



## Business Structures<sup>1</sup>

Options when setting up a business...

*Sole Trader, partnerships, limited liability companies, registering trademarks and company names*

Small Businesses generally employ one of three business structures in New Zealand

### Sole trader

A sole trader operates the business on his or her own. He or she:

- Controls, manages and owns the business
- Is personally entitled to all profits
- Is personally liable for all business taxes and debts.

As a sole trader you can usually begin the business without following any formal or legal processes to establish it. You may employ other people to help run the business. Large numbers of businesses operate as sole traders. No registration is required to start a business as a sole trader

### Partnership

In a partnership, two or more people run a business together. Each partner:

- shares responsibility for running the business
- shares in any profit or loss equally, unless the partnership agreement states otherwise
- is liable for any debt within the partnership.

Many partnerships are established with a formal partnership agreement.

### Income tax

The partnership itself does not pay income tax. Instead it distributes the partnership income to the partners. The partners then pay tax on their own share.

Income, tax credits, rebates, gains, expenditure or losses allocated to a partner in an income year will generally be allocated in proportion to each partner's share in the partnership's income under the partnership agreement.

### Limited partnerships

A limited partnership exists as a formal and legal entity in its own right. It is separate from its partners.

To register a limited partnership you need to contact the Companies Office

[www.companies.govt.nz](http://www.companies.govt.nz)

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<sup>1</sup> All information provided by Inland Revenue and biz information  
[www.business.govt.nz](http://www.business.govt.nz)



## Companies

A company exists as a formal and legal entity in its own right. It is separate from its shareholder(s) or owner(s).

To register (incorporate) a company under the Companies Act, you need to:

- contact the Companies Office [www.companies.govt.nz](http://www.companies.govt.nz)
- pay for a legal registration process.

## Assets and liabilities

The company:

- owns the assets and liabilities of the business
- is responsible for any debts.

The shareholders' liability for losses is limited to their share of ownership of the company.

## Business names

A business gains a limited amount of protection for their name when they incorporate a company using that name. When you form a company you can be certain that another company cannot be formed with a name exactly the same as yours. You have no immediate control over existing or new businesses operating as sole traders or partnerships that choose to use your name. You can take them to court to force them to stop using your name but that will take time and money.

There are 3 steps to forming a company

1. Reserving a company name \$10
2. Make your company incorporation application \$150
3. Receive your certificate of incorporation

To find out more about business names or reserving a business names visit the Company Office website [www.companies.govt.nz](http://www.companies.govt.nz)

## Trade mark

Once you have registered a trade mark you can be certain that another trade mark with a name and image exactly the same as yours cannot be registered. Registering your trade mark also enables you to take action against anyone attempting to use an identical or a 'confusingly similar' name within the same or a similar industry.

To find out more about trade marks or to register a trade mark visit the Intellectual Property Office of New Zealand (IPONZ) website [www.iponz.govt.nz](http://www.iponz.govt.nz)

## Other business structures

In addition to sole traders, partnerships and limited liability companies there are other, less frequently used, business structures. These include trading trusts, cooperatives and provident societies, and they require the guidance of qualified professionals while being established due to their complexity.

For further information see "Other Entity Registers eg Incorporated Societies" at the Information Library of the Companies Office website [www.companies.govt.nz](http://www.companies.govt.nz)