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## **ASX ANNOUNCEMENT**

### **Pacific Smiles Group Limited (ASX: PSQ)**

14 June 2023

#### **PAYROLL TAX UPDATE**

On 16<sup>th</sup> May 2023 Pacific Smiles Group (ASX:PSQ) advised that it had received a Determination Letter ("**Determination**") from Revenue New South Wales ("**Revenue NSW**") pertaining to the treatment of its Services and Facility Agreements ("**SFAs**") with dentists for payroll tax purposes. Specifically, the Determination concluded that the SFAs are "relevant contracts" under the contractor provisions of the *Payroll Tax Act (NSW) 2007* ("**PTA**").

Pacific Smiles advises that it has now received an Assessment for Payroll Tax from Revenue NSW in respect of the four financial years 2019 to 2022 ("**Assessment**"). The Assessment specifies that Pacific Smiles is to remit a total of \$966,320 in payroll tax shortfalls and interest relating to those four financial years.

No penalties have been applied by Revenue NSW in the Assessment on the basis that the company has taken reasonable care in relation to payroll tax.

Revenue NSW has applied exemptions in calculating the Assessment and Pacific Smiles is working with its advisors to review the methodology that has been adopted. Pacific Smiles is not able to advise whether the methodology adopted by Revenue NSW in this Assessment will be appropriate for determining the amount of any payroll tax payable in NSW, or any other jurisdiction, for financial year 2023 or future years. We need to undertake further analysis with our advisors to determine any potential liability going forward.

Pacific Smiles is reviewing the Assessment in detail and is considering its position. It remains open to Pacific Smiles to object to the Assessment. If an objection is lodged, it must be submitted to Revenue NSW within 60 days of the Assessment date.

As previously advised, in addition to New South Wales, Pacific Smiles owns and operates dental centres in Victoria, Queensland and the Australian Capital Territory. We also operate dental centres under a Managed Service Agreement ("**MSA**") on behalf of HBF in Western

Australia, HBF Dental. Pacific Smiles has alerted the revenue authorities in Victoria, Queensland, and the Australian Capital Territory as to the NSW matter to understand their position on these same issues. At this time Pacific Smiles is unable to advise what position the other States will adopt in relation to payroll tax on SFA contracts.

Western Australia's payroll tax legislation does not impose payroll tax on relevant contracts.

The prospect of any provision needing to be raised in respect of payroll tax in the current year is currently being reviewed and considered with our advisors. Pacific Smiles will advise the market accordingly, once the position is known and established.

Pacific Smiles will continue to keep the market and investors apprised of all other developments in relation to this matter in line with its continuous disclosure obligations.

**ENDS**

Authorised for release by the Board of Directors.

For further information, please contact:

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**Forward looking statements**

This announcement contains certain forward-looking statements. Forward looking statements should not be relied on as an indication or guarantee of future events. Forward looking statements involve inherent known and unknown risks and may involve significant elements of subjective judgment and assumptions as to future events which may or may not prove to be correct, which can cause actual results to differ materially. As such, undue reliance should not be placed on any forward-looking statement. No representation or warranty is made by any person as to the likelihood of achievement or reasonableness of any forward-looking statements. Pacific Smiles does not undertake any obligation to update or review any forward-looking statements (other than to the extent required by applicable law).