

EXPOSURE DRAFT



EXPOSURE DRAFT (18/12/2014)

Income Tax Assessment Amendment (Employee Share Schemes) Regulation 2015

Select Legislative Instrument No. , 2014

I, General the Honourable Sir Peter Cosgrove AK MC (Ret'd),
Governor-General of the Commonwealth of Australia, acting with the
advice of the Federal Executive Council, make the following regulation.

Dated 2014

Peter Cosgrove
Governor-General

By His Excellency's Command

[DRAFT ONLY - NOT FOR SIGNATURE] Joe Hockey

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Treasurer

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1 Name

This is the *Income Tax Assessment Amendment (Employee Share Schemes) Regulation 2015*.

2 Commencement

This instrument commences on the day after it is registered.

3 Authority

This instrument is made under the *Income Tax Assessment Act 1997*.

4 Schedules

Each instrument that is specified in a Schedule to this instrument is amended or repealed as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to this instrument has effect according to its terms.

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Schedule 1 Amendments

Schedule 1—Amendments

Income Tax Assessment Regulations 1997

1 Subregulation 83A-315.08(1)

Repeal the subregulation, substitute:

- (1) The following table sets out the Table 1 percentages for calculation percentages of 50% or more and less than 110%.

Table 1—Table 1 percentages

Calculation percentage 50% to 92.5%

Exercise period (months)	Calculation percentage (%)						
	50 to 60	60 to 70	70 to 75	75 to 80	80 to 85	85 to 90	90 to 92.5
108 to 120	0.2%	0.7%	1.8%	2.6%	3.7%	4.9%	6.4%
96 to 108	0.1%	0.6%	1.6%	2.4%	3.4%	4.6%	6.1%
84 to 96	0.1%	0.4%	1.3%	2.1%	3.0%	4.3%	5.8%
72 to 84	0.1%	0.3%	1.1%	1.7%	2.7%	3.9%	5.4%
60 to 72	0.0%	0.2%	0.8%	1.4%	2.2%	3.4%	4.9%
48 to 60	0.0%	0.1%	0.5%	1.0%	1.7%	2.8%	4.2%
36 to 48	0.0%	0.0%	0.3%	0.6%	1.2%	2.1%	3.4%
24 to 36	0.0%	0.0%	0.1%	0.3%	0.6%	1.3%	2.4%
18 to 24	0.0%	0.0%	0.0%	0.1%	0.3%	0.9%	1.8%
12 to 18	0.0%	0.0%	0.0%	0.0%	0.1%	0.4%	1.1%
9 to 12	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	0.8%
6 to 9	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.4%
3 to 6	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
0 to 3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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Amendments Schedule 1

Calculation percentage 92.5% to less than 110%

Exercise period (months)	Calculation percentage (%)						
	92.5 to 95	95 to 97.5	97.5 to 100	100 to 102.5	102.5 to 105	105 to 107.5	107.5 to less than 110
108 to 120	7.2%	8.1%	9.1%	10.0%	11.1%	12.1%	13.3%
96 to 108	7.0%	7.9%	8.8%	9.8%	10.9%	12.0%	13.2%
84 to 96	6.6%	7.6%	8.5%	9.6%	10.7%	11.8%	13.0%
72 to 84	6.2%	7.2%	8.2%	9.2%	10.4%	11.6%	12.8%
60 to 72	5.7%	6.7%	7.7%	8.8%	9.9%	11.2%	12.5%
48 to 60	5.1%	6.0%	7.0%	8.2%	9.4%	10.7%	12.1%
36 to 48	4.2%	5.2%	6.2%	7.4%	8.6%	10.0%	11.4%
24 to 36	3.2%	4.1%	5.1%	6.3%	7.6%	9.0%	10.5%
18 to 24	2.5%	3.4%	4.4%	5.5%	6.8%	8.3%	9.9%
12 to 18	1.7%	2.5%	3.4%	4.6%	6.0%	7.5%	9.2%
9 to 12	1.3%	2.0%	2.9%	4.0%	5.4%	7.0%	8.8%
6 to 9	0.8%	1.4%	2.2%	3.3%	4.7%	6.4%	8.3%
3 to 6	0.3%	0.6%	1.3%	2.4%	3.8%	5.7%	7.8%
0 to 3	0.0%	0.1%	0.5%	1.4%	3.0%	5.1%	7.5%

2 After subregulation 83A-315.08(2)

Insert:

Note: The following assumptions were used to work out the Table 1 percentages:

- (a) a risk-free interest rate of 4%;
- (b) a dividend yield of 4%;
- (c) volatility of 12%.

3 At the end of regulation 83A-315.08

Add:

- (3) If, in relation to a particular right:
 - (a) the exercise period; or

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Schedule 1 Amendments

(b) the calculation percentage;
is the top of one range in Table 1 and is also the bottom of another range in that Table, it is taken to be in the lower range and not in the higher range.

4 Subregulation 83A-315.09(1)

Repeal the subregulation, substitute:

- (1) The following table sets out the base percentages for calculation percentages of 110% or more.

Table 2—Base percentages

Exercise period (months)	Column 1	Column 2
108 to 120	13.3%	0.6%
96 to 108	13.2%	0.6%
84 to 96	13.0%	0.7%
72 to 84	12.8%	0.7%
60 to 72	12.5%	0.7%
48 to 60	12.1%	0.7%
36 to 48	11.4%	0.8%
24 to 36	10.5%	0.8%
18 to 24	9.9%	0.8%
12 to 18	9.2%	0.9%
9 to 12	8.8%	0.9%
6 to 9	8.3%	0.9%
3 to 6	7.8%	0.9%
0 to 3	7.5%	1.0%

5 After subregulation 83A-315.09(2)

Insert:

Note: The following assumptions were used to work out the base percentages:

- (a) a risk-free interest rate of 4%;
(b) a dividend yield of 4%;

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Amendments Schedule 1

(c) volatility of 12%.

6 Subregulation 83A-315.09(6)

Repeal the subregulation, substitute:

- (6) If the exercise period is the top of one range in Table 2 and is also the bottom of another range in the Table, it is taken to be in the lower range and not in the higher range.

7 Division 910

Insert in its appropriate numerical position:

910-1.06 Transitional arrangements arising out of the Income Tax Assessment Amendment (Employee Share Schemes) Regulation 2015

The amendments of these Regulations made by Schedule 1 to the *Income Tax Assessment Amendment (Employee Share Schemes) Regulation 2015* apply in relation to an ESS interest acquired on or after 1 July 2015.