



Different business structures

This factsheet tells you about how your business income will be taxed as this will make it easier for you to meet your tax obligations.

Tax responsibilities for different business structures

Each year your taxable income is worked out by deducting expenses (and any available losses) from your gross income. The result will be a net profit or loss.

There are three common business structures:

- Sole Trader
- Partnership
- Company

Sole Trader

A sole trader is a person who:

- Goes into business and trades on their own.
- Is personally responsible for all taxes and debts.
- Uses their own RMD number for the business.
- Can trade under a trade name, employ staff and register for VAT. It's important before you register for VAT or as an employer that you seek advice from us, an accountant or a tax advisor about whether or not you need to register. There may be financial implications if you need to de-register at a future date.

If you become a sole trader, you need to let us know so we can update your records.

Partnerships

A partnership is where two or more people join together to run a business and the following criteria apply:

- Partnerships need to apply for a new partnership RMD number.
- Profits and/or losses are usually shared equally between partners unless a partnership agreement states otherwise.
- Each partner is personally responsible for any partnership debt.
- They can trade under a trade name, employ staff and register for VAT. It's important before a partnership registers for VAT or as an employer that they seek

advice from us, an accountant or a tax advisor about whether or not they need to register. There may be financial implications if they need to de-register at a future date.

Company

- A company is a legal entity, separate from the shareholders that own the company.
- A company will need to apply for a company name and for its own RMD number.
- The shareholders liability for losses is limited to the amount of their shareholding in the company.
- A company has a greater number of compliance responsibilities than a sole trader or partnership. Companies not only have compliance responsibilities with Revenue Management but also the Ministry of Justice.
- A company can apply for an RMD number, register as an employer and register for VAT after it is incorporated through the Ministry of Justice.

It's important before a company registers for VAT or as an employer that they seek advice from us, an accountant or a tax advisor about whether or not they need to register. There may be financial implications if they need to de-register at a future date.

Remember these handy tips

It's important for records to be easily readable and organised enough for you or anyone to work through them quickly.

If you store your records on a computer, be sure to keep back-up copies in case your system breaks down. It's a good idea to keep the back-ups off site.



Starting a business - checklist

Use this checklist to work out what you need to do when you're starting a business

There's lots to consider when starting up a business. The following checklist will be helpful to keep track of what you need to do.

Tick the boxes once you've completed each step (if they apply to you).

Professional advice

- Talk to an accountant or tax agent.
- Choose your business structure, eg, sole trader, partnership, company.
- Get help to create a marketing plan/business plan.
- Prepare a cashflow projection.
- Set up a business bank account and a separate bank account for tax.

Revenue Management Division

- Register for a E-Filing secure online services account.
- If you're a sole trader, tell us when you start your business so we can send you the correct information.
- Work out if you need to register for VAT.
- If you are employing staff, register as an employer.
- If you are importing, register with Cook Island Customs or alternatively engage a customs agent.

Keeping records

- Keep a business diary for appointments and important contact details.
- Set up a record keeping system and keep all business-related invoices and receipts.
- Home office—calculate the area of your home being used for business.
- Start a vehicle logbook.
- Buy or create an invoice book (or tax invoice book if registering for VAT).
- If employing staff, buy or create a wage book.
- Set up an asset register (may also be called a depreciation schedule).
- Using your own assets? Get a written valuation of any private assets being introduced into the business.

Other agencies

- Cook Islands Superannuation Fund - it is now law if you are employing staff that you must also be register with CISF.
- Ministry of Foreign Affairs and Immigration - if you are employing foreigners, ensure that they have a current work visa.
- Ministry of Internal Affairs - if you are employing staff, familiarise yourself with the Employment Relations Act.