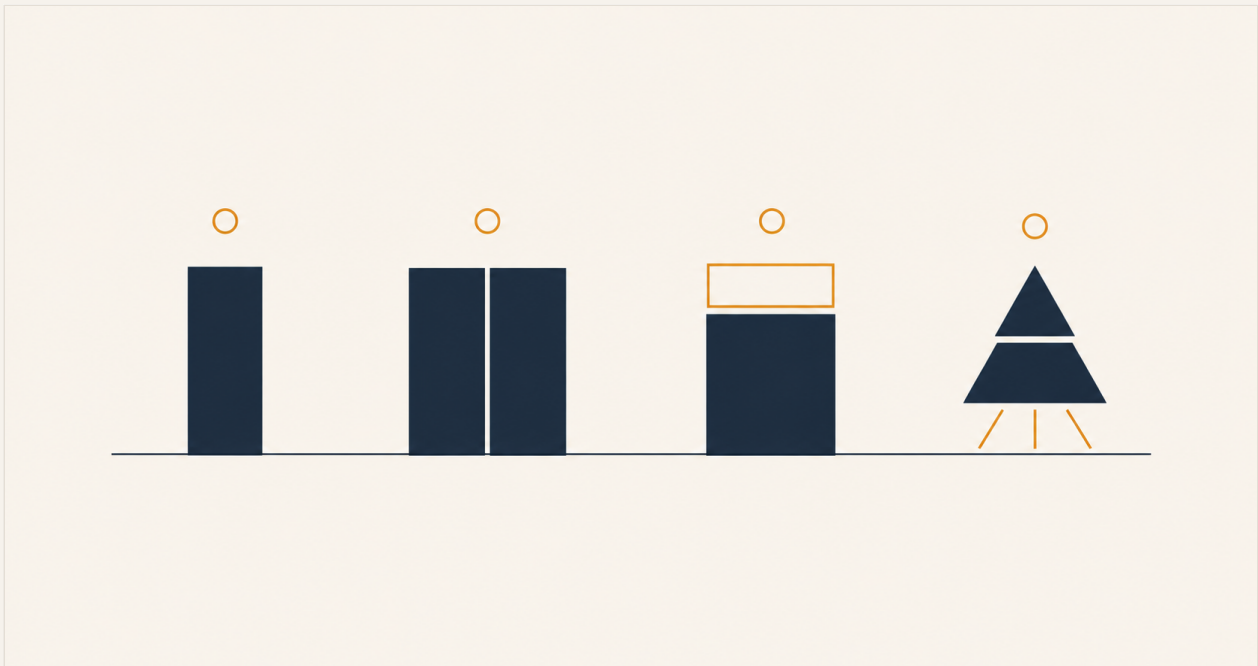


FOR AUSTRALIAN FOUNDERS · 2025-26 EDITION

# Choosing Your Business Structure

A practical toolkit for picking — or revisiting — the legal entity that quietly compounds in your favour for decades.



EDITION  
2025-26 (Australia)

FORMAT  
6-page toolkit

PAIRS WITH  
Pillar 1 article

## SECTION ONE

# The four structures at a glance

Australia recognises four main legal structures for operating a business. Variants exist, but in practice almost every Australian SME runs as one of these. Use this page as the orientation map; the rest of the toolkit goes deeper.

## STRUCTURE A

### Sole Trader

**WHAT IT IS** You and the business are the same legal entity. Income flows straight to your personal return.

**BEST FOR** Low-risk service work, income under ~\$80k, single operator, testing a new idea.

**AVOID IF** You hold inventory, employ staff, sign large contracts, or own assets worth protecting.

**RUN COST** \$800-\$2,000 / year accountant. No ASIC fees.

## STRUCTURE B

### Partnership

**WHAT IT IS** Two or more people share a business under a partnership agreement. Each partner is taxed personally.

**BEST FOR** Long-trusted family pairs, regulated professional partnerships, short joint ventures.

**AVOID IF** You're partnering for convenience. You're liable for your partner's debts too, jointly and severally.

**RUN COST** \$1,500-\$3,000 / year accountant. Partnership return adds complexity.

## STRUCTURE C

### Pty Ltd Company

**WHAT IT IS** A separate legal entity. The company owns the business. You own shares in the company.

**BEST FOR** Growth-oriented SMEs, businesses with employees or inventory, founders who want to retain profits.

**AVOID IF** Income is low and risk is genuinely minimal. Compliance overhead exceeds the asset-protection benefit.

**RUN COST** \$611 setup + \$329 ASIC/yr. \$2,500-5,000/yr accountant.

## STRUCTURE D

### Discretionary Trust

**WHAT IT IS** A trustee (often a company) holds business assets for beneficiaries. Income is distributed each year.

**BEST FOR** Family businesses, income splitting between adult beneficiaries, asset protection at scale.

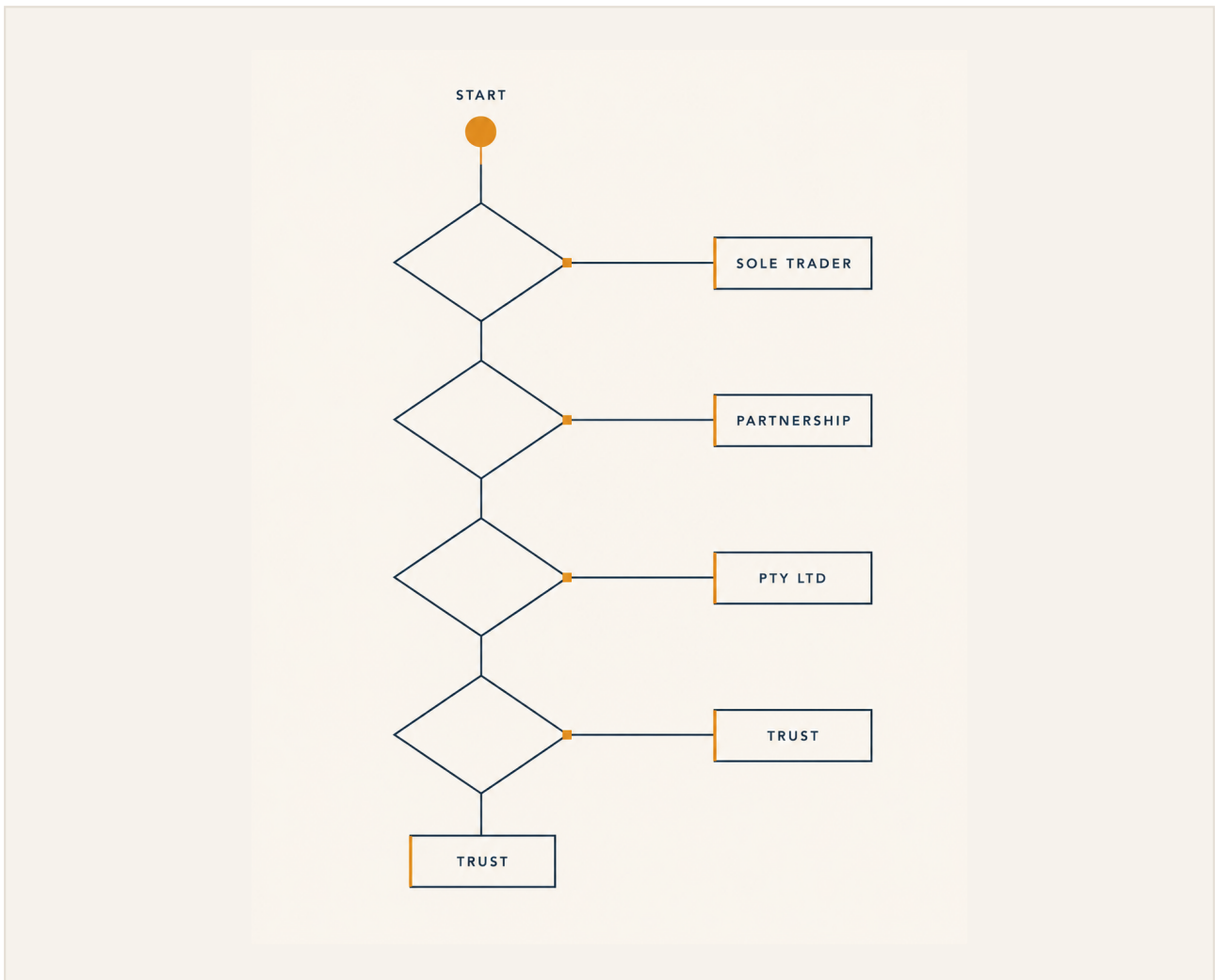
**AVOID IF** You're a single operator. Complexity and accounting fees outweigh the benefits at low income.

**RUN COST** \$1.5k-3.5k setup. \$4k-8k/yr accountant. Trust deed required.

## SECTION TWO

# The decision tree

Most founders pick the wrong structure because they answer the wrong first question. This tree walks the decision in the right order — risk, then partners, then scale, then tax — so the structure that emerges is the one that fits, not the one that was easiest to set up.



## HOW TO READ THIS TREE

Answer each question honestly about today, not the business you hope to have in three years. If a "yes" or "no" feels forced, stop — that's the question to take to a registered tax agent. The tree returns the structure that's right for now; revisit it whenever you tick a box on Page 5.

## SECTION THREE

## Side-by-side comparison

The honest numbers and obligations behind each structure in 2025–26 dollars. Use this when you want the specifics — not the marketing pitch your accountant uses on the homepage.

DIMENSION	SOLE TRADER	PARTNERSHIP	PTY LTD	TRUST
SETUP COST	ABN free	ABN free + agreement (\$500–\$2k)	\$611 ASIC (direct)	\$1.5k–\$3.5k + corporate trustee
ANNUAL ASIC FEE	None	None	\$329	\$329 (if corporate trustee)
ACCOUNTANT FEES / YR	\$800–\$2,000	\$1,500–\$3,000	\$2,500–\$5,000	\$4,000–\$8,000
TAX RATE	Personal (0–45%)	Personal (per partner)	25% BRE / 30% std	Distributed at beneficiary rate
PERSONAL LIABILITY	Unlimited	Joint & several, unlimited	Limited to shares	Limited via corporate trustee
ASSET PROTECTION	None	None	Strong (subject to director duties)	Very strong
RETAIN PROFITS	No — all to personal return	No — all to partners	Yes — taxed at 25%/30%	Distributable but not retainable tax-free
INCOME SPLITTING	Not possible	Fixed by agreement	Limited (PSI rules apply)	Flexible across beneficiaries
IDEAL INCOME RANGE	\$0–\$80k	Case-by-case	\$80k+ if liability	\$200k+ with family
EXIT / SALE PATH	Sells goodwill only	Sells partnership interest	Sells shares (premium multiples)	Trust deed dictates

*Figures and concessions reflect the 2025–26 Australian tax year and ASIC fee schedule. Always validate with a registered tax agent before acting — fees and thresholds change every July.*

## SECTION FOUR

## When to revisit your structure

Most founders pick a structure at startup and never revisit. That's how a sole trader ends up paying tens of thousands of avoidable tax — and how a Pty Ltd carries ASIC fees for a business that should have been wound down two years ago. Tick any box below and it's time for a 30-minute conversation with a registered tax agent.

### The trigger checklist

- Your net business income is on track to reach **\$100,000** and you're not drawing it all personally.
- You're about to hire your **first employee** — or your second.
- You're **holding inventory worth \$30,000+** at any time, or signing contracts that put significant assets on the line.
- You're bringing on a **co-owner, business partner, or major investor**.
- You're about to **buy commercial property** or substantial equipment in the business's name.
- Business income predictably exceeds personal living needs by **\$30,000+** annually (i.e. you could retain profits).
- Customer contracts **name you personally**, not the business — your personal assets are exposed.
- You're building a **brand, IP, or customer book** that you might want to sell later.

### WORKED EXAMPLE

#### James, \$150k profit, \$80k of inventory

James runs a Shopify store doing \$400,000 revenue and \$150,000 net profit in 2025–26. He holds \$80,000 of inventory and ships 30 orders a day from a small warehouse. As a sole trader he'd pay ~\$39,840 (income tax + Medicare). As a Pty Ltd (BRE 25%) the company pays \$37,500. Apparent saving: \$2,340 — negligible.

The real reason James went Pty Ltd: his inventory and supplier and 3PL contracts are held by the company, not by him personally. A defective product, a warehouse dispute, a customer injury — none of them reach his house. The structure earns its keep on liability, not tax.

#### SOLE TRADER

**\$39,840**

*tax + Medicare on \$150k*

#### PTY LTD (BRE)

**\$37,500**

*company tax on \$150k*

#### ASSET SHIELD

**\$80,000**

*inventory in company*

## WHERE TO GO FROM HERE

## Next steps & further reading

This toolkit is the homework. The next conversation is with a real tax agent who can read your specific numbers, risk profile, and timeline. Below are the tools and articles that go deeper.

**COMPANION ARTICLE**

### Australian business structures, explained in plain English

The 5,000-word pillar article this toolkit summarises. Worked examples for each structure in 2025–26 dollars, plus when to choose hybrids.

[Read on lkbusinessadvisory.com.au](https://lkbusinessadvisory.com.au) →

**INTERACTIVE TOOL**

### Sole Trader vs Pty Ltd calculator

Drop in your projected revenue and expenses to see live after-tax take-home under each structure. Built around the 2025–26 brackets, with franking-credit logic for Pty Ltd.

[Try the calculator](#) →

**DIAGNOSTIC**

### Business Health Score

12-question diagnostic across cash flow, tax, operations, market, tech, and governance. Your structure is one of the levers it surfaces.

[Take the assessment](#) →

**WEEKLY BRIEFING**

### The LK Brief

Plain-English tax and business notes for Australian SMEs and tradies. Free, no spam, one email per week.

[Subscribe](#) →

*Structure is the quiet decision. Most founders make it once, in the first month, when they know least about their own business. The good ones revisit it every two years — usually after the first time a customer, a partner, or the ATO reminds them why it mattered.*

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