



The Australian

Australian Expat Investment & Taxation News

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

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Currency View



Introducing OzForex

It's highly likely that you are paying too much when you send money home!

One of the main issues in being an expat is that the banks gouge us for TT's, as the rate a bank charges when sending/converting monies from one currency to another can be significant.

To address this, we've partnered with OzForex to provide our clients a lower cost solution when sending money all around the world.

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Some of the benefits that OzForex can offer our clients are a designated FX dealer, preferred currency conversion rates and FX Advice. Feel free to visit the portal and compare rates with your bank

We've been using the service ourselves and find that the online service is extremely easy and safe.

Do yourself a favour, register and start saving money on your FX transfers.

AUD/USD

0.7321 +0.0022(+0.30%) - As of 10.44PM EDT | 2 December 2015



Last week recap (AUD/USD)

Gained ground last week as the RBA left interest rates unchanged with mixed economic numbers from both countries. The week began with the pair gaining ground after making its weekly low of 0.7169 on Monday after Australian Company Operating Profits increased +1.3% q/q compared to +1.1% expected. The rate then gained sharply on Tuesday after the RBA left its benchmark Cash Rate unchanged at 2.0%. The Rate Statement concluded saying, "At today's meeting the Board again judged that the prospects for an improvement in economic conditions had firmed a little over recent months and that leaving the cash rate unchanged was appropriate. Members also observed that the outlook for inflation may afford scope for further easing of policy, should that be appropriate to lend support to demand." Also out were Australian Building Approvals, which increased +3.9% m/m versus an expected decline of -2.4%, and the Australian Current Account, which showed a deficit of -18.1B compared to -16.6B expected.

On Wednesday, the pair sold off after comments from RBA Governor Stevens, who said that, "I won't go into detail here, but, in brief, year-ended GDP growth is forecast to be in the range of 2 to 3 per cent in June 2016 and to pick up a bit during the following year. Domestic inflationary pressures are expected to remain subdued. Inflation is forecast to be in the range of 1½ to 2½ per cent over the year to June 2016, and 2 to 3 per cent over the year to June 2017. The unemployment rate is projected to remain around 6 per cent or a little above over the next year, before gradually declining." Also out was Australian GDP, which showed an increase of +0.9% q/q versus +0.7% expected. The pair then resumed its uptrend on Thursday despite the Australian Trade Balance, which showed a deficit of -3.31B compared to an expected -2.61B. Friday saw the rate make its weekly high of 0.7384 before consolidating after Australian Retail Sales rose +0.5% versus +0.4% expected. AUD/USD closed at 0.7335, with an overall gain of +2.0% for the week.

The week ahead (AUD)

The Australian economic calendar is rather quiet this coming week, only featuring Building Approvals (-1.9%) on Wednesday and Retail Sales (0.4%) on Friday. In addition, the Daylight Saving Time Shift will take place on Saturday. Resistance for AUD/USD is seen at 0.7427/38, 0.7348/71 and 0.7215/84, with support noted at 0.6981/0.7016, 0.6907/37 and 0.6753/73.

Commentary Data are the latest available as at 7 December 2015

Stock Market Update



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

I interviewed John Goodlad, our preferred stockbroker in Australia about the current market and his Christmas recommendations.

"There Ain't No Sanity Clause"

I began by asking him whether there would be a Santa Claus Rally. Despite his comments that "there ain't no Sanity Clause" (which he borrowed from the Marx Brothers), he saw the market as having formed a solid base for further gains. "The market does often rally in December. Given the recent pullback in prices for many of our blue chip majors, there is an opportunity to pick up some capital appreciation and the next round of dividends."

"Sell Australia"

There has been offshore selling of our large and liquid majors like the Banks and Telstra. Goodlad believes that offshore investors reacted to Reserve Bank Governor Glenn Stevens' comments several weeks ago that the next movement in Australian interest rate would be down. This lead directly to the selling of Australian shares on the basis that investors could lose on their value in Australian dollars. While the AUD did not decline markedly, many international funds trimmed their holdings and stepped aside.

This 'Sell Australia' call was particularly marked at the big end of the market where stocks are liquid and fit the index parameters.

This of course provides an opportunity for Australian investors and Goodlad has been buying blue chip companies like CBA, Telstra, CSL and Wesfarmers over recent months - and many of these are now well off their 'Sell Australian' lows.

Births and Deaths

Another theme has been the strength of the mid cap industrial space. This market segment has been quite buoyant.

Goodlad says that investors can play the demographic cycle companies like:

- Virtus Health Ltd (VRT) - IVF clinics;
- G8 Education Ltd (GEM) - childcare;
- Ramsay Health Care Ltd (RHC) - hospital care in Australia and offshore (one of his favourite core stocks);
- Regis Healthcare Ltd (REG) - aged care; And finally,
- Invocare Ltd (IVC) - the Funeral business.

What about BHP?

What about BHP? It has been a rugged month for BHP and Goodlad is firmly of the view that it has been oversold. It is often said that stocks "take the lift down and climb back up the stairs." "The prices of commodities will not go down in a straight line forever and, when they turn, BHP will provide the best large cap leverage to a recovery."

China and Vitamins

Goodlad's final tip is Vitaco Holdings Ltd (VIT). Vitaco manufactures vitamins, sports nutrition and health foods - with a particular focus on the online market in China. It is not well known - but this is a good space as the recent Blackmores experience has shown.

Into 2016

Overall, Goodlad sees this market as offering good value. He is seeing a lot of money coming in from private international clients given the low dollar, the pullback in the Aussie market and the combination of continuing dividends and capital growth looking forward into 2016

John is available for consultations with any of our clients via your AES advisor.



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Tax & The Aussie Expat

VICTORIA: NEW STAMP DUTY AND LAND TAX SURCHARGES



The Victorian Government has introduced legislation to impose a 3% stamp duty surcharge on 'foreign purchasers' of residential land and a 0.5% land tax surcharge for 'absentee owners' of both residential and other land.

Stamp Duty Surcharge

The 3% stamp duty surcharge will apply to 'foreign purchasers' of Victorian 'residential property' from 1 July 2015. This surcharge is in addition to existing stamp duty which is imposed at a rate of up to 5.5%. A foreign purchaser will also be required to pay the surcharge if it makes a relevant acquisition of an interest in a company or unit trust that holds residential property in Victoria. As a result, foreign purchasers may be subject to duty at a rate of up to 8.5% of the purchase price or the market value of the residential property, whichever is higher.

Definition of foreign purchaser

A 'foreign purchaser' is a:

1. foreign natural person, being any person who is not an Australian citizen, New Zealand citizen holding a special category visa, or a permanent resident of Australia; or
2. foreign corporation, being a company incorporated outside of Australia or an Australian incorporated company in which a foreign person or entity has a 'controlling interest'; or
3. foreign trust, being a trust in which a 'substantial interest' is held by a foreign natural person, a foreign corporation or a trustee of another foreign trust.

Definition of residential property

'Residential property' means:

- Victorian land on which there is a building affixed that is designed and constructed solely or primarily for residential purposes and that may lawfully be used as a place of residence; or
- Victorian land on which a foreign purchaser intends to affix such a building.

Accordingly, the definition is broad enough to capture acquisitions of commercial or industrial properties where the purchaser intends to construct a residential building in the future.

If a foreign purchaser acquires property that is not residential property and at any time in the future 'forms an intention' (there is no guidance on what this means) to construct a house on the land, the foreign purchaser would then become liable for additional duty at a rate of 3% calculated on the dutiable value at the time the land was originally transferred. The duty would be payable within 30 days of forming this intention.

Applications for exemption and the Treasurer's Guidelines

The surcharge will increase the transaction costs for foreign purchasers, investors and potentially developers of real estate in Victoria. However, the Victorian Treasurer has the discretion to exempt certain foreign purchasers from the duty surcharge where their activities add to the supply of housing stock in Victoria. Any exercise of the Treasurer's discretion will turn on a number of factors, including;

1. whether commercial activities of the foreign purchaser add to the supply of housing stock in Victoria;
2. the impact on the economy of the acquisition in terms of the extent and nature of development to occur and effects on competition in the Victorian marketplace; and
3. whether foreign controlled entities will be at a competitive disadvantage in providing equivalent services compared to local entities for the purpose of adding to new residential supply.

The approval of any application is at the discretion of the Treasurer and will turn on the merits of each case.

Land Tax

The legislation also introduces an additional 0.5% land tax surcharge on 'absentee owners' of Victorian land (whether residential or otherwise), in addition to the general rate of land tax of up to 2.25%. In other words, an absentee landowner will pay land tax at rates up to 2.75% on the taxable value of their landholdings.

The new surcharge will first apply to the 2016 land tax year, based on landholdings as at 31 December 2015. As a result, an absentee person must lodge a notice with the Commissioner before 15 January of the following year.

An 'absentee person' includes a natural person absentee, an

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absentee corporation and a trustee of an absentee trust. A natural person absentee is a person:

- who is not an Australian citizen, or a holder of an Australian permanent visa, or a New Zealand citizen who is a holder of a special category visa; and
- who does not ordinarily reside in Australia; and
- who was absent from Australia on 31 December in the year immediately preceding the tax year or was absent from Australia for at least six months (in aggregate) in the year immediately preceding the tax year.

An absentee corporation is a corporation:

- incorporated outside Australia or
- a corporation in which an absentee person has a 'controlling interest'.

An absentee trust is a fixed trust, a unit trust scheme or a discretionary trust that has at least one absentee beneficiary.

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**.

THE NEO SMA A BETTER WAY TO INVEST

The NEO SMA gives you a professionally managed investment portfolio, like a managed fund. Better than a managed fund, you can also see what is in your portfolio and you are the beneficial owner of the underlying shares.

THINGS YOU SHOULD KNOW

Who manages your investments?

Your investments will be managed by a professional investment manager who employs a team of analysts to monitor and research investment markets. Together they will filter the available information to select the investments that best meet the objectives of the model portfolio as described in the Product Disclosure Statement.

Where does an SMA invest your funds?

The NEO SMA has models that invest in the following asset classes:

- Australian shares
- Ethical investments
- Listed property
- Alternative investments
- International shares
- Fixed income
- Hybrid securities
- Diversified
- Cash.

Who actually owns the investments?

You (or the trustee of your superannuation fund) are the beneficial owner of the underlying securities/investments. This means that you receive the dividends and any franking credits from the underlying securities that make up your portfolio.

How are my returns paid?

Your dividends and other returns will be paid into your account. When your adviser helps you set up your account you can choose to take the dividends as cash or to reinvest them into your portfolio. If you elect to reinvest, additional shares will be purchased on your behalf and added to your portfolio.

What is a Separately Managed Account (SMA)?

The NEO Separately Managed Account (SMA) is an investment platform that gives you a professionally managed portfolio of shares and other listed securities. Your portfolio can be held either inside or outside of your superannuation. Because of the way the SMA is structured you do not have the extensive administration burden associated with direct investing. You also have much more portfolio transparency than if you were to invest via managed funds.

How does it work?

NEO has designed a number of model portfolios to suit an investor's risk profile and stage of life. Each model will provide low-cost access to a diversified mix of investment assets. In addition, a number of other models from expert investment managers are available, enabling you and your adviser to design an investment portfolio to suit your specific requirements.

Once invested, you will be able to see the shares and other securities that you hold, and to access via the internet up-to-date reports on your portfolio. You will be able to view your portfolio performance and valuations, review your dividends and associated franking credits, and see all investment trades and any fees and costs. This information is available to you 24 hours a day 7 days a week for your convenience.

MORE REASONS IT MATTERS TO YOU...

SAFE CUSTODY.

The safe custody of your investments is essential for your peace of mind. We partner with some of the world's most prestigious and reputable financial institutions to provide the security our clients expect.

YOUR PORTFOLIO.

You have 'beneficial ownership' of your investments, which means that the underlying shares in your portfolio are held by a regulated trustee on your behalf. This is in contrast to managed funds, where you are issued 'units' in a fund but have no direct link to the underlying shares. You have access to view your portfolio 24/7. Monitor performance, valuations and much more.

NO INHERITED LIABILITY.

Managed funds pool their assets in a unitised trust and as trades occur in the fund it builds up gains or losses during the year. In such a structure you may be responsible for an “embedded capital gain”, which is a tax liability you inherit based on previous trades by the fund manager even if your units have not increased in value. In the SMA structure the assets are owned by you so you do not inherit any gains from trades that benefited other investors.

MORE TAX EFFECTIVE.

The NEO SMA optimises your tax outcomes by allowing you and your adviser to minimise or maximise capital gains, manually select share parcels, switch between methods and use a “what if” tool to assess the CGT impact of any proposed transactions to determine the best outcome for you.

LOWER TRADING COSTS.

When investor portfolios are to be updated, all trades in a security are first netted across all investor holdings sharing in that change. A single net trade is then sent to market and brokerage costs are shared across all participating investors. Trades are executed at wholesale rates, giving you extremely low brokerage costs.

LESS PAPERWORK.

Investing directly in the share market is a lot of work. Contract notes, tax paperwork, corporate actions instructions and share price monitoring are just the beginning. With the NEO SMA all you have to do is select the right model portfolios and we take care of the rest. We even prepare accountant-ready reports for your tax returns.

For more information on SMA's and where they may be appropriate to your personal circumstances, feel free to contact our Team; Paul, Cameron, Craig or Darren at Australian Expatriate Services on client.services@australiaexpat.com.au

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

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Or visit our Client website at: www.australiaexpat.com.au (coming soon)