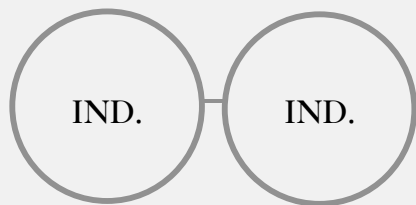


# 5 Common Options For Small Businesses

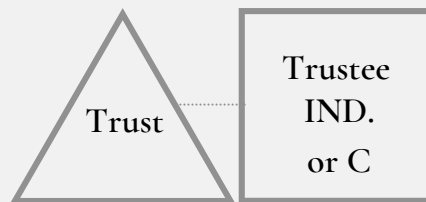
## Sole Trader



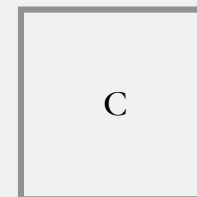
## Partnership



## Trust

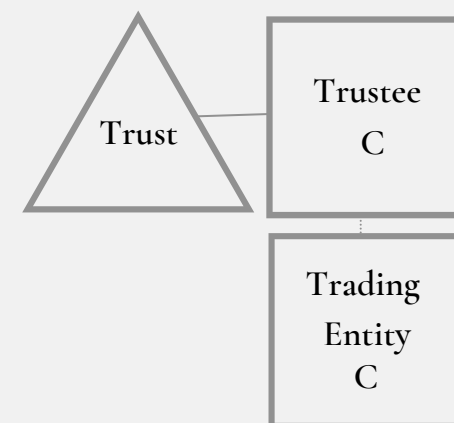


## Company



Has director shares owned by IP, C or Trust

## COBT



- Simple and low cost
- Trading in your personal name, thus personal assets at risk if something goes wrong
- Individual pays tax on all profits
- No opportunity to bring in business partners.

- Simple and low cost
- No asset protection, as the individual partners are liability for the debts/risks of the businesses
- Individuals pay tax on their share of the profit
- Bringing in new business partners requires dissolving the existing partnership and forming a new one. This can be complex and costly.

- Greater cost to set up and maintain than a sole trader/partnership
- Provides protection for your personal assets (we never guarantee 100% protection)
- Income is split between the beneficiaries of the trust for tax purposes (who these are depends on the type of trust: unit or discretionary)
- Discretionary trusts provides flexibility (typically within a family group) as to who receives income of the trust
- Depending on the nature of the trust possibility to bring in additional business partners
- No ability to retain profit in trust without incurring high tax cost.

- Capped tax rate: 26% for small businesses
- Greater cost to set up and maintain than a sole trader/partnership
- Provides protection for your personal assets (we never guarantee 100% protection)
- Ability to retain profit in the company or pay out profits via dividends or wages
- Ability to raise capital and/or bring in additional business partners.

- Most complex of options discussed
- Provides greatest asset protection (we never guarantee 100% protection)
- Business trades within the company and thus provides the benefits of the company listed above
- The shares are owned by the trust thus if dividends are paid to the trust there can be flexibility as to which beneficiary receives the income and thus pays the tax.

IND. - Individual Person  
C - Company  
COBT - Company Owned by Trust

Please note these factors are very general in nature and there are likely other factors that you should consider with regards to your particular personal and business circumstances.

When we are assisting clients with determining the most appropriate structure for the business the top 5 factors we consider are:

### **Asset protection**

- Does the individual own significant assets which should be protected from the debts/risk of the business?
- Is there a real risk that the business could impact on the personal assets of the individual?

### **Tax efficiency**

- Does the structure provide the best legally available options for tax?

### **What are the business plans?**

- Is the business plan to develop the business and then sell out, work in the business long term, or bring in family members etc.?

### **Will the business require investors?**

- Do you plan to raise funds from investors, bring on additional shareholders or business partners?

### **Lending**

- What are your business and personal lending needs and which structure will simplify this for you with the banks?