



Australian
**Small Business and
Family Enterprise**
Ombudsman

18 March 2020

Committee Secretariat
Standing Committee on Tax and Revenue
PO Box 6021
Parliament House
Canberra ACT 2600

via email: TaxRev.reps@aph.gov.au

Dear Sir/Madam

INQUIRY INTO THE TAX TREATMENT OF EMPLOYEE SHARE SCHEMES

The current regulatory framework for employee share schemes (ESSs) is complex and fragmented. ESS schemes can play an important role in supporting small businesses, especially start-ups, to attract and retain employees. However, to better enable employers to take advantage of these benefits, the regulatory framework needs to be easy to understand and inexpensive to comply with.

To address this, we recommend:

1. Implementing the proposed changes flagged in the 2019 Treasury consultation. This would make significant inroads to achieving a closer alignment between corporate (ASIC) and taxation (ATO) requirements for ESSs.
2. Harmonising ESS regulations for the treatment of shares and options.
3. Removing cessation of employment as a taxing point for ESS arrangements. The cash payment triggered on leaving may discourage workers from joining a firm and encourage existing workers to stay with the firm for the wrong reason.
4. Extending the concessions and arrangements currently available to start-ups to all companies that meet the ATO's general definition of a small business, which is one with an aggregated annual turnover of less than \$10 million, regardless of when the company was incorporated.

Any small business looking to implement an ESS would benefit from being able to use the standard documents, the safe harbour valuation methods and taxation concessions currently only available to start-ups.

Thank you for the opportunity to comment.

Yours sincerely

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