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Bill Fuggle
partner,
Baker & McKenzie

Prepare for SIV 'bonanza'

Mark Smith

The investment management industry can expect a rapid explosion in the number of people coming to Australia under the Significant Investor Visa (SIV) program, according to Baker & McKenzie partner Bill Fuggle⁰¹, who says as many as 300 could be approved by the end of December.

The global law firm has a strong association with the SIV having advised the team that originally pitched the idea to the government. Now they act for fund managers in developing SIV-complaint funds.

The visa itself was introduced in November 2012 to attract migrants with a demonstrated history of success in business and investment. It allows foreign high net worth individuals to invest \$5 million into qualifying products for a minimum of four years before being eligible to apply for permanent residency in Australia.

So far, only a relatively small number of SIVs have been rubber-stamped but figures from the Department of Immigration and Border Protection reveal there are many more in the pipeline.

As at 30 June, there were 305 primary applications being processed by immigration, with each application estimated to take between six and nine months to process. The vast majority of applications have been submitted by Chinese nationals.

"We estimate there could be as many as 200-300 approved by Christmas," Fuggle told *Financial Standard*.

Currently there are only a handful of specialist SIV-compliant product providers, including IOOF, ANZ, Legg Mason and Credit Suisse; but many more fund managers are expected to launch products as the program gathers momentum.

While the majority of SIV investors have opted for low risk, near cash products, Fuggle believes there are trends to suggest the scheme is going to have an immensely positive impact on business and trade. He adds that 'borrow-back' SIV-compliant products are empowering investors to put their cash to work in higher risk areas.

"By the end of this year there could be as much as \$1.5 billion in foreign investments brought into Australia," Fuggle said. "It's unlikely the money will be repatriated once it's left China."

"The biggest bonanza for Australia is in the borrow-back funds. It's hard to say exactly how the money will be invested but we could see it flow into residential property, small businesses or venture capital. If that happens, it will be a game changer."

According to reports in the media, an \$8.5 million Vaucluse house was sold to an SIV holder in September and the property industry is readying itself for similar buying activity. **FS**

ATO unsure on dividend washing

Alex Dunnin

The Australian Taxation Office (ATO) is warning people to be cautious when using share trading transactions known as dividend washing but is unsure if they are illegal.

Dividend washing occurs when a taxpayer sells shares in a company on the ordinary market after a franked dividend has been announced and so retains the franked dividend. But then within days they buy back a similar parcel of shares in the same company on the Special Market which also entitles them to the franked dividend on these shares.

The Special Market is operated by the ASX and was established to facilitate options trading.

The regulatory confusion is the ATO is unsure if the practice is specifically illegal: "we do not believe [dividend washing] are allowable under tax law," they said in a statement.

The vagueness in the interpretation appears to centre on the intention of the share repurchase as the ATO's statement said they are concerned that some entities are trading listed shares on a Special Market operated by the Australian Securities Exchange (ASX) with the sole purpose of obtaining additional franking credits.

To clarify the status of dividend washing the ATO said it intends to issue a Public Ruling on this issue under the framework of the anti-avoidance legislation. Such a ruling will, however, have to be based on Tax Law to withstand potential challenges.

"The ATO believes dividend washing trades are not allowable under tax law. We have access to information which will identify those involved in dividend washing. **FS**



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Steve May Managing director, Insight Wealth & Accounting Advice

Entrant in last year's Smileys talks to *Financial Standard* about the new things he has discovered in the past year and how social media can be used to find both clients and staff.

Tell me why you decided to enter the Smileys

I decided to enter the business in the Smileys in order to share our experiences with other like-minded financial planners and hopefully to gain some knowledge from the experiences of others.

Tell me a little about your application

Our application was reasonably basic as we had really only just started our foray into social media. It explained our Facebook and LinkedIn presences and strategies and also how our website and blogs fitted in together with them.

What effect did entering/winning the Smileys have on your business?

It gave me more energy and conviction that a social media strategy was the right path.

Has your social media strategy/ presence changed over the past year?

We have concentrated on being ourselves in our social media channels. Our website, blogs, Facebook and LinkedIn still remain the core pieces to the strategy and we have tried to convey

a sense of the people we are and the expertise we have.

How as social media impacted your business?

It impacts in various ways. We have gained clients and appointments directly from our strategy over the past 12 months and this is gaining momentum. It is important in other ways too. A lot of our team members engage with our Facebook posts and it is an important way to recognise milestones and achievements publicly. We have advertised and hired staff through our social media channels and we seem to have increased our local awareness. Our Google rankings for our website have improved markedly too.

What are your latest discoveries on social media, any new favourite things?

My favourite discovery is video as a means of showing potential clients who we are before they actually meet us in person. We have our key staff videos and our "why" video on our website and YouTube channel and each key

adviser has a video linked on their email signature. We have also started on client videos that showcase their business and promote ours.

What role does social media play in the financial services industry?

A growing one. Planning businesses seem to be generally slow on the uptake and major dealer groups don't seem to have really supported social advice strategies as yet. With more and more people researching and interacting online these days it is inevitable that social media will play a part in attracting and retaining clients and disseminating information.

What do you think the future of social media will look like?

See above. The real answer is I'm not really sure though! My attitude is that we need to be continually trying new ways and methods to leverage social media channels and see where it takes us. The future of social media is exciting but it will evolve quickly and we need to be ready to move with it. **FS**