

The Power of Schmooze

Have you heard? As the American revolutionary Paul Revere used to say, "The British are coming!" And so are the South Africans, the Irish, the Kiwis, the Romanians, the Fijians, the Argentinians, and the dear old Welsh and many more...to invade Australia.

But this is not an act of war – it is an act of peace. It's the Rugby World Cup in October and November and the only thing you need to lock up is that spare keg that you had stowed away for a rainy day. An estimated 40,000 international visitors are coming to our shores to watch what can only be described as a smorgasbord of rugby. Twenty countries will vie for the Cup in 48 matches across 10 Australian capital cities and regional centres over six weeks of competition. It all finishes up at Telstra stadium on November 22 with the final two teams vying for the world cup (known affectionately as 'Bill'). So far, the Cup has not left the southern hemisphere, with wins by New Zealand in 1987, a Nelson Mandela-inspired South Africa in 1995, and Australia in 1991 and 1999 (that's right - we've won it twice!)

But the rampaging hordes of rugby lovers are not just here for the matches. They are coming here armed with business cards, samples, contracts, letters of credit, export licences and the like. They are here to do business

– to take advantage of Australia's strong economy and forge trade and investment ties with us.

What do all these potential business partners to Australia have in common? They are all members of the Rugby Business Club Australia (RBCA) – a concept spearheaded by the Australian Trade Commission (Austrade). RBCA is a business-networking club set up to facilitate trade and investment around the Rugby World Cup 2003.

The RBCA is based on the Business Club Australia (BCA) concept developed for the Sydney Olympics in 2000. Some great success stories came from networking during the Olympics. For instance, architecture company Woodhead International joined BCA and through Austrade's network won two major contracts in Singapore and is ready to expand. Woodhead has picked up the contract to design the interiors at Changi Airport's Terminal 3, which houses Singapore Airlines. The project is estimated to be worth around S\$1.4 billion (AUD\$1.35 billion). This comes on top of the deal to design the interiors at Singapore's National Library (worth around S\$230 million equivalent to AUD\$222 million). As Woodhead's managing director Geoffrey Lee, said recently: "It all started through Austrade's contacts

during the Olympics. We met the Singapore aviation representatives there, and as they say, the rest is history!"

And how about the Rugby World Cup 2003? Will it be as big as the Olympics in economic terms? Probably not, according to most economic estimates. But the Australian Rugby Union's Strath Gordon has estimated that the ARU will spend \$120 million on the tournament alone. There will be 40,000 visitors from overseas and significant intra-state migration.

In addition, unlike the Olympics, the Rugby World Cup 2003 will not be confined to Sydney. It will be spread across the states and regions. This will be good for networking in regional economies. And it is the economics of networking that really matters with major events. According to Austrade research, around 50 per cent of all new exporters enter the global marketplace 'by accident' – that is, by a random event or a chance meeting. Accordingly, networking events like Rugby Business Club Australia will increase the probability of such an event. This is especially the case as international visitors are 'matched' with prospective Australian business partners. There are over 2200 members of RBCA with strong membership coming from strong rugby nations like South Africa, the UK and



Tim Harcourt. Chief Economist, Australian Trade Commission, Sydney

New Zealand but with good membership numbers from the USA, Singapore, Romania, Canada, Argentina and Uruguay as well.

Austrade has also classified RBCA members according to their industry. This has enabled RBCA to run industry-based networking events around the tournament with specialist events in biotechnology and ICT. The membership base is diverse with the highest number of members coming from business and finance, ICT, financial services, food and beverage, tourism and hospitality and of course, sport and recreation.

The Rugby World Cup 2003 begins on October 10 with the opening match between Australia and Argentina. So if you are planning to go why not use the

opportunity to do some good work for your business (and ultimately Australia) by joining Rugby Business Club Australia. Admission is free and you can join up over the Internet at: www.austrade.gov.au/rugby

So sign up, drink up and enjoy the rugby whilst you do business. And when it's your shout at the bar, remember that you're just doing your patriotic duty to improve Australia's balance of trade!

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Jared Balkin (l) and Stuart Boyers (r) of SME Business Solutions

Tax residency – are you gaining maximum advantage?

The tests used by the Australian Taxation Office ("ATO") to determine your residency status for tax purposes are not the same as those used by the Immigration Department.

Jared Balkin of SME Business Solutions explains, "taxpayers who are not Australian citizens or permanent residents can still be classified as residents for tax purposes". Taxpayers who are classified as residents are taxed at lower rates than non-residents and may be eligible for a Medicare levy exemption. "There are even situations where taxpayers on working holiday visas are able to be classified as residents for tax purposes", said Mr Balkin.

Residency Tests

There are four main tests for residency. The "resides test" is the primary test. If you pass the "resides test", then the other three tests need not be considered. If you fail the "resides test", then one of the remaining three tests needs to be passed, in order to be classified as a resident for tax purposes. The other three tests are called the domicile test, the 183 day rule, and the superannuation test.

- Resides Test – A taxpayer resides in Australia

according to the "ordinary meaning" of the word. The courts and ATO rely on the normal definition of "reside" when deciding who is a resident. The Oxford Dictionary defines "reside" as "to have ones usual or settled abode". Factors to consider when determining whether your usual or settled abode is in Australia are intention of your presence in Australia, family and business ties, maintenance and location of assets and social and living arrangements.

The ATO has created a residency tool that will assist you in determining your tax residency status. This tool is available on our website at www.smebus.com.au/taxtools.htm

Residency Example

John is a qualified chef from South Africa and decides to enter Australia on a 12 month working holiday visa, obtained with his European passport. John's intention for coming to Australia is to visit family and obtain employment as a chef. During the 12 months, John decides to apply for permanent residency in Australia.

John signs a lease on an apartment, purchases a motor vehicle, purchases furniture, and obtains full-time employment as a chef.

John is classified a resident for tax purposes as his usual place of abode is Australia and his day-to-day activities are similar to his behaviour in South Africa. A taxpayer, who comes to Australia on a working holiday visa with the intention of only traveling around Australia, whilst working to supplement his/her travels, would not be classified as a resident for tax purposes.

Jared Balkin

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