

# Snowy Hydro Limited

## Tax Transparency Report

For the financial period ended 30 June 2022

### Contents

---

<b>Chief Financial Officer's Introduction</b>	<b>3</b>
<b>Structure and Background</b>	<b>4</b>
<b>Who We Are and What We Do</b>	<b>4</b>
<b>Taxation Strategy, Governance &amp; Framework</b>	<b>5</b>
<b>Basis of Preparation</b>	<b>5</b>
<b>ATO Published Information</b>	<b>5</b>
<b>ATO Assurance Reviews</b>	<b>6</b>
<b>Accounting Profit to Income Tax Expense and Income Tax Payable</b>	<b>7</b>
<b>Income Tax Payable / (Refundable)</b>	<b>7</b>
<b>Deferred Tax Expense</b>	<b>8</b>
<b>Effective Tax Rate</b>	<b>8</b>
<b>Total Tax Contribution</b>	<b>9</b>
<b>Dividend Payments</b>	<b>9</b>
<b>International Related Party Dealings</b>	<b>9</b>

## Chief Financial Officer's Introduction

The Snowy Hydro Limited group is committed to the ongoing transparency of its tax affairs, and this Tax Transparency Report for the year ended 30 June 2022, is published on a voluntary basis and meets the requirements set out in the Australian Board of Taxation's Voluntary Tax Transparency Code.

In addition to the disruptions caused by Covid 19, it has been a dynamic, and at times challenging year for the industry. Notwithstanding those issues, Snowy Hydro has continued to support its customers and the market more broadly as the National Electricity Market (NEM) transitions and evolves to a decarbonised state.

Within that changing environment, and in addition to supporting its customers and the NEM, the company maintained its commitment and strong contribution to the communities in which it operates, to its staff, suppliers, shareholder and to its regulators including the Australian Taxation Office and state based revenue agencies.

Our Tax Transparency Report shows the company had an effective tax rate of 29.9% for the financial year, with total taxes and levies borne of \$110.4M, and taxes collected and remitted of \$2.7M reflecting the availability of GST input tax credits from the company's significant capital and investment expenditure.

The information in this report should be read in conjunction with the Annual Report which has been prepared in accordance with Australian Accounting Standards and complies with the International Financial Reporting Standards.

**Kim Josling**  
**Chief Financial Officer**

## Structure and Background

Snowy Hydro Limited was established on 28 June 2002, when the Snowy Mountains Hydro-Electric Authority was corporatised under the *Snowy Hydro Corporatisation Act 1997*.

Snowy Hydro is governed by its Constitution, which is subject to and aligned with the *Corporations Act (Cth) 2001*.

As the company's sole shareholder continues to be the Commonwealth of Australia, it is also subject to the Commonwealth Government Business Enterprises - Governance and Oversight Guidelines.

The company is not exempt from any taxes, and is subject to all taxes, levies and government imposts as they would apply to any other Australian company.

## Who We Are and What We Do

Having originated from the Snowy Mountains Hydro-Electric Authority, the group is now a dynamic and growing energy generator and retailer.

We have evolved into an integrated energy business – generating energy, providing price risk management products for wholesale customers and delivering energy to homes and businesses. Similarly, as the National Energy Market ("NEM") evolves to cater for the market's decarbonisation and increased penetration of rooftop solar, Snowy Hydro's assets and capabilities including Snowy 2.0 and the company's gas peakers, will play a major and expanding role in the transition to, and the ongoing support of, a decarbonised NEM.

Key to our success is our ability to utilise the Snowy Scheme's large reservoirs to act as a battery to store and manage water which is used to generate reliable clean energy on-demand. The combination of our storage and generation capability means we play a critical role in the energy market, whether through spot generation, risk management for our wholesale customers, futures contracts or electricity and gas supply to households and commercial and industrial customers.

This is achieved while continuing to operate under a strictly regulated water licence whereby water is released into the River Murray and Murrumbidgee River systems to be used by irrigators and downstream water suppliers.

We combine the power of the 4,100MW mighty Snowy Scheme with gas and diesel fired peaking generators, together with an expanding contracted wind and solar portfolio to deliver a flexible and reliable mix of energy to our customers every day. During the year we continued to make significant progress on both the Snowy 2.0 project and the Hunter Power Project.

Our retail companies, Red Energy and Lumo Energy, supply energy to over 1.2 million customers and continue to be industry leaders in providing award winning customer service. Direct Connect Australia, supports these retail businesses with a unique channel to access customers who are moving home and is a valuable third-party sales channel.

## Taxation Strategy, Governance & Framework

The company has always maintained a conservative tax risk profile, which is reflected in our Tax Risk Management Framework. The Board Audit and Compliance Committee has ownership and

oversight of this framework, with management presenting to the committee on the group's tax status and matters on a regular basis.

The framework also outlines a clearly defined reporting hierarchy on tax issues by which risks are escalated through the organisation.

All transactions entered into by the company are based on commercial considerations underpinned by genuine economic activity. The company's business model, structure and operations do not carry an inherent high level of natural tax risk. The company does not adopt tax driven, artificial or contrived positions, nor do we interpret any tax legislation beyond its spirit and intent.

At all times the company applies the highest standards of governance and compliance to meet our obligations under tax legislation. In doing so, we assess and invest appropriately in people, processes and systems, and when required we engage external tax advisers to guide and support our positions.

Management and the Board, are committed to full transparency and disclosure in all dealings with the Australian Taxation Office ("ATO") and other revenue authorities with which we interact. The ATO is the principal taxation authority with which the company has dealings, and we maintain a constructive, professional and transparent dialogue and relationship with them.

The company's conservative tax risk profile is reflected in the outcomes of the ATO's assurance reviews over the group, as discussed further below under "ATO Assurance Reviews".

## **Basis of Preparation**

This Tax Transparency Report satisfies Part A and Part B of the Tax Transparency Code. It is based on the income tax disclosures contained in Snowy Hydro's audited 30 June 2022 Consolidated Financial Report, and reflects the final income tax payable for the year ended 30 June 2021 in accordance with that income tax return as lodged.

The 30 June 2022 income tax return is yet to be prepared and lodged, and any differences between the final 30 June 2022 income tax return and the income tax disclosures contained in Snowy Hydro's audited 30 June 2022 Consolidated Financial Report, will be disclosed and reconciled in the 30 June 2023 Tax Transparency Report.

## **ATO Published Information**

Each year the ATO publishes information about the tax affairs of public companies with a total income of \$100 million or more.

This information has traditionally been published by the ATO in December, and is done on a one year lag basis.

As Snowy Hydro is a public company with total income greater than \$100 million, we expect in December 2022 the ATO will publish the information below for the year ended 30 June 2021.

<b>\$million</b>	<b>2021</b>
Total Income	<b>2,690.7</b>
Taxable Income	<b>369.4</b>
Tax Payable	<b>106.9</b>

Tax Payable as disclosed by the ATO will equate to the Australian corporate income tax paid by Snowy Hydro to the ATO. Due to the availability of tax concessions for eligible research and development expenditure, the Tax Payable will not equate to 30% of Taxable Income.

## **ATO Assurance Reviews**

All large corporate taxpayers in Australia will, at some stage, be the subject of review under the various assurance review programs operated by the ATO.

Snowy Hydro has been the subject of two ATO Streamlined Tax Assurance reviews that have separately covered income tax and GST. Under these programs the ATO is seeking to obtain greater confidence that corporate taxpayers have paid the "right" amount of tax in accordance with taxation laws, and that the relevant reporting and lodgment obligations have been satisfied.

Under these two ATO Streamlined Tax Assurance reviews, Snowy Hydro has obtained a "High" overall level of assurance rating for each of the reviews. A rating of "High" is the highest possible rating under the ATO's Streamlined Tax Assurance program.

The income tax review was finalised in June 2018, and the GST review in November 2020.

## Accounting Profit to Income Tax Expense and Income Tax Payable

\$million	Note	2022
<b>Profit before income tax expense</b>		<b>420.6</b>
<b>Income tax calculated at 30%</b>	1	<b>(126.2)</b>
<b>Amounts not recognised in profit but included in taxable income</b>		
Prior year adjustments		0.5
Non tax deductible operating expenses		(0.6)
Research and development offset		0.5
<b>Amounts recognised in profit but not included in taxable income</b>		
Net difference between tax and accounting carrying values	2	30.3
Derivative Financial Instruments	3	47.8
Non Derivative Trading Instruments	3	1.4
Accounting Intangible Assets	3	(4.8)
Employee Provisions	4	(1.4)
Other Provisions	4	0.3
Lease Liability	5	4.2
<b>Current Tax Expense</b>		<b>(48.0)</b>
<b>Deferred Tax Expense</b>		<b>(77.8)</b>
<b>Total Income Tax Expense on Profit</b>		<b>(125.8)</b>

### Notes

1. As the group operates only in Australia, the Australian 30% corporate tax rate applies to the total profit.
2. Difference in the effective lives as applied to the tax and accounting values of assets.
3. These amounts represent the difference in the accounting and tax treatment of these components.
4. These accounting provision balances will be tax deductible when paid or written off.
5. Represents the net difference between the accounting and tax treatment of lease obligations.

## Income Tax Payable / (Refundable)

\$million	2022
Income tax payable at beginning of financial year	23.9
Income tax paid net of refund received	(96.4)
	(72.4)
Current Tax Expense	48.0
<b>Income Tax Payable/(Refundable) 30 June 2022</b>	<b>(24.4)</b>

## Deferred Tax Expense

\$million	Opening balance	Charged to income	Charged to equity	Other/ transfer	Closing balance
<b>Deferred tax assets</b>					
Net difference between tax and accounting carrying values	79.1	(30.3)			48.8
Lease Liability	46.5	(4.2)			42.3
Derivative financial instruments	122.1	(47.8)	(136.0)	61.7	0.0
Non derivative financial instruments	4.1	(1.4)			2.7
Employee Provisions	22.1	1.4	(1.0)		22.5
Other Provisions	24.9	(0.3)			24.6
<b>Total deferred tax assets</b>	<b>298.8</b>	<b>(82.6)</b>	<b>(137.0)</b>	<b>61.7</b>	<b>140.9</b>
<b>Deferred tax liabilities</b>					
Cost of customer acquisition	26.4	(4.9)			21.5
Derivative financial instruments				61.7	61.7
Other	0.8	0.1			0.9
<b>Total deferred tax liabilities</b>	<b>27.2</b>	<b>(4.8)</b>	<b>0.0</b>	<b>61.7</b>	<b>84.1</b>
<b>Net deferred tax asset</b>	<b>271.6</b>	<b>(77.8)</b>	<b>(137.0)</b>	<b>0.0</b>	<b>56.8</b>

## Effective Tax Rate

\$million	Note	2022
Total Income Tax Expense on Profit	(A)	<b>125.8</b>
Profit Before Income Tax Expense	(B)	<b>420.6</b>
<b>Total Amounts paid to Governments</b>	<b>A / B</b>	<b>29.90%</b>

In calculating the effective tax rate of 29.90%, no adjustments have been made to either "Total Income Tax Expense on Profit" or "Profit Before Income Tax Expense" as reported in the company's Annual Report. The company has no overseas operations and is domiciled and operates solely in Australia, accordingly the Effective Tax Rate of 29.90% covers the company's entire operations. Australia's corporate tax rate is 30%.

## Total Tax Contribution

Tax Levied and Borne	\$M	Taxes Collected and Remitted	\$M
Corporate Income Tax <sup>1</sup>	96.4	Net GST Received <sup>5</sup>	(55.6)
Fringe Benefits Tax <sup>2</sup>	0.9	PAYG Salary and Wages Withholding <sup>6</sup>	58.3
Payroll Tax <sup>3</sup>	11.2		
Land Tax <sup>4</sup>	1.9		
<b>Total Taxes Paid</b>	<b>110.4</b>	<b>Total Taxes Collected and Remitted</b>	<b>2.7</b>

### Notes

1. Company income tax paid to the ATO to 30 June 2022, net of refunds received as per the Consolidated Statement of Cash Flows. Under the company income tax system, this amount includes income tax paid net of refunds received which are referable to the previous financial year totalling \$23.8M. An additional amount referable to the 30 June 2022 year totalling \$5M was refunded in July 2022.
2. Fringe benefits tax paid as per the FBT returns lodged for the 31 March 2022 year.
3. Payroll tax liability calculated on an accrual basis for the 30 June 2022 year paid/payable to Revenue NSW \$5.57M, State Revenue Office Victoria \$5.44M, Revenue SA \$0.16M.
4. Land tax assessed for the year ended 31 December 2021 and paid to Revenue NSW \$1.87M.
5. Net GST amount refunded by the ATO for the 30 June 2022 year. This net GST amount is the result of the ordinary operation of the GST legislative framework, whereby GST input tax credits are received when companies incur significant and claimable expenditure (including capital and project related expenditure) during a GST tax period.
6. The amount of PAYG withheld from Salary and wages and remitted to the ATO.

## Dividend Payments

While ordinarily dividend payments to shareholders are not a feature of a company's Tax Transparency Report, as Snowy Hydro is wholly owned by the Commonwealth government, the company's dividend payments are in effect payments to governments.

During the 30 June 2022 year (in April 2022), the company paid a total of \$163.6 million in fully franked dividends to the Commonwealth government.

The balance of the company's franking account as at 30 June 2022 was \$238.4 million.

## International Related Party Dealings

The company operates solely in Australia, and has no international related party dealings.

Within the wholly owned group of Snowy Hydro Limited entities, only one entity is not an Australian incorporated entity, Latrobe Valley BV ("LVBV"). LVBV is incorporated in The Netherlands and was acquired by Snowy Hydro as part of a broader transaction and acquisition of assets undertaken in 2005.

During the 30 June 2022 year, LVBV did not undertake any transactions or dealings with any party either related or unrelated to the Snowy Hydro group. Reflecting that LVBV did not undertake any transactions, it will lodge a nil income tax return with the Dutch tax authorities.