

Legal Clinic for Start-Ups and Entrepreneurs.

Organiser : BEDB and Law Society of Brunei Darussalam
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Topic : Types of Business Set- Ups.
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Types of Business Set-ups.

1. Doing business in own name

- Enter into contracts in your own name.
- Self employed.
- Suitable for self employed individuals.
- Freelance web designer, programmer, consultant, fruit seller , baby sitter, etc.

Doing business in own name

Advantages

- No registration or filing formality.
- Can start immediately.

Disadvantages

- More suited for self – employed individuals.
- No branding or trade name permitted.
- Unattractive to employees interested in career advancement or better employment prospect.

2. Sole Proprietor Firm

- Sole Owner. No partners.
- Enter into contracts in the name of the Firm.

Sole Proprietor Firm

Advantages

- Provide public record of owner.
- Inspires confidence.
- Branding or trade name permitted.
- Easier to attract employees. Possible to apply for labour quota to employ foreign employees .
- Full control of business.
- Can expand business by hiring more employees or inviting new partners.
- No income tax for now.

Disadvantages

- Registered Proprietor solely responsible for business debts .
- Need to register the firm and comply with filing formality.

3. Partnership Firm

- More than one business owners or partners.
- Enter into contracts in the name of the Firm.

Partnership

The relationship which subsists between persons who have agreed to combine their property, labour or skill in some business, and to share the profits between them.

Partnership Firm

Advantages

- Can pool in resources of more than one person with a common view to make profit.
- Partners can delegate functions and authorities to each other .
- One partners action on behalf of the firm binds the other partner.
- No income tax for now.

Disadvantages

- Need to register the firm with names of all the partners.
- Each partner is responsible for the entire debt of the firm.
- Complication if partner's name not registered.
- Negotiating partnership duties and responsibility may be complicated.
- Death of one partner or dispute between partners may affect operation of business.
- Complicated legal procedures if partnership breaks up.

Business Names Act, Cap. 92

- Registration of Business names.
- Sole proprietorships or Partnerships need to be registered as a 'firm'.
- Beware of unregistered partners and 'Ali Baba' setups.
- Consult a lawyer when entering into a partnership.

4. Incorporation (limited liability company)

- Companies Act, Cap. 39.
- When one or more people decide to do business together .
- with common vision though not necessarily having common skill sets.
- Example: Passive investors joining forces with skilled entrepreneurs.
- Shareholders – owners of shares in a company.
- Directors- officers who manage the business of the company.
- Residence requirement for directors.
- Company is a ‘separate and distinct’ entity.

Incorporation (limited liability company)

Advantages

- Debts of business are not debts of shareholders (meaning of limited liability).
- Directors elected by shareholders have well defined legal duties owed to the Company.
- Directors may be removed by majority vote of shareholders.
- Business unaffected by death of shareholders.

Incorporation (limited liability company)

Disadvantages

- Procedure to incorporate more complicated.
- Annual filing requirement .
- Need to retain professional to keep statutory records- higher compliance cost.
- Must appoint an auditor.
- Must file annual income tax return irrespective of whether business makes a profit or not.
- Profit of company liable to Income Tax

5. International Business Company

- For offshore business.
- No business dealings in Brunei other than incidental to maintaining the business set up.
- Wholly tax exempt.

6. Co-operatives

- Registered societies wishing to promote the economic interest of its members in accordance with co-operative principles
- Co-operative Societies Act, CAP. 84

7. Limited Liability Partnership

- Limited Liability Partnership Order 2010.
- Independent legal Entity.
- Limited partners not liable for the debts or liability of the Limited Partnership or other partners.
- Partner in the wrong will still be personally liable in tort, as will the Limited Partnership.