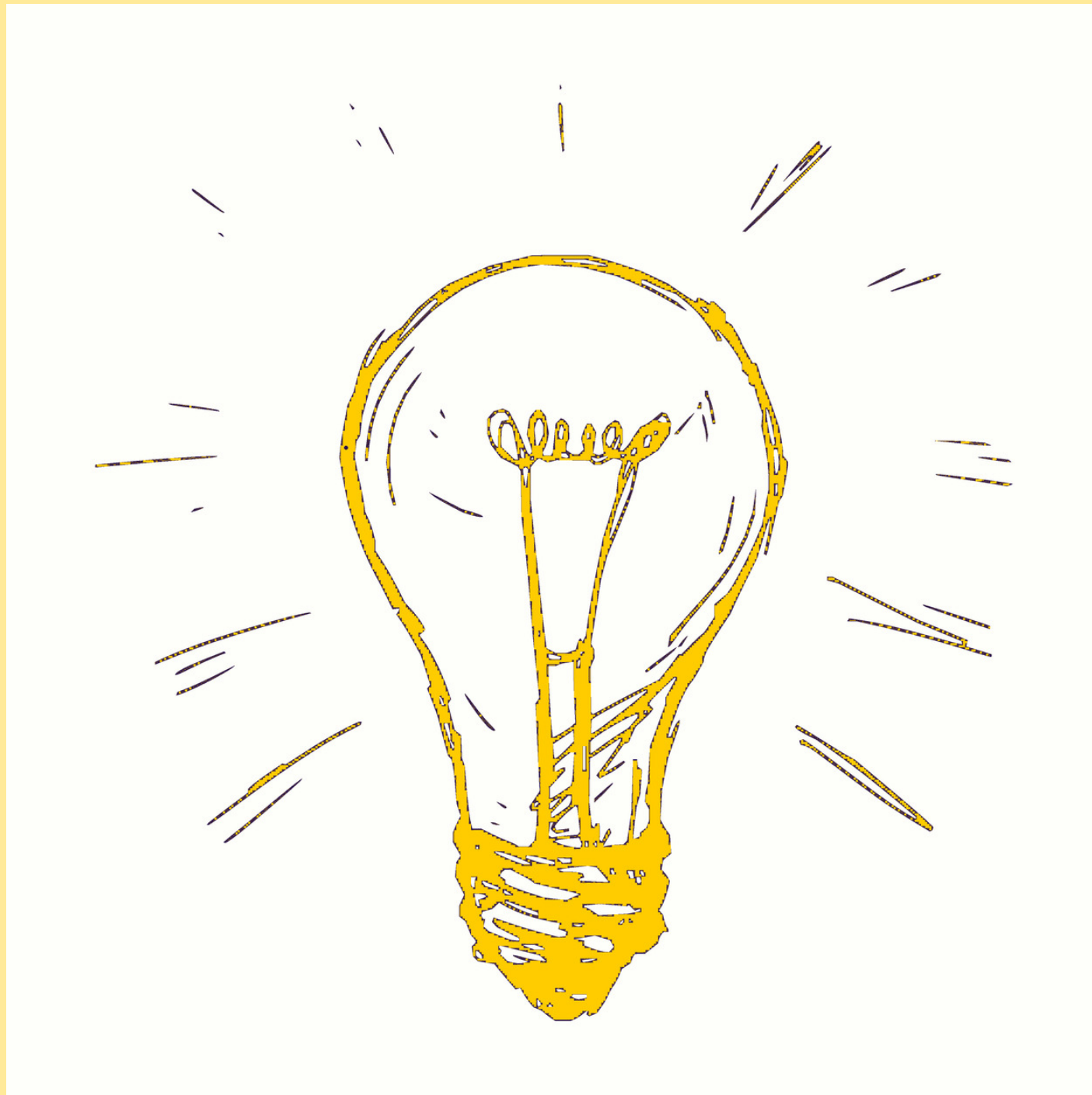


# B SET

a guide for your  
social enterprise to  
B Set for success







# START UP ESSENTIALS

## let's make your idea reality

**There has never been a better time to use business as a force for good.**

**Social enterprises play an important role in leading the way in addressing social, environmental or community issues. At O'Connells OBM, we help to nurture, develop, and grow your social enterprise by providing structuring, compliance, business management, and record keeping advice.**

Before you set up your business formally, there are some key elements that you should consider and understand:

- what is the right business structure for you?
- what tax registrations are required?
- what are your obligations as a business entity?

When you're trying to get your new business off the ground, the different legal requirements and considerations can be complex to navigate - this guide is designed to cover some of the background in a simple and easy to understand way so that you can get started sooner.

**Social, strategic, supported - we can help you B Set for success as you start your social enterprise**

**Questions? We're here to help.**

**If you'd like to talk about what getting started looks like for your social enterprise - give us a call to book your complimentary consultation.**





# WHAT IS A SOCIAL ENTERPRISE?

profit + purpose

**The term Social Enterprise has become very popular of late, but what does it actually mean? To define what exactly a social enterprise is, we've turned to the definition provided by Social Traders, a not-for-profit that helps organisations of all shapes and sizes find better ways to achieve and contribute to sustainable social impact and change.**

## definition

Social enterprises are businesses that trade to intentionally tackle social problems, improve communities, provide people access to employment and training, or help the environment.

Using the power of the marketplace to solve the most pressing societal problems, social enterprises are commercially viable businesses existing to benefit the public and the community, rather than shareholders and owners.

In the Australian context, there is no legal structure called social enterprise but we define social enterprise as organisations that:

- Are driven by a public or community cause, be it social, environmental, cultural or economic
- Derive most of their income from trade, not donations or grants
- Use the majority (at least 50%) of their profits to work towards their social mission

**If you would like more information about the social enterprise landscape in Australia  
- you can visit the Social Traders website - [www.socialtraders.com.au](http://www.socialtraders.com.au)**



# b set for success

## which business structure is right for you?

When it comes to starting a business, there are a number of options to choose from. Each come with advantages and disadvantages depending on your long term goals for the business.

### **Sole Trader / Individual**

This is where the business is not legally separated from the owner - instead, the individual operates the business under their own name or with a registered business name.

Being a sole trader is easy and inexpensive to set up - however because the individual owns the business, and has full control of all assets and business decisions, there is very little flexibility and unlimited liability - meaning all of your personal assets are at risk in the event of a claim being made against you.

### **Partnership**

A partnership is when two or more people or registered entities carry on a business in common with a view of profit.

Being in a partnership is easy and inexpensive to set up - however your partnership does require its own Tax File Number. Being in a partnership also means sharing control and management of the business with your partners, so we'd recommend you put in place a partnership agreement - to protect the entities involved.



# b set for success

## which business structure is right for you?

### Company

A company is a separate legal entity to any of its members (shareholders). In Australia, a company has a unique identifying number called an Australian Company Number (ACN), which is allocated when you establish the company with the Australian Securities and Investments Commission.

Unlike a sole trader or partnership, a company can have limited liability - however directors do have additional legal and reporting obligations.

### Trust

A trust is a relationship where a business is transferred to a third party who has legal control and has a duty to run that business to benefit someone else. A trustee administers the trust property under the terms of a trust deed for the benefit of the beneficiaries.

Registering as a Trust can be more complex however there is a higher degree of flexibility when it comes to distributing income.

The trustee of a trust can be an individual or company - however an important thing to keep in mind is that the trustee is liable - which can influence your choice in trustee.

**It's important to remember that each of these structures have different tax implications - so it's best to discuss your goals and strategies with a chartered accountant to ensure you're making the most effective decision.**



# getting started

## which registrations are you required to have?

Once you have selected an appropriate structure, you then need to turn your thoughts to the different registration requirements. Your accountant can easily facilitate the relevant applications you require.

### Tax File Number (TFN)

Everyone requires a Tax File Number - sole traders can use their existing personal TFN when in business, but partnerships, trusts and companies will need their own. This is a unique number issued by the Australian Taxation Office.

### Australian Business Number (ABN)

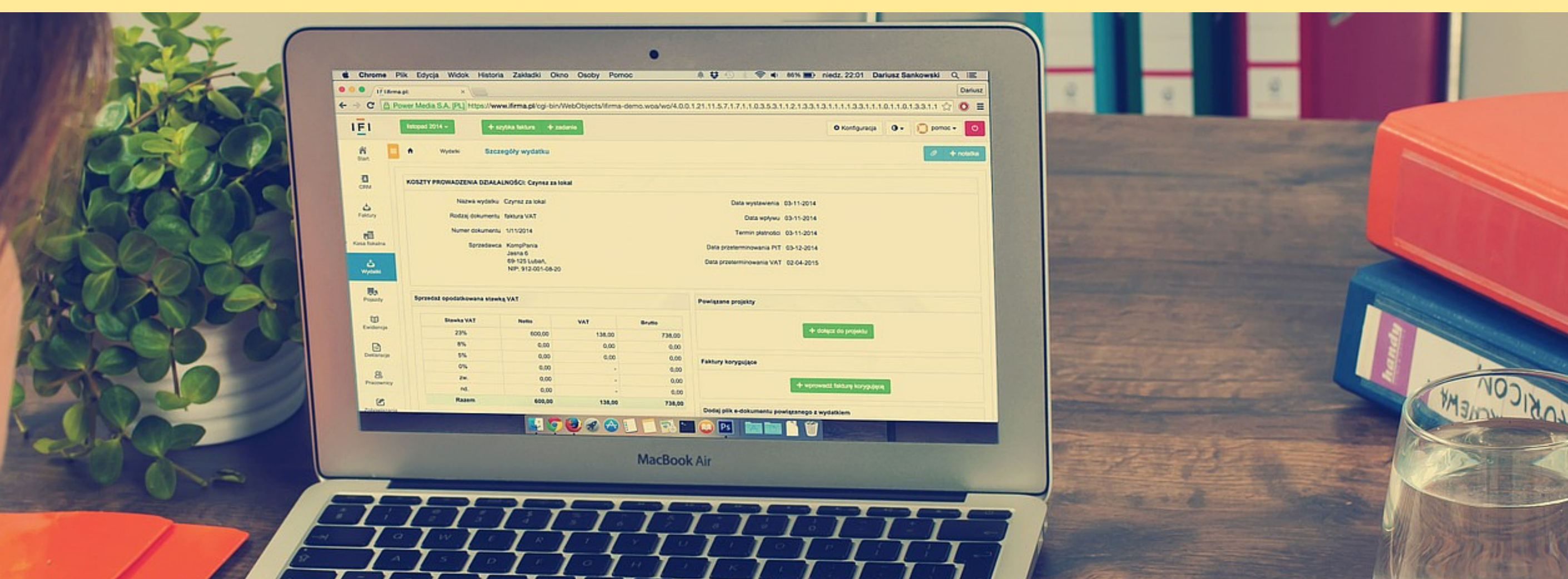
If you're carrying on an enterprise, you're required to register for an ABN. Your ABN is different to your TFN - it identifies your business to the government and community.

### Goods and Services Tax (GST) Registration

If you expect your business to have income of \$75,000 or more - you are required to register for GST. You can register for GST on a cash basis, or a non-cash (accruals) basis.

- **Cash basis** - this means that you pay to the ATO the GST on sales when you receive the cash/payment of an invoice. You claim back the GST credits in the reporting period in which you make the purchases.
- **Non-cash (accruals) basis** – this mean that you pay to the ATO the GST when you issue a tax invoice or receive full or part payment (whichever happens first). You claim back the GST credits in the reporting period in which you make the purchases.

*The reporting of GST to the ATO happens on a Business Activity Statement (BAS) - you will report the sales and purchases and the relevant GST relating to these items*





# getting started

## which registrations are you required to have?

### **Pay As You Go (PAYG) Withholding Registration**

If you're employing people, you will need to register for PAYG withholding - this is the component of tax that you will withhold from a team member's wage. The amounts you withhold need to be reported on the Business Activity Statement (BAS) or an Instalment Activity Statement (IAS).

You will also need to supply payment summaries to all team members and other payees by the 14th of July each year. These must be lodged with the ATO by 14th of August.

### **Business Name Registration**

If you would like your business to trade under a name that is different to your legal name then you will need to register for a business name through the Australian Securities and Investments Commission.





# tick all the boxes

## what else does your business need?

### Insurance

Once the statutory compliance elements are taken care of, other points you will need to consider when starting up your business include insurances (i.e. general insurance, professional indemnity, income protection, management liability etc.), relevant trade associations, city council licenses or permits. We'd recommend you talk to the appropriate expert in these areas.

### Intellectual property

It's also important to factor in any legal items your business may require, including trademarks, intellectual property, licences. A lawyer can assist you to ensure your business is protected.

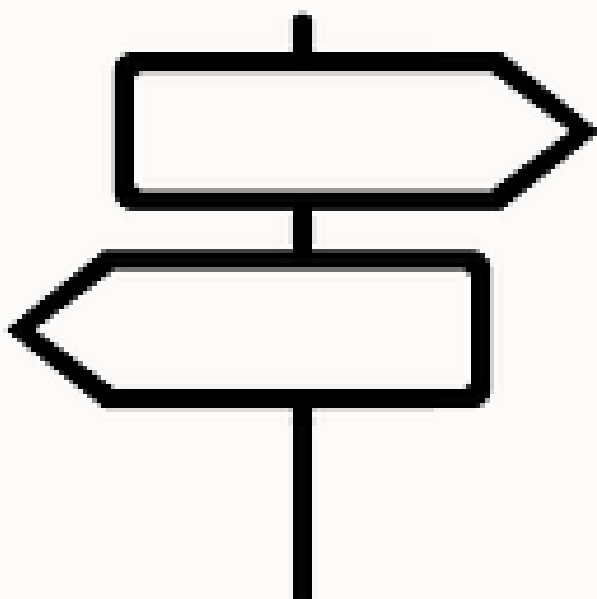
### Government grants

Many Government departments offer grants and funding for social enterprise initiatives, this link provides more detail - <http://www.business.gov.au/grants-and-assistance/grant-finder/Pages/default.aspx>

### Other taxes

Depending on the type of business you carry out you may also encounter land tax, transfer duty, or capital gains tax in certain situations. Your accountant can advise you depending on your circumstances.

## where to from here?



- **Are you employing people?** Check out page 9 for full details of your obligations
- Could you be a Small Business Entity?  
**Understand the benefits** on page 10.
- **Focus on what matters** - learn how to set up your business to look after itself on page 11.



# building a team?

## lay the right foundations for growth

If you're employing people, in addition to reporting and paying withholding tax to the ATO throughout the year, you will have a number of other requirements you'll need to fulfil.

### Complete the right paperwork

This is a useful checklist which outlines what is required when employing people, including necessary forms (Tax file number declaration form, standard choice form for superannuation), PAYG, superannuation, fringe benefits tax and some information on when the employee leaves as well:

- <https://www.ato.gov.au/business/employers/preparing-to-engage-workers/>

You should also refer to Fairwork Australia website for certain requirements as well - the Fair Work Information Statement needs to be given to all employees:

- <http://www.fairwork.gov.au/employee-entitlements/national-employment-standards/fair-work-information-statement>

### Registrations

Some of the taxes or registrations that you might need in the beginning include:

- Superannuation
- Fringe Benefits Tax (FBT) - if you provide certain benefits to your employees
- Workers compensation/work cover - ensures workers against workplace accidents

**You should also ensure you have the appropriate policies in place, for example harassment policy, internet and email use policy, health and safety policy, working from home policy etc.**





# it's hip to be small

## the benefits of being a small business entity

When starting out in business, you may qualify to be treated as a small business entity which has some helpful benefits.



### Are you a Small Business Entity (SBE)?

For a business to be a small business entity, it must meet these conditions each year:

- You are an individual, partnership, company or trust
- You are running a business and
- You have an aggregated turnover of less than \$2 million

### What are the benefits?

The benefits of being a small business can include (depending on your circumstances and the specific rules):

- Getting an instant deduction for assets costing less than \$20,000 or using small business pooling rates
- Immediate deduction for prepaid expenses where the payment covers a period of 12 months or less
- Option to choose to report GST on a cash basis
- Car parking benefits can be exempt from Fringe Benefits Tax (FBT)
- Allowed to deduct expenses associated with starting a new business (e.g. accounting advice)

### Thinking of selling?

As an SBE, you may be able to access the Small Business Tax Concessions - which can be beneficial when you come to sell or restructure your business. The important thing to ensure is that your structure is set up correctly at the start to allow access to these items, and then monitoring the rules yearly.



# b organised

## implement the right systems

When you're starting out - the last thing you want to be doing is wading through paper work or spending time on data entry.

Look to implement a financial/accounting system that helps to run your business with as little input as possible and provides powerful data and practical tips for managing money.

### Get your head in the cloud

We advocate getting your new business set up in a cloud based system such as Xero. The benefit is that you can access your information anywhere, anytime and it is backed up by the provider, compared to a desktop version which is on the one computer and requires you to back up the software. Cloud software also provides information in real time and up to date.

Using a cloud based system is a little more expensive than simply recording costs in a spreadsheet, but there is less chance of errors which can be costly when it comes to finalising your accounts, it also makes preparing your Business Activity statements seamless, not to mention having 'live' data available at your finger tips.

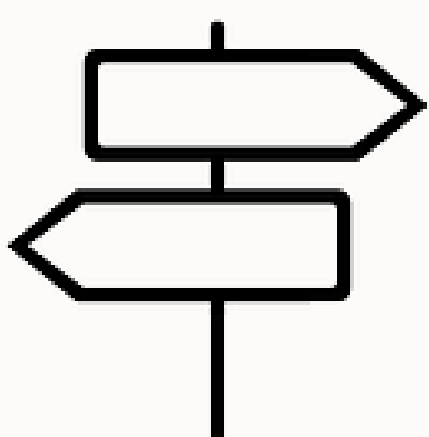
### What records do I need to keep?

Record keeping can be overwhelming, especially as there are a number of different legislation requirements depending on the nature of your business. If you have a company, you should keep records for seven years, and five for other entities. We'd suggest keeping your records in an electronic format and regularly taking backups.

### Best practice accounting

It's always good to develop some principles around your records including recording depreciation each month, accounting for leave liabilities, provision for income tax in your financials so can see estimated tax levels, policies for bad debts and asset write offs, etc.

## where to from here?



- **Money, money, money!** Get tips for managing your finances on page 12.
- **What NOT to do.** Learn from common mistakes and B Set for success on page 13.
- **What's next?** We've compiled a list of useful resources to take you further on page 14.



# money, money, money

## practical tips for managing and maintaining your finances

With some forethought and good discipline, you'll be able to easily manage your finances so you can spend more time building relationships and growing your business.

### Set up your bank account requirements

It's a good idea to set up a relationship with a business banker - they will be able to help you with suggestions for accounts etc.

- Get an everyday business account set up use this for everyday spending and where clients pay you their money
- Have a second high interest account that you can transfer surplus funds to
- Get a business credit card set up
- If required, potentially get a line of credit or overdraft account established for temporary cash shortfalls
- Set up internet banking and ensure all accounts are accessible online
- Set up merchant facilities if applicable

### It's all about discipline

- Regularly transfer money to high interest account for savings
- Keep personal expenses away from the business - business money is business money and personal draw/salary is your private spend money. You should try and pay for everything through online banking and use the same narrations for similar items - this will help to automate the bookkeeping process
- Keep on top of your bookkeeping and develop a habit to do it on a regular basis
- Keep your lodgements up to date and pay on time. There may come the time when you need help from the ATO and their decisions can be based on your lodgement and payment history. If you can't meet a payment deadline, flag it with your accountant for potential options and even setting up a payment arrangement with the ATO, rather than them starting to chase you for the debt
- Invoice your clients frequently and develop a good debtors management system. If you have clients who pay you late, that affects your cash flow which isn't what you want.
- Cash flow is key – test your business to see how you would go if there was a delay in clients paying you – how would you fund the cash shortfall?
- Costs – be relentless and always looking for opportunities to save. Understand the difference between your fixed costs and variable costs so if business slows down, you can re-evaluate your expenses
- Monitor your customers and suppliers regularly to identify slow payers or better terms



# watch out!

## B Set for success by avoiding these common pitfalls

Here is a quick hit list of some of the mistakes we have seen in the past and items for you to try and avoid:

- Not planning well when starting a business - lay a solid foundation and do your homework before you dive in;
- Not saving or putting money aside for bills with the ATO - Tax Office payments are often due in the future and you need to make sure you put money aside to cover these items. The balance sheet usually gives a good indication of what level you require;
- Not setting goals, monitoring them regularly and being held accountable for them. Consider a mentor or accountant to talk to these items about as an external voice to help keep you on track;
- Underestimating expenses and overestimating revenue in the budget. You should do the opposite – overestimate expenses and underestimate revenue for planning purposes to avoid any bad surprises.
- Not getting work/life balance - it's easy to let your new business take over, but be sure to schedule in time for yourself to do things you enjoy.





# what's next?

## ready to start making an impact?

We've pulled together a list of other useful resources to help you to make your social enterprise a reality. Alternatively, If there are any elements of this guide you'd like more information on, we'd be happy to help. You can get in touch with us by phone on +61 7 3233 6400, or email [bset@oconnellsobm.com.au](mailto:bset@oconnellsobm.com.au).

- **Writing a Business Plan** (the Australian Government has a wide range of resources and templates available for new businesses)  
- <http://www.business.gov.au/business-topics/templates-and-downloads/business-plan-template-and-guide/Pages/default.aspx>
- **Westpac Social Enterprise Grant Program** (provides support and funding for social enterprise development) - <http://www.westpac.com.au/about-westpac/our-foundations/westpac-foundation/grants/social-enterprise-innovation-grants1/>
- **Australian Government Business Grants** - <http://www.business.gov.au/grants-and-assistance/grant-finder/Pages/default.aspx>
- **Social Traders** (assist with awareness raising, building enterprise capability, and opening markets for social enterprises products and services)  
- <http://www.socialtraders.com.au/>
- **School for Social Entrepreneurs** (provides a list of useful resources for social enterprise and start-up businesses) - <http://sse.org.au/about-us/resources/>
- **Impact Academy** (accelerator program designed for budding social enterprises) - <http://www.impactacademy.net.au/>
- **Xero** (cloud based accounting software) - <https://www.xero.com/au/>
- **Budgeting and Cash Flow Templates**  
- <http://oconnellsobm.com.au/blog/resources-and-downloads/>

### Ready to B Set?

Our fully inclusive B Set start-up accounting package is designed to provide all of the essentials you need, without any surprises. For more details and information to get started, visit <http://oconnellsobm.com.au/social-enterprise/>





The information, templates, and material contained in this guide do not give business, accounting, taxation or financial planning advice. The material is intended to provide information in a summary form and is general in nature.

The contents do not constitute business, accounting, taxation or financial planning advice and should not be relied upon as such. Formal business, accounting, taxation or financial planning advice should be sought in particular matters.

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