



The Australian

Australian Expat Investment & Taxation News

A new bi-monthly issue of **The Australian** from **Imperium Capital**.

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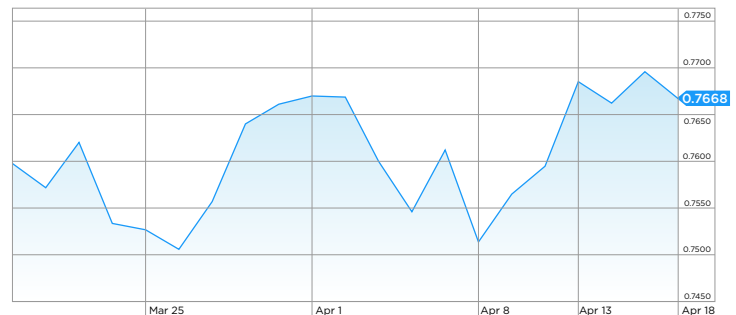
Our Australian Partners



Currency View



0.7668 -0.0005(-0.0391%) CCY - As of April 18, 2016 12:09am EDT



Gained last week as Australia reported better than expected employment numbers and risk appetite favoured the commodity currencies over all other majors. The week began with the pair gaining a fraction after making its weekly low of 0.7527 on Monday in the absence of any significant data out of either country. The rate extended its gains on Tuesday after Australian NAB Business Confidence printed at 6 compared to a previous reading of 3. On Wednesday, the pair lost a fraction despite lower than expected U.S. Retail Sales and PPI numbers. The rate then made its weekly high of 0.7735 on Thursday after Australian Employment Change surged +26.1K compared to +18.6K expected, while the Unemployment Rate declined to 5.7% from 5.8% versus an expected increase to 5.9%. The pair continued higher on Friday as U.S. numbers continued to disappoint and after the RBA Financial Stability Review noted that,

“In contrast to the global trend, participation in Australian dollar-denominated compression, by both Australian and foreign banks, has to date remained relatively low. Survey data suggest that no more than 10 per cent of notional principal outstanding was terminated via compression in the year to May 2015.” AUD/USD went on to close the week at 0.7720, with an overall gain of +2.2% for the week.

Commentary Data are the latest available as at 18 April 2016



Stock Market Update



John Goodlad Interview by **Darren J. Casson**
*Senior Adviser at Imperium Capital &
Director of Australian Expatriate Services Pty Ltd*

2016 - A gloomy start

I began by asking about the year to date. "After a Christmas Rally, January provided one of the gloomiest starts to a year ever! I was in Dubai and Abu Dhabi visiting clients and the gloom was palpable. The oil price was in the mid 20s, China was widely tipped to have a "hard landing" and the European banking system was said to be under strong stress. While there was some valid arguments behind all of these themes, the oil price rebounded, China continued to grow at above 6% - indeed exports recently surprised on the upside - and, while pressure continues on the banking system in terms of capital adequacy, the immediate storm passed. So it was, as usual, a good dip to buy".

Pockets of deep value

Goodlad said that the Australian market seems to have settled in to a trading range between 4800 and 5300 on the All Ordinaries Index. Goodlad sees pockets of deep value as various sectors are well off their highs. In particular he sees the banking sector, resources and energy as good long term contrarian buying. "People will look back and say we have the opportunity to buy BHP in the mid-teens, Santos in the low 3s and Commonwealth Bank in the 60s. Given CBA was staring at 100 AUD several months ago and is still paying a 5% plus dividend, this is a great chance to accumulate Australia's Rolls Royce banking stock".

Mid caps

There has been strong interest in Australia's mid cap Industrials and some of our companies have really moved a lot higher over the recent year and a half. Goodlad has long been a proponent of including specialist mid cap investment company WAM Capital Ltd in portfolios and this stock has provided a double digit return in recent years with strong dividends and good capital growth. While the mid cap space has run pretty hard, Goodlad is still buying Challenger Group, Isentia and Retail Food Group in addition to accumulating WAM for new investors.

Traders - Gold and Lithium

"There is a vigorous trading market 2 years in every 7" says Goodlad. "It has been tough for traders for the last few years - particularly in the "Nuclear Winter" which has been the junior resources and energy sectors. This changed at the beginning of this year. The Gold bugs finally had their day in the sun and this is still continuing. And Lithium companies have really run hard as battery storage and Tesla cars hit the headlines. "This Lithium mini boom will bust" says Goodlad. "But, at the moment, it has provided some trading upside for the market which is great". Goodlad's advice to traders is, as always, to be nimble and apply stop losses as sentiment will surely turn!

Chip away

Overall he sees the current market as an Accumulate for investors. "We continue to ensure portfolios are well constructed across the Financial, Industrials, Property/ Infrastructure and Utilities, Resources and Energy sectors. Investors can buy the best companies in these sectors and, in many cases, enjoy a strong dividend flow as well. "Dollar cost averaging" is a proven investment strategy and using accumulated dividends or savings to chip away at this market is the way to go".

Finally, Australia is now in its 25th year of uninterrupted economic growth and we are the worlds' thirteenth largest economy. Goodlad is seeing a combination of the lower dollar, relatively high property prices and a stock market well off its highs leading to growing demand for many of our listed companies.

John is available for consultations with any of our clients via your FP Adviser.



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Tax & The Aussie Expat **COMMON REPORTING STANDARD: AUSTRALIA BEGINS MOVE TO AUTOMATIC EXCHANGE**



Background

In September 2014, the Government announced that Australia would implement the Common Reporting Standard ('CRS') for the automatic exchange of financial account information.

The Australian Government has now passed the Tax Laws Amendment (Implementation of the Common Reporting Standard) Bill ('the Bill'), enabling the Australian Taxation Office ('ATO') to automatically exchange taxpayers' bank account information with other governments under the the CRS from 1 July 2017.

The CRS is an international framework developed by the Organisation for Economic Co-operation and Development ('OECD') which aims to create a globally coordinated approach to disclosure of income earned by individuals and organisations. As a measure to counter cross-border tax evasion, it builds upon other information sharing legislation, such as FATCA (the US Foreign Account Tax Compliance Act) and the European Union Savings Directive.

The CRS will oblige Reporting Financial Institutions ('RFIs') to implement account due diligence and reporting procedures, much of which will build on the requirements of the existing FATCA Model 1 Intergovernmental Agreements. The crux of the regime will require RFIs to identify the tax residencies of all their account holders and to report client and account information to the RFIs resident tax authority.

As a result, the CRS will provide the ATO and relevant tax authorities with information on individuals with offshore accounts, regardless of where their financial accounts are located. This will mean the ATO and other resident tax authorities can verify whether the taxpayer has accurately reported his or her income. In exchange, RFIs in Australia will collect information on foreign residents' accounts and report it to the ATO. It will then be reported to the foreign residents' tax authority.

In Australia, the RFIs covered by the CRS will include banks, building societies and credit unions, life insurance companies that offer insurance products that include an investment component, private equity funds, managed funds, exchange traded funds and brokers that hold financial assets for the account of others.

Over 95 jurisdictions have committed to implement the Standard, including Luxembourg, Switzerland, the United Kingdom, France, Germany, the People's Republic of China, the British Virgin Islands, the Cayman Islands, the Isle of Man, Guernsey and Jersey.

The Australian Government will implement the Standard from 1 July 2017. Initial exchange of information with foreign tax authorities will not take place until 2018.

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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