

Benefits of Incorporating a Medical Fee-for-Service Practice

Legal and Financial Benefits

1. **Limited Liability:** Incorporation provides limited liability protection, meaning personal assets are protected from business debts and liabilities.
2. **Tax Advantages:** Corporations often benefit from lower corporate tax rates compared to personal income tax rates. They can also take advantage of tax deferral opportunities.
3. **Income Splitting:** Incorporation allows income splitting with family members, which can lower the overall tax burden.
4. **Retained Earnings:** Corporations can retain earnings within the company, allowing for reinvestment in the practice or saving for future expenses.
5. **Deductible Expenses:** Many business expenses, including health insurance, professional development, and retirement contributions, can be deducted, reducing taxable income.

Management and Administrative Benefits

1. **Employee Benefits:** Corporations can offer more comprehensive benefits to employees, including health insurance, retirement plans, and stock options, which can help attract and retain talent.
2. **Clear Separation of Finances:** Incorporation ensures a clear separation between personal and business finances, simplifying accounting and financial management.
3. **Governance Structure (for larger clinics):** A corporate governance structure (e.g., board of directors) can provide more structured decision-making processes and strategic oversight.

Operational Benefits

1. **Professional Image:** Incorporation can enhance the professional image and credibility of the practice, potentially attracting more patients and partnerships.

The content of this guidance document is intended to provide general information and guidance to the reader on the subject matter. The NBMS does not provide legal/accounting or professional advice. Specialist advice should be sought about your specific circumstances where necessary.

2. **Continuity:** Corporations have perpetual existence, meaning the practice can continue seamlessly in the event of the owner's death or retirement.
3. **Ease of Transferability:** Ownership of a corporation can be transferred through the sale of shares, facilitating easier transitions or sale of the practice.
4. **Investment and Expansion:** Corporations can more easily raise capital through the sale of shares or by attracting investors, aiding in expansion or modernization efforts.

Succession Planning

1. **Business Continuity:** Corporations can continue to operate independently of the original owner, ensuring business continuity and a smoother succession process.
2. **Estate Planning:** Incorporation can be advantageous for estate planning, as shares of the corporation can be transferred to heirs, potentially with favorable tax treatment.

Specific Considerations for Medical Practices

1. **Professional Corporations:** In many jurisdictions, physicians can form professional corporations that combine the benefits of incorporation with the ability to maintain certain professional standards and practices.
Regulatory Compliance: Incorporated medical practices may find it easier to comply with various regulatory and licensing requirements due to more formalized administrative structures.