

## Partnerships

### What is a Partnership?

Two or more people can enter into an agreement either verbally or under contract to enter into a business and share in the risks and profits. Partners are jointly and severally liable for any debts and litigations of the partnership.

**Set up Procedure (estimate set up cost from \$250 plus legals if required)**

- Register for separate TFN
- Register for ABN
- Register for GST (if applicable).
- Register trading name with state authority (if applicable).
- Partnership agreement (if applicable).
- Register for PAYG-W (if applicable).

### Advantages

- Reasonably simple.
- Minimal compliance.
- Mid-low maintenance costs.
- Income Splitting
- Minimise workers compensation and superannuation.
- Capital gains taxed at the partners level.

### Disadvantages

- No asset protection – partners are jointly and severally personally liable.
- Partnership splits income at the same ratio each year.
- Partners claiming superannuation contribution deduction as self-employed ie \$3000 + 75% over \$3000 up to age limit instead of 100% deductible.
- Joint tenant partners cannot dispose of their interest separately.
- Tenant- in common partners does not have any right of survivorship.

### Compliance Requirements

- ABN registration
- Tax File Number application.
- GST registration – depends on turnover
- BAS - monthly or quarterly
- Tax Return – Yearly
- Financial records – Balance sheet and profit and loss.

### General Comments

This type of structure is suited when two or more people enter into an agreement to run a business or investment which enables the profits to be split for tax planning. 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 Partners take drawings as opposed to wages from a Company and these drawings constitute profits of the Partnership. Hence the profits of the Partnership 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. However as each partner is jointly and severally liable for the debts of the partnership, the partners should be mindful of asset protection.

Public liability insurance is compulsory and other indemnity type insurance is recommended.



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