CORPORATIONS LAW

PART 1

CHARACTERISTICS OF BUSINESS STRUCTURES

Structure	Features	Legislation/ Authority
Limited Liability: the condition by which shareholders and directors are not personally liable for company debts except under specific circumstances.		

Company/ Corporation	- **Formation:** registration and ongoing compliance w/ ASIC
	   • <u>Separate legal entity (SLE)</u> – capacity and powers of a natural person
	 - **Liability:** limited
	 - **T&S:** generally simple
	 - **Management:**
	   • Managed by directors (*minimum of 1 member*)
	   • Owned by shareholders
	 - **Fundraising:** company charge, public company
	 - **Tax:** flat rate 30cents/$1
		s124(1)
		
		 s198A (*s114*)

Sole Trader	- **Formation:** limited formalities, low compliance, not SLE - **Liability:** unlimited - **T&S:** difficult - **Management:** individual - **Fundraising:** limited by personal ability to borrow/assets - **Tax:** marginal income tax rate	

Trust	- **Formation:** complex structure, not SLE
	 - **Liability:**
	   • <u>Settlor:</u> creates trust
	   • <u>Trustee:</u> owner (unlimited liability)
	   • <u>Beneficiary:</u> limited to share in trust
	 - **T&S:** complex, subject to trust conditions
	 - **Management:** trustee
	 - **Fundraising:** difficult (trust cannot be sued)
	 - **Tax:**
	   • Beneficiaries: individual marginal rates
	   • Trustee: top marginal rates	

Partnerships	- **Formation:** limited formality, low compliance, not SLE - **Liability:** unlimited - **T&S:** complex, requires consent - **Management:** participation rights, managing partner - **Fundraising:** limited by personal ability to borrow/assets - **Tax:** marginal income tax rate	

CORPORATE VEIL

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