

EVALUATING DIFFERENT FIRM STRUCTURES

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What we will cover

1. General principles
 2. Firm model alignment
 3. The structures
 4. Changing your structure
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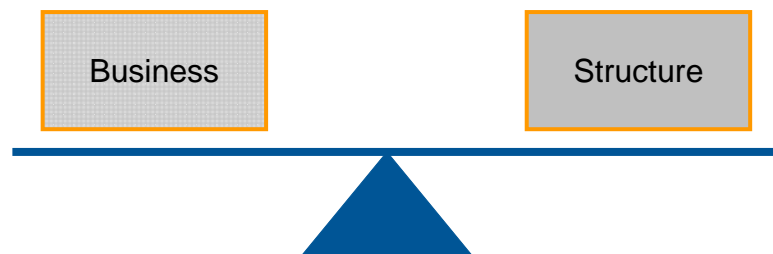


Key considerations

It's not all about TAX!



Alignment with firm business model





8 triggers for change

When should you examine the firm business structure?

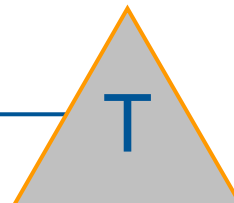
- Asset protection and risk
 - Outgrown structure/model
 - Tax law changes
 - Compliance costs
 - Growth
 - Succession
 - Financial reasons
 - Catalyst for change
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Sole Practice



Partnership



Service Trust



Company



Alternatives



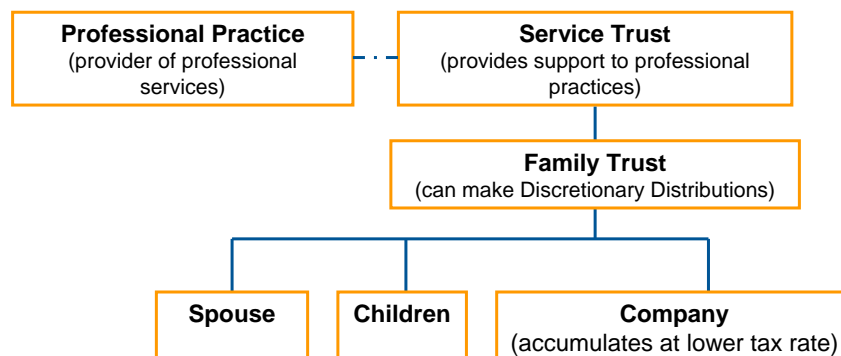
Sole Practice

- Simple and cost effective
 - Cash basis of taxation
 - Taxed at personal marginal tax rates
 - Lack of tax planning flexibility
 - Personal assets at risk
 - Succession issues
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Partnership and Service Trust

Typical Structure





Partnership

- Partnership ethos
 - Partnership agreement is key
 - Flexible structure and incomes are scalable
 - Entry and exit is simple
 - Partnership ethos
 - Working capital management important
 - Partners taxed on billings basis (draw v taxable income problems)
 - Access to capital limited
 - Entry and exit are complicated
 - Last man standing issues
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Service Trust

- Asset protection (but...)
 - Potential for income splitting
 - TR 2006/2 and guidebook
 - Generally 10% on cost outcome
 - Compliance costs can be high
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Company - ILP

- 1 Director lawyer required
- Shareholder agreement key
- External funding
- Ownership structures flexible
- Employee profit share schemes possible
- Facilitate Succession planning models
- Can build independent business value
- Tax 30% initially
- Working capital funding retention
- Manage dividends and franking
- Legal Professional Act 2004 but inconsistent between States
- Working capital funding retention
- Other considerations FBT, Payroll tax, PSI and superannuation
- Over draw = loan tax issues
- Large companies have ASIC reporting and audits
- Very difficult to change to



Small Business Concessions - CGT

- Why should we be aware of them?
 - How does it impact on a firm structure?
 - How does it impact if changing structure?
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Alternative Structures

Beware!



Implications of changing structure

- Starting from scratch is easy, changing may not be
 - Tax implications and rollover relief availability
 - Capital gains tax on goodwill and valuation
 - Stamp duty (exemption for ILP)
 - Financial outcome for partners
 - Working capital management
 - Funding
 - Cost
 - Can you obtain your ideal structure?
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Contact us

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