

## **Business Services - Common Problems:**

### **Business structure is inefficient or inappropriate**

In many instances a business's structure has grown to include many companies, trusts, joint ventures, partnerships which are no longer appropriate to the needs of the 'current day' business.

#### **Indicators**

- Statutory and administrative costs of supporting the structure are prohibitive.
- Too much tax is being paid because the structure is not tax effective.
- Management can no longer fully explain the reasons for the particular structure.

#### **Causes of the problem**

- Business structures are usually created and expanded over time for a variety of reasons. These usually involve taking advantage of tax benefits, developing new divisions or in an attempt to avoid reporting requirements. After some time, the reasons for the expansion of the structure become redundant and those sections become dormant.

#### **Short term solutions**

- Analyse the costs of, against the benefits involved in, maintaining the current structure.
- Analyse the whole structure and determine the reasons why it has developed the way it has. In the event these reasons are no longer appropriate, consider the dissolution of those segments which are now obsolete (eg dormant companies may be liquidated by the process of members' voluntary liquidation).

#### **Long term solutions**

- Consider the benefits of dissolving the dormant and obsolete companies by way of members' voluntary liquidation or strike off.
- Institute a program whereby the structure is regularly reviewed with the aim of dispensing of any segments which have become redundant.
- Before any proposed expansion of the structure occurs, examine whether the current structure can already accommodate the reasons for the expansion and whether the expansion is tax effective.

Bentleys is an association of independent accounting firms in Australia that specialises in developing long term strategic partnerships with clients. Bentleys offers a broad range of services including business advisory, taxation, corporate recovery and audit.

Please [contact us](#) today to discuss your business needs.