

AQWEST — PAYMENTS

540. Dr D.J. Honey to the Minister for Water:

I refer to the Aqwest annual report for 2020–21 which shows, for the past two years, 2019–20 and 2020–21, profit before tax of \$3,782,293 and \$2,579,258 respectively, income tax payments of \$1,274,918 and \$1,184,168, and dividend payments of \$2,613,508 and \$2,110,186, and ask:

- (a) Can the Minister ascertain from Aqwest why its accounts show it paid more in income tax and dividends than the profit generated in the past two years;
- (b) Can the Minister ascertain from Aqwest an explanation as to why its income tax payments are more than 30% of its bottom line profit meaning it is paying more tax than corporate tax rate requires;
- (c) If the tax and dividend payments are not correct, will the Minister take action to have Treasury refund any erroneous over payment, and if not, why not; and
- (d) Why is Aqwest receiving operating subsidies when it is a profitable business without an obvious need for financial assistance?

Mr D.J. Kelly replied:

- (a) Aqwest's profit before tax does not correlate with dividend or tax payments due to:
 - The current year's dividend payments based on the prior year's operating profit; and
 - As reported in Aqwest's annual report for 2021, Notes 8.8.1 c), there is a timing difference between the income tax expense reported, and income tax calculated on the profit before tax. The timing difference is predominantly caused due to the difference between accounting depreciation rates and tax rates.
- (b) As per above (a), there is a timing difference between the income tax expense and the calculated tax expense based on the statutory rate of 26% (2021). Aqwest is eligible for the base rate entity tax rate (26% in 2021) compared to the company tax rate due to the turnover being less than \$50 million in 2019.
- (c) Not applicable.
- (d) Operating subsidies are paid to Aqwest in accordance with the Water Corporations Act 1995 whereby in Part 3 Div 1 s30 – the Corporation is to act on commercial principles. These payments reimburse Water Corporations for the costs of carrying out activities directed by Government which they would not elect to do on a commercial basis.

As outlined in Appendix 8 of Budget Paper No. 3 of the 2022–23 Budget, currently operating subsidies are paid for the provision of concessions to pensioners and seniors.