

STRUCTURES PARTNERSHIPS

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Is a partnership the best structure for your business?

What is a partnership anyway?

What are the features?



PARTNERSHIPS

A partnership is relatively inexpensive to set up and operate. It is an association of people who carry on a business and distribute income or losses between themselves. A formal partnership agreement is an important tax document if profits or losses are not distributed equally among partners.

Partners are responsible for their own super arrangements; however, the partnership is required to pay super for any employees.

The main features of a partnership structure are:

- income, losses and control of the business is shared among the partners
- the partnership has its own TFN and must lodge an annual partnership return showing all income and deductions of the business
- a partnership doesn't pay income tax on the profit it earns - each partner pays tax on the share of the profit they receive
- a partnership has its own ABN
- a partnership must be registered for GST if its annual turnover is \$75,000 or more.

As a partner you **cannot** claim deductions for money drawn from the business. Amounts you take from a partnership business are not wages for tax purposes.

Personal Services Income (PSI)

If you are paid mostly for your personal efforts, skills or expertise, you might be receiving personal services income (PSI) and you may have to treat deductions in relation to this income differently. See our information sheet on PSI by visiting our website.

For further information:

<https://www.ato.gov.au/Business/Starting-your-own-business/Choosing-your-business=structure/Partnership/>