

BUSINESS Structures

IN AUSTRALIA

SOLE TRADER

A sole trader is the simplest and usually cheapest structure to set up. One person owns the business and makes the decisions. It is relatively easy to operate, has fewer reporting requirements, and lets you use your individual TFN to lodge tax returns. The downside is that you are personally responsible for the business's debts and losses, and your personal assets are at risk if things go wrong. A sole trader also cannot split business profits or losses with family members.

This structure usually suits people starting small or testing a business idea, such as freelancers, consultants, tradespeople or solo service businesses. That is an inference from the official guidance describing sole trader as simple, low-cost and fully controlled by one owner.



PARTNERSHIP

A partnership is a business run by 2 or more people who share income or losses. It is generally easy and inexpensive to set up and has lighter administration than a company, but it still needs its own TFN and ABN. The partnership lodges a partnership tax return, while each partner pays tax on their share of the net partnership income. In a general partnership, each partner has unlimited liability for the debts and obligations of the business. There are also limited partnership forms, and partnership law is governed by each state and territory.

A partnership usually suits a business with multiple owners who want to share control without moving straight to a company. In practice, a written partnership agreement is important because government guidance says partners should set out how the partnership will run, and because the legal rules vary across states and territories.

Choosing a business structure is one of the first big decisions for a small business. It affects who owns and controls the business, how much personal liability you carry, how tax is handled, what registrations you need, and how much paperwork and ongoing cost you will deal with.

For most small businesses, the four main options are sole trader, partnership, company and trust. Australia also recognises other structures, such as co-operatives, but the four above are the main starting point for most small-business owners.

COMPANY

A company is a separate legal entity from the people who own and run it. It can incur debt, sue and be sued, and its members generally have limited liability for company debts. Companies are owned by shareholders and run by directors. They are more complex and costly to set up and run than sole traders or partnerships, and they come with heavier compliance, including registration on ASIC's companies register, an annual review, an annual review fee, a company tax return, and ongoing director obligations. Business.gov.au also notes that directors need a director ID.

A company is often a better fit when a business plans to grow, hire staff, take on investors, hold more risk, or separate personal and business liability more clearly. That is an inference from the official guidance that companies are separate legal entities, limit member liability and provide wider access to capital, while also carrying more formal obligations.

TRUST

A trust is a structure where a trustee carries on the business for the benefit of beneficiaries. The trustee can be an individual or a company and is responsible for the operation of the trust, including income and losses. Trusts usually need a formal trust deed, involve yearly administration, and are described by government sources as complex and expensive to set up. They can also be harder to change or wind up later.

Trusts are often considered when asset protection and profit distribution to beneficiaries are priorities, but they are usually not the simplest starting point. That is an inference from the official guidance that trusts are generally used to protect assets for beneficiaries, that the trustee decides how profits are distributed, and that professional advice is recommended before setting one up.



**Looking For
Expert Advice?**

FAQs

HOW DO BUSINESS STRUCTURES COMPARE IN PRACTICE?

In broad terms, sole trader is the simplest and lowest-cost option, partnership works for shared ownership with lighter admin, company offers a separate legal entity and stronger liability separation, and trust is the most advice-heavy and structurally complex option. This summary matches business.gov.au's comparison of cost, complexity, tax obligations, legal obligations, ownership and responsibility across the main structures.

HOW TO CHOOSE THE RIGHT STRUCTURE?

A practical way to choose is to ask these questions: How many owners are there? How much personal liability are you willing to carry? Do you want outside investors? How comfortable are you with annual paperwork and compliance? Do you need flexibility in how profits are distributed? Business.gov.au says your structure can affect your licences, tax, whether you are treated as an owner or employee, your personal liability, your level of control, and your ongoing paperwork and costs.

CAN YOU CHANGE LATER?

Yes. Business.gov.au says common changes include sole trader to company, sole trader to partnership, and partnership to company. If you change structure, you will generally need a new ABN, and you may also need to transfer your business name and intellectual property. For a partnership moving to a company, the guidance notes you set up a new company and dissolve the partnership rather than directly converting it.

ARE THERE ANY REGISTRATIONS & ADMIN?

Your structure changes what you need to register. If you trade under a name other than your personal name or the entity's legal name, you may need to register a business name. Sole traders, partnerships and trusts are not companies, so they are not on ASIC's companies register. Companies must be registered with ASIC, and if a company trades under a different name, that business name must also be registered.

This guide is general information, not legal or tax advice. Before locking in a structure, especially a company or trust, it is sensible to get advice from an accountant or lawyer, which business.gov.au also recommends before committing to or changing a structure.