

Questions to Ask Before Choosing Your Business Structure

Choosing the right legal structure is part of building wisely. The structure you choose can affect your tax, liability, control, family risk, administration, and future growth.

This appendix is not a substitute for professional advice. It is a guide to help you ask better questions when speaking with your accountant and lawyer.

1. Which structure best fits my business?

1. What structure do you recommend for my business: sole trader, partnership, company, trust, or another arrangement?
2. Why do you recommend this structure over the alternatives?
3. Is this structure suitable for both where the business is now and where it may be heading?

2. What risks does this structure create or reduce?

1. What personal liability could I have under this structure?
2. Could my personal or family assets be exposed?
3. Are there situations where I could still be personally liable, even with this structure?

3. How will this structure affect tax?

1. How will business profits be taxed?
2. Can profits be retained or distributed?
3. Are there any tax risks or surprises I should understand before choosing this structure?

4. Who owns and controls what?

1. Who legally owns the business, assets, goodwill, and intellectual property?
2. Who has authority to make decisions and sign contracts?
3. What documents are needed to make ownership and control clear?

5. What happens as the business grows or changes?

1. Will this structure still work if the business grows, hires staff, takes on debt, or brings in partners?
2. Would this structure help or hinder a future sale of the business?
3. When should we review the structure again?

6. What will this structure cost and require?

1. What will it cost to set up and maintain?
2. What reporting, accounting, legal, and tax obligations will apply?
3. What are the consequences if I do not administer the structure properly?

Final Reflection

Before choosing a structure, write down the answers to three questions:

1. What structure am I choosing?
2. Why am I choosing it?
3. What advice have I received?

Without counsel purposes are disappointed: but in the multitude of counsellors they are established. (Proverbs 15:22)