

Final Decision

Directlink Electricity Transmission Determination 2025 to 2030 (1 July 2025 to 30 June 2030)

Attachment 7 Corporate income tax

April 2025

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1	30 April 2025	5

List of attachments

This attachment forms part of the Australian Energy Regulator's (AER's) final decision on the transmission determination that will apply to Directlink for the 2025–30 period. It should be read with all other parts of the final decision.

As a number of issues were settled at the draft decision stage or required only minor updates, we have not prepared all attachments. Where an attachment has not been prepared, our draft decision reasons form part of this final decision. The final decision attachments have been numbered consistently with the equivalent attachments to our draft decision.

The final decision includes the following attachments:

Overview

Attachment 1 – Maximum allowed revenue

Attachment 2 – Regulatory asset base

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7 Corporate income tax

Our transmission determination includes the estimated cost of corporate income tax for Directlink’s 2025–30 regulatory control period (period).¹ Under the post-tax framework, the cost of corporate income is calculated as part of the building block assessment using our post-tax revenue model (PTRM).

This attachment sets out our final decision on Directlink’s revised proposed corporate income tax for the 2025–30 period. It presents our assessment of the inputs required in the PTRM for the calculation of the cost of corporate income tax.

7.1 Final decision

Our final decision on Directlink’s estimated cost of corporate income tax is \$3.2 million (\$ nominal) over the 2025–30 period. This is an increase of \$0.3 million (12.0%) from Directlink’s revised proposed cost of corporate income tax of \$2.9 million. The main reasons for this increase are due to our final decision on a lower tax depreciation amount, driven by the reduction to forecast capex. Tax depreciation is a component of tax expense. A lower tax depreciation increases the estimated taxable income for Directlink and thereby increasing the estimated cost of corporate income tax.

Our final decision is to determine an opening tax asset base (TAB) value as at 1 July 2025 of \$107.6 million (\$ nominal), which is consistent with Directlink’s revised proposal (section 7.1.1).

We accept the following aspects of Directlink’s revised proposal, which are consistent with our draft decision:²

- there is no forecast capital expenditure (capex) to be immediately expensed for tax purposes in the 2024–30 period (section 7.1.2)
- the standard tax asset lives for all of its asset classes (section 7.1.3).

Table 7.1 sets out our final decision on the estimated cost of corporate income tax for Directlink over the 2025–30 period.

¹ National Electricity Rules (NER), cl. 6A.5.4(a)(4).

² Directlink, *Attachment 05 - PTRM - 021224 - Public*, December 2024.

Table 7.1 AER's final decision on Directlink's cost of corporate income tax for the 2025–30 period (\$ million, nominal)

	2025–26	2026–27	2027–28	2028–29	2029–30	Total
Less Tax payable	1.3	1.3	1.5	1.6	1.8	7.4
Less: value of imputation credits	0.7	0.7	0.8	0.9	1.0	4.2
Net cost of corporate income tax	0.6	0.6	0.6	0.7	0.8	3.2

Source: AER analysis.

In the draft decision, we made a minor input correction for the standard tax asset life for the 'Buildings' asset class.³ Directlink's revised proposal adopted this change required by the draft decision. It also made some updates to its TAB roll forward.⁴

7.1.1 Opening tax asset base as at 1 July 2025

Our final decision is to determine an opening TAB value as at 1 July 2025 of \$107.6 million (\$ nominal) for Directlink, which is consistent with its revised proposal.⁵

In our draft decision, we accepted Directlink's proposed method to establish the opening TAB value as at 1 July 2025. However, we amended some of the proposed inputs used for the TAB roll forward—specifically, we updated the actual as-commissioned capex amounts for 2019–20 and 2022–23 to be consistent with the audited annual regulatory accounts for these years.⁶ We noted that the opening TAB value may be updated as part of the final decision to reflect actual capex for 2023–24 and any revised capex estimate for 2024–25.⁷

Directlink's revised proposal adopted all changes made in our draft decision. It also updated the 2023–24 estimated as-commissioned capex and asset disposals with actual values in its revised proposed Roll Forward Model (RFM), consistent with the audited regulatory accounts for this year.⁸ These updates reduced the opening TAB value by \$1.6 million (\$ nominal) compared to the draft decision, all else being equal.

Consistent with the reasons discussed in Attachment 2, we accept the updated capex and asset disposals inputs for 2023–24. We also accept the capex and asset disposals estimates for 2024–25 in the revised proposal. We note Directlink did not provide an updated capex and asset disposals estimates for 2024–25 in its revised proposal. We will update the

³ AER, *Draft decision: Directlink transmission determination 2025–30 – Attachment 7 – Corporate income tax*, September 2024, p. 2.

⁴ Directlink, *Directlink - Attachment 07 - RFM - 021224 – Public*; Directlink, *Directlink - Attachment 05 - PTRM - 021224 - Public*, December 2024.

⁵ Directlink, *2.1 - Roll Forward Model*, December 2024.

⁶ AER, *Draft decision: Directlink transmission determination 2025–30 – Attachment 7 – Corporate income tax*, September 2024, p. 9.

⁷ AER, *Draft decision: Directlink transmission determination 2025–30 – Attachment 7 – Corporate income tax*, September 2024, p. 9.

⁸ Directlink, *Directlink - Attachment 07 - RFM - 021224 – Public*, December 2024.

estimated capex and asset disposals for 2024–25 with actual values at the next transmission determination for the 2030–35 period.⁹

Table 7.2 sets out our final decision on the roll forward of Directlink’s TAB over the 2020–25 period.

Table 7.2 AER’s final decision on Directlink’s TAB roll forward for the 2020–25 period (\$ million, nominal)

	2020–21	2021–22	2022–23	2023–24	2024–25 ^a
Opening TAB	109.6	106.5	103.7	105.8	110.0
Capital expenditure ^b	2.0	2.6	7.6	10.5	4.8
Less: tax depreciation	5.1	5.3	5.5	6.2	7.2
Closing TAB	106.5	103.7	105.8	110.0	107.6

Source: AER analysis.

- (a) Based on estimated capex. We expect to update the TAB roll forward with actual capex at the next transmission determination.
- (b) Net of asset disposals.

7.1.2 Forecast immediately expensed capex

For this final decision, we confirm our acceptance of Directlink’s revised proposal that it has no forecast of immediately expensed capex for the 2025–30 period.

Directlink did not propose any forecast capex to be immediately expensed for tax purposes in the 2025–30 period in its initial proposal. In the draft decision, we accepted this aspect of the proposal. We considered Directlink’s proposal was consistent with its current approach and informed by the actual amount of capex immediately expensed historically.

We will continue to collect actual data relating to the immediate expensing of capex in our annual reporting regulatory information notices to further inform our decision for this type of expenditure in the next transmission determination for Directlink.

7.1.3 Standard tax asset lives

Our final decision accepts Directlink’s revised proposed standard tax asset lives for all of its asset classes because they are consistent with our draft decision.¹⁰ We confirm our position that the standard asset lives are broadly consistent with the values prescribed by the Commissioner of Taxation in the Australian Taxation Office Ruling 2022/1 and the *Income Tax Assessment Act 1997*.¹¹

⁹ We have also made a minor adjustment for an erroneous input for immediately expensed capex in the depreciation tracking module.

¹⁰ AER, *Draft decision: PTRM – Directlink – 2024–29 Transmission Determination*, September 2024, pp. 12–13.

¹¹ Australian Taxation Office, *Taxation Ruling TR2022/1 – Income tax: effective life of depreciating assets (applicable from 1 July 2022)*, June 2022; *Income Tax Assessment Act 1997*, s 40.105.

Table 7.3 sets out our final decision on Directlink’s standard tax asset lives. We are satisfied that the standard tax asset lives are appropriate for application over the 2025–30 period. We are also satisfied that the standard tax asset lives provide an estimate of the tax depreciation amount that would be consistent with the tax expenses used to estimate the annual taxable income for a benchmark efficient service provider.¹²

Table 7.3 AER’s final decision on Directlink’ standard tax asset lives for the 2025–30 period (years)

	Standard tax asset life
Transmission assets	16.2
Transmission determination costs	5.0
Easements	n/a
Land	n/a
Buildings ^a	16.2
Equity raising costs ^a	5.0 ^b

Source: AER analysis.

n/a not applicable. We have not assigned a standard tax asset life to the ‘Land’ and ‘Easements’ asset classes because the capex allocated to these asset classes is not subject to depreciation.

(a) These are the only asset classes used for the straight-line method of tax depreciation for new capex. All new capex for other asset classes used the diminishing value method of tax depreciation.

(b) For this final decision, the forecast capex determined for Directlink does not meet a level to trigger any benchmark equity raising costs.

7.2 Assessment approach

We did not change our assessment approach for the cost of corporate income tax from our draft decision. Attachment 7 (section 7.3) of our draft decision details that approach.¹³

¹² NER, cl. 6A.6.4.

¹³ AER, *Draft decision: Directlink transmission determination 2025–30 – Attachment 7 – Corporate income tax*, September 2024, pp. 3–9.

Shortened forms

Term	Definition
AER	Australian Energy Regulator
capex	capital expenditure
NER	National Electricity Rules
PTRM	post-tax revenue model
RFM	roll forward model
TAB	tax asset base