



**Master
Builders
Association**
New South Wales



putting the
pieces together
a business planning guide for the construction industry

***Master Builder
Better Builder***



There are so many things to consider when starting or expanding a business. This guide will show you how to handle some of the most common issues and requirements you'll encounter.

Take the time to familiarise yourself with the chapters of this guide. Not everything will apply to you just yet, but it will assist with facing issues further down the track.

Remember, you can always refer back to our checklist to make sure you're not missing anything as your business grows.

checklist



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 - Sole traders
 - Partnerships
 - Companies
- Buying an established business
- Purchasing a franchise
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getting started

There are many factors to consider when choosing your business structure. Before deciding, make sure you've taken into account all administration, taxation and insurance ramifications.

Choosing the right business structure

There are real advantages to choosing a structure suited to the way you want to operate your business. Choosing the wrong structure can cause an array of otherwise avoidable issues.

It is important to understand the features of different structures, as they may affect;

- the way tax applies to your business
- protection of your assets
- your operating costs
- how other businesses deal with you

You should use the following information on business structures as a guide only. For advice on choosing a business structure we suggest that you seek the services of a solicitor, accountant or business adviser.

For further information contact **MBA Lawyers**.

• Sole traders

This is where you, as an individual, trade on your own. The advantages of operating as a sole trader include;

- less legal and tax issues involved in set up
- inexpensive to set up and ensures you keep full control of the business
- you receive all the profits

There are also a few potential disadvantages to consider;

- your access to finances is usually limited. This may require the need to mortgage personal assets
- many may not fully own any significant assets to mortgage. This can seriously hinder expansion of your business
- you are legally responsible for all business operations and actions
- debts or business failure can result in loss of personal assets such as your home



- **Partnerships**

This is where you and another person or another business functions together as an operational business entity. Advantages include;

- greater access to finance
- less expenses in set up
- more people to share the responsibilities

Other features, whilst not all inherent negatives, could turn out to be disadvantageous;

- you must share the profits
- personal assets are subject to claim in the event of business failure or debt, even if they are not your fault
- joint and several liabilities
- you are responsible for your partners actions, good or bad

When entering into a partnership a Partnership Agreement is recommended.

- **Companies**

This is where your business is a legal entity separate from its shareholders. Companies are regulated by the Australian Securities and Investment Commission (ASIC).

The features of a company include;

- moderate to high set up and administrative costs compared to other structures
- pays tax on its profits
- higher levels of asset protection. Shareholders are not liable for debts, unless a director issues a personal guarantee
- wider access to finance

Buying an established business

Buying an established business may help overcome many initial hurdles faced by new businesses. If the business has a good name and track record, customers and finance are more likely to be already available.

Due diligence is crucial in avoiding potential disadvantages. Overestimating profitability or overlooking a bad reputation can result in a bad investment.

As a prospective owner, you should determine the current worth of the business and its future prospects. Some important considerations are;

- current owners reason for sale
- debts or warranty issues associated with the business
- profits - analyse financial records, future cash flow and profitability
- assets - what is owned, leased or financed and what is included in the sale
- staff - this may include taking on existing staff employment liabilities
- expenses - ensure they match your own estimates
- suppliers - will existing purchasing rates and stock be available to you?
- sales - patterns, trends, customer base, current suppliers
- costs - fixed and variable costs, staff costs

For advice and protection in buying a business we suggest that you seek the services of a solicitor, accountant or business adviser. **MBA Lawyers** can also assist.

Purchasing a franchise

Franchising is an innovative way to tap into the benefits of a well established business.

This is a common business model in fast food. Networks of franchises are set up under well-known brands, such as McDonalds.

This business model has more recently spread to the building industry. Franchises are available for home building, consultancy services and maintenance to name a few.

A franchise can provide the benefits of;

- established name and brand identity
- portfolio of building designs
- bulk purchasing power
- working with experienced companies and business support

Although, caution is needed when considering;

- the terms of the franchise agreement
- ongoing franchise fees
- any restrictions in relation to territory
- control of job scheduling

Further information on franchising can be found at www.franchise.org.au

Independent contractors

Independent contractors are usually sole traders who hire out their labour to other businesses.

As owners of their own businesses, independent contractors can;

- negotiate their own fees
- negotiate their work hours
- work through a single contract provider
- engage many projects and contracts at once

It is important to note, having an ABN does not automatically make you a contractor. Circumstances of the working relationship determine the difference between a contractor and an employee. This classification has an effect on your tax and superannuation.

The “Employee/Contractor Decision Tool” at www.ato.gov.au can help you determine your status.

Contact **MBA Industrial Relations Department** for further information.

start up basics



Will you be running your business from home?

You will usually need permission to run your business from home. Some issues to consider are;

- local council zoning may not permit your business type
- mortgage or rental agreement restrictions
- existing insurance policies may not cover a home business
- separating private expenses from business expenses for tax purposes

You should check with your local council for further advice. A wide range of government assistance is available to new home-based businesses.

We also recommend consulting a solicitor, accountant or business adviser. **MBA Lawyers** can also assist.

Getting your Builders Licence

NSW Fair Trading requires that you have a current contractor licence to carry out;

- residential construction where the total cost of labour and materials is more than \$5,000
- any electrical wiring work
- plumbing, draining and gas fitting work
- air-conditioning or refrigeration work (except plug-in appliances)

Electrical, plumbing and air-conditioning work is classified as 'specialist work' under licensing requirements. This means that a licence is also required when performing such work on commercial sites.

If your trading entity is a partnership or company, the entity must also be licensed. A principal of the partnership or company will be required to hold a Qualified Supervisor Certificate.

By law, your licence number must be shown on all advertising, stationery and signage.

If you carry out any work without the appropriate licence you are breaking the law and may be fined. You will also be unable to enforce a contract for payment against the client.

Applying for a licence

You must lodge your application in person at a Service NSW or Government Access Centre to obtain;

- an individual contractor licence
- a Qualified Supervisor Certificate
- an individual tradesperson certificate

If you are applying for a company or partnership licence you may also lodge your application by post.

Licence application forms and further related advice can be found at;

www.fairtrading.nsw.gov.au/tradespeople/home_building_licensing

Home Building Compensation Fund Insurance (HBCF)

HBCF has replaced the Home Warranty Insurance Scheme. It is required for residential building work where the contract value or labour and materials exceed \$20,000.

Prior to purchasing HBCF insurance, you must first obtain eligibility through your insurance broker.

Further information on HBCF insurance is available at www.hbcf.nsw.gov.au or www.mbib.com.au

For more information on insurance services and products contact **Master Builders Insurance Brokers**.

Register your business name

A business name is a name or title under which a person, or other legal entity, trades.

You need to register your business name if you operate as a sole trader, partnership or trust, but not for a company. You also don't need to register a business name if you plan to use your or a partner's first name and surname.

Registration of a business name does not protect that name from being used or copied by others. To ensure you have rights over a name's use in Australia, you will need to register it as a trade mark.

If residential building work is performed or advertised under your business name, then that name must also appear on the licence.

Register for an Australian Business Number (ABN)

Whilst not compulsory, an ABN is required for certain dealings with the Australian Taxation Office (ATO). Generally speaking, you should also put your ABN on all invoices and documents relating to the sale of goods or services.

If you do not provide your ABN, or do not have one, other businesses may legally withhold 47% of monies owed to you.

Your ABN allows you to;

- facilitate a single Business Activity Statement (BAS)
- confirm your business identity to others when ordering and invoicing
- avoid Pay As You Go (PAYG) tax on payments you receive
- claim Goods and Services Tax (GST) credits
- obtain an Australian domain name

Register for Fringe Benefits Tax (FBT)

FBT is a tax payable by employers for benefits provided to an employee or in place of wages, such as a company car.

If you employ staff and provide such benefits, the ATO recommends that you register for FBT.

Goods and Services Tax (GST)

You must register for GST if;

- your business has a turnover of \$75,000 or more
- \$150,000 or more for non profit organisations

To register for GST you will need to complete an application form. If you wish to apply for an ABN at the same time, then use the same form. Your ABN will be your GST number.

Register for Pay As You Go (PAYG) withholding

PAYG withholding is a legal requirement to withhold money for income tax purposes. You are required to withhold tax from the pay or salaries of workers, and in some cases contract workers.

If you are a new employer, you will need to register with the ATO before you withhold payments. You must send all withheld amounts to the ATO.

You may also need to withhold an amount from payments to other businesses if they do not quote their ABN to you.

Register for a Tax File Number (TFN)

Sole traders use their individual TFN for tax related activities.

Companies, partnerships and trusts need their own separate tax file numbers. You can apply when requesting an ABN using the same application form.

Some of the main reasons for having a TFN are;

- to quote to employers (for individuals only)
- to quote to government bodies, for example the ATO, when lodging income tax returns
- to quote to investment bodies responsible for paying interest, dividends and unit trust distributions

You can apply for your ABN, GST, PAYG and business TFN through the Australian Business Register (ABR) at www.abr.gov.au

For additional information or advice contact **MBA Lawyers**.

taxation and financial reporting

These days paying your taxes is something best done online, it is easy, fast and secure.

Paying your taxes

You can now pay your taxes securely online when you register for an AUSkey from the ABR. AUSkey gives you the convenience of online access to a range of services including:

- lodge activity statements
- update your ABN or other details
- lodge PAYG reports
- lodge superannuation statements and reports

Tax can also be paid by BPAY, credit card (limits may apply) or direct debit. To register for an AUSkey visit www.auskey.abr.gov.au

Payroll tax

Payroll tax is a state tax on wages paid by employers. It is calculated on the amount of wages you pay per month.

Employers whose total Australian wages exceed the current monthly threshold, must pay payroll tax.

The monthly threshold in NSW is;

- 28 days = \$92,055
- 30 days = \$98,630
- 31 days = \$101,918

The payroll tax rate is 4.85%, and the threshold for 2022-2023 (July-June) is \$1,200,000



Income tax for business

Income tax applies to any assessable income, less any allowable deductions;

- assessable income - income earned not including GST, investments, capital gains from selling certain assets etc
- allowable deductions - expenses incurred in relation to operating your business

You must lodge an income tax return for every year your business operates, even if you do not generate taxable income.

For further details visit www.ato.gov.au

Tax concessions for small business entities

From 2007 eligible small business entities can access a number of tax concessions. You must check each year if you qualify for the concessions, which include;

- Capital Gains Tax (CGT)
- Income Tax
- GST
- PAYG withholding tax instalments
- FBT

To be eligible you must meet the following conditions;

- you are an individual, partnership, company or trust
- you have a combined turnover of less than \$10 million, updated 2022

Additional options may apply to certain concessions, such as;

- a choice to account for GST on a cash basis
- simplified trading stock rules
- simplified depreciation rules
- deductions for certain prepaid business expenses

Some small business concessions were previously available under the Simplified Tax System (STS). If you were in the STS you can still use those concessions if you meet the eligibility requirements.

For further information visit www.ato.gov.au

Taxable payments reporting

Since 2012, building and construction businesses need to report the total payments made to each contractor annually.

You need to report if all of the following apply;

- you are a business in the building and construction industry
- you make payments to contractors for building and construction services
- you have an ABN

The details you need to report will generally be in the invoices you receive from your contractors. You need to report these payments on the 'Taxable payments annual report'.

For further details visit www.ato.gov.au

Taxes and superannuation for your workers

If you employ people, you need to ensure you are compliant with tax and superannuation requirements.

- **Determine the status of workers**

The status of your workers is important for tax purposes. Employees and contract workers involve different obligations.

An employee is a worker you employ in your business - you have to withhold PAYG tax from payments you make to them.

A contractor is a worker who is self-employed and has a contract with you to provide services. You do not have to withhold tax from payments to them, unless you enter into a voluntary agreement with them.

- **Superannuation for employees**

Employers must make super contributions on behalf of eligible employees and in some cases, contractors.

You need to pay super contributions at least four times a year, by the cut off dates each quarter which are;

- 28 October
- 28 January
- 28 April
- 28 July

However, some superannuation funds, e.g. C-Bus, require contributions to be made monthly.

You are required by law to pay a minimum contribution of superannuation based on the ordinary pay rate. **See table below for the applicable by financial year.** It is important that you document all the super contributions you make.

Super Contribution Table by Financial Year

Current	10.5%
1 July 2023	11%
1 July 2024	11.5%
1 July 2025	12%

SuperStream requires employers to send all super payments electronically in a standard format. Using it is mandatory.

You also need to offer your employees their choice of super funds, and document any evidence that you have done so.

Once a super fund has been nominated, you must pass on your employee's tax file number to the tax office within 14 days.

If you do not make your superannuation contributions by the cut off dates you will face penalties.

- **Superannuation for contractors you engage**

If you engage contractors in a contract wholly or principally for labour, you have to pay super contributions for them.

A contract is generally labour if more than 50% of the contract's value is that person's physical, mental or artistic labour. In this case, contractors are considered your employees for super purposes. For further clarification refer to the ATO 'Employee/Contractor Decision Tool'.

The minimum superannuation amount you have to pay is set out in the table previously - **"Super Contribution Table by Financial Year"**

If you make a contract with someone who is not performing the work, such as a company or partnership, the contract is not for labour, then the superannuation guarantee does not apply.

Superannuation

There is no requirement for self-employed people to make compulsory superannuation payments. However, you should consider how you intend to fund your lifestyle in your retirement.

With no employer, your super fund's growth relies solely on your contributions, and any profits or interest from investments.

Benefits of superannuation

There are significant tax savings on contributions made to your own super fund. These deposits can be deducted from taxable income, making them an attractive investment option.

Self-employed people may also access the government's co-contributions scheme. This is where the Federal Government contributes up to \$500 in matching payments each financial year. However, this amount depends on the level of super contribution you make and what your income is. This is also a tax free payment that is not included in your assessable income.

For guidance best fitted to your personal situation, we suggest that you seek advice from a financial advisor.

Types of superannuation funds

When choosing a super fund it is important to consider;

- the fees and charges for the administration of the fund
- the investment fund's performance and track record
- what extras are offered, such as life insurance, income protection insurance and disability or permanent injury cover

There are many different service providers in the super management business. Most are classed as "public offer" funds, which means self-employed people can deposit their contributions in the fund. Examples of these include;

- boutique investment service firms
- banks
- industry associations
- insurance companies

Self-managed superannuation

You can choose to set up and maintain your own superannuation fund, or "self-managed fund".

There are complex pros and cons to this arrangement that require the assistance of finance professionals.

It is worth noting that ASIC advises that a fund balance over \$200,000 is a guide for when the costs and complexities might become justifiable.

Tax deductions

You can claim reductions in your tax on expenses you incur in running your business. The scope of allowable deductions varies. Set limits will often apply in each designated category.

It is illegal to claim deductions for costs that are for your personal or home use, or if they are of a capital nature. Heavy penalties can be incurred for making false claims.

In operating a trade based business the following items can be claimed when you lodge your tax return;

- motor vehicle expenses
- diesel fuel expenses
- home based business expenses
- travel expenses
- machinery, tools, computers and other equipment

If you are a contractor or a consultant, your personal services income can affect your tax obligations. Consult your tax advisor for advice tailored to your business.

Building and Construction Industry Portable Long Service Payment Scheme

The Scheme pays long service leave entitlements to eligible, registered building and construction workers.

Employers do not make direct contributions to the scheme. Instead, it is funded by a levy on building and construction works in NSW.

Employers in the building and construction industry have obligations under the scheme to;

- register as an employer
- register employees
- lodge long service leave returns
- keep certain employee records

Employers and working directors may also be eligible for long service entitlements if “working on the tools”.

For further information go to

www.longservice.nsw.gov.au

Business Activity Statements (BAS)

Business Activity Statements allow you to report and make payments of certain taxes required by the ATO.

The ATO will send your activity statement to you around two weeks prior to the end of each reporting period.

Some of the taxes your activity statement will cover include;

- GST
- luxury car tax
- PAYG withholding tax and instalments
- FBT instalments
- deferred company/fund instalments

You are allowed GST input tax credits which include;

- GST on purchases
- credits from PAYG income tax instalment variation
- credits from FBT instalment variation

You can lodge your activity statement online at www.ato.gov.au/business.

Ending your business

You must tell the ATO if you sell your business or if you cease trading. You must also cancel various registrations, such as your ABN etc.

Record keeping

It is essential that you maintain your records. This can be done on paper or electronically, or via a combination of both. There are a range of products and services available to assist your record keeping.

The benefits of keeping good business records are many. Generally, it will provide a snapshot or overview of your business. This allows you to monitor your business and take action to fix any potential problems.

Keeping detailed records will also help fulfill reporting obligations to the Tax Office.

Remember, under tax law, you must be able to explain your operational transactions, especially if you wish to claim any deductions.

Employment records

If you employ people under a modern award or enterprise agreement, you must keep employment records. This includes accurate and complete time and wage records. You must also issue pay slips to each employee.

Time and wage records of each employee must be kept for at least seven years. These records should be in plain English and easy to read.

For further advice contact the **MBA Industrial Relations Department**.

employing people

Prepare a job description that defines the responsibilities and functions of the job.

Recruitment

A job description will help you identify the knowledge, experience and skills required for the job.

A basic action plan would be to;

- advertise – use the web or newspapers
- interview – make sure the person is a good fit or can grow into your business
- take the time to talk to past employers or referees
- write a formal Offer of Employment letter. This should include a start date, reference to the position being permanent, part-time or casual, and a reference to the National Employment Standards (NES) and relevant industrial instrument.
- provide the new employee with a Fair Work Information Statement

Equal Employment Opportunity

It is illegal to use any language in advertisements or interviews, which may be discriminatory on the basis of;

- race
- age
- religious or political beliefs
- sex
- sexual orientation
- marital or family status
- pregnancy
- disability

All employers are required by law to create a workplace free from discrimination and harassment. It is important to understand your responsibilities under human rights and anti-discrimination law.

The Australian Human Rights Commission has a



range of fact sheets to help develop effective policies and guidelines. If in doubt consult the **MBA Industrial Relations Department**.

Full time, part time or casual?

You may decide to have a mixture of full-time, part-time and casual employees, or use independent contractors. Remember, different legal rights and responsibilities exist for different types of employment relationships.

It is important to ensure you are entering into agreements that are both fair and binding, and that you can pay your workers correctly. Contact the **MBA Industrial Relations Department** for further advice.

Apprentices and trainees

Taking on apprentices and trainees can assist your business growth as they apply their new skills to your operations.

Taking on a new apprentice means you might also be able to obtain government funding or other grants and assistance. Talk to **MBA Apprenticeship Services Department** if you would like to know more.

Modern awards

Modern awards are industry or occupation based minimum employment standards. These apply in addition to the National Employment Standards (NES). Since 2010 existing awards have been replaced by modern awards.

For more information on award coverage under the new system, visit www.fwc.gov.au. Alternatively contact the **MBA Industrial Relations Department**.

Enterprise agreements

Enterprise agreements are made under the Fair Work Act 2009. They set out conditions of employment for two or more employees.

They are governed by Federal workplace relations law and will legally override an award. But they must provide employment conditions that are better off than the applicable award.

The **MBA Industrial Relations Department** can advise, draft and lodge an enterprise agreement for your business.

Contracts

Written common law contracts of employment also set out wages and conditions for employees not covered by an award or enterprise agreement.

Similar to enterprise agreements, common law contracts are underpinned by the NES.

Fact sheets on the NES are available to members at www.mbansw.asn.au.

Your obligations as an employer

Your obligations to employees and other workers come from a variety of sources. These include Federal and State laws, industrial awards and agreements, tribunal decisions and contracts of employment.

Some of your obligations as an employer, according to Federal Government sources include;

- paying correct wages
- reimbursing your employees for work related expenses
- ensuring a safe work environment and upholding a duty of care
- not acting in a way that may seriously damage an employee's reputation or cause mental distress or humiliation
- not acting in a way that damages the trust and confidence necessary for an employment relationship
- not providing a false or misleading reference
- forwarding PAYG tax instalments to the ATO
- making appropriate payments under the Superannuation Guarantee legislation
- maintain payroll records in accordance with the legislation
- ensuring adequate workers compensation insurance cover is provided

You may also need to work with Centrelink as some of your staff may also be Centrelink customers.

Employees leave and holiday entitlements

With the exception of employees who are classified as casuals, you are required to provide paid leave. This includes, but is not limited to, annual leave, sick leave, and long service leave. Leave provisions are covered by the NES. Unless more generous entitlements are contained in a contract or agreement.

It is illegal to deny a staff member their statutory leave entitlements. It is also permissible for staff to take leave without pay under certain conditions, such as to recover from accidents or surgery.

Resignation

An employee can end their service with you but should do so by notifying you in writing.

Dismissal

Ending a staff member's employment must be done for fair and valid reasons. These reasons must be based on performance issues or changes to operational requirements.

Employees must be informed and warned in writing. They must be given a fair opportunity to respond to the concerns raised regarding their performance.

It is up to you as an employer to set reasonable bench marks and reporting systems to measure improvement. If these processes are followed and documented, then you are in a better position to defend a potential unfair dismissal claim.

When changes occur to your operational environment, staff should be offered the opportunity to be retrained, or moved into other roles where possible.

Dismissing an employee can take a number of forms, each with differing requirements. You must

understand these requirements to ensure you avoid any legal problems later. Members are advised to consult with the **MBA Industrial Relations Department**.

Tax implications

The ATO's Employer Obligations Checklist can help you meet your obligations when a worker leaves. Visit www.ato.gov.au for more information.

Discrimination, complaints, disputes and employee relations

Harassment is unwelcome conduct that humiliates, offends or intimidates people.

Employers must create a workplace that is free from discrimination and harassment.

These responsibilities are set out in State and Federal laws which help protect people from unlawful behaviour, especially sexual harassment.

Bullying is another form of workplace harassment that many employers must address. The Federal Government defines the following as examples of bullying behaviour;

- unfair and excessive criticism
- publicly insulting victims
- constantly changing or setting unrealistic work targets
- undervaluing employees' efforts at work

You should be aware of the legal risks associated with harassment and bullying and the steps to minimise your potential liability.

Addressing employee issues

A process to record and resolve complaints is an important part of your responsibilities as an employer.

Problems can be solved through many ways but the best way is perhaps through calm and rational discussion, using common sense. Most problems between employers and employees relate to issues such as wages, awards and agreements, harassment or discrimination.

Problems arise every day in most businesses and it is up to you to ensure they can be resolved fairly.

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protecting your business

Managing risks

Risks can arise for many reasons - interest rate or price increases, your competitors' activities, injuries in the workplace, skilled staff leaving or natural disasters. Managing those risks is an important part of running your business.

Risk management is a process of making an evaluation of the true level of risks to your business.

Before risks can be properly managed they need to be identified. You should begin with these questions;

- what could go wrong
- what can I do to prevent it
- what do I do if it does go wrong

Staff health and safety

You have certain rights and responsibilities regarding the health and safety of your workers. This includes both direct employees and those employed by subcontractors.

Understanding Work Health and Safety (WHS) laws will help you avoid costs and damage to your business caused by workplace injury.

For further information on meeting WHS obligations, contact the **MBA Safety Department**.

Workers compensation

The law requires that workers have access to workers compensation cover and return to work rehabilitation.

It is your responsibility as an employer to;

- maintain current workers compensation insurance
- protect yourself and your workers from financial hardship in the event of a workplace injury

You must provide work related and sickness insurance for your employees through an approved insurer.

In NSW, sole traders and partners who don't employ workers can't be covered by workers compensation. It is advisable to arrange your own accident and illness insurance. You will still need to maintain a workers compensation policy for any employees.

Personal accident and illness

If you are self-employed you will not be covered by workers compensation. You need to cover yourself for accident and sickness insurance through a private insurer.

Sole traders have access to a general insurance product, called a personal accident and illness policy, or life insurance products including;

- income protection or disability insurance - covers part of your income if you are unable to work due to sickness or accident
- trauma insurance - provides a lump sum when you are diagnosed with life threatening illnesses
- term life insurance or whole of life cover - provides your dependents with a lump sum if you die
- total and permanent disability insurance - provides a lump sum if you are totally and permanently disabled before retirement

The key difference between these products is the benefit period payable. Under a general insurance product, this can often be limited to 52 or 104 weeks.

For more information on insurance services and products contact **Master Builders Insurance Brokers**.

Arrange insurance

You should insure your company, your income and your commercial risk. Taking out the right insurance will help protect your business and minimise its exposure to risk.



If you are operating your business from home, your existing insurance may not cover business activities.

If you need to make an insurance claim, you should quickly inform your insurance broker. If necessary, you should report any incidents to the police or other relevant authorities.

You also need to consider whether paying for repairs or replacements will be better value than paying excess for the claim.

Any claims you make may also affect your future insurance rating.

Before you decide on an insurance policy, you should compare policies to select what is best for you. Alternatively, an insurance broker can advise you on all insurance matters and tailor a package to suit your needs.

Some insurance policies to consider are;

- **Legal liability (public and products)**

Legal liability insurance protects against compensation when found liable for death or injury, loss or damage of property arising from negligence in your business activities and/or products.

- **Tools, plant and equipment**

Property or plant and equipment insurance covers against loss and/or damage to portable equipment and machinery whilst away from a premises.

Policies range in the level of protection they offer. Some offer cover anywhere in Australia, whereas others can limit protection to your business address or the job site. Be careful, as policies can often limit cover for theft by forcible entry and can also apply depreciation for lost, stolen or damaged tools.

- **Contract works**

Contract works insurance covers against material damage losses arising at the contract site during the course of construction. This includes fire, theft, and malicious damage etc. When packaged, the policy will

also extend to cover exposure to legal liability claims.

- **Professional Indemnity**

Professional Indemnity Insurance provides protection for claims made against you in the course of carrying out professional services. No matter how capable or experienced you are, or how good your intentions, mistakes can and do happen. Claims are a fact of life these days and can financially cripple you and your business.

If you provide services of a skillful nature involving specialist expertise, you can be held to a higher duty of care than others. If a client suffers a loss that can be attributed to your failure to provide your services to a required standard, they may demand compensation from you.

Even if you are not at fault, the costs of defending an action can be financially burdensome. It is absolutely critical you have access to funds and expertise at the time you need them.

- **Management liability**

Management liability insurance protects against the risks and exposures of running the business. Where professional indemnity insurance covers the 'activities' of the company, management liability insurance focuses on the 'act of running a company'.

Costs to defend allegations of wrongful acts alone can be financially crippling. Without adequate protection you could risk losing, not only your business, but also your personal assets. This insurance protects your personal wealth and lifestyle.

Management liability insurance covers damages and claimant costs awarded against you, legal and investigation costs, civil fines and pecuniary penalties.

For assistance and advice on all insurance products contact **Master Builders Insurance Brokers** or visit www.mbib.com.au

growing your business

Once you have conducted research into the feasibility of your new business you are ready to write your business plan.

Business plan

Your business plan is essential for your business - it is your blueprint for the future. It sets the direction for your business and keeps you on track once you are up and running. It is also required when you are seeking finance.

Depending on the type of business you intend to start, your business plan could include;

- introduction - explains the purpose and objectives of going into business
- marketing analysis - looks at the industry you are entering and how you fit in
- marketing plan - your marketing strategy
- operations plan - how you will set up the business, i.e. structure, location, regulations
- management plan - how you will manage your business
- financial plan - how you will finance your business, costing and financial projections
- executive summary - a one-page overview written after your business plan is finalised

Business planning is an ongoing business activity. You should regularly review and revise your business plan.



Marketing plan

A marketing plan assists you to integrate your total marketing effort. It ensures a systematic approach to developing products and services to satisfy your customers' needs.

When you are writing a marketing plan you need to be clear about your objectives and how you will achieve them. A good marketing plan sets clear, realistic and measurable objectives. It should include deadlines, provide a budget and allocate responsibilities.

A plan can consist of these elements;

- analysis of your current market
- your business objectives
- key strategies
- steps to achieving your objectives
- proposed budget
- timing

Your marketing plan should remain an ongoing process throughout the life of your business.

Advertising

You can promote your business in various ways. Options include radio, television, print media, internet, website, signage, business cards and direct mail. Take care that your advertising gives customers accurate and truthful information about your business.

Networking

A growing number of businesses form networks to tackle the difficulties of operating. Networks make it possible to reduce costs through bulk purchasing, share staff and win larger contracts.

Participation in Master Builders events and activities can greatly assist your business in this area.

A popular networking activity at Master Builders is our

local Divisions' Information Nights.

Contact **MBA Member Services Department** for more information.

Assess your training needs

Research shows that training your employees can increase productivity, profits, motivation and higher customer satisfaction.

If your staff are confident in their skills and knowledge this will reflect well with your client base. It could potentially keep clients and generate further business leads.

Up-skilling and providing ongoing training for your staff can also help improve your skills base and product offering. It can also help minimise waste and loss due to error.

Contact the **MBA Training Department** to discuss all your training needs.

business finance



Managing your finances

Good financial management is critical to the ongoing success of your business. When you are starting out, find out how much funding you need, where you can get it and how to manage your financial arrangements.

Your business plan is important when seeking business funding - it sets out your vision and goals, what you will spend the money on and how it will benefit the business.

Sources of finance

There are several options for financing your business;

- loans from a bank or other types of financial institutions
- using your personal savings
- borrowing money from friends and relatives
- venture capital
- government funding

The NSW State Government offers a generous degree of support to small business enterprises. Assistance comes in a variety of forms, like grants, business funding, training for employees and mentoring for business owners.

For more information visit

www.governmentgrantsaustralia.org

Choose the right business finance

Choosing the right kind of business finance can be difficult. There are a range of business loans including overdrafts, lines of credit and fully drawn advances.

• Overdraft facility

An overdraft facility can be attached to your business account with an agreed limit. Security is usually required together with a credit assessment of the

business viability.

The purpose of an overdraft is to provide working capital for the business before income is received. It should not be used for capital purchases or long term financing needs. Overdrafts can be secured or unsecured and their fees depend on the credit limit.

• Line of credit

A line of credit or equity loan allows the borrower to draw on an account balance up to an approved limit. As long as the balance does not exceed the approved limit, funds can be drawn at any time.

These loans are usually secured by a registered mortgage over a property. You are usually required to make payments to at least cover the interest and fees on the loan.

The main advantage of a line of credit is it is flexible – like an overdraft it can be drawn as the need arises. It can be used to access funds for working capital requirements.

As this type of loan is usually secured against property, interest rates tend to be lower than for overdrafts. However, if you fail to make the prescribed payments you can put your property at risk.

• Fully drawn advance

A fully drawn advance provides funds upfront for funding long term investments. This can include a new business or equipment that expands the capacity of the business. It is not the same as a short term loan that you would use to help with cash flow and fund the day to day running of the business.

A fully drawn advance is a term loan with a scheduled principal and interest repayment program. These loans are usually secured by a mortgage over a property or business asset.

The advantage of a fully drawn advance is the interest rate may be fixed for a period, providing certainty and stability for repayments.

advice and support



Business and industry contacts

The Australian Government offers a range of advice and support for small businesses. You can access information on starting and growing a business, funding and training.

Call the Small Business Support Line on **1800 777 275**

For building and construction industry specific support call Master Builders on **02 8586 3555**

Australian Tax Office

www.ato.gov.au

The ATO website provides comprehensive advice on tax and superannuation related matters.

Services include tools to help meet your tax obligations for employees and contractors. You can also make payments, lodge documents and perform a range of other tax related tasks online.

Fair Trading NSW

www.fairtrading.nsw.gov.au

Fair Trading is the licencing body in NSW for the building and construction industry.

Their website provides detailed information on licencing requirements, applications and renewals.

Australian Business Register

www.abr.gov.au

The ABR website provides a range of online services, including AUSkey registration and ABN applications.

Australian Securities & Investment Commission

www.asic.gov.au

ASIC provides extensive information and guides to help to start and manage your business. You can also register your business name, make changes and payments online.

Business.gov

www.business.gov.au

A great resource for tips, tools, information and support on a range of business matters.

Business Aid Centre

www.governmentgrantsaustralia.org

Provides comprehensive information on a variety of business grants and assistance programs.

Master Builders Association

www.mbansw.asn.au

The Master Builders website is also a great source for industry specific information and advice.

Master Builders Insurance Brokers

www.mbib.com.au

Master Builders Insurance Brokers is a great place to start for all of your insurance needs and advice.





**Master
Builders
Association**
New South Wales

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