At a glance - Tax consequences if you dispose of your Telstra ESOP 97 or Telstra ESOP 99 Shares under the Telstra 2004 Buy-Back

This section will assist you in determining the tax consequences if you sold any shares that you acquired under TESOP 97 or TESOP 99 in the Buy-Back.

TESOP 97 Loan Shares and Extra Loan Shares and TESOP 99 Loan Shares could only be tendered under the Buy-Back if the outstanding interest-free loans provided by Telstra were repaid in full by 5pm Friday, 5 November 2004.

Warning

If you repaid your loan and your tender in respect to these shares in the Buy-Back was unsuccessful you may still have triggered a taxing event in respect to these shares if you did not make a written election in your 1997/98 income tax return (affecting your TESOP 97 shares) and/or your 1999/2000 income tax return (affecting your TESOP 99 shares).

Determining your tax treatment

It is important that you refer to the appropriate box in the main table below to review the relevant taxation treatment if you sold your TESOP shares in the Buy-Back. The appropriate box for you to refer to in the main table below depends upon:

- the type of shares you acquired;
- whether you made an election in respect of those shares or not; and
- whether your relevant employment with Telstra continues or ceased prior to the Buy-Back.

  You cease relevant employment with Telstra if you are no longer employed by the company that was your employer when you acquired your shares and you are no longer employed by a company in the Telstra Group.

This section provides general comments if you are, and have at all times been, an Australian tax resident. Telstra has received a class ruling from the Australian Taxation Office ("**ATO**"), CR 2005/7 which confirms a number of the statements contained in this section.

Unless otherwise specified, this discussion is based on the income tax legislation and administrative practice as at 1 June 2005.

If you decided to participate in the Buy-Back Tender, your particular tax treatment will depend on your own circumstances.

It is important that you seek professional tax advice to take into account your particular circumstances.

The Summary Reference Table below will help you to refer to the appropriate box in the main table below.

Summary Reference Table

Type of Share	**Continuing employee**		**Employee who ceased employment prior to the Telstra Buy-Back**	
	Tax Election made in year shares acquired	**No Tax Election made in year shares acquired**	**Tax Election made in year shares acquired**	**No Tax Election made in year shares acquired**
TESOP 97 Non Loan Shares	**A**	**A**	**A**	**A**
TESOP 97 Loyalty Shares	**A**	**B**	**A**	**B**
TESOP 97 Loan Shares **TESOP 97 Extra Loan Shares**	**C**	**E**	**I**	**K**

TESOP 97 Extra Non-Loan Shares	**D**	**F**	**J**	**L**
TESOP 99 Loyalty Shares **TESOP 99 Extra Shares**	**Q**	**S**	**M**	**O**
TESOP 99 Loan Shares	**R**	**T**	**N**	**P**

(The alphabetical references to G and H have been deliberately omitted.)

Overview of your taxation treatment

Income Ta

If you sold your TESOP shares in the Buy-Back you will be deemed to have received a franked distribution of $2.55 (equal to the difference between $1.50 and the Buy-Back Price).

You will be required to include in your assessable income the amount of the franked distribution together with the franking credit on the franked distribution.

You should be entitled to a tax offset equal to the franking credit. This tax offset may reduce the total tax payable on your taxable income. If the tax offset exceeds the total tax payable by you on your taxable income, you may be entitled to a refund of that excess. The tax offset may not be available in certain circumstances.

Some of these circumstances are described in section 2.7 "Limits on Availability of Franking Credits and Tax Offsets" on page 26 of the Telstra Buy-Back Tender Booklet. These rules are particularly important if you acquired **any** Telstra Shares after 29 September 2004 or if you have entered into arrangements regarding any Telstra shares which meant that you have not held the shares 'at risk'.

If you are in this position, you should seek professional tax advice about the tax treatment of the dividend component of the Buy-Back Price.

Capital Gains Tax - Disposal of Shares

If you sold your TESOP shares in the Buy-Back, you will be taken, for CGT purposes, to have disposed of your shares when Telstra accepted the Tender on 14 November 2004.

If you sold your TESOP shares in the Buy-Back you will also be deemed for CGT purposes to have disposed of each Share for capital proceeds of $1.50 together with 75c, being the amount ("CGT Adjustment Amount") by which the Capital Gains Tax Value exceeds the Buy-Back Price, (ie for a total consideration of $2.25).

You may also have a choice as to how you calculate your capital loss if, for example, **if you made an election** in your 1997/98 tax return (affecting your TESOP 97 Shares) or in your 1999/2000 tax return (affecting your TESOP 99 Shares).

If you make a choice, the tax cost will be the tax market value of the shares at the date you first acquired an interest in them. If you do **not** make a choice the tax cost for the shares will be the "tax market value" of those shares when the Restriction Period ends, not when you acquired your shares under TESOP. This means that **if** you make the choice in relation to a share, the relevant tax cost will be:

- the tax market value of the share at the date you first acquired an interest in them (i.e. $3.30 in respect of TESOP 97 shares and $7.40 in respect of TESOP 99 shares);

- <u>rather than</u> the tax market value of the share at the date the Restriction Period ends (as set out in the Class Ruling CR 2001/28).

If you **made a tax election** in your 1997/98 tax return (affecting your TESOP 97 shares) and you make a choice in respect of your TESOP 97 shares sold in the Buy-Back, you will **reduce** the capital loss you make for tax purposes. Alternatively, if you **made a tax election** in your 1999/2000 tax return (affecting your TESOP 99 shares) and you make a choice in respect to your TESOP 99 shares sold in the Buy-Back, this may **increase** the capital loss you make for tax purposes.

You may **choose** to calculate your capital loss for particular shares. So, for example, you may choose to calculate your capital loss for TESOP 99 Loan Shares under the recently enacted legislation, but not for your TESOP 97 shares.

The calculation of the capital loss is described in more detail in the following section. The calculations **assume** that, for TESOP 97 shares, you would **not** make the choice when calculating your capital loss. Whereas, for TESOP 99 shares, the calculations assume that, if you are a continuing employee, you would make the choice when calculating your capital loss.

The amount of your capital loss described in the following section may depend on the tax market value of a share on a particular day. This is available from Telstra Share Registry (Freecall 1300 303 199* unless from a mobile phone which will be charged at the applicable mobile rate).

<table>
<tr><th>Box</th><th>Type of Shares</th><th></th></tr>
<tr><td>A</td><td>TESOP 97 Loyalty Shares (Where you <u>elected</u> to seek the $1,000 tax exemption in your 1997/98 tax return)
TESOP 97 Non Loan Shares</td><td><u>Assessable dividend</u>

You will be assessed on:
The dividend component of the Buy-Back Price (ie $2.55, being the amount in excess of $1.50) for each Share bought back; and
The franking credit on the dividend component.
Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled “Overview of your taxation treatment”.

<u>Capital gains tax consequences</u>

Your capital loss will be: $3.30 less $2.25 being the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c.

The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains.

<u>Example</u>

View example (No.3) relating to the tax consequences of the sale of your TESOP 97 Loyalty Shares in the Buy-Back for a continuing employee.

View example (No.9) relating to the tax consequences of the sale of your TESOP 97 Loyalty Shares in the Buy-Back for a former employee.</td></tr>
<tr><td>B</td><td>Where you did <u>not</u> elect to seek the $1,000 tax exemption in your 1997/98 tax return
TESOP 97 Loyalty Shares</td><td><u>Assessable dividend</u>

You will be assessed on:
The dividend component of the Buy-Back Price (ie $2.55 being the amount in excess of $1.50) for each Share bought back; and
The franking credit on the dividend component.
Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled “Overview of your taxation treatment”.

<u>Capital gains tax consequences</u>

Your capital loss will be: $6.55 (share’s Tax Market Value on 17 November 1998) less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c[1].

The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains.

<u>Example</u>

View example (No.3) relating to the tax consequences of the sale of your TESOP 97 Loyalty Shares in the Buy-Back for a continuing employee.

View example (No.9) relating to the tax consequences of the sale of your TESOP 97 Loyalty Shares in the Buy-Back for a former employee.</td></tr>
</table>

[1] If you ceased your relevant employment with the Telstra Group before 17 November 1998, you should use the tax market value of the share at the date you ceased your relevant employment.

C	**Where you <u>elected</u> to seek the $1,000 tax exemption in your 1997/98 tax return** • **TESOP 97 Loan Shares** • **TESOP 97 Extra Loan Shares**	**<u>Assessable dividend</u>** You will be assessed on: • The dividend component of the Buy-Back Price (ie $2.55 being the amount in excess of $1.50) for each Share bought back; and • The franking credit on the dividend component. Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled "Overview of your taxation treatment". **<u>Capital gains tax consequences</u>** Your capital loss will be the: • Tax Market Value of the shares on the <u>later</u> of : • 15 November 2000 (in which case, the Tax Market Value would be $6.58); and • the date the loan is repaid; • Less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c. The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains. *You may choose to calculate your capital loss on a different basis from that outlined above. However, this may result in you reducing your capital loss for tax purposes.* **<u>Example</u>** View example (No.1) relating to the tax consequences of the sale of your 97 Loan Shares and TESOP 97 Extra Loan Shares in the Buy-Back.

D	**Where you <u>elected</u> to seek the $1,000 tax exemption in your 1997/98 tax return** • **TESOP 97 Extra Non-Loan Shares**	**<u>Assessable dividend</u>** You will be assessed on: • The dividend component of the Buy-Back Price (ie $2.55, being the amount in excess of $1.50) for each Share bought back; and • The franking credit on the dividend component. Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled “Overview of your taxation treatment”. **<u>Capital gains tax consequences</u>** Your capital loss will be: $6.58 (share’s Tax Market Value on 15 November 2000) less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c. The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains. *You may choose to calculate your capital loss on a different basis from that outlined above. However, this may result in you reducing your capital loss for tax purposes.* **<u>Example</u>** View example (No.2) relating to the tax consequences of the sale of your TESOP 97 Extra Non-Loan Shares in the Buy-Back.

<table>
<tr>
<td>E</td>
<td>Where you did <u>not</u> elect to seek the $1,000 tax exemption in your 1997/98 tax return

• TESOP 97 Loan Shares

• TESOP 97 Extra Loan Shares</td>
<td><u>Assessable dividend</u>

You will be assessed on:

• The dividend component of the Buy-Back Price ($2.55, being the amount in excess of $1.50) for each Share bought back; and
• The franking credit on the dividend component.

Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled “Overview of your taxation treatment”.

<u>Deferred assessable amount/capital gains tax consequences</u>

If your loan was repaid on or after 15 October 2004

You will also be taxed on the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount or 75c for each Extra Loan Share disposed of under the Buy-Back.

You will not be subject to further taxation in respect of your TESOP 97 Loan Shares.

The CGT provisions will not apply to either the Loan Shares or the Extra Loan Shares You will not realise a capital gain or a capital loss .

If your loan was repaid prior to 15 October 2004

<u>Note</u>: Your Taxing Point may have occurred in a previous tax year. In this case, no deferred assessable amount should arise in the 2004/5 tax year.

You will be taxed on the Tax Market Value of your shares at the Taxing Point which is the <u>later</u> of:

• 15 November 2000 (in which case, the Tax Market Value would be $6.58); and
• the date the loan was repaid

Less the amount you paid for the shares.

Amount paid for Loan Shares = (No. of Loan Shares acquired x $3.30) <u>less</u> $1.00

Amount paid for your Extra Loan shares = Nil

A capital loss will arise when you dispose of your shares under the Buy-Back. Your capital loss will be:

• the Tax Market Value of the shares when the Taxing Point occurs (explained above)

• less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c.

The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains.

<u>Example</u>

View example (No.1) relating to the tax consequences of the sale of your TESOP 97 Loan Shares and TESOP 97 Extra Loan Shares in the Buy-Back where the loan is repaid on or after 15 October 2004.</td>
</tr>
</table>

F	**Where you did <u>not</u> elect to seek the $1,000 tax exemption in your 1997/98 tax return** **TESOP 97 Extra Non-Loan Shares**	**<u>Assessable dividend</u>** You will be assessed on: • The dividend component of the Buy-Back Price (ie $2.55, being the amount in excess of $1.50) for each Share bought back; and • The franking credit on the dividend component. Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled "Overview of your taxation treatment". **<u>Capital gains tax consequences</u>** Your capital loss will be: $6.58 (the share's Tax Market Value on 15 November 2000) less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c. The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains. **<u>Example</u>** View example (No.2) relating to the tax consequences of the sale of your TESOP 97 Extra Non- Loan Shares Buy-Back.

I	**<u>Only applicable if you have ceased relevant employment with Telstra prior to the Buy-Back</u>** **Where you elected to seek the $1,000 tax exemption in your 1997/1998 tax return** • **TESOP 97 Loan Shares** • **TESOP 97 Extra Loan Shares**	**<u>Assessable dividend</u>** You will be assessed on: • The dividend component of the Buy-Back Price (ie $2.55 being the amount in excess of $1.50) for each Share bought back; and • The franking credit on the dividend component. Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled "Overview of your taxation treatment". **<u>Capital gains tax consequences</u>** **If the loan was NOT repaid in full** when you ceased relevant employment your capital loss will be: • Tax Market Value of the shares on the date the loan was repaid in full • Less the sum of $1.50 (the Capital Component of the Buy-Back Price) plus the CGT Adjustment Amount of 75c. **If the loan was repaid in full** when you ceased relevant employment your capital loss will be: • Tax Market Value of the shares when you repaid the loan in full[2] • less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c. The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains. *You may choose to calculate your capital loss on a different basis from that outlined above. However, this may result in you reducing your capital loss for tax purposes.* **<u>Example</u>** View example (No.7) relating to the tax consequences of the sale of your TESOP 97 Loan Shares and TESOP 97 Extra Loan Shares in the Buy-Back where you repaid the loan after ceasing employment.

[2] If, however, you ceased relevant employment before 15 November 2000, the Tax Market Value of your shares will be determined as at the date you ceased employment. If you ceased relevant employment after 15 November 2000 but the loan was repaid in full by 15 November 2000, the Tax Market Value of your shares will be determined as at 15 November 2000 i.e. $6.58.

J	**<u>Only applicable if you have ceased relevant employment with Telstra prior to the Buy-Back</u>** **Where you elected to seek the $1,000 tax exemption in your 1997/1998 tax return** • **TESOP 97 Extra Non-Loan Shares**	**<u>Assessable dividend</u>** You will be assessed on: • The dividend component of the Buy-Back Price (ie $2.55 being the amount in excess of $1.50) for each Share bought back; and • The franking credit on the dividend component. Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled "Overview of your taxation treatment". **<u>Capital gains tax consequences</u>** Your capital loss will be: • the Tax Market Value of the shares at the <u>earlier</u> of: • when you ceased relevant employment with the Telstra Group; and • 15 November 2000 (in which case, the Tax Market Value would be $6.58); • less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c. The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains. *You may choose to calculate your capital loss on a different basis from that outlined above. However, this may result in you reducing your capital loss for tax purposes.* **<u>Example</u>** View example (No.8) relating to the tax consequences of the sale of your TESOP 97 Extra Non-Loan Shares in the Buy-Back.

K	**<u>Only applicable if you have ceased relevant employment with Telstra prior to the Buy-Back</u>** **Where you did <u>not</u> elect to seek the $1,000 tax exemption in your 1997/1998 tax return** • **TESOP 97 Loan Shares** • **TESOP 97 Extra Loan Shares**	**<u>Assessable dividend</u>** You will be assessed on: • The dividend component of the Buy-Back Price (ie $2.55, being the amount in excess of $1.50) for each Share bought back; and • The franking credit on the dividend component. Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled "Overview of your taxation treatment". **<u>Deferred assessable amount</u>** A Taxing Point may have arisen prior to the Buy-Back. *<u>Note</u>: Your Taxing Point may have occurred in a previous tax year. In this case, no deferred assessable amount should arise in the 2004/5 tax year.* You would have been taxed on: • the amount (if any) calculated as the Tax Market Value of your shares at the **Taxing Point,** which is the <u>earlier</u> of: • The date your relevant employment with the Telstra group ceases; and • the <u>later</u> of: • 15 November 2000 (in which case, the Tax Market Value would be $6.58); and • the date the loan is repaid in full. • less the amount you paid for the shares. *Amount paid for Loan Shares = (No. of Loan Shares acquired x $3.30) <u>less</u> $1.00* *Amount paid for your Extra Loan Shares = Nil* If you sell your shares under the Telstra Buy-Back <u>within</u> <u>30 days</u> of the Taxing Point, your deferred assessable amount will not be determined on the basis outlined above. This may be the case if you ceased relevant employment with the Telstra Group on or after 15 October 2004 in circumstances where your loan was outstanding. In this case: • **no** deferred assessable amount should arise for your Loan Shares; • a deferred assessable amount of the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c will arise for each Extra Loan Share. No allowable deduction or capital loss will arise. **<u>Capital gains tax consequences</u>** The CGT provisions will not be applicable if you sell your shares <u>within 30 days</u> of the date of the Taxing Point (explained above).

		If you sell your shares 30 days or more after the date of the Taxing Point (explained above) your capital loss will be: • Tax Market Value of the shares on the date of the Taxing Point • less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c. The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains. **Example** View example (No.7) relating to the tax consequences of the sale of your TESOP 97 Loan Shares and TESOP 97 Extra Loan Shares in the Buy-Back where you repaid the loan after ceasing employment prior to 15 October 2004.
L	**Only applicable if you have ceased relevant employment with Telstra prior to the Buy-Back** **Where you did not elect to seek the $1,000 tax exemption in your 1997/1998 tax return** • **TESOP 97 Extra Non -Loan Shares**	**Assessable dividend** You will be assessed on: • The dividend component of the Buy-Back Price (ie $2.55 being the amount in excess of $1.50) for each Share bought back; and • The franking credit on the dividend component. Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled “Overview of your taxation treatment”. **Capital gains tax consequences** Your capital loss will be: • the Tax Market Value of the shares on the earlier of: • the date your relevant employment with the Telstra Group ceased; and • 15 November 2000 (in which case, the Tax Market Value would be $6.58). • less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c. The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains. **Example** View example (No.8) relating to the tax consequences of the sale of your TESOP 97 Extra Non-Loan Shares in the Buy-Back.

<table>
<tr>
<td>M</td>
<td><u>Only applicable if you have ceased relevant employment with Telstra prior to the Buy-Back</u>

Where you elected to seek the $1,000 tax exemption in your 1999/2000 tax return

• TESOP 99 Extra Shares

• TESOP 99 Loyalty Shares</td>
<td><u>Assessable dividend</u>

You will be assessed on:

• The dividend component of the Buy-Back Price (ie $2.55 being the amount in excess of $1.50) for each Share bought back; and
• The franking credit on the dividend component.

Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled “Overview of your taxation treatment”.

<u>Capital gains tax consequences</u>

You have the <u>choice</u> to calculate your capital loss as <u>either</u>:

<u>Option A</u>

• $7.40 less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c;

OR

<u>Option B</u>

• Tax Market Value of the shares at the <u>earlier</u> of:
    • when you cease relevant employment with the Telstra Group; and
    • 16 October 2002 (in which case, the Tax Market Value would be $4.81).

• Less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c.

The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains.

<u>Example</u>

View example (No.11) relating to the tax consequences of the sale of your TESOP 99 Extra Shares in the Buy-Back.

View example (No.12) relating to the tax consequences of the sale of your TESOP 99 Loyalty Shares in the Buy-Back.</td>
</tr>
</table>

<table>
<tr>
<td>N</td>
<td><u>Only applicable if you have ceased relevant employment with Telstra prior to the Buy-Back</u>

Where you elected to seek the $1,000 tax exemption in your 1999/2000 tax return

• TESOP 99 Loan Shares</td>
<td><u>Assessable dividend</u>

You will be assessed on:

• The dividend component of the Buy-Back Price (ie $2.55 being the amount in excess of $1.50) for each Share bought back; and
• The franking credit on the dividend component.

Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled “Overview of your taxation treatment”.

<u>Capital gains tax consequences</u>

You have the <u>choice</u> to calculate your capital loss as <u>either</u>:

<u>Option A</u>

• $7.40 less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c;

OR

<u>Option B</u>

If the loan was NOT repaid in full when you ceased relevant employment, your capital loss will be:

• Tax Market Value of the shares on the date the loan was repaid in full

• less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c.

If the loan was repaid in full when you ceased relevant employment before 16 October 2002, your capital loss will be:

• Tax Market Value of the shares when your relevant employment ceased;
• less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c.

If the loan was repaid in full before 16 October 2002 and you ceased relevant employment after the 16 October 2002 your capital loss will be:
• $4.81 (share’s Tax Market Value on 16 October 2002)
• less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c.

If the loan was repaid in full after 16 October 2002 and was repaid in full when you ceased relevant employment after 16 October 2002, your capital loss will be:

• Tax Market Value of the shares on the date the loan was repaid in full less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c.

The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains.

<u>Example</u>

View example (No.10) relating to the tax consequences of the sale of your TESOP 99 Loan Shares in the Buy-Back where you repay your outstanding loan after you ceased you relevant employment.</td>
</tr>
</table>

O	**<u>Only applicable if you have ceased relevant employment with Telstra prior to the Buy-Back</u>** **Where you did <u>not</u> elect to seek the $1,000 tax exemption in your 1999/2000 tax return** • **TESOP 99 Extra Shares** • **TESOP 99 Loyalty Shares**	**<u>Assessable dividend</u>** You will be assessed on: • The dividend component of the Buy-Back Price (ie $2.55 being the amount in excess of $1.50) for each Share bought back. • The franking credit on the dividend component. Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled "Overview of your taxation treatment". **<u>Capital gains tax consequences</u>** Your capital loss will be: • Tax Market Value of the shares on the <u>earlier</u> of: • the date you ceased relevant employment with the Telstra Group ; and • 16 October 2002 (in which case, the Tax Market Value would be $4.81); • less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c. The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains. **<u>Example</u>** View example (No.11) relating to the tax consequences of the sale of your TESOP 99 Extra Shares in the Buy-Back. View example (No.12) relating to the tax consequences of the sale of your TESOP 99 Loyalty Shares in the Buy-Back.

P

Only applicable if you have ceased relevant employment with Telstra prior to the Buy-Back

Where you did not elect to seek the $1,000 tax exemption in your 1999/2000 tax return

- **TESOP 99 Loan Shares**

Assessable dividend

You will be assessed on:

- The dividend component of the Buy-Back Price (ie $2.55, being the amount in excess of $1.50) for each Share bought back; and
- The franking credit on the dividend component.

Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled “Overview of your taxation treatment”.

Deferred assessable amount

A Taxing Point may have arisen prior to the Buy-Back.

> *Note: Your Taxing Point may have occurred in a previous tax year. In this case, no deferred assessable amount should arise in the 2004/5 tax year.*

There is a **Taxing Point** at the earlier of:

- The date your relevant employment with the Telstra group ceases; and
- The later of:
  - 16 October 2002 (Tax Market Value was $4.81); and
  - the date the loan is repaid in full.

You will only be taxed at the Taxing Point to the extent the Tax Market Value of the shares at the Taxing Point is greater than the amount you paid for your Loan Shares.

> *Amount paid for Loan Shares = (No. of Loan Shares acquired x $7.40) less $1.00*

If you sell your shares under the Buy -Back within 30 days of the Taxing Point, your deferred assessable amount will not be determined on the basis outlined above. This may be the case if you ceased relevant employment with the Telstra Group on or after 15 October 2004 in circumstances where your loan was outstanding. In this case, no deferred assessable amount should arise. Further, no allowable deduction or capital loss will arise.

Capital gains tax consequences

The CGT provisions will not be applicable if you sell your shares within 30 days of the date of the Taxing Point (explained above).

If you sell your shares 30 days or more after the date the Taxing Point (explained above) your capital loss will be:

- Tax Market Value of the shares on the date of the Taxing Point
- Less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c .

The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains.

Example

View example (No.10) relating to the tax consequences of the sale of your TESOP 99 Loan Shares in the Buy-Back where you repay your outstanding loan after you ceased you relevant employment.

<table>
<tr>
<td>Q</td>
<td>Where you elected to seek the $1,000 tax exemption in your 1999/2000 tax return

• TESOP 99 Extra Shares

• TESOP 99 Loyalty Shares</td>
<td><u>Assessable dividend</u>

You will be assessed on:

• The dividend component of the Buy-Back Price (ie $2.55, being the amount in excess of $1.50) for each Share bought back.
• The franking credit on the dividend component.

Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled “Overview of your taxation treatment”.

<u>Capital gains tax consequences</u>

Your capital loss will be $7.40 less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c .

You may calculate your capital loss on a different basis from that outlined above. However, this may result in you reducing your capital loss for tax purposes.

The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains.

<u>Example</u>

View example (No.5) relating to the tax consequences of the sale of your TESOP 99 Extra Shares in the Buy-Back.

View example (No.6) relating to the tax consequences of the sale of your TESOP 99 Loyalty Shares in the Buy-Back.</td>
</tr>
<tr>
<td>R</td>
<td>Where you elected to seek the $1,000 tax exemption in your 1999/2000 tax return

• TESOP 99 Loan Shares</td>
<td><u>Assessable dividend</u>

You will be assessed on:

• The dividend component of the Buy-Back Price (ie $2.55 being the amount in excess of $1.50) for each Share bought back.; and
• The franking credit on the dividend component .

Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled “Overview of your taxation treatment”.

<u>Capital gains tax consequences</u>

Your capital loss will be $7.40 less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c

You may calculate your capital loss on a different basis from that outlined above. However, this may result in you reducing your capital loss for tax purposes.

The capital loss can be offset against other current year capital gains or can be carried forward to be offset against future capital gains

<u>Example</u>

View example (No.4) relating to the tax consequences of the sale of your TESOP 99 Loan Shares in the Buy-Back where you repay your outstanding loan and ask the Trustee to tender your TESOP 99 Loan shares on your behalf.</td>
</tr>
</table>

<table>
<tr>
<td>S</td>
<td>Where you did <u>not</u> elect to seek the $1,000 tax exemption in your 1999/2000 tax return

• TESOP 99 Extra Shares

• TESOP 99 Loyalty Shares</td>
<td><u>Assessable dividend</u>

You will be assessed on:

• The dividend component of the Buy-Back Price (ie $2.55 being the amount in excess of $1.50) for each Share bought back.
• The franking credit on the dividend component.

Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled “Overview of your taxation treatment”.

<u>Capital gains tax consequences</u>

• Your capital loss will be $4.81 (tax market value on 16 October 2002) less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c.

The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains.

<u>Example</u>

View example (No.5) relating to the tax consequences of the sale of your TESOP 99 Extra Shares in the Buy-Back.

View example (No.6) relating to the tax consequences of the sale of your TESOP 99 Loyalty Shares in the Buy-Back.</td>
</tr>
</table>

T	**Where you did <u>not</u> elect to seek the $1,000 tax exemption in your 1999/2000 tax return** • **TESOP 99 Loan Shares**	**<u>Assessable dividend</u>** You will be assessed on: • The dividend component of the Buy-Back Price (ie $2.55, being the amount in excess of $1.50) for each Share bought back.; and • The franking credit on the dividend component. Generally, you should be entitled to a tax offset equal to the franking credit. The circumstances in which you may not be entitled to the tax offset are outlined in the section above entitled "Overview of your taxation treatment". **<u>Deferred assessable amount/Capital gains tax consequences</u>** **If your loan was repaid on or after 15 October 2004** No additional taxation consequences will arise in respect of the disposal of your TESOP 99 Loan Shares under the Telstra Buy-Back. In particular, no allowable deduction or capital loss will arise. **If your loan was repaid prior to 15 October 2004** A Taxing Point will have arisen prior to the Buy-Back. *<u>Note</u>: Your Taxing Point may have occurred in a previous tax year. In this case, no deferred assessable amount should arise in the 2004/5 tax year.* You would have been taxed on the Tax Market Value of your shares at the **Taxing Point** being the <u>later</u> of: • 16 October 2002 (Tax Market Value being $4.81); and • the date the loan is repaid: less the amount you paid for the shares. *Amount paid for loan shares = (No. of Loan Shares acquired x $7.40) <u>less</u> $1.00* A capital loss will arise when you dispose of your shares under the Buy-Back. Your capital loss will be: • the Tax Market Value of the shares at the Taxing Point • less the sum of $1.50 (the Capital Component of the Buy-Back Price) and the CGT Adjustment Amount of 75c. The capital loss can be offset against current year capital gains or carried forward to be offset against future capital gains. **<u>Example</u>** View example (No.4) relating to the tax consequences of the sale of your TESOP 99 Loan Shares in the Buy-Back where you repay your outstanding loan and ask the Trustee to tender your TESOP 99 shares on your behalf.