

Company

A company business structure is a separate legal entity, unlike a sole trader or a partnership structure. This means the company has the same rights as a natural person and can incur debt, sue and be sued.

As a member you're not liable (in your capacity as a member) for the company's debts. Your only financial obligation is to pay the company any amount unpaid on your shares if you are called on to do so. However, directors of the company may be held personally liable if found to be in breach of their legal obligations.

Companies are expensive and complicated to set up, and generally suit people who expect their business income to be highly variable, and want the option to use losses to offset future profits.

There are key features you should know if you are looking at starting your business as a company.

A company:

- is a separate legal entity
- is a more complex business structure to start and run
- involves higher set up and running costs than other structures
- requires you to understand and comply with all obligations under the [Corporations Act 2001](#)
- means that business operations are controlled by directors and owned by the shareholders
- means company members have limited liability
- means the money the business earns belongs to the company
- requires an annual company tax return to be lodged with the ATO
- requires you to complete an annual review and pay an annual review fee
- directors are required to complete a declaration of solvency each year
- means wider access to capital

Your company must [register for goods and services tax](#) (GST) if your turnover is \$75,000 or more. The registration threshold for non-profit organisations is \$150,000. The Australian Taxation Office (ATO) has more detailed information on your [tax obligations as a company](#). Companies and directors have key legal and reporting obligations they must comply with.

Some of the more common obligations include:

- update ASIC within 28 days of [key changes to company details](#)
- keep [financial records](#)
- understand and comply with all your obligations as a director