Account(able) Insight
Your future is our future
APRIL 2017

CHOOSING THE RIGHT BUSINESS STRUCTURE FOR YOUR BUSINESS

There's lots to think about when you own a business. Marketing. Sales. Keeping staff and clients happy. Keeping the cash coming in. Often overlooked in all of this is ensuring you have your business structured appropriately.

Why are business structures important?
Some businesses are riskier than others, but all businesses involve some degree of risk. You work too hard building your business to have it all disappear overnight. Customers might sue you for negligence. Creditors might come after you. An employee might go rogue. The list goes on. The aim of asset protection is to quarantine these risks within your business so that if things go south, your personal assets and any other businesses you have remain safe.

What about the family home?
Your family home might be your most valuable asset. Whilst it does not form part of your business assets, some thought must be given to protecting your family home. Capital gains tax and land tax concessions apply to the family home, so often couples will elect to hold the family home in the name of whichever spouse has the lower risk profile.

What do you need to think about when choosing a structure?
Each business is unique, as are each business owner's family circumstances. It is vital to structure your business around your unique needs and the needs of your business.

Every business structure has its pros and cons so there's lots you need to think about when choosing the right structure for your business.

Some common things to consider when choosing your structure:

- Set up costs and ongoing administrative costs
- Tax advantages/disadvantages and the ability to flexibly distribute income
- Asset protection and personal liability
- Documentation required to set up and maintain each structure
- Who will control decision-making and the management of the business
- Ability to raise funds to run and invest in the business
- Your goals for future growth
- Ability to bring in business partners in the future and to sell when the time comes

Common business structures
The four most common business structures are:

1. Sole trader
2. Partnership
3. Company
4. Trust.

1. Sole Trader
Sole trader is the simplest structure. It is cheap and easy to set up. All assets are held in your name and all contracts are made directly between you and your customers. This means you have very little asset protection should things go wrong. Whilst this is the most common structure, you may find you outgrow it. This option best suits individuals who work with little or no employees.

2. Partnership
A partnership consists of two or more people who carry on business as partners. Similar to a sole trader, it is a relatively simple structure with low establishment costs. A properly drafted partnership agreement spells out the individual responsibilities of each partner. From an asset protection point of view, partnerships can be very risky. Beware who you enter a partnership with, as you will be personally liable for any actions that your business partners take, even if this occurred without your knowledge or consent.

3. Company
If you're looking to grow and scale your business, a company might just be ideal. Some major advantages of companies are limited liability and a favourable tax rate. The cost of maintaining a company is higher than other structures and ASIC registration is required.

4. Trust
A discretionary or family trust offers the most flexibility in distributing income. When used in tandem with a trustee company, a trust can offer the strongest asset protection of all the structures discussed. A well drafted trust deed can create a trust structure that will best suit your needs. Trusts are particularly well suited to family-held businesses due to the flexibility they provide in distributing income.

Conclusion
Restructuring your business structure to one that is well-suited to your needs can provide you with greater protection from business risks, can help minimise tax and give your business room to grow.

CALLEA PEARCE LAWYERS

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IT'S THE LAST QUARTER OF THE FINANCIAL YEAR!

WHAT CAN YOU DO TO PLAN AHEAD AND MINIMIZE YOUR TAX?

Let tax planning be more than just getting a bigger refund.

It's the last quarter of the financial year. It's the best time to review your profits, estimate your tax bill and determine what you can do to get your tax bill as low as possible (or your refund as high as possible).

While we all love spending money on what we need now, tax planning season is also an opportunity to claim a tax deduction for growing your wealth. With the right planning you will not only be getting money back, but you'll be getting a return on the money you claim as a deduction.

HERE ARE SOME KEY AREAS FOR YOU TO LOOK AT:

Making Contributions to your Super Fund

If you haven't maximized your contributions to superannuation this year, make sure you do. By putting your money into super not only are you getting a tax deduction now but you are growing your retirement nest egg.

There is a limit to how much you can contribute to receive a deduction ($30,000 if you are less than 49 years old, $35,000 if you are older) so please come and see us to make sure you don't exceed the cap.

Prepaying Interest on Investments

An important part of growing your wealth is leverage – borrowing money to invest in an asset of higher value. If you have a leveraged asset, consider pre-paying the interest for the next financial year.
If you have the cash available and you have had unusually high income for the year, a one-off prepayment might be what you need for some tax relief. Remember – if you prepay the interest this year, you can't claim it next year.

Purchase Business Assets or Equipment

If you buy tools, equipment or other assets for work-related purposes, you can claim a deduction for some or all of the cost depending on the business use percentage. For instance, if you will purchase a computer that is 50% for your business and the balance is for personal use, you are only eligible to receive 50% of the tax deduction.

Assets up to $20,000 for small business entities

With the $20,000 Budget tax deduction proposal, small businesses (with aggregate annual turnover of less than $2 million) would be able to immediately write off new or second hand assets worth less than $20,000.

For small businesses that purchase assets more than $20,000, these will be claimed under the

small business simplified depreciation pools where depreciation starts at 15% in the first income year and 30% thereafter. An immediate tax deduction will apply when the pooled assets (including existing pools) reached less than $20,000 in value.

Prepay Expenses

If your cash flow allows it, you may wish to pay for expenses before 30 June, which may not be due until the next year. I.e. membership's subscriptions, rent, interest (but not the loan payment), lease payments, business travel, etc.

Considering your cash flow before incurring any expense is a smarter way to get tax deductions without putting other financial obligations at stake.

Count your Stock

You are required to undertake a stocktake as close as possible to the end of the financial year.

The Small business concessions allow you to estimate the value of your trading stock at the end of the financial year to report in your tax return. You will need to record how you estimated the value of your stock, but you don't need to notify us that you have chosen to use an estimate.

You can choose not to conduct a stocktake (and account for changes in the value of your trading stock) if there is a difference of $5000 or less between:

- The value of your stock at the start of the income year.
- A reasonable estimate of the value of your stock at the end of the year.

If you choose not to use an estimate, you will need to conduct a stocktake and account for the changes in the value of your stock.

Valuing Livestock

It is important that you count your livestock at the end of the financial year and account for the following:

- Opening number of Stock at the beginning of the year (1st July)

Plus

- Purchases - of stock during the year

Plus

- Natural increase in Livestock

Less

- Sales – of stock during the year

Less

- Deaths

Gives you the number of livestock held at the end of the year. (30th June)

For more information pleasee see one of our friendly Accounting Staff

BM BUSINESS NETWORK GROUP

INVITATION

DATE Tuesday 9th May 2017

TIME 5.45pm for a **6.00pm** start

VENUE The Atrium, The Royal Hotel
200 Main St, Bacchus Marsh

RSVP Kristen Walsh 5366 1000
kristen@bmbusinessnetworkgroup.com

OR Brooke McGrath 5366 3606
brooke@bmbusinessnetworkgroup.com

For more information, see www.bmbusinessnetworkgroup.com.au

Guest Speaker:

WILLIAM WHITESIDE

of **Sustainable HR Consulting**

Director

Bill started Sustainable HR Consulting to provide an outsourced HR support service to those SME businesses who did not have a dedicated HR manager.

Bill provides advice and support regarding recruitment, industrial relations, succession planning, performance review and performance management.

Bill is a also a licenced agent for the cloud solution enableHR,

www.enablehr.com.au

Bill is passionate about supporting small businesses to recruit and manage their staff in such a way that maximises their potential, and minimises business risks.

www.sustainablehrconsulting.com.au

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Accounting News

THINKING OF BUYING AN INVESTMENT PROPERTY

We deal with over 500 rental properties a year with our clients, so have plenty of years of experience and expertise to guide clients in buying, managing, selling and building their rental property portfolio.
We know how to maximize your tax-deductible claims each year, to help minimize tax, and help with cash flow.

Want to avoid buying the wrong rental property? Or use the best tax structure? Obtain the best loan rate? Can you afford a rental property?

We provide essential information and discuss issues that all property purchases and owners should consider when buying a rental property.

Some of these issues to consider are:

- Cash flow estimates and forecasting
- Ownership structure
- Tax consequences
- Finance advice and structure
- Gearing consequences
- Land appreciates, and buildings depreciate
- Aim for 40% of purchase cost being land value

Avoiding poor property choice options, so to avoid high Buying costs (stamp duty) and Selling costs (agent's commission)

Rental Yearly Cash Flow Estimates and Forecasts

One of the most significant details above is forecasting yearly cash flow management of a rental property, especially when you are borrowing to finance a property.

We have set up a ten year cash flow forecast that emphasizes the important issues of:

Rental income

Interest costs

Depreciation

Tax minimization/maximum claim

Potential property growth

We highly recommend all clients to undertake this forecast before they purchase a property, so they can take into consideration the future cash flow affects before they purchase an investment property, and avoid costly mistakes and stressful cash flow issues.

2017 SEMINAR
RECENT SUPERANNUATION REFORMS

Join Us For An Informative And Interactive Evening Where We Will Discuss All The Recent Super Reforms For 2017 And Any Updates For 2018

Super is the largest asset most people will ever own, after the family home. It's your money, and there is a lot you can do in the coming years to make sure you achieve the best possible retirement.

SEMINAR DETAILS:

DATES: 17TH & 24TH May 2017
TIME: 6.00PM
ADDRESS: 66 Grant Street, Bacchus Marsh VIC
RSVP: by 10 May to 5366 1000

COVERING KEY TOPICS SUCH AS:
Total Superannuation balance
Transfer balance cap
Transition to Retirement
Contributions

Guest Speaker Hennie Swart
Self-Managed Super Fund Manager

REMINDERS FOR YOUR DIARY

APRIL

21 Lodge and pay Monthly Activity & PAYG Statement for March

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