

HOW TO CHOOSE THE RIGHT BUSINESS STRUCTURE

You can choose from four types of business structures - sole trader, company, trust or partnership.

The business structure may affect your tax liabilities, growth and investment opportunities, ask for advice from an accountant before you make a decision.

SOLE TRADER

The simplest way to start a business.

Advantages

Low cost & easy to run
You retain control of your work and profits

Disadvantages

You're responsible for all taxes and debts
It's harder to separate personal and business finance.
It could be harder to sell your business.
Unlimited Liability.



COMPANY

A separate legal entity from shareholders.

Advantages

Provides a separation.
Your liability is limited.
Gives you more flexibility and credibility

Disadvantages

Higher costs and formalities of establishing and operating a company.
The flat company tax rate may result in a higher tax liability.

PARTNERSHIPS

Two or more people run a business together and agree to share assets, liabilities and skills.

Advantages

Easy to start.
Shared business operation costs.

Disadvantages

One can be liable for debts incurred by partners.
Complications may arise if one of you wants to leave the partnership, or dies.



TRUST

Advantages

Trusts can be shareholders in a company.
Income Tax, Capital Gains Tax and Asset Protection Advantages.
Retirement planning vehicles.
No formal audit requirements.
Cheap to establish and run, and simple to wind up.

Disadvantages

Cannot distribute capital or revenue losses to its beneficiaries.

Operating a trading trust is complicated. If you want to go down that track, consult your accountant first.

Have a **FREE 30 min online general meeting**

GO TO OUR WEBSITE TO BOOK A MEETING

@ www.xoaccounting.com.au or call us on 1800 106 141

