



Commercial Law - Tips for Small Business

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Commercial Law - Some tips for small business owners

Many people operate small businesses and many people are setting them up. From a commercial law perspective here are a few simple but effective tips:

- It is well known that you should try and separate assets from business risk. That is why many people operate under a company structure. It follows that you should not use the trading company to acquire any assets, that is, other than the business itself. For example, premises should be purchased in another name and, if possible, any valuable assets such as intellectual property or even expensive equipment should be held in another name and licensed to the trading entity.
- If a husband and wife operate a business under a company structure there is no need for both to be directors (as opposed to shareholders). The role of director carries considerable personal risk and there is no need to expose all the couple's personal assets to that risk.
- A small business owner will inevitably be required to provide personal guarantees to the bank, suppliers or a landlord. It is a good idea to keep a copy of any such personal guarantees in a safe, accessible spot.
- Similarly and particularly if you shop around for the best insurance deal from time to time you should keep a copy of your policies in one spot. This is very important for workers compensation policies where a claim would be handled by the insurer at the time of the injury and not the insurer at the time of the claim.
- If you operate from leased premises you should check that the lease term has not expired and that you have diarised the latest date to exercise any option to renew.
- Keep your company's share register up to date and make sure all board and shareholder meetings are properly minuted. The minutes do not have to be extensive but they should clearly set out what was decided.
- Make sure your terms of trade are clear and comprehensive. They should be consistent with your quotes, order forms and invoices. In particular customers should be provided with your terms of trade before you enter into a contract with them.

These aspects are also important if you are thinking of selling your business, either by way of a sale of assets or a sale of shares. Often time is wasted and extra expense is incurred if things are not in order at this time.

Please think about these tips, act accordingly and then get on with running or setting up your business.

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