**INTM489825 - CHART 4: Insufficient Economic Substance Condition (Section 110)**

NO

Is the ‘effective tax mismatch outcome’ [see Chart 3] referable to a single transaction?

“**First party**” = ‘C’ re section 80; ‘Foreign company’ re section 86

“**Second party**” = ‘P’ re section 80; ‘A’ re section 86

Is the ‘effective tax mismatch outcome’ [see Chart 3] referable to any one or more of the transactions in a series of transactions?

Is it reasonable to assume that the transaction or transactions were designed to secure the tax reduction?

Is it reasonable to assume that, for the first and second parties taken together, the non-tax benefits for all the accounting periods for which the transactions have effect would exceed the financial benefits of the tax reduction?

Is it reasonable to assume that the involvement of a person party to the transaction or one or more of the transactions within the series of transactions was designed to secure the tax reduction?

The ‘insufficient economic substance condition’ is **NOT** met

Is it reasonable to assume that, at the time of the making or imposition of the material provision, for the first party and the second party (taken together) and taking account of all accounting periods for which the transaction or series was to have effect, the non-tax benefits referable to the contribution made to the transaction or series by that person, in terms of the functions or activities that that person’s staff perform, would exceed the financial benefit of the tax reduction?

Does the income attributable in the accounting period to the ongoing functions and activities of that person’s staff in terms of their contribution to the transactions *(ignoring functions or activities relating to the holding, maintaining or protecting of any asset from which income attributable to the transaction or transactions derives)* exceed the other income attributable to the transactions?

**The ‘insufficient economic substance condition’ is met**

NO

NO

NO

NO

YES

YES

NO

YES

YES

YES

YES

NO

YES