# KMI EXCLUSIVE NEWSLETTER

25th year of uninterrupted financial advice for the Expatriate Market

**October 2017**

## Dear Clients and Investors

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The super hurricanes, biblical style floods and uncontrollable wildfires of recent days may seem to some, nature's way of serving a warning notice on mankind's ephemeral tenure of the planet, but on the optimistic premise that we may all be around for at least a couple more years yet, you will doubtless be delighted to receive this, the latest of our newsletters. Created for your reading pleasure as we progress into those months where, in this part of the world at least, the Glühwein hits the streets, the Carp swim for cover and my kitchen cupboards and freezer take on the look of a Marks and Spencer's warehouse.

Yes friends, as Game of Thrones ill fated Eddard Stark continued to remind us before his sharp sword/soft neck problem, ‘Winter is Coming’! Apologies of course to my antipodean readers, (yes we do have some) who should just ignore all this winter nonsense, throw another shrimp on the barbie and carry on slip, slop, slapping.*


In this issue, we look at the heavyweight boxing match that is the EU tax collectors against Amazon, Apple, Starbucks et al. We reflect on US markets response to the Donald’s tax plans. We dip our toes into the mysterious waters of digital currencies like Bitcoin (this from someone like me who never really took to the change to decimal currency in the UK in 1971) and we pay brief homage at the feet of Warren Buffett, who surely has major claims if we ever get round to naming a patron saint of financial investors.

- For the uninitiated, Slip, Slop, Slap is the campaign down under, to avoid sunburn and sunstroke by slipping on a shirt, slopping on the sunscreen (Factor 30+) and slapping on a hat, although not necessarily in that order.

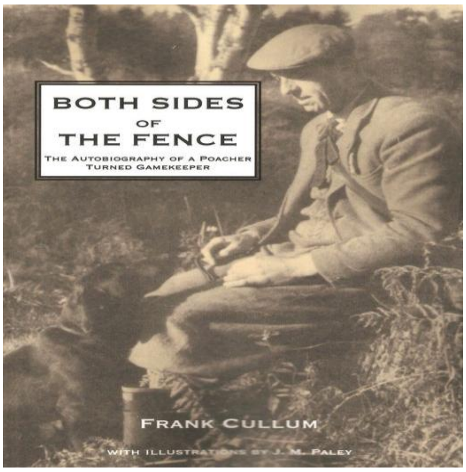
## Is The EU Pulling Its Punches Against The Tech Giants

The ongoing saga of whether companies like Amazon, Apple and Google should contribute more than a pittance in taxes set against a European revenue stream of billions continues apace.

In one of the latest rulings, European Commissioner for Competition, Margethe Vestager has ordered the aforementioned Amazon to pay 250 million Euros plus interest to Luxemburg for having been deemed to be in receipt of illegal state aid from the Grand Duchy.

The case derived from a tax scheme in place in that country from 2003 to 2014 where Amazon could transfer 90% of its European operating profit as royalties for the use of intellectual property held by a company that was exempt from corporation tax. The judgment was based on the amount paid to the partnership being said to be 50% higher than necessary.

This ‘intellectual property’ agreement commonly utilized by the big tech companies to pay smaller tax bills than European rivals with less reliance on technology, gives a key competitive advantage, but you can’t help feel that Ms Vestagers ability to fight it is somewhat lessened by the fact that her boss, Jean-Claude Juncker was Prime Minister of Luxemburg, while Amazon had its special tax arrangement there. Indeed Juncker in a supreme ‘poacher turned gamekeeper’ moment, recently announced that critics should not judge him by that past and to ‘measure the credibility of this commission on the basis of what it does now.’ So that’s ok then.




Also holding back our embattled commissioner, is that more aggressive moves against the intellectual property loophole may well meet defeat in court. Two companies, Starbucks and Fiat, are two years into appeals against previous judgments and any such defeat would bring down the drawbridge of Ms Vestagers state aid defence and allow the coach and horses of our tech company friends a free passage through the battlements whilst thumbing their noses from within .

## Trump's Tax Reductions

Independent analysis of the planned tax overhaul in the United States shows that the changes could reduce federal revenues by more than $5 trillion over ten years.

Predictably, anyone speaking against the plans were blasted on high from Trump Tweet Central and equally predictably, the democrats were first in the firing line for their views that the cuts were too heavily skewed in favour of the rich.

Republican House Speaker, Paul Ryan, a man well versed in bigging up Donald’s plans before a vote and looking suitably aghast after it's all gone wrong, was ’confident his party would be able to make quick progress.’

Before

After

And what of the market makers? I hear you cry. Well the dollar index has maintained the 1% percent gain it has made over the last month. So all’s well in the kingdom of Trumpovia.

## The Bitcoin in Your Portfolio?

The bitcoin, seen by many, this writer included, as a gimmick that would soon disappear in a cloud of gnarled up blockchains, unfathomable QR Codes, compromised private keys and much diminished wallets is, surprise, surprise
still with us and by all accounts flourishing.


The digital and global monetary system that has allowed you to send and receive money across the internet since January 2009, has a $70 billion capitalization and is not going away any time soon.

Indeed, we were told at a recent global conference of the great and the good in San Francisco that Bitcoin are ‘essentially going to revolutionise currency and money’ and ‘will likely become assets, serious investors will want in their portfolios.’

The author of these comments, Sam Morehead founder of Pantera Capital and C.E.O of Bitstamp, a digital currency exchange company (so not entirely the impartial voice of reason and good sense in this debate) went on to say that ‘if it does work, the upside here is so high, it’s a rational, expected thing to have in your portfolio. ’

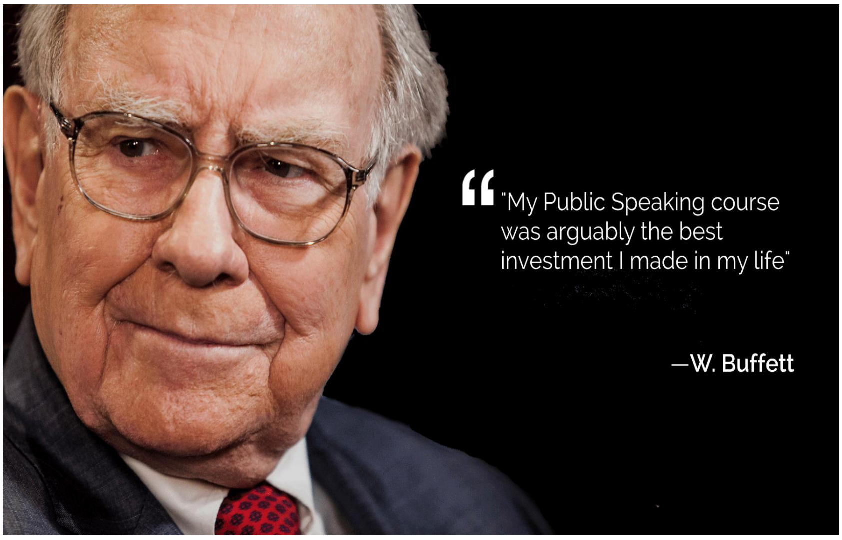
Investors take heed!

## Warren Buffett – an Investment Not to Miss

According to this fount of wisdom on all things monetary, the best investment you can make is one ‘you can’t beat, that cannot be taxed and not even inflation can take away from you.’

Before you all scurry off to dig out what financial goldmine you’ve missed out on, I should add that Mr Buffett goes on to say that the answer to his self posed conundrum is………yourself! He adds ‘Nobody can take away what you’ve got in yourself, and everybody has potential they haven’t used yet.’

One investment in himself that illustrates his point is the hundred dollars he spent as a young man, when he signed up for a Dale Carnegie public speaking course which, he says, changed his life by confronting his terror of making a speech. He admits that before the course he just could not bring himself to do it, as the mere thought of speaking before an audience would make him physically ill when the time came to take the podium.



Buffet's own advice to us mere mortals is to 'address whatever you feel your weaknesses are, and do it now. Whatever you want to learn more, start doing it today. Don't put it off until your old age.' (Too late for me then, Warren)

Some wise words of advice from the man who's been there, seen it, done it and got the gold embossed T-shirt.

Happy Investing!

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