

Changes to Australia Employee Share Scheme Annual Report

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Companies granting *employee share scheme (ESS)* rights (such as options and restricted stock units) to employees in **Australia** are required to report all taxable events that occur in relation to their employees' ESS interests during the tax year (July 1 to June 30). In particular, companies must provide an ESS statement to employees and file an ESS annual report with the **Australian Taxation Office (ATO)** following the end of the tax year.

With respect to the tax year starting July 1, 2015 and ending June 30, 2016, the ESS statement must be provided to employees by July 14, 2016 and the ESS annual report provided to the ATO by August 14, 2016.

Changes to Acceptable Methods of Filing

Until now, ESS annual reports could be provided to the ATO in one of the following forms:

- A paper-based form
- A report created using the ATO's "bulk load excel spreadsheet"
- A report prepared and filed online in compliance with the ATO's official software specifications.

A significant change will be in effect for 2016 ESS reporting: ATO will no longer accept paper or bulk load excel spreadsheet filings. Effective with the ESS annual report for 2016, employers will only be able to submit ESS annual reports using one of the following:

- A report prepared using an ESS online form for employers with up to 50 participants
- An online filing that meets the ATO's updated electronic reporting specifications.

Companies with more than 50 participants will either need to purchase software that meets the ATO's ESS reporting specifications or engage a provider to submit the report on their behalf.

Changes to Information Reported for Mobile Employees

With respect to mobile employees, companies have historically been allowed to report either the gross amount of the discount or the assessable amount of the discount (i.e., Australian sourced portion). Now, companies must also indicate on the ESS annual report whether they reported the gross amount or assessable amount. In addition, companies may also report the start and end dates of overseas employment.

Next Steps

US companies that have previously used a paper form or the bulk load excel spreadsheet or have mobile employees in Australia should start collecting the requisite information and work with the local subsidiary on how the ATO report will be submitted.

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