



# The Australian

Australian Expat Investment & Taxation News

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

This document will be made available on our website [australiaexpat.com.au/imperium-capital.biz](http://australiaexpat.com.au/imperium-capital.biz)

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## Currency View



0.7431 +0.0023(+0.31%) CCY - As of Nov 25, 2016 10:22 PM EDT



The AUD gained sharply last week as disappointment from U.S. president elect Donald Trump's first press conference since the election weighed heavily on the Greenback, with very little economic data out of Australia. The rate began the week rallying off of its weekly low of 0.7287 after Australian Build Approvals increased by +7.0% m/m versus an expectation of a +4.6% increase. The pair then gained a fraction on Tuesday despite Australian Retail Sales increasing by +0.2% versus +0.4% that was expected. On Wednesday, the rate extended its gains after U.S. president-elect Donald J. Trump failed to give indications of his policies at his first post-election press conference. The pair then made its weekly high of 0.7518 despite a better than anticipated U.S. Initial Jobless Claims number. The rate gained another fraction on Friday after the United States reported mixed Retail Sales and PPI data. AUD/USD closed at 0.7502, with a gain of 2.9% from its previous weekly close.

Commentary Data are the latest available as at 16 January 2016

## Property & Mortgages

### INTEREST RATE UPDATE

# SHORE FINANCIAL

Since early December, majority of banks announced an increase to their Fixed Rates, Owner Occupied Rates and Standard Variable Investor loan Interest Rates.

With investor home loans typically higher than interest rates for owner occupied home loans, this increase can add roughly an extra one thousand dollars per annum in interest.

Regardless of whether your investment property is negatively geared or income generating, it's important to make sure you're getting the best possible loan structure for your individual circumstances and financial goals. At Shore Financial, we can connect you with loan products from a wide range of lenders, with rates often far more competitive than what you'd get as a direct customer.

#### OWNER OCCUPIED

LENDER (ANNOUNCED CHANGES)	OLD RATE	SVR INCREASE	NEW RATE	EFFECTIVE DATE	REPAYMENT TYPE (P&I OR IO)
Bank Australia	4.74%	0.08%	4.82%	03/01/17	Both
BOQ	4.32%	0.15%	4.47%	06/01/17	Both
ING Direct	3.74%	0.15%	3.89%	12/12/16	Both
St George	5.40%	0.08%	5.42%	16/12/16	IO
Westpac	5.33%	0.08%	5.41%	16/12/16	IO

#### INVESTMENT

LENDER (ANNOUNCED CHANGES)	OLD RATE	SVR INCREASE	NEW RATE	EFFECTIVE DATE	PURPOSE (D/O OR INVESTMENT)	REPAYMENT TYPE (P&I OR IO)
AMP Bank	4.37%	0.15%	4.52%	6/01/17	Investment	Both
ANZ	5.52%	0.08%	5.60%	16/12/16	Investment	Both
Bank Australia	4.84%	0.08%	4.92%	03/01/17	Both	Both
Bankwest	5.67%	0.15%	5.82%	16/12/16	Investment	Both
BOQ	4.79%	0.15%	4.94%	6/01/17	Both	Both
CBA	5.49%	0.07%	5.56%	16/07/16	Investment	Both
ING Direct	3.99%	0.15%	4.14%	12/12/16	Both	Both
NAB	5.40%	0.15%	5.55%	12/12/16	Investment	Both
St George	5.59%	0.08%	5.67%	16/12/16	Both	IO
Suncorp	5.72%	0.15%	5.87%	13/12/16	Investment	Both
Westpac	5.60%	0.08%	5.68%	16/12/16	Both	IO

#### OWNER OCCUPIED

LENDER (ANNOUNCED CHANGES)	2 YR FIXED RATE INCREASE	NEW RATE	3 YR FIXED RATE INCREASE	NEW RATE	4 YR FIXED RATE INCREASE	NEW RATE	5 YR FIXED RATE INCREASE	NEW RATE
ANZ	0.34%	3.98%	0.40%	4.19%	-0.10%	4.49%	NA	NA
Bankwest	0.15%	3.94%	0.10%	4.09%	NA	4.35%	0.31%	4.39%
BOQ	NA	4.19%	0.10%	4.39%	0.25%	4.39%	0.20%	4.49%
CBA	0.15%	3.99%	0.20%	4.09%	-0.20%	4.39%	0.60%	4.59%
ING Direct	NA	3.94%	0.20%	3.89%	0.30%	4.29%	0.25%	4.19%
NAB	NA	3.98%	0.20%	4.09%	0.60%	4.59%	NA	4.59%
St George	NA	3.99%	NA	4.09%	NA	4.59%	NA	5.04%
Suncorp	NA	3.89%	NA	3.89%	NA	NA	NA	4.29%
Westpac	0.24%	4.19%	0.24%	4.29%	NA	4.79%	0.60%	4.59%

#### INVESTMENT

LENDER (ANNOUNCED CHANGES)	2 YR FIXED RATE INCREASE	NEW RATE	3 YR FIXED RATE INCREASE	NEW RATE	4 YR FIXED RATE INCREASE	NEW RATE	5 YR FIXED RATE INCREASE	NEW RATE
ANZ	0.20%	4.19%	0.40%	4.39%	-0.20%	4.79%	NA	NA
Bankwest	NA	4.05%	NA	4.19%	NA	4.45%	NA	4.49%
BOQ	NA	4.44%	0.10%	4.39%	0.15%	4.39%	0.10%	4.29%
CBA	-0.20%	4.19%	0.25%	4.29%	-0.40%	4.59%	0.65%	4.79%
ING Direct	NA	4.04%	0.15%	3.99%	0.40%	4.39%	0.32%	4.29%
NAB	NA	4.19%	0.40%	4.29%	0.80%	4.79%	NA	4.79%
St George	NA	4.19%	NA	4.29%	NA	4.84%	NA	4.59%
Suncorp	NA	4.19%	NA	4.19%	NA	NA	NA	4.49%
Westpac	0.30%	4.39%	0.30%	4.49%	NA	5.06%	NA	4.79%

IMPORTANT NOTE: Rates are quoted as at 19 January 2017 and are likely to change. Fees, charges, terms and conditions apply.

To arrange a no-obligation financial health check of your investment property loan, contact your Australian Expatriate Services Representative today at [d.casson@australiaexpat.com.au](mailto:d.casson@australiaexpat.com.au)

## THE GOODLAD REPORT: 2017 The Year Ahead



### 2016: THE YEAR THAT WAS

This time last year I wrote "Off to a Dismal Start". Positive Forecast for 2016". The gloom at the beginning of the year was palpable. But the market shrugged it off as the year continued and we saw the ASX produce a double digit total return for the year - and this despite Syria, Brexit, a rise in US interest rates and the unexpected Trump victory!

Indeed there is an argument the global market finally shrugged off years of "irrational despondency" as the world economy risks tilted up. (Please email me if you would like a link to this Bloomberg article 'Investors Are Thinking About What Could Actually Go Right in 2017').

### 2017: WHAT LIES AHEAD?

What lies in store for 2017? Well, as I wrote last year, it will contain the usual surprises - good and bad - as markets continue their daily gyrations. But, ultimately, shares as an asset class provides strong total returns over time - in excess to 10%. The market is a weighing machine as good companies with solid earnings will always outperform over time and the solid yield in the Australian market will continue to attract investors.

I have attached the latest "*Hartleys Month in Perspective*", which looks at the outlook for global markets and Australia - including interest rates and the forecast for the Aussie Dollar. We still see strong valuation support in the **Healthcare, Telecommunications, Technology** and **Energy** sectors. There could be some supply side response to strong 2016 gains in the commodities space. And don't give up on Gold.

#### Diversification is key

A diversified portfolio continues to be the key to minimising downside risk and capturing upside. Not many commentators predicted that it would be **Resources & Energy** and **Financials** that would perform so strongly at the end of 2016. Diversified portfolios with the best companies in each sector were well positioned to ride this rally. And this will remain the case in 2017 as the right stock selection in each sector will yield the best results.

### BEST STOCK IDEAS

Please email me if you would like a copy of our latest "Best stock Ideas" [which include **NAB**, **CSL**, Ramsay Healthcare (**RMC**), Resmed (**RMD**) and Woodside Petroleum Ltd (**WPL**).

My own list at current prices includes TPG Telecom Ltd (**TPM**), Wilson Leaders Fund (**WLE**), Boral (**BLD**) - and South 32 (**S32**) on down days.

Hartleys also produced our, "Top Tips for 2017," in the small cap resources space: <https://the-pick.com.au/small-cap-resources-sparkle-2017/>

Please contact me via your Australian Expatriate Services Advisor/Representative if you have any queries or would like to discuss opportunities in the market. And all the best for a happy, healthy and prosperous 2017.



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## Tax & The Aussie Expat

# FOREIGN RESIDENT CAPITAL GAINS WITHHOLDING PAYMENTS



### Background

The government announced that it would introduce a 10% non-final withholding tax on payments made to foreign residents that dispose of certain taxable Australian property. The Bill for this measure was passed and received Royal Assent on 25 February 2016.

The new withholding regime will apply to contracts entered into on or after 1 July 2016. Broadly, where a foreign resident disposes of certain taxable Australian property, the purchaser will be required to withhold 10% of the purchase price and pay that amount to the Australian Taxation Office ('ATO').

The amount payable to the Commissioner is equal to 10% of the first element of the capital gains tax ('CGT') asset's cost base to the purchaser. Where the purchaser and vendor are dealing at arm's length, the first element of the cost base is generally equal to the purchase price of the asset, as stated in the contract of sale.

### Assets affected

Assets affected by the 10% non-final withholding tax is limited to taxable Australian property, being:

- real property in Australia, i.e. land, buildings, residential and commercial property;
- lease premiums paid for the grant of a lease over real property in Australia;
- mining, quarrying or prospecting rights;
- interests in Australian entities whose majority assets consist of the above property or interests; and
- options or rights to acquire the above property or interest.

### Exclusions

There are a number of exclusions to the regime. If a foreign resident vendor falls within one of the following categories the 10% withholding is not applicable:

- real property transactions with a market value under \$2 million (this means the vast majority of residential house sales will be unaffected by this measure);
- transactions listed on an approved stock exchange; or
- the foreign resident vendor is under external administration or in bankruptcy.

### How will this be administered?

The withholding tax regime will be administered through three online forms, which are:

1. clearance certificate application for Australian residents;
2. rate variation application for foreign residents and other parties; and
3. purchaser payment notification.

### Clearance certificates

For real property transactions with a market value of \$2 million or above, the purchaser must withhold 10% of the purchase price unless the vendor produces to the purchaser a clearance certificate. This certificate can be provided to the purchaser on or before settlement of the transaction.

This means Australian resident vendors of real property with a market value of \$2 million or above will need to apply for a clearance certificate and provide this to the purchaser before settlement to ensure no funds are withheld from the sale proceeds.

The vendor may apply for a clearance certificate at any time, this can be before the property is listed for sale. The clearance certificate will be valid for 12 months and must be valid at the time the certificate is given to the purchaser prior to settlement.

The ATO will implement an 'automated' process for issuing clearance certificates. This will involve:

- the vendor (or their agent) completing an online 'clearance certificate application for Australian residents' form;
- the information on the application being automatically checked against information held by the ATO to assess if the vendor should be treated as an Australian tax resident; and
- the automatic issuance of a clearance certificate.

It is expected that clearance certificates will be provided within days of being submitted. However, where there are data irregularities or exceptions, manual processing

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may be required and the clearance certificates may be provided up to 28 days later.

### Variation Application

The vendor can apply for a variation, where the vendor is not entitled to a clearance certificate and believes a 10% withholding is inappropriate. The vendor must complete an online 'variation application for foreign residents and other parties' form requesting a lesser withholding rate be determined by the ATO. In most cases, the variation will be provided within 28 days.

Factors which may support a decision for the ATO to vary the withholding amount to nil include where the vendor:

- will not make a capital gain on the disposal of the CGT asset or will make a capital gain that is less than the withholding amount; or
- will not make a net capital gain for the relevant income year or will make a net capital gain less than the withholding amount.

The vendor will need to provide evidence in their application such as:

- the CGT calculation;
- a copy of the source documents used for the calculation;
- evidence of all the capital gains and losses made, or expected to be made in the income year;
- evidence of any unused capital losses from previous years.

The notice of variation should be provided to the purchaser before settlement to ensure the reduced withholding rate applies.

### Paying and reporting withholding amounts

Where a withholding obligation exists, the purchaser must withhold the relevant amount at settlement and pay it to the ATO without delay as general interest charges may apply to late payments. The penalty for failing to withhold is equal to the amount that was required to be withheld and paid. An administrative penalty may also be imposed.

### Purchaser payment notification

Where an amount is withheld, the purchaser is required to complete an online 'Purchaser Payment Notification' form to provide details of the vendor, purchaser and the asset being acquired to the ATO.

The purchaser will then automatically receive a payment reference number and a payment slip. The purchaser needs to pay the withholding on or before settlement. Payment may be made to the ATO via electronic funds transfer, at a post office with a barcode, or they can mail a cheque to the ATO with the payment reference number.

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](mailto:craigvanwegen@pinnaclegroup.com.au)) or **Nora Fairbanks** ([norafairbanks@pinnaclegroup.com.au](mailto: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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