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12 Employee share schemes 2015

This question is about **discounts** on 'employee share scheme interests' (ESS interests) that you or your associate received under an employee share scheme. ESS interests are:

- shares
- stapled securities (provided at least one of the stapled interests is a share in a company)
- rights to acquire shares and stapled securities.

An ESS interest acquired by your associate in respect of your employment is treated as though the ESS interest was acquired by you.

The discount is the difference between the market value of the ESS interests and the amount paid to acquire them.

The ESS interests can be:

- from an Australian company or a foreign company
- related to your employment inside or outside Australia.

You will be taxed on the discount in the year in which you acquired the interest in the scheme. Such schemes are known as 'taxed-upfront schemes'. However, if you and the scheme meet certain conditions the taxing point is deferred until a later time. These tax-deferred schemes are known as 'deferral schemes'.

For more information, see [Employee share schemes - guide for employees \(/General/Employee-share-schemes/Employees/\)](#).

Did any of the following apply to you?

- You received a discount on ESS interests you acquired under a 'taxed-upfront scheme'
- A 'deferred taxing point' occurred in respect of ESS interests you acquired at a discount under a deferral scheme
- A 'cessation time' occurred in relation to qualifying shares, stapled securities or rights you acquired before 1 July 2009 under an employee share scheme and you had not elected to be taxed upfront on the discount on those shares etc.

For more information about cessation time, qualifying shares, stapled securities or rights acquired before 1 July 2009 see [Employee share schemes - answers to frequently asked questions by employees \(/General/employee-share-schemes/\)](#).

No	<ul style="list-style-type: none"> • Go to Income that you show on the supplementary section of the tax return (/Individuals/Tax-return/2015/Tax-return/Income-questions-1-12/Income-that-you-show-on-the-supplementary-section-of-the-tax-return-2015/), or • return to main menu Individual tax return instructions (/Individuals/Tax-return/2015/).
Yes	Read on.

You can no longer choose when to be taxed on the discount you receive on ESS interests. The conditions of the scheme in which you participate and your personal circumstances determine when you pay tax on the discount you receive.

In some circumstances, you may be entitled to reduce the amount of the discounts received under taxed-upfront schemes by up to \$1,000. You may qualify for the reduction if the following amounts add up to \$180,000 or less:

- your taxable income for the year (calculated as though you are not entitled to the \$1,000 reduction)
- your total reportable fringe benefits amounts (**W** item **IT1**)
- your reportable employer superannuation contributions (**T** item **IT2**)
- your net financial investment loss (**X** item **IT5**)
- your net rental property loss (**Y** item **IT6**)
- your deductible personal superannuation contributions (**H** item **D12**).

For more information, see [Employee share schemes - guide for employees \(/General/Employee-share-schemes/Employees/\)](#).

The rules of the scheme or a letter from your employer should advise you whether you have acquired ESS interests under a taxed-upfront or deferral scheme. Your employer must provide you with an *Employee share scheme statement* which shows you the value of any discounts you have received on your ESS interests in 2014–15. You will need this statement to complete this item.

Answering this question

You will need your *Employee share scheme statement* from each employer with whom you participated in an employee share scheme. Each statement shows the amount of your discount and whether your discount was from:

- a taxed-upfront scheme eligible for reduction
- a taxed-upfront scheme not eligible for reduction
- deferral schemes, or
- a pre-1 July 2009 scheme and a cessation time occurred during the income year.

Statements may also show 'tax file number (TFN) amounts withheld' where applicable. TFN amounts withheld are amounts of tax withheld when you do not provide your TFN or ABN to your employer.

If you received ESS interests from a foreign employer, you might not receive an *Employee share scheme statement*. You will need to contact your employer for details of the employee share scheme in which you participated to enable you to complete your tax return.

If you do not have all your *Employee share scheme statements* or comparable statements, contact your employer. If you are unsuccessful in obtaining any of these, see [PAYG payment summary - individual non-business \(/forms/payg-payment-summary---individual-non-business/\)](#) for more information about making a statutory declaration.

If an associate has acquired an ESS interest as a result of your employment, you must include the discount in your assessable income. Your associate will not need to include the discount on their tax return.

If you qualify as a temporary resident for tax purposes, special rules may apply if you acquired ESS interests under pre-1 July 2009 employee share scheme rules or ESS interests under an employee share scheme. See [Foreign income exemption for Australian residents and temporary residents - employee share schemes \(/General/Employee-share-schemes/In-detail/Foreign-residents/ESS---Foreign-income-exemption-for-Australian-residents-and-temporary-residents--employee-share-schemes/\)](#).

If you disposed of your ESS interests because of a corporate restructure or takeover and received replacement shares, stapled securities or rights, special provisions may apply. See [Employee share scheme rollover relief \(/General/Employee-share-schemes/In-detail/Rollover-relief/ESS---Rollover-relief/\)](#).

Completing your tax return

For the purposes of steps 1 to 3, 'Employee share scheme statement' includes comparable statements and statutory declarations.

Step 1

Add up all the discount amounts you received from 'taxed-upfront schemes eligible for reduction' including amounts shown on your *Employee share scheme statements* and any foreign source discounts you received.

Write the total amount at **D** item **12**.

Step 2

Add up all the discount amounts you received from taxed-upfront schemes not eligible for reduction, including amounts shown on your employee share scheme statements and any foreign sourced discounts you received.

Write the total amount at **E** item **12**.

Step 3

Add up all the discount amounts you received from deferral schemes where a deferred taxing point occurred during 2014–15 including amounts shown on your *Employee share scheme statements* and any foreign source discounts you received.

Write the total amount at **F** item **12**.

Step 4

Add up all the discount amounts from qualifying employee share scheme interests you acquired before 1 July 2009 where:

- you did not make an election to be taxed upfront at the time you received them, and
- a cessation time occurred during 2014–15.

Write the total amount at **G** item **12**.

If the discount amount is not on the statement, contact your employer or see [Employee share schemes - guide for employees \(/General/Employee-share-schemes/Employees/\)](#).

Step 5

If you did not write an amount at **D**, go to [step 6](#).

If you wrote an amount at **D**, you may be entitled to a reduction of up to \$1,000 on the amount that you are assessed on. To determine your eligibility you will first need to work out whether you satisfy the income test. Calculate your taxable income (as if you were **not** entitled to this reduction). If you had a taxable loss, treat it as zero for the purposes of this calculation.

Add your taxable income to the following amounts (which you must complete at **Income tests** on your tax return; see [Income tests \(/Individuals/Tax-return/2015/Tax-return/Income-test-questions-IT1-IT8/Income-tests-2015/\)](#)):

- your total reportable fringe benefits amounts (**W** item **IT1**)
- your reportable employer superannuation contributions (**T** item **IT2**)
- your net financial investment loss (**X** item **IT5**)
- your net rental property loss (**Y** item **IT6**)
- your deductible personal superannuation contributions (**H** item **D12**).

If the amount that you calculated was greater than \$180,000, you do not satisfy the income test and are not entitled to a reduction. Add up the amounts that you wrote at **D**, **E**, **F** and **G**. Write the total at **B**.

If the amount that you calculated was less than or equal to \$180,000 you satisfy the income test and are eligible for the reduction of up to \$1,000. If the amount at **D** is:

- less than or equal to \$1,000, add up the amounts that you wrote at **E**, **F** and **G** and write the total at **B**
- greater than \$1,000, add up the amounts at **D**, **E**, **F** and **G** then take \$1,000 away from the total. Write the resulting amount at **B**.

Go to step 7.

Step 6

Add up the amounts that you wrote at **E**, **F** and **G**. Write the total at **B**.

Step 7

Add up all the TFN amounts withheld from discounts from your *Employee share scheme statements* and write the sum at **C**.

Step 8

If you did not pay foreign income tax in respect of any discounts you received on ESS interests you have finished this question; go to question [13 Partnerships and trusts \(/Individuals/Tax-Return/2015/Supplementary-tax-return/Income-questions-13-24/13-Partnerships-and-trusts/\)](#). Otherwise, read on.

You may be entitled to claim a foreign income tax offset for discounts if you have paid foreign income tax in respect of the discounts.

Write at **A** the total amount of your discounts from ESS interests for which you are claiming a foreign income tax offset.

To claim a foreign income tax offset, you must complete **O** item **20** on your tax return. For information on how to calculate a foreign income tax offset you will need to read [Guide to foreign income tax offset rules \(/Individuals/Tax-return/2015/In-detail/Publications/Guide-to-foreign-income-tax-offset-rules-2014-15/\)](#).

If you have paid foreign tax in respect of discounts on ESS interests included in your assessable income in a prior financial year, you may be entitled to a foreign income tax offset for that year. To claim this tax offset, you need to request an amendment to your tax return for that financial year. See [Important information \(/Individuals/Tax-return/2015/Before-you-start/Important-information-2015/\)](#) for instructions on requesting an amendment for a prior year tax return.



Find out more

For more information about employee share schemes, see [Employee share schemes - guide for employees \(/General/Employee-share-schemes/Employees/\)](#).

Helpful hints

Do not attach your *Employee share scheme statements* to your tax return. Make sure you keep your statements for at least five years after you are assessed on your discounts.

Where to go next

- Go to question [Income that you show on the supplementary section of the tax return \(/Individuals/Tax-return/2015/Tax-return/Income-questions-1-12/Income-that-you-show-on-the-supplementary-section-of-the-tax-return-2015/\)](#).
- Return to main menu [Individual tax return instructions \(/Individuals/Tax-return/2015/\)](#).
- Go back to question [11 Dividends \(/Individuals/Tax-Return/2015/Tax-return/Income-questions-1-12/11-Dividends/\)](#).

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