

Story of an online trading scenario

It is interesting as we move into tougher times that I again hear stories of people "*doing it on the net*," - making money, that is. If you are genuinely tempted consider the following tale.



By Schon G Condon RFD

Note that your early very successful foray into disposing of unwanted household items by using E-bay has now expanded into locating other people's unwanted items and assisting them by acquiring them for a paltry, but fair sum, and then on selling those also on E-bay, or other appropriate selling site.

However, a more professional way of looking at this is that you initially disposed of some unwanted second hand household items and then broadened this into a fully blown second-hand dealer's business that operates on the web.

One of the key matters that come from my translation of the facts is that you now have a business; you're a new "*E-Store*". So let's look at what the possible impacts of these developments may create.

Firstly, we have **accounting**. We must maintain records to ensure that we have a documented history of what we have done. If we have some experience in record keeping then this may not be an issue but if we do not we will need to spend some money on some training, professional advice, software and/or all of the above.

At least we already own the computer, provided it's powerful enough and does not require upgrading.

Secondly, we have **taxation**. Yes we are now running a business so that means we must pay tax on our profits. Fortunately you now have the records and so with some more advice from your tax agent it will be possible to correctly calculate what your tax liability is.

This will subsequently expand into the production of regular BAS reports, payment of anticipated tax liability prior to the end of the financial year, consideration of appropriate tax planning strategies, and it goes on. Phew!

Oh, then we should consider the trade practices legislation. That's right; our business is running a store, an online store, by the nature of what we are doing this is a virtual version of that bricks and mortar old fashioned approach that we had to drive or walk to.

We are no longer just an individual selling bits on the net. We are a practised business operator that goes out in search of quality goods (cheap bargains) that we believe we will realise more for (sell at a profit).

Suddenly we really do see that we are in the same arena as the second hand goods store down the road.

Fourthly that then brings us to the second hand dealer's legislation that exists in each State.

This doesn't apply you say because your only selling your own 'stuff', that is true.

However once you started acquiring items to sell, ie buying goods for profit you effectively became a dealer or trader in second hand goods.

This brings on its own level of recordkeeping and information gathering and it could also be a very unpleasant experience.

Constable arrives on your doorstep suggesting that someone they have just locked up has named you as the 'fence' through which they laundered their ill gotten gains selling it on the open market; hopefully it wouldn't be a custodial sentence on the first occasion.

This legislation extends into a myriad of additional specific laws that have been written to deal with specific circumstance, eg motor vehicles; you're a dealer if you sell more than four, firearms this includes weapons, knives, swords, etc

The above construct is definitely not intended to turn you off. Building your own business is a wonderful thing and a great experience that can create wealth, independence and opportunity.

It is just that you must understand that that is exactly what you are doing, running a business



and the bigger you grow the more professional you are expected to be.

You say: "Yeah but I'm only small and no one will see me." That is possibly true but here is only a potential list of people that might just seek to raise your profile:

- Our aforementioned petty thief that is selling what they steal through you.
- The parents of the 15-year-old child that you sold grandad's old penknife to.
- The person that you buy from for say \$2 and then you on sell the item for thousands.
- The person that buys the lemon from you and researches ownership and establishes that you were not registered as a trader when you should have been, and
- The list can go on.

Anyway, grab the opportunity, take the time to learn and understand your business and grow with it professionally and not just financially and you will do fine.

There are plenty of advisers out there to help and with the right advice, commitment and perseverance you to could be that next fledgling multinational!

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