



# Attachment 7 - Corporate Income Tax

2025–30 Regulatory Proposal

January 2024



**Empowering** South Australia

## Company information

SA Power Networks is the registered Distribution Network Service Provider for South Australia. For information about SA Power Networks visit [sapowernetworks.com.au](https://sapowernetworks.com.au)

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This document forms part of SA Power Networks' Regulatory Proposal to the Australian Energy Regulator for the 1 July 2025 to 30 June 2030 regulatory control period. The Proposal and its attachments were prepared solely for the current regulatory process and are current as at the time of lodgement.

This document contains certain predictions, estimates and statements that reflect various assumptions concerning, amongst other things, economic growth and load growth forecasts. The Proposal includes documents and data that are part of SA Power Networks' normal business processes and are therefore subject to ongoing change and development.

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## Note

This attachment forms part of our Proposal for the 2025–30 Regulatory Control Period. It should be read in conjunction with the other parts of the Proposal.

Our Proposal comprises the overview and attachments listed below, and the supporting documents that are listed in Attachment 20:

<b>Document</b>	<b>Description</b>
	Regulatory Proposal overview
Attachment 0	Customer and stakeholder engagement program
Attachment 1	Annual revenue requirement and control mechanism
Attachment 2	Regulatory Asset Base
Attachment 3	Rate of Return
Attachment 4	Regulatory Depreciation
Attachment 5	Capital expenditure
Attachment 6	Operating expenditure
<b>Attachment 7</b>	<b>Corporate income tax</b>
Attachment 8	Efficiency Benefit Sharing Scheme
Attachment 9	Capital Expenditure Sharing Scheme
Attachment 10	Service Target Performance Incentive Scheme
Attachment 11	Customer Service Incentive Scheme
Attachment 12	Demand management incentives and allowance
Attachment 13	Classification of services
Attachment 14	Pass through events
Attachment 15	Alternative Control Services
Attachment 16	Negotiated services framework and criteria
Attachment 17	Connection Policy
Attachment 18	Tariff Structure Statement Part A
Attachment 18	Tariff Structure Statement Part B - Explanatory Statement
Attachment 19	Legacy Metering
Attachment 20	List of Proposal documentation

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## 1 Overview

Under the post-tax revenue framework, a corporate income tax allowance is calculated for each Distribution Network Service Provider (**DNSP**) using the Australian Energy Regulator’s (**AER**) post-tax revenue model. The DNSP’s estimate of the cost of corporate income tax for each regulatory year of the Regulatory Control Period (**RCP**) forms part of the DNSP’s building block proposal for that RCP.

Clause 6.5.3 of the National Electricity Rules (**NER**) details the formula for calculating the estimated cost of corporate income tax. The building block for the estimated cost of corporate income tax takes into account the DNSP’s estimated taxable revenue and tax expenses (such as depreciation, interest and operating expenditure), the statutory corporate income tax rate and the value of imputation credits.

In line with the distribution determination for the 2020–25 RCP (**2020 Determination**), our taxation allowance is calculated in accordance with the AER’s 2018 Review of the Regulatory tax approach and the requirements of the NER.

## 2 Opening tax asset base

SA Power Networks has rolled forward the tax asset base (**TAB**) to 30 June 2025 using the AER’s Roll Forward Model (**RFM**) in accordance with the NER.

In accordance with our 2020 determination, the tax depreciation on the opening TAB at 1 July 2020 has been calculated using the year-by-year tracking approach. These calculations are made in a separate depreciation model (provided in **Supporting Document 4.1 – RAB Depreciation Model**).

The depreciation amounts have been substituted directly into the RFM. This tax depreciation on the opening TAB at 1 July 2020 matches the calculation made in our 2020 Determination, except for necessary changes arising from replacing the forecast capital expenditure (**capex**) for the 2019/20 regulatory year with actual capex for the 2019/20 regulatory year.

In doing this, SA Power Networks determined the roll forward of the TAB value from 1 July 2020 to 30 June 2025 to be \$3,672.5 (\$ million, nominal) for Standard Control Services (**SCS**).

This TAB value is based on the forecast / estimated capex for the 2023/24 and 2024/25 regulatory years. This value will be updated for the purposes of the AER’s draft and final determinations, to reflect the latest available information concerning our actual and estimated capex for those regulatory years.

Further details concerning the roll forward of SA Power Networks’ TAB over the 2020–25 RCP are set out in Table 1<sup>1</sup>.

**Table 1: SCS TAB roll forward to 30 June 2025 (\$ million, nominal)**

	2020/21	2021/22	2022/23	2023/24	2024/25
Opening TAB	3,391.8	3,402.1	3,412.7	3,502.2	3,591.5
Plus capex, net of contributions and disposals	389.1	397.6	459.2	470.6	469.2
Less tax depreciation	378.8	387.1	369.6	381.4	388.2
<b>Closing TAB</b>	<b>3,402.1</b>	<b>3,412.7</b>	<b>3,502.2</b>	<b>3,591.5</b>	<b>3,672.5</b>

<sup>1</sup> Numbers in Table may not add due to rounding.

### 3 Forecast of immediate expensing of capex for the 2025–30 RCP

SA Power Networks has calculated the forecast for immediate expensing of capex for the 2025–30 RCP. This calculation is based on the same methodology that was applied for the 2020 Determination.

The calculation:

- reflects the capex forecast set out in our Proposal (**Attachment 5 – Capital expenditure**); and
- incorporates the latest overhead rates to 2022/23.

The calculations are contained in the **Supporting Document 7.1 – Immediate Expensing of Capex - Model**.

### 4 Estimated costs of corporate income tax for the 2025–30 RCP

Table 2 sets out our proposed allowance for corporate income tax for the 2025–30 RCP.

**Table 2: Allowance for corporate income tax (\$ million, nominal)**

	2025/26	2026/27	2027/28	2028/29	2029/30
Tax Payable	25.8	26.1	16.8	0.9	-
Less value of imputation credits	14.7	14.9	9.6	0.5	-
<b>Net corporate income tax</b>	<b>11.1</b>	<b>11.2</b>	<b>7.2</b>	<b>0.4</b>	<b>-</b>

## Glossary

<b>Acronym / term</b>	<b>Definition</b>
<b>AER</b>	Australian Energy Regulator
<b>Capex</b>	Capital expenditure
<b>DNSP</b>	Distribution Network Service Provider
<b>NER</b>	National Electricity Rules
<b>RCP</b>	Regulatory Control Period
<b>RFM</b>	Roll Forward Model
<b>SCS</b>	Standard Control Services
<b>TAB</b>	Tax Asset Base
<b>2020 Determination</b>	2020–25 Regulatory Control Period