ULTIMATE
TAX & ADVISORY

The Ultimate Start-up Guide

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WHO ARE WE?

We are a young team of professionals who are excited for the future of accounting and creating long-term relationships with our clients. We are passionate about health and creating a happy environment. We are not just about the numbers. We believe in supporting small business and helping them to succeed. We believe work should be kept in Australia to keep our economy flowing.

Managing Director Bobby Serval has been in the accounting industry for over 10 years and has a passion to help all small business owners. He found that the general accounting industry simply doesn't service clients how they should be serviced – with utmost care and respect – and he is here to change the accounting game! He looks forward to dealing with all of you budding entrepreneurs out there!

Practice Director Krystal Carter has been in the accounting industry for close to 8 years and has worked her way up the ranks to practice manager and accountant roles, which gives her amazing experience in all aspects of accounting life! She is the heart and soul of the business and we wouldn't be here without her.

*"We are not just about the numbers.
We believe in supporting small business
and helping them to succeed"*

SHOULD I GO INTO BUSINESS?

Are you struggling day to day with your job? Are you wanting to start something on the side? Or do you simply want to try something new?
Before you even think avbout starting one, put your pen to paper and work out if this is something worth investing your time and money into.
Some things to think about:

- Do I have the skills to run this business
- Is this something I am passionate about and am I prepared to put in the hours and sacrifices to make this business work
- What is my ‘why’, what is my purpose
- Is there a demand for this business
- What are my intentions, do I want to run the business fulltime, part time or employ someone else to run it
- What will be involved in setting this business up
- Do I have people in my network that could be potential customers
- Can I continue my current career while I build up this business
- How will I market this business

CASHFLOW/BUDGET

So you are seriously considering starting up this business, now is the time to prepare a projected cashflow/budget to ensure you will be able to pay your debts and to see if the business is viable.

You will need to list all your expenses and do research on how much they will cost per year, which can be broken down to monthly, weekly or even daily.

You will also need to work out your revenue. To do this you will determine how much you will charge for your product or service, estimate the number of customers (and monthly/yearly increase) and the estimated increase in price over the 12 months and beyond.

The projected cashflow should be for at least 12 months, however estimating for up to 5 years will be the best idea to see a full picture of the future of the company.

Some examples of startup/operating costs might be:

- Accounting and legal fees
- Advertising
- Insurances
- Business name,
- domain name,
- licences & registrations
- Computer equipment
- Motor vehicles
- Plant & equipment
- Mobile phones
- Office furniture
- Software
- Business stationery – cards, letterheads, etc
- Graphic design fees
- Website costs
- Inventory
- Printing, stationery & postage
- Rent/bond
- Signage
- Fitout costs
- Training courses
- Loan repayments
- Travel & Accommodation
- Professional memberships/subscriptions
- Repairs & maintenance
- Wages
- Super
- Taxes
- Telephone, Internet, Electricity, etc

CHOOSING THE RIGHT ENTITY…

"Get the correct advice from a professional advisor BEFORE YOU START"

This is where we get into the technical side of things. Choosing the right entity structure from the beginning will relieve you from any unnecessary headaches later.

SOLE TRADER PARTNERSHIP TRUST COMPANY

SOLE-TRADER: An individual running a business

Pros

- Simple and inexpensive business structure to setup and run
- You have full control of the business decisions
- Individual takes You take all profits & losses
- No restrictions to take money out of the business as it is your money
- Capital Gains Tax (CGT) discount is available

Cons

- Only 1 owner
- You are liable for all debts – Your personal assets (the family home) can be attacked by creditors or legal action
- Tax paid at the individual tax rates (check the ATO website or contact us for the current rates)
- No income splitting

PARTNERSHIP: A group of 2-20 people operating a business together.

Pros

- Simple and inexpensive business structure to setup and run
- Can have 2-20 owners
- Decisions are made by the partners
- The partners split the profits & losses equally or based on the partnership agreement
- CGT discount is available

Cons

- Partners are liable for all debts – Your personal assets can be attacked by creditors or legal action This includes the other partners share of the debts.
- Tax paid by partners at their own personal tax rates
- No income splitting

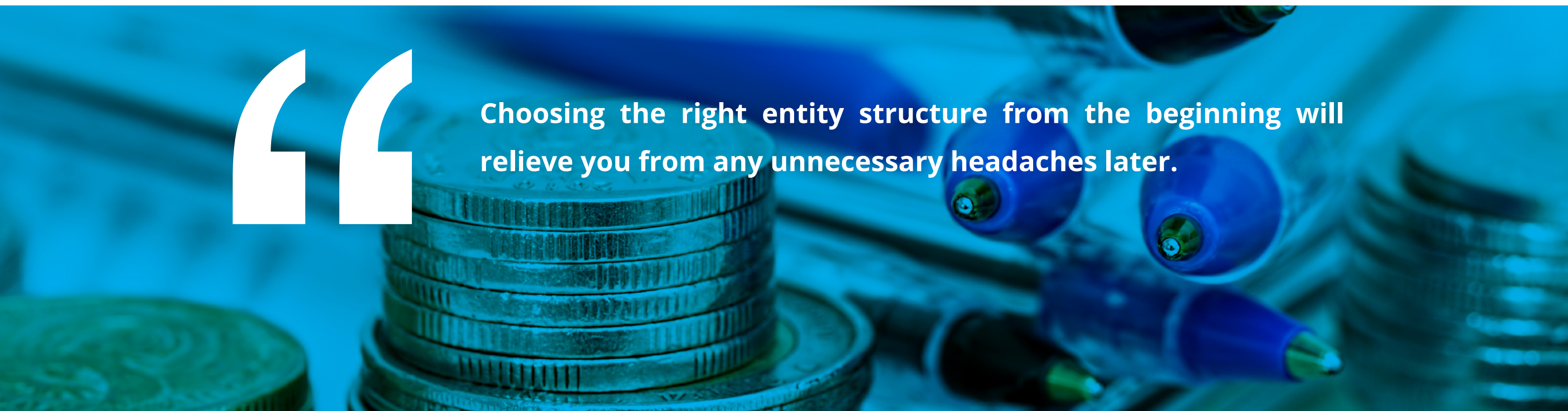
TRUST: A trustee operating a business to benefit the beneficiaries. Profit is distributed to the beneficiaries and taxed at their individual tax rates.
For Discretionary (Family) Trusts - You can distribute to as many people as you like within the family group or if they are named as beneficiaries on the trust deed. Unit Trusts distribute to the unit holders only.

Pros

- The trustees are the decision makers for the business (up to 4 trustees)
- (Discretionary Trusts) Ability to distribute profit to as many beneficiaries as you like as long as they are within the family group or named beneficiaries on the trust deed. Personal service income (PSI) rules will need to be passed first.
- Ability to appoint a corporate trustee for asset protection.
- CGT discount is available

Cons

- Sole trustee cannot be sole beneficiary
- Trustee is liable for all debts of the trust– personal assets can be attacked by creditors or legal action (unless a corporate trustee is appointed)
- Members are usually limited to the family group (Discretionary trusts only)
- Losses cannot be distributed to offset personal income – must be carried forward inside the trust
- Tax paid by beneficiaries at their various personal tax rates



COMPANY: A company is a separate legal entity. The company is responsible for the assets along with any debts and losses. Tax is paid on any profits in the company at the company tax rate. Depending on your business activity there may be issues with PSI.

Pros

- The shareholders are the owners
- The directors are the decision makers
- Directors can also be shareholders
- Company is liable for all debts – personal assets of directors cannot be attacked (except for certain circumstances such fraud)
- Ability to retain profits in the company (depending on PSI)
- Capped tax rate – not taxed on individual tax rate, tax is paid by the company
- CGT is paid by the company
- Ability to pay salaries to directors

Cons

- Costliest business to setup and run
- Harder to pull money out of the business
- Losses must be carried forward
- No CGT discounts
- Losses cannot be distributed to offset personal income – must be carried forward inside the company
- Tax paid by beneficiaries at their various personal tax rates

Each of these entities are different and have positives and negatives. Depending on your business and individual circumstances/needs it will depend which entity will be best suited to you.
You also want to choose the right structure for the future not just what suits right now. Changing entity structure later on can be difficult, costly and prior work can come back to haunt you.
Please contact us to organise a meeting to discuss your situation in detail. The cost of this meeting at the beginning has far more benefits than the cost of starting your structure inefficiently.
Start saving some tax today!

LICENCES

Find out what licences are required to get the business up and running and what is required to obtain them. This will all depend on what industry you are in. You can utilise the ABLIS which is a government website to find out more about your requirements https://ablis.business.gov.au/pages/home.aspx

It would be best to contact the professional body that governs your industry to find out more details, such as:

- What paperwork do you need to provide
- Do you need to complete any further training or qualifications
- Do you need your previous employer/s to sign anything
- How long will it take to finalise the licence application

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APPLYING FOR REGISTRATIONS

- Tax File Number (TFN) – All trading entities are required to have a TFN and lodge annual tax returns. If a sole trader, this will be your own personal TFN.
- Australian Business Number (ABN) – An ABN is required for any entity carrying on a business
- Goods & Services Tax (GST) – It may be a requirement to be registered for GST if you earn over $75,000
- You can also voluntarily register if you wish.
- Taxi and ride sharing industries must be registered for GST
- Australian Company Number (ACN) – An ASIC requirement for all companies which will be completed at company setup
- Pay As You Go Withholding (PAYGW) – You are required to register for PAYGW if you have employees
- Fuel Tax Credits (FTC) – You may be able to register for FTC for any fuel acquired, manufactured, imported or used in your business if your business is road transport, packaging/supplying fuel, agriculture and various other industries. You must also be registered for GST to claim FTC's
- Fringe Benefits Tax (FBT) – FBT is a separate tax which may apply to certain benefits provided to employees
- ASIC Business Name Registration – If you wish to trade under a name other than the name of your entity you will need to apply for a business name registration. This will also ensure no one else registers your name. Exclusive use of the name cannot be obtained by simply having a business name registered. A trademark will need to be implemented (see below).
- Domain name – This is your online address which is used for websites, email addresses, etc. May not be required from the start but might be a good idea to buy and hold for later down the track to stop others using it.
- Trademark – Optional requirement for images, names etc such as your logo and gives you exclusive rights.

BANK ACCOUNTS

- Once we have setup the right entity structure, the next step is setting up a bank account for the business.
- Depending on your structure, The bank will require you to complete some documentation and may require you to provide a certified copy of the trust deed or company constitution of the business along with the tax file number and ABN, verification of identity of signatories, etc.
- We also suggest setting up a few business accounts: the main trading account along with other accounts to transfer a certain amount per week into to allow for income tax, GST, tax withheld, super and other obligations. By doing this you will 'force' yourself to not touch that money and won't get caught out when these debts fall due.

INSURANCES

Insurance is one of the most important items for your business. This should be one of the first things you organise and needs to be setup prior to any work being completed under the business.

Some licences may require your insurance details prior to granting you a licence.

Determine which insurance is required for your business, some examples are

- Business insurance
- Building and contents insurance
- Public liability insurance
- Professional indemnity insurance
- Workers compensation insurance
- Vehicle insurance

Prior to issuing insurance, insurance companies will require some information from you and may require you to complete forms outlining your business details. Such as:

- type of business,
- if you have any employees/working directors,
- estimated turnover,
- risk activity,
- your previous insurance history

You may consider going through an insurance broker to help you find the right insurance for your business. We have great contacts in this area so please ask us.

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TAX & GST REQUIREMENTS

Income Tax

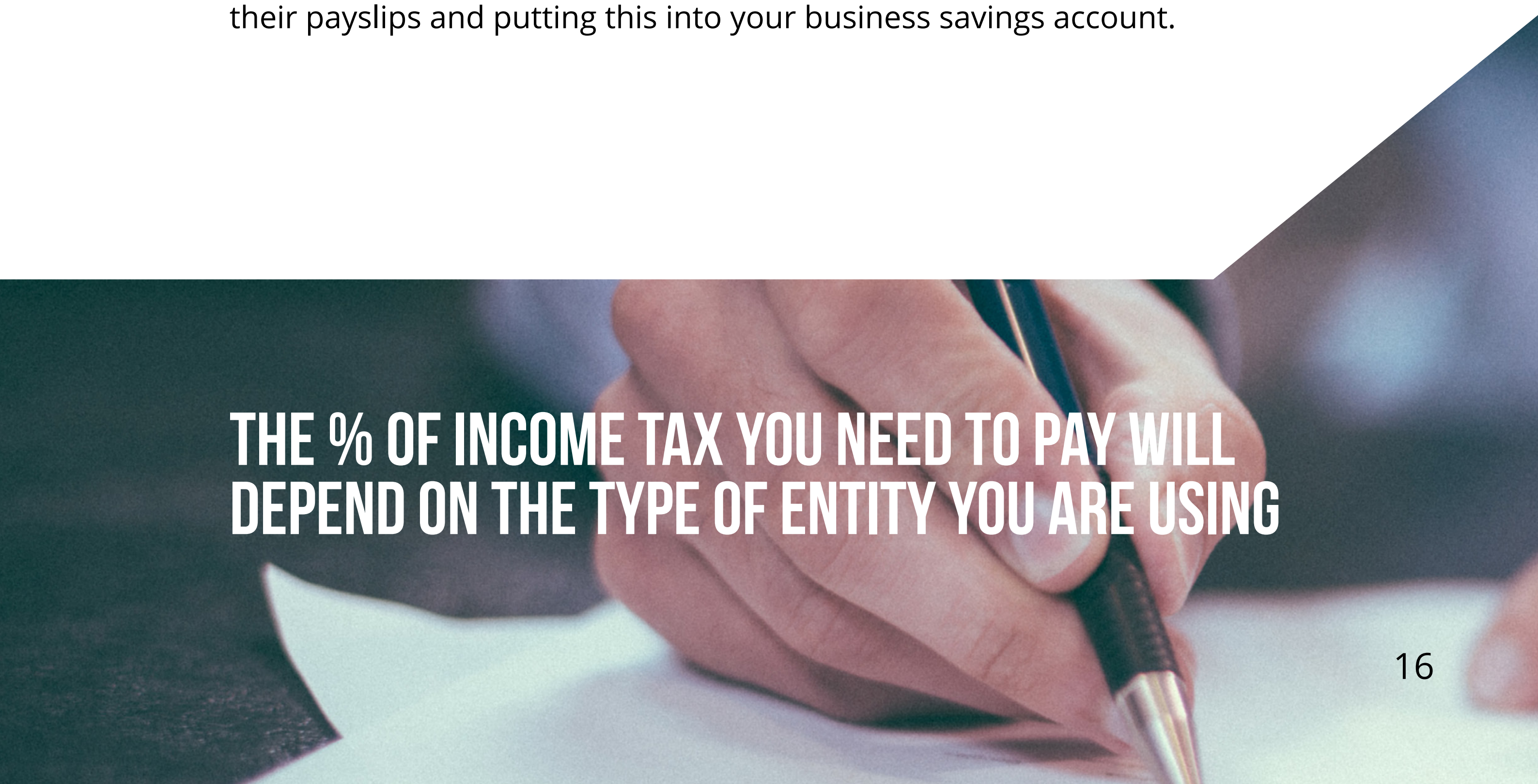
At the end of the financial year (typically 30th June) you will be required to prepare your income tax return (and financial statements depending on the entity or your own requirements). If your business made a profit, you will be required to pay income tax to the ATO. The % of income tax you need to pay will depend on the type of entity you are using and how large the profit is. We generally recommend putting away up to 20-30% of all sales into a separate account as a tax savings.

PAYG Instalments (PAYGI)

After you lodge your first tax return under the business, the ATO may register you the Pay As You Go Instalments PAYGI). This means you will have to prepay tax each quarter for the following year financial year tax bill. This means you shouldn't get hit with a big bill when you lodge your tax return.

PAYG Withholding Tax (PAYGW)

PAYG Withholding Tax will be required to be paid to the ATO monthly or quarterly depending on your registration. We recommend calculating the PAYG withholding amount from your employees each week/fortnight as per their payslips and putting this into your business savings account.



Superannuation

Super is calculated on the total gross wages paid to employees and is required to be paid each quarter into your employees nominated superfund via superstream. Super rates are changing, so please contact us to get the current rates.

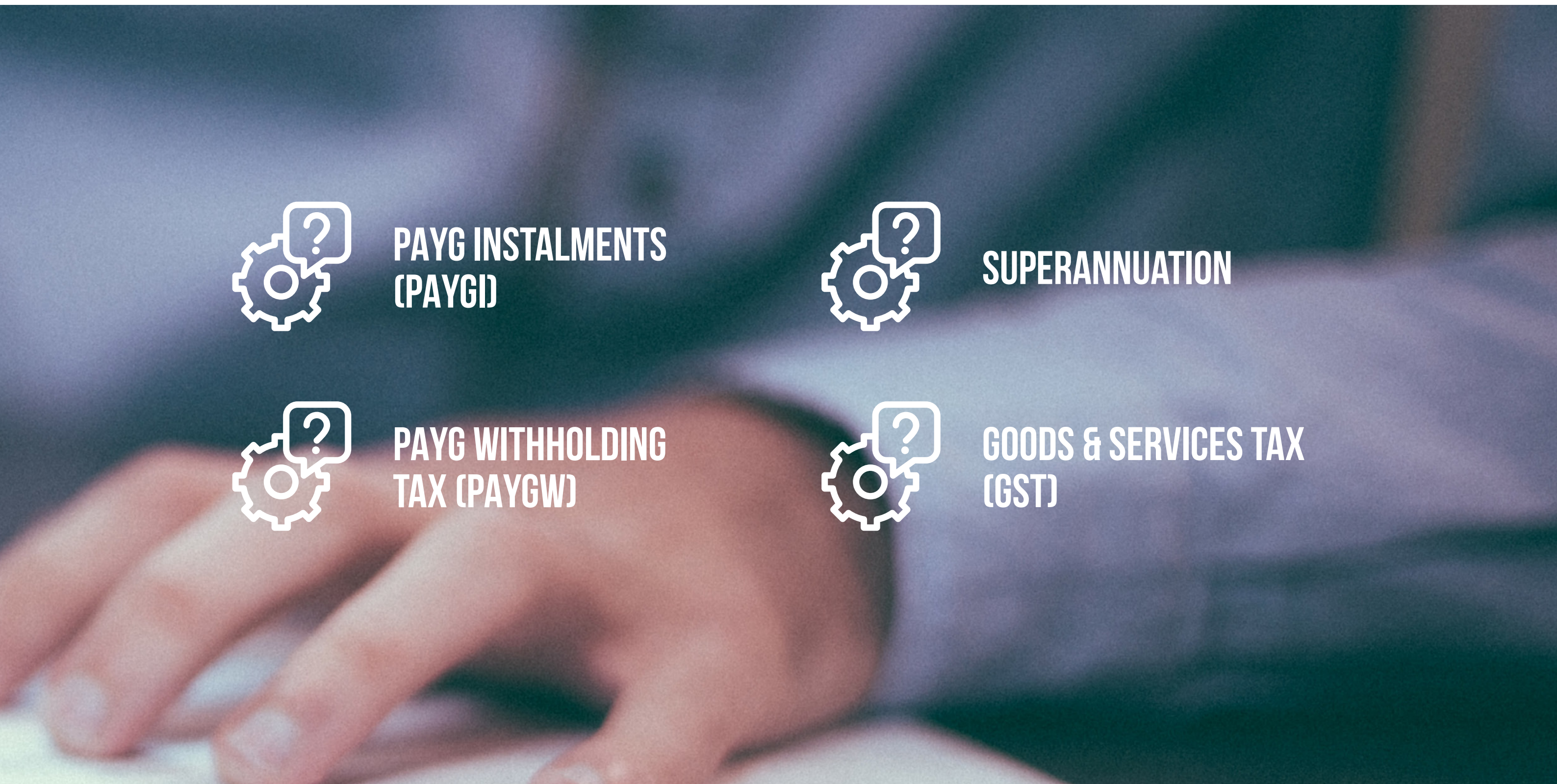
Depending on your size, you may be able to setup a Super Clearing House login with the ATO and they will distribute this for you.

Super payments should be put into your business savings account each time you pay the employees so you are not behind in their payments. There are hefty penalties for not paying or paying late employee super.

Goods & Services Tax (GST)

If you are invoicing over $75,000 per year or are in one of the industries required to be registered for GST by the ATO then GST will need to be paid each month or quarter. We recommend putting away a further 10% of all sales into the business savings account.

This may seem like overkill however this should ensure you have no surprises at the end of the tax year.



MARKETING PLAN

Your marketing and strategy is the representation of who you are and what will set you apart from the competition.

To get started on this you will put in place a marketing plan which is a document outlining the ongoing business advertising and marketing efforts. A marketing plan will help you to identify your target audience, potential customers, find your competitors and develop strategies to help your business stand out from the rest.

We have found the best steps to setting up your marketing plan:

Research – the structure of your business, budget to invest into marketing, any specific strategies you want to try

1. Will the plan be used for internal purposes only or will external parties be viewing the plan? e.g. banks ,shareholders, investors
2. Determine your objectives and goals and set a timeline of when to achieve them and how you will do so – Set your goal first and the road to get there will be much easier
3. Prepare a detailed budget for each of these strategies/campaigns
4. Determine who will be in charge of each task – are you going to complete these yourself, do you need to hire an employee to manage this or outsource to a marketing company
5. Analyse your current market, who will use your product, what age groups, family types, areas they live in, where they shop, how much they earn etc
6. Analyse your competitors and what marketing they are currently doing – who are they targeting and how you can do it better than them, what are their strengths & weaknesses. However, you must remember your competitors should not be treated as enemies. Working together will make your businesses grow together.
7. Determine which marketing strategies you will be using to appeal to your target market e.g. flyers, website, shopping centres/sporting areas/ community boards, social media, tv/radio, merchandise, networking events/seminars, etc

8. Social Media – decide which social media you will use and setup accounts – ensure names you use are easy for your customers to locate and associate with your business
9. 1Environmental factors – are there any environmental factors that could impact your business and how can you plan for these, economical issues, how can you bring in more customers during low peak periods
10. 1Staff incentives – can you offer incentives to your staff for them to try make more sales or bring in clientele, perhaps a commission or other form of bonuses
11. Education – do you need to attend any training/workshops to help update your skills/product knowledge
12. Review – draft your work and review it, get others (perhaps a professional marketing consultant) to review it and give you ideas on how to improve
13. Monitor – monitor implemented marketing strategies and record the response received from each to determine which would be the most effective going forward. Use your website hits or social media engagement as a guide to how well a promotion has gone and use this data for future strategies.

Your marketing plan should be regularly reviewed and updated as your business grows and your goals change.

Some of the items you may need to design are:

- Logos
- Business cards
- Flyers
- Website
- Email signature
- Letterheads/stationery

If you are hiring a marketing consultant, it is best to have a draft design or idea in place to show them. From this they will have all the information about your business e.g. who you are, what you do, your ‘why’, what colours you like etc which will make it easier for them to design the final templates.

OFFICE

Will you be looking to rent/buy an office/workshop/store for your business, will it be run from home, mobile, shared office space, etc.

Renting/Buying a workspace

- Location – close to client base/potential client base, close to amenities, close to commute for you and team members, easily assessable, parking/ public transport options
- Price – decide a budget and stick to it
- Size – large enough for your team members and room for growth but not extra rooms that you will never use
- Extra expenses involved in an office – fitout costs, utilities, signage, repairs & maintenance, security
- Seek a real estate agent or broker to help you
- Understanding the lease/contract
- How long you want to rent
- Do you need council approval

Shared office space

- Can you operate from a shared office location
- The benefits of shared rent and utilities costs

Home office

- Do you have the space in your current home or do you need to relocate
- Is there room to grow or manage staff
- Will you be able to be productive at home
- Do you need to install security if customers will be coming to your house
- Furniture – computer, monitors, printer/scanner, desk, chair, bookcase, filing cabinet, etc
- Stationery expenses
- Utilities and rates expenses
- Do you need council approval
- Depending on the business involvement and what you claim, there may be CGT implications on your family home

Mobile

- Even if you are operating mobile, you will most likely still need a home office or office base
- Travel time
- Fuel expenses
- Repairs & maintenance
- May need to replace vehicle more frequently

HIRING EMPLOYEES

First thing you need to decide is if you have enough money to hire an employee or if hiring an employee will enable you to generate more income. Some things you need to consider:

- Requirement to pay staff according to the correct award as per fairwork.gov.au
- Creating employment agreements/contracts to protect your business
- Requirement to register for PAYGW and withhold tax from your employees wages
- Paying superannuation on the employees gross wages and registering through a superstream compliant fund
- Being able to offer a default superfund to your employee
- Ensuring you are paying the correct sick leave and annual entitlements
- Ensuring your insurance covers you for having employees
- Creating pay templates/providing payslips to employees
- Ensuring tax file number declarations and super choice forms are completed for all staff
- Do you need to purchase or upgrade your software to accommodate for payroll
- PAYG payment summaries need to be completed each year and provided to staff prior to 14th July
- Payroll tax in WA is requirement to be paid for employers which have large total gross wages. These rates frequently change so please contact us.
- Are you providing any non-cash benefits to your employees that may require you to pay Fringe Benefits Tax (FBT) and lodge an FBT return?

If you decide to hire contractors rather than employees, there may be some issues with this due to the ATO rulings and it is best to contact us first to ensure you are doing this correctly to avoid any necessary penalties.

RECORDKEEPING

Recordkeeping is keeping track on your businesses actual income and expenses as they occur. Recordkeeping is important to:

- Calculate an accurate profit & loss to check if the business is making money
- Best plan for the future of the business
- Provide to banks and financial institutions
- Provide to potential investors or buyers of your business
- Reduce your accounting costs
- Incase of an ATO audit

Records are required to be kept for a minimum of 5 years. Depending on the size of your business, records can be kept in a filing system or saved electronically. Sales and expenses should be recorded into a manual cashbook, excel spreadsheet or electronic software such as Xero.

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Thank You

For your Business

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