

Structuring Your Business Entity for Growth

Presented

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Types of business entities

- Sole Proprietor
- Partnerships
- Companies
 - Private Companies
 - Public Companies
 - Listed Companies

Pros and Cons of each type of Entity

- Sole Proprietor

- Pros: Freedom and full control on the business. Less expensive, less formalities, lesser legal requirements, less paperwork. Tax wise the business income is your personal income and business income can be deducted as expenses
- Cons: No protection of personal assets from business liabilities, Usually more tax, lacks. Credibility in the market, difficult to obtain financing and business expansion, no limited liability

- Partnerships

- Pros: Additional Heads & Resources compared to Sole Proprietorship, in terms on additional finance, knowledge and management contributed by the partners.
- Cons: Depending on the Partnership Agreements, all partners will not have the freedom to act and decide as freely as in Sole Proprietorship. The partners are personally liable for the business debts, though it may not be the same for all partners depending on the partnership agreement. Legal requirements not so much binding on the entity. Each partner is also liable to income-tax on the share of profits earned from the partnership.

Pros & Cons of each type of Entity

Limited Companies

Private Companies (Minimum two shareholders and maximum 50 shareholders); Public Companies (Minimum 7 shareholders); Listed Companies

Pros

Less financial exposure for the shareholders. Tax laws more favorable. Ability to work for large corporate clients; more option and ways to obtain financing for business operations and expansion.

Cons

More formalities and administrative and regulatory matters to comply. More expensive to register and operate a company. Higher level of Accounting and financial reporting

Current Trends in Structured business

- CSR
- Corporate Governance
- Transparency
- Going Green
- Accounting – IFRS
- Integrated Reporting

Taxation on Business Entities

- Income tax
- Commercial Tax
- Special Commodities Tax

Why work with a structure?

- To have an organization that has legal framework to protect the owners and the organization complying that framework to give confidence to the stake holders.
- Clearer in dealing with tax issues.
- Easier to work on financing and business expansion (going public/ getting listed)
- Having the proper structures to work on CSR issues and Corporate Governance.
- Better opportunity to conduct branding
- Can create corporate visions, missions and have systematic organizational to enhance business growth with good governance