

grow
accounting

Structure?

How to choose the best structure for your business and what it means.

Presented by:

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Who are We

- 1 Sunshine Coast based accounting firm
 - Clients over Australia and the world.
2. Specialise in small business with a large property focus as well
3. No obligation follow up.

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Objectives of Today's Presentation

1. General information – Not advice
2. Summarise different structural options & outcomes
3. Provide you with something to think about

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The Basic 4 Options

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

Advantages	Disadvantages
<ul style="list-style-type: none"> • No separate legal structure required • Cheap to set up • Total control 	<ul style="list-style-type: none"> • Only suitable for small scale • Absolute liability • Limited tax planning
<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • Costly and complex legally • Joint and Several Risk • Limited tax planning • Difficult to bring in new partners
<ul style="list-style-type: none"> • Maximum asset protection* • Maximum tax planning • Can pay wages to principals • Can loan to principals 	<ul style="list-style-type: none"> • Could be subject to legislative attack • High cost to set up and run • Can't retain earnings
<ul style="list-style-type: none"> • Maximum asset protection • Some tax planning possible – SBE Tax Rates available and can retain earnings • Can pay wages to principals • Best for independent "partners" • Can be listed and new shareholders brought in • Long standing laws re governance 	<ul style="list-style-type: none"> • Medium cost to set up • Cannot "easily" lend to principals • No CGT Discount available

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What Are Your Main Considerations






1. Participation
2. Asset Protection
3. Taxation
4. Future Objectives
5. Some Observations





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Sole Trader

	<u>None</u>	<u>Complete</u>	
1. Participation			Lone ranger
2. Asset Protection			All personal assets are available to creditors
3. Taxation			Personally taxed on 100% of profits
4. Future Objectives			Lone ranger
5. Cost			\$ Short term cheap is not always best



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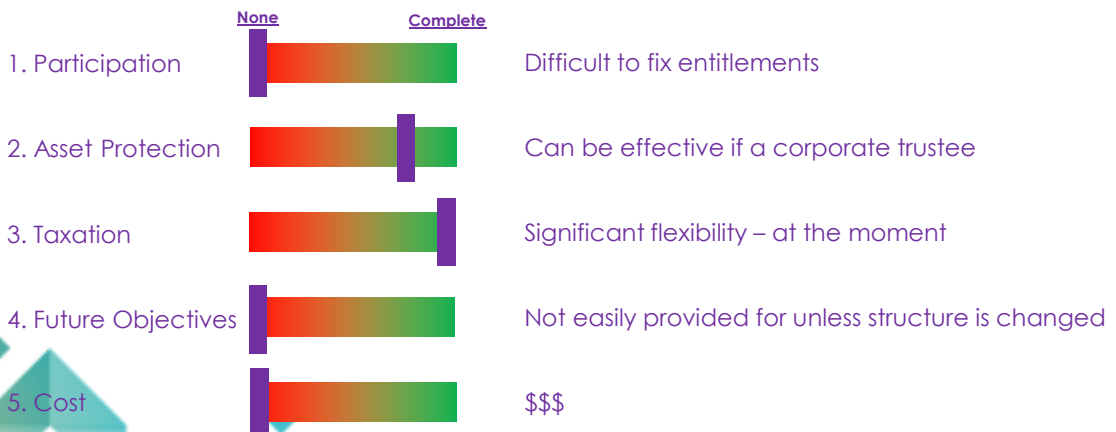
Partnership



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Trust (Discretionary)



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Limited Liability Company

	None	Complete	
1. Participation			Issue new shares. Shareholders agreement.
2. Asset Protection			Limited liability for directors, none for shareholders
3. Taxation			Some Flexibility
4. Future Objectives			Accommodates growth and new partners
5. Cost			\$\$




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Case Study - Jenny's Chocolates

1. Participation	<ul style="list-style-type: none"> Jenny's own business Might employ her children
2. Asset Protection	<ul style="list-style-type: none"> Owens own home 50/50 with husband Has 2 rental properties in her name Will fund \$200,000 equipment from savings
3. Taxation	<ul style="list-style-type: none"> Has 2 adult children and a 16yo daughter in year 11 Husband earns \$80,000 from salary Jenny's parents live with her and have small income
4. Future Objectives	<ul style="list-style-type: none"> Thinking business will be profitable Has identified a market niche – Turnover say \$800,000 Possible trade sale or daughter may take business over




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Jenny's Main Considerations

1. Participation
Sole Trader/Partnership/Trust/Company
2. Asset Protection
 Sole Trader/Partnership/Trust*/Company
3. Taxation
 Sole Trader/Partnership/Trust/Company
4. Future Objectives
 Sole Trader/Partnership/Trust/Company
5. Some Observations



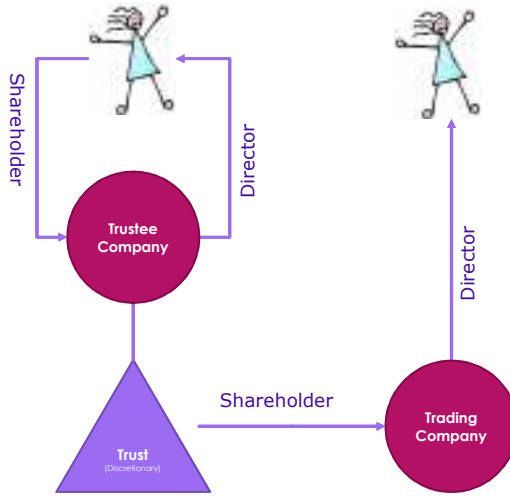
What's Your Advice?

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Jenny's Decision

1. Participation
 - ✓ Lone Ranger for now
 - ✓ Future partners accommodated
2. Asset Protection
 - Some liability via directorships
 - ✓ Home and properties protected
 - ✓ Can secure machinery
3. Taxation
 - ✓ Almost complete flexibility
4. Future Objectives
 - ✓ Growth, Succession, Sale



It May Not Be Too Late to Change

Resources:
 Starting Your Business
 – Due Diligence Guide

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