



Office Address:

96 Autumn Street
GEELONG WEST Vic 3218

Postal Address:

PO Box 7518
GEELONG WEST Vic 3218

Ph: (03) 5229 1290

Fax: (03) 5222 1629

Email: enquiries@spinell.com.au

Web: www.spinell.com.au

No 2 in Series

FINANCIAL FACTS

BUSINESS/FINANCIAL STRUCTURES

Business can be conducted in one of four structures:

1. Sole Trader
2. Partnership
3. Company
4. Trust

Sole Trader

This refers to an individual operating a business alone. All profits belong to the individual and are included in the individual's income tax return. The sole trader is personally liable for the debts incurred and his/her assets are at risk to the creditors.

The individual may trade under his/her own name or under a registered business name.

Partnership

In a partnership two or more entities (individuals, companies, trusts or mixture) operate a business with a predetermined allocation of profits or losses (as per the partnership agreement). A partnership lodges and income tax return but does not pay tax. Each partner includes their share of the distributed profit (or loss) in their individual tax returns. Each partner is also responsible for the debts incurred by the partnership.

Company

A company is a separate legal entity owned by the shareholders. The directors, who are appointed by the shareholders, are responsible for the conduct and operation of the company. As a separate legal entity the company is responsible for the debts (under some circumstances the directors can be held liable). A company lodges its own tax return and pays 30% tax on every dollar of profit. Dividends are paid to shareholders from profits earned.

Trust

The operations of a trust (fixed or discretionary) are conducted by a trustee (individual(s) or company) for the benefit of the beneficiaries of the trust. In the case of a unit trust profits are distributed to the beneficiaries in accordance with the number of units held whereas in a discretionary trust the trustee exercises his discretion in the distribution of the income. The trustee is liable for debts incurred. The trustee lodges a tax return but the beneficiaries who have received a distribution include the distribution in their own tax returns.

DISCLAIMER: *This publication is intended to inform readers and provide general guidelines and information. It is not a substitute for professional advice. Vlado Joseph Dancevic T/as Spinell Accounting Group expressly disclaims all liability to any person who relies, or partially relies, upon anything contained in this publication. Spinell is a registered Trade Mark.*