

Home based businesses

Information and communication systems and equipment such as personal computers, facsimile, email, the internet, and mobile phones have made it easy to operate a business from home.

The idea of a home based business is very appealing in a number of ways. It allows you to be closer to your family (if you have these commitments) and it's extremely economical, which keeps your overheads low when starting a business. You are able to save time that you may otherwise spend travelling to other business premises and you can enjoy a more relaxed and flexible lifestyle.

Although working from home can reduce the financial risk of starting a business, it may introduce other risks, such as strained relationships with family and neighbours. Council and State Government regulations can place limitations on a variety of business activities.

Things to consider before you start operating from home

Council Approval

You will need to check with your local council to find out if your home-based business is defined as a Home Occupation or a Home Activity. There are a number of restrictions for each category. You should ask for a list of these, whether approval is needed, how much it will cost, and how long the process will take.

Licensing

Some businesses require a licence to operate, others are prohibited from or restricted in operating a home based business. Check these regulations with *SmartLicence* by contacting their toll free number: 1 300 363 711.

Home Mortgage and Rental Agreement Restrictions

Some home mortgage and rental agreements prohibit business being conducted from the premises. Do you have these mortgage or rental restrictions? If so, it would be wise to seek written approval from your lender or landlord.

Insurance

Make full disclosure of your home business activities to your insurance company, and consider the costs and restrictions that may be imposed.

Financial Management

Even though you are operating your business from home, it's a good idea to keep your personal affairs separate from your business ones. It's wise to separate your personal and business finances by using separate bank accounts. It may also be wise to keep your work area(s) separate from your domestic area(s) so that you can easily justify tax deductions relating to business rent.



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Taxation

A home based business may impact on your Capital Gains Tax status if you own the home that you are working from. There are also limitations on claimable items from the Tax Office. Discuss these issues with your financial advisor.

Systems

Having sophisticated operating systems and taking advantage of computers and other technology can make working from home easier, particularly if you intend to operate solely.

Extra Costs

Are there costs in adapting your home for the business? These may involve structural changes for privacy or access, air conditioning, extra lines for phone, fax or a modem, and security.

Signage

Consult with your local council regarding signage regulations. If you operate your business using a company structure or a registered business name, you are required to display a sign at the entrance to your business premises.

Client Access

If clients need to come to you, is your home based business easy to find? Does it have off-street car parking and easy access? How will you cater for disabled clients?

Neighbours

Working from home can put a strain on relationships with your neighbours. Will your business affect your neighbours in any way? Two main areas of contention are the lack of available on-street parking and the level of noise that your business will create.

Family

Working from home can put a strain on relationships with your family. Do family members support you working from home? Will they respect your need to work during working hours (will they leave you alone while working)?

Motivation and Lifestyle

Can you get the right balance between work and home life? Many home based businesses operate as sole practices. If you are considering sole operation, are you the sort of person that is highly motivated and can easily distinguish between home and office?



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Many people who work from home find themselves falling into one of two traps:

1. Losing motivation and focus – consequently, less work is performed or less outcomes are achieved. This often results in less income and unhappy customers.
2. Becoming obsessed with work, working long hours and failing to take time off – this often results in poor performance and quality of work and can lead to neglect of family and friends and health, psychological, emotional and social problems.

Isolation

Can you work autonomously, without physical contact and interaction with other people in your field? The social aspects of work are very important – it can be difficult when you have no-one else to rely on, to share challenges and victories with and to make difficult decisions.

The advantages and disadvantages of operating a business from home must be examined and compared with other alternatives before deciding upon your best option.

Where to Obtain Further Information

- Local Council.
- *Smart* Licence.
- State Development and Innovation Centres.
- Your financial advisor.
- Your legal advisor.

Further information

The following fact sheets provide further information on these issues:

- Business licences and permits
- Location and premises