



COMPANY BUSINESS STRUCTURES.

By law, a company is a distinct legal entity separate from its shareholders or officers. In Australia, the most common types of company are:

'Proprietary Limited' companies (cannot raise money from the general public through share issues)

'Public' companies (usually formed to raise or borrow public money by listing the company's shares for trading on a stock exchange) (Queensland Government, 2017).

In setting up new ventures to commercialise an idea, one, two or more people can set up a Pty Ltd company. They buy a share or shares. In many cases, the initial shareholders are a husband and wife, or two close friends. They may each own half the shares in the company, often through an initial share offering of \$1 each.

The vast majority of incorporated organisations in Australia are such private companies. These companies have shareholders, company directors and managers who are typically the same two or three people.

All companies are governed by the Australian Securities and Investments Commission (ASIC), which administers the Corporations Act 2001 (Cwlth) and other legislation. Public companies must also comply with the rules of the Australian Stock Exchange (Australian Securities and Investments Commission, 2020)

ADVANTAGES OF COMPANIES

- Generally, shareholders can only lose the value of their shares and are not liable for the company's debts (i.e. limited liability).
- Legal arrangements are in the company's name, not in the name of its directors and managers.
- The business structure ensures continuity of management and ownership in the event of the death or disability of key people (because company shares may be transferred).
- The tax rate for companies is less than the highest rate for individuals.

(Queensland Government, 2017)

DISADVANTAGES OF COMPANIES

- Companies are more regulated than other business structures.
- The rules for establishing and running a company are more complex and costly than other business structures.
- Lessors, suppliers and lenders are reluctant to lend money or enter into contracts or leases with proprietary limited companies unless directors or shareholders provide personal guarantees.
- If directors fail to meet their legal obligations, they may be held personally liable for the company's debts.
- Profits distributed by companies to shareholders are taxable (Queensland Government, 2017).

OTHER BUSINESS STRUCTURE:



ALSO THINGS TO CONSIDER..

- Contact ASIC on 1300 300 630 or (07) 3867 4700 for more detailed information on forming a company.
- Contact the Australian Taxation Office (ATO) on 13 72 26 for more detailed tax information.
- Consult your legal and tax advisers for more personalised guidance.

The above information has been taken from the Australian Security and Investment Commissions website (ASIC). For more information please visit the ASIC: <https://asic.gov.au/>

References:

Australian Government. (2020, June 24). Business structures. Retrieved October 2020, from Business: <https://www.business.gov.au/planning/business-structures-and-types/business-structures/>

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Australian Taxation Office. (2019, May 01). Company. Retrieved October 2020, from Australian Taxation Office (ATO): <https://www.ato.gov.au/Business/Starting-your-own-business/Before-you-get-started/Choosing-your-business-structure/Company/>

Queensland Government. (2017, July 18). Company Business Structure. Retrieved October 2020, from Business Queensland: <https://www.business.qld.gov.au/starting-business/types-legal-structures/business-structures/company#:~:text=By%20law%2C%20a%20company%20is,general%20public%20through%20share%20issues>