

Sole Trader

What is a Sole Trader?

A person wishes to go into business can simply trade under their own name. They can register a name of business (trading name) in respective states to protect against infringement of trade practices.

Set up Procedure

- Register for ABN.
- Register for GST (if applicable).
- Register a Trading name with state authority (if applicable).
- Register for PAYG (if applicable).

Advantages

- Simple.
- Minimal compliance.
- Lower maintenance cost.
- Capital gains tax discounts.
- Total control of assets.
- No set-up costs.

Disadvantages

- No asset protection- individual person is liable.
- The structure has a limited life as on the death of the individual the investment must change hands.
- Taxed at your marginal rates.
- Inflexible tax planning.

Compliance Requirements

- ABN registration- compulsory
- GST registration - depends on turnover over \$75,000.
- BAS - monthly or quarterly.
- Tax Return - Yearly.
- Financial Records - Income and expenditure statements.

General Comments

This type of structure is suited for someone with little or no assets and is starting out in business with little turnover. The income tax is either paid at the end of the year after lodgement of Tax Returns or paid through an Income Activity Statement (IAS) during the year and an adjustment at the end. The Owner take drawings as opposed to wages from a Company and these drawings constitute profits of the Business. Hence the profits of the business is made up of the drawings during the year and the net monies left in the bank after taking off what the bank account started off with at the beginning of the year. Public liability insurance is compulsory and other indemnity insurance is recommended.