

## FAST FACTS 15: BUSINESS STRUCTURES

One of the first business decisions you may need to make is to decide on the most appropriate structure for your business operations. The following is an overview of the four most common business structures. It is highly recommended that before commencing your business you consult your accountant to help you determine the best structure for you.

### Sole trader

A sole trader is one person carrying on business for themselves, either in their own name or under a trading name. If you decide to trade under your own name, you do not need to register it. However, if you decide to use a trading name which includes any words other than your own name, under Business Names legislation you will need to register it with Business Affairs in the Northern Territory. Business Name registration is \$60 for three years in the Northern Territory. This can be done at any Territory Business Centre.

A sole trader uses his/her own Tax File Number and is liable for taxation as an individual, being required to declare income from the business and to pay income tax at personal tax rates. A sole trader may need to obtain an Australian Business Number from the Tax Office and may operate within the Pay As You Go (PAYG) instalments and/or PAYG withholding systems.

A sole trader will own all the assets of the business, and will also be responsible for any liabilities of the business. A sole trader has unlimited liability, which means that personal assets can be used to pay for business debts. This extends to the share of assets owned jointly with another person.

### Partnership

A partnership is two or more people (up to 20) going into businesses together with a view to making a profit. A partnership will usually need to register a business name, unless it uses only the surnames of all the partners involved.

Partnerships are regulated by the *Partnership Act* and, if undertaken, a partnership agreement made between the interested parties. While partnership agreements can be made verbally or in writing, it is strongly recommended that a written partnership agreement is put in place with the assistance of a legal adviser.

Prior to commencing the business, a partnership needs to apply for a partnership Tax File Number with the Australian Taxation Office. An Australian Business Number may also be required.

A partnership in itself is not liable to pay income tax or PAYG instalments. Rather, each partner is required to include their share of the partnership's income in their own individual income.

One of the features of a partnership is that of unlimited liability of each and every partner for all the financial obligations of the business. Partnerships can be a useful business structure where the skills of a variety of people are integral to successful business operation; however they do require a certain level of trust, loyalty, and understanding between the partners.

It is important that each partner knows their rights, responsibilities and obligations in the partnership and that they are all willing to work towards a common goal. It is wise to prepare a written partnership agreement.

# FAST FACTS 15: BUSINESS STRUCTURES

## Company

A company is an entity in its own right and is incorporated under the *Corporations Act*. The Act sets out the boundaries for operating a company including (but not limited to) duties of company officers, how a company can be formed, how it must be dissolved and how it keeps records.

The organisation, which has responsibility over the Corporations Law, is the Australian Securities and Investment Commission (ASIC). For more information on ASIC visit [www.asic.gov.au](http://www.asic.gov.au)

## Need further information?

Refer to *Fast Fact 26 Small Business Survival* or contact the Department of Business and Employment.

For more information refer to other Fast Facts in this series or contact:

### **Territory Business Centre**

Department of **Business and Employment**

Development House, 76 The Esplanade, DARWIN NT 0800

GPO Box 3200, DARWIN NT 0801

**T:** (08) 8982 1700

**TF:** 1800 193 111 (within Australia)

**F:** (08) 8982 1725

**E:** [info.dberd@nt.gov.au](mailto:info.dberd@nt.gov.au)

**W:** [www.nt.gov.au/business](http://www.nt.gov.au/business)

Disclaimer: The material contained in this publication is intended for use as a guide and for general information only. It is not intended to be a substitute for independent professional advice. The Department of Business and Employment of the Northern Territory Government accepts no responsibility or liability for the correctness, accuracy and completeness of any of the material contained in this publication and recommends that users of this publication exercise their own skill, care and judgment in the application of the information contained in the publication.