

APPENDIX B: TESTING PROPOSED PRINCIPLES AGAINST PCG 2024/D3 EXAMPLES

Examples	Example 12 – repaying debt interest	Example 13 – repaying bridging finance	Example 15 – repaying debt interest, terminating swaps, recapitalising subsidiary	Example 16 – repaying debt interest	Example 17 – cash pooling	Example 18 – contending to change the character of costs incurred	Example 19 – replacing related party debt with third-party debt
PCG 2024/D3 classification	Low risk	Low risk	Low risk	Low risk	Low risk	High risk	High risk
Identify a group of entities that are within the same controlled associate entity group or same family trust elected group and are Australian resident entities of that group (the Australian Group).	Yes	Yes	Yes	Yes	Yes	Yes, Aus Co	Yes, Aus Co
The original arrangement prior to the restructure would not have attracted the application of Part IVA to any entity within the Australian Group.	Yes	Yes	Yes	Yes	Yes	Yes	Yes
The replacement arrangement on a stand-alone basis would not attract the application of Part IVA to any entity within the Australian Group (arrangement viewed without regard to the original arrangement or restructure steps).	Yes	Yes	Yes	Yes	Yes	Yes	Yes
The restructure and replacement arrangement are effected in a straightforward manner, explicable only by an objective of eliminating or reducing levels of intragroup debt or debt deductions for entities within the Australian Group.	Yes	Yes	Yes	Yes	Yes	No	Yes
The restructure does not result in a reduction in the overall net asset position of the Australian Group as a whole.	Yes	Yes	Yes	Yes	Yes	Yes	Yes
The restructure:							
Does not increase the overall third-party debt of the Australian Group (as compared to the debt of the Australian Group prior to the restructure); or	Yes	N/A	Yes	Yes	Yes	N/A	N/A
Results in an increase in overall third-party debt of the Australian Group, but the Australian Group can evidence that either (i) there is no related reduction in third-party debt for any foreign entity that is related to the Australian Group; or (b) the third-party debt is not used to fund (directly or indirect) foreign investments or foreign operations.	N/A	Yes	N/A	N/A	N/A	N/A	No
Overall conclusion applying the proposed principles	Low risk	Low risk	Low risk	Low risk	Low risk	Outside of safe harbour	Outside of safe harbour