

snowyhydro

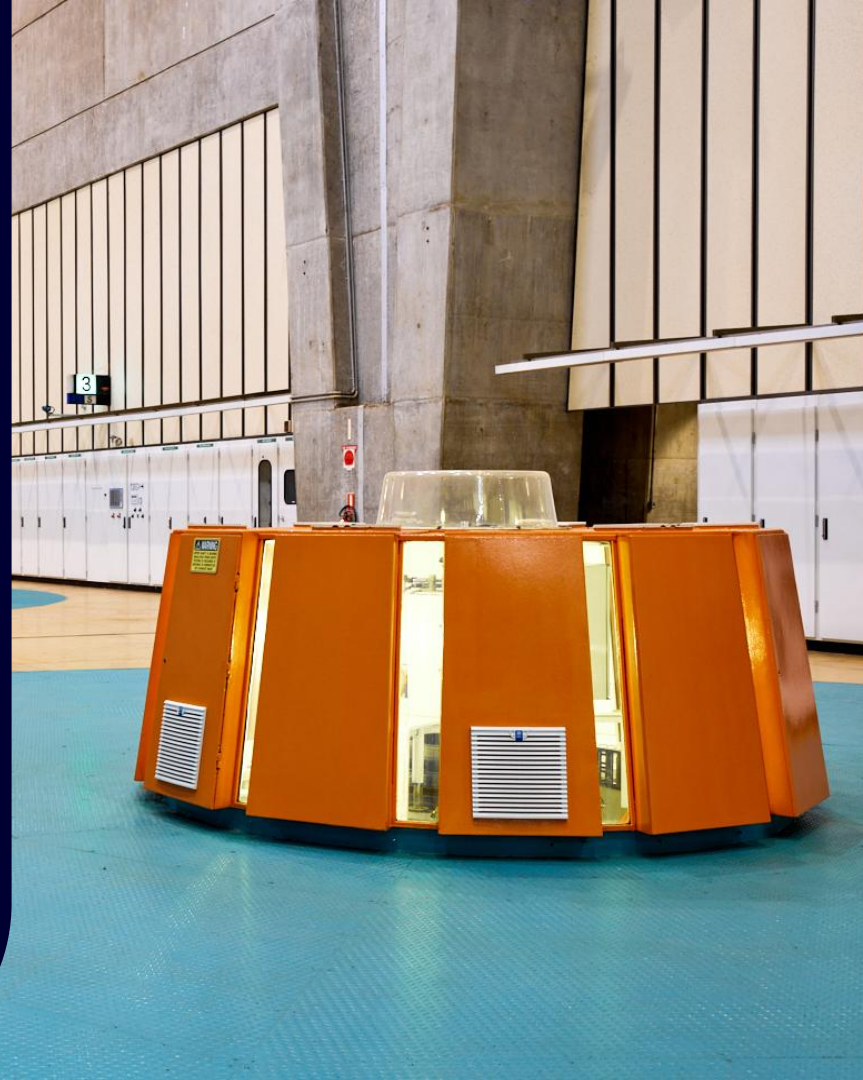
30 June 2024

Tax Transparency Report



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Chief Financial Officer's Introduction

I am pleased to present Snowy Hydro's Voluntary Tax Transparency Report for the year ended 30 June 2024. This report underscores our commitment to transparency and accountability in our tax practices, aligning with the recommendations and guidelines contained in the Board of Taxation Voluntary Tax Compliance Code.

In this report, we provide a comprehensive overview of our tax position, including our income tax expense and the effective tax rate. We also detail how our tax practices contribute to the broader economic and social landscape.

The information presented should be read in conjunction with the Snowy Hydro Limited 2024 Annual Report, and reflects our adherence to the relevant tax legislation. We aim to offer clarity on our tax obligations and the timing of payments, addressing any discrepancies between reported tax expenses and actual tax paid. By disclosing these details, we hope to enhance stakeholder confidence and demonstrate our commitment to responsible corporate citizenship.

Our approach to tax management is grounded in a robust low risk framework that ensures compliance and aligns with best practices. We continually review and refine our processes to adapt to evolving regulatory requirements and market conditions, ensuring that we maintain the highest standards of tax governance.

Kim Josling
Chief Financial Officer

Who We Are

Our Structure

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.



What We Do

Having our beginnings in the the Snowy Mountains Hydro-Electric Authority, the Group has evolved into a dynamic energy generator and retailer. We now operate an integrated energy business that generates energy, offers price risk management for wholesale customers, and supplies energy to homes and businesses.

As the National Energy Market (NEM) adapts to decarbonisation and increased renewable energy, our assets, including Snowy 2.0, the Hunter Power Project, and our gas and diesel peakers will continue to be pivotal in supporting this transition.

Leveraging the Snowy Scheme's large reservoirs to store and manage water for reliable, on-demand clean energy is central to our operations. This capability ensures our critical role in the market, from spot generation, futures contracts, risk management for wholesale customers and energy supply to retail customers. We do this while adhering to a regulated water licence that supports irrigators and downstream suppliers.

The Group has more than 5,500MW of generating capacity across NSW, Victoria and South Australia including the iconic Snowy Mountains Hydro-Electric Scheme, and gas and diesel peaking generators. This generating capacity together with a growing wind and solar portfolio, provide a flexible and reliable energy mix. Our retail brands, Red Energy and Lumo Energy, rank as the fourth-largest energy retailer in the NEM, serving over 1.4 million customers. Supported by our Direct Connect business, which facilitates energy access during relocations, we ensure comprehensive service for all our customers.





Basis of Preparation

This Tax Transparency Report satisfies Parts A and B of the Tax Transparency Code. It is based on the income tax disclosures in Snowy Hydro's audited 30 June 2024 Consolidated Financial Report, and reflects the income tax payable in the lodged 30 June 2023 income tax return.

The 30 June 2024 income tax return is yet to be finalised and lodged. Accordingly, any reconciling differences between the final 30 June 2024 income tax return and the income tax disclosures in the audited 30 June 2024 Consolidated Financial Report, will be disclosed in the 30 June 2025 Consolidated Financial Report and Tax Transparency Report.

Tax Strategy, Governance & Framework

The company continues maintaining a low tax risk profile, as reflected in our Tax Risk Management Framework. The Board Audit and Compliance Committee owns and oversees this framework, with management regularly presenting to the committee on taxation matters.

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

All company transactions 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 tax risk. The company does not adopt tax driven, artificial or contrived positions, nor does it interpret tax legislation beyond its spirit and intent.

The highest standards of tax governance and compliance are applied in meeting our tax obligations. In doing so, we assess and invest appropriately in people, processes and systems, and when required 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 ATO and other revenue authorities with which we interact. The ATO is the principal taxation authority with which the company deals, 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".

Tax Expense Reconciliation to Tax Payable

The tables below reconcile accounting profit to income tax expense, and then reconciles income tax expense to income tax payable.

	2024 \$m
Profit before income tax expense ("A")	599.1
Prima facie tax @ 30% corporate income tax rate	179.7
Amounts not recognised in profit but included in taxable income	
Non tax deductible operating expenses	0.4
Non tax deductible depreciation	0.3
Research and development offset	(0.1)
Prior year adjustments	0.3
Income Tax Expense (Consolidated Statement of Profit or Loss) ("B")	180.6
Effective Tax Rate (ETR) = B ÷ A	30.15%

The ETR of 30.15%, is calculated without adjustment to "Total Income Tax Expense on Profit" or "Profit Before Income Tax Expense" in the company's Annual Report. With no overseas operations, the rate covers the Group's entire operations (all Australian based), noting Australia's corporate tax rate is 30%.

	2024 \$m
Income tax expense	180.6
Add/(Subtract):	
Deferred tax assets charged to income	(40.7)
Deferred tax liabilities charged to income	45.8
Current tax included in income tax expense (refer Note 4 of financial statements)	185.7
Add/(Subtract):	
Income tax payable as at 1 July 2023	24.1
Income tax payments per Consolidated Statement of Cash Flows	(90.4)
Net current tax liabilities (as per the Consolidated Statement of Financial Position)	119.4

Timing differences in both the net \$90.4 mil tax instalments paid, and recognition of transactions for accounting versus for tax purposes will cause the income tax expense to differ from the actual tax paid. These temporary differences affect the timing of tax payments but do not affect the total tax on profits, and create deferred tax assets and liabilities.

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 2024 year, the company paid a total of \$236.2 million in franked dividends to the Commonwealth government.

The balance of the company's franking account as at 30 June 2024 was \$248.4 million.

International Related Parties

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

Only one entity within the wholly owned group is not an Australian incorporated entity, Latrobe Valley BV ("LVBV"). LVBV was incorporated in The Netherlands and was acquired by Snowy Hydro as part of a broader transaction and acquisition of assets in 2005. LVBV is an Australian tax resident and is part of the Snowy Hydro Australian Tax Consolidated Group.

LVBV did not undertake any transactions or dealings with any party either related or unrelated to the Snowy Hydro group.

ATO Assurance Reviews

In prior years, the ATO ran "Streamlined Tax Assurance Review" programs seeking to obtain greater confidence that corporate taxpayers had paid the "right" amount of tax in accordance with taxation laws, and that the relevant reporting and lodgement obligations have been satisfied.

Under two ATO Streamlined Tax Assurance reviews (one income tax and one GST), Snowy Hydro 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.

During the 30 June 2024 year, the ATO finalised a Combined Assurance Review (CAR). A CAR covers both Income tax and GST, and again the Group received a "High" level of assurance from the ATO (the highest assurance rating possible).

ATO Public Information Disclosure

Income Tax

In December each year the ATO publishes information about the tax affairs of public companies with a total income of \$100 million or more, which includes Snowy Hydro. The ATO publishes this information approximately one year in arrears.

We expect in December 2024 the ATO will publish the information below for the year ended 30 June 2023 for the Snowy Hydro Group.

	2023 \$M
Total Income	4,287.4
Taxable Income	251.9
Tax Payable	74.6

Research & Development (R&D)

In approximately September 2024, the ATO will, for the first time, publish information about companies that claim the R&D tax incentive.

This will become an annual disclosure by the ATO, where they will publish the information two years after the end of the financial year.

The Snowy Hydro Group makes claims under the R&D tax incentive, and the R&D information to be published about the Group will be the company's 30 June 2022 total expenditure on R&D as shown in the company's 30 June 2022 income tax return.

The 30 June 2022 amount to be published by the ATO will be \$8.9M.

Tax Contribution: Taxes Paid, Collected & Remitted

The Group operates only in Australia, and has no overseas tax obligations.
All taxes are paid in Australian jurisdictions and to Australian revenue authorities.

Snowy Hydro is proud of the contribution we make to the Australian economy through the taxes we pay. Our investments in Snowy 2.0 and the Hunter Power Project will be significant in enabling Australia's renewable energy transition and boosting reliability across the National Electricity Market. Due to these investments the company can claim GST input tax credits on its capital expenditure.

Amount Paid / (Refund Received) \$M	Australian Tax Office	State Revenue Offices					Total
		NSW	Vic	ACT	SA	QLD	
Taxes Paid							
Corporate Income Tax - per Consolidated Statement of Cash Flows	90.4						90.4
Fringe Benefits Tax - per 31 March 2024 FBT Returns	1.6						1.6
Payroll Tax - per 30 June 2024 annual returns		8.0	8.5	0.3	0.4	0.3	17.5
Land Tax - based 31 Dec 2023 assessments		2.6	0.1				2.7
Total Taxes Paid	92.0	10.6	8.6	0.3	0.4	0.3	112.2
Taxes Collected							
PAYG tax withheld / remitted from salary & wages	80.5						80.5
Net GST Paid / (Refund Received) *	(165.1)						(165.1)
Total Taxes Collected / (Refunded)	(84.6)	0.0	0.0	0.0	0.0	0.0	(84.6)

* The net GST refunded is the result of the ordinary operation of the GST legislative framework, and reflects the Group's significant capital and project related expenditure during the June 2024 year.