



I have just started a small business from home. Is there anything that I should be looking out for?

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Starting up a home-based business can be one of the most rewarding things that you can do. Most businesses, mine included, have originally started from home.

There are many benefits with working from home including the flexibility, the saving of travelling time and getting some extra tax deductions. There is also a bonus in not paying any extra rent.

But there are some pitfalls along the way. Here are a few things to look out for:

Capital Gains Tax (CGT) – if you own your own home, then there is a possibility that your place could be subject to CGT. Make sure you consult a tax adviser with your own particular circumstances. Sometimes it may be cheaper to pay for separate office space rather than incur a big tax bill in the future.

Protect your privacy – your privacy is affected with people coming to your house. Have a separate entrance to your office so that customers and employees are not waltzing through your place all the time.

Keeping good records – the ATO's motto is no receipt then no deduction. You may want to purchase an accounting software program (such as MYOB or QuickBooks). Make sure you register for GST if your turnover is greater than \$75,000 per annum.

Stopping the "after hours" contact - many small business people will say that this is one of the most frustrating things about a home-based business. Clients will call you on weekends and after hours because they know you are at home. Have a separate business line and answering machine to avoid this.

Tax deductibility of home office – the ATO have been cracking down on home office deductions in recent times. You need to maintain accurate records of how you have calculated your claims. Get the measuring tape out and work out the percentage of your office compared to the whole house and apply it to your rent or interest paid. It is not good enough to come up with an estimate.

Remaining disciplined – productive businesses are good businesses. Don't get side-tracked and slack by watching TV or doing housework all day. Have regular start & finish times as well as set times for lunch and tea breaks.

Keeping up appearances – if your place looks like a pig sty & is unprofessional then perhaps it is not best to work from home. The last thing you want is your customers having an unpleasant experience.