

TRANSCRIPT: Irving Law video "Business Structures in Australia"

Spoken words
HI, I'M JAMES IRVING FROM IRVING LAW IN PERTH.
I'M GOING TO TALK ABOUT CHOOSING THE RIGHT LEGAL STRUCTURE FOR YOUR BUSINESS.
MANY PEOPLE GET CONFUSED WHEN CHOOSING THE BEST STRUCTURE FOR THEIR BUSINESS. BY THE END OF THIS VIDEO YOU SHOULD BE FAMILIAR WITH THE MOST COMMONLY USED STRUCTURES.
OK, HERE ARE 3 KEY POINTS THAT WILL HELP YOU DIGEST THE INFORMATION I'M ABOUT TO PRESENT.
NUMBER ONE. YOUR BUSINESS COULD BE STRUCTURED IN A NUMBER OF WAYS, LEGALLY. WE WILL BE TAKING A LOOK AT SOME OF THOSE WAYS.
NUMBER TWO. HOW YOU CHOOSE THE RIGHT STRUCTURE DEPENDS MAINLY ON TWO FACTORS. FIRST, FUNCTION , SUCH AS THE WAY A COMPANY GIVES YOU LIMITED LIABILITY. SECOND, TAX IMPACTS . COMPANIES ARE TAXED AT 30%. DOES IT MAKE SENSE FOR YOU TO INCORPORATE?
NUMBER THREE. EACH POSSIBLE STRUCTURE HAS ADVANTAGES AND DISADVANTAGES. THIS IS TOO BIG A TOPIC TO EXPLAIN HERE. MORE INFORMATION IS AVAILABLE FROM OUR WEBSITE.
LET'S MOVE ON TO LOOK AT SOME OF THE DIFFERENT MODELS OF HOW BUSINESSES CAN BE STRUCTURED.
THE FIRST MODEL IS CALLED THE SOLE TRADER . THIS IS OFTEN USED BY A PERSON WORKING ON THEIR OWN. A LOT OF PEOPLE WHO HAVE HOME BUSINESSES ARE SOLE TRADERS.
THE SECOND MODEL IS THE PARTNERSHIP . THIS IS THE TRADITIONAL MODEL USED IN MANY PROFESSIONS, LIKE ACCOUNTANCY.
THE THIRD MODEL IS THE COMPANY . THERE ARE DIFFERENT TYPES OF COMPANIES BUT THE ONE MOST USED BY SMALL AND MEDIUM BUSINESSES IS THE PROPRIETARY LIMITED COMPANY .
THE TOPIC OF HOW COMPANIES FUNCTION IS TOO BIG TO EXPLAIN HERE. I WILL DO THAT IN ANOTHER VIDEO.
A VARIATION ON THE COMPANY STRUCTURE IS TO HAVE TWIN COMPANIES, WITH ONE, CALLED A HOLDING COMPANY , OWNING THE ASSETS, AND THE SECOND, CALLED A TRADING COMPANY , RUNNING THE BUSINESS. THIS STRUCTURE IS USED TO PROTECT ASSETS SUCH AS INTELLECTUAL PROPERTY. IT MAY ALSO MAKE IT EASIER TO SELL THE TRADING COMPANY OR CLONE IT AND CREATE A FRANCHISE.
INSTEAD OF OWNING THE SHARES THEMSELVES, SOME PEOPLE PREFER TO PLACE THEIR SHARES IN A FAMILY TRUST . THIS IS USUALLY DONE FOR TAXATION REASONS. THE TRUSTEE OF THE TRAST, MEANING THE PERSON WHO MANAGES IT, CAN BE AN INDIVIDUAL, OR COULD ALSO BE A COMPANY.
THE FINAL STRUCTURE I WILL MENTION TODAY IS THE JOINT VENTURE . THIS IS WHEN TWO ENTITIES, USUALLY TWO COMPANIES, FORM AN ALLIANCE TO ACHIEVE A LIMITED BUSINESS GOAL, SUCH AS BUYING LAND AND DEVELOPING IT. THE ENTITIES OFTEN CREATE A THIRD ENTITY, CALLED A JOINT VENTURE VEHICLE , TO CARRY OUT THAT GOAL, AND WIND UP THE THIRD ENTITY WHEN THE JOB IS FINISHED.
ALL RIGHT, THAT WAS A QUICK TOUR OF SOME OF THE MOST COMMON BUSINESS STRUCTURES. HERE ARE SOME TAKE-HOME POINTS.
IT IS VITALLY IMPORTANT FOR YOUR BUSINESS TO HAVE THE RIGHT LEGAL STRUCTURE.
IN THIS PRESENTATION WE HAVE COVERED SOME OF THE MOST COMMON STRUCTURES USED IN AUSTRALIA.
YOU ARE INVITED TO USE THIS MATERIAL TO ASSESS YOUR PROPOSED OR EXISTING BUSINESS STRUCTURE.
BE CAREFUL. HAVING THE WRONG STRUCTURE COULD BE A COSTLY MISTAKE.
THAT'S THE END OF MY TALK. PLEASE VISIT OUR WEBSITE AND JOIN OUR NEWSLETTER MAILING LIST. THANK YOU FOR YOU ATTENTION.

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UPDATE: The Australian Taxation Office has announced that: "The small business company tax rate has been reduced from 30% to 28.5% for income years commencing on, or after, 1 July 2015. This lower rate also applies to small businesses that are corporate unit trusts and public trading trusts." [ATO website, accessed 9 March 2016.]

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