

Business Law for Dentists



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Your Business Law Needs

Perley-Robertson, Hill & McDougall's Business Law Team can assist you with all aspects of corporate and commercial law, including incorporation of a dentistry professional corporation, drafting and reviewing contracts, drafting shareholders' agreements and buying or selling your dental practice.

What is a dentistry professional corporation?

Ontario's Business Corporations Act was amended in 2001 to permit the formation of professional corporations, including dentistry professional corporations. Upon the fulfillment of certain statutory requirements, a professional corporation can be created to own and operate a dental practice.

A dentistry professional corporation offers the benefits of incorporation that are described herein; however, there are also certain restrictions placed on how it can conduct itself. For example, it must restrict its business to the practice of dentistry and ancillary activities.

Unlike many other professional corporations, a dentistry professional corporation permits family members (including non-professionals) to be non-voting shareholders, and thus receive dividends. This can have beneficial effects in terms of income-splitting and capital gains splitting for families.



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What are the benefits of incorporation?

Limitations on Liability. Dentists operating a business or dental practice that is not incorporated expose themselves to substantial personal liability, much of which is eliminated when that same business or practice is operated through a corporate entity.

Incorporation creates a legal entity for a business that is separate from its shareholders and when a dental practice is incorporated much of the liability that would attach personally to the dentist instead attaches to the corporate entity. This is because shareholders are not personally liable for the commercial debts of the corporation, unless they personally guarantee those obligations. However, incorporating does not protect a dentist from claims of malpractice.

Stability. The continuous legal existence of the corporation also provides for greater stability for the practice over the long-term, as it will live on indefinitely until it is dissolved. In addition, the ability to sell and purchase shares can facilitate a transfer of ownership of a practice.

Flexible Structures. A properly structured corporation will allow a dentist to share the ownership of the corporation, while still ensuring that control of their business remains in their hands.

Tax Planning. There are also several tax planning benefits that come with incorporating, including small business deductions, preferred tax rates, tax deferral and tax advantages on the eventual disposition of the practice. Over time, these savings can be substantial, and represent just some of the ways in which incorporating can be used for beneficial financial planning.



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Why do you need a Shareholders' Agreement?

Clear Structure. Many business partners resist having a Shareholders' Agreement, considering it the business equivalent of an unromantic prenuptial agreement. However, Shareholders' Agreements are a key tool for protecting you, your business partners and your business as they structure the relationships between the parties so that there is clarity and certainty as to the rights and obligations of all involved.

Certainty. Shareholders' Agreements are used to structure the relationship and address a range of practical issues, including when and how to hold meetings, the provision of additional capital and how a shareholder can sell their shares. A Shareholders' Agreement should be a guide book for shareholders, offering certainty on how the parties will manage aspects of the business of the dental practice.

Planning Ahead. Shareholders' Agreements are not only an effective tool to use in the case of a dispute between the shareholders, but they but they are also a key aspect of planning for many different events that can occur over the course of a business relationship and the operation of the practice. For example, drafting a Shareholders' Agreement is a helpful exercise in assisting the shareholders to engage in some important discussions about the "what ifs" of operating a practice, including death, disability or financial problems. If a crisis arises in the operation of your dental practice, it is best to have considered the issue in advance and have a plan in place to address the issue quickly and efficiently.

Who to contact:

Our Dental Law Team is available to answer any questions you may have.



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