BUSINESS STRUCTURE:
PARTNERSHIP

Key features of a partnership:

- Comprises two or more people (may be legal entities) that operate a business with a common view to profit
- Has its own ABN, Tax File Number, GST registration and will lodge its own tax return each year
- Equity interest can be equal or different (i.e. one partner may have 40% interest and another 60%)
- A partnership must lodge a tax return but does not itself pay income tax, as the profits or losses are distributed to the partners in accordance with their equity interest
- Partners share in profits and losses in accordance with their partnership equity and any agreements they've made
- Partners are joint and severally liable for the debts of a partnership at all times

An example: Partnership trading as ABC Bakery

Jane
40% equity interest

Fred
40% equity interest

XYZ Discretionary Trust
20% equity interest

PROS

- Minimal cost in set-up
- Shared responsibility and obligations
- Contribution of different assets (i.e. skills, resources) to the business
- Relatively easy to operate and account for on an ongoing basis
- Written partnership agreement can clarify operations and exit expectations
- Control, flexibility and privacy may be positive aspects
- Tax losses are accessible to the partners directly (they are not quarantined like trusts or company tax losses)

CONS

- Unlimited liability (including joint and several liability, where a liability caused by one partner shall cause all other partners to be liable)
- Transfer and termination of partners and/or partnerships may have some complications and need to be properly accounted for
- Potential for decision-making conflict and stalemates
- No permanence i.e. on termination or dissolution
- Can be limits on number of partners (state jurisdictions apply) so expansion may be limited

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