



## Professional Incorporation

### **Corporations, partnerships and other organizations**

A properly setup professional incorporation for your dental, medical or veterinary practice and planned estate is essential to the long-term well-being of a practitioner and his/her family. In certain circumstances, savings on income earned can be realized above and beyond what would be the case if one merely drew a salary as a partner of a professional practice.

Depending on one's level of income, there can be many benefits to incorporating. Whether or not it is in your interest to incorporate, will depend on how you see your future prospects and/or your current level of income. Dividend income (the money a shareholder of an incorporated practice will take out of the practice) is taxed at a much lesser rate than income taken as a salary. It must be remembered, however, that an incorporated practice also pays separate tax. In other words, you will be taxed on both the salary and dividend income as an individual as well as the income earned by the corporate entity. Nevertheless, if one has a busy practice the total amount of tax paid between dividend and corporate taxes will often be significantly less than one would pay by way of tax on a salary.

The individual professional must comply with the governing legisla-

tion of his/her profession and which typically will require that he/she serves as an officer and director of the company and hold a majority of the voting shares. Nevertheless, other classes of shares may be issued such as a class of preferred shares that permit shareholders of that class to participate in the profits of the company. Often this class of share is held by a spouse, a family trust or in some circumstances a separate holding company. The existence of a class of preferred shares allows an income splitting of sorts whereby some profits of the professional corporation can be utilized by the spouse, family trust or holding company at a much lower tax rate therefore resulting in savings.

As a professional, it is important that you give careful consideration to the structure of your practice as it could result in considerable savings over the years. We would welcome the opportunity to discuss the possibility of incorporating your professional practice at anytime.