

Considerations	Sole Trader	Partnership	Company	Trust
Setup and operational complexity	Simple with minimal complexity	<p>Relatively easy and inexpensive to set up but there needs to be a few decisions made in the process</p> <ol style="list-style-type: none"> 1) What type of Partnership are you setting up? 2) What to include in your formal partnership agreement which will dictate how the partners operate and manage the business 	<p>Companies are more complex business structures than sole traders and require ongoing compliance and reporting.</p> <p>You'll need to set up governance structures, company officeholder positions, the structure of company shares, and the company's legal obligations.</p> <p>There is also the secondary question of whether your company will be a private or public company.</p>	<p>Complex</p> <p>Need to choose a trustee and beneficiaries, create a trust deed, settle the trust deed, hold a trustee meeting along with lodging the trust deed.</p>
Costs to set up	<p>Costs may include:</p> <p>Obtaining an Australian business number (ABN) – free</p> <p>Registering a business name (if applicable) – \$39 for 1 year or \$92 for 3 years</p> <p>A separate bank account is recommended.</p>	<p>Obtaining an Australian business number – free</p> <p>Registering a business name for your partnership (if applicable) – \$39 for 1 year or \$92 for 3 years</p> <p>Application for registration of a limited partnership or an incorporated limited partnership - <u>fees</u>. The Partnership Act only requires limited partnerships and incorporated limited partnerships to be registered.</p> <p>A separate partnership bank account is required.</p>	<p>Obtaining an Australian business number – free</p> <p>Choosing and reserving a company name- external site – from \$55</p> <p>Registering your company – \$538 for a proprietary limited company</p> <p>registering a business name (if applicable) – \$39 for 1 year or \$92 for 3 years</p> <p>A separate business bank account is mandatory for a company.</p>	<p>Set up and operation can be expensive ranging from \$2k-\$3k with approximately the same amount for ongoing yearly management.</p> <p>One off trustee fee is payable along with account keeping, trust management and investment fees.</p> <p>Stamp Duty is also payable in some states.</p> <p>Obtain an ABN and open a trust bank account.</p>

Risks involved	You have unlimited liability for debts as there's no legal distinction between private and business assets.	A partnership is not a separate legal entity. Each partner is personally liable for the business' debts.	The company is generally liable for all business debts. However, your personal assets can also be at risk if you're a director of a company. Shareholders are only liable for debts that the company has incurred to the sum of the amount that's unpaid on their shares.	Tax risks if the operation of the trust is not done properly. A trust is not a separate legal entity. The trustee is legally responsible for the operation of the trust, and legally liable for the debts of the trust.
Tax implications	Taxed as an individual so you pay tax as per the personal income tax rates	Each partner pays tax on their share of the partnership profit at their individual tax rate and must lodge a partnership income tax return with the ATO each year.	If you have an aggregated turnover of less than \$50m a year, you are considered a base rate entity and are taxed at 25%. All other companies are taxed at 30%.	Generally speaking, a trust itself does not have to pay income tax. Trust income is usually taxed in the hands of beneficiaries but there are some situations where the trustee will be liable.
What needs to be filed	Personal Income tax return BAS depending on your GST registration status	Partnership Income Tax Return BAS depending on your GST registration status	Annual Income Tax Return Annual Return including lodgement fees Financial and directors report BAS depending on your GST registration	After the end of each income year, you lodge an Annual trustee payment report with the ATO. A trustee must lodge a tax return for the trust.
Difficulty to exit your business	Relatively easy but this depends on the size of your sole trader business.	Not difficult to exit as long as all partners agree to end the partnership. Each partner will need to retain documentation to substantiate the cost base of their respective interest in the partnership for capital gains tax purposes.	Depends on the size of your business - a simple checklist can be found here	The trustee intending to vest/ close a trust should carefully examine the trust deed to ensure adherence to its terms Further considerations must be taken into account before closing a trust.

--	--	--	--	--