

# BusinessChicks Latte

Summer 2010 \$8.95

**CELEBRATE!**  
Make money  
from parties

Work in  
opulence  
in Dubai

How to  
say no  
(nicely)

*Gorgeous*  
gifts that  
give back

Advisers  
YOU need  
to build  
wealth

**SUCCESSFUL  
WOMEN**  
Just like you

**SPECIAL REPORT**  
How to start  
your own  
business

*Empire*  
**building**  
The business of Natalie Bloom



On Twitter, you often see tweets like: "So great to meet you IRL". Often the most incredible relationships start when you catch up with people for coffee that you 'met' online.

Even if you aren't online, business networking is an effective way to not only meet new contacts that share your vision and mission but it is also an excellent method for meeting people that can assist in new business development.

If you're stressed or nervous about networking or hate talking to people, remember that it's a conversation and you have conversations every day. So IRL isn't just for teenagers!



**Catriona Pollard** is director of PR & social media agency, CP Communications.

She is also co-founder of networking group, Social Media Women. [www.cpccommunications.com.au](http://www.cpccommunications.com.au)

## Converting connections to sales

- > Take the connections you make online, offline. Particularly for service-based businesses, meeting potential clients face-to-face is often key to converting them to clients.
- > Take your Twitter and Facebook strategy one step further by including competitions to engage and reward your followers. This means that people are sampling your product and talking about it online.
- > Make it easy to buy from you. Link your Twitter to your online shop, link your Facebook to your product catalogue and include your web address on your YouTube channel. Drive people from your blog to your site so they can easily buy your product.

# Get structured

Before you take the plunge into a new business, consider the right structure for your venture. By Janna Fikh

**G**etting the right business structure is crucial, regardless of how big or small you want your business to be. The structure you choose will affect the level of personal liability involved, set-up and compliance costs, as well as tax planning that can impact your family and other investments.

The four main business structures are:

- 1> Sole trader
- 2> Partnership
- 3> Company
- 4> Trust

The table on the next page shows the advantages and disadvantages of each type of structure, as well as how to get started and what the costs are. It's ideal to talk to your accountant on a structure that best suits your business goals.

Often, people like to test the waters of their business idea and commence trading via a sole trader structure. Once business reaches a certain financial level, a particular risk point, or personal family circumstances change, business owners opt to upgrade their structure to one more appropriate at that time.

It is relatively simple to upgrade your structure from sole trader to that of a company or a trust, but you need to appreciate

that going back down the structure ladder is not as easy, due to the compliance and costs involved in shutting down a more advanced business structure.

Taking advantage of income splitting between shareholders and/or family members, as well as reduced personal liability are the two key reasons business owners tend to upgrade their business structures.

The table refers to being "liable". What does this mean? Personal liability means that you will be solely responsible for any obligations that your business incurs.

As an example, if you are a sole trader and you happen to lose a legal battle, the opposing party will have the right to seek damages from you personally.

In practice, this may result in the opposing party going after investments in your personal name such as your house, investment property or share portfolio. In comparison, a company structure has limited liability. Generally, a company may only be forced to pay creditors (opposing party) up to the extent of the assets and capital owned by the company at that time. That means your personal assets – those in your name and not the company's name – aren't generally at risk.

## Do you need to register for GST?

GST registration is mandatory if your turnover (not profit!) exceeds \$75,000. If your turnover is below this threshold, you can register for GST voluntarily.

Registering for GST can be done via your accountant or at the same time as registering for your ABN via the Australian Business Register website.

[www.abr.gov.au](http://www.abr.gov.au)

Once you become registered for GST, you will need to include GST in the price of most goods and services you sell and you will be able to claim credits for the GST included in the price of your business purchases. Depending on your estimated turnover, GST can be reported to the Australian Taxation Office (ATO) on a monthly, quarterly or annual basis.



**Janna Fikh** is principal at Fletcher Tax Accountants. Please note comments made should not

be taken as specific taxation, financial or legal advice.

Please seek professional advice appropriate for your particular situation. [www.fletchertaxaccountants.com.au](http://www.fletchertaxaccountants.com.au)

## Tax time ...

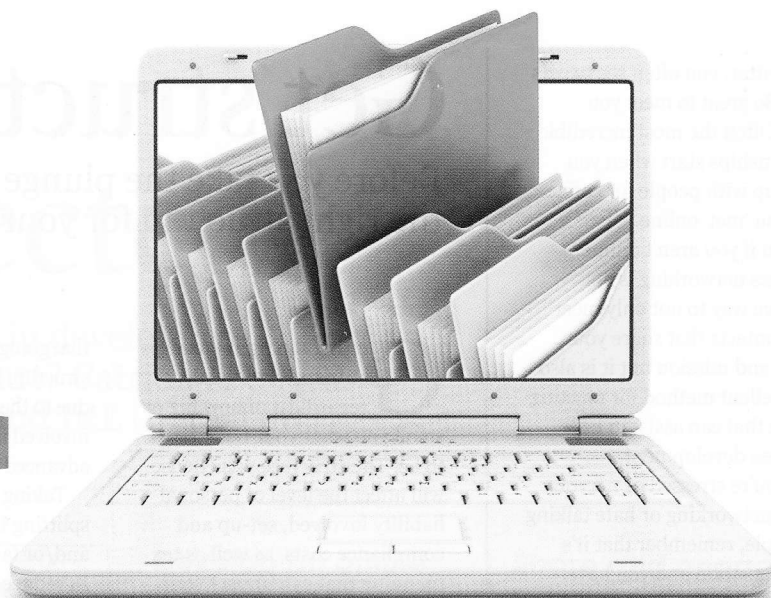


When you first start out in business, it can be easy to forget to that you have to keep money aside for tax. When you come from salaried employment, your employer takes care of this for you. The money you receive has already been taxed so you can spend it with the confidence that you are unlikely to receive an additional tax bill.

However, as a business owner, if you don't set aside money for tax, you might be in for a shock when it comes to GST or tax return due dates. So that you're prepared, you can place a percentage into an offset/high interest account as soon as you receive any income. But if you think you have a handle on your quarterly and annual tax bill, you may prefer to save a proportion of money via an ad hoc approach.



*This table shows the advantages and disadvantages of each type of structure, as well as how to get started and what the costs are.*



## Sole Trader

## Partnership

## Company

## Trust

### ADVANTAGES

>Easy to set up.  
>Low compliance costs.

>Easy to set up.  
>Easier to obtain finance, as it's viewed as less risk if more partners and their respective contributions are involved.

>A separate legal entity, thus reduced personal liability.  
>Flexibility in respect of distributing profits to shareholders.

>Controlled by a trustee (which can be you individually or via a company).  
>Personal liability is reduced where the trustee is a company.  
>Flexibility in respect of distributing profits amongst beneficiaries.

### DISADVANTAGES

>You are entirely responsible and liable, for the good and bad.  
>May be harder to obtain finance in this structure.

>Not a separate legal entity. You and the other partners are jointly and severally liable for all of the partnership's liabilities.

>High compliance costs.  
>Restricted ways to withdraw profits out of the company, most common being via wages and/or dividends.

>High compliance and set up costs.

### TAX RATE

>Marginal tax rate (Up to 46.5%)

>Taxes paid by the partners in their Individual returns.

>Flat rate of 30%.

>Taxes paid by the beneficiaries of the trust, in their individual returns.

### TO GET STARTED

>Register an Australian Business Number (ABN)  
>Register a trading name if required.  
>Other registrations, if applicable, such as GST and/or PAYG withholding if hiring staff.

>Register an Australian Business Number (ABN) and Tax File Number (TFN).  
> Register a trading name if required.  
>Other registrations, if applicable, such as GST and/or PAYG withholding if hiring staff.  
> Advisable to draw up a partnership agreement.

>Register an Australian Business Number (ABN) and Tax File Number (TFN)  
> Register a trading name if required.  
>Other registrations, if applicable, such as GST and/or PAYG withholding if hiring staff.  
> Register a company with ASIC.

> Register an Australian Business Number (ABN) and Tax File Number (TFN).  
> Register a trading name if required.  
> Other registrations, if applicable, such as GST and/or PAYG withholding if hiring staff.  
> Register a company with ASIC (if trustee is a company).  
> Organise a trust deed.

### SET UP COSTS

>Low

>Moderate

>High

>High

### ANNUAL COMPLIANCE COSTS

>Low

>Moderate

>High

>High

TABLE BY JANNA PIKE OF FLETCHER TAX ACCOUNTANTS