



# SOLE TRADER BUSINESS STRUCTURE.

## COVID-19 SUPPORT FOR SOLE TRADERS

If you're a sole trader, you can access support such as lifting the threshold for instant asset write offs, accelerating depreciation deductions and accelerated income support.

Use our [coronavirus \(COVID-19\) business assistance finder](#) to learn what support you may be eligible for. You may also be eligible to apply for [early release of your superannuation](#).

Find out more about [Australian Government support available for sole traders](#).

**If you are planning to operate your business alone (without any partners, including your spouse), then a sole trader structure may be right for you.**

## ADVANTAGES OF SOLE TRADING

- It's inexpensive, simple to set up and easy to maintain.
- You have complete control over the management and direction of your business.
- You own all your business's profits and assets.
- There is less paperwork than other business structures.
- Minimal statutory provisions and government regulations govern how you operate your business.
- Unlike companies, you do not have to disclose your profits to the public (i.e. greater privacy).
- It is simple to run tax-wise (profits are taxed at the owner's personal income tax rate).
- There are no retained earnings to complicate tax.
- Disbanding is relatively easy. You keep any after-tax gains if you sell the business.

(Australian Securities & Investments Commission, 2020)

## DISADVANTAGES OF SOLE TRADING

- You are fully liable for your business debts, so you risk losing personal assets (home, vehicles, etc.) if you cannot repay your debts. Similarly, any intellectual property may be at risk if the business fails.
- You pay tax on profits at your marginal tax rate, which may be higher than the company tax rate.
- You need to put money aside to pay tax; otherwise, you may have cash flow problems at tax time.
- Few tax concessions are available.
- The business structure limits opportunities for expansion.

(Australian Securities & Investments Commission, 2020)

## HIRING PEOPLE AS A SOLE TRADER:

You can employ people to help run your business under the sole trader business structure. If you do decide to take on any employees there are obligations you must comply with such as workers' compensation insurance and superannuation contributions (Australian Government, 2020).

## OTHER BUSINESS STRUCTURE:



## ALSO THINGS TO CONSIDER..

- Find out more from the ATO about choosing the right business structure.
- Learn more about tax basics for small business.
- Consult your legal and tax advisers for more personalised guidance.

The above information was taken from ASIC & Business.gov websites for more information please visit: [www.asic.gov.au](http://www.asic.gov.au)

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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<https://www.business.gov.au/risk-management/emergency-management/coronavirus-information-and-support-for-business/coronavirus-support-for-sole-traders>

Australian Securities & Investments Commission. (2020, January 15). Setting up a business structure. Retrieved October 2020, from Australia Securities and Investments Commission (ASIC): <https://asic.gov.au/for-business/small-business/starting-a-small-business/setting-up-a-business-structure/>