

Business Structures Australia

Why is a business structure a startup's key decision?

The business structure you choose for your enterprise defines the legal regulations you will have to follow, your rights and responsibilities as a business and a business owner and can sometimes pose limitations.



NEW AGE LEGAL SOLUTIONS

CONSIDER

ASPECTS OF
CONTROL

EASE AND COST OF
ESTABLISHMENT

EXPERTISE

LIABILITY OF
PARTICIPANTS

ENTRY OF NEW
PARTICIPANTS

RECURRING
COSTS

ASSET
FLEXIBILITY

LIMITATIONS OF
BUSINESS LIFE

RAISING
CAPITAL

There are 3 most commonly used business structures in Australia. Remember there is no perfect business structure each one will have advantages and disadvantages, what is important is that you choose the business structure that best suits your needs.

SOLE TRADER

is business is owned and operated by one person with all profits or losses attributed to the owner. A sole trader owns and controls their own business. It is the simplest form of business organisation to create.



- unlimited liability (the business and the sole trader are synonymous)
- degree of personal element can make the business difficult to sell
- difficulty in raising large amounts of capital



- keeping all the profits
- ownership and control of the business
- lack of formalities and inexpensive to form

PARTNERSHIP

is a relationship between 2 to 20 persons who carry on business in common with a view to profit. A partnership does not have to be written however it is advised that the agreement being in writing so that the obligations and liabilities of the partners are clear. Just remember that you are liable for the decisions and debts of the partnership jointly, so if your partner can not pay the debt you may have to pay from your personal assets.



- lack of permanence as partners and business synonymous
- difficulty in selling one's interest
- unlimited liability of partners



- the nature of the business can be easily changed by agreement between the partners
- potential for partners to pool capital and experience
- lack of formalities and inexpensive to form

COMPANY

is an incorporated body created by a process called 'incorporation', regarded by law as a separate legal entity. Unlike a sole trader and partnership, a company is a separate legal entity to its members.



- high cost of establishment and ongoing fees
- reporting and administrative requirements required by law
- limited management role for shareholders
- increasingly onerous legal responsibilities placed on directors and company officers
- possible loss of control of the company to shareholders



- a separate legal entity
- limited liability for its members (depending on the type of company)
- perpetual succession - it is ongoing as it does not depend on its participants
- the company is sued not you personally
- unlimited number of members

