

Is a Company the Best Structure for You?

Our core purpose is

'HELPING CLIENTS ACHIEVE FINANCIAL SECURITY'



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WHAT IS A COMPANY?

A company is a completely separate legal entity formed at Law that like an individual has the ability to enter contracts, own assets, sue or be sued, pay tax, employ people and do all things necessary to run businesses and transact in almost all manners. A company is managed by Directors and owned by the Shareholders, who often will be the same people in smaller companies, but very different in large companies.

WHAT ARE THE BENEFITS OF A COMPANY?

The benefits of a Company to you are:

Asset protection: If the business or investment that a company owns fails, or is sued for whatever reason, a Proprietary Limited company (by far the most common type of company) is offered Limited Liability protection. This means that a shareholder in a company (i.e. an owner of the company) is liable only for whatever they have invested in the company itself. The shareholders own personal assets are protected. Should you choose to own and/or operate your business or investments in your own name, you will be personally liable for all debts, liabilities or litigation.

Tax benefits: Companies enjoy major tax benefits over individuals trading or investing in their own names personally. A few examples of this are:

Franked dividends: Companies are currently taxed at a fixed 30% tax rate, unlike individuals who are taxed at marginal tax rates (up to 45% plus the medicare levy). To avoid double taxation, businesses and investments held in a company offer shareholders a credit (called a franking credit) for the 30% tax paid by the company. This offers many unique

possibilities to lower the taxation of the individual shareholders in a wide variety of circumstances.

Shared losses: In the event of common ownership of multiple companies, the losses of individual companies can be transferred from one company to another within the group, offsetting other income.

Income splitting: Whilst the owner shareholders of a company can be employed by a company, income of the entity can be "split" amongst family members via the issue of shares to multiple parties, enabling income to flow to a larger number of people for tax purposes, thereby taking advantage of lower marginal tax rates.

CGT deferral: In many cases, transferring your assets to a company will not incur any capital gains tax, as the CGT may be deferred in various ways when dealing with small business assets.

Stamp duty savings: Where almost all transfers of land in Victoria are subject to stamp duty, altering the ownership of a company owning land, via a change in share holding, in many cases avoids any stamp duty being incurred.

Perpetuity: Unlike individuals who unfortunately do not live forever, a company has the ability to carry on over many lifetimes. This has the major benefit of enabling parties to very simply alter the ownership of business, investment or any assets simply by changing the underlying share holdings of the company, rather than needing to individually register a change in ownership of every single asset owned by individuals. This makes succession and/or estate planning very easy and cost effective.

Flexibility: Under the Corporations Act 2001 there is a greater flexibility in cancelling shares or reducing paid up capital of companies. It is also easy to admit or retire partners by simply buying or selling shares or alternatively by issuing them.

A COMPANY MIGHT SUIT ME, SO WHAT NEXT?

It's easy, contact our professional team at Mulcahy and Co and we can help you:

- decide whether a company or alternative business structure is right for you
- choose a company name
- decide how you would like it to operate
- understand your legal obligations as an officeholder
- register your company with ASIC and the ATO
- prepare all the relevant documentation and arrange for signing
- understand your legal obligations regarding name, ACN and ABN.

We offer a free no obligation meeting to review your situation. Call us today on 03 5330 7200 and take advantage of this valuable offer.

Are You Financially Secure?

At Mulcahy & Co we are in a unique position to provide the expert advice and solutions of accounting, financial planning, lending, legal and information technology all under the one roof. This makes a normally complicated process seamless to help you on your way to becoming financially secure.



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