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Let's chat

Employee incentives – November 2025

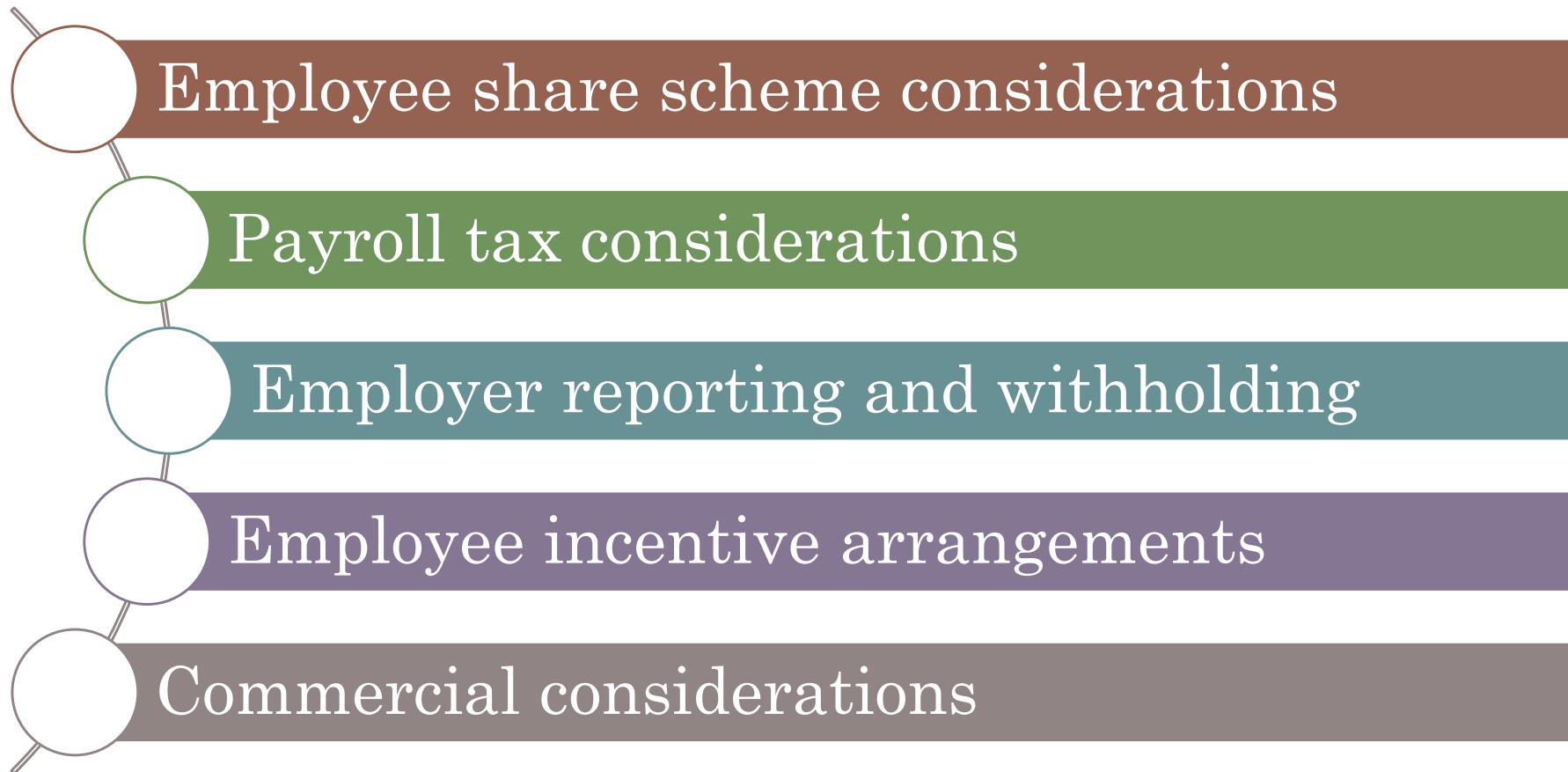
With:

Darius Hii – Tax and estate planning lawyer; Chartered Tax Advisor; and Director at Chat Legal

Information provided is general in nature; precise application depends on specific circumstances

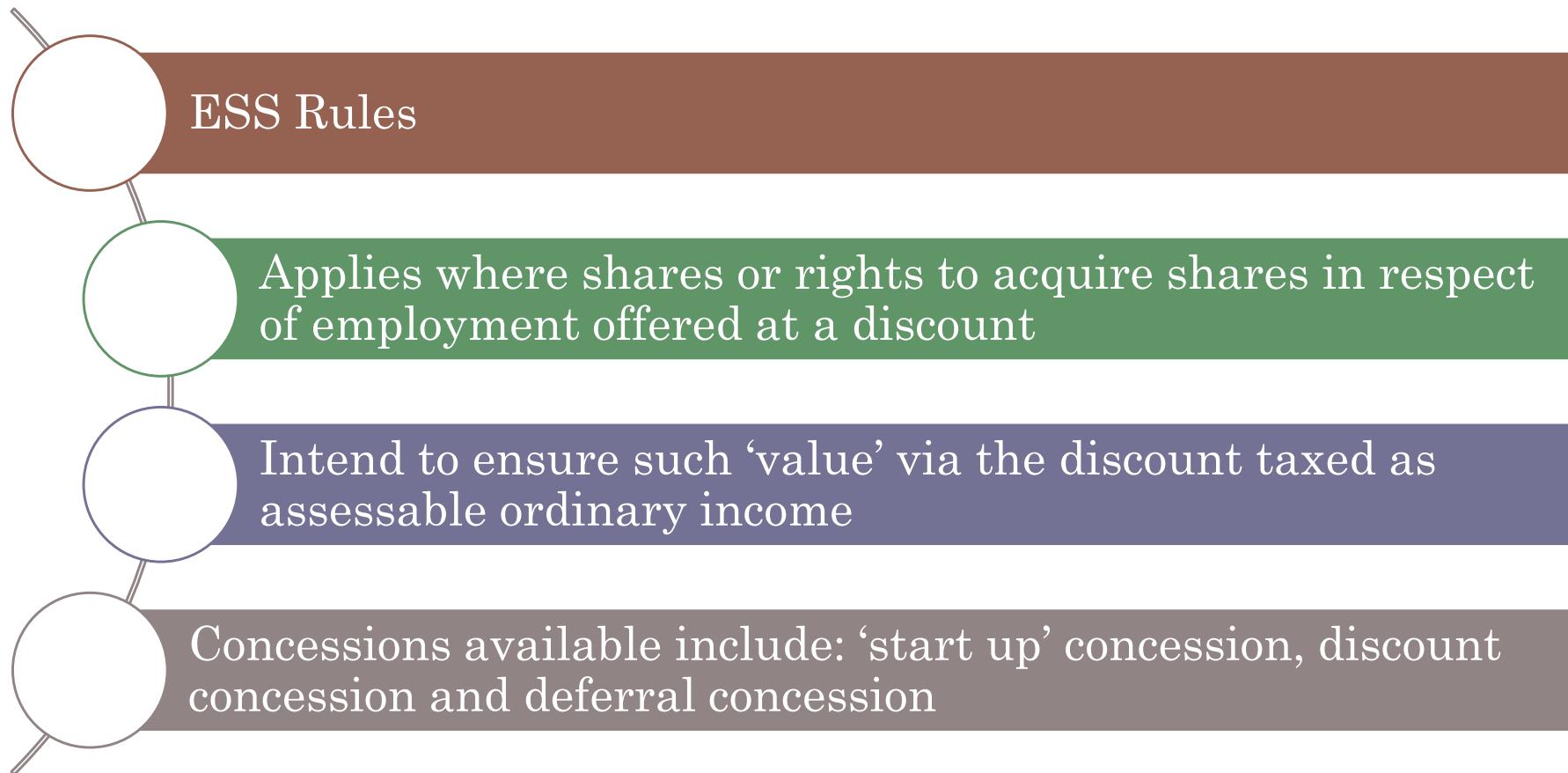


Overview



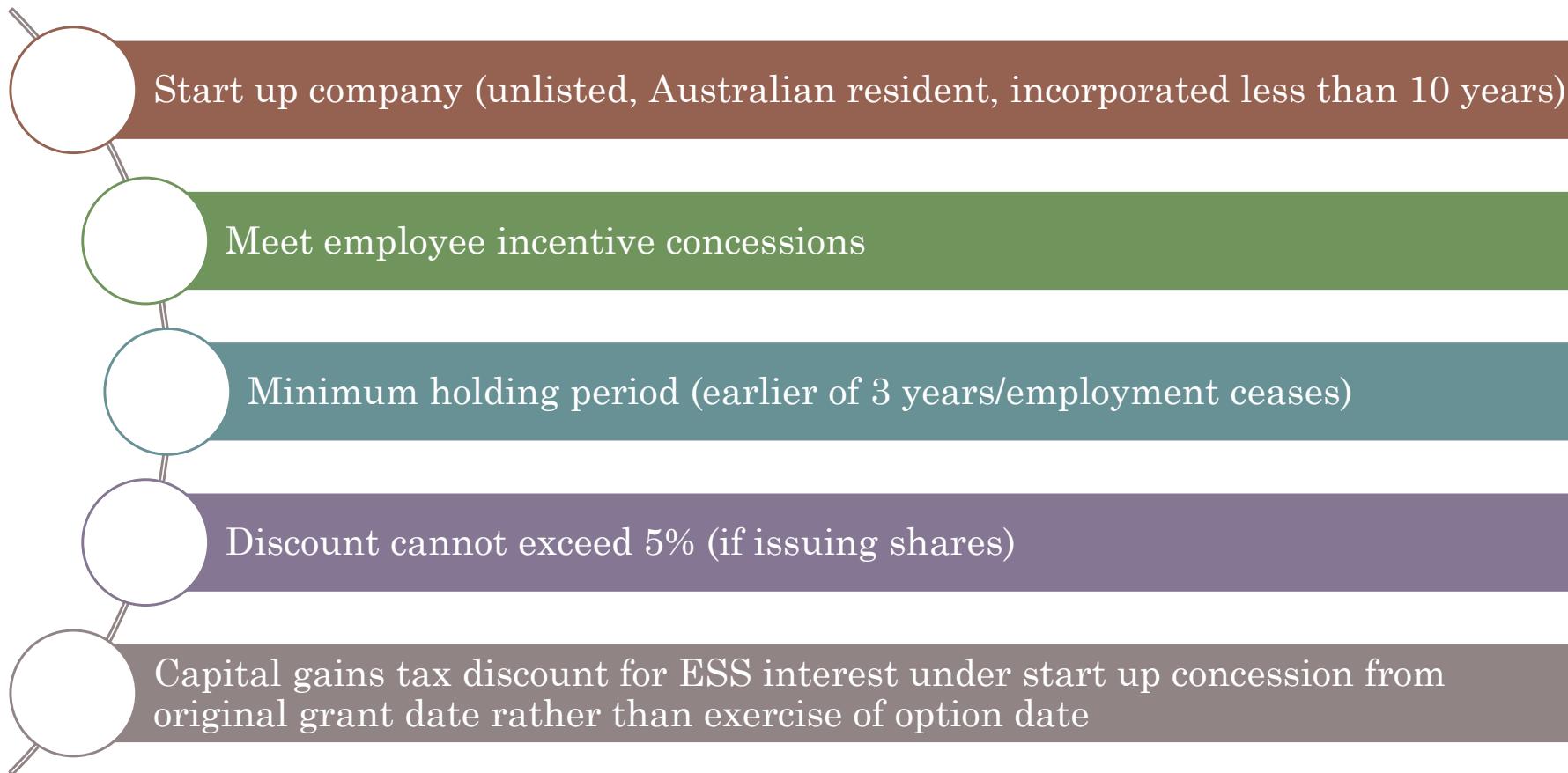


Division 83A



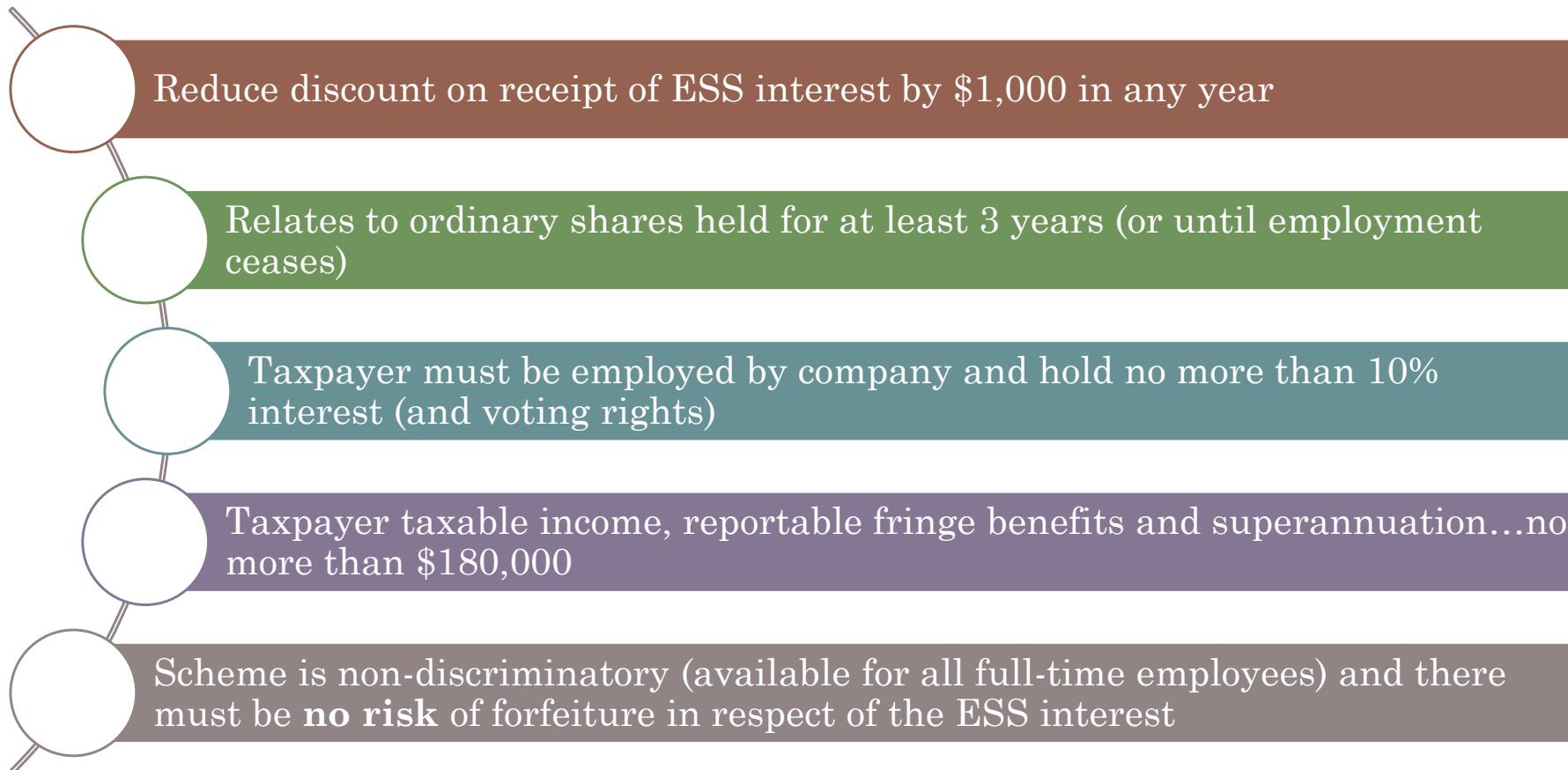


Start up concession



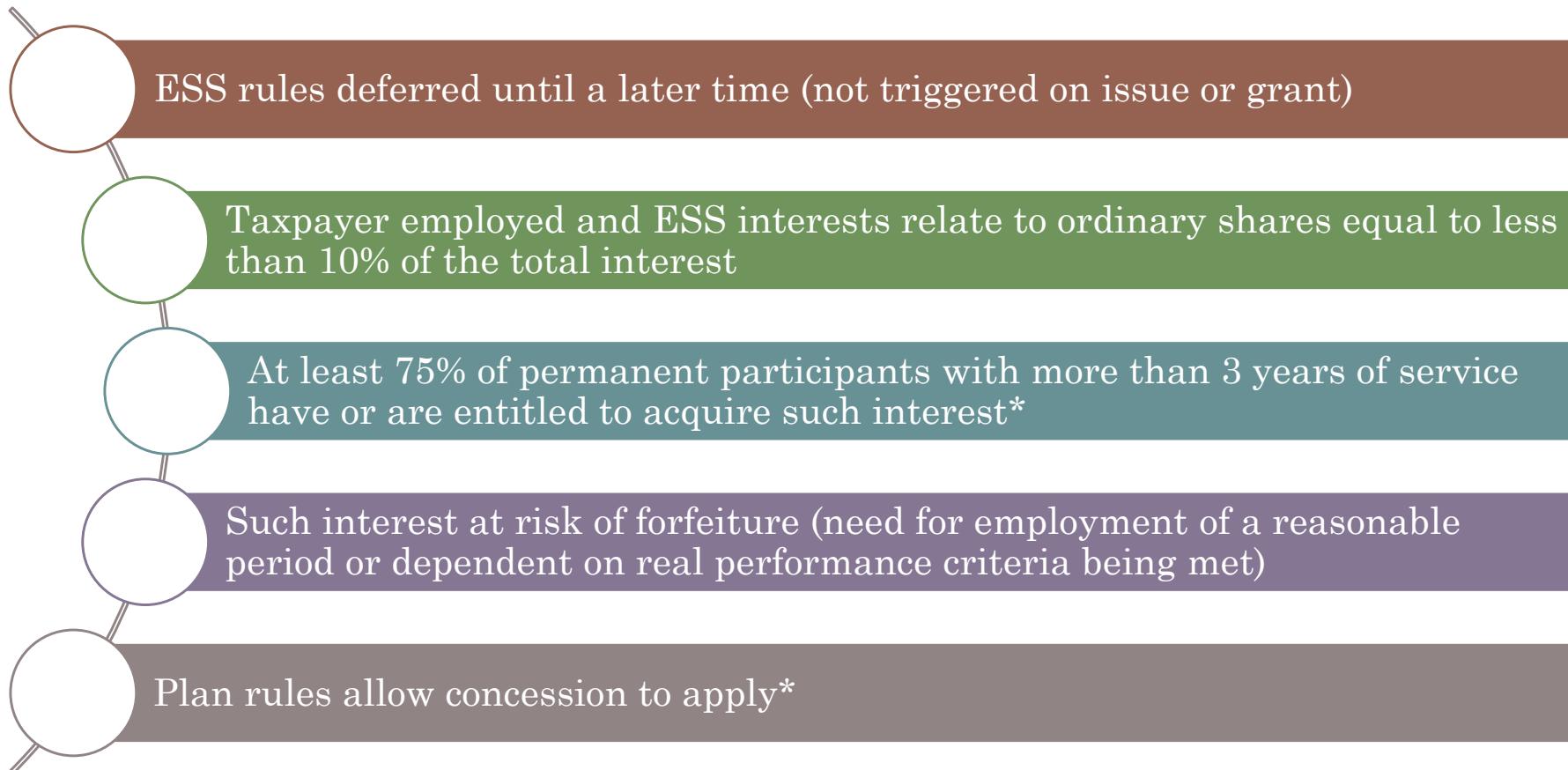


Discount concession



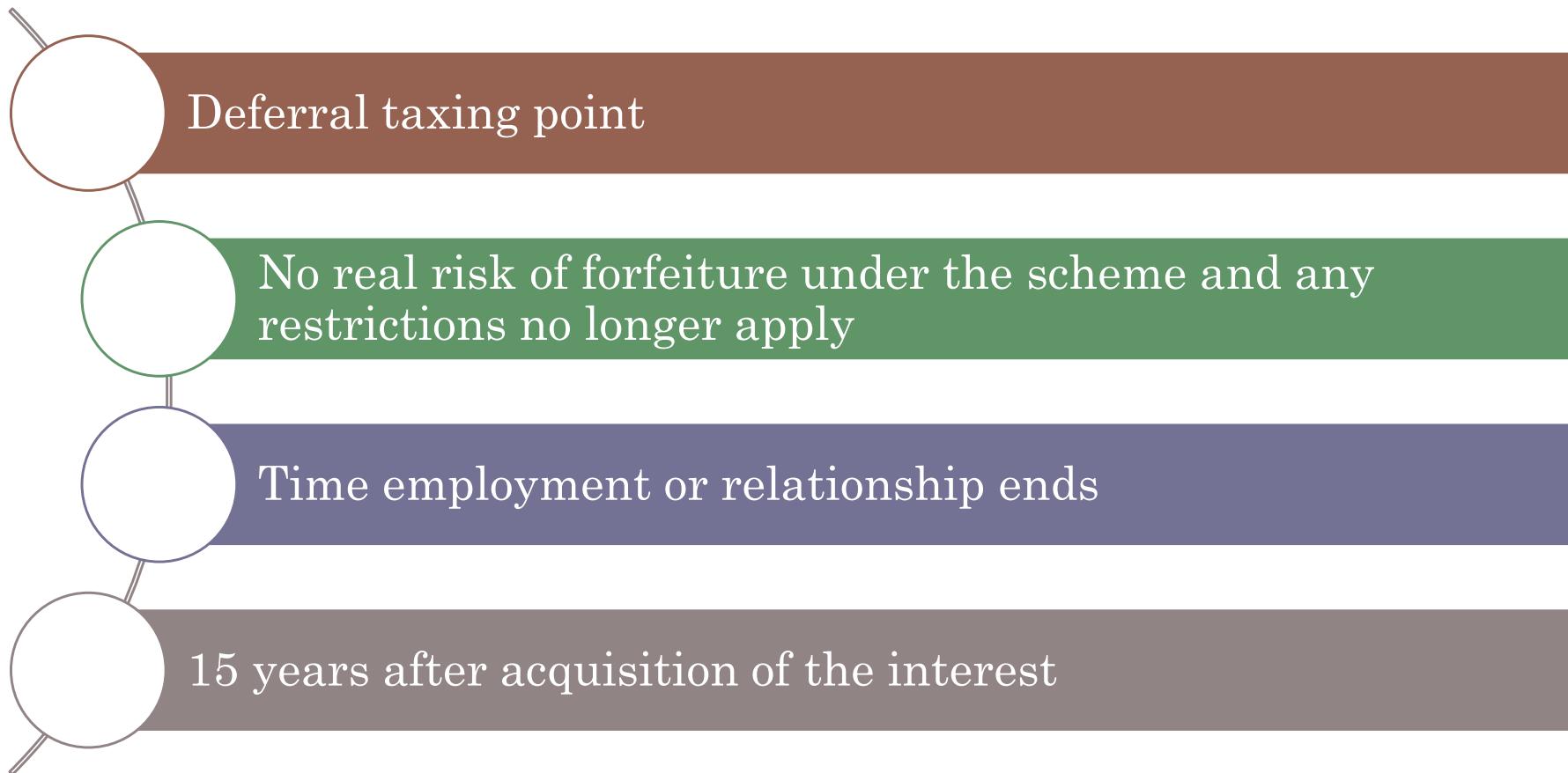


Deferral concession





Deferral concession



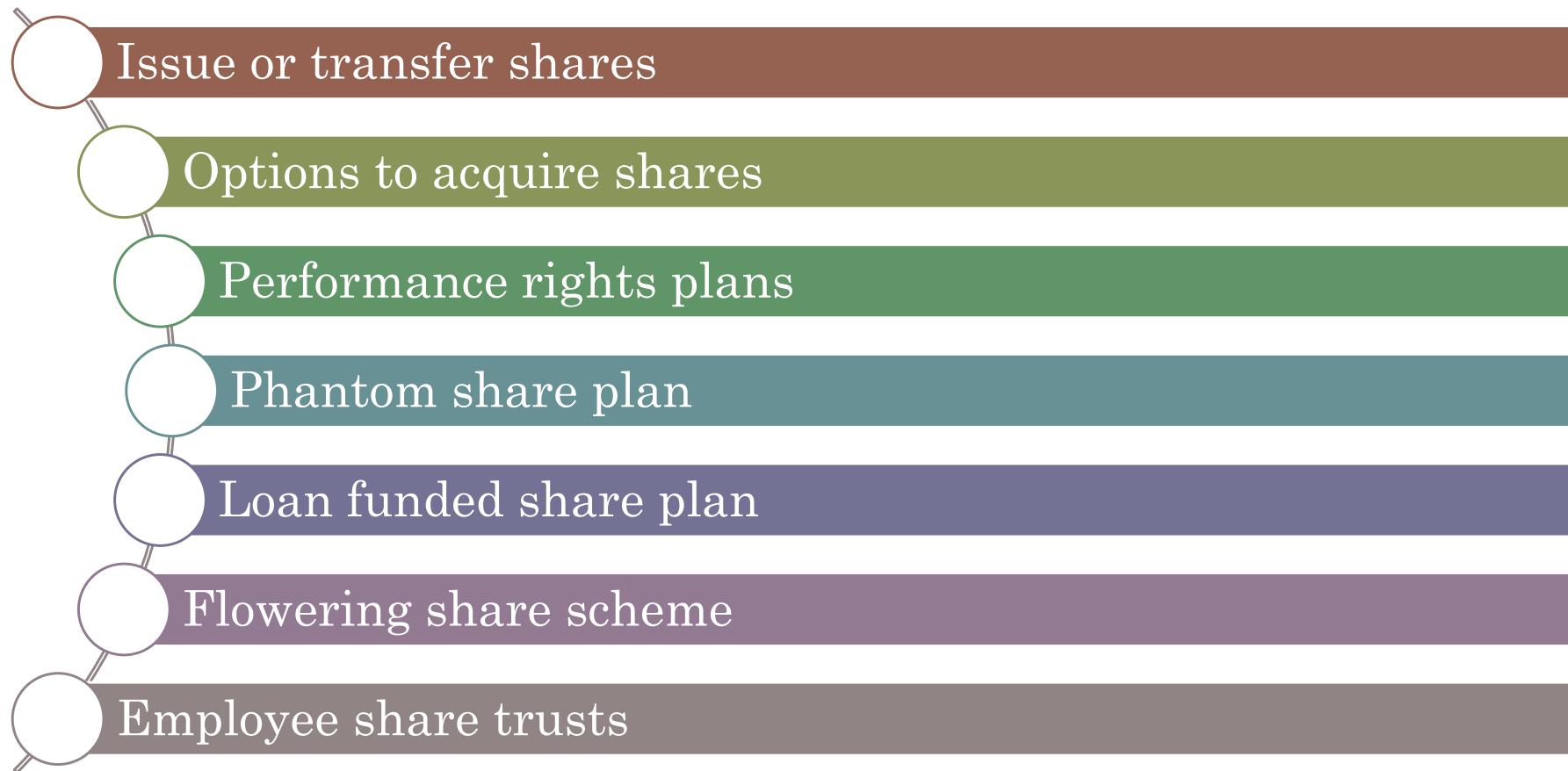


Other considerations

- FBT not applicable under an incentive plan subject to the ESS rules
- Non-equity plans (i.e. phantom share plans) result in participants paying tax on marginal rate on value of any benefits received
- Plans offering no discount not subject to ESS rules
- Division 7A and financial assistance considerations where company lends to prospective shareholder



Available options



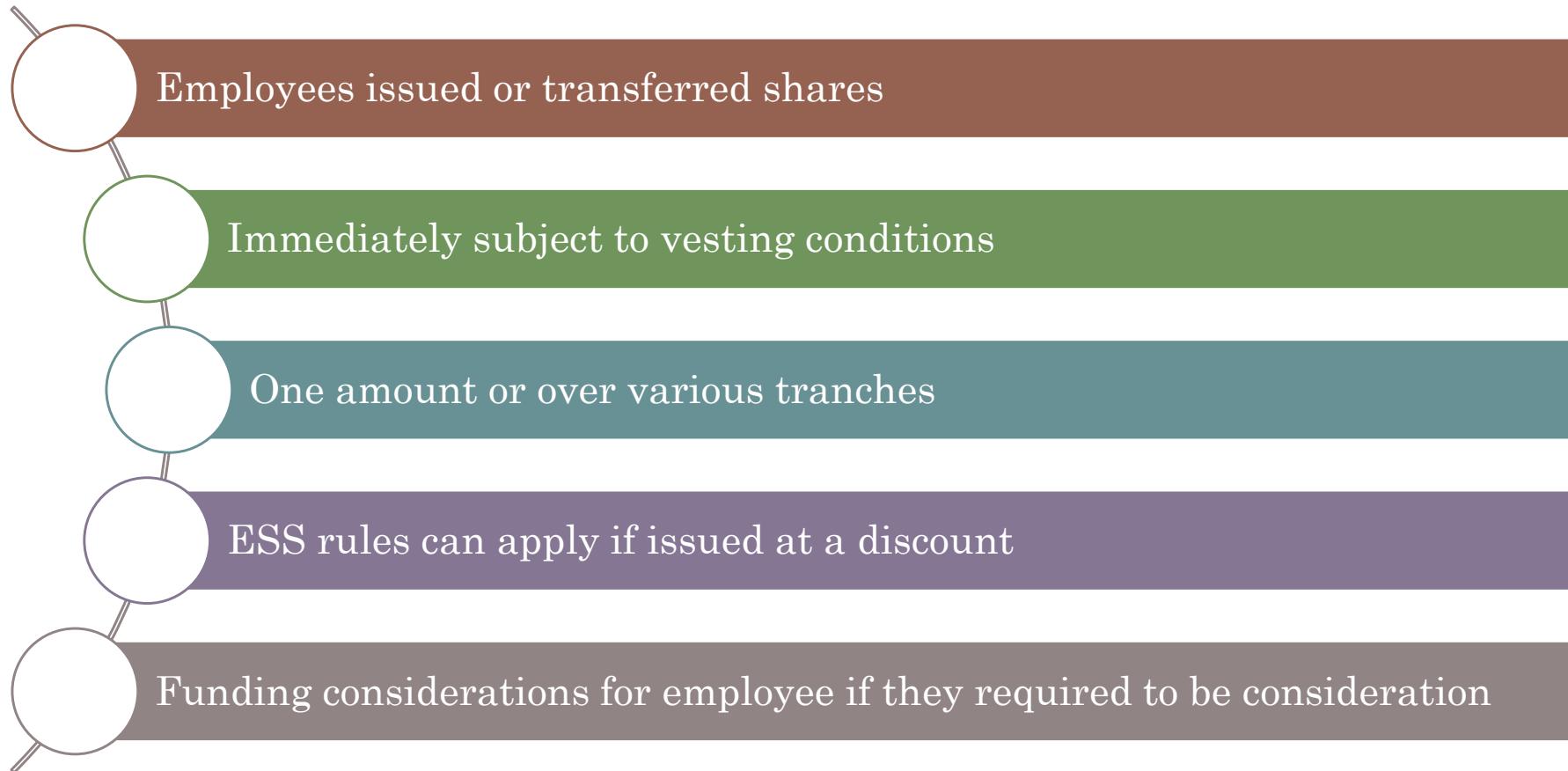


Cash bonus

- So simple as not to include in prior slide
- Measurable performance hurdles
- Cash flow dependent
- Avoids ESS rules

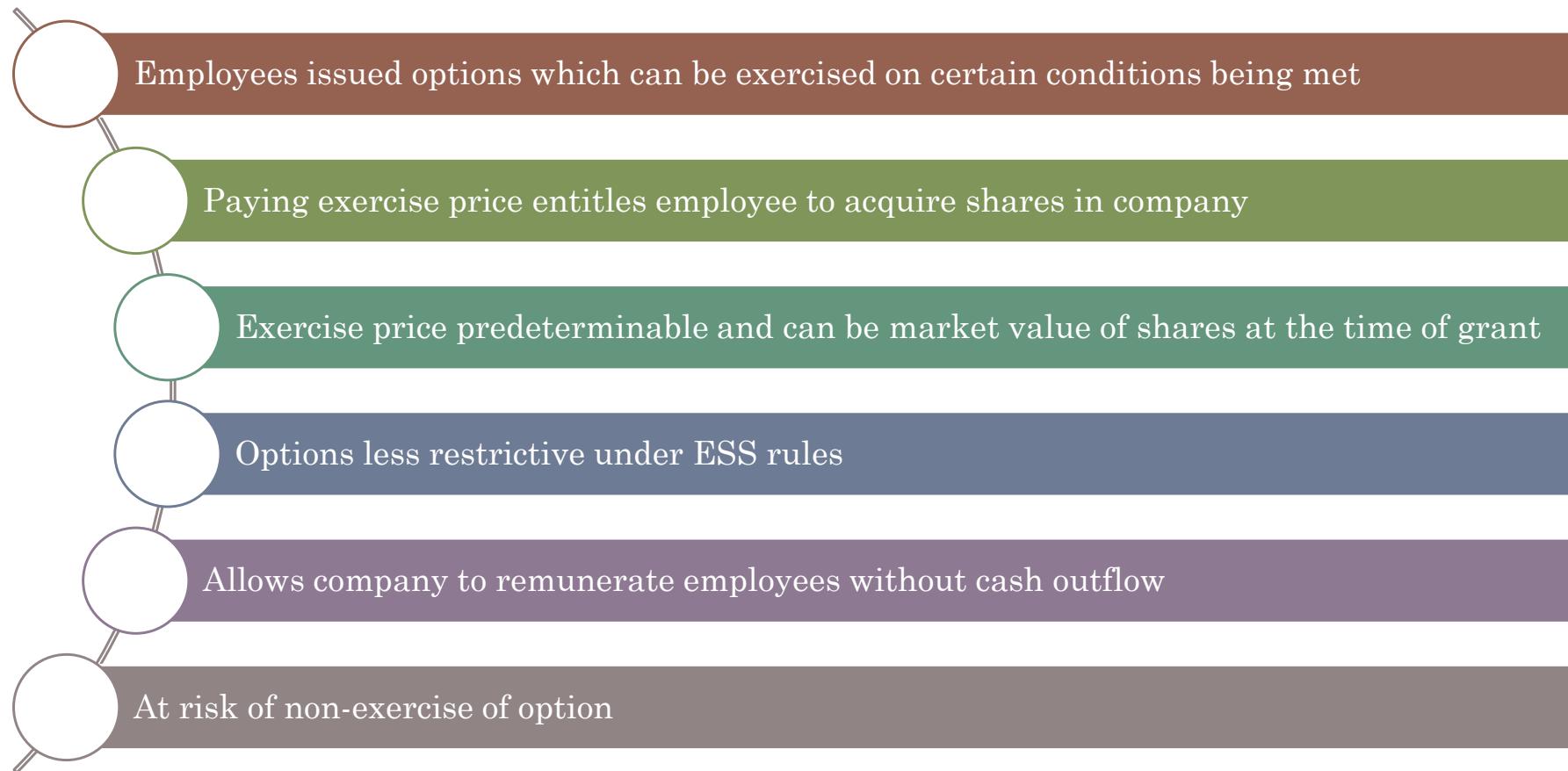


Issue or transfer shares





Options



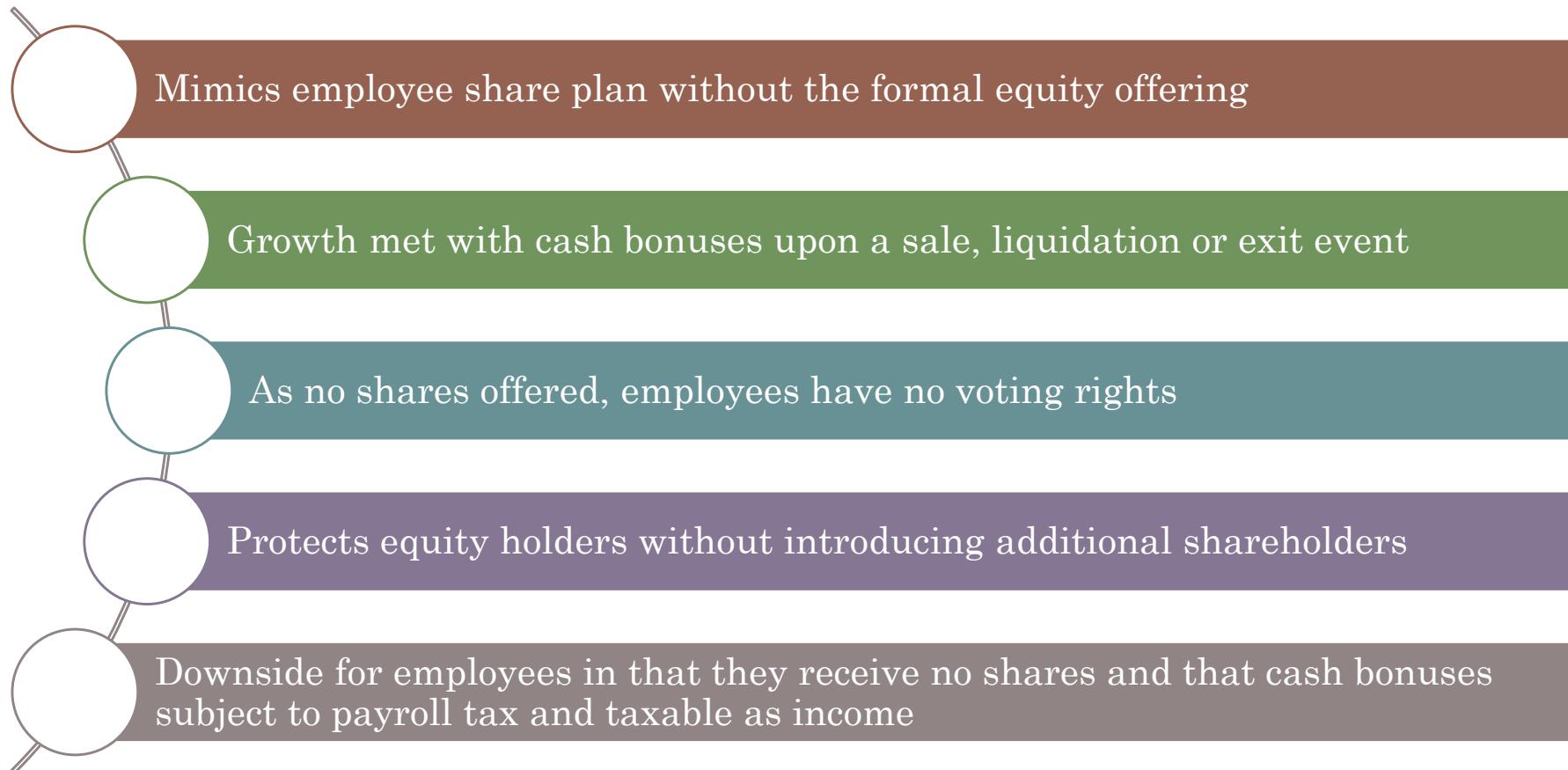


Performance rights

-
- Performance rights exercisable on performance hurdles met
 - Shares issued for no consideration
 - Like options, allows remuneration without cash outflow and provides flexibility around taxing point
 - Performance hurdles can be a mixture of financial and non-financial

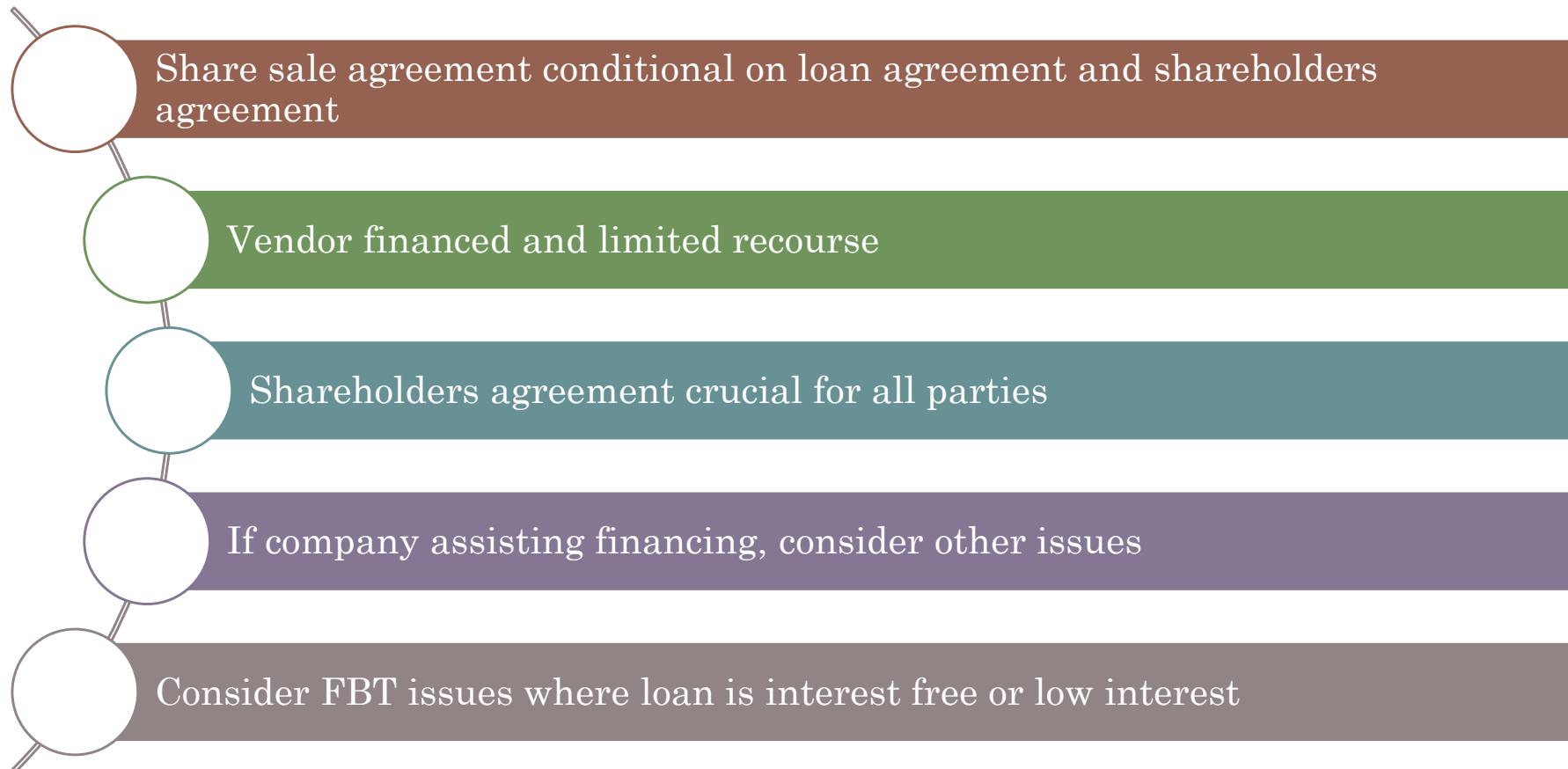


Phantom share plan



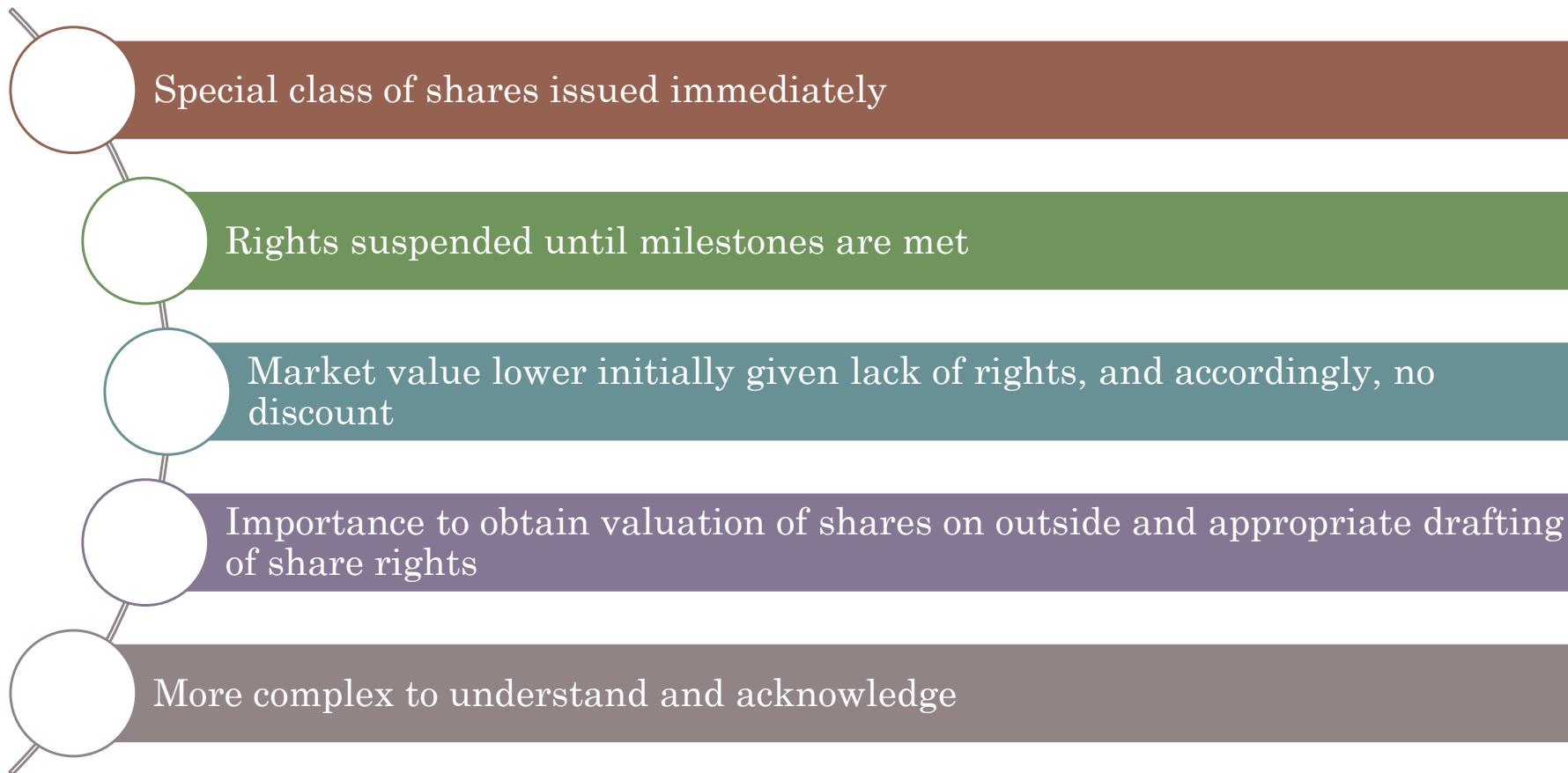


Loan funded share plan



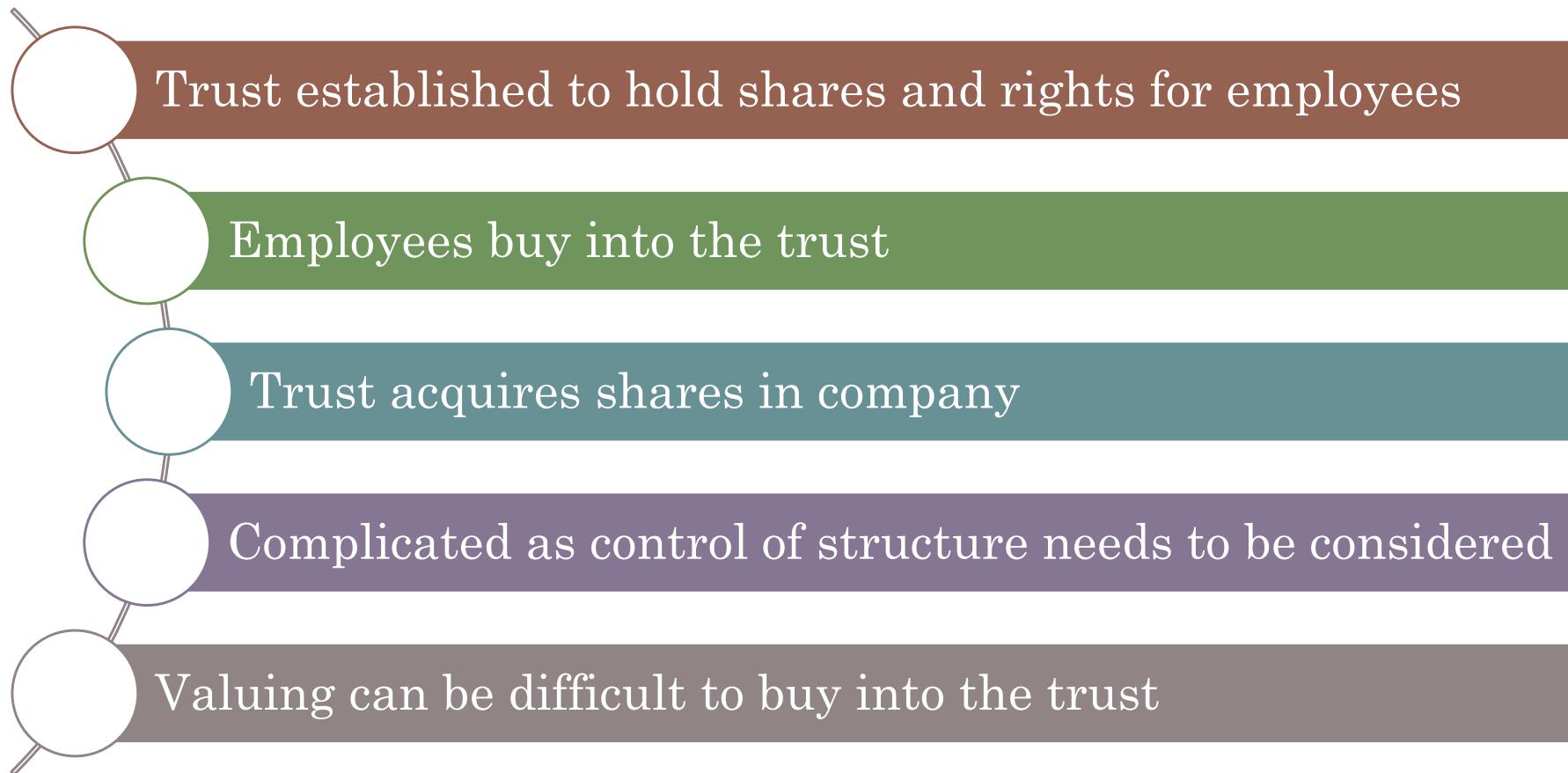


Flowering share scheme





Employee share trusts





What's best?

Objective

- What are the key objectives of the incentive plan?
- Attracting or retaining staff; or motivating performance?

Eligibility

- Will participation in the incentive plan be available to all employees, or only a specific few

Funding

- How much funding is available for the scheme?
- Will participants be required to pay in order to participate in the incentive plan?
- Will the company or other person fund?

Tax implications

- Consider tax implications for the existing participants and incoming



What's best?

Vesting conditions

- Are any conditions required to be met?

Impact

- What is the impact on existing equity holders?

Implementation

- How will the plan be implemented

Ongoing administration

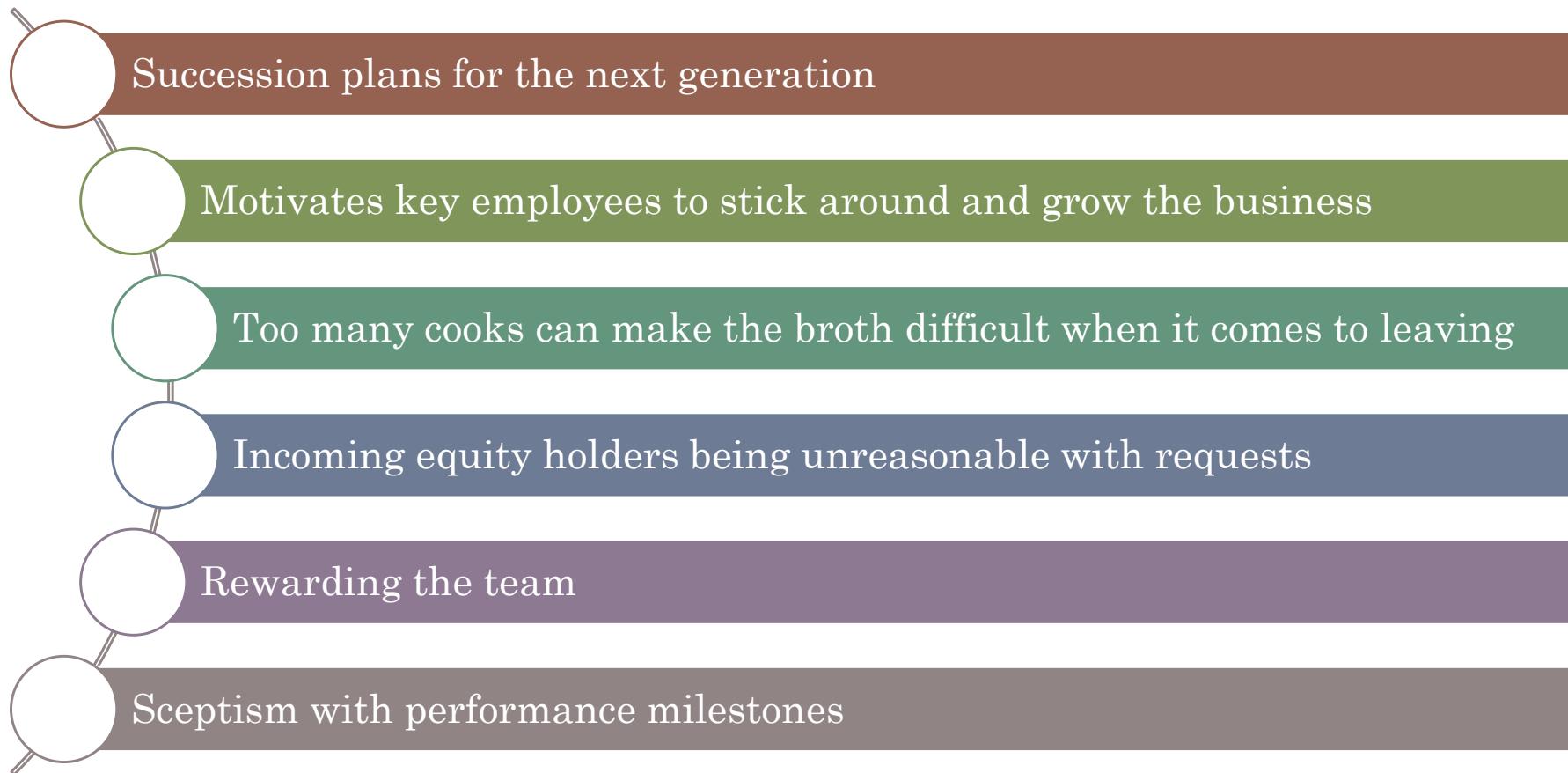
- How will the ongoing administration be managed

Exit strategy

- How will employees be able to sell or otherwise deal with their shares, rights or options?



What's out there?



Contact details

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