



ESSENTIAL INFORMATION FOR
STARTING A **NEW BUSINESS**



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FACT SHEETS:

STARTING A NEW BUSINESS

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CHOOSING A BUSINESS STRUCTURE

To pay your business taxes, claim deductions for business expenses, open accounts and trade legally, you need to choose the business structure that will be right for you. For new businesses, the three most popular structures are sole traders, partnerships and companies.

- **SOLE TRADER:** there is only one business owner
- **PARTNERSHIP:** there is more than one business owner
- **PROPRIETARY LIMITED COMPANY:** a separate legal body with its own tax return

The business structure you choose will depend on your type of business, how other people will be involved, how profits will be shared, who will be legally liable, the tax implications and your future goals for the business.

You may also want to consider the following two structures:

- **TRUST:** the 'trustee' manages property or income for the benefit of others who are known as 'beneficiaries'
- **CO-OPERATIVE:** all members participate equally and the general aim is providing services for members rather than making profits

This table outlines the main characteristics of sole traders, partnerships and companies, and what the tax implications are for each:

Structure	Description	Tax implications
Sole trader	<ul style="list-style-type: none"> - you're in business by yourself which is the simplest form of business structure - establishment costs are generally low - you enjoy all capital growth and profit - as there is no legal separation between you and the business, your liability for business debt is unlimited and could extend to your total personal assets - as their business grows, sole traders usually progress to another structure 	<ul style="list-style-type: none"> - profit from the business is treated as the owner's individual income - owner does not have to complete a separate tax return for the business - your personal income tax return is used to report your business income and the deductions you claim for your business expenses - your personal Tax File Number is also used for income tax purposes
Partnership	<ul style="list-style-type: none"> - two or more people start a business, and share the costs, profits and losses - allows two or more partners to combine their different skills and resources - liability for business debt is unlimited and could extend to personal assets - to avoid future disputes between partners, a formal 'Partnership Agreement' should be drawn up by an accountant or lawyer 	<ul style="list-style-type: none"> - a partnership is not a separate legal entity and does not pay income tax on income earned - each partner pays tax on their share of net partnership income - also need to complete a partnership tax return showing partnership's income and deductions, and how profit or loss was shared - must have its own Tax File Number
Limited liability company	<ul style="list-style-type: none"> - has shareholders who own the company and directors who run it - shareholders can also be directors and employees, as in family businesses - allows you to distance yourself financially from the business - limits exposure of liability for debts to business assets not personal assets 	<ul style="list-style-type: none"> - is a separate legal entity that pays income tax on its profits at company tax rates, while the owner is taxed on salary and/or directors' fees - compliance costs are generally higher and record keeping is more strict - 'personal services income' rules may apply if you're a consultant or contractor with your own company - must have its own Tax File Number

Contact an accountant or lawyer for further information.

Information taken from www.business.vic.gov.au



APPLYING FOR AN ABN

Every business has an ABN for GST and other business tax registrations. You will need to quote your ABN, for example, on invoices, even if you're not registered to collect GST.

Visit www.abr.gov.au to complete and lodge an online application or phone **13 28 66** to obtain a paper version of the ABN application forms.

Information taken from www.fairtrading.qld.gov.au

REGISTERING A BUSINESS NAME

If you are a registered company, you need to register your business name only if it is different from your registered company name. You need to register your business name in each state you will be trading in. For further details, visit <http://www.fairtrading.qld.gov.au/need-to-register.htm>

To register in QLD, go to www.fairtrading.qld.gov.au/register-business-name.htm

- Complete Business Names Act Form 1 - Application for registration of a business name
- Provide originals or certified copies of your and other business owners' identification, such as a passport, drivers licence, tertiary student card (with photo and signature), public service identity card, pension concession card, 18+ card, birth certificate or extract from a birth entry
- Pay the registration fee of \$129.75 for 1 year or \$284.20 for 3 years
- Lodge your application

Information taken from www.fairtrading.qld.gov.au

APPLYING FOR LICENSES & PERMITS

The licenses and permits you need will depend on:

- What sort of business you're running
- What activities your business will be undertaking

Many businesses have to hold a licence before they can start trading. Contact SmartLicence on **1300 363 711** for assistance.

Many business activities are closely controlled by local councils. Check with your local council about any town planning, zoning and use rules that may affect your business.

Information taken from www.business.vic.gov.au and www.business.qld.gov.au



REGISTERING FOR TAX

All businesses are legally required to pay tax. Australia has self-assessment taxation, which means you (or your tax professional) have to work out your tax obligations and pay the correct amount to the Australian Taxation Office (ATO) by the due date. You will have to keep records to support your calculations.

GST:

The GST is a broad-based tax of 10 per cent on the sale of most goods and services. Generally, registered businesses include GST in the price of sales to their customers and claim credits for the GST included in the price of their business purchases.

While GST is paid at each step in the supply chain, businesses don't actually pay the tax. This is because they include GST in the price of the goods and services they sell, and can then claim credits for most GST included in the price of goods and services they buy. The final consumer bears the cost of GST as they can't claim GST credits.

Registering for GST entitles you to claim input tax credits for GST included in the price you pay for goods/ services used in your business. If you're not registered for GST, you can't claim input tax credits. When you register, you must decide if you are going to report on and pay GST on a monthly or quarterly basis (or annual basis if you are voluntarily registered for GST) and if it will be on a cash or non-cash basis.

You must register for GST if:

- Your business has a GST turnover of \$75,000 or more (\$150,000 or more if you are a non-profit organisation)
- You provide taxi travel as part of your business, regardless of your annual turnover

You can register for GST:

- At the same time you apply for your ABN – visit www.abr.gov.au
- Through your tax agent, or
- By phoning **13 28 66** to obtain the appropriate form for your business – Application to register for an ABN individuals or (sole trader) (NAT 2938) or ABN registration for companies, partnerships, trusts and other organisations (NAT 2939)

Information taken from www.business.vic.gov.au and www.ato.gov.au

PAYG:

The ATO expects you to pay quarterly PAYG tax instalments on your taxable income, but these normally start after your first year in business. The tax office will credit your quarterly PAYG instalments against your annual income tax liability at the end of the tax year. When you submit your annual income tax return, the ATO assesses your tax liability for the entire tax year. The ATO will then credit any PAYG instalments you made during the year to see if you owe any tax.

Information taken from www.business.vic.gov.au



OPENING A BUSINESS BANK ACCOUNT

When deciding what type of banking products your business will need, it is important to look at the type of business you are offering to your customers, what your suppliers need and how you want to manage your cashflow. The most common transaction banking products are:

- Internet banking
- Credits to accounts - electronically, manually or by direct credit
- Debits to accounts - electronically or by cheque
- Bpay via credit or debit card
- Overdraft and other limit facilities
- Cheque production facility
- Lockbox service - secure processing of a mailed cheque, money order or credit card payment
- Payroll processing arrangements

All businesses will need an account which can be accessed by cheque, ATM, EFTPOS, telephone banking or internet banking, and into which you can add your takings, cash and other deposits. This is a basic facility through which all your business's financial transactions pass.

Make sure you compare the fees and charges of several financial institutions before opening a bank account.

You will need to provide the following to open a business bank account:

- Business name and address
- Australian Business Number (ABN), Australian Company Number (ACN) or Australian Registered Business Number (ARBN)
- Name of proprietor(s) or director(s)
- Name, date of birth and residential address of all account signatories
- For incorporated associations, the Certificate of Incorporation
- For partnerships and sole proprietors, the Certificate of Registration of Business Name
- For trustees and trusts, the Trust Deed

Information taken from www.business.vic.gov.au and www.commbank.com.au

ORGANISING MERCHANT FACILITIES

Merchant facilities give your customers options when they pay by credit or debit card. A merchant facility allows you to process payments made on these cards either manually or electronically. They improve your cash flow, as your customers don't need to have cash in their account to pay. Using merchant facilities speeds up payment and reduces administration costs (such as printing paper invoices). It avoids having to set up accounts for one-off transactions.

Some questions to ask yourself before you meet with your bank or financial institution to set up a merchant facility are:

- Do you have a retail store where your customers walk in to use their card to pay?
You may need an EFTPOS terminal to swipe their cards.
- Do you take most of your orders from the mail/phone/fax/internet? Do you need an EFTPOS terminal or is there an other way to process orders (such as a manual docket system)? Extra account fees might be charged for manual processing and funds will not be available as quickly as EFTPOS.
- What volume of credit card transactions versus cash or other payment methods do you expect?

Information taken from www.business.vic.gov.au

INSURING YOUR BUSINESS

Insuring your business premises and contents is an essential part of setting up. For new starters, insurance can seem like a costly addition to an already long list of expenses. However, if your business is not insured, you may not recover financially from a disaster like burglary, vandalism, a fire or storm. Above all, adequate insurance cover will ensure that you can continue trading even if premises or contents are damaged, stolen or destroyed.

As well as insuring your premises and contents against everyday risks, some of these additional insurances could also be critical:

- **PUBLIC LIABILITY:** to cover personal injury or property damage sustained by customers, clients or visitors to your premises
- **PRODUCT LIABILITY:** to cover injury or damage caused by the products you manufacture, sell or supply as a service
- **PROFESSIONAL INDEMNITY:** to cover financial loss sustained by clients which is caused by your supply of services or advice
- **MOTOR VEHICLE:** applies if your vehicle is used for business purposes
- **PERSONAL INJURY AND INCOME PROTECTION:** personal injury and income protection are often used by sole traders and members of partnerships as they are not considered to be 'workers' in their own businesses

Most home-based businesses are not adequately covered by a standard Home and Contents policy. The public liability part of it becomes void when a business is started on the premises. Get advice from your insurer about additional insurance.

Insurance policies can be changed to suit your needs, if a policy doesn't cover a particular risk in your business, you can ask to have a separate clause added to the policy.

To investigate the insurance needs of your business, you could consider using the services of an insurance broker. Brokers are experts in matching business needs with the range of insurances available. They can also arrange a business insurance package which will almost certainly be cheaper than taking out a number of individual policies.

Information taken from www.business.vic.gov.au

EMPLOYER RESPONSIBILITIES

PAY AS YOU GO (PAYG) WITHHOLDING:

If you have employees you generally withhold money from the payments you make to them (PAYG Withholding).

You need to:

- Register for PAYG withholding with the ATO
- Calculate how much to withhold from payments and report this
- Pay the withheld amounts to the ATO
- Record the amounts in your quarterly activity statement and annual tax return

The ATO offers an online Tax Withheld Calculator to help you calculate how much to withhold.

Information taken from www.business.vic.gov.au



EMPLOYER RESPONSIBILITIES

SUPERANNUATION:

If you employ staff you may have to pay a basic rate of superannuation for them. Payments for superannuation are tax deductible and are covered by (federal) superannuation guarantee legislation.

You need to:

- Calculate an amount equal to 9% of each of the eligible employees' base earnings
- Pay this amount to a superannuation fund or retirement savings account at least every quarter by the cut-off date (28 October, 28 January, 28 April and 28 July)
- Keep a record of all contributions made

Which employees you don't need to pay super for?

- A salary or wage of less than \$450 in a month, or
- Under 18 years of age and work less than 30 hours a week, or
- Aged 70 or over

Your employee can generally choose their super fund if they are:

- Employed under a federal award
- Employed under a former state award, now known as a 'national agreement preserving state award'
- Employed under another award or agreement that doesn't require superannuation support, or
- Not employed under any state award or industrial agreement (including contractors paid principally for their labour)

Information taken from www.business.vic.gov.au and www.ato.gov.au

ACCIDENT INSURANCE:

A WorkCover Queensland accident insurance policy covers you for the costs associated with compensating your workers who sustain a work-related injury or illness. The policy is compulsory if you employ workers in Queensland.

Call Workcover QLD on **1300 362 128** to apply for an accident insurance policy. It will only take about 20 minutes to set up a policy over the phone. The minimum premium payable for the period commencing 1 July 2008 is \$170 and is non-refundable.

You will need the following information when you call:

- The full name of the employing entity (company, partnership, or individual)
- The expected date you will commence to employ
- Your Australian Business Number (ABN) (of the trustee if a trust is involved)
- Your Australian Company Number (ACN), if applicable
- The estimated wages for your business for the year from the date you commence to employ, to 30 June
- Any previous associated business details, either yours or the company's (e.g. previous policy numbers and policy names)
- Type of business
- Primary business activity
- Credit card details to pay your premium
- There will also be other questions about the location, contact and business details as your policy is setup.

Information taken from www.workcoverqld.com.au



CONNECTING UTILITIES

Arrange for connection of utility services such as electricity, gas, water, telephone and internet at your new business premises.

Contact the following companies for connection details:

ELECTRICITY: & GAS: Origin, phone **13 24 61**

WATER: contact your local council

TELEPHONE & INTERNET: Telstra, phone **13 20 00**

BUYING OFFICE FURNITURE & EQUIPMENT

Arrange fitout and purchase business equipment, fittings and furniture for your new office or workplace.

Keep up with new developments and evaluate the standard and performance of your fax machine, telephone system, photocopier, answering machine, mobile phones, teleconferencing facilities, cash registers, security systems, computers, software applications and your broadband or modem internet access.

PROMOTING YOUR BUSINESS

Marketing means more than just selling, it is concerned with every aspect of the product or service from inception, design, pricing, distribution, selling and promotion through to after sales service and measurement of customer satisfaction. Your market research will form the basis of your marketing strategies. Promotions can include advertising, radio spots, sponsorships, brochures, signage, business cards, referrals and direct mail.

Some marketing tips:

- Make sure you identify and promote your business at every opportunity e.g. through your stationery and other promotional material
- Determine your advertising and marketing needs
- Think about how you could network with other businesses to promote your products and services
- Develop a marketing plan
- Register a domain name and setup a website for an online presence. You can check if your domain name is available at www.gsdomains.com.au

Information taken from www.sbdc.com.au and www.smallbiz.nsw.gov.au

