

# [Traders and partnerships](https://assignbuster.com/traders-and-partnerships/)

[Life](https://assignbuster.com/essay-subjects/life/), [Relationships](https://assignbuster.com/essay-subjects/life/relationships/)

Business entities can be incorporated; privately and publicly owned co-operatives or unincorporated; sole traders and partnerships. Incorporated refers to the process companies go through in order to become a separate legal entity from the owner/s. This means the business exists in its own right, its own legal entity. Regardless of what happens to the individual owners (shareholders) of the company, the business continues to operate. The business has taken on a life of its own.

An unincorporated business is a sole trader or partnership where the business entity and the owner are one and the same. When the owner dies then so too does the business entity. The Options: Sole Trader Teresa Green's business is a sole trader. A sole trader is an individual who runs the business without partners or a company structure. This is the easiest and cheapest way of structuring a business. The sole trader has full control of the business including ownership of all profits andresponsibilityof all debts.

Partnership A partnership involves two or more co-owners participating together in a business. A partnership requires an intention to share profits and an understanding that partners act on behalf of each other in business. Therefore a decision made by one partner automatically makes the other partner responsible also. Partners are wholly responsible for all business debts and also have full control of the business and any profits.

Company A Proprietary Limited Company is a more complex form of business structure. It requires setting up under the Corporations Act, which states that Company Directors have legal obligations, which must be met. A business with a Proprietary limited company structure is considered as a separate entity from the businessperson running it so it has different profit distribution, taxation and legal responsibilities than a sole trader or partnership.

Evaluation of Legal Structure Options: Comparison of Different Entities - Company, Partnership ; Sole Trader [Fig. 1]  Definition/Explanation A body or association, incorporated or not, that does not include any partnerships. A company is also a separate legal entity from its owners. Association of persons who carry on business as partners or who receive income jointly. You must register the partnership with the ATO, applying for a TFN. Individual conducts the business and derives all the income from it. Your personal TFN should be used in all business dealings.

;

Business name registration Optional, but compulsory if you don't use the company name Must either trade in the names of the partners or register a business name, @ annual renewal cost of approx $53. Must either trade in your own name or register a business name, @ annual renewal cost of approx. $53. Other annual issues Timing is critical. Fines are imposed by the ASIC if lodging & notification of changes is late. Any changes to distribution of partnership income should be documented and advised to the ATO. No other issues Cost annually for tax/accounting

Minimum $100. Normal rate for smaller companies is between $300 and $500, which includes company accounts. Minimum $85. Normal rate for smaller partnerships (Up to $250K) is between $190 and $350. Minimum $75. Normal rate for most sole traders is around $130, but depending on information provided, may vary between $75 & $150. Tax treatment of income Taxed at a flat 36%, and 34% after June 2000. Distributed to partners and then taxed at partners marginal rates. Taxed at the sole trader's marginal rates.

Tax treatment of losses Company losses cannot be offset against Director's other income, but are brought forward if incurred from the 1990 financial year. Partnership losses can be offset against Partners other income. Losses incurred from the 1990 financial year are brought forward . Sole Traders losses can directly decrease Sole Traders other income. Losses incurred from the 1990 financial year are brought forward .