

Which business structure is right for you?



Sole Trader

Pros:

- Low setup & compliance cost
- Owner has full control over decision making
- Simple & easy to understand

Cons:

- No asset protection
- No income sharing flexibility
- Possible finance availability limitations
- Taxed as a single person



Partnership

Pros:

- Shared responsibility and obligation
- Lower compliance costs than company
- Easier to access tax losses than companies & trusts.

Cons:

- No asset protection
- Potential for decision-making conflict
- Possible complications when expanding / changing partners
- Each partner is liable for debts incurred by other partners
- Taxed at personal tax rates



Company

Pros:

- Separate legal entity (offers asset protection and limited liability)
- Added flexibility of adding business partners
- Company pays tax
- Profit can stay in company and be paid out at later date

Cons:

- Higher setup & ongoing compliance costs
- More complex to withdraw money
- Increased regulation
- Increased obligations for directors



Trust

Pros:

- Flexibility in income and capital distributions
- Asset protection with a corporate trustee
- Added flexibility of adding business partners (unit trusts)
- Greater flexibility for tax minimisation

Cons:

- Higher setup & compliance costs
- Can be tax disadvantages in certain circumstances
- Difficult to understand trust concepts