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Common Issues & Answers

FINANCIAL STRUCTURES

Business is conducted in one of four structures:

- Sole Trader
- Partnership
- Company
- Trust

1. Sole Trader

- This is the simplest structure. It refers to an individual operating a business.
- The individual is personally liable for any debts incurred.
- Personal assets are at risk to creditors.
- All Profit belongs to the Sole Trader.

2. Partnership

- Two or more individuals carry on a business together with a predetermined allocation of profits and losses.
- Each partner is personally responsible for all debt incurred by the partnership.
- Each partner receives Profit or Loss and records the distribution in their individual tax return.

3. Company

- A company is a legal entity owned by either one (1) or more shareholders. The directors (at least one) are responsible for the conduct of the company.
- Generally the company is liable for debts, but at times the directors can be held responsible.
- A company pays taxation on every dollar of profit at 30%. Dividends are paid to shareholders from profits earned. The dividends usually are franked at 30%.
- A company costs approximately \$1,260 to establish with several registrations.

4. Trust

- A trustee is responsible to operate a Trust for the benefit of beneficiaries according to the terms of a Trust Deed. A Trust can be a Unit Trust or a Discretionary Trust.
- Profits are distributed according to the number of Units issued in a Unit Trust and at the discretion of the Trustee in a Discretionary Trust.
- A Trustee can be an individual, individuals or a company. The Trustee is liable for all debts incurred.
- The use of a Trust provides great flexibility for family tax planning.
- A Trust costs approximately \$1,600 to establish with several registrations