

New Business Start-up & Business Purchase Package

Below is a list of tasks that need to be completed in order to get your new business up and running. Not everything on this list is necessary, it will depend on your individual situation and the list is certainly not exhaustive. There can always be extras that need to be done, again depending on the individual situations.

Our preference is to work through this list with you and allocate responsibilities to ensure it is completed in a timely manner so you can get up and running.

Following is also some further information on the tasks to explain various options and what needs to be done. This should assist you in understanding what is required, why and hopefully enable you to complete some tasks where appropriate to keep costs to you minimised.

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Operational Structures

Business Plan

Business plans are important to map out how you are going to start your business, what your short and long term goals are and how you are going to achieve them.

There are many sources online to assist with this and guide you through the process. Naturally the detail you go into depends on the nature of your proposed business with regards to size, growth potential, capital needed to be invested and how many parties are involved.

The Queensland Government website www.business.qld.gov.au/ is a great place to start if you are new to business and need some guidance.

We are naturally also here to help and can provide a quote to help you prepare your business plan should you wish.

Establish trading Entity

We rarely advise clients to operate as either a sole trader or in a partnership as these structures are not separate legal entities and therefore there is no asset protection for the operators. As such our discussions will not include these structures.

There are three different structures that should be considered, below is a table summarizing the key attributes of each. What structure suits you will depend on the size of your business, any other business interests and assets you have (or business partners have).

	Company	Trust with Corporate Trustee	Trust with Individual Trustee
Control	Director(s)	Principal(s)	Principal(s)
Governing Body	ASIC	None	None
Taxed at	Company level	Beneficiary Level	Beneficiary Level
Tax Rate	30% or 27.5% for SBE	Beneficiary Marginal Rates	Beneficiary Marginal Rates
Liable for Debts	Director(s)	Trustee	Trustee
Risk Management	Directors not liable for debts of company unless insolvent trading or not proper conduct of role. Shareholders (who are not also directors) can limit their risk to loss of their investment in the company	Legal and Beneficial ownership are separated which allows the structure to be an effective vehicle for asset protection. Corporate trustee can limit risk of day to day controllers.	Legal and Beneficial ownership are separated which allows the structure to be an effective vehicle for asset protection Trustee can be exposed to a high level of risk

Register Business Name

Business names are now managed by ASIC on a national basis (previously managed by the state Fair Trading offices). You can go to www.asic.gov.au and click on the 'Business Names' tab at the top.

Under here you can search business names to see if your preferred name is available and also go through the process of registering this name.

If you need any assistance with this please let us know.

Complete Shareholders / Partnership Agreements

These are important where you are going into business with another family member or friend. We would usually refer you to a trusted solicitor to ensure as many issues as possible are dealt with within this document.

Employment Issues

Expected Number of Employees

Please consider how many employees you anticipate you will have short and long term.

You will need to consider costs associated with these employees including Superannuation, Workers Compensation Insurance, and payroll tax (if payroll is over \$1m per year).

Employment of business Owners / Directors

It is important to consider if you would like to pay yourself/ves as employees or simply take some or all profits at the end of the financial year in the form of distributions (from Trusts) or dividends (from companies)

Wages vs. Distributions/Dividends

There are options to pay operators salary and wages as well as distributions. As with most decisions there are advantages and disadvantages for both. We have summarized the key points for each option.

Distributions Only	Wages and Distributions/Dividends
Only pay tax on profits earned	PAYGW deducted from wages meaning at the end of the first year of operation some tax has already been prepaid.
Not liable for Superannuation Guarantee Charge	Superannuation Guarantee will need to be paid on all wages. The current rate is 9.5% of gross wages.
Beneficiaries/shareholders will receive tax installments to pay from ATO. No installments will be raised until after the first tax return is lodged and amounts distributed will be the basis of the installment amount.	Beneficiaries/shareholders may still receive tax installments to pay but installments should be less than if just distributions.
This set up is likely to result in up to 2 years tax payable in one year (tax on first year's profit and installments for current year). Please ensure you allow for this and set aside money from your first year's profits/distributions to pay tax that is due.	Should wages be paid to people who are also beneficiaries/shareholders and these wages exceed profit for the year, tax is paid on money that would not have been distributed.
For dividends to be franked some company tax needs to have been physically paid in the (or prior to) the current year to have franking credits available.	

Register for PAYG Withholding

All entities employing staff must register for PAYGW and withhold tax from employees' gross wages. The tax withheld is remitted to the ATO on a monthly or quarterly basis via the BAS or IAS (Installment Activity Statement).

Employees must complete a Tax File Number (TFN) Declaration form when they start work which allows the employer to withhold the correct amount of tax.

Annually, by 14 July following the end of the financial year, employers must distribute PAYG Payment Summaries (the old group certificates) to their employees. This information and an additional form must be lodged with the ATO by 14 August. This data may be lodged in paper form or electronically.

Registration is usually carried out when registering for an Australian Business Number (ABN). We will usually take care of this as part of your entity/structure set up.

Cross Checking Awards and Entitlements

All private sector employers in Queensland are covered by the Fair Work national workplace relations system. As an employer, you must provide your employees with the minimum entitlements under this system, or you could face penalties.

For Queensland go to...<http://www.business.qld.gov.au/business/employing/employee-rights-awards-entitlements>

Establish Payroll System

This will be a consideration made when deciding on a software package, more detail of which is under 'Accounting Issues'. If you are employing staff it is important to have up to date systems to ensure tax etc. to calculate correctly.

Complete TFN Declaration

These need to be completed for each employee and posted to the ATO ASAP. after commencement of employment.

Arrange for Workers Compensation insurance

Employers are required by law to have Work cover insurance to assist employees and employers in the event of an injury in the workplace.

Any work cover insurance payments are deductible.

There are different agencies for each state and you need to register in the State where you have your business base. You can then be covered in other states if you happen to do work in those states but your BASE is in your home state.

For Queensland go to www.workcoverqld.com.au

Cover can be taken out over the phone by calling **1300 362 128** you will need details of your entity (Name and ABN number) which we can provide to you along with number of employees and estimated wages for the financial year.

Premiums are paid based on this information and then your actual figures need to be reported after the end of each financial year and refunds or top up payments need to be made.

Payroll Tax – State Based (Queensland information included)

- You must register for payroll tax within 7 days after the end of the month in which you:
 - Pay more than \$21,153 a week in Australian taxable wages; or
 - Become a member of a group that pays more than \$21,153 a week in Australian taxable wages.
- You must register for payroll tax if you meet the above criteria, even if you think that you will pay less than \$1,100,000 in Australian wages in a year.
- The Office of State Revenue may charge penalties if you do not register on time.
- Any payments liable for payroll tax made to an employee for their services are called *taxable wages*. In general, payments are liable for payroll tax if they are:
 - a reward for services rendered by an employee and/or director
 - payments to which the recipient has an enforceable right
 - taxable termination payments.
 - This includes cash salary which an employee elects to forego in return for other benefits.

Superannuation Guarantee – 9.5% SGC

Superannuation of 9.5% is payable for employees on top of their gross earning if they earn \$450 or more in any calendar month. As of July 2013, the maximum age limit for compulsory employer superannuation contributions was abolished. You are now required to pay super contributions for all employees regardless of their age.

This must be paid into a superannuation fund on their behalf by the 28th of the month following the end of the quarter. Interest and penalties can be incurred if this is not paid on time and the expense also becomes non-deductible in your tax return.

Due dates are:

1 January to 31 March	paid by 28 th April
1 April to 30 June	paid by 28 th July
1 July to 30 September	paid by 28 th October
1 October to 31 December	paid by 28 th January

Please note that the government has approved incremental increases to these rates up to 12% by 2019/20.

Compliance Issues

TFN / ABN registration and GST registration

If we are setting up your entities we will take care of all these registrations for you as part of that process.

If you already have entities set up and need these registrations attended to we would be happy to assist.

As a general guide/summary of GST

- Entities carrying on an enterprise with expected turnover of \$75,000 per annum or more are expected to register for GST.
- When an entity is registered for GST, it is obliged to add GST of 10% to its taxable supplies (sales) and can claim any GST paid on its expenses and outgoings.
- The net difference of GST charged and claimed is accounted for on the Business Activity Statement (BAS) and this is generally completed quarterly.
- We tend to recommend GST registration on a cash basis if this most suits the entity's type of business, but also if the entity tends to pay creditors sooner than collecting monies from debtors.
- Appropriate tax invoices must be obtained before being able to claim GST, and appropriate tax invoices must also be issued by the entity.
- For supplies of less than \$1,000, tax invoices should include the suppliers ABN, The suppliers name, the words 'tax invoice', the date of issue, a brief description of the supply and the price of the supply, making it clear that the invoice includes GST or not.
- Supplies of over \$1,000 require additional information on the tax invoices.

Any other compulsory registrations or licences (e.g. QBCC formally BSA)

There are often other licences necessary to conduct your business, some that we will be able to assist with.

The most common we find is registration with the Queensland Building and Construction Commission. Depending on the size of your current or proposed business, you may require us to complete some documents on your behalf.

Again we are happy to assist you with this process.

Fringe benefits tax (FBT) issues – e.g. Log books

We can assist with ensuring you have all your paperwork up to date for fringe benefits tax.

The most common claim for FBT is motor vehicles. If your company owned vehicle is not a commercial vehicle (e.g. Van or Ute over 1 tonne) that is used for business purposes than it is likely to attract FBT. It is therefore important you keep a valid log book.

We can provide you with a logbook to complete this in and it requires you to keep a track of every trip you make for a period of 12 consecutive weeks. It is then valid for 5 years providing your circumstances don't change dramatically.

There are also application such as the LogbookMe device that simply plugs into the vehicle then it automatically sends trip data straight to the dashboard/app for classification.

The current FBT rate is 47% on the taxable value of the benefit. The FBT is paid by the employer and is deductible to that entity. Where the grossed up taxable value of the benefits exceed \$2,000, the amount must be reported on an employees' payment summaries.

Finance Issues

Open Bank Account

It is important that your bank account is open in the correct name. If we have set up your structure we will outline in your letter the correct name to ensure if on your account.

Establish Finance Facilities

If you require overdraft or loan facilities and need assistance with this please contact us.

Open Trade Credit Accounts

If you require trade credit accounts you will usually be required to give a Director's guarantee. If you need any guidance with this please contact us.

Establish Merchant credit facilities

If you need any assistance setting up these facilities please contact us.

Accounting Issues

Prepare Operating and Cash flow budgets

When using budgets in business, the distinction between profit and cash must be clearly understood. Profit and cash is not the same thing.

A business may generate substantial cash receipts, but record only a modest level of profit or even a loss. Alternatively, a business in a strong growth phase may generate significant profits, but not have the cash to pay its bills due to a higher commitment of funds to debtors and stock.

Therefore both operating and cash flow budgets are very important.

A **cash-flow budget** is a prediction or forecast of what cash will be available to meet the expenses of your business over a nominated period of time, usually 12 months. It shows the expected flow of cash in and out of a business and predicts the bank balance at the end of each month. This means you can plan for those months when additional funds are needed or consider how to make the best use of short term cash surpluses.

Regard your cash-flow budget as one of the most important management tools in your business. It will highlight potential problems and, because you are preparing it in advance as a planning tool, it will allow you time to find ways to prevent them or minimize their impact.

A **profit projection (or Operating Budget)** is the tool that allows you to address the viability of your business. It shows how much profit you expect to earn over the next 12 months.

But in projecting a bottom line, it:

- includes non-cash expenses such as depreciation
- does not take into account timing differences (for example, payments to creditors and receipts from debtors)
- excludes payments of a capital nature, such as loan repayments and the purchase of equipment.

We are able to prepare both operating and cash flow budgets for you based on your expected business performance and also work with you to review these on a regular basis throughout the year.

Decide on an Accounting System

When speaking with clients in relation to accounting programs; we highly recommend using a Cloud Accounting system. Cloud based accounting software offers a number of benefits for businesses including:

- Multi-User Access for Business owner, Staff, Accountant & Bookkeeper. There is only one ledger and that is the file in the cloud. This improves the accuracy of the information and minimises errors at BAS and tax time;
- The ability for owners to interact with their accountant in real time with live financial data;
- Alleviates the need to store and manage data and maintain expensive computer hardware. Automatic backup of all financial data in the Cloud;
- Use as a document storage facility and attached files to transactions
- The software is automatically kept up-to-date by the provider meaning that you don't need to download updates such as new tax rates where the payroll module is used.
- 24/7 Support from your chosen service provider
- The information can be updated and accessed from any computer anywhere in the world. This flexible access also allows you to log into your business and customer data on the road. You can create invoices, collect payments, see customer's information including contact details and money outstanding etc.
- Pay Direct Functions – receive customer credit card payments on the road
- A monthly access fee is paid which works out less than the cost of buying the software and then paying for annual subscriptions
- Customisable report to suit your business needs
- Connects to various third party apps and add-ons to assist with other operational areas of your business e.g. inventory, CRM, job management, appointment setting, POS systems, and many more

We are happy to offer you our recommendation on the program we feel would best suit your business. Whilst our two programs of choice would have to be MYOB or Xero, should you have familiarity with another program which you would prefer to use, we are happy to work with you.

Who will be doing the bookkeeping?

This is another important decision that can impact future events. If you decide to employ a bookkeeper, it is important they understand accounting and keeps things in an orderly way.

If you are going to be doing the accounts yourself and you aren't familiar with the programs; we offer training programs conducted by our staff or we can refer you to a company to help you. If you are going to do the accounts yourself, we recommend for us to do your first Business Activity Statement (BAS). This will give us the opportunity to review your file and let you know any changes you need to make in the way you are processing transactions.

A bad bookkeeper and/or accounts file can end up costing you in the long run as the cost for us to fix the mess can be quite high.

We are happy to work with you and/or your bookkeeper to ensure your accounts are kept in a way that minimises your accounting costs during or at the end of the year.

Who will lodge the BAS and/or IAS?

There are a number of options for the lodgement of BAS/IAS

1. You can prepare accounts and BAS and lodge yourself either by post or through your own Business Portal
2. You can prepare accounts and BAS and send figures to us to lodge for you through our portal
3. You can prepare accounts which you forward to us, we will check your file and prepare your BAS (usually with quarterly financial statements), lodge this for you and send to you to sign, return and pay any amounts that are payable to the ATO.

Quarterly BAS are general due for lodgement and payment by the 28th day following the end of the quarter, and monthly BAS/IAS by 21st day following the end of the month.

Frequency of financial reports

This will depend on the size, nature and growth of your business together with any special issues that may arise (e.g. Finance requirements, licencing requirements).

At a minimum most business clients we service will have their accounts reviewed once the 31 March figures have been finalised for tax planning and then complete full financial accounts as at 30 June as part of their compliance work.

However we do encourage a more hands on approach with our business clients meaning that we may review your accounts 2-3 times during the financial year (including tax planning) and then also prepare a set of final accounts. These reviews may be just that, or we may prepare a full set of interim financial statements, it will depend on your needs, budget and how much assistance you would like us to provide etc.

We do recommend that you at least review your accounts on a monthly basis once all bank accounts have been reconciled and all income and expenses entered.

Establish key performance indicators (KPIs)

KPIs are very important to have to monitor your business performance.

We are happy to discuss what we feel are appropriate KPIs for your business with you at any time.

Insurance

There are a number of insurance you should consider. Not all will be applicable to your business and you won't always be able to afford all of the cover you require, especially when starting a business. But it is imperative that you seek appropriate advice with regards to what is essential cover and what is say 'desired' cover, being cover that once your business is off the ground you should consider taking out.

We are not insurance experts but we have alliances with a number of brokers who specialise in their field of insurance. It is very important to ensure you are getting the right cover and some brokers or companies will sell you insurance even if you don't really need it or it doesn't end up covering you as they haven't checked all your circumstances. We only refer to brokers who we trust to keep our clients needs as a number 1 priority.

Contents / Fire Insurance - This covers you from damage to any contents within your premises and should also be taken out on any motor vehicles. This insurance is tax deductible if contents insured are owned by the business.

Public Liability Insurance - This covers you should someone hurt themselves on a job you are carrying out. This insurance is tax deductible as a business expense.

Audit Insurance - Audit insurance is something that we can provide to cover you if you receive an audit of any type from the Australian Taxation Office (ATO). We usually send out policies to all clients around September, once paid the policy covers you for any audit carried out until the policy lapses. We will also issue policies on a pro-rata basis where required. This insurance is tax deductible as a business expense.

Sickness & Accident Insurance (also called Income Protection Insurance) - This insurance covers you if you are sick or injured and usually covers you 24 hours a day. It is very important to check your policy and what it covers you for and how long they will pay out benefits. Many cheaper policies only pay out for up to 2 years, others will pay out until 70 years of age. This insurance is tax deductible.

Professional Indemnity Insurance - This is usually taken out by professionals such as lawyers, those providing financial services etc. This covers you if you make a legitimate error with a client's case that results in a loss for them. This insurance is tax deductible as a business expense.

Key Man Insurance - Key Man insurance covers the 'key man' in a business (usually the owner) should they become ill or injured or pass away. The insurance will cover the salary and wages to replace that person while they aren't able to work. This insurance is usually tax deductible as a business expense and any pay outs made are assessable as income.

Life / TPD and Trauma Insurance - This insurance covers you if you pass away; incur a Total Permanent Disability (TPD) or a trauma (i.e. illness such as cancer, or from an accident such as become a paraplegic). It is very important to check the definitions in your policies and understand

exactly what you are covered for. Typically cheaper policies cover you for less with regards to Trauma and TPD.

This insurance is generally not tax deductible and any pay outs are not assessable (if held in the correct ways). However if it is structured through a Superannuation Fund or owned by a business in conjunction with a buy-sell option agreement it can be deductible. It is important however to remember generally, if something is deductible the income (if received) will generally also be assessable.

Takeover Issues

Due Diligence Required

Due Diligence is the process of evaluating a prospective business decision by getting information about the financial, legal, and other material (important) state of the other party. We would naturally focus on the financial side of the business and make recommendations for any legal advice we feel you may need to obtain.

During this process we will cross check items and the reasonableness of the financials to ensure you are making an informed decision on the purchase of the business. The level of detail we go into will depend of the size of your investment and your budget.

At Walsh Accountants we believe the key to our Due Diligence process is completing a post acquisition budget. In this we include any costs that are specific to our client such as interest or wages adjustments based on our discussions and understanding of how the business will run under our client's management. We feel this gives the most accurate look at if the venture will be viable or not.

If you don't do your "due diligence" in a business situation, you may end up buying something that isn't as you thought it was, or you may end up in a business relationship that will cause you trouble.

Business name and Other Licences and IP

It is important to ensure when you purchase a business you are getting the name, licences and any other Intellectual Property (IP) that is associated with making that business worth the money it is. Legal advice is usually necessary with any complex matters.

If you are starting business it is important you ensure you take the correct steps to safeguard your trading names, licences and IP.

Restraint of Trade

This is a common clause in many business purchases. It usually requires the seller of the business to not open a business of the same or similar nature within a certain distance of the business they are selling; there is also usually a time limit on this. It is important you ensure there is a relevant clause in any purchase contracts to protect your investment.

Employee Entitlements / Re-employment

This can be a complex area and is not an area we are able to give detailed and specific advice. In general, if you are purchasing a business you are bound to take over any employees that are part of that business. We suggest you seek specific legal advice with regards to any concerns you may have.

Transfer of Utilities

This is usually a simple process carried out with electricity and phone companies to change over billing entities. We suggest you enquire about the process ASAP to ensure a smooth transition.

Agreements with Suppliers

In most cases suppliers will be happy to deal with the new owners of a business and it is a smooth transition. Many will request a Director's Guarantee and new entity details.

Key Customer Contracts

If there are key contracts that are to come with the purchase of the business it is important to ensure everything is very clear in the purchase contract and that it ties in with the contracts the business has with its customers.

Lease assignment

Again it is important to ensure transfer of the lease of premises is able to be carried out smoothly. Legal advice is best sought to ensure all issues are dealt with.

Advise customers of takeover and new bank details

It is important to advise any key customers, if not all that there has been a change in ownership. This is even more important where the business wasn't doing so well.

Clients will also need any new payment details.