2005

Tax Time and Telstra Shares

1.0 Tax Time and Telstra Shares.....	- 2 -
2.0 General	- 3 -
3.0 Taxation	- 5 -
4.0 Restrictions	- 9 -
5.0 Share Disposal.....	- 11 -
6.0 Examples	27
7.0 Questions & Answers.....	45
8.0 Glossary.....	48
9.0 Disclaimer	50



1.0 Tax Time and Telstra Shares

Once again it's tax time!

The purpose of this information is to provide you with a brief overview of the taxation implications, applicable to most employees and former employees, of participation in TESOP 97 or TESOP 99, including receiving Telstra dividends and the taxation consequences of disposing of shares during 2004/5.

This is a general guide only. **The particular tax consequences for you may be different due to your individual circumstances.**

This information is important. You should refer to this Guide when preparing your tax return. You should also provide a copy of this Guide to your tax agent or the person who prepares your tax return.

For the purpose of this information certain terms have specific meanings.

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.

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.**



2.0 General

No Written Election Required for 2004/5 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.

Whether or not you made a written election in preparing your 1997/98 tax return (affecting your TESOP 97 shares) and/or your 1999/2000 tax return (affecting your TESOP 99 shares) will be relevant if the Restriction Period on you dealing in your shares has expired in 2004/5 or if your relevant employment with the Telstra Group ceased during 2004/5.

A written election may also influence the tax consequences of any shares you disposed of in 2004/5.

When does the Restriction Period on you dealing in TESOP shares expire?

The Restriction Period on you dealing in various TESOP 97 and TESOP 99 shares may have expired during 2004/5, depending on your circumstances.

To find out when the Restriction Period expires visit the restriction section of this document.

For example, the Restriction Period may have expired during 2004/5 for your TESOP 97 Loan Shares and Extra Loan Shares and your TESOP 99 Loan Shares if your relevant employment with the Telstra Group ceased during 2004/5, you disposed of these shares in the Telstra Buy-Back or you otherwise repaid the relevant TESOP loan in 2004/5.

If you did **not** make a written election in preparing your 1997/98 tax return (affecting your TESOP 97 shares) and/or your 1999/2000 tax return (affecting your TESOP 99 shares) and you ceased relevant employment or the Restriction Period expired during 2004/5 you may be assessable in your 2004/5 return based on the Tax Market Value of the shares when you ceased relevant employment or the Restriction Period expired (see also the special rules below if you sold your shares in the Telstra Buy-Back).

See Share Disposal – “At a glance - Tax consequences when you dispose of your Telstra ESOP 97, ESOP99 and Telstra Shares (other than in the Buy-Back) or the Restriction Period Expires” for more information.

In this case, you should include the assessable discount (if any) at Item 22, Box V of your 2004/5 tax return (Supplement section). Please note that these references are to the Individuals tax return form. The labels may vary if you are using another form of tax return, such as the Short Form or Retirees form.



The tax market value of Telstra shares is available from the Share Registry on 1300 303 199.

Special rules may apply if you disposed of any TESOP 97 or TESOP 99 shares in the Telstra Buy-Back.

See Share Disposal - "At a glance - Tax consequences if you dispose of your Telstra ESOP 97 Telstra ESOP 99 shares under the Telstra Buy-Back" for more information.

TESOP Shares not subject to Fringe Benefits Tax

The acquisition or holding of TESOP shares is not subject to Fringe Benefits Tax and, accordingly, is not a Reportable Fringe Benefit on your Payment Summary.

Dividends on TESOP 97 and TESOP 99 shares received in 2004/5 to be included in your Assessable Income

During 2004/5 Telstra paid a fully franked final dividend for 2003/4 of 12 cents per share which was paid on 31 October 2004 and a fully franked interim dividend for 2004/5 of 13 cents per share which was paid on 30 April 2005.

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 2004/5 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.



3.0 Taxation

What happens if you sold your TESOP shares in 2004/5 in the Telstra buy-back?

If you sold your TESOP Shares in the Buy-Back, you will be taken for tax purposes to have received a dividend equal to \$2.55 ("dividend component"). You will also be deemed to have disposed of your shares for capital gains tax purposes for \$2.25.

Taxation treatment of the dividend component

You should include the dividend you are taken to have received, together with any attached franking credits, as assessable income at Item 11, Boxes S, T and U of your 2004/2005 tax return.

In relation to the dividend, there are a number of rules which may affect its taxation treatment. Some of these rules are described in section 2.7 "Limits on Availability of Franking Credits and Tax Offsets" on page 26 of the 2004 Telstra Buy-Back Tender Booklet. These rules are particularly important if you acquired any Telstra Shares after 29 September 2004 or if you entered into arrangements regarding any Telstra shares which meant that you have not held the shares 'at risk'. If you are in this position, you should seek professional tax advice about the tax treatment of the dividend component.

Calculating your capital loss

You may also have made a capital loss if you sold your TESOP shares in the Telstra Buy-Back.

The amount of the capital loss you may make for tax purposes may be affected by recently enacted legislation which enables you to make a choice, in certain circumstances, in relation to the cost base of your TESOP shares. The circumstances where the choice may be available to you is discussed further below under the heading "What is the tax cost of your shares" in the section entitled "*What happens if you sold your TESOP or other Telstra shares in 2004/5 other than in the Telstra buy back?*".

You should click on the table below to assist you in determining your taxation treatment.

See Share Disposal – "At a glance - Tax consequences if you dispose of your Telstra ESOP 97 or Telstra ESOP 99 shares under the Telstra Buy-Back".

If you have made a capital loss and you are offsetting the loss against another capital gain you made during 2004/5 you should include the loss in your calculation of net capital gains at Item 17 Box A of your 2004/5 tax return (Supplement section). Alternatively, if the loss is to be carried forward to be offset against future capital gains the loss should be recorded at Item 17 Box V of your 2004/5 tax return (Supplement section).



What happens if you sold your TESOP or other Telstra shares in 2004/5 other than in the Telstra buy back?

There will be tax consequences if you disposed of your TESOP shares. The tax consequences will differ depending upon your particular circumstances.

You should click on the table 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 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.

See Share Disposal – “At a glance - Tax Consequences when you dispose of your Telstra ESOP 97, ESOP 99 and Telstra Shares (other than in the Buy-Back) or the Restriction Period Expires”.

You should also visit the examples in this document 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 2004/5 or to carry the loss forward to be offset against any capital gains you may make in the future.

If you made a written election in preparing your 1997/98 income tax return (affecting your TESOP 97 shares) and/or your 1999/2000 income tax return (affecting your TESOP 99 shares), you may make a choice which may affect the amount of your capital gain or loss. You should carefully consider making this choice if you disposed of TESOP 99 Loyalty Shares, TESOP 99 Extra Shares or TESOP 99 Loan Shares during the 2004/5 income year. This 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 17 of your 2004/5 tax return (Supplement section).

If you did not make 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) and you sold your shares within 30 days of the earlier of the time your relevant employment with the Telstra Group ceased and the end of the Restriction Period, you will **not** be assessed under the Capital Gains Tax



provisions. Instead you will be assessed under the employee share scheme provisions of the Tax Act.

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.

Visit the – TESOP Restriction Periods in this document

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?

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 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.**

If you make a choice to calculate the tax cost for your shares under recently enacted legislation, the tax cost will be the tax market value of the shares at the date you first acquired an interest in them.

This means that **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 them (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 (as set out in the Class Ruling discussed above).

You should carefully consider making this choice in relation to TESOP 99 Loyalty Shares, TESOP 99 Extra Shares or TESOP 99 Loan Shares if you disposed of those shares during the 2004/5 income year.

The way in which you prepare your 2004/05 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 choose for the recently enacted legislation to apply in relation to shares you disposed of prior to the 2004/5 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. You should carefully consider seeking an amended assessment if you disposed of TESOP 99 Loyalty Shares, TESOP 99 Extra Shares or TESOP 99 Loan Shares in prior years.

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 is worked out in the way described in the table above.



4.0 Restrictions

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"> • 15 November 2000; or • the date the loan is repaid ¹
TESOP '97 – Extra (1:4) Non-loan Shares	Earlier of: <ul style="list-style-type: none"> • 15 November 2000; or • when you cease employment with the Telstra Group ²
TESOP '99 – Extra (1:4) Shares and TESOP '99 – Loyalty (1:10) Shares	Earlier of: <ul style="list-style-type: none"> • 16 October 2002; or • when you cease employment with the Telstra Group ²
TESOP '99 - Loan Shares	For continuing employees the date is the latter of : <ul style="list-style-type: none"> • 16 October 2002; or • the date the loan is repaid ³
<ol style="list-style-type: none"> 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. 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). 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 	



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; or
- when your relevant employment with the Telstra Group ceased



5.0 Share Disposal

Employee Shareholder Scheme

At a glance - Tax consequences if you dispose of your Telstra ESOP 97, Telstra ESOP 99 and Telstra Shares (other than in the Buy-Back) or the Restriction period expires in 2004/5

Note: If you sold shares in the Telstra November 2004 Buy-Back you should refer to: "At a glance - Tax consequences if you dispose of your Telstra ESOP 97 or Telstra ESOP 99 Shares under the Telstra Buy-Back"

This section will assist you in determining the capital gains tax consequences if you sell your TESOP 97, TESOP 99 or Telstra Shares in 2004/5 or the Trustee disposes of your TESOP 97 or TESOP 99 Shares on your behalf in 2004/5 (other than in the Buy-Back). The table also indicates the tax consequences which arise when the Restriction Period (if any) expires.

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 2004/5.
- 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.

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 other Shares purchased on the Stock Exchange.



Type of Share	Continuing employee		Employee who ceased employment in 2004/5	
	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	G	H
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

The main table below deals with the capital gains tax consequences of arm's length sales of shares in 2004/5. 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 2004/5. This table does not apply to employees whose relevant employment ceased before the 2004/5 year but who dispose of their shares in the 2004/5 year.

If you have previously 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. 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 2004/2005 year, you should carefully consider making this choice.

The way in which you prepare your 2004/05 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.**

The following tables assume that you would make the choice for your TESOP 99 shares (i.e. you would choose the \$7.40 cost base) and that you would **not** make such a choice in respect of your TESOP 97 shares (i.e. you would apply the tax market value of the share at the date the Restriction Period ends).

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>Restriction Period expires</u></p> <p>There is no Restriction Period for these shares.</p> <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) Half of - the amount equal to proceeds of sale less \$3.30; or</p> <p>(ii) Proceeds of sale less \$3.39 (ie \$3.30 adjusted for inflation until 30 September 1999)</p> <p><i>Refer Example (No.2) relating to the tax consequences of the sale of your TESOP 97 Non-Loan shares.</i></p> <p><i>Refer Example (No.5) relating to the tax consequences of the sale of your TESOP 97 Loyalty Shares.</i></p> <p><i>Refer Example (No.6) relating to the tax consequences of the sale of your 1997 Public Offer Shares.</i></p>	<p><u>Restriction Period expires</u></p> <p>There is no Restriction Period for these shares.</p> <p><u>When you sell your shares</u></p> <p>This is not applicable in 2004/5</p>

<p>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"> • TESOP 97 Loyalty Shares 	<p><u>Restriction period expires</u></p> <p>These shares were allocated to you on 17 November 1998 with no Restriction Period.</p> <p><u>When you sell your shares</u></p> <p>This is not applicable in 2004/5</p>	<p><u>Restriction period expires</u></p> <p>These shares were allocated to you on 17 November 1998 with no Restriction Period.</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><i>Refer Example (No.5) relating to the tax consequences of the sale of your TESOP 97 Loyalty Shares.</i></p>
<p>C</p>	<ul style="list-style-type: none"> • 1999 Guaranteed Allocation Shares • 1999 Public Offer shares 	<p><u>Restriction Period expires</u></p> <p>There is no restriction period for these shares.</p> <p><u>When you sell your shares</u></p> <p>This is not applicable in 2004/5.</p>	<p><u>Restriction Period expires</u></p> <p>There is no restriction period for these shares.</p> <p><u>When you sell your shares</u></p> <p>Your capital loss will be:</p> <ul style="list-style-type: none"> • \$7.40 less 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>Refer Example (No.8) relating to the tax consequences of the sale of your 1999 Guaranteed Allocation shares.</i></p> <p><i>Refer Example (No.9) relating to the tax consequences of the sale of your 1999 Public Offer shares</i></p>

D	<ul style="list-style-type: none"> Other shares purchased by you on the stock exchange 	<p><u>Restriction Period expires</u></p> <p>There is no restriction period for these shares</p> <p><u>Where you purchased the shares on or before 21 September 1999</u></p> <p>When you sell these shares you have a choice to calculate your capital gain as either:</p> <ul style="list-style-type: none"> (i) half of – the amount equal to proceeds of sale less tax cost of shares; or (ii) proceeds of sale less tax cost (adjusted for inflation from the time you acquired the relevant interest in the shares until 30 September 1999). <p><u>Where you purchased the shares after 21 September 1999</u></p> <p>Your capital gain will be proceeds of sale less tax cost of shares.</p> <p>If the shares were held by you for longer than 12 months the assessable capital gain will be reduced by 50% (after first taking into account any capital losses).</p> <p><i>Refer Example (No.7) relating to the tax consequences of the sale of your 1997 shares purchased through the stock exchange.</i></p> <p><i>Refer Example (No.13) relating to the tax consequences of the sale of your 1999 shares purchased through the stock exchange.</i></p>	<p><u>Restriction Period expires</u></p> <p>There is no restriction period for these shares</p> <p><u>Where you purchased the shares on or before 21 September 1999</u></p> <p>Your capital loss will be the tax cost of your shares 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><u>Where you purchased the shares after 21 September 1999</u></p> <p>Your capital loss will be the tax cost of your shares 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>
---	--	---	---

E	<p>Where you elected 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>Restriction period expires</u></p> <p>There are no tax consequences to you when the Restriction Period expires</p> <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 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 that time, the assessable capital gain will be reduced by 50% (after first taking into account any capital losses).</p> <p><i>You may choose 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, such a choice may increase your capital gain.</i></p> <p><i>Refer Example (No.1) relating to the tax consequences of the sale of your TESOP 97 Loan shares</i></p> <p><i>Refer Example (No.3) relating to the tax consequences of the sale of your TESOP 97 Extra Loan shares.</i></p>	<p><u>Restriction period expires</u></p> <p>There are no tax consequences to you when the Restriction Period expires</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"> • 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 repaid; or • immediately prior to when the Trustee disposes of the shares on your behalf • Less 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>You may choose to calculate your capital loss as the excess (if any) of \$3.30 over the proceeds of sale. However, if the Tax Market Value determined above is greater than \$3.30, such a choice may result in you losing all or part of your capital loss and you making an assessable capital gain.</i></p>
---	--	--	--

<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 the Restriction Period expires</u></p> <p>You will be taxed on the Tax Market Value of your shares at the <u>latter</u> of:</p> <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 repaid; or • immediately prior to when the Trustee disposes of the shares on your behalf. <p><u>less</u> the amount you paid for the shares.</p> <p>If you sell your shares <u>within 30 days</u> from the relevant dates above you will be taxed on the proceeds of sale less the amount you paid for the shares.</p> <p>You work out how much you paid for the Loan Shares by multiplying the number of Loan Shares you acquired by \$3.30 and then subtracting from the total \$1.00</p> <p>You did not pay any amount for your Extra Loan shares.</p> <p><u>When you sell your shares</u></p> <p>The CGT provisions will not be applicable if you sell your shares <u>within 30 days</u> of when the Restriction Period expires.</p> <p>If you sell your shares <u>30 days or more</u> after the Restriction Period expires your Capital Gain will be:</p> <ul style="list-style-type: none"> • Proceeds of sale • Less the Tax Market Value of the shares when the Restriction Period expires (as explained above). <p>If the shares were held by you for longer than 12 months after the Restriction Period expires (as explained above), the assessable capital gain will be reduced by 50% (after first taking into account any capital losses).</p> <p><i>Refer Example (No.1) relating to the tax consequences of the sale of your TESOP 97 Loan shares.</i></p> <p><i>Refer Example (No.3) relating to the tax consequences of the sale of your TESOP 97 Extra Loan shares.</i></p>	<p><u>When the Restriction Period expires</u></p> <p>You will be taxed on the Tax Market Value of your shares at the <u>latter</u> of:</p> <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 repaid; or • immediately prior to when the Trustee disposes of the shares on your behalf <p><u>less</u> the amount you paid for the shares.</p> <p>If you sell your shares <u>within 30 days</u> from the relevant dates above you will be taxed on the proceeds of sale less the amount you paid for the shares.</p> <p>You work out how much you paid for the Loan Shares by multiplying the number of Loan Shares you acquired by \$3.30 and then subtracting from the total \$1.00</p> <p>You did not pay any amount for your Extra Loan shares.</p> <p><u>When you sell your shares</u></p> <p>The CGT provisions will not be applicable if you sell your shares <u>within 30 days</u> of when the Restriction Period expires.</p> <p>If you sell your shares <u>30 days or more</u> after the Restriction Period expires your Capital Loss will be:</p> <ul style="list-style-type: none"> • The Tax Market Value of the shares when the Restriction Period expires (as explained above) • Less 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>G</p>	<p><u>Only applicable if you ceased relevant employment with Telstra during 2004/2005</u></p> <p>Where you elected to seek the \$1,000 tax exemption in your 1997/1998 tax return</p> <ul style="list-style-type: none"> • TESOP 97 Loan Shares • TESOP 97 Extra Loan Shares 	<p><u>Restriction Period expires</u></p> <p>There are no tax consequences to you when the Restriction Period expires.</p> <p><u>When you sell your shares</u></p> <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 when you repaid the loan in full.¹ <p>If the shares were held by you for longer than 12 months after that time, the assessable gain will be reduced by 50% (after first taking into account any capital losses).</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 <u>earlier of</u>: <ul style="list-style-type: none"> • date the loan was repaid in full; or • immediately prior to when the Trustee disposes of the shares on your behalf <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, such a choice may increase your capital gain.</i></p>	<p><u>Restriction Period expires</u></p> <p>There are no tax consequences to you when the Restriction Period expires.</p> <p><u>When you sell your shares</u></p> <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 when you repaid the loan in full¹ • <u>Less</u> proceeds of sale. <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 <u>earlier of</u>: <ul style="list-style-type: none"> • 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>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 <u>may choose</u> to calculate the capital loss as the excess (if any) of \$3.30 over the proceeds of sale. However, if the Tax Market Value determined above is greater than \$3.30, such a choice may result in you losing all or part of your capital loss and you making an assessable capital gain.</i></p>
-----------------	---	---	---

1. If, however, the loan was repaid in full by 15 November 2000, the Tax Market Value of your shares will be determined as at 15 November 2000 ie \$6.58.

<p>H</p>	<p><u>Only applicable if you ceased relevant employment with Telstra during 2004/2005</u></p> <p>Where you did not elect to seek the \$1,000 tax exemption in your 1997/1998 tax return</p> <ul style="list-style-type: none"> • TESOP 97 Loan Shares • TESOP 97 Extra Loan Shares 	<p><u>When the Restriction Period expires</u></p> <p>You will be taxed on the amount (if any) calculated as the Tax Market Value of your shares at the Taxing Point which is the <u>earlier</u> of:</p> <ul style="list-style-type: none"> • the date your relevant employment with the Telstra group ceases; or • the <u>later</u> of: <ul style="list-style-type: none"> • 15 November 2000; or • The earlier of the date the loan is repaid in full or immediately prior to when the Trustee disposes of the shares on your behalf • <u>less</u> the amount you paid for the shares. <p>If you sell your shares <u>within 30 days</u> of the relevant date above you will be taxed on the sales proceeds less the amount you paid for your shares.</p> <p>You work out how much you paid for the Loan Shares by multiplying the number of Loan Shares by \$3.30 and then subtracting from the total \$1.00.</p> <p>You did not pay any amount for your Extra Loan Shares.</p> <p><u>When you sell your shares</u></p> <p>The CGT Provisions will not be applicable if you sell your shares <u>within 30 days</u> of the date of the Taxing Point (explained above).</p> <p>If you sell your shares <u>30 days</u> or more after the date of the Taxing Point (explained above) 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 gain will be reduced by 50%.</p> <p><i>Refer Example (No.1) relating to the tax consequences of the sale of your TESOP 97 Loan shares.</i></p> <p><i>Refer Example (No.3) relating to the tax consequences of the sale of your TESOP 97 Extra Loan shares.</i></p>	<p><u>When the Restriction Period expires</u></p> <p>You will be taxed on the amount (if any) calculated as the Tax Market Value of your shares at the Taxing Point which is the <u>earlier</u> of:</p> <ul style="list-style-type: none"> • the date your relevant employment with the Telstra group ceases; or • the <u>later</u> of: <ul style="list-style-type: none"> • 15 November 2000; or • The earlier of the date the loan is repaid in full or immediately prior to when the Trustee disposes of the shares on your behalf • <u>less</u> the amount you paid for the shares. <p>If you sell your shares <u>within 30 days</u> of the relevant date above you will be taxed on the sales proceeds less the amount you paid for your shares.</p> <p>You work out how much you paid for the Loan Shares by multiplying the number of Loan Shares by \$3.30 and then subtracting from the total \$1.00.</p> <p>You did not pay any amount for your Extra Loan Shares.</p> <p><u>When you sell your shares</u></p> <p>The CGT provisions will not be applicable if you sell your <u>within 30 days</u> of the date of the Taxing Point (explained above).</p> <p>If you sell your shares <u>30 days</u> or more after the date of the Taxing Point (explained above) your capital loss 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>
----------	--	--	---

I	<p>Where you <u>elect</u>ed to seek the \$1,000 tax exemption in your 1997/98 tax return</p> <p>TESOP 97 Extra Non-Loan Shares</p>	<p><u>Restriction period expires</u></p> <p>The Restriction Period for these shares expired on 15 November 2000 .</p> <p><u>When you sell your shares</u></p> <p>Generally not applicable in 2004/5</p> <p><i>Note: You may choose to calculate the capital gain as the proceeds of sale less \$3.30. However such a choice may result in an assessable capital gain on disposal.</i></p>	<p><u>Restriction period expires</u></p> <p>The Restriction Period for these shares expired on 15 November 2000.</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 • Less 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><i>Refer Example (No.4) relating to the tax consequences of the sale of your TESOP 97 Extra Non-Loan shares.</i></p>
J	<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 the Restriction Period expires</u></p> <p>The restriction period expired on 15 November 2000.</p> <p><u>When you sell your shares</u></p> <p>Generally not applicable in 2004/5</p>	<p><u>When the Restriction Period expires</u></p> <p>The restriction period expired on 15 November 2000.</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><i>Refer Example (No.4) relating to the tax consequences of the sale of your TESOP 97 Extra Non-Loan shares.</i></p>



<p>K</p>	<p>Where you elected 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>Restriction Period expires</u></p> <p>There are no tax consequences to you when the Restriction Period expires.</p> <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.</p> <p>If you do not choose \$7.40 as your share's 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 16 October 2002, the assessable capital gain will be reduced by 50%.</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>Restriction Period expires</u></p> <p>There are no tax consequences to you when the Restriction Period expires.</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 share, this may result in you losing all or part of your capital loss and you making an assessable capital gain.</i></p> <p><i>Refer Example (No.11)] relating to the tax consequences of the sale of your TESOP 99 Extra shares.</i></p> <p><i>Refer Example (No.12)] relating to the tax consequences of the sale of your TESOP 99 Loyalty shares.</i></p>
----------	---	---	---



L	<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 the Restriction Period expires</u></p> <p>The restriction period expired on 16 October 2002.</p> <p><u>When you sell your shares</u></p> <p>Your capital gain will (after first taking into account any capital losses) be 50% of:</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><i>Refer Example (No.11) relating to the tax consequences of the sale of your TESOP 99 Extra shares.</i></p> <p><i>Refer Example (No.12) relating to the tax consequences of the sale of your TESOP 99 Loyalty shares</i></p>	<p><u>When the Restriction Period expires</u></p> <p>The restriction period expired on 16 October 2002.</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>
---	--	--	---

<p>M</p>	<p>Where you elected 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>Restriction period expires</u></p> <p>There are no tax consequences to you when the Restriction Period expires</p> <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 (being the market value of the shares when you first acquired an interest in them) 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; 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><u>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).</u></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>Restriction period expires</u></p> <p>There are no tax consequences to you when the Restriction Period expires</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 (being the market value of the shares when you first acquired an interest in them) 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; 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>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>N</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 the Restriction Period expires</u></p> <p>You will be taxed on the Tax Market Value of your shares at the <u>later</u> of:</p> <ul style="list-style-type: none"> • 16 October 2002; and • The earlier of: <ul style="list-style-type: none"> • the date the loan is repaid; and • immediately prior to when the Trustee disposes of the shares on your behalf. • <u>Less</u> any amount you paid for the shares. <p>If you sell your shares <u>within 30 days</u> from the relevant dates above you will be taxed on:</p> <ul style="list-style-type: none"> • Proceeds of sale • Less any amount you paid for the shares. <p>No allowable deduction or capital loss may be available if these amounts are negative.</p> <p>You work out how much you paid for the Loan Shares by multiplying the number of Loan Shares you acquired by \$7.40 and then subtracting from the total \$1.00</p> <p><u>When you sell your shares</u></p> <p>The CGT provisions will not be applicable if you sell your shares <u>within 30 days</u> of when the Restriction Period expires.</p> <p>If you sell your shares <u>30 days or more after</u> when the Restriction Period expires your Capital Gain will be:</p> <ul style="list-style-type: none"> • Proceeds of sale • less the Tax Market Value of the shares when the Restriction Period expires (as explained above). <p>If the shares were held by you for longer than 12 months after the Restriction Period expires (as explained above), the assessable capital gain will be reduced by 50% (after first taking into account any capital losses).</p>	<p><u>When the Restriction Period expires</u></p> <p>You will be taxed on the Tax Market Value of your shares at the <u>later</u> of:</p> <ul style="list-style-type: none"> • 16 October 2002; and • The earlier of: <ul style="list-style-type: none"> • the date the loan is repaid; and • immediately prior to when the Trustee disposes of the shares on your behalf. • <u>Less</u> the amount you paid for the shares. <p>If you sell your shares <u>within 30 days</u> from the relevant dates above you will be taxed on:</p> <ul style="list-style-type: none"> • Proceeds of sale • Less any amount you paid for the shares. <p>No allowable deduction or capital loss may be available if these amounts are negative.</p> <p>You work out how much you paid for the Loan Shares by multiplying the number of Loan Shares you acquired by \$7.40 and then subtracting from the total \$1.00</p> <p><u>When you sell your shares</u></p> <p>The CGT provisions will not be applicable if you sell your shares <u>within 30 days</u> of when the Restriction Period expires.</p> <p>If you sell your shares <u>30 days or more after</u> when the Restriction Period expires your Capital Loss will be:</p> <ul style="list-style-type: none"> • the Tax Market Value of the shares when the Restriction Period expires (as explained above) • less 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>Refer Example (No.10) relating to the tax consequences of the sale of your TESOP 99 Loan shares.</u></i></p>
-----------------	---	---	---

<p>O</p>	<p><u>Only applicable if you ceased relevant employment with Telstra during 2004/2005</u></p> <p>Where you elected 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>Restriction Period expires</u></p> <p>There are no tax consequences to you when the Restriction Period expires.</p> <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 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 • less 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>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>Restriction Period expires</u></p> <p>There are no tax consequences to you when the Restriction Period expires.</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. • less 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;² • Less 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>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><i>Refer Example (No.10) relating to the tax consequences of the sale of your TESOP 99 Loan shares</i></p>
----------	--	---	--

<p>P</p>	<p><u>Only applicable if you ceased relevant employment with Telstra during 2004/2005</u></p> <p>Where you did not 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 the Restriction Period expires</u></p> <p>There is a Taxing Point at the <u>earlier</u> of:</p> <ul style="list-style-type: none"> • the date your relevant employment with the Telstra group ceases; and • the <u>latter</u> of: <ul style="list-style-type: none"> • 16 October 2002; and • the <u>earlier</u> of the date the loan is repaid in full or immediately prior to when the Trustee disposes of the shares on your behalf. <p>You will only be taxed at the Taxing Point to the extent that the Tax Market Value of the shares at the Taxing Point is greater than the amount determined by multiplying the number of Loan Shares by \$7.40 and then subtracting from the total \$1.00.</p> <p>If you sell your shares <u>within 30 days</u> of the Taxing Point you will be taxed on the sales proceeds less the amount determined by multiplying the number of Loan Shares by \$7.40 and then subtracting from the total \$1.00. No allowable deduction or capital loss may be available if this amount is negative.</p> <p><u>When you sell your shares</u></p> <p>The CGT Provisions will not be applicable if you sell your shares <u>within 30 days</u> of the date of the Taxing Point (explained above).</p> <p>If you sell your shares <u>30 days or more</u> after the date the Taxing Point (explained above) your capital gain will be:</p> <ul style="list-style-type: none"> • Proceeds of sale • Less 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 the Restriction Period expires</u></p> <p>There is a Taxing Point at the <u>earlier</u> of:</p> <ul style="list-style-type: none"> • the date your relevant employment with the Telstra group ceases; and • the <u>latter</u> of: <ul style="list-style-type: none"> • 16 October 2002; and • the <u>earlier</u> of the date the loan is repaid in full or immediately prior to when the Trustee disposes of the shares on your behalf. <p>You will only be taxed at the Taxing Point to the extent the Tax Market Value of the shares at the Taxing Point is greater than the amount determined by multiplying the number of Loan Shares by \$7.40 and then subtracting from the total \$1.00.</p> <p>If you sell your shares <u>within 30 days</u> of the Taxing Point you will be taxed on the sales proceeds less the amount determined by multiplying the number of Loan Shares by \$7.40 and then subtracting from the total \$1.00. No allowable deduction or capital loss may be available if this amount is negative.</p> <p><u>When you sell your shares</u></p> <p>The CGT provisions will not be applicable if you sell your shares <u>within 30 days</u> of the date of the Taxing Point (explained above) .</p> <p>If you sell your shares <u>30 days or more</u> after the date the Taxing Point (explained above) your capital loss will be:</p> <ul style="list-style-type: none"> • Tax Market Value of the shares on the date of the Taxing Point (explained above) • Less 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>Refer Example (No.10) relating to the tax consequences of the sale of your TESOP 99 Loan shares.</i></p>
----------	---	--	---



6.0 Examples

Illustrative Examples

Note: If you sold shares in the Telstra November 2004 Buy-Back you should refer to: "Buy-Back 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 on 1300 303 199.

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 2004/5 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 2004/5 year. They do not deal with participants who ceased employment prior to the 2004/5 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



Example 1

TESOP 97 Loan Shares

- 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.
- On 2 December 2004 you asked the TESOP Trustee to sell your shares.
- The TESOP Trustee sold your shares for \$4.92 per share and repaid your loan immediately.
- Alternatively, you ceased employment on 24 November 2003 and asked the TESOP Trustee to sell your shares for you. The TESOP Trustee sold your shares for \$4.92 per share on 2 December 2003 and repaid your loan immediately. The balance of the proceeds were then forwarded to you.
- 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 1997/98 tax return

Your capital gain or loss from the sale will equal the proceeds of the sale less the tax market value of the shares at 2 December 2004 which is the expiry of the Restriction Period ie when the loan was repaid by the Trustee.

Consequently, your capital gain or loss is: $(2,000 \times \$4.92) - (2,000 \times \$4.92) = \text{Nil}$

Note – if you had paid out the loan on 2 December 2004 and had the TESOP Trustee transfer the shares to you:

- *Your cost base for future sale purposes would be \$4.92 ie the tax market value on the date the loan is repaid in full; and*
- *You would have to hold the shares for a further 12 months to be eligible for the 50% CGT discount.*

Note – Under recently enacted legislation 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. Such a choice may result in you making a capital gain.

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



You will be assessable under the Employee Share Scheme provisions of the Tax Act on the difference between the sales proceeds for your shares and what you paid for the shares (ie the amount initially loaned to you to purchase the shares). In this example the expiry of the restriction period is 2 December 2003 ie when the loan was repaid.

Consequently, you will be assessed on: $(2,000 \times \$4.92) - ((2,000 \times \$3.30) - \$1.00) = \$3,241$

In these circumstances the sale will not have any CGT consequences because the sale was made within 30 days of the earlier of the expiry of the restriction period and the cessation of your relevant employment.

Note – if you are a continuing employee and you had paid out the loan on 2 December 2004 and had the TESOP Trustee pass the shares to you:

- *Your cost base for future sale purposes would be \$4.92 (assuming you held the shares for at least 30 days prior to disposing of them); and*
- *You would have to hold the shares for a further 12 months from 2 December 2004 to be eligible for the 50% CGT discount.*



Example 2

TESOP 97 Non-Loan Shares

- 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 2 December 2004 you sold your shares for \$4.92 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.

In calculating your capital gain from the sale you will have a choice between being assessed on **either**:

- half of - the amount equal to the proceeds of sale less \$3.30 (Alternative A); or
- the proceeds of sale less the indexed cost base of the shares at 30 September 1999 (Alternative B).

Alternative A

Under this alternative, your capital gain is:

$$[(2,000 \times \$4.92) - (2,000 \times \$3.30)] \times 50\% = \$1,620$$

Alternative B

Under this alternative, your capital gain is:

$$(2,000 \times \$4.92) - (2,000 \times \$3.39) = \$3,060$$

$$\text{Indexed cost base at 30 September 1999: } \$3.30 \times 123.4/120.0 = \$3.39$$



Example 3

TESOP 97 Extra Loan Shares

- 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.
- On 2 December 2004 you asked the TESOP Trustee to sell your shares.
- The TESOP Trustee sold your shares for \$4.92 per share.
- Alternatively, you ceased employment on 24 November 2004 and asked the TESOP Trustee to sell your shares for you. The TESOP Trustee sold your shares for \$4.92 per share on 2 December 2004 and repaid your loan immediately. The balance of the proceeds were then forwarded to you.
- 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 1997/98 tax return

Your capital gain from the sale will equal the proceeds of the sale less the tax market value of shares at 2 December 2004 which is when the Restriction Period expires in this example ie when the loan was repaid.

Consequently, your capital gain is: $(500 \times \$4.92) - (500 \times \$4.92) = \text{Nil}$

Note –if you had paid out the loan on 2 December 2004 and had the TESOP Trustee pass the shares to you:

- *Your cost base for future sale purposes would be \$4.92 ie the tax market value on the date the loan is repaid in full; and*
- *You would have to hold the shares for a further 12 months to be eligible for the 50% CGT discount.*

Note: Under recently enacted legislation you may choose to apply the capital gains tax provisions differently from the basis outlined above. Under this legislation you may choose \$3.30 as the cost base for your shares. However, such a choice may result in you making a capital gain.

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



You will be assessable under the Employee Share Scheme provisions of the Tax Act on the sales proceeds for your shares.

Consequently, you will be assessed on: $(500 \times \$4.92) = \$2,460$

In these circumstances the sale will not have any CGT consequences because the sale was made within 30 days of the earlier of the expiry of the restriction period and the cessation of your relevant employment.

Note – if you are a continuing employee and you had paid out the loan on 2 December 2004 and had the TESOP Trustee pass the shares to you:

- *Your cost base for future sale purposes would be \$4.92 (assuming you held these shares for at least 30 days prior to disposing of them); and*
- *You would have to hold the shares for a further 12 months to be eligible for the 50% CGT discount.*



Example 4

TESOP 97 Extra Non-Loan Shares

- 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 2 December 2004, you sold your shares for \$4.92 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: $(500 \times \$6.58) - (500 \times \$4.92) = (\$830)$

The capital loss could 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 the TESOP Trustee transferred the shares to you and you did not dispose of them:

- *Your cost base for future sale purposes would be \$6.58; and*
- *If you sold your shares after 15 November 2001 (ie you held the shares in your own name for longer than 12 months) for a price exceeding \$6.58 you would be eligible for the 50% CGT discount.*

Note: *Under recently enacted legislation, 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. Under this legislation you may choose \$3.30 as the cost base for your shares. However, such a choice may result in you making a capital gain.*



Example 5

TESOP 97 Loyalty Shares

- 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 2 December 2004 you sold your loyalty shares for \$4.92 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

In calculating your capital gain or loss from the sale you will have a choice between being assessed on **either**:

- half of the amount equal to the proceeds of sale less \$3.30 (Alternative A); or
- the proceeds of sale less the indexed cost base of the shares at 30 September 1999 (Alternative B).

Alternative A

Under this alternative, your capital gain is: $[(200 \times \$4.92) - (200 \times \$3.30)] \times 50\% = \$162$

Alternative B

Under this alternative, your capital gain is:

$$(200 \times \$4.92) - (200 \times \$3.39) = \$306$$

$$\text{Indexed cost base at 30 September 1999: } \$3.30 \times 123.4/120.0 = \$3.39$$

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: $(200 \times \$6.55) - (200 \times \$4.92) = (\$326)$

The capital loss could 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

- 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 2 December 2004 you sold your shares for \$4.92 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, in calculating your capital gain from the sale you will have a choice between being assessed on **either**:

- half of the amount equal to the proceeds of sale less \$3.30 (Alternative A); or
- the proceeds of sale less the indexed cost base of the shares at 30 September 1999 (Alternative B).

For certain taxpayers the gain made on the sale of the shares will be treated as ordinary income.

Alternative A

Under this alternative, your capital gain is: $(2,000 \times \$4.92) - (2,000 \times \$3.30) \times 50\% = \$1,620$

Alternative B

Under this alternative, your capital gain is:

$$(2,000 \times \$4.92) - (2,000 \times \$3.39) = \$3,060$$

$$\text{Indexed cost base at 30 September 1999: } \$3.30 \times 123.4/120.0 = \$3.39$$



Example 7

1997 Shares through the Stock Exchange

- On 1 December 1997 you purchased 2,000 instalment receipts through the stock exchange for \$2.70
- These shares were **not** subject to a trade Restriction Period.
- On 17 November 1998 you paid the 2nd instalment of \$1.40.
- On 2 December 2004 you sold your shares for \$4.92 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, in calculating your capital gain from the sale you will have a choice between being assessed on **either**:

- half of the amount equal to the proceeds of sale less \$4.10 (Alternative A); or
- the proceeds of sale less the indexed cost base of the shares at 30 September 1999 (Alternative B).

For some taxpayers the gain on the sale of the shares will be treated as ordinary income.

Alternative A

Under this alternative, your capital gain is: $[(2,000 \times \$4.92) - (2,000 \times \$4.10)] \times 50\% = \$820$

Alternative B

Under this alternative, your capital gain is:

$$(2,000 \times \$4.92) - (2,000 \times \$4.21) = \$1,420$$

$$\text{Indexed cost base at 30 September 1999: } \$4.10 \times 123.4/120.0 = \$4.21$$



Example 8

1999 Guaranteed Allocation Shares

- 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 2 December 2004 you sold these shares for \$4.92 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 is: $(2,000 \times \$4.92) - (2,000 \times \$7.40) = \$(-4,960)$

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.

Note: The capital loss could 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

- 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 2 December 2004 you sold these shares for \$4.92 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 is: $(2,000 \times \$4.92) - (2,000 \times \$7.40) = \$(-4,960)$

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.

Note: The capital loss could 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

- 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 2 December 2004 your relevant employment ceased with Telstra. At the time your outstanding loan was \$2,600 and the shares were trading at \$4.92.
- As the loan balance in respect of these shares exceeded the net amount (ie including brokerage etc) that could be realised on the disposal of the shares, the TESOP Trustee continued (in accordance with the TESOP Trust Deed) to hold the shares on your behalf. The TESOP Trustee will continue to hold the shares until the shares are sold. The shares will be sold when and only if the proceeds of the sale (after deducting the costs of the sale) exceed the amount which remains outstanding on the loan. The TESOP Trustee will notify you of the disposal of the shares. In the meantime, a proportion (currently 80%) of future dividends payable after the time your relevant employment with Telstra ceased and before the shares are disposed of, will continue to be used to reduce the outstanding loan balance.

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

In the 2004/5 year of Income:

None – The shares have not been sold in this period because the net proceeds of any sale in this period would be insufficient to fully repay your outstanding loan in respect of the shares.

Note – if you had paid out the loan on 2 December 2003 and had the TESOP Trustee transfer the shares to you:

- *You may choose to use \$7.40 as the cost base for future sale purposes*
- *If you do not make this choice your cost base for future sale purposes would be \$4.92 ie the tax market value on the date the loan was repaid in full*
- *You would have to hold the shares for a further 12 months to be eligible for the 50% CGT discount*

Future years of Income:

You may make a capital gain or loss in the year in which the TESOP Trustee ultimately disposes of these shares.

The capital gain or loss when the Trustee sells your shares will be calculated by reference to (at your choice):



- the tax market value of the shares at the date you first acquired an interest in them (ie \$7.40); or
- the tax market value of the shares immediately prior to when the Trustee disposes of the shares on your behalf.

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

As the tax market value of your shares when you ceased relevant employment with the Telstra group was less than what you paid for your shares (ie the amount initially loaned to you to purchase the shares) there is no amount assessable under the Employee Share Scheme provisions of the Tax Act.

The capital gain or loss when the Trustee sells your shares will be calculated by reference to the sales proceeds and the tax market value of the shares on the date you ceased relevant employment with the Telstra Group.

Note – if you had paid out the loan on 2 December 2004 and had the TESOP Trustee transfer the shares to you:

- *Your cost base for future sale purposes would be \$4.92 (assuming you held these shares for at least 30 days prior to disposing of them); and*
- *You would have to hold the shares for a further 12 months to be eligible for the 50% CGT discount.*



Example 11

TESOP 99 – Extra Shares

- 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 2 December 2004 you sold the shares for \$4.92.
- 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 less the proceeds of the sale

Consequently, your capital loss is: $(200 \times \$4.92) - (200 \times \$7.40) = \$(496)$

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 make a capital gain (rather than a capital loss) on the disposal.

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.

Consequently, when you dispose of the shares you will be assessed on:

$$50\% \times (200 \times \$4.92) - (200 \times \$4.81) = \$11$$



Example 12

TESOP 99 – Loyalty Shares

- 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 2 December 2004 you sold the shares for \$4.92.
- 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 less the proceeds of the sale.

Consequently, your capital loss is: $(80 \times \$4.92) - (80 \times \$7.40) = \$(198.40)$

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 make a capital gain (rather than a capital loss) on the disposal.

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.

Consequently, you will be assessed on:

$$50\% \times (80 \times \$4.92) - (80 \times \$4.81) = \$4.40$$



Example 13

1999 Shares Purchased through the Stock Exchange

- 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 2nd instalment of \$2.90.
- On 2 December 2004 you sold your shares for \$4.92 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 less your proceeds from the disposal .

Consequently, your capital loss is: $(2,000 \times (\$3.70 + \$2.90)) - (2,000 \times \$4.92) = \$(3,360)$

The capital loss could 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.



7.0 Questions & Answers

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 303 199 or you can visit the Share Registrar's web site at <https://www.linkmarketservices.com.au>. To gain access to data on your TESOP shares, you will need to enter in your Securityholder Reference Number (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 any amounts on 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 2004/5 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 Under what circumstances will the gains made on the disposal of shares be assessed as ordinary income?

A. Generally if the shares were purchased for "share trading" purposes. However, this will depend entirely upon your own circumstances and you should seek expert taxation advice in relation to this matter.

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

A. The tax market value of a share on a particular day is the weighted average of the prices at which the share was traded on the stock exchange in the one week up to and including the particular day.

The tax market value of a share on a particular day is available from the Telstra Share Registry on 1300 303 199.

The tax market value is relevant to determining any capital gains/losses you may have made if you have disposed of your TESOP shares. It is also relevant in determining any



amount you may be assessed on at the end of the restriction period if you have not made a written election to seek 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 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. 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 happens if I sold my shares, or some of my shares before 30 June 2004 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 2005 the tax consequences of selling your shares will generally be in the year ending 30 June 2005. You should discuss this matter further with your tax adviser.

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

A. This is a very complex area of taxation law. A guide is available at http://www.telstra.com.au/abouttelstra/investor/employee_scheme_general.cfm. However, if you have any further queries you should seek your own expert tax advice.



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 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. If I sold my TESOP shares in the Telstra Buy-Back, are there any tax consequences in the 2004/5 year?

A. Yes. You should refer to <http://www.telstra.com.au/abouttelstra/investor/index.cfm> for further information.



8.0 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.
- **Guaranteed Allocation Shares** – shares purchased by employees, with their own money, under the Commonwealth component of TESOP '99.
- **Tax Market Value** - 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 on 1300 303 199.
- **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).



9.0 Disclaimer

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.

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.**