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neo Financial Solutions

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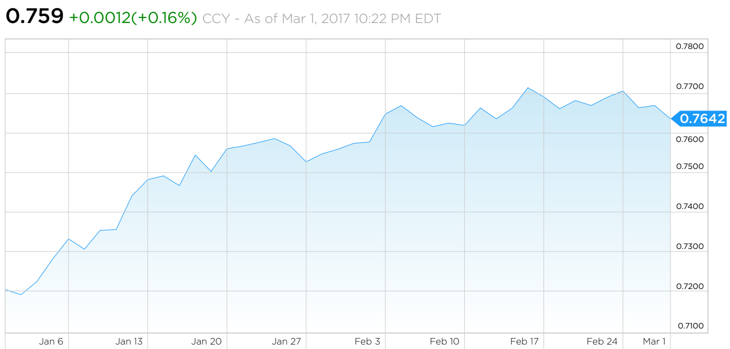
IMPERIUM CAPITAL

Currency View

OFX



The AUD lost ground last week as commodity and oil prices were pressured while both countries reported mixed economic numbers. The rate began the week on a soft note, declining after making its weekly high of 0.7707 on Monday despite Australian Company Operating Profits, which showed an increase of +20.1% q/q, significantly higher than the expectation of an +8.0% increase. The pair extended its losses on Tuesday after the Australian Current Account showed a deficit of -3.9B, which was in line with expectations. On Wednesday, the rate gained a fraction after Australian GDP increased by +1.1% q/q versus +0.7% anticipated. The pair then fell sharply on Thursday after the Australian Trade Balance showed a contracting surplus of +1.30B, less than half the expectation of +3.82B with the previous number downwardly revised from +3.51B to +3.33B. Nevertheless, Australian Building Approvals increased by +1.8% m/m, which was significantly higher than the expected decline of -0.1%, although the previous number was downwardly revised to -2.5%. The rate recovered somewhat on Friday after making its weekly low of 0.7542 as traders squared positions and despite a better than expected U.S. ISM Non-Manufacturing PMI number. AUD/USD closed at 0.7594, with a loss of -1.0% from its previous weekly close.

Commentary Data are the latest available as at 6 March 2017

THE GOODLAD REPORT:
March Newsletter

The Australian stock market has joined global markets in a post Trump climb as Financials and Resources benefit from renewed optimism about outlook for the global economy. Even Warren Buffet – the Oracle of Omaha – has been piling in to the stock market as momentum continues to lift prices. The grind higher has continued on most days with the odd down day being relatively modest in its severity!.

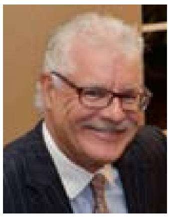
Investing is all about diversifying across asset classes and within markets. Who would have predicted Financials and Resources would finally kick so hard after several months of poor performance and gloom? Our favoured Financial companies have now moved back into the HOLD zone --although we are always happy to pick up Commonwealth Bank on bad days. And we note it is still well worth of its close to 100 AUD highs of the last few years. General Insurer QBE has, as mooted in our recent newsletter, moved strongly higher and a few takeover over rumours have made the financial press too.

The Property/ Infrastructure and Utilities sector was buffeted as part of the so called "Bond proxy" sell down on the back of higher interest rate moves late last year. We are still keen on Transurban and Westfield Corporation at the big end. And Mantra Group and the trashed out Ardent Leisure (AAC) at the smaller end .AGL , Australia's gravity defying energy infrastructure stock , has moved to a Sell in term of our Research. But active investors should only trim this core stock if they promise to try and buy it back if it does indeed dip!

We have selected Buy recommendations on some of our Industrial favourites. Telstra is firmly in our Accumulate zone with a 6.00 Price target - despite its relatively flat earnings outlook,. Contrarians may care to pick up some Brambles after another one of their regular missing CHEP pallet disasters. And mid cap Flight Centre has moved in to our Buy zone. Along with both Primary and Sonic Healthcare for medical exposure.

While we have formal Reduce recommendations on some of our favoured resource companies, momentum is strong and there is room for earnings upgrades as commodity prices stay 'stronger for longer" . We maintain an Accumulate recommendation on Santos within the Energy space.

Please let me know if you have any queries or would like to discuss opportunities in the market.



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Tax & The Aussie Expat

UK OVERSEAS PENSIONS – NEW CHANGES

PINNACLE GROUP

Background

The last 18 months has seen significant changes to the UK qualifying recognised overseas pension scheme ('QROPS') for overseas pension transfers.

On 1 July 2015, HMRC published their recognised overseas pension scheme ('ROPS') list resulting in more than 1,600 Australian QROPS losing their qualifying status. This was due to new UK laws prohibiting payments to a member under 55 years unless he or she satisfies the UK definition of 'ill health'. Under Australian superannuation law, there are various instances where a member may be paid a benefit under the age of 55 years other than for 'ill health', which include temporary incapacity, compassionate grounds and severe financial hardship. With such conditions of release providing a much broader scope for payment of benefits under the age of 55 years than those permitted by the new UK regulations, HMRC determined that Australian superannuation funds do not comply with the latest ROPS requirements and were therefore removed.

This is significant as an Australian superannuation fund must be a QROPS in order to receive funds from a UK pension scheme tax free. If a UK pension scheme is transferred to an Australian super fund that is not a QROPS, penalty tax up to 55 per cent of the amount transferred can apply.

Accepting only members who are already at least 55 years of age appears to be the only way an Australian superannuation fund can be added to the ROPS list.

Most recently, the Finance Bill 2017 (UK) draft clauses published on 5 December 2016 include a number of measures designed to change the taxation of payments from overseas pension schemes.

The Bill details changes to the pension legislation which will come into effect from 6 April 2017, including:

- extending from five to 10 tax years the UK's taxing rights over recently emigrated non-UK residents' foreign lump sum payments from pension funds that have had UK tax relief;
- aligning the tax treatment of funds transferred between registered pension schemes; and
- updating the eligibility criteria for foreign schemes to qualify as overseas pensions schemes for tax purposes.

We discuss the main changes to QROPS and other overseas pensions below.

QROPS – member payment provisions

QROPS members are caught by the same member payment provisions that are applied to registered schemes in the UK. Presently these provisions, which apply tax charges on the happening of certain events, will not catch a QROPS where the member has been a non-UK resident for five years. The Finance Bill 2017 will double this to ten years.

This has the practical effect that for those intending to do anything exciting with their QROPS fund (for instance, transfering it to a non-QROPS scheme), once they have left the UK will have a very long wait before they can do so without any penalty. However, this change will not affect any existing schemes, only those which are funded post April 2017. As a result, under transitional rules, the five year limit will continue to apply in respect of funds that received UK tax relief before 6 April 2017.

Pension Tax for Overseas Pensions

The conditions a scheme has to meet to be a Qualifying Overseas Pension Scheme ('QOPS') or a QROPS are also changing with effect from 6 April 2017, as follows:

- the regulatory requirements test will change so that if there is a regulatory body for pension schemes or their provider in the country in which the scheme is established then the scheme must be regulated by that body or otherwise the test would be failed. Overseas public service pension schemes will be exempt from the regulatory requirements test
- the pension age test, which currently requires that a ROPS cannot pay out to a member if they are under age 55, will be changed to allow schemes to make payments to members aged under 55, if the payment would be authorised had it been made from a registered pension scheme (for example, a serious ill heath lump sum or short service refund).
- the regulatory requirements test condition that requires schemes to have in their rules that at least 70 per cent of the amount transferred will be used to provide an income for life, will be removed.

We do not believe that the new conditions will broaden the eligibility for Australian superannuation funds to be added to the ROPS list.

QROPS members will need to check if their scheme meets the new conditions. If not, they will need to inform HMRC within 30 days of 6 April 2017 and stop any transfers being received after 5 April 2017 to avoid unauthorised payments.

This is for general information only and should not be relied upon for individual circumstances. Should you wish to discuss your tax residency or have any queries relating to the above article please contact: Craig van Wegen (craigvanwegen@pinnaclegroup.com.au) or Nora Fairbanks (norafairbanks@pinnaclegroup.com.au) at the **Pinnacle Advisory Group**.

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John Goodlad owns shares in many of the companies mentioned in this report.

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