Australia’s Hybrid Mismatch Rules

An essential update

November 2019

Australia’s new hybrid mismatch rules are complex and far-reaching. There is neither a de minimis threshold, nor a grandfathering exclusion. Further, the rules can apply even when there is no Australian tax avoidance motive. If the rules apply, there can be additional Australian tax over multiple years.

The rules target hybrid mismatch arrangements, being broadly when there is a different tax treatment in two or more countries that gives rise to either a tax deduction in two or more countries (deduction/deduction outcome), or a tax deduction in one country and no assessable income in any other country (deduction/non-inclusion outcome). However, the rules also extend to certain quasi-hybrid mismatch arrangements involving Australian financing, including potentially Australian tax deductible interest payments on ordinary loans directly or indirectly from foreign related parties taxed at 10% or less.

Examination of the entire global group is generally required (including foreign tax positions adopted in multiple jurisdictions), both upfront as well as going forward to monitor for applicable group changes (new protocols should be established). This is because the rules can apply to hybrid mismatch arrangements anywhere in the global group – that is, even arrangements that are wholly offshore with no direct Australian participant. Also, the rules can apply to hybrid mismatch arrangements involving non group members.

The Australian Taxation Office now requires specific disclosures about the hybrid mismatch rules to be made in an income tax return. The disclosures can necessitate a hypothetical application of the rules for a retrospective two year period. Even if there is no adverse tax adjustment, disclosure may be required.

Purpose of this document

This document provides a general update to facilitate understanding and identification of some common arrangements that may be subject to Australia’s hybrid mismatch rules. The document also provides examples of the income tax return disclosures relating to the rules.

As the rules are complex and far-reaching, the commentary in this document is not intended to constitute an exhaustive reference of the circumstances which may give rise to a risk under the hybrid mismatch rules. Accordingly, specific advice should be obtained in relation to the hybrid mismatch rules. KPMG would be pleased to assist.
Overview of the hybrid mismatch rules

Australia’s hybrid mismatch rules generally apply to income years beginning on or after 1 January 2019 (the rules also apply to certain distributions made on or after 1 January 2019).

A hybrid mismatch arrangement is broadly an arrangement that is subject to differences in the tax treatment of an entity or a financial instrument under the income tax laws of two or more countries.

Core principles

The core principles of the hybrid mismatch rules target payments to the extent they give rise to:

i. a tax deduction in two or more countries (deduction/deduction (DD) outcome); or

ii. a tax deduction in one country and no assessable income in any other country (deduction/non-inclusion (DNI) outcome).

The core principles of the hybrid mismatch rules potentially apply to hybrid mismatch arrangements if there is a direct Australian group member participant, and also if there is no direct Australian group member participant but the arrangement can be traced under the rules to the Australian group member. That is, a wholly offshore hybrid mismatch arrangement can be attributed to the Australian group member (“imported hybrid mismatch”). The tracing requirements under the rules are wide reaching (including being able to trace through an offshore tax group without any intra-group payments).

Essentially, the core principles of the hybrid mismatch rules are broadly aimed at neutralising every DD and DNI outcome of a global group. This is effected by denying an Australian tax deduction or increasing Australian assessable income.

Appendix 1A can assist with identifying the arrangements in a global group which require consideration for compliance with the core principles of the hybrid mismatch rules.

Financing integrity measure

The hybrid mismatch rules also include a targeted financing integrity measure that can deny Australian tax deductions (such as deductions for interest payments and certain losses resulting from derivative arrangements) in respect of financing or derivative arrangements entered into with a related party, if, broadly, the relevant payment is made to a foreign jurisdiction that taxes the payment at a rate of 10% or less (e.g. an ordinary interest bearing loan from a foreign related lender taxed at a rate of 10% or less).

This measure also targets certain back-to-back arrangements, potentially requiring additional global tracing (to identify any foreign related parties in the chain that are taxed at a rate of 10% or less). Further, this measure may have implications for lending and derivative financing arrangements with a territorial tax regime which does not tax foreign income that is not remitted onshore (e.g. Singapore and Hong Kong).

Appendix 1B can assist with identifying the arrangements in a global group which require consideration for compliance with the financing integrity measure.

Other specific payments

The hybrid mismatch rules also target certain distributions (e.g. dividends) which give rise to a tax deduction in a foreign country.

Tax return disclosures relating to the hybrid mismatch rules

The 2019 versions of the International Dealings Schedule (IDS) and the Reportable Tax Position Schedule (RTPS) include disclosures in relation to the hybrid mismatch rules. These disclosures are applicable to all income tax returns (when an IDS or RTPS is required) being lodged for the 2019 income year, and require a hypothetical application of the hybrid mismatch rules for a two year look back period.

Please refer to Appendices 2A and 2B which provide examples of the types of disclosures required to be made relating to the hybrid mismatch rules.

1. Timing differences and foreign income tax offsets (i.e. foreign tax credits) may have implications.
2. A hybrid mismatch arrangement can include a payment made under a “structured arrangement” regardless of whether the parties are related. Broadly, a payment is made under a structured arrangement if: (i) the hybrid mismatch is priced into the terms of a scheme under which the payment is made; or (ii) it is reasonable to conclude that the hybrid mismatch is a design feature of a scheme under which the payment is made.
3. Broadly, there may be implications if, on or after 1 January 2019: (i) a foreign equity distribution is received from a foreign entity in which a direct or indirect participation interest is held, and that distribution gave rise to a foreign income tax deduction; or (ii) a franked distribution is made and that distribution gave rise to a foreign income tax deduction.

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Critical takeaways on the hybrid mismatch rules

The critical takeaways on the hybrid mismatch rules are:

• The rules potentially apply to every Australian member of a global group that makes a payment to a non-resident member of a global group and there is a hybrid mismatch arrangement anywhere in the global group.

• The rules do not contain any grandfathering provisions, there is no de minimis threshold and there does not need to be any motive of gaining an Australian tax benefit for the rules to apply.

• Australia’s rules are unique and therefore they must be considered on a standalone basis, whether or not another country’s hybrid mismatch rules have been considered by the global group.

• Those responsible for the Australian tax compliance of an Australian member of a global group require a detailed and ongoing understanding of the global group structure and the transactions entered into by the members of the global group, whether or not the Australian member is a party to any hybrid mismatch arrangement. This is because:
  – Broadly, there is a mandatory Australian income tax reporting disclosure requirement that applies (to a varying degree) to every Australian member of a global group that has a hybrid mismatch arrangement anywhere in the world. This reporting obligation applies whether or not a tax adjustment arises under the hybrid mismatch arrangement;

  – The imported hybrid mismatch rule can potentially apply to deny deductions (or include income) for the Australian member of the group if there is a hybrid mismatch arrangement in the global structure and that arrangement results in a DD or DNI outcome anywhere in the world (and no other country’s hybrid mismatch rules neutralise the DD or DNI outcome); and

  – New tax laws or changes in tax treatment somewhere in a global group at any time could result in implications under Australia’s hybrid mismatch rules (new protocols should be established to assist with monitoring).

• Even if an interest or royalty deduction is denied by the application of the hybrid mismatch rules to the Australian member of the group, the relevant payment to the non-resident may nevertheless remain liable to Australian withholding tax. That is, the rules do not change the nature or characterisation of related party payments.

• If an offshore hybrid benefit for a global group for any particular tax year is sufficiently large enough, and the full amount of the benefit is not neutralised by denied deductions under other countries’ hybrid mismatch rules, Australia’s hybrid mismatch rules may apply to deny deductions for the Australian entity over multiple tax years until the full amount of the foreign benefit is neutralised.

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Appendix 1A

Hybrid Mismatch Rules – Core principles

This appendix outlines the core hybrid mismatch arrangements together with illustrative examples and identifying factors.

The existence of any arrangement identified below within the global group may potentially trigger Australia’s hybrid mismatch rules. Accordingly, as an initial step, a thorough examination of the global group must be undertaken for the following types of arrangements. If any such arrangement exists, there is a risk the hybrid mismatch rules apply and a detailed analysis is required. KPMG would be pleased to assist.

Example identifying factors

• Mandatorily redeemable preference shares (or other similar financial instruments) have been issued by a company to a foreign shareholder. The shares are treated as debt for tax purposes for the issuing company and dividend payments made pursuant to the shares give rise to interest deductions. The dividend is treated as an exempt dividend (or otherwise a non-taxable amount) in the hands of the recipient shareholder and this is not subject to tax in the foreign country.

Symbol Glossary

- Deduction
- Inclusion in assessable income
- No-inclusion in assessable income
- Taxed at 10% or less

1 Hybrid Financial Instrument Mismatch (HFIM)

A mismatch is an HFIM to the extent it is attributable to hybridity in the treatment of a financial instrument, or an arrangement to transfer a financial instrument.

Illustrative example:

<table>
<thead>
<tr>
<th>Country A</th>
<th>Company A</th>
<th>RPS</th>
<th>%*</th>
<th>Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company B</td>
<td>Company B</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Note the issuer of the instrument does not need to be a wholly owned subsidiary for the rule to apply:

- Company A holds redeemable preference shares (RPS) in Company B.
- The RPS are debt under Country B’s tax law.
- The RPS are equity under Country A’s tax law.
- Company B pays an RPS dividend to Company A.
- Country B treats the RPS dividend as an interest payment and allows a tax deduction.
- Country A does not tax the RPS dividend.
- The arrangement results in a DNI outcome.

Example identifying factors

- Mandatorily redeemable preference shares (or other similar financial instruments) have been issued by a company to a foreign shareholder. The shares are treated as debt for tax purposes for the issuing company and dividend payments made pursuant to the shares give rise to interest deductions. The dividend is treated as an exempt dividend (or otherwise a non-taxable amount) in the hands of the recipient shareholder and this is not subject to tax in the foreign country.

- A company has issued a non-share equity type instrument (i.e. treated as if the instrument were shares in a company) to a person resident in a different country. Payments pursuant to the instrument give rise to income tax deductions for the payer. In the hands of the recipient, the payments are treated as exempt dividends and as such are not subject to tax in the foreign country.
An entity is a hybrid payer to the extent a payment it makes is disregarded for the purposes of the tax law of one country (resulting in non-inclusion), but is deductible for the purposes of the tax law of another country.

Illustrative example 1:
- Company B is treated as a company under Country B’s tax law.
- Country A’s tax law treats Company A and Company B as a single taxable entity. Company A is liable for taxes on Company B’s profits in Country A.
- Company B makes a payment to Company A (e.g. for services/goods).
- Country B treats the payment as a tax deduction for Company B.
- Country A disregards the payment for tax purposes (i.e. the payment is not taxed).
- The arrangement results in a DNI outcome.

Illustrative example 2:
- Company A is the head company of a tax consolidated group in Country A. Under Country A’s tax law, Company A, Company A Sub-1 and Company A Sub-2 are treated as a single taxpayer and consequently, transactions between them are disregarded for Country A’s tax purposes.
- Under Country B’s tax law, Company A Sub-1 is carrying on business through a permanent establishment in Country B (Foreign Branch).
- Company A Sub-1 makes a payment to Company A Sub-2. The transaction is disregarded for tax purposes in Country A and as such there is no inclusion in taxable income in Country A.
- Country B treats the payment as being a deductible expense attributable to the permanent establishment located in Country B (Foreign Branch) and therefore the payment is a tax deduction in Country B.
- The arrangement results in a DNI outcome.

Example identifying factors
- A deductible payment is made to a foreign parent company that treats the payer as part of its tax consolidated group or otherwise as disregarded for tax purposes in the foreign country (e.g. payments made to a US parent that has “checked the box” for the subsidiary entity and disregards the entity for US tax purposes).
- A deductible payment attributable to a foreign branch of an entity is made to a related party and the resulting income is not taxable (either partly or wholly) in any country.
- An Australian limited partnership with foreign partners is part of an Australian multiple entry consolidated (MEC) tax group. It makes payments within the Australian tax group which are deductible in the hands of the foreign partners in their country or countries of residence (which view the limited partnership as a transparent entity or a flow through entity for tax purposes) but are disregarded from an Australian income tax perspective.
An entity is a reverse hybrid to the extent it is transparent for the purposes of the tax law of the country in which it is formed, but non-transparent for the purposes of the tax law of the country or countries in which investors in it are subject to tax (resulting in non-inclusion).

Illustrative example:

- Entity B is treated as a company under Country A’s tax law.
- Entity B is treated as a flow-through/transparent entity under Country B’s tax law.
- Company C makes a payment to Entity B.
- Company C payment is tax deductible in Country C.
- Entity B is not subject to tax in Country B on the payment as Country B considers the income is derived by Company A (i.e. it considers Entity B to be transparent).
- Company A is not subject to tax in Country A on the payment as Country A considers the income is derived by Entity B.
- The arrangement results in a DNI outcome.

Example identifying factors

- A payment made to a foreign entity is deductible to the payer in their country of residence, but the payment is not subject to tax for:
  - i. the recipient of the payment, as the recipient entity is treated as transparent (i.e. a flow-through tax entity) for tax purposes of the country in which the recipient was formed; and
  - ii. an investor (which may include a foreign parent), as the country in which the investor is a tax resident treats the recipient of the payment as opaque (i.e. a taxable entity).
An entity is a branch hybrid in relation to a payment made to it, to the extent, for the purposes of the tax law of the country in which it is a resident, the payment is treated as being allocated to a permanent establishment in another country, but in the other country, the payment is treated as not being allocated to a permanent establishment in that country.

**Example identifying factors**

- A deductible payment from a related party (or from a structured arrangement) is made to a foreign branch of an entity and the resulting foreign branch income is not taxable (either partly or wholly) in the country where it is a resident and it is also not taxable in the country where the foreign branch is located.
An entity is a deducting hybrid to the extent a payment it makes is deductible for the purposes of the tax law of two or more countries.

**Example identifying factors**

- A payment which is deductible in the payer’s country is also deductible under the tax law of another country (either in the payer’s hands or in the hands of another entity) (e.g. payments made by a subsidiary entity that is disregarded by its US parent for US tax purposes (i.e. its US parent has “checked the box”)).
- The rule applies not only to payments but also to other deductions including depreciation and amortisation (if the amount is deductible in two countries).

- Partnership structures which provide for tax deductions for the partnership in the country in which the partnership is formed (i.e. the partnership is treated as a tax paying or an opaque entity) and the partners in their country(ies) of residence (i.e. the partnership is treated as a flow through or transparent entity).
Importing payments and tracing of offshore hybrid mismatch arrangement (Imported Hybrid Mismatch)

The following examples illustrate an offshore hybrid mismatch arrangement (being any of the above hybrid mismatch arrangement types 1–5) being imported/traced to an Australian tax paying entity through an importing payment.

**Illustrative example 1:**

**Importing payment made directly to offshore deducting entity**

Offshore hybrid mismatch (in this case, HFIM, but may be any of the hybrid mismatch arrangement types 1-5 above)

- Company A and Company B are foreign resident companies, and Aus Co is an Australian resident company.
- Company A and Company B are parties to an HFIM arrangement (i.e. DNI outcome in respect of Payment B).
- Aus Co makes a payment (Payment A) to Company B that is prima facie deductible in Australia and taxable to Company B in Country B (e.g. a payment for goods purchased, an interest or royalty payment, or a service fee payment).
- Payment A is not a payment under any of the hybrid mismatch arrangement types 1-5 above.
- Payment A is an “importing payment” in relation to the offshore HFIM arrangement involving Company A and Company B.
- There are no applicable foreign hybrid mismatch rules.
- As a result of the offshore HFIM arrangement, Aus Co’s tax deduction in Australia in respect of Payment A may potentially be wholly or partly denied.

**Illustrative example 2:**

**Importing payment made indirectly through one or more interposed entities to offshore deducting entity**

Offshore hybrid mismatch (in this case, RHM, but may be any of the hybrid mismatch arrangement types 1-5 above)

- Company A, Entity B and Company C are parties to an RHM arrangement (i.e. DNI outcome in respect of Payment D).
- Aus Co makes a payment (Payment A) to IE 1 that is prima facie deductible in Australia and taxable to IE 1 in Country D.
- Payment A, Payment B and Payment C are not a payment under any of the hybrid mismatch arrangement types 1-5 above.
- Pursuant to Australia’s hybrid mismatch rules, Payment A can be traced through the TCG and ultimately be traced to Payment D. That is, IE 1 makes a tax deductible payment to IE 2 (Payment B), which is taxable to the TCG; IE 4 (a member of the TCG) makes a tax deductible payment to Company C (Payment C), which is taxable to Company C; and Company C in turn makes a tax deductible payment (Payment D). There is no need for there to be a payment by IE 2, if IE 2’s income can be offset by deductions generated by other members of the TCG (i.e. IE 4).
- There are no applicable foreign hybrid mismatch rules.
- Payment A is an “importing payment” in relation to the offshore RHM arrangement involving Company A, Entity B and Company C.
- As a result of the offshore RHM arrangement, Aus Co’s tax deduction in Australia in respect of Payment A may potentially be wholly or partly denied.
Appendix 1B

Hybrid mismatch rules – Financing integrity measure

This appendix outlines Australia’s financing integrity measure together with illustrative examples and identifying factors.

The existence of any arrangement identified below may potentially trigger Australia’s financing integrity measure. Accordingly, as an initial step, a thorough examination must be undertaken for the following types of arrangements. If any such arrangement exists, there is a risk the financing integrity measure applies and a detailed analysis is required. KPMG would be pleased to assist.

The FIM may apply to deny an Australian tax deduction for certain payments under financial arrangements (e.g. interest or an amount under a derivative financial arrangement), if the funds are being routed through interposed foreign related entities into Australia, the highest rate of foreign income tax on such payments is 10% or less, and certain other conditions are satisfied.\(^4\) If the payment is made under a ‘back-to-back’ arrangement, this rule can look through to the ultimate recipient (to determine whether the payment is subject to foreign tax at a rate of 10% or less).

Symbol Glossary

- Deduction
- Inclusion in assessable income
- No-inclusion in assessable income
- Taxed at 10% or less

Illustrative example 1:

<table>
<thead>
<tr>
<th>Company A</th>
<th>Country A</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company B</td>
<td>Country B</td>
<td></td>
</tr>
</tbody>
</table>

- Company B has provided an interest bearing loan to Aus Co.
- Company A is subject to a tax rate greater than 10% in Country A.
- Company B is either non-taxable on the interest income, or is subject to a tax rate of 10% or less in Country B.
- The interest payment is prima facie deductible to Aus Co under Australia’s tax law.
- The interest income is included in Company B’s taxable income under Country B’s tax law.
- The arrangement results in a tax deduction in Australia with an income inclusion in Country B subject to tax at a rate of 10% or less.
- The FIM may potentially apply to deny the tax deduction in Australia for Aus Co.

4. Notably, one important condition is if it is reasonable to conclude that the entity, or one of the entities, that entered into the arrangement did so for a principal purpose (not necessarily the only principal purpose) of enabling a deduction to be obtained in respect of the payment, or enabling foreign income tax to be imposed on the payment at a rate of 10% or less.
Under a back-to-back arrangement, Company B has provided an interest bearing loan to Company C, and Company C has in turn provided an interest bearing loan to Aus Co.

Company A is subject to a tax rate greater than 10% in Country A.

Company B is either non-taxable on the interest income, or is subject to a tax rate of 10% or less in Country B.

Company C is subject to a tax rate greater than 10% in Country C.

The interest payment is prima facie deductible to Aus Co under Australia’s tax law.

The interest income is included in Company C’s taxable income under Country C’s tax law.

The interest payment to Company B is deductible to Company C under Country C’s tax law.

The interest income is either non-taxable to Company B, or is included in Company B’s taxable income under Country B’s tax law.

In effect, the arrangement results in a deduction in Australia with an income inclusion in Country B, subject to tax at a rate of 10% or less.

The FIM may potentially apply to deny the tax deduction in Australia for Aus Co.

Example identifying factors

- An Australian entity makes interest payments to any member of its global group (either directly or indirectly through interposed entities, but not the ultimate parent of the group) that is subject to tax at a rate of 10% or less.

- Interest and derivative payments made to entities in the following countries may potentially result in the application of the FIM, including but not limited to Bermuda, British Virgin Islands, Isle of Man, Cayman Islands, Mauritius, Jersey, Guernsey, Switzerland (and in some cases jurisdictions such as Singapore and Hong Kong, which tax amounts on a territorial basis).
Appendix 2A

Tax Return Disclosures – 2019 International Dealings Schedule

The table below lists hybrid mismatch related disclosure questions in the 2019 International Dealings Schedule (IDS).

The list is an indication of the types of potential IDS disclosures that may be required in the future by the ATO in connection with a global group. Each taxpayer’s disclosure requirements should be considered based on their specific circumstances.

Key points to consider in connection with IDS hybrid mismatch related questions:

1. It may take some time to collate the information necessary to correctly and appropriately answer all the hybrid mismatch questions detailed in an IDS. Accordingly, the process of understanding how the hybrid mismatch rules may apply as a consequence of a global group’s business structure and activities should be commenced as early as possible. If not started early enough, the necessary work may not be completed by the time the relevant Australian tax return is due for lodgement.

2. The affected amounts required to be calculated and disclosed in some questions outlined below are to be calculated prior to any adjustments that may result in no amounts being denied as a tax deduction for the Australian member of the global group. Such adjustments include (but may not be limited to):
   a. dual inclusion income (i.e. income subject to tax in more than one country);
   b. the neutralising amounts resulting from another country’s hybrid mismatch rules; and
   c. certain income recognised in later tax years.

<table>
<thead>
<tr>
<th>Section G Question Number</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>45</td>
<td>Did the hybrid mismatch rules affect you?</td>
</tr>
<tr>
<td>46</td>
<td>Have you made or received a payment at any time during the income year which gave rise to a deduction/non-inclusion or a deduction/deduction mismatch?</td>
</tr>
<tr>
<td>46a</td>
<td>Total amount of deductions denied or total inclusion of income under subdivisions 832-C to 832-G</td>
</tr>
<tr>
<td>46b</td>
<td>List top three material arrangements which gave rise to the mismatch</td>
</tr>
<tr>
<td>47</td>
<td>Do your international related parties have an offshore hybrid mismatch?</td>
</tr>
<tr>
<td>48</td>
<td>Did you pay an amount of interest or an amount under a derivative financial arrangement to an international related party which was not taxed or taxed at 10% or less?</td>
</tr>
<tr>
<td>48a</td>
<td>Total amount of deduction denied under subdivision 832-J</td>
</tr>
<tr>
<td>48b</td>
<td>List top three material arrangements</td>
</tr>
<tr>
<td>49</td>
<td>Did you restructure or replace an arrangement which would have been subject to any of the hybrid mismatch rules in the current year or the prior year if the arrangement was still in place?</td>
</tr>
</tbody>
</table>
| 49a                       | Provide the following information for the top three most material restructuring event(s):
   • Label A: Description of the restructuring event
   • Label B: As a result of the restructure, has the taxable income of the entity remained the same or decreased if compared to the replaced hybrid arrangement before the application of the hybrid mismatch rules? |
| 50                        | If you answered yes at question 24, did you receive a foreign equity distribution that gave rise to a foreign income tax deduction? |
| 50a                       | Amount that is not non-assessable non-exempt under section 768-7 |
| 51                        | If you answered yes at question 24, did you derive branch hybrid mismatch income? |
| 51a                       | Amounts that are not non-assessable non-exempt under subsection 23AH(4A) |

5. Question 24 asks whether you have foreign branch operations or any direct or indirect interests in foreign companies or foreign trusts.
Appendix 2B

Tax Return Disclosures – 2019 Reportable Tax Position Schedule

The table below provides the hybrid mismatch related disclosure question in the 2019 Reportable Tax Position Schedule (RTPS).

The question gives an example of a potential RTPS disclosure that may be required by the ATO in connection with a global group. In the future, the RTPS may include additional hybrid mismatch disclosure questions. Each taxpayer’s disclosure requirements should be considered based on their specific circumstances.

<table>
<thead>
<tr>
<th>Category</th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Category C</strong></td>
<td>Question 22: If you have restructured out of any arrangements in the current or previous income year to which the hybrid mismatch rules applied or would have applied had the arrangement remained in place, disclose the subcategory that describes your current position:</td>
</tr>
<tr>
<td>Reportable tax positions</td>
<td>• Subcategory 1: All of your restructured arrangements qualify as low risk under Draft Practical Compliance Guideline PCG 2018/7</td>
</tr>
<tr>
<td></td>
<td>• Subcategory 2: One or more of your restructured arrangements does not qualify as low risk under Draft Practical Compliance Guideline PCG 2018/7</td>
</tr>
<tr>
<td></td>
<td>Note: In considering whether the hybrid mismatch rules would apply you must disregard dual inclusion income.</td>
</tr>
</tbody>
</table>
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