



Business Starters



© 2011 Andersen Bowe Pty Ltd abn 53 006 692 655

Authors Peter Andersen & Virginia Bowe FIPA

andersenbowe.com.au

This mini publication should be regarded as a ready reference checker - please seek independent professional advice regarding individual circumstances.

We do not necessarily endorse any of advice and information contained in the websites and resources listed – however they are indicative of the broad range of the help and opportunities available to existing and potential business operators.

Basic Compliance

One of the processes in starting and setting up is ensuring the business fully complies with the requirements of being in business – not much of a trouble initially - however failure to comply can end up landing you in a mess of red tape.



Warning: Law and Taxation are complex areas and the following is a brief general introduction. You should always seek professional advice about your own particular situation.

Business Name

A business name is the title (e.g. Jill's Jinx) under which you conduct your business. If you choose a name for your business that is not simply your own name, you must register the name with your state authority.

Registering a business name does not give you ownership of that name, or stop another person from registering a similar name.

Your business name is likely to be denied registration if it is the same as an existing business name, trade mark or company name.

The Australian Securities and Investments Commission keeps a record of all registered company & business names.

You can check your proposed name [here](#)

Trademarks can be checked [here](#)

Australian Business Number (ABN)

An ABN is not compulsory unless your annual turnover is \$75,000 or more. *However, if you are in business and do not have an ABN, any other business you deal with is required to withhold tax from payments to you at the top rate, currently 46.5%*

GST

Registering for GST is compulsory if your annual turnover is or is expected to be \$75,000 or more, or if you are in the taxi business.

GST (Goods and Services Tax) is a consumption tax of 10%, imposed on most sales of goods and services connected with Australia.

Registered entities collect GST on their sales, and are allowed to claim a credit for GST on purchases used in the business, provided an ABN is quoted on a Tax Invoice, and the ABN has been checked [here](#)

Pay As You Go (PAYG) withholding

If you employ anyone, you are required to register, and withhold tax from wages paid. If you are a director of your own company and receive salary, you must register.

Fringe Benefits Tax

If you provide fringe benefits to employees, (such as accommodation, food or a car) you are required to register.

Payroll Tax

If your annual payroll is above a threshold (\$678,000 in NSW in 2012) you must register for payroll tax.

Payroll includes wages and salaries, superannuation and some contract payments.

Land Tax

If your business owns land you may have to register for land tax. In NSW land tax is payable when the unimproved value of the land exceeds a threshold, \$387,000 in 2011.

Registration and information for all the above is available through the

[Australian Business Register](#)

Superannuation

If you employ, you must pay Superannuation Guarantee (SG) for employees and for contractors where the contract is for labour. SG is currently set at 9% of wages, and must be paid quarterly. Employers are generally required to offer a choice of complying superannuation funds. You can check if your super fund is complying [here](#) .

Workers Compensation Insurance

If you employ, you must have a workers' compensation insurance policy. Workers compensation is regulated by state occupational health and safety authorities. Links to state authorities are available [here](#) .



Business Structures

Another early consideration is having an effective business structure for your enterprise. You should obtain your accountant's advice before deciding as individual circumstances vary. Although a business can be converted at any time, having an appropriate structure in place at the start will save future bother; and allow you to properly claim some of the start-up costs.



Sole Trader

As the term implies; sole responsibility for your business.

Advantages

- Very few formalities and is the easiest to set up.
- Profits are added to any other personal income and you are entitled to the tax free threshold.

Disadvantages

- You are personally legally responsible for all aspects and consequences of your business.
- Personal assets are on the line if the business is sued or cannot meet its debts.
- Losses or profits cannot be shared.

- ➔ Generally more difficult to obtain finance or credit from suppliers etc.

Tax Position

- Net business income has to be included in your personal tax return. Documented losses may be claimable.
- Australian residents are entitled to the tax free threshold.
- You are personally responsible for the mandatory super contributions for eligible employees.



Partnerships

A partnership involves carrying on a business with one or more other people. It can be casual or formally set up (recommended) via a solicitor. If casual (no formal agreement) equal shares are assumed.

Advantages

- If informal, inexpensive setup costs.
- More people to supply finance and share the workload

Disadvantages

- ➔ Each partner is individually responsible for the debts (including tax debts) and other obligations of the business - *even if not directly involved in incurring them.*

- ➔ Each partner's assets are at risk.
- ➔ Disputes between partners can be difficult to resolve.

Tax Position

Annual partnership return must be lodged covering income and claimable deductions - including partner's share of net partnership income.

Super

Each partner is responsible for their own superannuation arrangements, as partners are not employees. Partnership must make super contributions for any eligible employees.



Company

A company is a separate legal identity. Companies can raise capital by issuing shares at any time. Financiers, suppliers and buyers generally prefer to deal with companies. As a result companies offer significant flexibility when compared with other business structures.

Advantages

- Flexible structure.
- Company pays tax on its own net profits (proposed 29%).
- Improved access to finance.
- Ability to introduce active or passive shareholders at any time.

- **In law, shareholders are not liable for the debts of the business – unless they have signed personal guarantees.**
- **Increased protection for personal assets.**
- **Shareholders can come and go.**
- **Companies can pay salaries and superannuation to employed directors or shareholders.**

Disadvantages

- **Companies can be more expensive to set up – around \$600.**
- **Ongoing accounting fees and tax obligations are higher, as the company is a totally separate legal entity.**
- **Passive shareholders have little say in business operations.**

Tax Position

Personal (not company) tax is payable on salaries, bonuses, wages and director fees.

Super is payable on all eligible workers, including any director fees.

Companies are taxed at a flat rate on net profits.



Trusts

A trust is established to hold property or income for the benefit of others (the beneficiaries). Often a discretionary trust is established. The trustee decides how and to whom the profit will be distributed.

Advantages

- If the trustee is a company, limited liability applies.
- A trust has perpetual existence and does not cease if a beneficiary dies.

Disadvantages

- Relatively expensive and can be complicated to set up.
- Ongoing administrative and taxation requirements can be relatively expensive.
- Very high tax rates apply on undistributed profits.
- Profits distributed to children under 18 taxed at high rates.

Tax Position

A discretionary trust pays no tax itself (provided all profits are distributed). Instead the beneficiaries pay tax on their share of the income.

Trustees decide which beneficiaries receive what income on an annual basis.

Trusts must make super contributions for any eligible employees, including beneficiaries if employed.

In all situations you should obtain an ABN (Australian Business Number). If you don't other businesses can withhold 46.5% of payments to you.

To obtain an ABN go to [ABR](#).



Information & Resources

Government

These sites have a host of information on starting and running a business, including downloadable forms, plans and tools.

Federal

Main federal government resource site

AusIndustry

Department of Innovation

State Government Business Sites

ACT

Main ACT resource

NSW

Main NSW resource

NT

Business Enterprise Centre

QLD

Main QLD resource

SA

Main SA resource

TAS

Main Tasmanian resource

VIC

Main Victorian resource

WA

Main WA resource

Also

[BEC Australia](#)

Business Enterprise Centres

[Grant & Assistance Finder](#)

Links to available grants

Useful Sites

[ABN](#)

Australian Businesswomen's Network –
Excellent site offering various grades of membership and network possibilities.

[Flying Solo](#)

businesses.

A community of active micro and small

[Smart Company](#)

Busy site with a constant flow of topical
information including free webinars - also has sister sites covering start-ups and tech
industry.

Bank Finance & Information

Following are links to the business related pages of the 'big 4'.

[ANZ](#)

[NAB](#)

[CBA](#)

[WBC](#)

Business Angels

Business angels provide a vital role in supplying capital and management input to promising up and coming businesses. In order to attract the serious attention of an angel you need a convincing case – and only then can the negotiation of terms begin. Most angels are very much partners in the development of the business and not usually passive investors.

Angel Cube

AIN

Business Angels

Melbourne Angels

Sydney Angels

Incubators

Business incubators differ in size and associated facilities. The following link relates to an association of incubators and could refer you to one suitable to your location and area of interest.

Business Incubation

Next Stage

ASSOB

Australian Small Scale Offerings Board

NSX

National Stock Exchange of Australia – this small stock exchange gives medium sized companies the opportunity to attract further equity funds. Requirements include a minimum \$500,000 in market capitalisation and a spread of at least 50 shareholders.



There's an old Chinese saying '*opening a shop is easy, keeping it open is an art*' – the same applies to any business.

Investing in Your Own Business deals with the issues and financial strategies involved in planning, starting, developing and expanding a business. The emphasis is on achieving business quality and differentiation as these are the two major platforms underpinning ongoing financial success and personal satisfaction.

