

Document tendered by

Hon Daniel Nookhey MCC

Received by

Tina Prozanska

Date: 24 / 05 / 2021

Resolved to publish Yes / No

C4

Audit Report - Field

Client Name	Client ID	ABN/ACN
DOMINO'S PIZZA ENTERPRISES LTD	[REDACTED]	16 010 489 326
HOT CELL PTY LTD & PRESTON HLDGS FAMILY TRUST	[REDACTED]	24 497 280 657

2(a)(xii) 5

NOI Postal Address:	KSD1 FI 1 485 KINGSFORD SMITH DRIVE HAMILTON QLD 4007
Date Investigation Letter Sent:	04 March 2019
Audit Conducted At:	FI 1 485 KINGSFORD SMITH DRIVE HAMILTON QLD 4007
Date of Field Audit:	13 March 2019
Person(s) Interviewed & Position:	[REDACTED] [REDACTED]
Contact Details:	07 3633 3262
Auditor:	Judy Yang

REGISTRATION DETAILS

Client Name	ASIC Registration Start Date	Payroll Tax Liability Start Date
DOMINO'S PIZZA ENTERPRISES LTD	30 December 1983	01 July 1996
HOT CELL PTY LTD & PRESTON HLDGS FAMILY TRUST	N.A.	01 December 2014

REASON FOR INVESTIGATION

Project: *Industry*

This project selects Customers based primarily on their specific industry classification.

Sub-Project: *Undetermined_Risk*

Customers have been selected primarily on the basis of industry and risks associated with the industry have not been determined. The purpose of this investigation is to ensure that these Customers are complying with the Payroll Tax Act 2007 and reporting correctly.

BACKGROUND INFORMATION

Nature of Business

The client Domino's Pizza Enterprises Ltd (DPE) is a worldwide well-known pizza restaurant which is public company listing on the U.S. stock exchange.

They are the master franchisor of the Domino's Pizza stores in Australia. They currently own over 470 franchised stores in Australia.

History of Business

The business chain was imported from the U.S. in the 80s. They have established the franchised business chain in the country, their pizza store locations cover all different states.

The business is still doing very well in the past few years and they are continuing their growth in Australia.

The client was register for payroll tax from July 1996. They have been lodging their monthly returns and annual returns up to date in the past.

Average Number of Employees and Work Performed

The client engages a lot of casual employees for their business, they have about 870 full time equivalent employees working in NSW and about 1900 staff in other states.

Previous Audits

The last audit conducted on DPE was under UPRT "OAB-PRT-UNAUDITED MID RANGE RESIDUAL 05-06" project in Mar 2006.

MARS records indicated that the total taxable wages of \$16 mil was identified out of the audit. There is no record found in TRIM in relation to the more details on the audit(since the age of the audit conducted is more than 10 years).

There was no audit conducted in the past for the Partnership account.

Client Notes on MARS during the last 4 Years

The only relevant note for the previous audit was dated on 28/9/2005:

"I have completed my PRT investigation of 02,03 & 04. My contact was [REDACTED] tel [REDACTED]
[REDACTED]."

SCOPE OF INVESTIGATION

2015, 2016, 2017 & 2018

AUDIT METHODOLOGY & RECORDS EXAMINED

The audit was conducted by way of a field audit (country trip).

Prior to the audit, the following preliminary searches were conducted for the client:

MARS was checked for prior PRT audits, registration, client history, payment and annual return details & record of any land holdings for possible land tax liabilities.

Internet searches were done to obtain background information about the company and its potential associates.

GEMS searches were undertaken to identify company ownership and potential grouping implications.

ATO BAS data were obtained to compare with the wages declared for payroll tax.

As listed, the following records were examined during the investigation:

Records Reviewed	2015	2016	2017	2018
Financial Statements	X	X	X	X
GEMS Data	X	X	X	X
Grouping Charts (Old)	X	X	X	X
BAS Data	X	X	X	X
Bookkeeping Service Agreement	X			
Contractor's G.L.	N.A.	N.A.	N.A.	N.A.
Contractor's Invoices	N.A.	N.A.	N.A.	N.A.
Contractor's Working Paper	N.A.	N.A.	N.A.	N.A.
Consultants' G.L.	X	X	X	X
Commissions Fee G.L.	X	X	X	X
Grouping Chart	X	X	X	X
Exclusion Application	X	X	X	X
Loan Agreement	X			
Payroll Summary	X	X	X	X
Payroll Salaries G.L.	X	X	X	X
PAYG Summary				
Partnership Deed	X			
Superannuation Summary Reports	X	X	X	X
Interstate Payroll Tax Notices				
Interstate Wages Calculation Details	X	X	X	X
NSW Payroll Records	X	X	X	X
PRT Returns	X	X	X	X
FBT Returns	X	X	X	X
Franchising Agreements	X	X	X	X
A & T Documentations	N.A.	N.A.	N.A.	N.A.
ATO DET Data & Forms	N.A.	N.A.	N.A.	N.A.
JAP Documentations	N.A.	N.A.	N.A.	N.A.
Employee Records Detailed Summary	N.A.	N.A.	N.A.	N.A.
Allowance Working Paper	X	X	X	X
Allowance Payments	X	X	X	X
Termination Payments				
ESS Evaluations Working Paper	X	X	X	X
Detailed G.L. – Management Bonus		X		
Detailed G.L. – Management Wages		X		
Detailed G.L. – Professional Fees		X		
Detailed G.L. – Interests		X		
ESPP Annual Reports	N.A.	N.A.	N.A.	N.A.
Paid Company searches				

All records reviewed by the auditor have been saved under the TRIM documents folder "PRTAU – 00072447". Please refer to the record number in the audit report for a specific item.

BUSINESS LOCATIONS DURING THE AUDIT PERIOD

Client Name	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
Diamond Food Services Pty Ltd	Y	Y	Y	Y	N	N	N	Y
HOT CELL PTY LTD & PRESTON HLDGS FAMILY TRUST	Y	Y	N	N	N	N	N	N

GROUPING STRUCTURE REVIEW

De - Grouping

Hot Cell Pty Ltd & Preston Holdings Family Trust (the partnership) is currently grouped on our system with DPE under the grouping provisions of the *Payroll Tax Act 2007*.

After the NOI was issued, [REDACTED] queried why "Hot Cell Pty Ltd & Preston Holdings Family Trust" & DPE had been grouped for NSW Payroll tax and requested for a review.

He explained that Hotcell Pty Ltd & Preston Holdings Family Trust is the Franchisee business and DPE is the Franchisor.

Hotcell Pty Ltd is related to DPE. However, there is no common control grouping because Hotcell Pty Ltd is only entitled to 50% of the share of capital and profits in the partnership of the Franchisee business. A copy of the partnership deed for was provided and confirmed this. [REDACTED] also provided the organisational structure chart for DPE.

Common employee grouping was also explored. However, it was determined that there is no grouping arising from the use of common employees. The only service provided by Domino's Pizza Enterprises Ltd to the partnership is for Bookkeeping Services. The Bookkeeping Services agreement was supplied for review (BD/19/15177). Based on the agreement, the bookkeeping services provided appear to be on independent commercial terms whereby fees for the service are paid. Furthermore, bookkeeping services of this type is available for other Dominos franchisees for a fee to the franchisor and the employee list provided did not show any common employees paid by both businesses.

This finding was discussed with Paul Parsons from the Exclusions team. Paul agreed that there was no grouping under the *Payroll Tax Act 2007* and due to this, there is no requirements to make a decision in regards to section 79 of the *Payroll Tax Act 2007*. Please see TRIM record BC/19/344-1 for an email from Paul stating this.

Based on my review on the business arrangements the partnership and Domino's Pizza Enterprises Ltd should be de-grouped and be treated as 2 separate accounts in our system.

As a result of the de-grouping, the partnership account PRT 1 [REDACTED] is now entitled to the thresholds for the relevant years. Details of the thresholds change will be discussed in the "Wages" variances section.

Please see the 'De-Grouping Review' section on page 12 -17 of this report for a more detailed explanation.

New Registration

MARS shows that the partnership has been cancelled for payroll tax lodgements from 13/2/17.

It's found that the cancellation was due to the ownership change happened to the business partner. During the meeting, the client clarified that the store previously owned by the partnership was sold to another owner "The Northern Beaches Trust".

MARS records show that the new owners are now registered under PRT [REDACTED] "Hot Cell Pty Ltd & The Northern Beaches Trust". The payroll tax lodgements are up to date in the account. There is no risk associated with the new account.

Has Exclusion Request Been Lodged

Yes. Please refer to attached Grouping Review Report on page 12-17.

Comments Concerning Possible Exclusion of Group Member

Please refer to attached Grouping Review Report on page 12-17.

SUMMARY OF FINDINGS

Items:	Found to be correct (Y/N)	Not Applicable (Y)
Salary and Wages	N	
Fringe Benefits	Y	
Superannuation & Salary Sacrificing	Y	
Termination Payments		Y
Contractors/consultants		Y
Allowances	Y	
Bonuses/commissions	Y	
Directors Fees		Y
Employee Shares & Options	Y	
Apprentices/trainees		Y
Employment Agency Hire		Y
Other (JAP)		Y
Grouping	N	

Please refer to Annexure A for a full reconciliation of payroll taxable wages.

Comments Relating to Errors Detected

Wages

There was no error found in relation to the wages declaration in this case.

I have completed wages reconciliations based on P & L provided for the relevant years by comparing wage details returned to our office against the actual figures derived from source documentation.

End of the year wage summaries, payroll records and financial statements were analysed to ensure all taxable wages liable under s13 PTA2007 were identified and returned correctly in the company's annual PRT return. (Refer BD/19/15198 - 15579)

As discussed earlier in the Grouping section, the audited 2 entities should be de-grouped in our system. As a result of this, the thresholds entitlements for the Partnership would change accordingly.

The Partnership is now entitled to claim the thresholds which has been calculated based on the number of days they've traded during the year(as below) as well as considering the proportion of their NSW wages comparing with the Australian Wages Total in the applicable days:

FY2015: 1/12/14 - 30/6/15

FY2016: 1/7/15 - 30/6/16

FY2017: 1/7/16 - 13/2/17

This is the only variance identified in this audit. It is satisfied that the client has lodged their payroll tax correctly for all other taxable elements.

The total amount agreed with below threshold entitlements times the tax rates:

Threshold Entitlement 2015:	\$179,810.60	5.45%	\$9,799.68
Threshold Entitlement 2016:	\$308,733.59	5.45%	\$16,825.98
Threshold Entitlement 2017:	\$235,949.74	5.45%	\$12,859.26
Refund Total:			<u><u>\$39,484.92</u></u>

Please also refer the Summary of Assessments for more details of the calculation of the refunds.

Super

There is no error identified in relation to the superannuation.

All staff's superannuation were found to be correctly included into the payroll tax calculations according to their Super records, Payment Summary, P & L and BAS calculation. (Refer BD/19/15198 – 15579)

Allowances

There is no error identified in relation to allowances declaration.

The client pays delivery allowance and laundry allowance to their staff. All allowances paid have been correctly included into the payroll system which can be reflected from the individual PAYG summary as well as in the client's payroll system records. (Refer BD/19/15194 - 15579)

There was no allowance being paid out of the payroll system. There is no variance identified in the audited years.

Apprentices & Trainees

Not applicable.

Commissions

There is no error identified in relation to commissions.

It's noted that commissions have been paid to staff in this case. The client explained that they offered commissions to their store managers and sales team as rewards of meeting/exceeding their targets. All commissions were paid through the payroll system and reported for payroll tax.

It's found that all commissions have been included into the payroll and reported into the PAYG Summary. (Refer BD/19/15198 – 15579)

There is no other bonus or commissions paid out side of the payroll system in this case.

I am satisfied that all commissions have been included into the taxable wages for payroll tax.

Contractor's Wages

The client does not engage any contractors for their business activities. There is no risk identified in contractors.

Audit investigation found that the client did not engaged any contractors for their pizza selling/delivering activities. It was found that all pizza processing activities were conducted by their full time/part time/casual employees.

A copy of employee list has been reviewed. It's found that all labour were included as the employees on the list, including all casual workers such as drivers and kitchen hand. (Refer BD/19/15188)

Review on "Food Costs" line in the financials found that all expenses were made purely for material costs. (Refer BD/19/15580)

I am satisfied that there was no hidden labour component. There is no other risk identified in relation to contractors in this case.

Director's Fees

Not applicable.

All directors are being paid under the payroll system. There is no additional remuneration for the directors identified.

Employment Agency Arrangement

Not applicable.

Employee Share Scheme (ESS)

There is no error identified in relation to ESS reporting.

It was found that one staff have been offered with the U.S. parent company shares which is one of the company CEO. He has been granted with a number of shares which is linked to Domino's share price in U.S.. At vesting the units are converted to cash based on the fair market value of the underlying share at vesting and paid to this person.

It was found that there was no other employee have been offered with the company shares which would be subject to NSW payroll tax calculations.

Detailed working papers have been requested from the client for review including client's FY2015 – FY2018 ESS working paper for a review. I have also checked/reviewed the share prices from the US listing for the shares. The exchange rates used were found to be reasonable by using the ATO's spot FX data. (Refer BD/19/15582)

Based on the investigation and working paper reviewed, I am satisfy that the methodology used by the client are correct.

ETP

Not applicable.

FBT

There is no error identified in relation to FBT.

The client has provided MV to their store managers and they have declared them into their Fringe Benefits Report with ATO.

The working paper to calculate the NSW proportion for NSW payroll tax has also been reviewed.(Refer BD/19/15189 – 15192 & 15583)

It was found all calculation has based on the cost centre and the store location. I am satisfied the client has declared the correct amount of FBT into their payroll tax calculations.

Salary Sacrificing

Not applicable.

NEXUS

There is no error identified in relation to interstate wages.

The client has staff in QLD and NSW for the audited years. It was found that the client had correctly included the NSW wages and the interstates wages into their payroll tax calculations and claimed their thresholds accordingly.

Salary Sacrificing

Not applicable.

Worker Compensation Exemptions

Not applicable.

The client did not pay any worker compensation in the audited years.

OTHER STATE TAX/DUTY/LEVY

Land Tax

There is no other land tax implication identified.

Stamp Duties/Levy

There is no stamp duty issues identified.

JAP APPLICANT

Not applicable.

SUMMARY OF ASSESSMENT CALCULATIONS – CN [REDACTED]

	2018	2017	2016	2015	TOTAL
Tax Payable	N.A.	38,709.07	35,957.25	13,252.70	
Interest Assessed*	N.A.	N.A.	N.A.	N.A.	
Penalty Tax	N.A.	N.A.	N.A.	N.A.	
Assessment Total	N.A.	38,709.07	35,957.25	13,252.70	
Less Amounts Previously Paid	N.A.	51,568.33	52,783.23	23,052.37	
Total Liability/(Refund)	N.A.	-12,859.26	-16,825.98	-9,799.67	\$(39,484.91)

Penalty Rate Applied to Additional Liability: N.A.

Interest Rate Applied to Additional Liability*: N.A.

LEVEL OF CO-OPERATION

[REDACTED]) has been contacted for additional enquiries and further documentation; he has also provided detailed clarifications/explanations during the auditing process. The client has been co-operative.

INTERESTS & PENALTIES

Not applicable.

PAYMENT OF THE DEBT

Not applicable.

ABILITY TO RECOVER UNPAID DEBTS FROM OTHER GROUP MEMBERS

Not applicable.

LIKELIHOOD OF OBJECTION

Not applicable.

CONCLUSION

The only variance identified in this audit was in relation to the de-grouping of the 2 audited entities.

As a result of de-grouping, the partnership is now entitled to a refund for the thresholds they missed to claim during their trading period in FY2015 - FY2017.

RECOMMENDATIONS

Based on the information provided and examined during the investigation, it was found that the client has over declared their payroll tax liabilities in the audited year as a result of de-grouping. The Partnership is now entitled to a refund. It is recommended that:

- Reassessment to be raised for the Partnership account in FY2015 - FY2017
- No further action required for the DPE account
- The audit finalisation letter to be issued to the client according to the audit results
- Case to be finalized in TAMS and MARS

Prepared By



Judy Yang
Compliance Officer

Approved By



Siv Chieng
Senior Compliance Officer

De-Grouping Review - Judy Yang

Current Group Members	Client ID	ABN/ACN
DOMINO'S PIZZA ENTERPRISES LTD	[REDACTED]	16010489326
HOT CELL PTY LTD & PRESTON HOLDINGS FAMILY TRUST	[REDACTED]	24497280657

Registration Details

Client Name	ASIC Registration Start Date	Payroll Liability Date	Tax Start
DOMINO'S PIZZA ENTERPRISES LTD	07/09/2014	01 July 2010	
HOT CELL PTY LTD & PRESTON HOLDINGS FAMILY TRUST	01/04/2014	01 July 2010	

Background

"Domino's Pizza Enterprises" (DPE) is the Master Franchisor for the Domino's Pizza Brand in Australia. DPE as the head office sub-franchise their rights to 3rd party franchisees who operate pizza stores throughout Australia.

In this case, the partnership "Hot Cell Pty Ltd & Preston Holdings Family Trust" (the Partnership) owns one of the franchisee stores.

The client claimed that the 2 parties should not be grouped to start with and it was a mistake to receive one thresholds for the 2 independent businesses. Refunds should be granted for the relevant years due to understated thresholds entitlements.

Auditor's Findings

Based on the documents reviewed and the facts collected during the investigation, I am satisfied that the application for exclusion should be allowed.

Technically speaking, there was no valid grouping reason to be applied to the 2 parties and they should not be grouped initially. It is also found that the business relationship between the 2 parties are genuine franchising arrangements at arm's length transactions: DPE is the Franchisor and the Partnership is the Franchisee.

Investigation found that the business relationship between the 2 parties would Not fit into the grouping provisions for payroll tax purposes in this case.

It's recommended that the Partnership should not be grouped with DPE and it should be refunded with the thresholds entitlements for the relevant years once the exclusion allowed.

De-Grouping Considerations

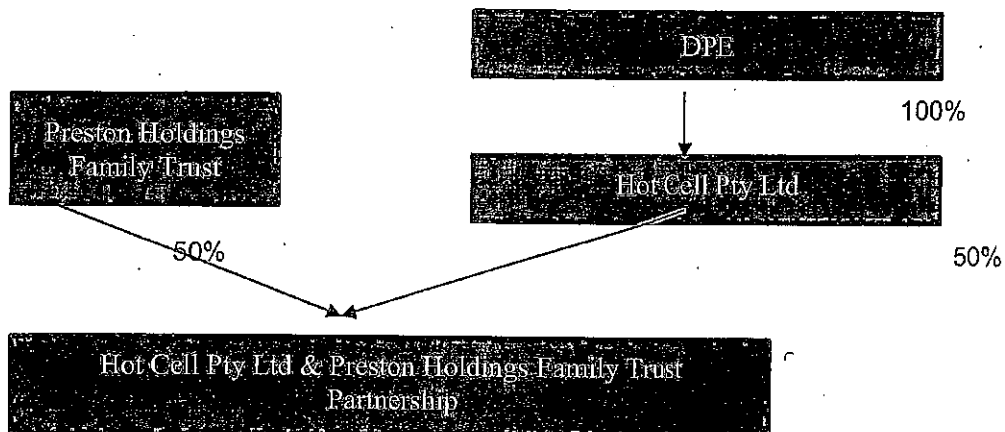
1. Grouping via Common Control (Section 72(1)(2) & 74(1) of the PTA)

Based on the GEMS data and internet searches, the auditor is satisfied that there is no "Common Control" can be established in this case for the audited period or for any other trading period for these 2 entities.

Based on the partnership agreement, DPE owns 50% of the interests in the partnership via its subsidiaries "Hot Cell Pty Ltd". DPE only has 50-50 entitlement to the profits and 50-50 capital invested (As the Partnership Agreement Attached).

On the other hand, the "Preston Holdings Family Trust" (PHFT) also only owns the other 50% of the interests. The owners of the PHFT are the members of Preston family and they are not associated persons with DPE.

Please find below diagram:



As the above diagram shows, DPE is a public company. The partnership does not have any controlling interests in it.

The control through directorship does not apply to this case due to the partnership business structure.

In summary, there is no common control existed in this case.

2. Grouping via Common Employee (Section 71(3) of the PTA)

As a master franchisor, DPE established an outsourced payroll and bookkeeping service "Dominos Bookkeeping Service" (DBS) to provide services to this franchisee network. These services include outsourced payroll, payroll tax, bookkeeping, BAS preparation and financial statement preparation. DBS provides these services to over 470 stores in the Australian franchise network, including the partnership in this case.

DPE also established an equipment supplier business (Construction Supply and Service "CSS") and a printing business (Direct Impact Media and IPGMS).

These businesses provide Pizza making and retailing equipment as well as marketing materials to the Franchisees of DPE, including the partnership.

Investigation found below facts:

- The Partnership (like many Domino's Franchisees) utilises DPEs DBS services. However, the employees involved at this are at no point in an employer and employee relationship with the Partnership
- The payments for these services are based on a fee per service. DPE/DBS assume the risk of the work as there is no hourly charge. The fee agreements are substantially the same as for all franchisees.
- The services are performed by DBS/DPE as such they are performed at the DBS/DPE head office in Qld
- Both DBS and CSS are based in QLD and paying payroll tax in QLD
- The services performed are services that are generally outsourced by other businesses
- The Partnership is free to find a suitable service provider to fulfil these services in the market
- DBS performs the daily administration/management duties for the whole group

Based on above facts, there is no usage of common employee identified between the 2 parties. The sharing usage of the bookkeeping services and sharing usages of the equipment supply are under the arm's length transaction according to the franchising business agreements.

I am satisfied that these arrangements would not fit into the provision of common employee grouping for payroll tax purposes.

3. Other factors have been considered

Business Agreement(s)

DPE as the Master Franchisor of Domino's Pizza in Australia, is responsible for managing the franchise in Australia.

Hot Cell entered into the partnership agreement with the Preston Holdings Family Trust ("PHFT"). This partnership operates Domino's Pizza Stores as a Franchisee of DPE.

Based on the Partnership Agreement, DPE and PHFT both contributed cash and agreed to the purchase of stores as capital to this partnership. It was also agreed that DPE would not participate in the management or running of the business (clause 4). The relationship between DPE and Partnership was akin to a silent investor.

Partnership, like many franchisees, contracted with DBS to provide outsourced services. It should be noted at no point were any of the employees of DBS or DPE in an employee like relationship with Partnership.

DBS/DPE employees perform duties for DBS/DPE by which DBS/DPE provide services to Partnership.

Partnership had no power to direct any of the Employees of DBS/DPE and the manner in which the work was performed, when it was performed or who it was performed by. The direction of the work was at the sole discretion of DBS/DPE.

Business Dependency

From time to time it is necessary for DPE to operate corporate owned stores within Australia, however this is not the primary business of DPE. When DPE is holding stores these stores are held for sale. The businesses within the group do not exist solely or predominantly to provide goods or services to other members of the group.

DPE provides services and goods to all Franchisees in Australia, as such DPE doesn't exist solely or predominantly to provide services or goods to Partnership. Partnership does not provide any services or goods to DPE.

DPE and Partnership do not rely on each other. They are the 2 independent business on their own. They do not compete with each other neither since Domino's stores do not have overlapping territories and as such are not in competition with each other.

The strategic and operational decisions are made by [REDACTED]. For certain decisions DPE would have been required to approve. Refer to the point above.

Partnership is run by employees of Partnership. DBS/DPE are not involved in the day-to-day management of the business. [REDACTED] is the Partnership manager (clause 4). Certain decisions require the agreement of the Partners. Details of what requires agreements can be found in the Partnership agreement (clause 10).

The people who would make decisions requiring the partners approval are employees of DPE and the directors of the trustee of PHFT. The partnership agreement details who is responsible for decision making (clause 10).

Partnership is not consolidated into the Consolidated Group Accounts of DPE. DPE accounts for Partnership as an investment.

Financial Separations

DPE and Partnership have separate banking facilities. DPE have signatory power on the Partnership account because as part of the outsourced arrangements DPE make payments on behalf of Partnership. However, the signatories of all DPEs accounts are only DPE employees. Certain DPE employees have signing power on Partnership accounts to enable DPE to fulfil its service agreements.

Although there has been a loan granted from DPE to the Partnership. The loan was given to allow the Partnership to expand and grow according to their franchising business plan.

The client clarified that the loans were granted as it was easier than going to commercial lending institutions and the market rate of interests were also been charged and repaid in the past. Even without the loan provided by DPE, the partnership would have other substitute in the market to provide the same financial service and it would still be able to manage its cash flow with the funding provided by another financial institute.

DPE did not provide any guarantees to the partnership. There is no external debt and as such no guarantees, mortgages etc.

Partnership and DPE do not use the same business advisors. If there is any overlap with advisors, then the engagements are completely separate.

In summary, investigation found the financial connection between the 2 parties are not strong. The 2 parties are not relying on each other to operate their businesses financially.

Sharing of Resources

It's found that the sharing of resources are within the provision of the Franchising Agreements and the Partnership Agreements.

Based on the Franchising Agreement, DPE provides goods and services to its franchise network. DPE holds the leases for many of the business premises that Franchisees operates from. DPE then grants a license to occupy to the Franchisees.

Due to the Franchise nature all businesses within the network are somewhat advertised as being within the same group. However, DPE and the Partnership are not represented as being one business in any of their dealings.

As Master Franchisor DPE holds the rights to the majority of the IP used by Partnership. There is a formal sub-franchise agreement with Partnership and a commercial fee is paid. This arrangement and fee are substantially the same as paid by all Australian franchisees of DPE.

Management Structure & Operation Structure

Investigation found that DPE was not involved in the day to day operations of the Partnership.

Although DPE provides goods and services to the Partnership, these would be a very small percentage. Like all franchisees, the Partnership sources a lot of its equipment and some services from DPE. These would represent a relatively high percentage of their costs but would not be dissimilar from a 3rd party franchisee.

As DPE operates some corporate stores they would have some common suppliers with Partnership.

However, these would be on separate account with the supplier and there would not be any shared purchasing agreements.

DPE and Partnership do not have shared Workcover policies. DPE have arranged a group insurance policy for all its franchisees to access (at their election). Partnership elected to participate in the group policy as a franchisee of DPE.

So investigation found that the 2 parties are operating in their own independent business system in terms on daily management, personnel and strategic decision makings. They are not integrated into each other's business.

Business Premises & Business Contacts

It's found from the client's website, all Domino stores are operating from their own business addresses.

In this case, DPE is located in QLD as the head office and the partnership is located in NSW during its trading period. The business contacts are deferent for each store as well as from the head office. It is noted from the financials that the renting expenses are paid separately in both accounts.

Recommendation

In summary, by looking at the above discussed factors, there is no grouping can be established between the 2 parties:

- No common control or commonly used employees identified.
- The nature and the extent of the relevant agreements and dealings among the 2 parties demonstrated a genuine Franchising relationship.
- There is no control involved in the managerial decisions from the DPE other than the terms listed in the franchising agreement.
- The financial interdependencies attached to the business agreement also reflected a genuine Franchising agreements which show high level of independency between the 2 parties.

It is recommended by the auditor that to ALLOW the exclusion (de-grouping) application.

WAGE RECONCILIATION FOR HOT CELL PTY LTD & PRESTON HLDGS FAMILY TRUST

Data availability	Data Source	Financial Year	Salaries & Wages	Fringe Benefits	Superannuation	Termination Payments	Contractor Payments	Allowances	Bonuses / Commissions	Directors Fees	Shares & Options	Apprentice & Trainee Wages	Gross NSW Wages	Interstate Wages	Total Australian Wages
Annual Return	2015	380,386.48	0	32,583.86	0	0	0	0	0	0	0	0	422,979.34	601,747.53	1,024,726.87
Audited Wages	2015	380,386.48	0	32,583.86	0	0	0	0	0	0	0	0	422,979.34	601,747.53	1,024,726.87
Variance	2015	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Return	2016	893,695.69	0	71,407.31	3,498.59	0	0	0	0	0	0	0	968,499.59	1,384,255.03	2,352,755.62
Audited Wages	2016	893,695.69	0	71,407.31	3,498.59	0	0	0	0	0	0	0	968,499.59	1,384,255.03	2,352,755.62
Variance	2016	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Return	2017	844,676.05	0	64,054.48	37,467.33	0	0	0	0	0	0	0	946,207.86	932,847.76	1,878,755.62
Audited Wages	2017	844,676.05	0	64,054.48	37,467.33	0	0	0	0	0	0	0	946,207.86	932,847.76	1,878,755.62
Variance	2017	0	0	0	0	0	0	0	0	0	0	0	0	0	0
No AR lodged	Annual Return	2018	0	0	0	0	0	0	0	0	0	0	0	0	0
Audited Wages	2018	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Variance	2018	0	0	0	0	0	0	0	0	0	0	0	0	0	0



Revenue

Domino's Pizza Enterprises Ltd
Hot Cell P/L & Preston Holdings Family Trust
L1/485 Kingsfor Smith Dr
Hamilton QLD 4007

Issue date: 12 April 2019
Our ref: PRTAU-00072447
Client number: [REDACTED]

2(9)(xii) 6

State Tax Investigation of Domino's Pizza Enterprises Ltd and Hot Cell P/L & Preston Holdings Family Trust

Dear [REDACTED]

Thank you for your cooperation during my recent investigation of the above clients.

I have now completed my investigation and found an over declaration in the taxable wages for FYs 2015, 2016 & 2017 in the partnership's account.

As discussed, this is due to the decision we made to allow the Exclusion Application lodged for the two audited entities. Based on the information reviewed during the audit, it is satisfied that the client "Hot Cell Pty Ltd & Preston Holdings Family Trust" should be de-grouped with "Domino's Pizza Enterprises Ltd" for payroll tax purposes.

"Hot Cell Pty Ltd & Preston Holdings Family Trust"

- Audit found the two entities should be treated as unrelated separate accounts in our system.
- As a result of the De-Grouping, the partnership is now entitled to the thresholds for the relevant years. The thresholds entitlements has been calculated based on the number of days the partnership traded during the year(as below) as well as taking consideration on the proportion of the NSW wages comparing with the Australian Wages Total in the applicable years for this client.
- It is satisfied out of the audit that the client has lodged their payroll tax correctly for all other taxable elements.
- There is no other issue identified in the partnership account.

"Domino's Pizza Enterprises Ltd"

- There are only minor variances identified in the client's payroll tax lodgements for the audited years which have been considered as immaterial for further adjustments.
- It is satisfied that the client has lodged their payroll tax correctly in the audited years
- There is no further action required in the company's account

In summary, the total refund of **\$39,484.91** will be issued to the nominated bank account shortly.

2(a) (xii)

Please Note:

For the purpose of administering NSW taxation laws, the Revenue NSW exchanges information with other State and Territory Revenue Offices and the Australian Taxation Office to assist in the proper identification and accurate assessment of taxation liabilities.

In this regard, the sharing of information with other Revenue Offices and with the ATO across all taxation laws administered by the Revenue NSW, is carried out in accordance with *Part 9 of the Taxation Administration Act 1996 NSW*, similar legislation in other States and Territories and under *section 355-65 Schedule 1 of the Commonwealth Taxation Administration Act 1953*.

The investigation was limited and based on the records and information provided at that time. It is possible that we may wish to re-examine these same or similar issues in the future. Please note that you must keep all relevant records for at least five years. If you have any questions, contact me on 02 9762 7506, or email judy.yang@revenue.nsw.gov.au.

Yours sincerely,



Judy Yang
Compliance Officer, Products, Service and Compliance
for the Chief Commissioner of State Revenue