

# Setting up as a partnership

Running a business with someone else? A partnership is a straightforward way to share control, profits, and responsibilities—while keeping things relatively simple.



## What is a partnership?

A partnership is when two or more people carry on a business together with the goal of making a profit.

- ➔ Each partner shares in profits, losses, and responsibilities.
- ➔ It's not a separate legal entity, meaning partners are personally liable.
- ➔ Governed by a partnership agreement (while not mandatory it is strongly recommended to avoid disputes down the track!).



## How do I set this up?

- ➔ **Apply for an ABN** – in the name of the partnership.
- ➔ **Register a business name** – If trading under a name that's different to the partnership name (usually required).
- ➔ **Draft a partnership agreement** – Covers profit sharing, roles, exits, and dispute resolution - while not mandatory it is always a good idea to put in writing.
- ➔ **Open a partnership bank account** – In the partnership's name.
- ➔ **Apply for a TFN** – The partnership needs its own tax file number.
- ➔ **Register for GST** – If expected turnover exceeds \$75K.
- ➔ **Get licences/permits** – As required by your industry/business type.



## Benefits of a partnership structure for your business...

- ✓ **Simple & inexpensive to Set Up** - not as expensive or difficult as trusts/companies.
- ✓ **Shared responsibility** – Tasks, costs, and decisions are shared.
- ✓ **Tax transparency** – Each partner pays tax on their share of profit.
- ✓ **More resources** – Combine skills, capital, and experience.



## Key considerations & responsibilities...

- ➔ **Unlimited liability** – Each partner is personally liable for partnership debts.
- ➔ **Joint liability** – You can be held responsible for another partner's actions or debts.
- ➔ **Disputes can be costly** – Strong agreements and communication are essential.
- ➔ **Dissolution is complex** – Ending a partnership can be messy without proper planning.
- ➔ **Limited scalability** – Often not suitable for long-term growth with external investors.



## Ongoing compliance checklist...

- ✓ ABN and TFN registered in the partnership's name.
- ✓ Annual partnership tax return must be lodged (no tax is paid by the partnership as profits flow through to partners).
- ✓ Each partner includes their share of income in their individual returns.
- ✓ Good record-keeping is needed for income, expenses, and any partnership changes or decisions.
- ✓ An annual review of the partnership agreement is wise to ensure it remains relevant.



### **When a partnership might be best for your business...**

- ✓ You're starting a business with one or more other people.
- ✓ You want to share risk, cost, and day-to-day involvement.
- ✓ You're not ready (yet) for a company structure.
- ✓ You can trust and communicate openly with your business partner(s) and accept the extra liability.

While this guide is designed to give a general overview, it does not constitute legal or financial advice. If you need any advice or assistance starting out on your business journey in a partnership, we can help.

Reach out to us today to start the conversation

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