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Business structures

From CompanyFormationWiki, the free encyclopedia of company formation · Last updated 25 November 2026

A **business structure** (or legal form) determines who owns a business, who is liable for its debts, how it is taxed and what it must disclose. The table below compares the most common forms in general terms; exact rules depend on the country.

Structure	Separate legal person	Owner liability	Typical paperwork
Sole proprietorship	No	Unlimited	Minimal
General Partnership	Usually no	Unlimited, often joint	Low
Limited partnership	Varies	Limited for limited partners	Moderate
Limited liability company	Yes	Limited	Moderate
Corporation	Yes	Limited	Higher

Choosing between them usually turns on risk, the number of owners, plans to raise investment, and tax treatment.

Frequently asked questions

Which structure is best for a small business?

There is no single answer. Many owners start as a sole trader for simplicity and form a company once the risks or profits grow enough to justify limited liability and more paperwork.

Can I change my business structure later?

Usually yes. For example, a sole trader can transfer the business to a new company. Changing structure can have tax consequences, so take advice first.

What is pass-through taxation?

A system where the business itself pays no income tax. Instead, profit is taxed on the owners' personal returns, as with US partnerships and LLCs by default.

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Source: https://companyformationwiki.com/business-structures/
Version: last updated 25 November 2026. Check the online version for later changes.

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