

# Employee share scheme reporting

## Frequently asked questions



### What is ESS reporting?

Employee Share Scheme (**ESS**) reporting is an annual tax reporting requirement for companies that provide shares, rights and options to their employees under an employee share scheme.

ESS reporting requires companies to provide a statement to employees (**ESS statement**) and an annual report to the ATO (**ESS annual report**) following the end of the tax year. The ESS statement and ESS annual report provide details (including an estimate of the taxable amount) of any taxing events that have occurred during the tax year in relation to employee equity awards.

The ATO uses the information provided by companies in the ESS annual report to data-match against the disclosures made by employees in their tax returns.



### When is ESS reporting due?

ESS statements need to be provided to employees by **14 July** following the end of the tax year. The ESS annual report needs to be provided to the ATO by **14 August** following the end of the tax year.



### What do I need to do? Where do I start?

As ESS reporting involves the reporting of taxing events in relation to employee equity awards, you first need to understand the potential taxing events for your employee equity plans. For example, are the awards taxable at grant, vesting, exercise, sale or at some other event? Once you know what events to look for, you need to obtain the relevant data to calculate the taxable amount to be reported on the ESS statement and ESS annual report.



### How do I prepare the ESS statements and lodge the ESS annual report?

For most Australian listed companies, your Australian share plan administrator should be able to assist you with ESS reporting. However, for most foreign listed companies and private companies that do not have an Australian share plan administrator, you typically have two options:

1. Use the ATO's ESS online form via the Business Portal to lodge the ESS annual report. You can only use this online form if you have an ABN and less than 50 employees to report. The online form does not produce ESS statements. You will need to do this manually.
2. Find a vendor, such as PwC, who can prepare the ESS statements and lodge the ESS annual report on your behalf.

## What are the common challenges that companies experience with ESS reporting?

There are a number common challenges that companies have in fulfilling their ESS reporting obligations. We have listed the top 3 below:

1

### Data collection

The quality of your ESS reporting is largely dependent on the quality of the data you obtain. For many companies, particularly those head-quartered outside Australia, collecting the relevant data for accurate ESS reporting is not an easy task. We recommend that you prepare early to get all the relevant data.

2

### Mobile employees

ESS reporting for internationally mobile employees can be complex. You first need to identify the mobile employees that are subject to ESS reporting. You then need to determine the correct reportable amount. Companies are required to indicate on the ESS annual report whether the amount reported for each award is the actual assessable amount (after taking into account foreign employment), or the gross amount (ignoring any foreign employment). Reporting the actual assessable amount provides the employee with the most accurate information and should help avoid employees receiving a Data Matching Notice from the ATO that queries any discrepancy of the amount reported on the employee's tax return against the amount reported by the company on the ESS annual report.

3

### Terminated employees

Termination of employment can be a taxing event under the ESS tax rules. This may occur where employees retain their equity awards on termination of employment (commonly referred to as 'good leavers') and where no earlier taxing event has occurred. For many companies, terminated employees are easily overlooked. Updating ESS reporting for terminated employees is one of the most common reasons that companies need to prepare amended ESS reporting.



### How can PwC help?

Through our technology platform, **myESS**, PwC assists hundreds of companies each year to prepare ESS statements for employees and to also prepare and lodge the ESS annual report with the ATO. **myESS** allows us to accurately and efficiently calculate the taxable amount for various types of employee equity awards and for complex employees, including cross border and terminated employees. **myESS** will also calculate state payroll tax that is payable on employee equity awards.

In our Employee Equity Services practice, we have a team of dedicated employee share scheme specialists that have a wealth of experience and knowledge in assisting companies with all aspects of employee equity from plan design and implementation to the day-to-day operation of employee equity plans.

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