

# [Business structure advice](https://assignbuster.com/business-structure-advice-essay-samples/)

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DEVELOPMENT OF A BUSINESS IDEA In reference to the earlier sent email regarding advice on the way forward regarding development of your business idea, and the consequences of any decision you may choose to take, I appreciate this opportunity to help you understand the process of setting up a business.   
In your email, you expressed dilemma in deciding whether to take on partners and financing your idea. To ensure we both agree, I will be giving my advice based on the facts you provided. With reference to your predicament, you have two business structures to consider pursuing. Depending on whether you take on partners and the method of financing your business may either be:   
1. Sole proprietorship   
2. Partnership   
Sole proprietorship   
In this case, you decide to be the sole owner. You provide all the startup capital either from your savings, loans of from family members. Advantages, you as a sole proprietor will enjoy are:   
Being your own manager   
You enjoy all the profits   
Initial investment is low   
Easy to start and manage   
Greater flexibility of the business   
Disadvantages of venturing into sole proprietorship are:   
Unlimited liability that is personal assets may be used to settle debts   
Low credit access   
Greater responsibility in decision-making   
Suffer from reduced power to attract and retain talent   
The life of the business is limited to your existence   
You bear all the taxes alone (Sole-proprietorship-advantages-and-disadvantages, 2014)   
Partnership   
This is where you choose to take on partners. Partners contribute capital to start the business. The business may be a limited partnership that is different from a partnership because some partners (limited partners) have limited liability for the company’s debts while others have unlimited liability (general partners). Advantages of a Partnership will be:   
Easy to start unlike companies   
Better credit terms offered by banks because of existence of security   
Better talent retention   
Tax savings as a result of profit sharing   
Less strict monitoring and regulation   
They enjoy flexibility   
Disadvantages will be:   
There is unlimited liability   
Disagreements affect performance   
Actions of a partner as a representative of the business affect the others   
Higher taxes reduce profit margins   
Tax   
A sole proprietorship is liable for the following taxes and requirements as per the internal revenue service IRS:   
Income tax.   
Self-employment tax   
Federal unemployment tax   
Excise Taxes   
Requirements are:   
Providing information on Social Security taxes and Medicare taxes and income tax   
Filing information returns for payments made and other transactions.   
On the other hand, a partnership is subject to the following:   
Income tax   
Excise Taxes   
Employment taxes:   
Social Security and Medicare and Income Tax   
Federal unemployment tax   
Depositing employment taxes   
In addition to these taxes that the business is subject to, each partner is liable to the following:   
Income Tax   
Self-employment tax   
Estimated tax.   
My recommendation to you as a new business owner is to start a business as a sole proprietorship and refrain from taking on partners. The sole proprietorship business structure will give you the opportunity start at a lower cost and offer you the flexibility of controlling the business. Once the business is stable, you can safely move to other business structures based on the company’s requirements.   
I hope that the above facts help you arrive at a more confident   
References   
Sole-proprietorship-advantages-and-disadvantages. (2014, September 9). Retrieved from Tasmanian Government: https://www. business. tas. gov. au/starting-a-business/starting-a-business-from-scratch/choosing-a-business-structure-intro/sole-proprietorship-advantages-and-disadvantages., Department of State Growth -