SML Bookkeeping & Tax

Choosing a Business Structure

KS-009

A plain-English overview of sole trader, company, partnership and trust structures.

TOPIC	PREPARED BY	FORMAT
Small business education	SML Bookkeeping & Tax	Knowledge Sheet

Key message

The business structure affects tax, legal responsibility, administration, asset protection, reporting and future growth. There is no single best structure for every business. The right choice depends on risk, income, ownership, growth plans and compliance capacity.

Business structure - decision workflow

1 **Understand goals**
Clarify ownership, risk, growth and income expectations.

2 **Compare options**
Review sole trader, company, partnership and trust features.

3 **Check obligations**
Consider tax, ASIC, bookkeeping and legal responsibilities.

4 **Get advice**
Choose the structure after professional review.

Common structure types

Australian small businesses commonly operate as sole traders, companies, partnerships or trusts. Each structure has different setup requirements, tax treatment and ongoing responsibilities.

What to compare

- Who owns and controls the business.
- How profits are taxed and distributed.
- Personal liability and commercial risk.
- Setup and ongoing compliance costs.
- Whether the business may bring in partners, investors or employees.

Structure examples

- A simple side business may start as a sole trader.
- Two owners working together may consider a partnership or company structure.
- A growing business with employees and higher risk may consider a company.
- Family or asset planning objectives may lead to trust discussions.

Common mistakes to avoid

- Choosing a structure only because it is cheap to set up.
- Using a trust or company without understanding ongoing compliance.

- Failing to update registrations after changing structure.
- Assuming a structure can be changed later without tax or legal consequences.

Example

A designer starts as a sole trader but later hires staff and signs larger client contracts. Before growth accelerates, the owner should review whether the original structure still suits the business risk, tax position and future plans.

Common Questions

Is a company always better than a sole trader?

No. A company has advantages in some situations but also higher setup and compliance obligations.

Can I change structure later?

Often yes, but restructuring can have tax, legal and administrative consequences.

Who should advise on structure?

An accountant and, where needed, a lawyer should review the business goals and risks before a structure is chosen.

Reference Sources

Source	Used for
Business.gov.au	General business structure comparison and setup guidance.
Australian Taxation Office	Tax obligations for different business structures.
ASIC	Company registration and director obligations.

Important note

This Knowledge Sheet provides general information only. It does not take into account the full circumstances of any business. Speak with SML Bookkeeping & Tax before making tax, payroll or compliance decisions.