Langley | McKimmie
Chartered Accountants

FACT SHEET

Business Structure: Sole Trader

A sole trader is the simplest form of business structure. And therefore relatively easy and inexpensive to start and maintain. It also allows you the option of trading in your own name or another (which must be registered through ASIC).

Liability

There is no division between business assets or personal assets; this means personal assets can be called upon to settle business debts.

Tax Consequences

Business income (or loss) is included in an individual's assessable income in the year is occurs. Income tax is therefore payable on the business income at personal income taxes rates.

GST Obligations

Sole traders are not always required to pay GST. However you must register for GST if you are carrying on a business or enterprise and any of the following apply:

- your current or projected annual GST turnover is $75,000 or more ($150,000 or more for non-profit organisations)
- you provide taxi travel
- you want to claim fuel tax credits
- you want to claim wine producer rebates.

Advantages and disadvantages of a sole trader

Advantages

- Simple set up and operation, with fewer reporting requirements
- Owner retains all decision making power and control of his/her assets
- Any losses incurred by your business activities, may be offset against other income earned by the owner
- Business structure can be relatively easy to change if the business grows too large, or a wind up is necessary
- The individual who owns the business is not considered an employee and therefore is free from paying employment related costs, such as worker's compensation, superannuation contributions and payroll tax.

Disadvantages

- Personal assets are at risk as the owner is liable for all debts incurred by the business
- Little opportunity for tax planning - you can't split business profits or losses made with family members and you are personally liable to pay tax on all the income derived