

GENERAL COMMENTS

No Written Election Required for 2009/10 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 1999/2000 tax return (affecting your TESOP 99 shares) may be particularly relevant this year as it is the 10 year anniversary of allotment of shares under the TESOP 99 scheme.

When you acquired your TESOP 1999 Loan Shares (up to 400) you had a choice when submitting your 1999/2000 tax return to make a written election to be immediately assessed on your allocation, subject to a \$1,000 tax free discount benefit. If you did **not** make a written election you automatically deferred assessment on your allocation until the **earlier** of the following potential taxing points:

- the date your loan is repaid to the Trustee;
- the date your relevant employment with the Telstra Group ceases; or
- 10 years from the date of grant (16 October 2009).

Therefore, if you did **not** make an election in 1999/2000 and you have not previously been assessed on your shares acquired under TESOP 99, the passing of the 10 year anniversary date should trigger a taxing point in respect of those shares under the employee share scheme provisions of the Tax Act. A taxing point may also be triggered in respect of your shares acquired under TESOP 99 if the Restriction Period on you dealing in your shares has expired in 2009/10 or if your relevant employment with the Telstra Group ceased during 2009/10. Further detail regarding the taxing points in respect of TESOP 99 shares is discussed in further detail below.

If you **did** make a written election in preparing your 1999/2000 tax return, **no** further action is required by you.

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 2009/10, depending on your circumstances.

Please refer to the [Restrictions](#) section on this website to find out when the Restriction Period expires.

For example, the Restriction Period may have expired during 2009/10 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 2009/10, or you otherwise repaid the relevant TESOP loan in 2009/10.

When does the expiry of the Restriction Period trigger a taxing point?

As the 10 year anniversary for TESOP 97 passed on 15 November 2007, an expiry of the Restriction Period on TESOP 97 Loan Shares and Extra Loan Shares will not trigger a taxing point under the employee share scheme provisions of the Tax Act. However, as discussed in more detail below, there will be tax consequences on disposal of these shares.

Similarly, if you made a written election in preparing your 1999/2000 tax return (affecting your TESOP 99 shares), the expiry of the Restriction Period on TESOP 99 Loan Shares will not trigger a taxing point under the employee share scheme provisions of the Tax Act. However, as discussed in more detail below, there will be tax consequences on disposal of these shares.

If you did **not** make a written election in preparing your 1999/2000 tax return (affecting your TESOP 99 shares) and you ceased relevant employment or the Restriction Period expired during 2009/10 you may be assessable in your 2009/10 return based on the Tax Market Value of the shares when you ceased relevant employment or the Restriction Period expired.

Will the TESOP 99 Ten Year Anniversary trigger a taxing point?

16 October 2009 marked the ten year anniversary of the implementation of TESOP 1999. This anniversary may have taxation implications for you that will need to be considered in preparing your 2009/10 tax return.

If you did **not** make a written election in preparing your 1999/2000 tax return, and you had not previously been taxed on your TESOP 1999 Loan Shares, the passing of 16 October 2009 will trigger a taxing point and you may be taxable on your allocation in your 2009/10 income tax return.

In this case, you should include the assessable discount at Item 12, Box G of your 2009/10 tax return. Please note that these references are to the Individuals tax return form. The labels may vary if you are using another form tax return, such as the Short Tax Return.

Please refer to the *Share Disposal* section on this website where you will find “At a glance - Tax consequences when you dispose of your TESOP 97, TESOP 99 and Telstra Shares or the Restriction Period Expires” that provides more information

How much will I be assessed on under the ESS rules?

If a taxing point is triggered in respect of your TESOP 99 Loan Shares during 2009/10 under the employee share scheme provisions of the Tax Act, you will be assessed on the tax market value of the Telstra shares at the deferred taxing point, less the amount you paid for the TESOP 99 Loan Shares.

The tax market value of Telstra shares is available from the Share Registry (1300 88 66 77). The tax market value of Telstra shares on 16 October 2009 was \$3.15 (relevant to you if on 16 October 2009 you were still an employee of the Telstra Group and your Loan had not been repaid)

You work out how much you paid for the Loan Shares by multiplying the number of Loan Shares by \$7.40 and then subtracting from the total \$1.00.

It is unlikely that you will have an assessable amount under the employee share scheme provisions of the Tax Act, as the market value of the Telstra shares during 2009/10 did not exceed \$7.40 which was the market value of the shares on acquisition.

Please refer to the *Share Disposal* section on this website where you will find “At a glance - Tax consequences when you dispose of your TESOP 97, TESOP 99 and Telstra Shares or the Restriction Period Expires” that provides more information

Note: If the amount you paid for your shares exceeds the tax market value of those shares at the taxing point, you will not be entitled to a deduction for the excess.

If you do have an assessable amount, you should include the assessable discount (if any) at Item 12, Box G of your 2009/10 tax return. 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 Tax Return.

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 2009/10 TO BE INCLUDED IN YOUR ASSESSABLE INCOME

During 2009/10 Telstra paid a fully franked final dividend for 2008/9 of 14 cents per share which was paid on 25 September 2009 and a fully franked interim dividend for 2009/10 of 14 cents per share which was paid on 26 March 2010.

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 2009/10 tax return. This is the case even if the dividends were paid to you via the TESOP Trusts and even if part of the dividend has been applied to reduce your Telstra provided loans.

WHAT HAPPENS IF YOU SOLD YOUR TESOP OR OTHER TELSTRA SHARES IN 2009/10?

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.

[Please refer to the *Share Disposal* section on this website where you will find “At a glance - Tax consequences when you dispose of your TESOP 97, TESOP 99 and Telstra Shares or the Restriction Period Expires” that provides more information](#)

Please refer to the examples on the website to assist you in determining the tax consequences for you.

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

If you disposed of shares for more than their tax cost you may be assessed on any net gain. If you disposed of shares for less than their tax cost you may be entitled to offset the loss against other capital gains you made in 2009/10 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 2009/10 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 18 of your 2009/10 tax return (Supplementary section).

If you did **not** make an election in 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;
- the end of the Restriction Period; or
- 16 October 2009,

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.

[**Please refer to the *Restrictions* section of this website for a table setting out the TESOP Restriction Periods**](#)

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

What is the tax cost of your shares?

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. However, if you have TESOP 97 Loan Shares and Extra Loan Shares and your loan was **not** repaid by 15 November 2007 (being the 10 year anniversary of the TESOP 97 scheme) your cost base for these shares is \$4.69 per share (being their tax market value on 15 November 2007). If you have TESOP 99 Loan Shares and your loan was **not** repaid by 16 October 2009 (being the 10 year anniversary of the TESOP 99 scheme) your cost base for these shares is \$3.15 (being their tax market value on 16 October 2009).

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 do make the choice, the tax cost for the shares will be the tax market value of the shares at the date you first acquired an interest in them.

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 2009/10 income year. Generally, the higher your cost base of your shares the higher the capital loss you will realise upon sale, which may be offset against current or future year capital gains. Alternatively, in circumstances where the sale proceeds exceed your cost base for your shares, the higher the cost base the lower the capital gain upon which you may be assessed.

If the Restriction Period on your TESOP 97 shares ended during the 2009/10 year, it is also possible that the market value of your shares at the date you first acquired them (\$3.30) may be higher than their market value at the date the Restriction Period ended. If this is the case, you should also carefully consider making this choice in relation to your TESOP 97 Loan Shares and Extra Loan Shares if you disposed of these shares during the 2009/10 year.

The way in which you prepare your 2009/10 income tax return will be sufficient evidence of the making of the choice. **You are not required to lodge a written election with the Australian Taxation Office evidencing your choice.**

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

You may also make the choice in relation to shares you disposed of prior to the 2009/10 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.

Further information on the Telstra Employee Share Scheme is available at www.telstra.com.au/abouttelstra/investor/shareholder-services/employee-shareholder-scheme/index.htm

To view your TESOP holding online please go to the share registry's website at www.linkmarketservices.com.au/telstra, enter your shareholder reference number (SRN) and postcode. Alternatively, you may contact the share registry by telephone on 1300 88 66 77 or email telstra.esop@linkmarketservices.com.au.

Disclaimer

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

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

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

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

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

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

TESOP Trade Restriction Periods

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

Share Type	Restriction Period Expiry Date
TESOP '97 – Loan Shares / Extra Loan Shares	Latter of : <ul style="list-style-type: none"> • 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;
- when your relevant employment with the Telstra Group ceased; or
- The 10 year anniversary of the relevant share scheme.

Disclaimer

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

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

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

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

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

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

At a glance - Tax consequences if you dispose of your TESOP 97, TESOP 99 and Telstra Shares or the Restriction period expires in 2009/10

This section will assist you in determining the capital gains tax consequences if you sell your TESOP 97, TESOP 99 or Telstra Shares in 2009/10 or the Trustee disposes of your TESOP 97 or TESOP 99 Shares on your behalf in 2009/10. The table also indicates the tax consequences which arise when the Restriction Period (if any) expires and, in the case of the TESOP 99, the consequences of the 10 year anniversary (which fell on 16 October 2009) of the scheme on TESOP 99 Loan Shares.

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 2009/10.

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 C1** for 2006 Public Offer T3 Shares.
5. Refer to **BOX D** for other Shares purchased on the Stock Exchange

Type of Share	Continuing employee		Employee who ceased employment in 2009/10	
	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

This table deals with the capital gains tax consequences of arm's length sales of shares in 2009/10. 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 2009/10.

This table does not apply to employees whose relevant employment ceased before the 2009/10 year but who dispose of their shares in the 2009/10 year.

16 October 2009 marked the 10 year anniversary of your grant of TESOP 99 Loan Shares and Extra Shares. If you did **not** make a written election in 1999/2000 to be immediately assessed on your allocation, you automatically deferred assessment on your allocation until the **earlier** of the following potential taxing points:

- The date your loan is repaid to the Trustee;
- The date your relevant employment with the Telstra Group ceases; or
- 16 October 2009.

Therefore, if you had not previously been assessed on your TESOP 99 shares, you should now be taxable on your allocation in your 2009/10 income tax return. More specifically, if you did not make a written election in 1999/2000 to be taxed upfront on your allocation and, on 16 October 2009, you were still an employee of the Telstra Group and your Loan had not been repaid, 16 October 2009 will be your deferred taxing point for your TESOP 99 Loan Shares. In this case, you should be taxed on \$3.15 per share (being the tax market value of the shares on 16 October 2009) for your TESOP 99 Loan Shares less the amount you paid for the shares.

However, if you sold your shares within 30 days of your deferred taxing point described above (for example, between 16 October 2009 and 16 November 2009 where your deferred taxing point is the 10 year anniversary), your deferred taxing point is moved to the date of sale and the sale proceeds from the shares can be taken as their tax market value (the “**30 day rule**”). In this case, you should be taxed on the sale proceeds less the amount you paid for your shares.

You work out how much you paid for the TESOP 99 Loan Shares by multiplying the number of Loan Shares by \$7.40 and then subtracting from the total \$1.00. The amount you paid for your shares should exceed their market value at any time during the 2009/10 year. Therefore, where you are assessed on your Loan Shares in 2009/10 you generally should **not** have a taxable amount in your 2009/10 income tax return. However, whether or not you have an assessable amount in relation to your TESOP 99 shares will depend upon your particular circumstances. For example, although unlikely, you may have an assessable amount if your deferred taxing point for your TESOP 99 Loan Shares is the date you sold your shares (due to the application of the 30 day rule) and your sale proceeds exceeds \$7.40 per Telstra share.

Note: If the amount you paid for your TESOP 99 Loan Shares exceeds the tax market value of those shares at the deferred taxing point, you will not be entitled to a deduction for the excess.

If you **did** make a written election in preparing your 1999/2000 tax return, no further action is required until you sell your shares.

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

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

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

If you made an election in your 1999/2000 tax return and you disposed of your TESOP 99 Loyalty Shares, TESOP 99 Extra Shares or your TESOP 99 Loan Shares in the 2009/10 year, you should carefully consider making this choice.

If the Restriction Period on your TESOP 97 shares ended during the 2009/10 year, it is also possible that the market value of your shares at the date you first acquired them (\$3.30) may be higher than their market value at the date the Restriction Period ended. If this is the case, you should also carefully consider making this choice in relation to your TESOP 97 Loan Shares and Extra Loan Shares if you disposed of these shares during the 2009/10 year.

The way in which you prepare your 2009/10 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).

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

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 elected to seek the \$1,000 tax exemption in your 1997/98 tax return) 	<p>Restriction Period expires</p> <p>There is no Restriction Period for these shares.</p> <p>When you sell your shares</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 (after first taking into account any capital losses); or</p> <p>(ii) Proceeds of sale less \$3.39 (i.e. \$3.30 adjusted for inflation until 30 September 1999)</p> <p>[Example (No.2)] relating to the tax consequences of the sale of your TESOP 97 Non-Loan shares.</p> <p>[Example (No.5)] relating to the tax consequences of the sale of your TESOP 97 Loyalty Shares.</p> <p>[Example (No.6)] relating to the tax consequences of the sale of your 1997 Public Offer Shares.</p>	<p>Restriction Period expires</p> <p>There is no Restriction Period for these shares.</p> <p>When you sell your shares</p> <p>When you sell these shares you calculate your capital loss as \$3.30 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>
B	<p>Where you did not 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>Restriction period expires</p> <p>These shares were allocated to you on 17 November 1998 with no Restriction Period.</p> <p>When you sell your shares</p> <p>This is not applicable in 2009/10</p>	<p>Restriction period expires</p> <p>These shares were allocated to you on 17 November 1998 with no Restriction Period.</p> <p>When you sell your shares</p> <p>When you sell your shares you calculate your capital loss as \$6.55 (which was the Tax Market Value of the shares at 17 November 1998) less proceeds of sale.</p> <p>The capital loss can be offset against other current year capital gains or can be carried forward to be offset against future capital gains.</p> <p>[Example (No.5)] relating to the tax consequences of the sale of your TESOP 97 Loyalty Shares.</p>

<p>C</p>	<ul style="list-style-type: none"> • 1999 Guaranteed Allocation Shares • 1999 Public Offer shares 	<p>Restriction Period expires</p> <p>There is no restriction period for these shares.</p> <p>When you sell your shares</p> <p>This is not applicable in 2009/10.</p>	<p>Restriction Period expires</p> <p>There is no restriction period for these shares.</p> <p>When you sell your shares</p> <p>Your capital loss will be \$7.40 less proceeds of sale.</p> <p>The capital loss can be offset against other current year capital gains or can be carried forward to be offset against future capital gains.</p> <p>[Example (No.8)] relating to the tax consequences of the sale of your 1999 Guaranteed Allocation shares.</p> <p>[Example (No.9)] relating to the tax consequences of the sale of your 1999 Public Offer shares.</p>
<p>C1</p>	<ul style="list-style-type: none"> • 2006 Public Offer shares and loyalty shares 	<p>Restriction Period expires</p> <p>There is no Restriction Period for these shares.</p> <p>When you sell your Shares</p> <p>Your capital gain will be the proceeds of sale less your cost base.</p> <p>If you prepaid your second instalment the cost base of your shares will be \$3.60 less the discount received because you prepaid the second instalment. Otherwise the cost base of the shares and the loyalty shares will be \$3.46.</p> <p>If the shares were held by you for longer than 12 months the assessable gain will be reduced by 50% (after first taking into account any capital losses).</p>	<p>Restriction Period expires</p> <p>There is no Restriction Period for these shares.</p> <p>When you sell your Shares</p> <p>Your capital loss will be your cost base less the proceeds of sale.</p> <p>If you prepaid your second instalment the cost base of your shares will be \$3.60 less the discount received because you prepaid the second instalment. Otherwise the cost base of the shares and the loyalty shares will be \$3.46.</p> <p>The capital loss can be offset against other current year capital gains or can be carried forward to be offset against future capital gains.</p> <p>[Example (No. 14)] relating to the tax consequences of the sale of your T3 Sale Shares and loyalty shares.</p>

<p>D</p>	<ul style="list-style-type: none"> Other shares purchased by you on the stock exchange 	<p>Restriction Period expires</p> <p>There is no restriction period for these shares</p> <p>When you sell your Shares</p> <p>Where you purchased the shares on or before 21 September 1999</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) <u>half of</u> - the amount equal to proceeds of sale less tax cost of shares (after first taking into account any capital losses); 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>Where you purchased the shares after 21 September 1999</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>Restriction Period expires</p> <p>There is no restriction period for these shares</p> <p>When you sell your Shares</p> <p>Where you purchased the shares on or before 21 September 1999</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>Where you purchased the shares after 21 September 1999</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>[Example (No.7)] relating to the tax consequences of the sale of your 1997 shares purchased through the stock exchange.</p> <p>[Example (No.13)] relating to the tax consequences of the sale of your 1999 shares purchased through the stock exchange.</p>
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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>Restriction period expires</p> <p>There are no tax consequences to you when the Restriction Period expires</p> <p>When you sell your shares</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>Note: 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>[Example (No.1)] relating to the tax consequences of the sale of your TESOP 97 Loan shares.</p> <p>[Example (No.3)] relating to the tax consequences of the sale of your TESOP 97 Extra Loan shares.</p>	<p>Restriction period expires</p> <p>There are no tax consequences to you when the Restriction Period expires</p> <p>When you sell your shares</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>Note: 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>
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F	<p>Where you did not 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>When the Restriction Period expires</p> <p>This is not applicable in 2009/10 as the last taxing point was on 15 November 2007 (i.e. the Ten Year Anniversary of TESOP 97).</p> <p>When you sell your shares</p> <p>Your capital gain will be:</p> <ul style="list-style-type: none"> • Proceeds of sale • <u>Less either:</u> <ul style="list-style-type: none"> • If your loan was <u>not</u> repaid by 15 November 2007 (i.e. the Ten Year Anniversary of TESOP 97) - \$4.69 per share; or • If your loan was repaid prior to 15 November 2007 the tax market value of the shares on the loan repayment date. <p>If the shares were held by you for longer than 12 months after the expiry of the Restriction Period the assessable capital gain will be reduced by 50% (after first taking into account any capital losses). Note the expiry of the Restriction Period may be after 15 November 2007 i.e. if the loan has not been repaid by that date.</p>	<p>When the Restriction Period expires</p> <p>This is not applicable in 2009/10 as the last taxing point was on 15 November 2007 (i.e. the Ten Year Anniversary of TESOP 97).</p> <p>When you sell your shares</p> <p>Your capital loss will be:</p> <ul style="list-style-type: none"> • <u>Either:</u> <ul style="list-style-type: none"> • If your loan was <u>not</u> repaid by 15 November 2007 (i.e. the Ten Year Anniversary of TESOP 97) - \$4.69 per share; or • If your loan was repaid prior to 15 November 2007 the tax market value of the shares on the loan repayment date. • <u>Less the proceeds of sale.</u> <p>The capital loss can be offset against other current year capital gains or can be carried forward to be offset against future capital gains.</p> <p>[Example (No.1)] relating to the tax consequences of the sale of your TESOP 97 Loan shares.</p> <p>[Example (No.3)] relating to the tax consequences of the sale of your TESOP 97 Extra Loan shares.</p>
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<p>G</p>	<p>Only applicable if you ceased relevant employment with Telstra during 2009/10</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>Restriction Period expires</p> <p>There are no tax consequences to you when the Restriction Period expires.</p> <p>When you sell your shares</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 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>[Example (No.1)] relating to the tax consequences of the sale of your TESOP 97 Loan shares.</p> <p>[Example (No.3)] relating to the tax consequences of the sale of your TESOP 97 Extra Loan shares.</p>	<p>Restriction Period expires</p> <p>There are no tax consequences to you when the Restriction Period expires.</p> <p>When you sell your shares</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 full ¹ • <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 may choose 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>
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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 i.e. \$6.58.

<p>H</p>	<p>Only applicable if you ceased relevant employment with Telstra during 2009/10</p> <p>Where you did <u>not</u> 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>When the Restriction Period expires</p> <p>This is not applicable in 2009/10 as the last taxing point was on 15 November 2007 (i.e. the Ten Year Anniversary of TESOP 97).</p> <p>When you sell your shares</p> <p>Your capital gain will be:</p> <ul style="list-style-type: none"> • Proceeds of sale • Less either: <ul style="list-style-type: none"> • If your loan was <u>not</u> repaid by 15 November 2007 (i.e. the Ten Year Anniversary of TESOP 97) - \$4.69 per share; or • If your loan was repaid prior to 15 November 2007 the tax market value of the shares on the loan repayment date. <p>If the shares were held by you for longer than 12 months after the expiry of the Restriction Period the assessable capital gain will be reduced by 50% (after first taking into account any capital losses). Note the expiry of the Restriction Period may be after 15 November 2007 i.e. if the loan has not been repaid by that date.</p>	<p>When the Restriction Period expires</p> <p>This is not applicable in 2009/10 as the last taxing point was on 15 November 2007 (i.e. the Ten Year Anniversary of TESOP 97).</p> <p>When you sell your shares</p> <p>Your capital loss will be:</p> <ul style="list-style-type: none"> • Either: <ul style="list-style-type: none"> • If your loan was <u>not</u> repaid by 15 November 2007 (i.e. the Ten Year Anniversary of TESOP 97) - \$4.69 per share; or • If your loan was repaid prior to 15 November 2007 the tax market value of the shares on the loan repayment date. • 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>[Example (No.1)] relating to the tax consequences of the sale of your TESOP 97 Loan shares.</p> <p>[Example (No.3)] relating to the tax consequences of the sale of your TESOP 97 Extra Loan shares.</p>
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<p>I</p>	<p>Where you elected to seek the \$1,000 tax exemption in your 1997/98 tax return</p> <p>TESOP 97 Extra Non-Loan Shares</p>	<p>Restriction period expires</p> <p>The Restriction Period for these shares expired on 15 November 2000.</p> <p>When you sell your shares</p> <p>This is not applicable in 2009/10</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>Restriction period expires</p> <p>The Restriction Period for these shares expired on 15 November 2000.</p> <p>When you sell your shares</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>[Example (No.4)] relating to the tax consequences of the sale of your TESOP 97 Extra Non-Loan shares.</p>
<p>J</p>	<p>Where you did not 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>When the Restriction Period expires</p> <p>The restriction period expired on 15 November 2000.</p> <p>When you sell your shares</p> <p>This is not applicable in 2009/10</p>	<p>When the Restriction Period expires</p> <p>The restriction period expired on 15 November 2000.</p> <p>When you sell your shares</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 • 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>[Example (No.4)] relating to the tax consequences of the sale of your TESOP 97 Extra Non-Loan shares.</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>Restriction Period expires</p> <p>There are no tax consequences to you when the Restriction Period expires.</p> <p>When you sell your shares</p> <p>If you choose \$7.40 (being the tax market value of the shares when you first acquired an interest in them) as your share's cost base, no capital gain should arise as the Tax Market Value of Telstra shares did not at any point exceed \$3.65 in the 2009/10 financial year.</p> <ul style="list-style-type: none"> • Even if you do not choose \$7.40 as your share's cost base, as the Tax Market Value of the Telstra shares in the 2009/10 year did not at any point exceed \$4.81 (being the Tax Market Value of the shares on 16 October 2002), no capital gain should arise. <p>Note: if you sold your shares for an amount greater than \$7.40 (or \$4.81 where no choice is made), you may have a capital gain from the disposal of your shares</p>	<p>Restriction Period expires</p> <p>There are no tax consequences to you when the Restriction Period expires.</p> <p>When you sell your shares</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 • 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:</i> 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.</p> <p>[Example (No.11)] relating to the tax consequences of the sale of your TESOP 99 Extra shares.</p> <p>[Example (No.12)] relating to the tax consequences of the sale of your TESOP 99 Loyalty shares.</p>
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<p>L</p>	<p>Where you did <u>not</u> elect to seek the \$1,000 tax exemption in your 1999/2000 tax return</p> <ul style="list-style-type: none"> • TESOP 99 Loyalty Shares • TESOP 99 Extra Shares 	<p><u>When 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>You will not have a capital gain as your share's cost base will be \$4.81 (being the Tax Market Value of the shares on 16 October 2002). As the value of Telstra shares did not exceed \$3.65 in the 2009/10 financial year, no capital gain should arise.</p> <p><u>Note:</u> if you sold your shares for an amount greater than \$4.81 you may have a capital gain, from the disposal of your shares.</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 • 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>[Example (No.11)] relating to the tax consequences of the sale of your TESOP 99 Extra shares.</p> <p>[Example (No.12)] relating to the tax consequences of the sale of your TESOP 99 Loyalty shares.</p>
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<p>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>Restriction period expires</p> <p>There are no tax consequences to you when the Restriction Period expires.</p> <p>When you sell your shares</p> <p>If you choose \$7.40 (being the market value of the shares when you first acquired an interest in them) as your share's cost base, no capital gain should arise.</p> <p>If you do not choose \$7.40 as your cost base, your capital gain will be:</p> <ul style="list-style-type: none"> • Proceeds of sale • <u>less</u> the Tax Market Value of the shares on the <u>latter</u> of : <ul style="list-style-type: none"> • 16 October 2002; or • the <u>earlier</u> of: <ul style="list-style-type: none"> • the date the loan is repaid; or • immediately prior to when the Trustee disposes of the shares on your behalf <p>If the shares were held by you for longer than 12 months after the Restriction Period expires, the assessable gain will be reduced by 50% (after first taking into account any capital losses).</p> <p><i>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>Restriction period expires</p> <p>There are no tax consequences to you when the Restriction Period expires.</p> <p>When you sell your shares</p> <p>You may choose to calculate your capital loss as \$7.40 less the proceeds of sale.</p> <p>If you do not choose \$7.40 as your cost base, your capital loss will be:</p> <ul style="list-style-type: none"> • Tax Market Value of the shares on the <u>latter</u> of : <ul style="list-style-type: none"> • 16 October 2002; 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>[Example (No.10)] relating to the tax consequences of the sale of your TESOP 99 Loan shares.</p>
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<p style="text-align: center;">N</p>	<p>Only applicable if your employment with Telstra did not cease during the 2009/10 year.</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>When the Restriction Period expires</p> <p>If on 16 October 2009 your TESOP 99 Loan has not been repaid you will be taxed under the employee share scheme provisions of the Tax Act on \$3.15 per share (being the tax market value of the shares on 16 October 2009) less the amount you paid for the shares.</p> <p>However, if you sold your shares between 16 November 2009 and 16 December 2009 you will instead be taxed on the sale proceeds less the amount you paid for your shares.</p> <p>If your loan was repaid prior to 16 October 2009 the above rules apply except that you will, if the shares are not sold within 30 days of the loan being repaid, be assessed on the basis of the tax market value of the shares on the loan repayment date rather than on the \$3.15 per share as discussed above, 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 you acquired by \$7.40 and then subtracting from the total \$1.00.</p> <p>As the tax market value of Telstra shares did not, at any time during the 2009/10 year, exceed \$3.65, it is unlikely that you will have an assessable amount under the employee share provisions of the Tax Act in respect of your shares.</p> <p>No allowable deduction or capital loss may be available if these amounts are negative.</p> <p>When you sell your shares</p> <p>The CGT provisions will not be applicable if you sell your shares within 30 days of your Taxing Point under the employee share scheme provisions of the Tax Act, being the earlier of:</p> <ul style="list-style-type: none"> • 16 October 2009; • the date the loan was repaid; or • the date you ceased your employment with the Telstra Group. <p>If you sell your shares during the 2009/10 year and the CGT provisions do apply to your sale your Capital Gain will be:</p> <ul style="list-style-type: none"> • Proceeds of sale • less \$3.15 per share (being the Tax Market Value of the shares on 16 October 2009) or, if your Taxing Point (discussed above) was a date prior to 16 October 2009, the Tax Market Value of the shares on that date. <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). Note however that the Restriction Period may expire after 16 October 2009 if the loan has not been repaid by that date.</p>	<p>When the Restriction Period expires</p> <p>If on 16 October 2009 your TESOP 99 Loan has not been repaid you will be taxed under the employee share scheme provisions of the Tax Act on \$3.15 per share (being the tax market value of the shares on 16 October 2009) less the amount you paid for the shares.</p> <p>However, if you sold your shares between 16 November 2009 and 16 December 2009 you will instead be taxed on the sale proceeds less the amount you paid for your shares.</p> <p>If your loan was repaid prior to 16 October 2009 the above rules apply except that you will, if the shares are not sold within 30 days of the loan being repaid, be assessed on the basis of the tax market value of the shares on the loan repayment date rather than on the \$3.15 per share as discussed above, 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 you acquired by \$7.40 and then subtracting from the total \$1.00</p> <p>As the tax market value of Telstra shares did not, at any time during the 2009/10 year, exceed \$3.65, it is unlikely that you will have an assessable amount under the employee share provisions of the Tax Act in respect of your shares.</p> <p>Note: No allowable deduction or capital loss may be available if these amounts are negative.</p> <p>When you sell your shares</p> <p>The CGT provisions will not be applicable if you sell your shares within 30 days of your Taxing Point under the employee share scheme provisions of the Tax Act, being the earlier of:</p> <ul style="list-style-type: none"> • 16 October 2009; • the date the loan was repaid; or • the date you ceased your employment with the Telstra Group. <p>If you sell your shares during the 2009/10 year and the CGT provisions do apply to your sale your Capital Loss will be:</p> <ul style="list-style-type: none"> • \$3.15 per share (being the Tax Market Value of the shares on 16 October 2009) or, if your Taxing Point (discussed above) was a date prior to 16 October 2009, the Tax Market Value of the shares on that date. • 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>[Example (No.10)] relating to the tax consequences of the sale of your TESOP 99 Loan shares.</p>
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<p>O</p>	<p>Only applicable if you ceased relevant employment with Telstra during 2009/10</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>Restriction Period expires</p> <p>There are no tax consequences to you when the Restriction Period expires.</p> <p>When you sell your shares</p> <p>If you choose \$7.40 (being the market value of the shares when you first acquired an interest in them) as your share's cost base, no capital gain should arise (unless you sell your shares for more than \$7.40).</p> <p>If you do not choose \$7.40 as your cost base, your capital gain will be calculated in the following manner.</p> <p>If the loan was NOT repaid in full when you ceased relevant employment your capital gain will be:</p> <ul style="list-style-type: none"> • Proceeds of sale • 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; • 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 behalf¹. <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>Restriction Period expires</p> <p>There are no tax consequences to you when the Restriction Period expires.</p> <p>When you sell your shares</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; • Less the proceeds of sale². <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>[Example (No.10)] relating to the tax consequences of the sale of your TESOP 99 Loan shares.</p>
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¹ If, however, the loan was repaid in full by 16 October 2002, the Tax Market Value of your shares will be determined at 16 October 2002 and will be \$4.81

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

<p style="text-align: center;">P</p>	<p>Only applicable if you ceased relevant employment with Telstra during 2009/10</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>When the Restriction Period expires</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; • the <u>later</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; and • 16 October 2009. <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 (explained above) the Taxing Point is moved to the date of sale and 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.</p> <p>As the tax market value of Telstra shares did not, at any time during the 2009/10 year, exceed \$3.65, it is unlikely that you will have an assessable amount under the employee share provisions of the Tax Act in respect of your shares.</p> <p>No allowable deduction or capital loss may be available if this amount is negative.</p> <p>When you sell your shares</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 of 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 <u>any</u> capital losses).</p>	<p>When the Restriction Period expires</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; • the <u>later</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; and • 16 October 2009. <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 (outlined above) the Taxing Point is moved to the date of sale and 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.</p> <p>As the tax market value of Telstra shares did not, at any time during the 2009/10 year, exceed \$3.65, it is unlikely that you will have an assessable amount under the employee share provisions of the Tax Act in respect of your shares.</p> <p>No allowable deduction or capital loss may be available if this amount is negative.</p> <p>When you sell your shares</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 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) • 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>[Example (No.10)] relating to the tax consequences of the sale of your TESOP 99 Loan shares.</p>
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Disclaimer

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

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

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

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

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

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

Illustrative Examples

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

Note - these examples deal only with the taxation consequences for participants who are assessed under the capital gains tax provisions (and not the ordinary income provisions) for a disposal of shares in the 2009/10 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 2009/10 year. They do not deal with participants who ceased employment prior to the 2009/10 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>	Example
TESOP 97 Loan Shares	1
TESOP 97 Non-Loan Shares	2
TESOP 97 Extra Loan Shares	3
TESOP 97 Extra Non-Loan Shares	4
TESOP 97 Loyalty Shares	5
1997 Public Offer Shares	6
1997 Shares Purchased through the stock exchange	7
1999 Guaranteed Allocation Shares	8
1999 Public Offer shares	9
TESOP 99 Loan Shares	10
TESOP 99 Extra Shares	11
TESOP 99 Loyalty Shares	12
1999 Shares Purchased through the stock exchange	13
T3 Sale Shares and Loyalty Shares	14

Example 1

TESOP 97 Loan Shares

Example:

- As part of the 1997 Public float of Telstra shares you took up the maximum employee offer of 2,000 loan shares.
- These shares were subject to a trade Restriction Period.
- On 4 December 2009 you asked the TESOP Trustee to sell your shares.
- The TESOP Trustee sold your shares for \$3.42 per share and repaid your loan immediately.
- 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 4 December 2009 which is the expiry of the Restriction Period i.e. when the loan was repaid by the Trustee.

Consequently, your capital gain or loss is: $(2,000 \times \$3.42) - (2,000 \times \$3.42) = \text{Nil}$

Note – if you had paid out the loan on 4 December 2009 and had the TESOP Trustee transfer the shares to you:

- *Your cost base for future sale purposes would be \$3.42 i.e. 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: 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

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

Consequently, your capital loss is: $(2,000 \times \$3.42) - (2,000 \times \$4.69) = (\$2,540)$

Note – if you paid out the loan on 4 December 2009 and had the TESOP Trustee pass the shares to you:

- *Your cost base for future sale purposes would be \$4.69; and*
- *You would have to hold the shares for a further 12 months from 4 December 2009 to be eligible for the 50% CGT discount.*

Example 2

TESOP 97 Non-Loan Shares

Example:

- As part of the 1997 Public float of Telstra shares you took up the maximum employee offer of 2,000 non-loan shares at their public offer price of \$3.30.
- These shares were **not** subject to a trade Restriction Period.
- On 4 December 2009 you sold your shares for \$3.42 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:

$$[(2,000 \times \$3.42) - (2,000 \times \$3.30)] \times 50\% = \$120$$

Alternative B

Under this alternative, your capital gain is:

$$(2,000 \times \$3.42) - (2,000 \times \$3.39) = \$60$$
$$\text{Indexed cost base at 30 September 1999: } \$3.30 \times 123.4 \div 120.0 = \$3.39$$

Example 3

TESOP 97 Extra Loan Shares

Example:

- As part of the 1997 Public float of Telstra shares you took up the maximum employee offer of 2,000 loan shares.
- Consequently you were entitled to 500 extra loan shares.
- These shares were subject to a trade Restriction Period.
- On 4 December 2009 you asked the TESOP Trustee to sell your shares.
- The TESOP Trustee sold your shares for \$3.42 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.

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 4 December 2009 which is when the Restriction Period expires in this example i.e. when the loan was repaid.

Consequently, your capital gain is: $(500 \times \$3.42) - (500 \times \$3.42) = \text{Nil}$

Note – if you had paid out the loan on 4 December 2009 and had the TESOP Trustee pass the shares to you:

- Your cost base for future sale purposes would be \$3.42.i.e. 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: You may choose to apply the capital gains tax provisions differently from the basis outlined above. You may choose \$3.30 as the cost base for your shares. However, such a choice 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

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

Consequently, your capital loss is: $(500 \times \$3.42) - (500 \times \$4.69) = (\$635)$

Note – if you paid out the loan on 4 December 2009 and had the TESOP Trustee pass the shares to you:

- Your cost base for future sale purposes would be \$4.69; and
- You would have to hold the shares for a further 12 months from 4 December 2009 to be eligible for the 50% CGT discount.

Example 4

TESOP 97 Extra Non-Loan Shares

Example:

- As part of the 1997 Public float of Telstra shares you took up the maximum employee offer of 2,000 non-loan shares. You did not take advantage of the Telstra loan.
- Consequently you were entitled to 500 extra non-loan shares.
- These shares were subject to a trade Restriction Period which expired on 15 November 2000. (This example assumes you did not cease your relevant employment with Telstra before 15 November 2000). The tax market value of the shares was \$6.58 on 15 November 2000.
- On 4 December 2009, you sold your shares for \$3.42 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: $(500 \times \$6.58) - (500 \times \$3.42) = (\$1,580)$

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

Example 5

TESOP 97 Loyalty Shares

Example:

- As part of the 1997 Public float of Telstra shares you purchased 2,000 shares under the public offer (at their public offer price of \$3.30).
- You held your purchased shares for more than 12 months and consequently you were entitled, under the employee offer, to a further 200 loyalty shares.
- These loyalty shares were **not** subject to a trade Restriction Period.
- On 4 December 2009 you sold your loyalty shares for \$3.42 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 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: $[(200 \times \$3.42) - (200 \times \$3.30)] \times 50\% = \$12$

Alternative B

Under this alternative, your capital gain is:

$$(200 \times \$3.42) - (200 \times \$3.39) = \$6$$

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

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.

$$\text{Your capital loss is: } (200 \times \$6.55) - (200 \times \$3.42) = (\$626)$$

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 6

1997 Public Offer Shares

Example:

- As part of the 1997 Public float of Telstra shares you acquired 2,000 shares at their public offer price of \$3.30.
- These shares were **not** subject to a trade Restriction Period.
- On 4 December 2009 you sold your shares for \$3.42 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: $(2,000 \times \$3.42) - (2,000 \times \$3.30) \times 50\% = \$120$

Alternative B

Under this alternative, your capital gain is:

$$(2,000 \times \$3.42) - (2,000 \times \$3.39) = \$60$$

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

Example 7

1997 Shares through the Stock Exchange

Example:

- On 1 December 1997 you purchased 2,000 instalment receipts through the stock exchange for \$2.40.
- These shares were **not** subject to a trade Restriction Period.
- On 17 November 1998 you paid the 2nd instalment of \$1.40.
- On 4 December 2009 you sold your shares for \$3.42 per share.
- For the purposes of this example we have ignored selling costs such as brokerage.

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

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

Consequently, your capital loss is: $(2,000 \times \$3.80) - (2,000 \times \$3.42) = (\$760)$

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 8

1999 Guaranteed Allocation Shares

Example:

- As part of the 1999 **Staff** Offer you acquired 2,000 shares at their public offer price of \$7.40.
- These shares were **not** subject to a trade Restriction Period.
- On 4 December 2009 you sold these shares for \$3.42 per share.
- For the purposes of this example we have ignored selling costs such as brokerage.

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

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

Consequently, your capital loss is: $(2,000 \times \$7.40) - (2,000 \times \$3.42) = (\$7,960)$

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

Example:

- As part of the 1999 **Public** Offer of Telstra shares you acquired 2,000 shares at their public offer price of \$7.40.
- These shares were **not** subject to a trade Restriction Period.
- On 4 December 2009 you sold these shares for \$3.42 per share.
- For the purposes of this example we have ignored selling costs such as brokerage.

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

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

Consequently, your capital loss is: $(2,000 \times \$7.40) - (2,000 \times \$3.42) = \$(7,960)$

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

Example:

- As part of the 1999 float of Telstra shares you took up the maximum employee offer of 400 loan shares.
- These shares were subject to a trade Restriction Period.
- On 4 December 2009 your relevant employment ceased with Telstra. At the time your outstanding loan was \$2,500 and the shares were trading at \$3.42.
- As the loan balance in respect of these shares exceeded the net amount (i.e. 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 2009/10 year of Income:

None – The shares have not been sold by the Trustee 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 4 December 2009 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 \$3.42 i.e. 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 (i.e. \$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 (i.e. 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 4 December 2009 and had the TESOP Trustee transfer the shares to you:

- Your cost base for future sale purposes would be \$3.42 (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

Example:

- As part of the 1999 float of Telstra shares you acquired 800 Guaranteed Entitlement shares.
- Consequently you were entitled to 200 extra shares.
- These shares were subject to a trade Restriction Period which expired on 16 October 2002. This example assumes that you did not leave your relevant employment with Telstra before 16 October 2002. The TESOP Trustee transferred the shares to you on that date. The tax market value on that date was \$4.81 per share.
- On 4 December 2009 you sold the shares for \$3.42.
- For the purposes of this example we have assumed that the tax market value of the share is the same as its market value and we have ignored selling costs such as brokerage.

For more information on when the Restriction Period expires for these shares refer to the TESOP Trade Restriction Periods table.

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

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

Consequently, your capital loss is: $(200 \times \$3.42) - (200 \times \$7.40) = \$(796)$

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 your capital loss would be reduced.

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. However, as the tax market value of your shares on the date you sold them is less than the value on the date the Restriction Period expired, there should be no assessable amount (unless you sold your shares for more than \$4.81). Instead, you should realise a capital loss.

Accordingly, your capital loss is: $(200 \times \$4.81) - (200 \times \$3.42) = \$(278)$

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 12

TESOP 99 – Loyalty Shares

Example:

- As part of the 1999 float of Telstra shares you acquired 800 Guaranteed Entitlement shares.
- You held these shares for longer than 12 months and therefore you were entitled to 80 loyalty shares.
- These shares were subject to a trade Restriction Period which expired on 16 October 2002. This example assumes that you did not leave your relevant employment with Telstra before 16 October 2002. The TESOP Trustee transferred the shares to you on that date. The tax market value of Telstra shares on that date was \$4.81 per share.
- On 4 December 2009 you sold the shares for \$3.42.
- For the purposes of this example we have assumed that the tax market value of the share is the same as its market value and we have ignored selling costs such as brokerage.

For more information on when the Restriction Period expires for these shares refer to the TESOP Trade Restriction Periods table.

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

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

Consequently, your capital loss is: $(80 \times \$7.40) - (80 \times \$3.42) = \$(318.40)$

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 your capital loss will be reduced.

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. However, as the tax market value of your shares on the date you sold them is less than the value on the date the Restriction Period expired, there should be no assessable amount (unless you sold your shares for more than \$4.81). Instead, you should realise a capital loss.

Accordingly, your capital loss is: $(200 \times \$4.81) - (200 \times \$3.42) = \$(278)$

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 13

1999 Shares Purchased through the Stock Exchange

Example:

- On 1 December 1999 you purchased 2,000 instalment receipts through the stock exchange for \$3.70.
- These shares were **not** subject to a trade Restriction Period.
- On 2 November 2000 you paid the 2nd instalment of \$2.90.
- On 4 December 2009 you sold your shares for \$3.42 per share.
- For the purposes of this example we have ignored selling costs such as brokerage.

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

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

Consequently, your capital loss is: $(2,000 \times \$6.60) - (2,000 \times \$3.42) = \$6,360$

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 14

T3 Sale Shares

Example:

- As part of the T3 float you purchased 1,000 IRs for \$3.60 (\$2.00 paid with your application, with a 2nd instalment paid on 29 May 2008).
- These shares were **not** subject to a trade restriction period.
- You have a cost base in respect of the IRs equivalent to \$3.46 x 1,000 underlying Sale Shares, plus \$3.46 x 40 Loyalty Rights.
- You sell 500 Sale Shares on 4 December 2009 for \$3.42 each.
- For the purposes of this example we have ignored selling costs such as brokerage.

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

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

Consequently, your capital loss from is: $(500 \times \$3.46) - (500 \times \$3.42) = (\$20)$

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.

Disclaimer

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

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

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

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

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

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

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

Questions & Answers – 2009/2010

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

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

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

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

A If you would like to find out more information on what TESOP shares you have you should contact the Telstra ESOP hot line on 1300 88 66 77 or you can visit the Share Registrar's web site at <http://www.linkmarketservices.com.au> and select "Access My Holdings". To gain access to data on your TESOP shares, you will need to select Telstra Corporation Limited from the drop-down list, enter in your 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 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 2009/10 tax return. This is the case even if the dividends were paid to you via the TESOP Trusts and even if part of the dividend has been applied to reduce your Telstra provided loans.

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

A. TESOP '97 Loan Shares are the shares purchased by employees as part of TESOP '97 using the interest free loan provided by Telstra (maximum of 2,000 shares). TESOP'97 Extra Loan Shares are the extra 1 for 4 shares provided to employees who acquired Loan shares in TESOP '97 (maximum of 500 shares).

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

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

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

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

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

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

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

A. Under the previous rules governing the taxation of shares or rights acquired under an employee share schemes ("ESS"), 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. These rules will apply to determine the tax market value of your shares if you were taxed on those shares prior to 1 July 2009.

Recently, new rules for the taxation of shares or rights acquired under an ESS were enacted in Division 83A of the Tax Act. Unlike the previous rules, the new rules do not define market value nor do they prescribe any method for determining the market value of a listed share acquired under an ESS. The tax market value of shares valued under the new ESS rules will therefore be the ordinary market value of the shares. The Australian Taxation Office has recently published materials which provide that, for the purposes of the new ESS rules, where listed shares are required to be valued at their deferred taxing point:

- if the shares are not sold within 30 days of the deferred taxing point – their market value is the weighted average closing price for the five days before, but not including, the date of the deferred taxing point; and
- if the shares are sold on market within 30 days of the deferred taxing point – their market value can be taken to be the sale proceeds.

Your TESOP '99 shares, although acquired before the commencement of the new ESS rules (1 July 2009) will be valued in accordance with the new ESS rules if the taxing point for your TESOP '99 shares arises on or after 1 July 2009. As 16 October 2009 was the 10 year anniversary of the grant of your TESOP '99 shares, your taxing point in respect of these shares should arise in 2009/10 if you did not make an election to be taxed upfront on your TESOP '99 shares in 1999/2000 and, prior to 1 July 2009, you had not ceased your employment with the Telstra Group or repaid your loan.

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

The tax market value is also relevant to determining the cost base of your shares when calculating any capital gains/losses you may have made if you have disposed of your TESOP shares.

Q. Why is the cost base of my TESOP '97 loan shares and TESOP '97 extra loan shares \$4.69?

A. The cost base of your TESOP '97 Loan Shares and Extra Loan Shares is \$4.69 only if you did not make an election to be immediately assessed on these shares in your 1997/98 income tax return and your loan was not repaid by 15 November 2007 (being the 10 year anniversary of the TESOP '97 scheme).

Q. What happens if I sold my shares, or some of my shares before 30 June 2010 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 2010 the tax consequences of selling your shares will generally be in the year ending 30 June 2010. You should discuss this matter further with your tax adviser.

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. 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. How do the changes in the employee share scheme rules implemented in December 2009 affect my TESOP shares?

A. The new employee share scheme rules (new ESS rules) may apply to your shares acquired under TESOP '99 only if you were not taxed on those shares before 1 July 2009. In these circumstances, the recent changes may affect your shares in the following way:

- Telstra will be under certain reporting obligations in relation to your shares;
- the market value of your shares (and therefore the amount upon which you are assessed under the ESS rules) will be determined in accordance with the new ESS rules; and
- if you dispose of your shares within 30 days of your deferred taxing point your taxing point is moved to the date of sale.

The new ESS rules do not affect the current treatment of shares acquired under TESOP '97. The new ESS rules will also not affect the treatment of shares acquired under TESOP '99 if you made an election to be taxed upfront on those shares in 1999/2000 or, if no election was made, if your taxing point for those shares happened prior to 1 July 2009.

For more information on the taxation treatment of employee share schemes, see page 22 in *TaxPack 2010*.

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 www.telstra.com.au/abouttelstra/investor/shareholder-services/employee-shareholder-scheme/index.htm However, if you have any further queries you should seek your own expert tax advice.

Disclaimer

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

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

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

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

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

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

Glossary

- **1997 Public Offer Shares** – shares acquired through the public offer in November 1997.
- **1999 Public Offer Shares** – shares acquired through the public offer in October 1999.
- **2006 Public Offer Shares** – shares acquired through the public offer in November 2006.
- **2006 Bonus Loyalty Shares** – 1 for 25 bonus shares provided to shareholders who hold their 2006 Public Offer instalment receipts until 15 May 2008 and pay the final instalment on or by 29 May 2008.
- **Guaranteed Allocation Shares** – shares purchased by employees, with their own money, under the Commonwealth component of TESOP '99.
- **Tax Act** - the *Income Tax Assessment Act 1936* or the *Income Tax Assessment Act 1997*.
- **Tax Market Value** –if the taxing point for your shares under the employee share scheme provisions of the Tax Act happens prior to 1 July 2009 - the weighted average of the prices at which the shares were traded on the stock exchange in the one week up to and including the day on which the restriction period ends. This value is available from the Telstra Share Registry (1300 303 199).

If the taxing point for your shares is determined under the employee share scheme provisions of the Tax Act happens on or after 1 July 2009 – the ordinary market value of your shares.
- **Telstra** – Telstra Corporation Limited or a subsidiary of Telstra.
- **TESOP '97** – offer made to employees to acquire shares in Telstra under the Telstra Employee Share Ownership Plan as part of the 1997 initial public float of Telstra shares.
- **TESOP '97 Extra Loan Shares** – the extra 1 for 4 shares provided to employees who acquired Loan shares in TESOP '97.
- **TESOP '97 Extra Non-Loan Shares** – the extra 1 for 4 shares provided to employees who acquired Non-Loan Shares in TESOP '97.
- **TESOP '97 Loan Shares** – shares purchased by employees as part of TESOP '97 using the interest free loan provided by Telstra.
- **TESOP '97 Loyalty Shares** - the extra 1 for 10 shares provided to employees who acquired Public Offer Shares in the 1997 float of Telstra shares and held them for 12 months.
- **TESOP '97 Non-Loan Shares** - shares purchased by employees as part of TESOP '97 using their own money instead of the interest free loan provided by Telstra.
- **TESOP '99** – offer made to employees to acquire shares in Telstra under the Telstra Employee Share Ownership Plan as part of the 1999 additional public float of Telstra shares.
- **TESOP '99 Loan Shares** – shares acquired by employees as part of the Telstra component of TESOP '99 using the interest free loan provided by Telstra.
- **TESOP '99 Loyalty Shares** - the extra 1 for 10 shares provided under the Commonwealth component of TESOP 99 to employees who acquired Guaranteed Allocation Shares and held them until at least 2 November 2000.
- **TESOP Extra '99 Shares** - the extra 1 for 4 shares provided under the Commonwealth component of TESOP '99 to employees who acquired Guaranteed Allocation Shares.
- **Subsequent share purchases** – any other shares or instalment receipts acquired by an employee other than as part of TESOP '97, TESOP '99 or as part of the public float in 1997 or further public float in 1999.
- **Written Elections** – the election under tax law made by an employee before they lodged their 1997/98 Tax Return (affecting their TESOP 97 shares) and/or their 1999/2000 Tax Return (affecting their TESOP 99 shares).