The specific tax treatment including both the employer and employee obligations for each employee category are set out in the tables below:

	Employee description	Conditions	Employee implications	Employer implications
Category A	Employees / Directors with 10% or less stake in Capricorn Power and options satisfy the ESS start-up concessional requirements.	Real risk of forfeiture and sale restrictions in place over options. The exercise price of the options is equal to the market value of the Capricorn Power share price at the date of grant. Capricorn Power was incorporated on 26 October 2016, therefore condition that eligible start-up be incorporated for less 10 years in year of grant is satisfied. Since incorporation Capricorn Power has always had a turnover less than $50 million, therefore condition is satisfied. The option plan is operated so that employees must hold the ESS interest (or any share acquired as a result of exercising the interest) for a minimum of three years (or until they cease employment, whichever occurs first).	Based upon our review of the option plan rules, the options granted to employees that have less than a 10% holding in Capricorn Power will be eligible for concessional tax treatment under the ESS start-up concessions. The outcome for these qualifying employees will be as follows: • No income tax for employees at time of grant. • No income tax for employees when options vest. • No income tax for employees on exercise. • The resulting shares will be subject to capital gains tax (**CGT**) on disposal. Cost base of the shares will be the exercise price paid for the shares (it is understood that no consideration was paid for the grant of the options). The shares will be eligible for the 50% CGT discount where the shares are held for at least 12 months.	ESS reporting obligations in the year of grant of the options and requirement to provide employees with an annual statement. FBT not applicable because ESS interests are already captured by ESS tax provisions. The ESS discount is required to be included as an assessable amount for Victorian payroll tax purposes on either the date of grant or date of vest. The employer may opt to include the amount in its assessable income on the date of grant or date of vest, noting that the value to be included will change if the share price changes. There is **no** superannuation guarantee payable in respect of ESS discount amounts.