You may be a Sole Proprietor, a Partner or a member in a CC…

All types of business entities have different Advantages and Disadvantages.

This is a summary of them:

SOLE PROPRIETOR

Advantages…Sole Proprietor	**Disadvantages…Sole Proprietor**
There are no formal requirements for the creation or running of the business.	The sole proprietorship is not a separate legal entity and the business owner is therefore responsible for all debts in the business. His/ her personal assets can be attached for debt.
All the profits accrue to the sole proprietor.	The full value of the business forms part of the sole proprietorship estate in the event of death. This could lead to estate duty being paid.
There are no restrictions on the capital employed in the business.	The business needs to be shut down on the sole proprietors death, there is no automatic continuation of the business on death. Special provision can be made via the will though.
Capital gains inclusion rates are lower for individuals than for business entities. The sole proprietor also enjoys the normal tax rebates and the annual capital gains exclusion.	
The sole proprietor can run the business as he sees fit, he has full control over the business.	
The termination of a sole proprietorship is far simpler than in other cases. Simply ensure that obligations are met and cease to do business.	

PARTNERSHIPS

Advantages…Partnerships	**Disadvantages…Partnerships**
There are no formal requirements for the creation of a partnership.	Not a separate legal entity and therefore partners are liable for the partnership debts in their own capacity. The personal, individual assets of the partner may be attached for the liabilities of the partnership under certain circumstances.
There are no formal requirements for the running of the business. This makes partnerships an inexpensive business entity to run.	The partnership terminates on the death of a partner. Unless there are sufficient funds available to buy the deceased partner’s share or to pay his share in cash, the assets of the partnership will

	have to be sold.
Partners are taxed in their own capacities, which could lead to lower taxation, depending on the level of income of the individual.	A partner may not be a member of a pension/ provident fund , as there is no employee/employer relationship between the partnership and its partners.

CLOSE CORPORATIONS

Advantages…Close Corporation	**Disadvantages…Close Corporation**
Is a separate legal entity and is therefore not affected by the death of a member.	Under certain circumstances, the members can be held personally liable for the debts of the close corporation.
The members are only liable for debts of the corporation under a number of specified circumstances.	All the members have to give their consent for the disposal of a member's interest and they have to be given preference to third parties to acquire the interest.
Registration of a close corporation is relatively simple and inexpensive when compared to a company.	A close corporation may only have 10 members and only natural persons and trustees of testamentary trusts may be members. This also has the effect that a close corporation cannot become part of a group of business entities, except as the top holding entity.
Members will not pay tax on all the profits of the close corporation as is the case with a partnership. The close corporation will pay tax at a flat rate, whereafter the profits can be distributed to the members as a tax-exempt dividend, but subject to a withholding tax of 10% in the hands of the close corporation.	An inter vivos trust cannot hold the interest in a close corporation.
The Act is not very prescriptive as far as meetings and procedures are concerned. The running of a close corporation is much simpler than that of a company. An audit is not required for a close corporation.	The inclusion rate for Capital Gains Tax is higher than for individuals. Close corporations do not qualify for the primary abatement applicable to individuals.
A close corporation may acquire the interest of a member, or it may assist members financially to acquire the interest of a member.	

COMPANIES

Advantages…Companies	Disadvantages…Companies
Shareholders cannot be held liable for the liabilities of the company, as the company is a separate legal entity.	An annual audit must be performed.
Private company can have up to 50 shareholders. Public company unlimited.	Constant rate of tax, regardless of the income level.
Shares in a company are easily transferable.	Subject to capital gains tax and the inclusion rate is higher than for individuals.
A trust can own shares in a company.	

INCORPORATED PRACTICES

The Companies Act makes provision for the incorporation of companies where the directors accept personal liability for the companies liabilities.

Advantages...Incorporated Practice	Disadvantages…Incorporated Practice
The tax rate for companies (28%) is lower than the maximum tax rate for individuals. Qualifying small businesses may even pay less tax.	An incorporated practice is more expensive than a partnership to run.
The company structure offers continuity in the event of a shareholder's death. Not so in a partnership.	
There is an employer/employee relationship between the company and its employees.This means that pension and provident funds may be established.	
The company structure will allow the increase in shareholders to 50, rather than the 20 in a partnership.	
Structure that many professionals make use of.	