Growing your small business

Fast facts

Researching and planning your business growth

When you start to think about growing your business, you need to plan and identify what you're going to do so you grow efficiently and successfully.

- Options for growing your business may include:
  - hiring workers
  - selling existing assets (e.g. premises, equipment) and buying new ones
  - changing business structures
  - moving to different premises and expanding existing ones
  - taking on loans to finance growth.
- Business growth may:
  - allow you to negotiate better contracts with suppliers and better rates with financial institutions
  - require you to register for GST if you exceed the GST threshold of $75,000 or $150,000 for not-for-profit organisations
  - prompt you to review your business structure and whether it's effective to change it

- increase some of your costs (e.g. electricity) and record-keeping requirements.

The ATO publishes small business benchmarks, which may help you identify business growth opportunities.

- If your business is outside industry benchmarks, this could highlight areas to adjust, like changing costs to improve business performance.

Market research helps you understand your business and the potential growth options.

- Conduct market research about your customers, competitors, the products and services you offer.
- This helps you make informed decisions about your future direction.

Obligations when growing your business

If you're not registered for GST, you will need to register if your business grows beyond the GST registration threshold.

- The threshold is currently $75,000 or $150,000 for not-for-profit organisations.
- If you provide taxi or limousine travel for passengers (including ride-sourcing), you must register for GST regardless of your turnover. This applies if you're an owner-driver and if you lease or rent a taxi.
- Registering for GST is your responsibility.

There are a number of steps you'll need to take before hiring workers.

- Employers have a legal responsibility for ensuring candidates can legally work in Australia.

- There are differences between hiring employees or contractors. They affect your tax and employer obligations, and the worker's entitlements.

Franchising may allow you to rapidly grow your business.

- If you become a franchisor, you grant others the right to use your business brand name or trademark and the right to produce or distribute your product or service.
- The franchisor and each franchisee need to have separate ABNs.
- Franchisors must comply with the law of contract, Franchising Code of Conduct and Australian Consumer Law (ACL).
- Due to the complex nature of this, seek professional advice.

Importing goods may allow you to offer products or services that are not available in Australia.

- You pay GST on most goods and services imported into Australia.
- If you're a GST-registered business and you import goods you may be able to claim a GST credit for the GST you pay on the goods.
- The Department of Home Affairs collects GST on taxable importations. The GST payable is 10% of the value of the taxable importation.

You may be able to reach new markets by exporting goods from Australia.

- Goods and services exported from Australia are generally GST-free.
- You don't include GST in the price of goods and services you're exporting.
- If your goods and services are GST-free, you can claim credits for the GST included in the price of purchases that are used to make your exported goods and services.

As your business grows, you may consider selling capital assets like commercial premises.

- Capital gains tax (CGT) is payable on gains you make from selling an asset.
- Any net capital gain is added to your assessable income.
- You may be able to use the small business CGT concessions to reduce, disregard or defer some or all of a capital gain from an active asset
- Capital gains tax may apply if you restructure your business. Speak to your trusted advisor to understand the potential impacts of this.

Changing your business structure

If considering changing business structure, you need to understand your reasons for this change.

- A business structure change can have implications on your business's legal and tax obligations and your personal liability.
- Seek advice from your trusted advisor.

Changing business structures may provide better tax benefits.

- There are many more considerations than tax, when thinking of changing business structures.
- Research and seek professional advice to ensure changes meet your business objective and you remain financially viable.
- Different business structures have different cost and administration obligations.
- If you change business structure, you may need to cancel your ABN and apply for a new one.
- Cancelling your ABN can take time. Before the ABN can be cancelled any:
  - tax registrations linked to the ABN need to be finalised and paid
  - reports need to be finalised.

- Changes to your business structure, name or contact details need to be reported to relevant agencies, organisations and governments. Changes must be reported within 28 days to the:
  - Australian Taxation Office
  - Australian Securities & Investments Commission
  - Australian Business Register.
- Business name transfers and changes are registered through the Australian Securities & Investments Commission website.
- You may need to advise your state or territory government of changes to your business details.
- If you change business structure, keep records of any decisions that affect your tax, superannuation or employer obligations. These records need to be kept for five years.

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