

# Employee Share Plans

by John Egan

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*During the twentieth century, Australia achieved a reputation globally for embracing new developments in employment law and management. This included support for the employees holding shares in their employer company. As modern commercial law gets more complex, it appears that governments are finding it more difficult to sustain support in this area.*

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It was noticeable that when, in 2000, the committee chaired by Brendon Nelson brought down its report on employee share ownership, many of the recommendations did not survive the scrutiny of the government departments concerned. Now, the support of share ownership by ordinary Australians is being further reduced.

The recent amendments to the income tax legislation have added to the limitations on these plans. Grants under salary sacrifice plans will only qualify for tax deferral where there is a disposal restriction regarded as genuine under the legislation and where the value of the shares acquired does not exceed \$5,000. The tax deferral limit has been reduced from ten years to seven. There is a \$180,000 income ceiling for employees receiving the \$1,000 tax exemption.

A focal point for the government's explanation of the changes is the need to curb widespread tax avoidance in the administration of the plans. What has been a result of the change process has been the abandonment by many companies of this type of plan due to the uncertainty involved.

The spread in Australia of share ownership has helped to bridge one more gap in our community. It should be a right for all Australians possible to own a small part of an Australian enterprise. In addition, companies have found that employee share ownership is a good way to focus employee awareness on the needs and risks of the proprietors of the business.

It is hoped that a more informed position is taken by the government when the current market volatility and impact of the global financial crisis is a distant concern.

Egan Associates will provide a comprehensive overview of the share plan amendments in early February.

We are pleased to report that Minister Sherry has asked the ATO to produce an annual report on the share plans in operation across the market from 2010.

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