

What Is A Pty Ltd Company?

There are several different kinds of companies you can start if you want to go into business in Australia. The companies can be sole proprietor, partnership or a proprietary limited company, also known as a Pty Ltd company.

It is simple enough to know what the sole proprietor and the partnership involve. But it can be difficult to understand what the Pty Ltd company is. Let's first take a look at the pros and cons of starting a Pty Ltd Company.

Pros-

As a Proprietar Limited company the company itself stands legally as a separate entity. That means it is liable for itself. In the Pty Ltd company there are share holders and their liability to the company is limited. This means that when they invest into shares they are only risking their investment. They can't lose more than that.

Pty Ltd companies can be started by one person or by several people, which gives a lot of freedom for who you want to work with and include in the beginning phases of business. On top of all of this the company is not terminated by the death of a shareholder nor a bankruptcy of a director or shareholder, because it is an entity of itself. Additionally minors are allowed to be shareholders as well, giving you that much more room to get investors.

Cons-

On the other hand Pty Ltd companies tend to have higher initial costs and the on-going cost of business is also usually more. There are more people in the company so it can take more time and work to make decisions and changes in the company. Pty Ltd companies are also taxed differently, actually they are taxed on company tax. This is called the corporation tax and it is 30%, as a sole proprietor or partnership you aren't taxed this way, but of course there are pros and cons of this tax as well, depending on how much money the company makes.

Another con for Pty Ltd companies is when you want to break them up, or close the company, there is a lot more involved because of shareholders, and who owns the company and such. This is part of the company being so complex in the way it is set up, which again has its good and bad points.

One last con of having a Pty Ltd company is the directors have a lot responsibility. In addition to everything they are responsible for with other company structures, they also have to follow many rules as outlined in the Corporation Law. This means they have to be especially careful to consider all options for the company and make sure all applicable guidelines are being followed. This could be very time consuming and it may help to have additional directors because of all the work involved.

Pty Ltd companies are definitely more complex than other structures, but they usually have a lot more room for growth and can attract new investors quickly for up coming projects. While it might cost more to start a Pty Ltd company, the ends may justify the means if you can handle the extra work and complexity of the structure.