

Which business structure is right for your practice?

You've got choices: operate as a sole proprietor, organize a partnership or set up a professional corporation. Understand the pros and cons of each practice structure to support your discussions with your financial and legal advisors.

Understanding the attraction to professionals



Did you know?

While each province has its own rules, professions that can incorporate a professional corporation generally include accountants, architects, lawyers, physicians, dentists, veterinarians and engineers.



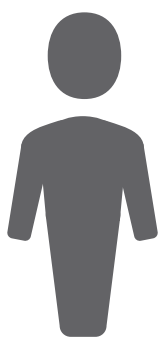
Did you also know?

Most businesses in Canada start out as sole proprietorships. These entities may shift to a corporate structure as income and business complexity increases.

Weigh your options to decide a business structure



Sole proprietor



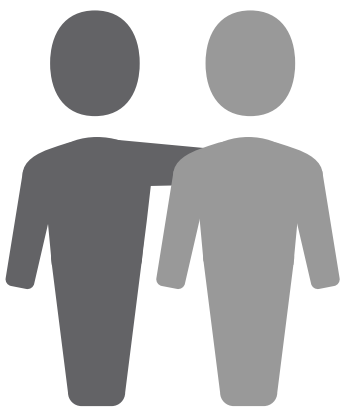
Pros

- Easy to set up
- Minimal cost
- Operate using your own name

Cons

- 100% liability because there is no separation between you and the business
- Taxed at a high personal tax rate

Partnership



Pros

- Share the risk and liability with another professional
- May use a trade name (e.g. Kamloops Family Dental Office)
- Split responsibilities, like hiring and book-keeping

Cons

- One partner may decide to exit the practice
- Potential for disputes
- Future plans may not align

Professional corporation



Pros

- You own the corporation
- Separate legal entity limits liability
- Lower tax rate than individual rate
- Easy to transfer ownership when you retire

Cons

- Set-up costs may run \$5,000+
- Annual cost to prepare and file financial statements
- Double taxation: pay corporate income tax and personal tax on salary
- More paperwork

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