

Item	Sole proprietor	Partnership	CC	(Pty) Ltd	Trust
Legal liability	Personal assets always at risk for business activities.	Same as sole proprietor (even due to 'fault' of partner).	Personal assets only at risk in certain instances (eg sureties, reckless trading).	Personal assets only at risk in certain instances (eg sureties, reckless trading).	Personal assets only at risk in certain instances (eg sureties, reckless trading).
Business insolvency	Private and business assets at risk.	Private and business assets at risk.	Business assets at risk (unless sureties, reckless trading, etc).	Business assets at risk (unless sureties, reckless trading, etc).	Business assets at risk (unless sureties, reckless trading, etc).
Death of owner	Business terminates.	Partnership terminates.	CC continues.	Company continues.	Trust can continue in accordance with trust deed.
Disablement of owner	Problematic for business.	Problematic for business partner.	Problematic for business partner, but business can continue.	Problematic for business partner, but business can continue.	Trust can continue in accordance with trust deed.
Bookkeeping	Advisable, but not required.	Advisable, but not required.	Proper accounting required.	Proper accounting required.	Proper accounting required.
Annual financial statements	Advisable, but not required.	Advisable, but not required.	Required by law.	Required by law.	Required by law.
Audit of business activities	No.	No.	No.	Yes.	No.
Succession	Only assets can be transferred to new owner.	Only assets can be transferred to new owner.	Members' interest in CC can be sold to new owner.	Shares in company can be sold to new owner.	Governed in trust deed.
Suretyships	Always responsible for debts of business.	Always responsible for debts of business, even if incurred by partner.	Only responsible for debts of CC, if signed suretyship agreement for CC exists.	Only responsible for debts of company, if a signed suretyship agreement for company exists.	Only responsible for debts of trust, if signed suretyship agreement for trust exists.
Control	You are in control.	Control is shared.	Controlled by members.	Controlled by shareholders.	Controlled by trustees in terms of trust deed.
General perception	Informal trader.	Not really a formalised business.	Formal, but not recognised as being as safe as a company.	Formalised business, 'safer' to do business with.	"I know very little about trusts!"
Legislation	Laws of RSA.	Laws of RSA.	Close Corporations Act and laws of RSA (Close Corporations Act subject to change in near future).	Companies Act and laws of RSA (Companies Act subject to change in near future).	Trust Property Control Act and laws of RSA.
Taxation of profits	Maximum tax rate of 40% applicable to profits (at a progressive rate). No secondary tax on companies (STC).	Maximum tax rate of 40% applicable to share of profits (at a progressive rate). No STC.	Subject to taxation at flat rate of 29% (beneficial rates, if CC is a small business corporation as defined) <u>plus</u> STC at 10% on dividends distributed.	Subject to taxation at flat rate of 29% (Beneficial rates, if company is a small business corporation as defined) plus STC at 10% on dividends distributed.	40% tax.
Ownership	Natural persons.	Natural and juristic persons (ie CC can be in partnership with a natural person).	Can be owned by natural person and trust (subject to certain conditions). Cannot be owned by company.	Can be owned by natural person and trust. Can be owned by CC.	
Capital gains tax: • Inclusion rate • Maximum effective rate • Annual exclusion	25% 10% R15 000 per person.	25% 10% R15 000 per person.	50% 14,5% R 0 (Small-business assets subject to special rules.)	50% 14,5% R 0 (Small-business assets subject to special rules.)	50% 20% R 0 (unless special trust).
Provisional taxpayer	Yes.	Yes.	Yes.	Yes.	Yes.
Agreements between owners	N/a.	Partnership agreement.	Association agreement.	Shareholders' agreement.	Beneficiaries' agreement.

Extract from opinion of Thayn Niemand (advocate), on behalf of Financial Management Corporation, to a client considering advantages and disadvantages of trading as a CC (or company) as opposed to a sole proprietor or in partnership.

Please note that these notes are merely indicators of some issues that need to be considered and are not intended to replace the taking of professional advice, which is strongly recommended.