land development industry

Connecting people with energy

Recovery of tax on capital contributions

Western Power is committed to the safe, reliable and affordable supply of electricity for Western Australians, and we are transforming our business to better meet those commitments for our customers.

Western Power has been reviewing its process in relation to the recovery of taxation costs arising from capital contributions. Western Power has absorbed these costs to date, however, a review by the Economic Regulation Authority (ERA), as part of Western Power's Third Access Arrangement (AA3), concluded that it is more appropriate for these costs to be passed on to the customer who requested the work. Further information on the ERA's decision can be found at erawa.com.au

Western Power has conducted extensive consultation with our customers, key industry bodies and the State Government on this issue, and Western Power appreciated your time and comments as part of this process.

Following this consultation, it is Western Power's intention to commence recovering the taxation costs arising from capital contributions or the value of gifted assets for applications received after **5 January 2015**. The tax recovery rate will be 13.9 per cent of the value of the cash contribution or gifted asset. This rate has been independently reviewed and verified by accounting firm Ernst and Young.

Capital assets gifted to Western Power are treated as income under the National Tax Equivalents Regime (NTER), and Western Power incurs a tax liability on this income. A capital contribution includes work that Western Power performs for a customer where it receives cash for the works undertaken. It also includes work that is completed by a third party, which is then given or gifted to Western Power to operate and maintain.

Importantly, Western Power has listened to the concerns of our customers and industry, with the result being that residential development will be exempt from the tax recovery.

For electrical consultants and developers, work performed under a developer design and construct subdivision project will not incur the tax recovery. New revenue projects where the building is mixed use commercial/residential will also not incur the tax recovery.

Commercial and industrial subdivision, relocations, new revenue projects and network extensions will incur the tax recovery. This includes transmission related projects such as customers involved in major load requirements comprising the building and upgrading of substations and the building of major transmission lines.

A full list of work types that will incur the tax recovery is available on our website at http://www.westernpower.com.au/corporate-information-recovering-tax-cost-on-capital-contributions.html

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