

BUSINESS OPTIONS GUIDE

Here is an overview of the business entity options in New Zealand, along with some benefits and limitations.

SOLE TRADER

Benefits

- Easy and inexpensive to set up
- Complete control over decision-making
- Minimal compliance requirements

Limitations

- Unlimited personal liability
- Owner's personal assets at risk
- Limited access to capital
- Lack of continuity beyond owner's lifespan

PARTNERSHIP

Benefits

- Shared responsibilities and resources
- Easier access to capital and expertise
- Simplified taxation (profits reported on partners' personal tax returns)
- Flexibility in structuring the partnership agreement

Limitations

- Unlimited personal liability for general partners
- Potential for disputes and conflicts between partners
- Limited continuity if a partner leaves



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COMPANY

Benefits

- Limited liability protection for owners (shareholders)
- Separate legal entity
- Ability to raise capital through the sale of shares
- Potential for tax advantages

Limitations

- Compliance with the Companies Act, including filing annual returns and financial statements
- More complex setup and ongoing administrative requirements compared to other entities

TRUST

Benefits

- Potential to provide asset protection
- Potential for tax advantages
- Continuity and succession planning

Limitations

- Expensive to set up
- Potentially expensive to maintain
- Legal and administrative responsibilities regarding the Trustees Act
- More complex setup and ongoing administrative requirements compared to other entities

Please Note: This is not financial professional advice, it is meant as a research starting point. It's important to consult with a legal and/or tax professional who is familiar with New Zealand's laws and regulations to understand the specific benefits and limitations of each business entity option in the country.

