DRAFT DECISION
Australian Gas Networks Victoria and Albury gas access arrangement 2018 to 2022

Attachment 8 – Corporate income tax

July 2017

AUSTRALIAN ENERGY REGULATOR

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Note

This attachment forms part of the AER's draft decision on the access arrangement for AGN's Victoria and Albury gas distribution networks for 2018-22. It should be read with all other parts of the draft decision.

The draft decision includes the following documents:

Overview

Attachment 1 - Services covered by the access arrangement

Attachment 2 - Capital base

Attachment 3 - Rate of return

Attachment 4 - Value of imputation credits

Attachment 5 - Regulatory depreciation

Attachment 6 - Capital expenditure

Attachment 7 - Operating expenditure

Attachment 8 - Corporate income tax

Attachment 9 - Efficiency carryover mechanism

Attachment 10 - Reference tariff setting

Attachment 11 - Reference tariff variation mechanism

Attachment 12 - Non-tariff components

Attachment 13 - Demand

Attachment 14 - Other incentive schemes

Contents

Shortened forms

Shortened form	Extended form
AER	Australian Energy Regulator
ATO	Australian Tax Office
capex	capital expenditure
CAPM	capital asset pricing model
CESS	Capital Expenditure Sharing Scheme
CPI	consumer price index
DRP	debt risk premium
ECM	(Opex) Efficiency Carryover Mechanism
ERP	equity risk premium
Expenditure Guideline	Expenditure Forecast Assessment Guideline
gamma	Value of Imputation Credits
MRP	market risk premium
NGL	National Gas Law
NGO	national gas objective
NGR	National Gas Rules
NPV	net present value
opex	operating expenditure
PTRM	post-tax revenue model
RBA	Reserve Bank of Australia
RFM	roll forward model
RIN	regulatory information notice
RPP	revenue and pricing principles
SLCAPM	Sharpe-Lintner capital asset pricing model
STTM	Short Term Trading Market
TAB	Tax asset base
UAFG	Unaccounted for gas
WACC	weighted average cost of capital
WPI	Wage Price Index

8 Corporate income tax

When determining the total revenue for AGN, we include an estimate of AGN's cost of corporate income tax.[1] AGN has adopted the post-tax framework to derive its revenue requirement for the 2018–22 access arrangement period.[2] Under the post-tax framework, a separate corporate income tax allowance is calculated as part of the building blocks assessment.

8.1 Draft decision

We accept AGN's proposed approach to calculating its forecast corporate income tax allowance. AGN's proposed approach is consistent with the AER's post-tax revenue model (PTRM) for electricity service providers and the approach previously approved in gas access arrangement decisions. Our draft decision on AGN's corporate income tax allowance over the 2018–22 access arrangement period is $59.9 million ($ nominal). This represents an increase of $2.7 million ($ nominal) or 4.7 per cent of AGN's proposed forecast corporate income tax allowance of $57.2 million ($ nominal).

Our draft decision reflects amendments to AGN's proposed inputs for forecasting the cost of corporate income tax discussed below, including:

- the opening tax asset base (TAB) (section 8.4.2)
- a standard tax asset life (section 8.4.3)
- remaining tax asset lives (section 8.4.4).

Our adjustments to the rate of return on capital (attachments 2, 3 and 6)[3], return of capital (attachment 5) and forecast opex (attachment 7) building block costs also affect revenues, which in turn impact the tax calculation.[4]

In assessing AGN's proposal, we have had regard to the requirements of the NGO and the revenue and pricing principles.[5] Table 8.1 sets out our draft decision on the estimated cost of corporate income tax allowance for AGN over the 2018–22 access arrangement period.

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1 NGR, r. 76(c).

2 AGN - *Final Plan - Access Arrangement Information for our Victorian and Albury natural gas distribution networks 2018-2022* - 20161222, pp. 143–148.

3 The forecast capex amount is a key input for calculating the return of and return on capital building blocks. Attachment 6 sets out our draft decision on AGN's forecast capex.

4 The changes affecting revenues are discussed in the overview.

5 NGL, s 28; NGR r. 100(1). The NGO is set out in NGL, s. 23. The revenue and pricing principles are set out in NGL, s. 24.

Table 8.1 AER's draft decision on corporate income tax allowance for AGN ($million, nominal) over the 2018–22 access arrangement period

	2018	2019	2020	2021	2022	Total
Tax payable	21.2	21.7	22.1	16.7	18.1	99.8
Less: value of imputation credits	8.5	8.7	8.9	6.7	7.2	39.9
Net corporate income tax allowance	**12.7**	**13.0**	**13.3**	**10.0**	**10.8**	**59.9**

Source: AER analysis.

8.2 AGN's proposal

AGN proposed a corporate income tax allowance of $57.2 million ($ nominal) for the 2018–22 access arrangement period as set out in Table 8.2. It used the AER's PTRM to calculate the corporate income tax allowance for each year of the 2018–22 access arrangement period.[6] In estimating its corporate income tax allowance, AGN used the following inputs:[7]

- an opening TAB of $721.9 million ($ nominal) as at 1 January 2018 (as shown in Table 8.3)
- an expected statutory income rate of 30 per cent per year
- a value for the assumed utilisation of imputation credits (gamma) of 0.40
- standard tax asset lives calculated using a weighted average of relevant tax categories from the July 2015 ATO tax ruling (TR 2015/2).
- remaining tax asset lives of assets in existence as at 31 December 2017, calculated based on the standard tax asset life for an asset class multiplied by the ratio of the capital base remaining asset life to the capital base standard asset life.

[6] AGN - *Attachment 1.9 - Victoria and Albury Post Tax Revenue Model* - December 2016 - Public.

[7] AGN - *Final Plan - Access Arrangement Information for our Victorian and Albury natural gas distribution networks 2018-2022* - 20161222, p. 123.

Table 8.2 AGN's proposed corporate income tax allowance for the 2018–22 access arrangement period ($million, nominal)

	2018	2019	2020	2021	2022	Total
Tax payable	21.1	21.0	20.1	16.0	17.2	95.3
Less: value of imputation credits	8.4	8.4	8.0	6.4	6.9	38.1
Net corporate income tax allowance	**12.7**	**12.6**	**12.1**	**9.6**	**10.3**	**57.2**

Source: AGN - *Attachment 1.9 - Victoria and Albury Post Tax Revenue Model* - December 2016 - Public.

AGN's proposed roll forward of its TAB over the 2013–17 access arrangement period is set out in Table 8.3.

Table 8.3 AGN's proposed tax asset base roll forward over the 2013–17 access arrangement period ($million, nominal)

	2013	2014	2015	2016	2017
Opening tax asset base	390.5	450.1	519.9	601.5	657.1
Capex	105.2	114.9	128.5	105.0	117.2
Less: tax depreciation	45.6	45.2	46.9	49.4	52.4
Closing tax asset base	450.1	519.9	601.5	657.1	721.9

Source: AGN - *Attachment 1.7 - Victoria Roll Forward Model* - December 2016 - Public; AGN - *Attachment 1.8 - Albury Roll Forward Model* - December 2016 - Public.

8.3 AER's assessment approach

Our approach to calculate AGN's cost of corporate income tax begins with an estimate of taxable income that would be earned by a benchmark efficient company operating AGN's pipeline. As part of this calculation, tax expenses such as interest and depreciation need to be estimated. Interest tax expense should be estimated using a benchmark 60 per cent gearing, rather than AGN's actual gearing. Tax depreciation is calculated using a separate TAB. All tax expenses (including other expenses such as operating expenditure) are offset against the service provider’s forecast revenue to estimate the taxable income. The statutory income tax rate of 30 per cent is then applied to the estimated taxable income to arrive at a notional amount of tax payable. We then apply a discount to that notional amount of tax payable to account for the value of imputation credits (gamma). The value of imputation credits attachment (attachment 4) details our draft decision on gamma. The discounted nominal amount of tax payable is then included as a separate building block in determining AGN's total revenue.[8]

[8] NGR, r. 76(c).

The corporate income tax allowance is an output of the AER's PTRM, which has been adopted by AGN. We have therefore assessed AGN's proposed corporate income tax allowance by analysing its proposed inputs to the PTRM for calculating the tax allowance. These inputs include:

- the opening TAB as at 1 January 2018
- the standard tax asset life for each asset class
- the remaining tax asset life for each asset class as at 1 January 2018
- the corporate income tax rate
- the value of imputation credits (gamma).

In assessing AGN's proposal, we have had regard to the NGO and the revenue and pricing principles.[9]

The rules also require that any forecast must be arrived at on a reasonable basis and must represent the best forecast or estimate possible in the circumstances.[10]

We consider that the roll forward of the opening TAB to 1 January 2018 should be based on the approved opening TAB as at 1 January 2013 and AGN's actual capex in the 2013–17 access arrangement period. We consider that the calculation of the tax depreciation should be based on the actual capex over the 2013–17 access arrangement period. The value of the actual capex used for rolling forward the TAB is subject to our assessment of these values as discussed in attachment 6.

We assess AGN's proposed standard tax asset lives, where appropriate, by comparing them against the values approved: in the 2013–17 access arrangement and for similar asset classes for other service providers, as well as those prescribed by the Commissioner for taxation in tax ruling 2016/1.[11]

For the 2018–22 access arrangement period, AGN has proposed to transition to our standard straight-line tax depreciation approach. AGN's corporate income tax allowance for the 2013–17 regulatory control period was calculated based on a combination of straight-line depreciation for some tax asset classes and diminishing value depreciation for other tax asset classes. This is consistent with the method established by the previous regulator, the Essential Services Commission (ESC). Adoption of our standard approach requires the establishment of remaining tax asset lives at 1 January 2018. We have recently approved a method in our determinations for Ausgrid and the Victorian electricity distribution network service providers to establish

9 NGL, s. 28; NGR, r. 100(1). The NGO is set out in NGL, s. 23. The revenue and pricing principles are set out in NGL, s. 24.

10 NGR, r. 74(2).

11 Australian Taxation Office, *Taxation Ruling Income tax: effective life of depreciating assets (applicable from 1 July 2016)*: https://www.ato.gov.au/law/view/view.htm?docid=%22TXR%2FTR20161%2FNAT%2FATO%2F00001%22 accessed 9 March 2017.

remaining tax asset lives for existing assets.[12] This involves using the standard tax asset life for the asset class multiplied by the ratio of the capital base remaining asset life to the capital base standard asset life. We will assess AGN's proposed remaining tax asset lives against the outcomes of this approved method.

8.3.1 Interrelationships

The corporate income tax building block feeds directly into the annual revenue requirement. This tax allowance is determined by four factors:

- pre-tax revenues
- tax expenses (including tax depreciation)
- the corporate tax rate
- the value of imputation credits (gamma)—the expected proportion of company tax that is returned to investors through the utilisation of imputation credits—which offsets against the corporate income tax allowance. This is discussed further at attachment 4.

Of these four factors, the corporate tax rate is set externally by the Government. The higher the tax rate the higher the required tax allowance.

The pre-tax revenues depend on all the building block components. Any factor that affects revenue will therefore affect pre-tax revenues. Higher pre-tax revenues can increase the corporate income tax allowance.[13] Depending on the source of the revenue increase, the tax increase may be equal to or less than proportional to the company tax rate.[14]

The tax expenses depend on various building block components and their size. Some components give rise to tax expenses, such as opex, interest payments and tax depreciation of assets. However, others do not, such as increases in return on equity. Higher tax expenses offset revenues as deductions in the tax calculation and therefore reduce the tax allowance (all else being equal). Tax expenses include:

- Interest on debt – Interest is a tax offset. The size of which depends on the ratio of debt to equity and therefore the proportion of the capital base funded through debt. It also depends on the allowed return on debt and the size of the capital base.

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12 AER, *Draft decision, Ausgrid distribution determination 2015–16 to 2018–19, Attachment 8: Corporate income tax*, November 2014, pp. 17–19. AER, *Preliminary decision, CitiPower distribution determination 2016 to 2020, Attachment 8: Corporate income tax*, October 2015, pp. 13–14.

13 In fact, there is an iterative relationship between tax and revenues. That is, revenues lead to tax, being applied, which increases revenues and leads to slightly more tax and so on. The revenue model should therefore be set up to run an iterative process until the revenue and tax allowances become stable.

14 For example, although increased opex adds to revenue requirement, these expenses are also offset against the revenues as deductions in determining tax, so there is no net impact in this case. A higher return on equity, in contrast, gives rise to no offsetting tax expenses and therefore increases the tax allowance in proportion to the company tax rate.

- General expenses – In the main these expenses will match the opex allowance.
- Tax depreciation – A separate TAB is maintained for the service provider reflecting tax rules. This TAB is affected by many of the same factors as the capital base, such as capex, although unlike the capital base value it is maintained at its historical cost with no indexation. The TAB is also affected by the depreciation rate and/or asset lives assigned for tax depreciation purposes.

A ten per cent increase in the corporate income tax allowance would cause revenues to increase by about 0.5 per cent. A change in gamma from the proposed value of 0.4 to 0.25 would increase the corporate income tax allowance by 32.3 per cent and total revenues by about 1.6 per cent.[15]

8.4 Reasons for draft decision

Our draft decision on AGN's corporate income tax allowance is $59.9 million ($ nominal), which is an increase of $2.7 million ($ nominal) or 4.7 per cent of AGN's proposal.

We accept AGN's proposed approach for calculating the corporate income tax allowance. However, we adjusted several inputs in AGN's proposed PTRM for calculating the corporate income tax allowance. These relate to:

- changes to the opening TAB as at 1 January 2018 (section 8.4.2)
- changing the standard tax asset life for the 'Other assets' class (section 8.4.3)
- changes to the remaining tax asset lives as at 1 January 2018 (section 8.4.4)
- changes to other building block components, such as the rate of return on capital (attachments 2, 3 and 6)[16], return of capital (attachment 5) and forecast opex (attachment 7) that affect revenues, which in turn impacts the tax calculation.[17]

8.4.1 Transition to AER preferred straight-line tax depreciation

We accept AGN's proposal to transition to our preferred straight-line tax depreciation approach to calculate the corporate income tax allowance for the 2018–22 access arrangement period.

AGN's corporate income tax allowance for the 2013–17 access arrangement period was calculated based on straight-line depreciation for some tax asset classes and diminishing value depreciation for other tax asset classes. This method was established by the previous regulator, the ESC, and adopted by the AER for the 2013–17 access arrangement period. AGN's proposed PTRM uses our preferred straight-line

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[15] We have analysed the sensitivity of the corporate income tax allowance relative to total revenue, and compared the effects of the two gamma values based on input data from AGN's proposed PTRM.

[16] The forecast capex amount is a key input for calculating the return of and return on capital building blocks. Attachment 6 sets out our draft decision on AGN's forecast capex.

[17] NGR, r. 87A.

depreciation approach to calculating tax depreciation as set out in our PTRM template. We consider this approach is consistent with the NGO and the revenue and pricing principles.[18] Therefore, we accept AGN's proposal to transition to the straight-line tax depreciation approach for the 2018–22 access arrangement period.

8.4.2 Opening tax asset base as at 1 January 2018

We accept AGN's approach to determine the opening TAB. This is because AGN's proposed approach is consistent with the approach previously approved for the 2013–17 access arrangement. We determine an opening TAB value of $724.0 million ($ nominal) as at 1 January 2018. The increase of $2.1 million from AGN's proposed opening TAB of $721.9 million ($ nominal) reflects our corrections to the actual capex and asset disposal inputs in the proposed RFMs which impact on the opening TABs.[19]

We assessed the inputs AGN used to roll forward the TAB over the 2013–17 access arrangement period. This includes the opening TAB as at 1 January 2013, and actual capex for 2012 and the 2013–17 access arrangement period.

We consider that AGN's proposed combined opening TAB as at 1 January 2013 of $390.5 million ($ nominal) was not correctly updated for actual capex in 2012. In our review of the proposed data as discussed in attachment 2, we identified a discrepancy between the 2012 capex values in the RFMs and the 2012 capex values in the annual regulatory reporting accounts for that year. In its response to our information request, AGN clarified that the data from the regulatory accounts should be used and that the proposed capex was based on benchmark 2012 capex.[20] Our draft decision is to determine an opening TAB as at 1 January 2013 of $398.5 million ($ nominal).

AGN also proposed actual capex inputs for the 2013–17 TAB roll forward that did not include an adjustment for asset disposals. We consider that capex used in the TAB roll forward should be net of asset disposals, therefore our draft decision has removed disposals from actual capex over the 2013–17 access arrangement period. This is consistent with our approach in other gas access arrangements and the approach to calculating the TAB in the PTRM.[21] With this change, we are satisfied the actual capex for 2012 and the 2013–17 period reflects the requirements of the NGR.[22] Our detailed assessment of this conforming capex is set out in attachment 6.

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18 NGL, s. 28; NGR, r. 100(1). The NGO is set out in NGL, s. 23. The revenue and pricing principles are set out in NGL, s. 24.

19 The AER approved AGN's application to consolidate separate access arrangements for Victoria and Albury into a single AA proposal subject to certain conditions listed in the proposal. To comply with these conditions AGN has provided two RFMs; one each for Victoria and Albury. AGN - *Final Plan - Access Arrangement Information for our Victorian and Albury natural gas distribution networks 2018-2022* - 20161222 - Public, p. 4.

20 AGN, *Response to IR009 (Part B)*, 7 March 2017.

21 AER, *Final Decision - JGN distribution access arrangement 2015-20*, June 2015, Revenue forecast model - RFM PTRM - PUBLIC.

22 NGR, r. 79. We note that the capex determined in this draft decision for 2016 and 2017 are estimates. Therefore the ‘approved’ capex in this draft decision for 2016 and 2017 are placeholder amounts. We expect AGN will provide actual capex for 2016 and the 2017 capex estimates may be revised based on more up to date information

We consider that the opening TAB value for 'Computer equipment Albury' asset class should be set to zero. The asset classes in the PTRM differ from the tax groups used in the TAB roll forward over the 2013–17 access arrangement period. The opening TAB values for the PTRM asset classes are calculated based on a pro-rata of the opening capital base values. The 'Computer equipment Albury' asset class has a negative opening capital base at 1 January 2018. Using AGN's proposed approach this would have resulted in a negative opening TAB value.[23] To avoid this result, our draft decision is to pro-rata the opening TAB value across only the asset classes with a positive capital base at 1 January 2018.

Table 8.4 sets out our draft decision on the roll forward of AGN's TAB values.

Table 8.4 AER's draft decision on AGN's tax asset base roll forward for the 2013–17 access arrangement period

	2013	2014	2015	2016	2017
Opening tax asset base	398.5	455.7	523.8	604.2	659.6
Capex	104.5	114.6	128.5	105.7	117.6
Less: Tax depreciation	47.3	46.6	48.1	50.3	53.1
Closing tax asset base	455.7	523.8	604.2	659.6	724.0

Source: AER analysis.

8.4.3 Standard tax asset lives

We approve the majority of AGN's proposed standard tax asset lives assigned to each of its asset classes for the 2018–22 access arrangement period.[24] AGN has referenced the ATO's tax ruling 2015/2 in its proposal[25] for its proposed standard tax asset lives. We consider the proposed standard tax asset lives are broadly consistent with this ruling and also broadly consistent with the standard tax asset lives prescribed in the more recent tax ruling 2016/1.[26]

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in its revised proposal. We will assess whether the actual capex for 2016 are conforming capex in our final decision. We will undertake the assessment of whether the 2017 amounts are conforming capex as part of the next access arrangement review.

23 We do not consider negative asset values to be incorrect, as they can occur at times for various reasons. However, when establishing the tax asset value for new asset categories we consider they should begin as positive or zero values.

24 As discussed at attachment 5, our draft decision revenue modelling shows that no equity raising cost is required for the 2018–22 access arrangement period. Therefore, we do not need to assign a standard tax asset life for the 'Equity raising cost' asset class.

25 AGN - *Final Plan - Access Arrangement Information for our Victorian and Albury natural gas distribution networks 2018-2022* - 20161222 - Public, p. 123.

26 Australian Taxation Office, *Taxation Ruling Income tax: effective life of depreciating assets (applicable from 1 July 2016)*: https://www.ato.gov.au/law/view/view.htm?docid=%22TXR%2FTR20161%2FNAT%2FATO%2F00001%22 accessed 9 March 2017.

Our draft decision is to change the standard tax asset life for the 'Other assets' class to 15 years from 40 years. We consider this change provides for the standard tax asset life prescribed in the tax ruling 2016/1 that is consistent with the type of assets allocated to this asset class. In its response to our information request, AGN accepted this change.[27] We have also changed the standard tax asset life for the 'Equity Raising Costs' class from 'N/A' to 5 years. This is because the Australian Taxation Office (ATO) requires equity raising costs to be amortised over a five-year period on a straight-line basis.[28]

Our draft decision on AGN's standard tax asset lives for each of its asset classes for the 2018–22 access arrangement period is set out in Table 8.5.

8.4.4 Remaining tax asset lives as at 1 January 2018

Our 2013–17 access arrangement for AGN did not contain remaining tax asset lives for depreciating its opening TAB as at 1 January 2013.[29] Instead, it adopted the same tax depreciation methodology as used by the ESC for the 2008–12 access arrangement period to calculate tax depreciation over the 2013–17 access arrangement period. As discussed in section 8.4.1, we accept AGN's proposal to transition to our standard straight-line depreciation approach to calculate the corporate income tax allowance for the 2018–22 access arrangement period. This requires us to determine remaining tax asset lives for depreciating the opening TAB as at 1 January 2018.

We accept AGN's proposed method of setting the remaining tax asset lives equal to the standard tax asset life for the asset class multiplied by the ratio of the capital base remaining asset life to the capital base standard asset life. We are satisfied that AGN's proposed approach provides reasonable estimates of remaining tax asset lives for its asset classes. We note the proposed approach is consistent with the method approved in our recent determinations for Ausgrid and the Victorian electricity distributors.[30]

AGN's approach for calculating the remaining tax asset lives as at 1 January 2018 requires the remaining capital base asset life as at the same date. The change to the year-by-year tracking approach means that the capital base remaining lives are no longer recorded in the PTRM.[31] However, capital base remaining lives are still

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27 AGN, *Response to IR009 (Part B)*, 7 March 2017.

28 ATO, *Guide to depreciating assets 2001-02: Business related costs—section 40-880 deductions*, ATO reference; NONAT7170, p. 25.

29 AER, *Access arrangement draft decision, AGN Gas (DB No.1) Pty Ltd, AGN Gas (DB No.2) Pty Ltd 2013–17 Part 2 Attachments, Attachment 8 Corporate income tax*, September 2012, pp. 185–194.

30 AER, *Draft decision, Ausgrid distribution determination 2015–16 to 2018–19, Attachment 8: Corporate income tax*, November 2014, pp. 8–17 to 8–19. AER, *Preliminary decision, CitiPower distribution determination 2016 to 2020, Attachment 8: Corporate income tax*, October 2015, pp. 8–13 to 8–14.

31 Instead, as set out section 5.4.1 of attachment 5, the capital base depreciation amounts are calculated in a separate model and directly entered into the PTRM.

estimated in the RFM for use in calculating the remaining tax asset lives as at 1 January 2018.[32]

We have updated the proposed remaining tax asset lives to reflect our adjustments to AGN's capex in its proposed RFMs, as discussed in attachment 2. This is because the actual capex values are inputs for calculating the average remaining tax asset lives. We note we will also update the proposed remaining tax asset lives for the final decision for any changes to estimated capex.[33]

We have also changed the remaining tax asset life of the 'Computer equipment Albury' asset class from –6.8 years to 'n/a'. This was because the opening TAB value for this asset class had been changed from a negative value to zero as discussed in section 8.4.2.

AGN proposed to accelerate depreciation of certain assets in the capital base as part of its mains replacement program. These are assets that have been removed from service or are expected to be removed from service over the 2018–22 access arrangement period. It proposed to fully depreciate the remaining capital base value of these assets over 5 years.[34] However, AGN did not propose an associated accelerated tax depreciation of these assets in respect of their TAB values. Our draft decision approves AGN's proposed accelerated depreciation of the capital base value of these assets (attachment 5).

We consider that the depreciation profile of these assets should be treated consistently for both capital base and TAB purposes. Accordingly, for this draft decision, we propose to also accelerate the depreciation of the TAB value of assets that have been removed from service or are expected to be removed from service over the 2018–22 access arrangement period. AGN provided the relevant TAB values for the assets subjected to accelerated depreciation following an information request.[35] We have therefore reallocated $0.79 million from the PTRM opening TAB value of the ‘Mains & Services’ asset class to the new ‘Low pressure mains and associated services (accelerated depreciation)’ asset class, to be depreciated over 5 years for tax purposes.

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32 Having established the remaining tax asset lives as at 1 January 2018 for this access arrangement review, we consider that when rolling forward these remaining tax asset lives to 1 January 2023 at the next review our preferred weighted average method should be used. This method is described in our draft decision access arrangement for Australian Gas Networks (South Australia) for the 2016–21 period. AER, *Draft Decision, Australian Gas Networks (South Australia) Access Arrangement 2016 to 2021, Attachment 8 – Corporate income tax*, November 2015, pp. 8–9.

33 At the time of this draft decision, the roll forward of AGN's TAB includes estimated capex values for 2016 and 2017. We will update the 2016 estimated capex values with the actual values for the final decision, and may further update the estimate of 2017 capex. The capex values are used to calculate the weighted average remaining tax asset lives. Therefore, for the final decision we will recalculate AGN's remaining tax asset lives as at 1 January 2018 using the method approved in this draft decision.

34 AGN - *Final Plan - Access Arrangement Information for our Victorian and Albury natural gas distribution networks 2018-2022* - 20161222 - Public, p 105 and AGN - *Attachment 1.9 - Supporting Information - 1 - Victoria Depreciation Model* - December 2016 - Public

35 AGN, *Response to IR009 (Part A)*, 6 March 2017.

Our draft decision on AGN's remaining tax asset lives for each of its asset classes for the 2018–22 access arrangement period is set out in Table 8.5.

Table 8.5 AER's draft decision on AGN's standard tax asset lives and remaining tax asset lives as at 1 January 2018 for the 2018–22 access arrangement period

Tax asset class	Standard tax asset life	Remaining tax asset life as at 1 January 2018
Mains & services	50.0	36.0
Meters	15.0	9.1
Buildings	35.0	8.5
SCADA	10.0	7.8
Computer equipment	4.0	4.5
Other assets	15.0	9.4
Land	n/a	n/a
Mains & services Albury	50.0	30.3
Meters Albury	15.0	7.8
Buildings Albury	35.0	n/a
SCADA Albury	10.0	8.0
Computer equipment Albury	4.0	n/a
Other assets Albury	15.0	13.4
Land Albury	n/a	n/a
Low pressure mains and associated services (accelerated depreciation)	n/a	5.0
Equity raising costs	5.0	n/a

Source: AER analysis.

n/a Not applicable.

8.5 Revisions

We require the following revisions to make the access arrangement proposal acceptable:

Revision 8.1	Make all necessary amendments to reflect this draft decision on the proposed corporate income tax allowance for the 2018–22 access arrangement period, as set out in Table 8.1.
Revision 8.2	Make all necessary amendments to reflect this draft decision on the opening tax asset base as at 1 January 2018, as set out in Table 8.4.
Revision 8.3	Make all necessary amendments to reflect this draft decision on the standard tax asset lives and remaining tax asset lives for the 2018–22 access arrangement period, as set out in Table 8.5.