

Business Legal Structures

Legal Structure	Cost and Ease to Establish	Liability of Owners	Continuity of the Business	Management Control	Ease of Raising Capital	Tax Implication
Sole Proprietorship	Least expensive simplest form to establish	Unlimited personal liability	No provision for continuity in case of death of proprietor	Owner has control over all management decisions	Borrowing by owner or from owner's personal assets	Owner pays taxes at the individual rate on net income of business
Partnership Firm	Minimal expense. Written agreement called Partnership Deed	Unlimited personal liability for each partner for any and all partnership debts	May be dissolved by death or withdrawal of general partner	Management by majority rule among partners	Borrowing or bringing in other partners	Tax is determined for the firm.
Private Limited Company	Statutory requirements include Memorandum of Association and Articles of Association	Liability limited to Investment	Partner's death or withdrawal does not affect partnership.	Majority controls the management. Board of directors elected by shareholders.	Borrowing, other debt instruments, Borrowing.	Pays taxes at the corporate rate
Public Limited Company	Statutory requirements include Memorandum of Association and Articles of Association Minimum 7 Shareholders	Liability limited to the amount invested	Creates degree of continuity; continues despite death or withdrawal of member	Management by majority rule of members. Board of directors elected by shareholders.	Borrowing, other debt instruments, Sale of Stock.	Pays taxes at the corporate rate