

Business Structuring – It's easier to change than you think

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Is the structure that you commenced operating your business through still the most appropriate structure for you to conduct your business?

As a business grows, or the needs of the business owner(s) change, the business structure might also need to change. There is no one-size-fits-all when it comes to business structuring. What works for one business might not work for another business.

The correct structure for a business should take into consideration a number of factors. We have listed some of these factors below:

Asset protection – your personal assets should be protected from business risk and your business assets should be protected from any personal or external risks.

Income Tax – the overall amount of tax you pay on your business income is very important. The Australian taxation system has different tax rates for individuals and companies and changing your business structure could reduce the overall amount of tax you pay.

Finance/Working Capital – your ability to obtain finance could be impacted by your business structure. Is working capital to be funded through debt financing or the retention of business profits?

Growth – What are your plans for your business? How do you add new investors/owners to your business?

Succession Planning/Exit – does your current structure allow for the entry and exit of business owners? Can the family business be passed down to the next generation without any significant tax consequences? Does your current structure position your business for an efficient sale and minimise your Capital Gains Tax liability on the sale of your business (or business assets)?

The good news is that if your business structure needs to be changed for any of these reasons there are a number of options and income tax concessions available to facilitate this, listed as follows:

- Rollover from Individual, trust, partnership to company
(Subdivisions 122 – 124 of the Income Tax Assessment Act 1997)
- Small business restructure rollover
- Small business CGT concessions

Please note that transfer duty could be levied on any business restructure. As this is a state-based tax that varies between states we have not discussed it in this article.

If you want to discuss your current business structure to ensure that it is still the most appropriate structure to suit your needs, please give one of our advisers a call:

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