

Final decision

**Jemena Gas Networks (NSW) access
arrangement 2025 to 2030
(1 July 2025 to 30 June 2030)**

Attachment 7 – Corporate income tax

May 2025

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1	14 May 2025	10

List of attachments

This attachment forms part of our final decision on the access arrangement that will apply to Jemena Gas Networks (NSW) for the 2025–30 access arrangement period. It should be read with all other parts of this final decision.

For some issues that had draft decision attachments, and which were settled at the draft decision stage or required only minor updates, the reasons in the draft decision attachments and, where relevant, in the final decision Overview set out our reasons for our final decision on the issue. In these circumstances, we have not prepared all attachments, and 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.

This final decision includes the following documents:

Overview

Attachment 2 – Capital base

Attachment 4 – Regulatory depreciation

Attachment 5 – Capital expenditure

Attachment 6 – Operating expenditure

Attachment 7 – Corporate income tax

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7 Corporate income tax

Our determination of the total revenue for Jemena Gas Networks' (JGN) distribution network in NSW includes the estimated cost of corporate income tax for the 2025–30 access arrangement period (period).¹ Under the post-tax framework, a corporate income tax amount is calculated as part of the building blocks assessment using our post-tax revenue model (PTRM). This amount allows JGN to recover the estimated cost of corporate income tax for the 2025–30 period.

This attachment presents our assessment of JGN's proposed corporate income tax amount for the 2025–30 period. It also presents our assessment of the proposed opening tax asset base (TAB), and the standard tax asset lives used to estimate tax depreciation for the purpose of calculating tax expenses.

7.1 Final decision

Our final decision on JGN's estimated cost of corporate income tax is \$70.3 million (\$ nominal) over the 2025–30 period. This is a reduction of \$14.1 million (16.8%) from JGN's revised proposal of \$84.4 million. The main reasons for this reduction are our final decision on a lower regulatory depreciation amount (section 4.1 of Attachment 4)² and a lower return on equity amount (section 2.2 of the Overview).³ This reduction is partially offset by our final decision on a lower tax depreciation amount.⁴

Our final decision is to determine opening TAB value as at 1 July 2025 of \$1,257.8 million (\$ nominal), which is consistent with JGN's revised proposal (section 7.1.1).

Consistent with our draft decision, we accept the standard tax asset lives for JGN's existing asset classes (section 7.1.3) and a zero amount of immediately expensed capital expenditure (capex) for the 2025–30 period (section 7.1.2).

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

¹ National Gas Rules (NGR), r. 76(c).

² All else being equal, a lower regulatory depreciation reduces the cost of corporate income tax as it is a component of revenue for tax purposes.

³ All else being equal, a lower return on equity amount reduces the cost of corporate income tax as it is a component of revenue for tax purposes.

⁴ All else being equal, a lower tax depreciation increases the cost of corporate income tax as it is a component of tax expense.

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

	2025–26	2026–27	2027–28	2028–29	2029–30	Total
Tax payable	27.0	29.4	32.1	35.4	39.5	163.4
Less: value of imputation credits	15.4	16.8	18.3	20.2	22.5	93.1
Net corporate income tax	11.6	12.6	13.8	15.2	17.0	70.3

Source: AER analysis.

In the draft decision, we made the following changes to JGN's modelling of its cost of corporate income tax:⁵

- We removed JGN's proposed tax standard asset life of 5 years for the new asset class 'Future of Gas MP Services' in the PTRM as no tax depreciation will be applied to this asset class.
- We amended JGN's proposed method of fully depreciating the 'Existing pigging and inspection costs' asset class by 2024–25 in the depreciation tracking module part of the roll forward model (RFM). However, this amendment did not result a change to the tax depreciation amount.

JGN's revised proposal adopted the changes required by the draft decision. In addition, it updated the opening TAB value as at 1 July 2025 (section 7.1.1).⁶

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 \$1,257.8 million (\$ nominal), which is consistent with JGN's revised proposal.⁷

In our draft decision, we accepted JGN's proposed method to establish the opening TAB value as at 1 July 2025. We noted that the opening TAB as at 1 July 2025 may be updated as part of the final decision to reflect actual capex for 2023–24 and any revised 2024–25 capex estimates.⁸

JGN's revised proposal updated the opening TAB value to reflect actual capex and asset disposals for 2023–24 and revised estimated capex and asset disposals for 2024–25. Consistent with our final decision on JGN's capital base (Attachment 2), we accept JGN's revised capex and asset disposals inputs for 2023–24 and 2024–25 in the RFM for the purposes of establishing the opening TAB as at 1 July 2025.⁹ We will update the estimated

⁵ AER, *Draft decision - JGN access arrangement 2025–30 - Attachment 7 - Corporate income tax*, November 2024, pp. 9–12.

⁶ JGN, *JGN - RP - Att 7.6M - Roll Forward Model*, January 2025.

⁷ JGN, *JGN - RP - Att 7.6M - Roll Forward Model*, January 2025.

⁸ AER, *Draft decision - JGN access arrangement 2025–30 - Attachment 7 - Corporate income tax - November 2024*, p. 10.

⁹ AER, *Final decision - JGN JGN access arrangement 2025–30 - Attachment 2 – Capital base*, May 2025, p. 5.

capex inputs for 2024–25 with actual values at the next access arrangement review for the 2030–35 period.

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

Table 7.2 AER's final decision on JGN's TAB roll forward over the 2020–25 period (\$ million, nominal)

	2020–21	2021–22	2022–23	2023–24	2024–25 ^a
Opening TAB	1,184.6	1,191.1	1,168.0	1,146.2	1,185.4
Capital expenditure ^b	158.8	143.4	172.1	160.6	201.3
Less: tax depreciation	152.4	166.5	193.9	121.3	128.9
Closing TAB	1,191.1	1,168.0	1,146.2	1,185.4	1,257.8

Source: AER analysis.

(a) Based on estimated capex. We expect to update the TAB roll forward with actual capex at the next access arrangement review.

(b) Net of asset disposals.

7.1.2 Forecast immediately expensed capex

In this final decision, we determine that a zero amount of JGN's forecast capex is to be immediately expensed for tax purposes in the 2025–30 period, consistent with our draft decision.

In our draft decision, we accepted JGN's proposed zero immediately expensed capex for the 2025–30 period because its proposed zero forecast reflects the cessation on 30 June 2023 of the Australian Taxation Office's (ATO) temporary full expensing scheme.¹⁰ We will continue to collect actual data relating to this expenditure in our annual reporting Regulatory Information Notices to inform our decision on the amount of forecast immediately expensed capex in future access arrangements.

7.1.3 Standard tax asset lives as at 1 July 2025

In this final decision, we accept JGN's revised proposed standard tax asset lives assigned to its existing asset classes for the 2025–30 period. Consistent with our draft decision, we accept these standard tax asset lives because they are:

- broadly consistent with the tax asset lives prescribed by the Commissioner for Taxation in ATO ruling 2022/1, including the statutory cap on the effective life of 20 years for gas pipeline assets¹¹
- for non-pipeline asset classes—consistent with the approved standard tax asset lives for the 2020–25 period.

Table 7.3 sets out our final decision on JGN's standard tax asset lives. We are satisfied that the standard tax asset lives are appropriate for application over the 2025–2030 period. We

¹⁰ ATO, [About temporary full expensing](#), accessed on 22 October 2024.

¹¹ ATO, Taxation Ruling TR2022/1 – Income tax: effective life of depreciating assets (applicable from 1 July 2022), p. 179.

are 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 JGN's standard tax asset lives for the 2025–30 period (years)

Asset class	Standard tax asset life
Trunk Wilton-Sydney	20.0
Trunk Sydney-Newcastle	20.0
Trunk Wilton-Wollongong	20.0
Contract Meters	15.0
Fixed Plant - Distribution	20.0
HP Mains	20.0
HP Services	20.0
MP Mains	20.0
MP Services	20.0
Meter Reading Devices	15.0
Country POTS	20.0
Tariff Meters	15.0
Computers - IT Infrastructure	4.0
Fixed Plant	10.8
Furniture	10.8
Land	n/a
Low value assets	6.5
Mobile Plant	6.5
Vehicles	7.5
Future of Gas MP Services	n/a
Leasehold Improvements (SL) ^a	40.0
Buildings (SL) ^a	40.0
Software - Inhouse (SL) ^a	5.0

¹² NGR, r. 87A.

Asset class	Standard tax asset life
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' asset class because the assets allocated to this asset class are non-depreciating assets. We assigned a tax standard asset life of 'n/a' for the 'Future of Gas MP Services' asset class as this asset class is for the purpose of accelerated depreciation of the opening capital base only.
- (a) Straight-line method is applied to these asset classes for tax depreciation. Diminishing value method is applied to all the other asset classes.
- (b) In this final decision, the forecast capex determined for JGN 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

¹³ AER, *Draft decision - JGN access arrangement 2025–30 - Attachment 7 - Corporate income tax*, November 2024, pp. 3–9.

Glossary

Term	Definition
AER	Australian Energy Regulator
JGN	Jemena Gas Networks
ATO	Australian Tax Office
capex	Capital expenditure
NGR	National Gas Rules
PTRM	Post-tax revenue model
RFM	Roll forward model
TAB	Tax asset base