

Here is a **simple breakdown of common legal structures** in foreign countries like the **USA, UK, Canada, and Australia**, especially relevant for Indian Chartered Accountants offering **outsourced accounting services** or trying to understand their **foreign clients' business types**:

◆ 1. LLC – Limited Liability Company (Mainly USA)

✓ Key Features:

- Separate legal entity from owner
- Limited liability protection to owners (called *Members*)
- Flexible tax treatment: Can be taxed as Sole Proprietor, Partnership, or Corporation
- No restriction on foreign ownership (in most states)

🔍 Common Use:

- Popular among small businesses, freelancers, consultants
 - Many US clients (even solo entrepreneurs) register as LLCs
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◆ 2. Sole Proprietor / Sole Trader (Common in US, UK, AUS, CAN)

✓ Key Features:

- Easiest and cheapest to set up
- No legal separation between owner and business
- Owner personally liable for business debts
- Income taxed in the hands of the owner

🔍 Common Use:

- Freelancers, consultants, and small startups
 - Often used in the early stages of business
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◆ 3. LLP – Limited Liability Partnership (Used in UK, India, AUS)

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✓ Key Features:

- Partnership structure with limited liability
- Each partner has protection from the other partner's misconduct or negligence
- Taxed as a pass-through entity in most countries (UK/AUS)
- Not common in the US (they use LP or LLP with state-specific rules)

🔍 Common Use:

- Professional firms like Law, Accounting, Consultancy
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◆ 4. Corporation (Inc / C Corp / S Corp – USA)

✓ Key Features:

- Separate legal entity, limited liability
- C Corp: Separate taxation (double taxation – corporate + dividends)
- S Corp: Pass-through taxation, but limited to US residents/citizens

🔍 Common Use:

- Medium to large businesses
 - Venture-funded startups
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◆ 5. Private Limited Company / Pty Ltd (UK, AUS)

✓ Key Features:

- Similar to Indian Pvt Ltd
- Separate legal entity
- Limited liability to shareholders
- Directors and shareholders can be different people

🔍 Common Use:

- Startups, SMEs, Tech and Accounting Firms
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Summary Table:

Structure	Liability	Taxation	Popular In	Suitable For
LLC	Limited	Flexible	USA	Freelancers, small firms
Sole Proprietor	Unlimited	Personal level	All countries	Solo professionals
LLP	Limited	Pass-through	UK, India, AUS	Partnerships, CA firms
Corporation (Inc)	Limited	Corporate or Pass-through	USA	Growing companies
Pvt Ltd / Pty Ltd	Limited	Corporate tax	UK, AUS	Small to medium companies