

# Setting up as a sole trader

Starting small? Want to test your business idea before committing to a more complex structure? Setting up as a sole trader is often the simplest and fastest way to get started.



## What is a sole trader?

A sole trader is an individual running a business in their own name. It's the simplest and most cost-effective structure to set up—perfect for freelancers, consultants, tradespeople, and early-stage startups.

- ➔ You own and control the business entirely.
- ➔ You are personally responsible for all debts and legal obligations.
- ➔ There is no legal separation between you and the business.



## How do I set this up?

- ➔ **Apply for an ABN** – Register via the Australian Business Register.
- ➔ **Register a business name** – Required if you won't trade under your own name.
- ➔ **Set up a business bank account** – Keeps income and expenses separate from your personal finances.
- ➔ **Get any required licences** – Depending on your industry or state.
- ➔ **Register for GST** – If you expect to earn over \$75,000 per year.
- ➔ **Start operating** – You're ready to go!



## Benefits of a sole trader structure for your business...

- ✓ **Easy & low cost to set up** - You can generally do yourself without any professional assistance.
- ✓ **Full control** - You make all the decisions.
- ✓ **Less compliance** - Fewer reporting and regulatory obligations.
- ✓ **Tax simplicity** - Income is declared in your personal tax return.



## Key considerations & responsibilities...

- ➔ **Unlimited liability** - You're personally liable for all business debts and obligations.
- ➔ **Limited tax planning** - All profits are taxed at your personal tax rate.
- ➔ **No separation of assets** - Business and personal assets are legally the same.
- ➔ **No succession planning** - The business can't be passed on as a separate entity.
- ➔ **Perception** - In some industries this may be seen as less credible by lenders or large clients.



## Ongoing compliance checklist...

- ✓ You will use your existing TFN (for business income as well)
- ✓ You'll need to lodge your individual tax return annually (including a business schedule to report income and expenses)
- ✓ Pay PAYG instalments if required (this helps with pre-paying tax)
- ✓ Register for GST if your turnover exceeds \$75K
- ✓ Ensure you keep clear business records for 5 years



### **When a sole trader might be best for your business...**

- ✓ You're starting out solo or freelancing
- ✓ You want to test a business idea with minimal upfront cost
- ✓ You don't need to bring in other owners or investors (yet)
- ✓ You're comfortable taking on full personal risk

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, we can help.

Reach out to us today to start the conversation

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