

GETTING THE BUSINESS STRUCTURE RIGHT

Often the decision for which structure is to be used when a business is established or an investment is to be made can be made hastily.

Consideration is usually given to the tax implications upon the eventual sale of the asset/business, but consideration should also be given to any other tax implications.

We have recently seen a number of instances where Land Tax is being assessed because more than one property is owned in an entity.

In Queensland we understand there are no grouping provisions for Land Tax purposes where a family owns a number of properties in different entities. The tax consequences of this can easily be a saving of thousands of dollars per year and easily exceeds the costs for the extra tax returns.

Business and investment structures used in Australia usually fall into one of the following categories:

- Sole trader (individual)
- Partnership
- Trust
- Company

Each of these has advantages and disadvantages and more cost is involved in the initial establishment and ongoing tax compliance with a trust or company.

Income and capital gains tax is dealt with differently for each structure and so we often seek to “begin with the end in mind” (Steven Covey) when looking at advising on structures when a new business vehicle is being considered. We continue to see marked differences in outcomes depending on the structure used and this outcome has often been predetermined by the initial structure decision made years earlier.

While this year has been a challenging time for some of our clients, we are starting to see some signs of economic activity picking up – despite what the media and politicians tell us. As always there are opportunities around, but we may need to look harder.