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Starting a new business? By Wayne Staal CA

Thinking of starting a new business and need to know what to do?
Or maybe you are fairly new to business and are looking for some tips, next steps....

This article hopes to address some common issues/questions people come across when starting up a new business and where to start looking for the answers.

Holmans Checklist:

1. **Get advice.** You don't know what you don't know as they say. Certainly do some preliminary work, but don't base it on your mates' advice, what your parents did or something you read about reducing tax. The cost of cheap or no advice, can end up being very expensive.
2. **Test your idea.** Approximately 3 in 5 small businesses fail in the short term, many because they have overestimated the market. Ensure you test your product/service to see if there is real demand for it and that it is reoccurring (or lucrative enough if one-off). Don't just rely on feedback of family or friends... Try some acquaintances or business colleagues instead.
3. **Review <https://www.business.gov.au/>.** This website gives you lots and lots of free templates and guides to help get you started. It even considers things like registrations, finance, employee, and marketing plans. All very basic, but a great starting point for small business.
4. **Do up a budget....** Yes, it sounds boring. However, if you want to be in business and successful, then you will have to get used to it. For completely new businesses, you might be able to use other similar businesses as a guide to likely expenses. This is also where accountants can help, reviewing if you have missed key expenses. If you are a sole trader/business owner, you should be working off 44 weeks (not 52) to generate your income, to allow for 4 weeks leave, 2 weeks sick leave, 2 weeks of public holidays. Less weeks if you are weather dependent. Remember to allow for marketing spend. Accountants have lots and lots of tips to help in this area.
5. **Calculate your yearly income and hourly rate.** Did you know many small businesses earn less than their employees in the first few years! To help you understand what your business will produce and if that is satisfactory, I recommend you calculate your yearly profit, reduce it by tax and determine if that is sufficient to live off. Also divide your yearly profit by 52, then by how many hours you will work per week – how does that compare to your current hourly rate?
6. **Consider using a business structure (i.e. Company vs trust vs individual ABN) –** Business structures do not save tax, this is not why you set one up. For example, if you draw money from a company, you end up paying the difference between the company tax rate and your personal tax rate in your own name, so there is no benefit. Instead, structures are costly to setup and run, but do offer benefits like asset protection, ease of expansion, tax deferral and some salary packaging benefits. Make sure you understand your structure, the ongoing costs (including wind up if you change your mind) and what benefits you can expect to “get” out of your structure. Key deciding factors on structure include, asset protection, personal service income legislation, flexibility, industry requirements, ease of understanding and use, other investors, expansion, government contracts, tax, and losses. **Never set one up yourself.**



Starting a new business? By Wayne Staal CA (Page 2)

7. **Secure your Domain Name/Business Name/Logo** – People over estimate the importance of a name and spend too much time here, and not in the steps above. Think Bunnings...does that say hardware in the name? No, but everyone knows what it does. That is where marketing comes in. Try to avoid geographical references in a name, this may limit your customer base or relocation.
8. **Get your Australian Business Number (ABN), GST registration** (if turnover is over \$75,000) and Tax File Number (TFN) for your entity. This is dependent on the structure. An accountant will do this as part of the setup.
9. **Insurance and Licensing** – Make sure you have the necessary licenses to trade (e.g. radio playing in a retail store needs a license), see here <https://ablis.business.gov.au/> . Get your necessary public liability insurances and other business insurances in place. Talk to a business insurance broker.
10. **Get your Tax Invoice and business stationery in order** – Start small and consider electronic rather than paper. Too many people get wrapped up in business cards, brochures, signage.... Most of which just get chucked out or becomes out of date. You are better off with a good email footer or website.
11. **Setup a website & social media if you haven't already.** This is how people will find you. Make sure your website is tablet and phone ready, has your address and phone number prominent on the website. It should also have an online enquiry form.
12. **Record Keeping and tax deductions.** Often an afterthought but very important. Understand the legal obligations (5 years' worth of records, yes every receipt, for many businesses). Use an accounting software to record your business transactions like Xero or MYOB if getting started. Record keeping is super important and you will only realise how important if you are audited by the ATO or have to pay your accountant to correct the mess. The ATO also have some useful guides on what is required generally and what items are deductible. You must understand your obligations as an employer – I didn't know isn't an excuse recognised at law.
13. **Consider a mentor.** Is there someone in business you know.... Maybe a family member or mate, or business idol. Maybe you can link up with them once a month for coffee to bounce ideas and problem solve as your business develops. Again, you don't know what you don't know. Make sure they are a positive person. These meetings can often help short cut problem solving and ensure you aren't "all alone" in your business venture.
14. **Consider Income Protection Insurance.** Consider the merits of income protection insurance or TPD if the business is dependent on you.... Especially where you continue to participate in interesting hobbies. Many a business has failed due to the owner being sick or injured and a sharp decrease in income. Business owners are most often not covered by Workcover.

Tips:

- Never underestimate the time factor of running a small business. When you are done actually doing the money making part, you then need to work on marketing, planning, record keeping, debtor chasing so-on. In 99% of cases, you will work far harder as a business owner than an employee, especially in the beginning.
- Talk to someone who is or has been in business – ask what they learned and the thing they would change if they had their time again.
- Understand your niche and unique selling points.... Don't try to be everything to everybody, as that will grow a cumbersome (and often less profitable) businesses.
- Don't get caught up in marketing.... Too many businesses focus on this part of the business because of ego or trying to appear bigger than they are. Focus on customer satisfaction, referrals, testimonials and profit/cashflow instead.
- Try to have a "buffer" of cash set aside when you start the business.... This may help you ride out the cashflow rollercoaster of small business or in hard times.
- Put aside money regularly in a separate business account to cover GST, PAYG, employee or personal super and tax. Many businesses run into cashflow issues because they don't budget for these items. There are also very server penalties for not paying them on time.
- Get advice, get advice, get advice.
Don't do it all yourself, use professionals and people you trust to short cut your path to success.