Recovery of tax on capital contributions

As of 1 May 2014, there will be a change to the way Western Power recovers taxation costs arising from capital contributions.

A capital contribution includes any work we perform for a customer and receive cash for the works undertaken. It also includes any work completed by a third party, which is then is given or gifted to us to operate and maintain.

For electrical consultants and developers this includes gifted assets, relocations, street lighting, new revenue projects, built strata, network extension and pole-to-pillar.

Western Power incurs a tax liability because capital contributions are treated as income under the National Tax Equivalents Regime (NTER).

Up until now we have not been recovering the tax liability, creating a shortfall in operating cash flow revenue. As part of our Third Access Arrangement, we proposed these tax costs should be recovered through the AA3 target revenue.

In its final decision, the ERA determined costs should be recovered directly from the customer that makes the contribution. The ERA considers this 'user pays' approach more economically efficient.

Since receiving this decision we have been working closely with members of your industry on the implementation of this charge.

The cost to contributors will be 13.9 per cent of the value of the cash contribution or gifted asset. This figure has been independently reviewed and verified by Ernst and Young.

The change will affect ***any new applications received after 1 May 2014.***

For more information a FAQ can be found online at www.westernpower.com.au/aboutus/Recovering_tax_on_capital_contributions_.html or you can call us on 13 10 87.

westernpower

Western Power
363 Wellington Street
Perth, WA, 6000

13 13 51 (24 hours)
enquiry@westernpower.com.au
www.westernpower.com.au