

SETTING UP A NEW BUSINESS

You have finally stopped dreaming and start doing and are planning to set up your own business. So what are the key factors to consider ensuring your business is set up correctly from the start.

Business Plan:

- A business plan is a summary and evaluation of your idea that will help demonstrate its viability.
- It can be used to set goals and priorities.
- It should be a living document throughout the life of your business, adding & deleting completed tasks.
- Create a vision and set realistic goals to achieve it.
- Understand the key financials including start up costs.
- Budgets – monthly costs & estimated income.

Business Structure:

Choosing the right structure for your start up is critical from the beginning as changing it later could be a costly affair. This is a good time to discuss with your solicitor or accountant.

- **Sole Trader:** The business is run in your name and you are legally responsible for all aspects. This means that personal assets such as your family home can be used to pay business debts. Any business income is treated as your individual income and you are taxed at individual marginal tax rates.
- **Partnership:** In a partnership all the partners jointly owns the business assets and liabilities and taxes are paid on their share of the net income received. A downside is that all partners are responsible for the debt and liabilities incurred by other partners. It is therefore important to have written partnership agreement that states each partner's roles and responsibilities, financial contribution and outlines a procedure for dispute resolution and dissolution.
- **Company:** A company is a separate legal entity that will hold assets in its own name and is liable for any debts incurred. Ownership in the company is held through shares which are easily transferrable and profit is distributed via dividends paid to shareholders. There can be high set up costs and ongoing few to consider.
- **Trusts:** A trust is a structure where the trustee carries on activities, in this case your Home Staging business, for the benefits for the beneficiaries. It is established under a Trust Deed which sets out the legal requirements and lists potential beneficiaries. The Trustee determines the distribution of net income to beneficiaries each year. A trust has the advantage of asset protection, however, the set up and ongoing maintenance costs need to be considered.

Tax Obligations:

- **ABN:** Before commencing any business, you will need to apply for an ABN (Australian Business Number) which is used to identify the business and must be included on invoices produced.
- **TFN:** Tax file number will also need to be applied for if operating through a partnership, company or trust. An income tax return will need to be lodged each income year for that TFN.
- **GST:** If the annual turnover (the total of all your invoices to customers/clients), will be more than \$75k, the business must register for GST. Depending on the expected turnover, BAS (Business Activity Statement) will need to be prepared and lodged. This can be monthly, quarterly or annually.
- **Employing Staff:** If you will be employing staff you will need to register for PAYG (Pay as you go) withholding tax which means you will need to withhold tax from payments made to staff. These payments can be made to the ATO via BAS.

Superannuation:

If an employee earns over \$450 per month, you must pay superannuation at 9.5% of their ordinary earnings. This must be paid into a complying superannuation fund. Other taxes such as Fringe Benefits, Payroll etc discuss with your accountant.

Registration & Other Considerations:

- **Business Name:** You should register your business name with ASIC. For a small ongoing fee, you will have the right to use this name (but not own it). If you wish to own the business name you will need to trademark it with Intellectual Property Australia (IPA).
- **Additional Consideration:** These include lease of vehicle, business premises (if not operating from home), record accounting systems. Terms & Conditions of transacting your business. See a solicitor for this aspect.

All information is intended as a guide only. Please have your plans and Information confirmed by a legal advisor.