

## **Small business - To employ or not to employ**

For many small business owners at some point in time the question of “do I employ” is asked.

Like any business decision all factors must be considered, weighed up against the likely outcomes and then decide which option best suits your business and personal goals.

### **Some important factors to consider are:**

- Look at the figures. The business charge out rates for services or profit margins for products must account for the cost of the employee – prepare a budget which factors in realistic business growth and wage costs.
- Consider the time saving and time cost of an employee. Often spending the time considering the role and gaining the most appropriate employee will result in the best outcome.
- A factor which often gets overlooked especially in circumstances where the main motivation to employ is where the business owner is too busy, is the profitability of each client rather than the business service or product. This is where for example 20% of your clients make 80% of your profits. In these circumstances you might decide to consider the options with respect to the less profitable clients rather than employing someone.
- Make major business decisions whilst on holidays away from the business when your head is “clear”.

### **If you decide to go ahead and employ, some of the steps and obligations you should undertake are:**

- Your business must register with the Australian Taxation Office as a wage payer and ensure the employee completes a Tax File Number Declaration.
- Check with the Office of Fair Trading and National Employment Standards for industry award obligations, the minimum working standards and conditions.
- Ensure that you have an up to date employment agreement.
- Register your business for Workcover insurance which covers any potential workplace accidents.
- Ensure that your accounting software is capable of processing wages/accounting for leave/processing pay slips and is up to date with the latest withholding and superannuation guarantee rates.
- Consider having written employment policies and procedures to provide guidance to your staff and avoid costly disputes.
- Above all obtain professional advice from your Accountant and/or Employment specialists.

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