

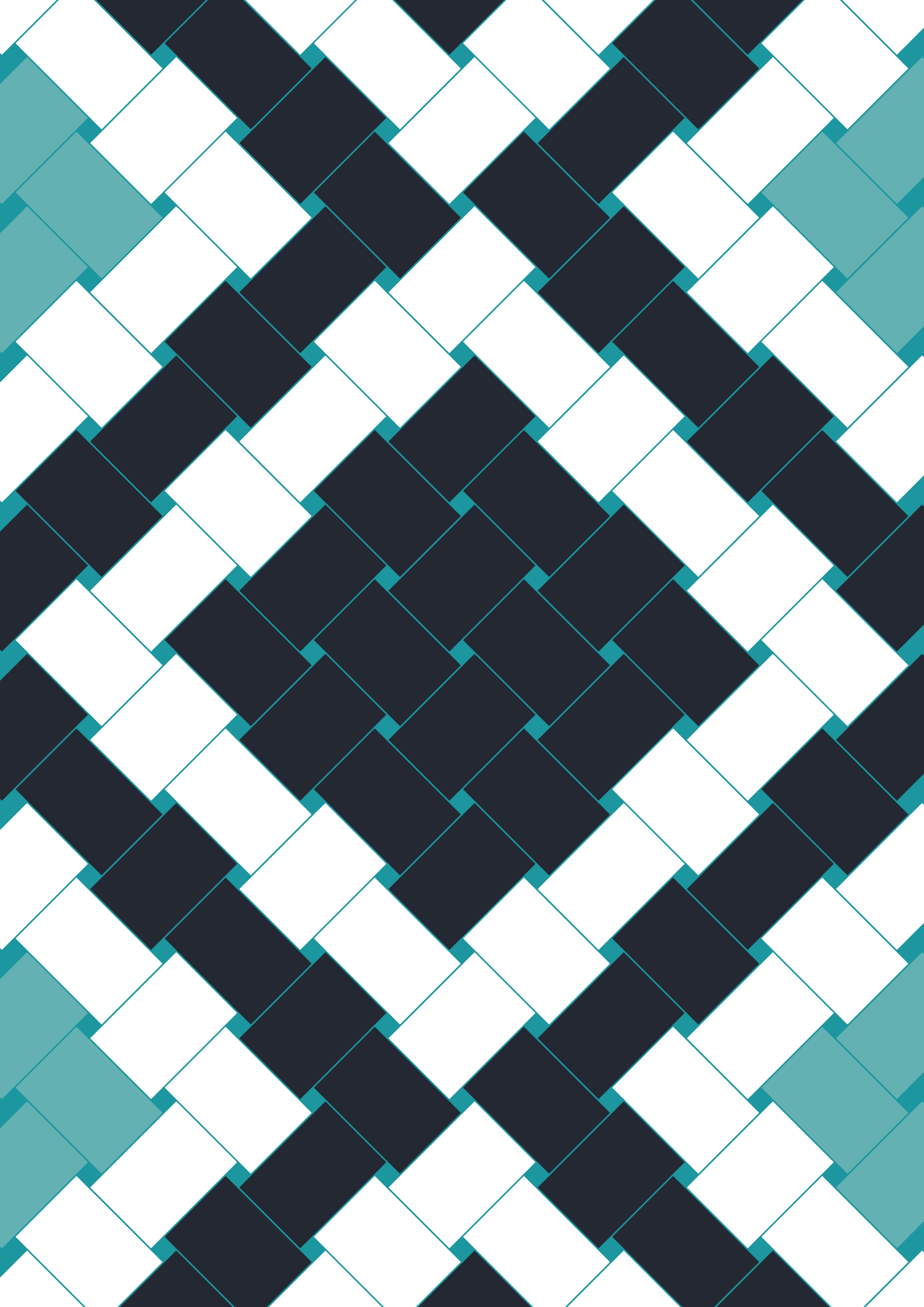
Module 7

Ngā hanganga pakihi

Business structures

Weaving your creative passion and business





HEI TE WĀ KA
TIMATA KOE ME
WHIRIWHIRI
TĒTEHI
HANGANGA E
PAI ANA MŌU.

When you're starting out, you need to choose a structure that works for you.

The most common business structures are:

- **Sole trader**
- **Partnership**
- **Company**

Most individual artists choose to operate as a sole trader, because as a sole trader you run your business by yourself.

There is no formal registration needed, but you are personally responsible for all taxes and debt. Keeping up with this takes discipline!

You'll get 100% of the business profits (after your costs and tax). Like anyone in business, you need to keep financial records to work out your net profit (income minus expenses). There are great online accounting services that make this way easier, like Xero and MYOB. These really help you out at the end of the tax year (31st March) when you need to file an IR3 return.



A partnership is formed when two or more people join to form a business.

Each partner contributes something to the partnership and in return get a share of the profits and losses.

Each partner is responsible for all the partnership's debts. This means if the partnership is unable to pay its debts, the partners will need to pay their share based on their share in the partnership.

A partnership is its own entity, with its own IRD number. At the end of the financial year (31st March), the partnership needs to file an IR7 return. The profits or losses from this are then distributed to the partners and the partners pay the tax as individuals.



A company is a separate legal entity. It can buy assets and borrow money in its own name.

It is registered through the New Zealand Companies Office and has its own IRD number.

When people form a company, they get shares based on the amount they have contributed.

Many companies have Limited or LTD at the end of their name. This means that if the company gets into financial difficulty, a shareholder's personal liability is limited to their share in the company. At the end of the financial year, the profits are distributed to the shareholders and then the company files an IR4 return. The shareholders then file their individual IR3 returns.

The business structure you choose will determine how you do your taxes. Here's a link to help you work out what structure best suits your business.



AHAKOA KEI WHEA KOE
I RUNGA I TŌ HĪKOINGA
PAKIHI, E TINO HIAHIA
ANA TE TIMA O
CREATIVE WAIKATO KI
TE RONGO MAI I NGĀ
RINGATOI KEI TŌ MĀTOU
ROHE. KUA UTUA
MĀTOU KI TE AIWHI I
NGĀ RINGATOI, NŌ
REIRA ME WHAKAPĀ
MAI KI A MĀTOU.

**No matter where you're at in your
business journey, the team at Creative
Waikato love hearing from artists in our
region. We're here to help, so please
don't be a stranger.**