

Establishing a Business

Do you really want your own business

Many people dream of owning or operating their own business, but very few are capable of turning those dreams into realities. Establishing a successful business requires a lot more than merely starting to sell a product or service.

I recommend anyone establishing a business start by preparing a business plan. The plan need not be complicated or long, more so it is the discipline of forcing you to consider a range of business issues that is often more beneficial than the printed plan itself.

What structure do I use ?

In Australia it is common for most businesses to operate under one of four different business structures, or a combination of them:

- **Sole Trader** – a sole trader operates by themselves either under their own name or a registered business name. This is probably the most straight forward structure and requires little by way of set-up.
- **Partnership** – partnerships have two or more people, albeit that not all partners have to take an active interest in running the business. Partnerships should be set out in writing so all parties understand their rights and obligations. The important aspect of a partnership is that the actions of one partner are generally binding on all partners – so you need to trust your partners.
- **A Trust** – trusts can be set up in a number of ways, although generally for business purposes you either use a fixed trust or a discretionary trust. The laws and tax treatment of trusts are currently under review and you should seek specific legal advice before undertaking a business through a trust.
- **A Company** – a company is a separate legal entity from you and has its own rights and obligations under law. A company requires a higher degree of administration and cost than some of the other business types although it also offers a number of unique advantages over the other structures.

While it is possible to change from one structure to another as your business grows, changing structures can incur significant cost and expose the business to capital gains tax. Generally it is better to sort out the structure first and minimise the need for name changes, asset transfers and requests to the Australian Taxation Office for roll-over relief, when available.

How can we help ?

We can work with you to establish your business and can:

- help clarify your vision for your business;
- help you to understand the alternative operating structures and their comparative advantages and disadvantages;
- advise on the various registrations, obligations and reporting requirements;
- help develop strategies to mitigate risks and overcome weaknesses;
- assist with record keeping, taxation (incl GST) and accounting issues;
- identify the action plans required to put plans into action;
- provide initial assistance with managing your business.

Where do I start ?

Assuming you have done your homework and prepared at least a basic business plan there are a number of key steps to establishing your business, including:

- deciding on a structure (registering a company, partnership agreement, trust deed);
- registering a business name;
- obtaining a tax file number (if not operating as a sole trader);
- registering as a group employer (if applicable);
- registering for fringe benefits tax (if applicable);
- registering for GST (ie an Australian Business Number);
- opening a bank account;
- deciding on the type of account, financing, security;
- acquiring a franchise agreement (if operating under one);
- registering for work-cover (if employing staff);
- obtaining any necessary council approvals;
- meeting any health and safety requirements;
- deciding on how record keeping will be done and organised;
- considering insurance needs (business, assets, key staff etc);
- seeking legal advice before signing any contracts;
- trademarks or patents registered (protects product name or design);
- site location and suitability for business to be run;
- major plant and equipment (purchase, rent, lease or hire purchase?);
- motor vehicles (issues surrounding deductibility);
- considering support requirements-phones, fax, answering machine;
- determining a stock management procedure;
- marketing the business;
- pricing policy (how have prices been established?).

It is important that in all your activities that proper records of your income and expenditures are kept and able to be substantiated. In particular, expenditures need to be kept separate from any personal or non-business related expenditure to ensure tax deductions are optimised. Not all costs associated with starting a business are deductible, so accurate record keeping is important. Tax is usually most businesses' single largest expense – make sure you manage it effectively!

Contact

If you would like help to establish a business, or would even just like to discuss your business issues more fully, please contact Gerald Smith, Director of **Phase III Business Consulting Pty Ltd**. Ph: (03) 9841-0504 Fax: (03) 9841-0721 or E-mail gsmith@phaseiii.com.au – or visit our website at www.phaseiii.com.au

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