

Wood Guidance

# Employee Share Plan

Tax Guide – Australia



## Wood Guidance Employee Share Plan Tax Guidance – Australia Employees

*This information is for guidance only and may differ according to your personal circumstances. Other than for the 'Income tax and social tax for mobile employees' section, it assumes that for tax purposes you are a domiciliary, national and resident of Australia and have been/will be at all material times. The 'Income tax and social tax for mobile employees' section outlines the tax treatment for your shares if you have spent time working outside Australia – for these purposes, it is assumed that you are tax resident in the respective countries where you are working at the relevant times.*

*This is not tax advice tailored to your personal situation. If you require confirmation of your personal tax position, you should contact a professional tax advisor.*

*This information is understood to be correct as at 1 November 2019. Any future changes to legislation or tax rates may affect this information.*

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### Income tax and Medicare Levy

*Will I have to pay income tax or Medicare Levy in respect of my Shares?*

The table below sets out the tax point and the taxable amount for the shares received under the Plan:

Income tax and Medicare Levy		
	Point at which tax will be paid	Taxable amount
<b>Purchased Shares</b>	No income tax or social tax will apply.	N/A
<b>Matching Shares</b>	<p>Income tax will be payable at the Deferred Taxing Point.</p> <p>Generally, this is when your Matching Shares are delivered to your personal account following the end of the Holding Period. This is known as the Delivery Date.</p> <p>However, if you dispose of your shares within 30 days of the Delivery Date, the Deferred Taxing Point will be the disposal date.</p> <p>If you cease your employment with John Wood Group and remain entitled to the Matching Shares, the Deferred Taxing point will be the date of cessation of employment.</p>	<p>If you dispose of your shares within 30 days of the Delivery Date, the taxable amount will generally be the sale proceeds.</p> <p>If you dispose of your shares more than 30 days after the Delivery Date, the taxable amount will be the market value of the shares on the Delivery Date. It should be acceptable to use the closing price of your shares on this date as the market value.</p> <p>You will also be required to pay Medicare Levy (and Medicare Levy Surcharge, if applicable) on the amount subject to income tax.</p>
<b>Dividend Shares</b>	You will be taxed upon receipt of the cash dividend used to acquire Dividend Shares.	The amount subject to income tax is the cash dividend received and used to acquire the Dividend Shares.

*How do I pay the income tax and Medicare Levy in respect of my Shares?*

Your employer is **not** required to withhold the income tax and Medicare Levy payable on your Matching Shares (unless you have not provided your employer with Tax File Number by the end of the year). As withholding is not

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generally required, you should pay the income tax, Medicare Levy and any Medicare Levy Surcharge due on the Matching Shares and on the dividend income used to acquire the Dividend Shares through your personal tax return.

### **Income tax and Medicare Levy for mobile employees**

*Will I have to pay income tax or social tax in respect of my Shares if I have only spent a portion of the Holding Period working in Australia?*

The tax treatment for the Purchased Shares and Dividend Shares is the same as specified above. Whether you will be taxed on your Dividend Shares depends on your residency status at the time when you receive the cash dividend used to acquire the Dividend Shares.

For Matching Shares, if you are resident for Australian income tax purposes at the Deferred Taxing Point, the amount subject to income tax will be the full market value of the shares on that date. Medicare Levy (and Medicare Levy Surcharge, if applicable) will also be payable on the amounts subject to income tax, if you are resident and entitled to Medicare benefits in Australia at the tax point.

If you are a temporary resident or a foreign resident for Australian income tax purposes at the Deferred Taxing Point, income tax will be payable on the apportioned gain, based on your Australian workdays or calendar days during the Holding Period. No Medicare Levy (and Medicare Levy Surcharge) should be payable unless you are a temporary resident and resided in a country with which Australia has a reciprocal health care agreement immediately prior your arrival in Australia.

*How do I pay the income tax and Medicare Levy due in respect of my Shares?*

Your employer is not required to withhold the income tax and Medicare Levy payable on your Matching Shares (unless you have not provided your employer with your Tax File Number by the end of the year). As withholding is not generally required, you should pay the income tax, Medicare Levy (and any Medicare Levy Surcharge) due on the Matching Shares and on the dividend income used to acquire the Dividend Shares through your personal tax return.

### **Sale of shares**

*Will I incur a further tax liability and social tax when I sell my Shares?*

Yes, you will be required to pay capital gains tax on any gains arising when you sell your Purchased Shares. The taxable amount is calculated broadly on the difference between sale proceeds and the amount you paid for the shares.

If you sell your Matching Shares within 30 days of the Delivery Date, no capital gains tax will be payable. If the sale takes place more than 30 days after the Delivery Date, any gains arising will be subject to capital gains tax.

If capital gains tax is payable on the sale of your Matching Shares, the taxable amount would be the sale proceeds less any amount previously subject to income tax.

For any shares held for more than 12 months prior to disposal, only 50% of the gain will be subject to capital gains tax. Your Purchased Shares will be considered as "held" from the acquisition date and your Matching Shares from the Deferred Taxing Point (i.e. Delivery Date on cessation of employment).

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### Reporting

*Will I have any reporting requirements?*

Yes, you will be required to include details of the taxable amounts (as referred to above) in your tax return for the year in which the tax charge arises. You should receive an Employee Share Scheme (“ESS”) Statement from your employer with details of the taxable amounts.

Your tax return is normally due by 31 October following the end of the relevant tax year, extensions are generally available if you are using a tax agent. After filing your tax return, you will receive a Notice of Assessment from the Australian Tax Office confirming the amount of tax due and stating the due date for the tax owed (usually 21 days after issue).

### *Taxation of Financial Arrangements*

Taxation of Financial Arrangements (TOFA) is a regime where an individual reports in their return assessable income or deductible losses on foreign currency gains/losses resulting from Forex Realisation Events on foreign denominated accounts. Foreign denominated accounts are accounts that are held in currency other than AUD. These rules will apply to you as your Purchased Shares will be held in a foreign brokerage account. An election must be made to exempt foreign denominated accounts from TOFA.

An individual is eligible to make the election for all of their qualifying forex accounts, where the total value of the debit balances of all those accounts do not exceed AUD 250,000 respectively. You should discuss the implications of TOFA and the election with your personal tax advisor.

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### Appendix 1 – relevant tax rate summary

This appendix sets out the relevant tax rates in Australia, for the tax year ending 30 June 2020.

Income tax		
	Maximum effective tax rate	Notes
Income tax	45%	Applies to incomes over A\$180,000

Social tax		
	Employee	Notes
Medicare Levy	2%	Uncapped
Medicare Levy Surcharge	1.5%	Payable on earnings over AUD 90,000 per annum (AUD 180,000 per household)

Dividends and capital gains tax		
	Maximum effective tax rate	Notes
Dividends	47% (includes Medicare Levy)	Dividends are taxable at your marginal rate of income tax. In addition, Medicare Levy Surcharge may also be payable.
Capital gains tax (CGT)	47% (includes Medicare Levy)	Payable at your marginal rate. In addition, Medicare Levy Surcharge may also be payable.  For any shares held more than 12 months prior to sale, only 50% of the gain will be subject to capital gains tax.