

Topic 6 – Nuts and Bolts

The Practical Planning and
Requirements of Starting a
New Business



Business Ownership Structures

The most common types of **business structure** include:

- ☐ Sole proprietor / trader
- ☐ Partnerships
- ☐ Pty Ltd Companies
- ☐ Trusts



Sole Trader

Advantages



- Easy and low cost to set up
- Greater freedom from regulation
- Owner has direct control and authority
- Wind up process is simple and costs little
- All profits go to the owner
- Minimum legal requirement
- No separate business tax return
- No registration required if trading under own name
- Maximum privacy, minimum government interference

Sole Trader



Disadvantages

- Personal liability for all debts
- Liability for taxation as an individual
- Have to make all decisions and take all responsibility
- Difficult to raise finance
- If sick or have an accident there is no one to run the business

Partnership

Advantages



Simple and low cost to form and operate

Additional expertise available

Additional source of capital

Shared managerial responsibilities and decision making

Limited outside regulation

Partnership shares cannot be transferred without authority of other partners

Partnership

Disadvantages



Partners are personally liable for all debts and obligations

Divided authority and potential incompatibility

Limitation on number of partners

Each partner is liable for the acts of other partners

Death, bankruptcy or retirement of a partner results in dissolution of the partnership

Pty Ltd Company



Advantages

Shareholders are not liable for financial commitments of the company

Directors are elected on expertise by shareholders

Business continues as an entity on death of an owner

Shares can be bought and sold

Only one person required to constitute a company

Greater superannuation benefits

Possible taxation advantages

Pty Ltd Company

Disadvantages



Compliance with government regulation is monitored
Expensive to set up and operate
tax return for company and the individuals
Extra reporting requirements therefore more record
keeping
Less privacy regarding financial affairs financial
performance available to the public
Required to lodge capital structure and all publicised
documents with ASIC

Your Business Name



- ✓ creating an image for the business
- ✓ informing customers of the nature of your business
- ✓ helping customers recall your business
- ✓ giving your business respectability
- ✓ differentiating your business from all others

Your Business Name



- ✓ Check ASIC if name available (<http://asic.gov.au>)
- ✓ Check if trademark has been registered (www.ipaustralia.gov.au)
- ✓ Check if domain name (.com or .com.au)
- ✓ Check social media names available



ASIC

Australian Securities & Investments Commission



Australian Government

IP Australia

DOMAIN NAME



Your Intellectual Property (IP)



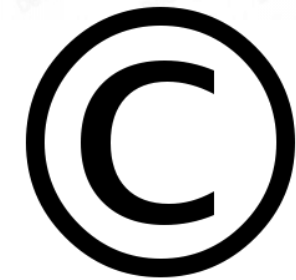
What is Your
Intellectual Property?

Your Intellectual Property (IP)

To protect go to www.ipaustralia.gov.au



- ✓ Trademarks
- ✓ Copyright
- ✓ Patents
- ✓ Designs



Regulations and Licences

- Regulations address the two main areas of:
 - **Location:** local governments should be contacted.
 - **Shops and factories:** state government departments control the various areas.
- Licences and permits may also be required by your business and can be controlled by the federal, state or local government authorities.

Other Restrictions

Other restrictions which may affect your business:

- Trade practices
- Consumer protection
- Equal opportunity
- Workplace health and safety
- Working with Children



Insurances

Compulsory insurances are those required by law:

- Workers' compensation
- Third party motor vehicle insurance.



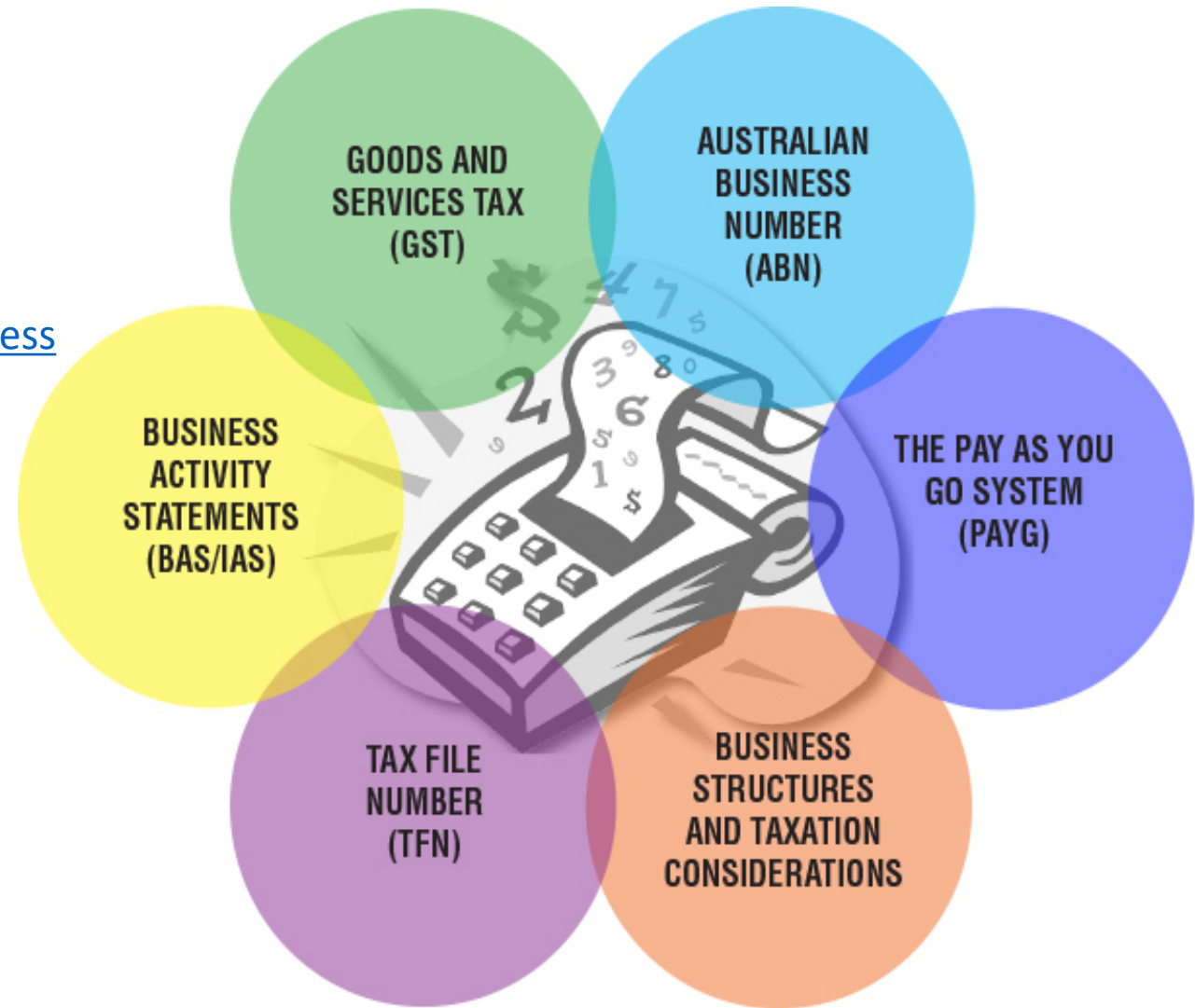
Other Insurances

Other insurances considered useful for small business owners include:

- ✓ Public and Product liability
- ✓ Professional indemnity
- ✓ Comprehensive motor vehicle
- ✓ Tenant liability
- ✓ Burglary/theft
- ✓ Loss of profit
- ✓ Partnership
- ✓ Key person
- ✓ Personal accident and sickness
- ✓ Plate glass
- ✓ Goods in transit
- ✓ Cash
- ✓ Fire, Storm and Tempest

Elements of the Tax System

www.ato.gov.au/Business/Starting-your-own-business



Registering for GST

You must **register for the GST** if:

- you are an entity carrying on an enterprise and
- your annual turnover is at or above the registration turnover threshold of \$75,000, or \$150,000 if you are a non-profit organisation.

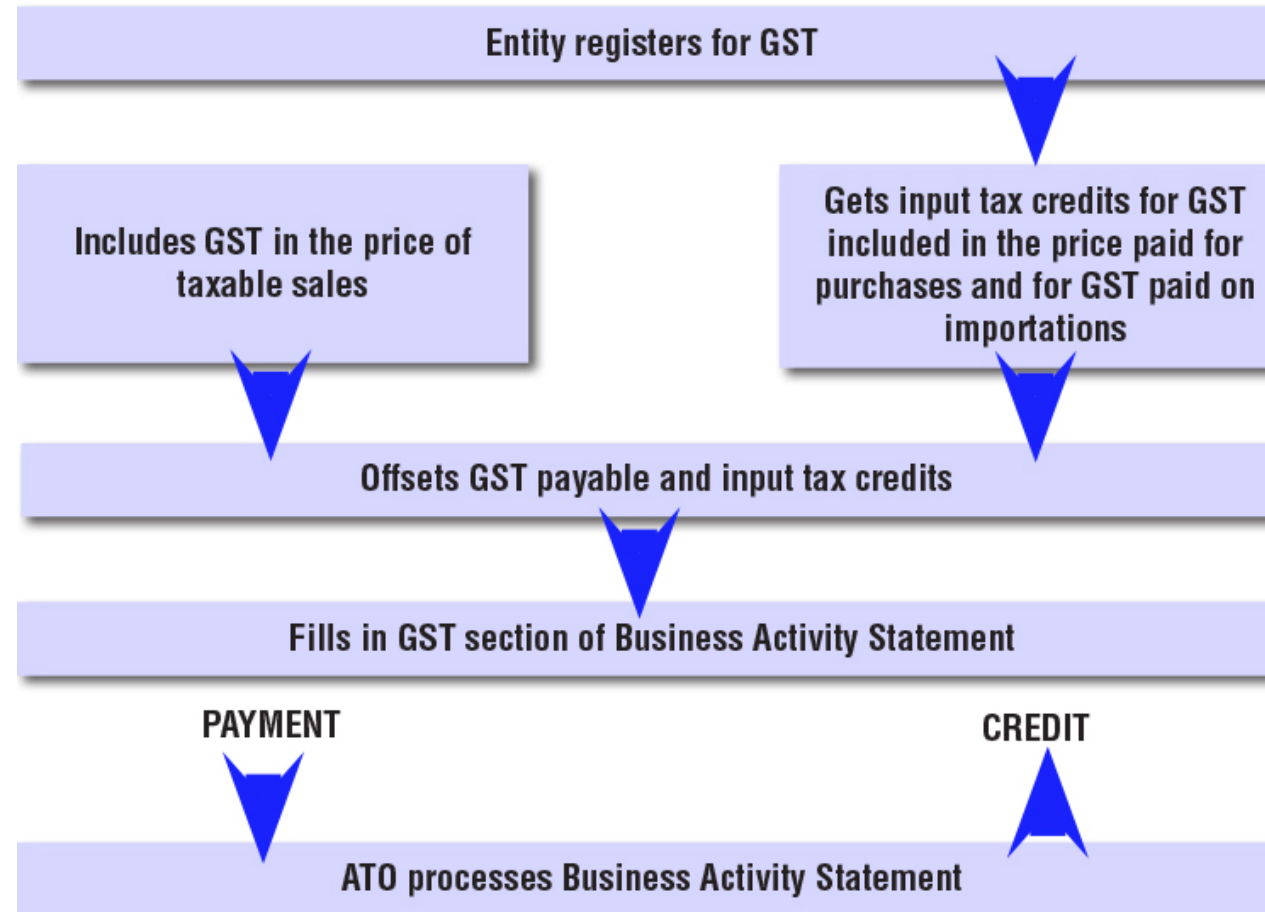
You may choose to register if your turnover is below the registration turnover threshold of \$75,000 and you carry on an enterprise or intend to do so. If you choose to register you must stay registered for at least 12 months.

The GST and How It Works

GST is a broad-based tax of 10 per cent on the sale of most goods and services and anything else consumed in Australia. Basic foods, exports and some health services are *GST-free*.



The GST and How It Works



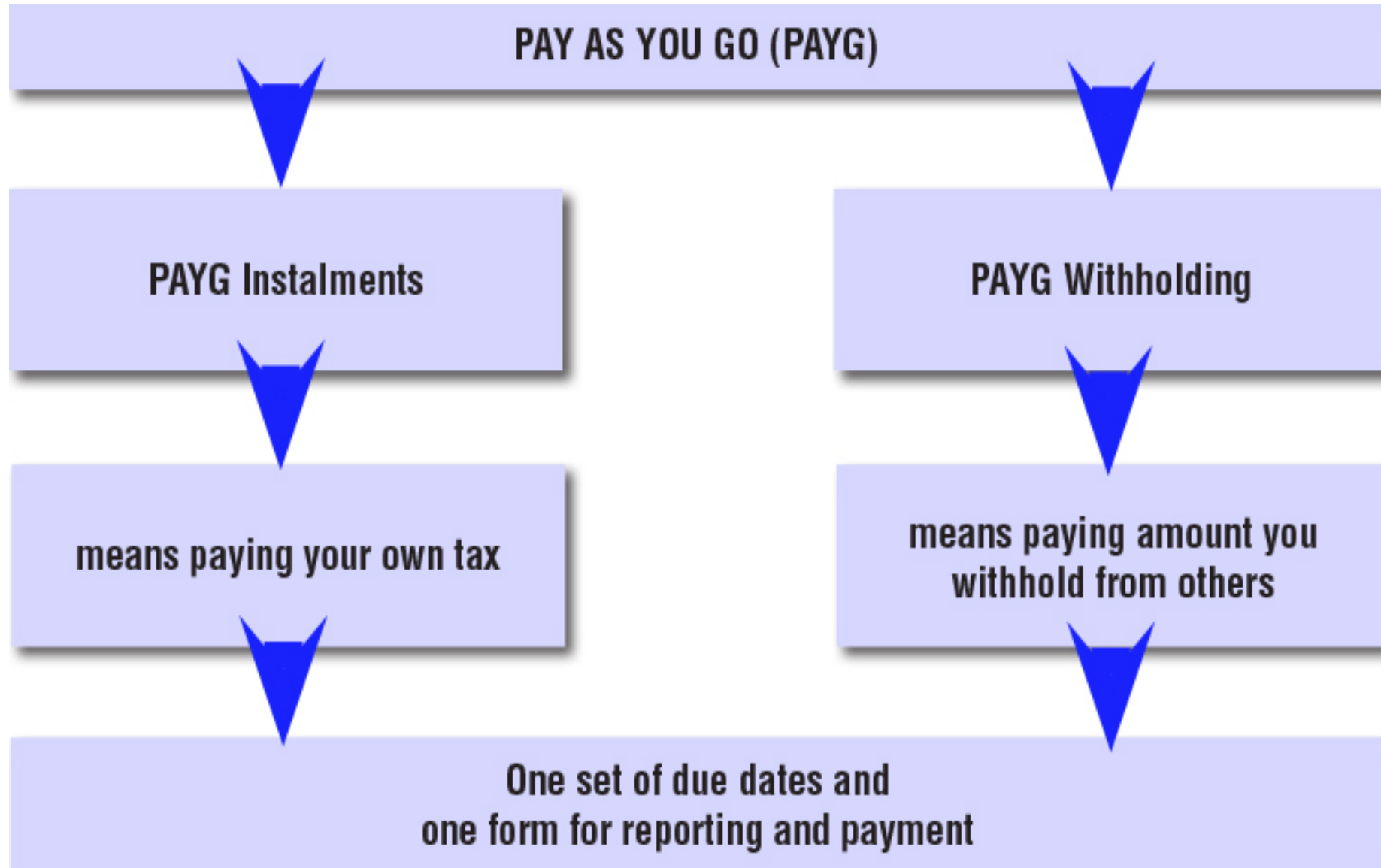
GST Payable and Input Tax Credits

You need to consider:

- What sales are taxable
- Calculating GST on taxable sales
- GST-*free* sales
- Input tax credits



Pay As You Go (PAYG) System



Other Taxation Matters

Additional important features of the tax system include:

- Tax file number
- Keeping tax records
- Stocktaking
- Superannuation Guarantee Charge
- Business deductions
- Business structures and taxation considerations



Go to www.ato.gov.au/Business/Starting-your-own-business

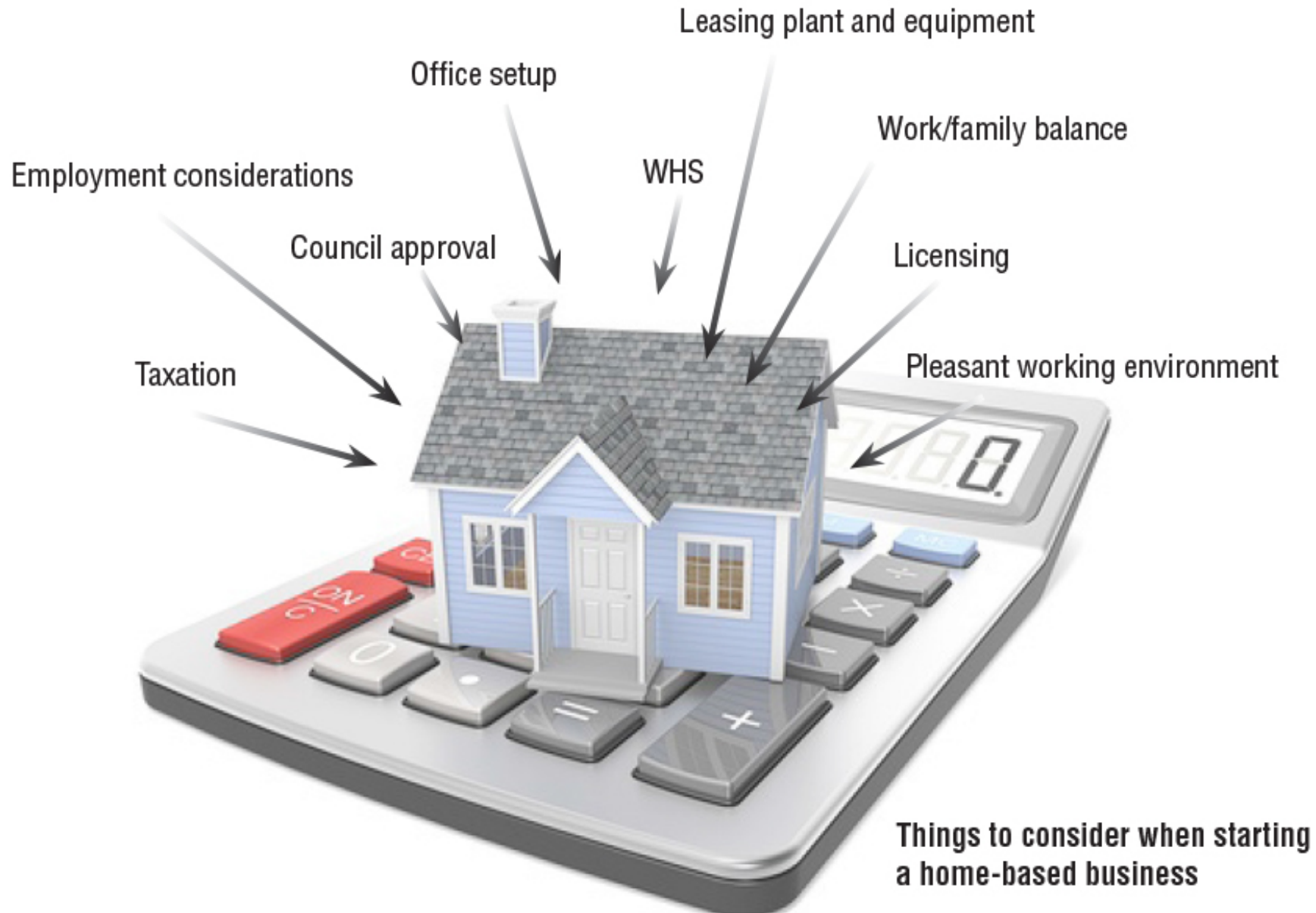
The Law of Contract

For a valid contract, the following elements must exist:

- an intention to create legal relations
- an offer
- an acceptance
- a consideration
- the consent
- a legality of purpose
- a documented form.



Running Your Business From Home



Contingency Plans

Establish **contingency plans** in the unlikely event that something happens to you, your family, your office or your plant and equipment

Consider:

- Cashflow
- Personal illness or injury
- Family member illness or death
- Computer problems,
- Vehicle or machinery breakdown
- Supplier failure (internet)
- Fire, flood or tempest
- Increased demand for your products/services
- Breakdown in personal relationships



Your Homework

At home and discuss the nuts and bolts of your business with your family and friends.

Come back tomorrow and share your comments with our group.

Tomorrow: Topic 7 –
Dollars and Sense

