Langley McKimmie
Chartered Accountants

FACT SHEET

Business Structure: Partnership

A partnership is a relationship not a separate entity. A partnership involves two or more, but generally less than 20 people, going into business together with the intention to make a profit. A partnership needs its own ABN and TFN and needs to register for GST if it applies. A partnership doesn't pay income tax on the income it earns instead each partner pays tax on the share of income they receive

Advantages of a Partnership

- Relatively simple and easy to set up
- Minimal reporting requirements compared to companies
- Shared management responsibilities
- A partner's share of business losses can be offset against other personal income subject to some conditions
- Relatively easy to dissolve compared to trusts
- Greater access to capital compared to sole traders
- Partners drawings are not subject to superannuation

Disadvantages of a Partnership

- Joint liability - if the business fails and the other partner cannot pay their share of the debts the other partners are liable
- Potential disputes over profit sharing, business direction and control
- Partnership agreement needs to be prepared and understood by all potential partners detailing level of authority, financial contribution, procedures for dispute resolution and procedures for dissolving the partnership
- Change of ownership can be difficult and generally would require a new partnership agreement