

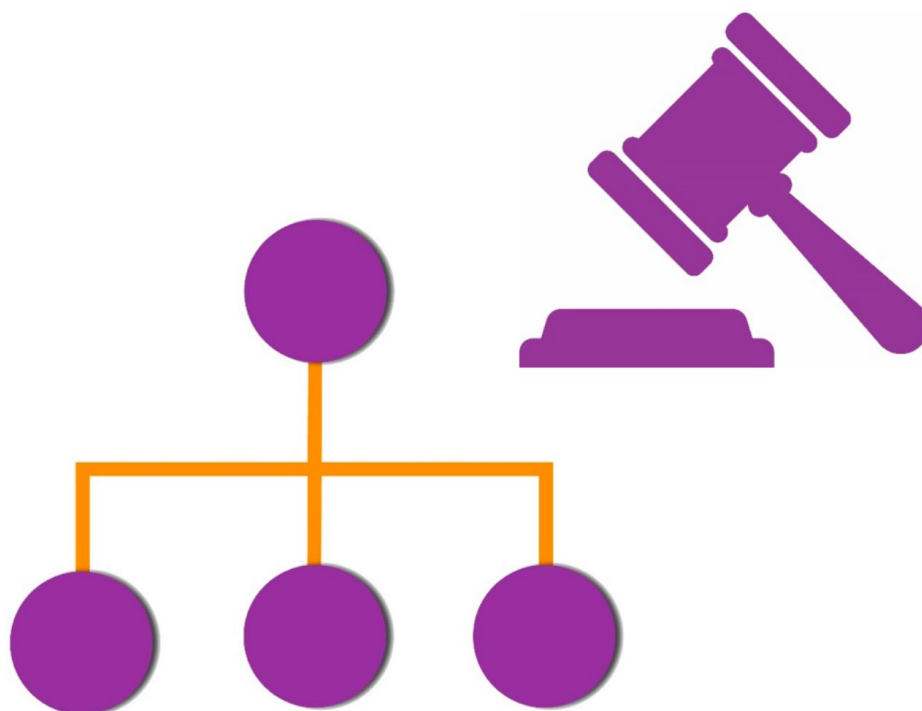


Step 4:

Choose the legal structure of my business



Small Business



Government of **Western Australia**
Department of **Communities**

These resources have been developed with support from the Small Business Development Corporation. This project is an NDIS Information, Linkages and Capacity Building (ILC) initiative.

How to use this document



WA's Individualised Services (WAiS) wrote this information. When you see the words 'we' or 'us', it means WAiS.



We have written this information in an easy to read way.

We use pictures to explain some ideas.



There are words you need to know and understand when you start a business.

Some words are written in **bold**.

We explain what these words mean.

There is a list of these words on page 17.



You can ask for help to read this information.

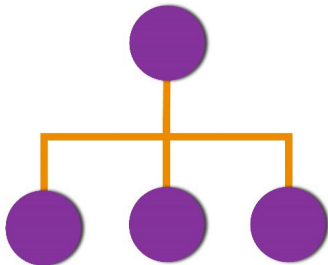
A friend, family member or support person may be able to help you.



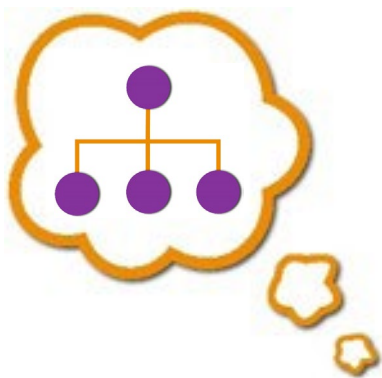
You have a good business idea – what next?



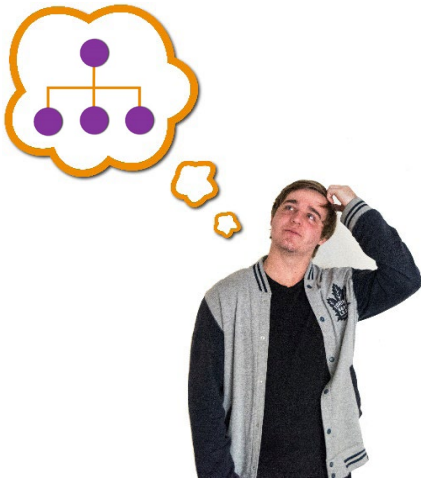
Your next step is to decide how to run your business.



This is known as business structure.



You will need to decide which business structure is best for you.



To decide about your business structure,
you need to think about:



How much **tax** will your business need to pay



How you can keep your business **assets** safe



How much control you can have over your
business



Who will take over if you leave your business or if you cannot work anymore



How easy it is to change the business structure



How much it costs to start and keep going

You should try to:



Keep tax as low as you can



Protect your business **assets**



Keep control of your business

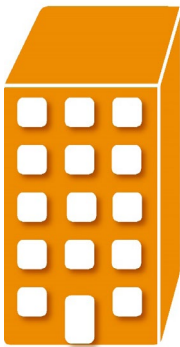
Different business structures



- Sole trader



- Partnership



- Company



- Trust

Sole trader



Sole trader is the easiest way to run a business.

A sole trader is a person who owns and runs a business by themselves.



That person makes all the decisions.



A sole trader can hire workers.

Partnership



A partnership is when 2 or more people run a business together.



x20

There can be up to 20 people in a partnership.

General



Limited

Partnerships can be **general** or **limited**.



Partners should make a written agreement.



A partnership agreement has:



- How to work out problems

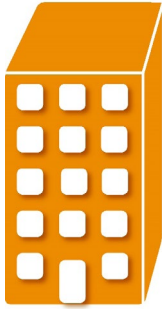


- How money is shared between the partners



- What each partner will and will not do

Company



A company is a business that:



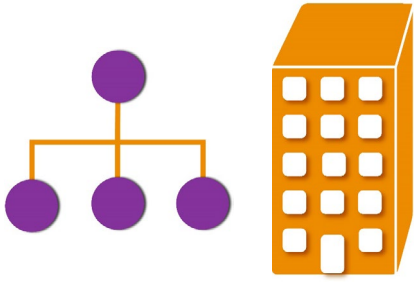
- Is separate to the people who own it



- Has rights like people do



A company must be registered.

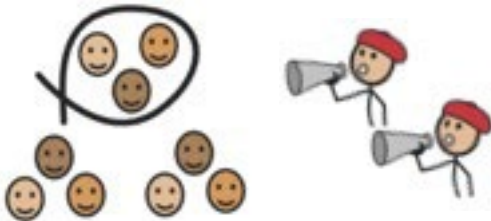


There are different types of companies.



It can be hard and cost a lot of money to:

- Start a company
- Keep it open



A company is owned by members (shareholders) and run by directors.

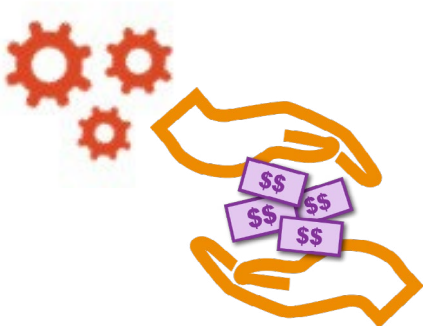


A company can also be a 'one person company' when a person makes themselves the only director and member.

Trust




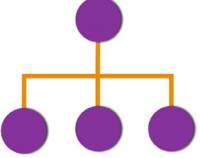



A trust has members who might get money from being part of the trust.














A trustee manages the trust to help all its members.



A trust can manage a business.

|  Things to think about | Sole trader | Partnership | Company | Trust |
|--|--------------------|--------------------|----------------|--------------|
|  Is the structure easy to set up? | Yes ✓ | Yes ✓ | No ✗ | No ✗ |
|  Will it cost a lot of money to set up? | No ✗ | Maybe ? | Yes ✓ | Yes ✓ |
|  Do I have total control? | Yes ✓ | No ✗ | No ✗ | No ✗ |
|  Is reporting easy? | Yes ✓ | Yes ✓ | No ✗ | No ✗ |

|  Things to think about | Sole trader | Partnership | Company | Trust |
|---|--|---|--|--|
|  Will things I own (like my own house) be safe if my business does not do well? | Yes  | Yes  | Not as likely  | Not as likely  |
|  Do I get all the money (profit)? | Yes  | No  | No  | No  |
|  Can I hire workers? | Yes  | Yes  | Yes  | Yes  |
|  Is it easy to change the structure? | Yes  | No  | No  | No  |

|  Things to think about | Sole trader | Partnership | Company | Trust |
|--|--|---|--|---|
|  Is it easy to borrow money (capital)? | No  | Yes  | Yes  | Yes  |
|  Is it easy to stop the business? | Yes  | Yes  | Yes  | No  |



For more information on which business structure suits you go to: www.ato.gov.au

Word List



Asset

An asset is something owned by a business that is worth money.



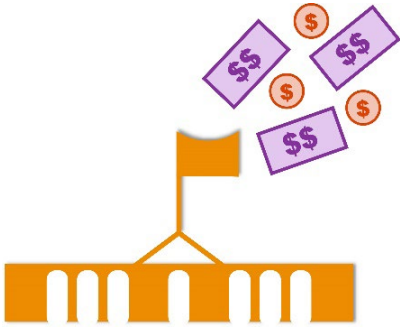
Capital

Capital is the money needed to start a business.



General (partnership)

A general partnership is when all the partners manage the business.



Tax

Tax is the money you must pay to the government.

It comes out of the money you earn when you work.

The government spends tax money on things we all need, such as:

- roads
- schools
- health care services



Limited (partnership)

A limited partnership is when there are different types of partners.

General partners manage the business and have responsibility for all business debts.

Limited partners do not manage the business and only have responsibility for business debt that they agree to.



Profit

A profit is money the business has made because it has earned more than it has spent.

Notes

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