

# ON THE MONEY

*An update from Bayside Business Accountants*



Dear client,

**Please note that our new postal address is PO Box 62, Mentone Vic 3194. We would appreciate all correspondence sent to our new postal address. However, rest assured that any mail accidentally sent to our former postal address will be forwarded on to us.**

Are you interested in starting up a business? Read on to find out when you should get started and learn which type of industry and location have the best survival rate. Also, the ATO is now allowing business owners to make payments via credit card - find out if you are eligible.

Any other questions for us? Call us today on **9583 4316**.

## When Is A Good Time To Start My Business?

You may have been dreaming of starting your own business for years but there are so many road blocks including financial concerns, family issues or possibly your own self belief. There are also external factors like the economy and the lack of credit available for business start ups in the wake of the global financial crisis. However, there are a number of reasons why it could be the right time to start your own business.



### Try Before You Buy

Increasingly people are 'testing the water' and launching their business venture on a part time basis. The digital age makes it so easy given you simply need a website not a shop front. You can retain your job and cashflow while exploring your business on the side. It provides a safety net because you have a fall back position.

Test your business concept in your spare time and see if your marketing can attract customers and orders. Research your competition and listen carefully to customer feedback. Also starting on a part time, small scale means your business model is flexible and can be altered to reflect a change in technology or customer habits. Before too long you might be faced with the dilemma of resigning from your job and going full time in your business which is precisely what you want.

### Lower Set Up Costs

Start up costs have fallen over the past few years so the financial risk is also lower. You might simply need a computer and website with a shopping cart to kick start your business. The cost of technology continues to fall and with free cloud-based applications like Dropbox to store your data it has never been easier to get started. The marketing landscape has also changed courtesy of social media channels and the Government even provide various grants in sectors like clean energy and tourism plus they also offer assistance and incentives for research and development costs.

Templates for legal documents like trading terms, contracts and shareholder agreements are readily available for free on the web. One word of warning, while the process of getting an ABN and registering your business name is relatively easy you need to consider issues like business structures, accounting software, tax registrations and insurances before you take the plunge into entrepreneurship. We can guide you through this with the right advice for your situation.

### Think Big and Quick

The internet has changed the business landscape. Your website provides an instant global shop front and your customers can now be anywhere in the world. Your online 'shop' is open 24/7 and social media means your marketing message can go global and viral in no time. 'Gangnam Style' exploded on the back of a YouTube clip and in fact, YouTube is now the second most popular search engine behind Google. Some brilliant business automation tools and outsourcing opportunities mean you can now get more done with less effort.

If you're thinking of turning your idea into a business, talk to us today. As business start up specialists we have mentored numerous clients through this important phase.

### Thrive or Just Survive?

McCrindle Research has done a study that examined the Australian Bureau of Statistics data on business start ups and failures. The purpose of the study was to identify which types of businesses have the best survival rates, where they are located and what industries they are in. The results are certainly not what we expected.

Estimates suggest there is one actively trading business for every 10 people in this country. Of all the new businesses started four years ago, a staggering 51.4% are no longer operating. The data certainly proves the GFC took its toll but incredibly, close to 40% of the two million businesses operating in Australia four years ago no longer exist. Of course, some businesses collapse, new ones start, some are sold and others cease because the owner becomes ill or decides to take a full-time job. Not every business is built to last, however, 40% is a staggering number. The concern is, these figures could get higher given 20% of businesses sought a business loan or equity in the last year and the vast majority (75%) used the funds to cover short term cashflow problems or shore up their survival. So what are the



key indicators to survival according to the research?

### 1. The Right Industry

According to McCrindle Research, a start-up's best chance of survival is in the healthcare and social assistance sector (where 61.7% of firms survived), the rentals side of the real estate sector and financial and insurance services (55.1%). Least likely to survive are those businesses in public administration and safety (where just 37.6% survived), administrative support services (41.3%) and the notoriously unstable arts and recreational services sector (43.4%).

### 2. The Right Place

Forget the mining boom. According to the data, the best chances for start-up survival are in Tasmania (where 54.2% of firms survive), South Australia (52%) and Victoria (49.6%). On the flip side, small business owners found the going hardest in the Northern Territory (where 45.1% of firms survived), New South Wales (47.3%) and Australian Capital Territory (47.7%).

### 3. The Right Structure

According to the research, it's very tough as a sole trader who report a significantly lower survival rate (at just 37.2%) compared to other structures. Trusts are the most likely start-up legal entity to survive (61.8% survival rate), followed by public companies (57.1%), private companies (52.5%) and partnerships (51.3%).

### 4. The Right Number of Employees

Given the low survival rates of sole traders, it's not surprising that non-employing businesses have the lowest survival rates at 43.4%. The analysis shows that businesses with 20-199 employees have the best chance of survival (67.8%), followed by businesses with five to 19 employees (64.5%), and one to four employees (58.7%). Survival rates were slightly lower for businesses with 200 or more employees. If you were to rely on the statistics, the message is to get out of the micro business phase as soon as possible.

Starting a business is a bit like a game of chess, to succeed you need to make the right opening moves. Talk to us today and we'll help you make the right moves.

## Paying Your Tax By Credit Card

Business owners can now pay their tax by credit card and potentially gain reward points in the process. The ATO will accept tax payments of between \$10 and \$50,000 and to make a credit card payment you will need:

- a current Visa, MasterCard or American Express card
- your ATO electronic funds transfer code or your payment reference number EFT code or PRN to use the Government EasyPay website or telephone service.



A card payment fee applies to transactions made using this service. This fee is not subject

to goods and services tax (GST) and is equal to the fee the ATO incurs from its banker. The fee is a percentage of the tax amount being paid, based on the type of card being used:

- Visa/MasterCard (effective from 1 October 2011) 0.48%
- American Express (effective from 1 August 2012) 1.45%

You will be informed of the fee amount and transaction totals before you are asked to confirm your payment. You may be eligible to claim a tax deduction for card payment fees and Government EasyPay. Your payment needs to reach the ATO on or before its due date and transactions entered on a weekend, national public holiday or after 6pm Sydney time will be processed on the next business day. The Government EasyPay service will provide a receipt for both the tax payment and the card payment fee. The details will be displayed as 'ATO payment' and 'Card payment fee - ATO' on the cardholder's statement.

To make a credit card payment online go to the Government EasyPay service website at <https://www.optusmartpay.com/governmenteasypay-ato/>  
Alternatively, make your payment using the Government EasyPay self help telephone service, phone **1300 898 089**.

While paying your tax by credit card and earning reward points sounds very inviting, you need to make sure you then pay your credit card on time, every time, because interest rates on credit cards with most major banks are still in the vicinity of 19% per annum. One slip up could totally offset the value of the reward points you might earn.

## Now is a great time to establish your own super fund



We can show you how to take control of your retirement income through a self managed super fund. We specialise in SMSF establishment, accounting, compliance, tax and auditing. Call us today on **9583 4316** to book a FREE 30-minute appointment for more information.  
(Please mention this offer when booking your appointment)

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*The greatest compliment we can receive is the referral of your family, friends and business colleagues. If you refer business to us, please let us know so that we can show our appreciation.*

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