



## LAWYERS & ASSOCIATES

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### BUSINESS STRUCTURES AT A GLANCE

Prior to purchasing or setting up a business, it is important that you consider the business structure that will be suitable for your business and comply with all legal requirements for your chosen business structure.

When deciding which business structure is right for you, you should consider the following:

- (a) What will be the likely income of the business?
- (b) How will each business structure affect your personal income?
- (c) Who will own the business with you and are they likely to incur debt?
- (d) Are you prepared to risk your personal assets? Is there anything you can do to protect these assets?
- (e) What are the capital gains tax implications if you sell your business?
- (f) What are the establishment costs associated with each structure?
- (g) What are the government reporting requirements for each structure?

There are essentially 4 business structures considered by small businesses:

- (a) Sole trader: an individual who carries on the business;
- (b) Partnership: two or more people or entities carry on a business together;
- (c) Company: an entity that is separate from its shareholders;
- (d) Trust: a business structure where a trustee (usually a company) owns all the assets of the business and carries out the business on behalf of the members of the trust. The trustee distributes income and makes decision about the business.

### Conclusion

You should seek legal, financial and taxation advice before you set up your business to ensure you choose the right structure for your business and minimise exposure of your personal assets. If you have any queries regarding this article or require advice on business structures, please contact MLB Lawyers & Associates.

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