

## **MEDIA RELEASE**

### **PROPOSED REFORMS TO THE TAXATION OF EMPLOYEE SHARE SCHEME RULES WELCOMED**

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The Government's proposal to amend the way in which employee share schemes are taxed should enhance the capacity for the family business sector to engage suitably qualified executives, according to Pitcher Partners partner Peter Braine.

The Abbott Government announced yesterday that it intends to reverse some of the changes to the existing employee share scheme rules that were introduced by the Labor Government in 2009. Under the current rules, employees can be taxed in the year in which they are granted options by their employer. This means that employees could be subject to tax well before they are able to exercise the options and realise any value from the options. According to Peter Braine, this has made it difficult for companies, especially start-ups (which are often cash poor) to attract and incentivise staff.

It is proposed that, from 1 July 2015, the taxing point of options be deferred until the time options are exercised or when shares (acquired as a result of exercising options) are sold.

In addition, the Government has announced additional concessions for options and shares provided by eligible start-up companies. It is understood that the criteria for eligible start-up companies will include companies that are unlisted, have been incorporated for less than 10 years and have an aggregate turnover of not more than \$50 million. The concessions include extending the maximum time on which the tax on discounted options and shares issued by such companies may be deferred from seven to 15 years. The concessions are also expected to allow shares issued at a small discount to treat the discount as exempt from tax where certain conditions are met.

"The devil is always in the detail and this will be contained in the legislation when introduced. However, if properly implemented, the changes should mean that employee share schemes become more attractive to both employers and employees.

The changes should also mean that Australia's competitiveness is increased and enhance Australia's ability to bring top talent into the country," Mr Braine said.

For further information contact:

Karin Krueger, Managing Director, KDK Media (02) 9979 3718 or 0419 991 267

Melanie Kent, Marketing Director, Pitcher Partners (03) 8610 5605 or 0407 052 670