

BUSINESS STRUCTURES EXPLAINED

Sole Trader

Ownership & equity funding

Advantages	Disadvantages
100% ownership & control	When the owner becomes incapacitated the business ends
Privacy	Funding can be limited as sole traders must raise capital themselves
	No separation of ownership between business assets & personal assets
	There must be a change of structure to introduce other owners

Control

Advantages	Disadvantages
Complete control over operations	No orderly succession of ownership or control

Establishment, maintenance & windup of structure

Advantages	Disadvantages
Inexpensive structure to establish	Life of structure limited to life of owner
Easy to understand by owner & third parties	Structure encourages personal goodwill, which can be difficult to sell
Don't have to register business name if it is run in your own name	

Risk management

Advantages	Disadvantages
No other owners whose actions you are responsible for	Unlimited liability thus personally liable for obligations of business
	Creditor has right to claim against personal assets to satisfy debt
	Business depends on health of owner

Operations

Advantages	Disadvantages
Administrative costs are low	High dependency on owner
Financial results are confidential	Can be difficult to raise finance
Proprietors income not subject to super guarantee, payroll tax & workcover	Does not cope well with high growth

Return on investments (to stakeholders)

Advantages	Disadvantages
Access to all return on investments	Difficult to split income unless paid as reasonable wages or business assets transferred to non income earning spouse
Income derived from business is all theirs	High risk means difficult to control assets pledged to the business
	Flow of profits to owners cannot be controlled

Tax efficiency

Advantages	Disadvantages
Easily able to satisfy conditions for small business CGT relief (if assets less than \$ 5 million)	Subject to marginal tax rates (as high as 45% + medicare levy)
50% CGT discount is available	Non-commercial loss rules apply to individuals
Tax preferences are retained	Not able to split income
Access to tax free threshold	No group concessions (unable to transfer losses)
Refund of excess imputation credits	No access to Research & Development concessions
Division 7a does not apply	Super contributions cannot be claimed as a business deduction
No restriction on carried forward losses	
Rollover available to a company	
Access to primary producer averaging	

Contact us to find out more about the Sole Trader structure and whether it may be the right structure for your circumstances.

[Email Corporate+](#)