

INCORPORATING AN EXISTING DENTAL PRACTICE

The following list outlines issues that would need to be addressed in the process of incorporation of a dental practice.

LEGAL

1. A name must be established for your corporation, following the RCDS guidelines: your legal name, Professional Corporation, and may use the word Dentistry.
2. Lawyer draws up legal documents for incorporating your practice. To organize your company your lawyer will prepare shareholder resolutions, director resolutions and the by-laws of the professional corporation.
3. Lawyer files the Incorporation Documents with the Ministry of Consumer and Business Services along with the appropriate fee.
4. Lawyer sends your application to the RCDS along with a copy of your Articles of Incorporation for their approval of your Professional Corporation, paying the applicable fee. **Have your lawyer send us a copy of this submission.**
5. The RCDS will send you a letter approving your corporation. **Please send us a copy of this letter.**
6. Within 60 days of incorporation, your lawyer must file Form 1 with the Ministry of Consumer and Business Services.
7. Lawyer prepares an agreement transferring your practice assets to the Professional Corporation under Subsection 85(1) once the applicable figures are calculated from your financial statements.
8. Lawyer assigns premises lease and any equipment leases to the Professional Corporation. Obtain necessary consents under these agreements.
9. Lawyer revises any agreements currently in place to reflect the fact that the Professional Corporation will be operating the business:
 - associate agreements
 - cost-sharing agreements
 - employment agreements
10. If you are “Operating as another name”, then the name must be reregistered under your Professional Corporation name.

INSURANCE

1. Change premises insurance to reflect change in business name to Professional Corporation.
2. Add Professional Corporation to professional liability insurance coverage.
3. Contact group benefit provider to ensure that coverage will continue once Professional Corporation commences paying employees.

CCRA

You must make your final remittance for employee deductions within 7 days of the date your unincorporated business ends and file Closing T4's within 30 days.

ACCOUNTING

1. In consultation with you, we will establish the date your Professional Corporation will commence operations and the year-end of the corporation.
2. We will obtain a Business Number for you from CCRA. You will need a corporate and a payroll account.
3. We will prepare Closing T4's for current employees in the proprietorship if you send us your payroll information. Unless you are using an outside payroll service, ie you maintain your own payroll records, then a Record of Employment (ROE) is not required unless an employee leaves within a year in which case two ROE's need to be issued.
4. We will prepare Section 85 rollover documentation to be filed with your tax return in order that the transfer of assets does not trigger a capital gain and recaptured depreciation. The Election is due on the earlier date on which either of the parties to the election is required to file a tax return for the year in which the transfer took place.
5. We will help you establish a new set of books for the Professional Corporation using Quickbooks.

BANKING

1. Open new bank accounts for the Professional Corporation. You will need to give a copy of the Articles of Incorporation to the bank. Ensure that the bank has all "alias" that might appear on cheques so that they can be deposited into the new bank account.
2. Arrange to have the Line of credit and any Term Loans transferred into the company's name. Please send us a copy of the loan documentation for the new loans.
3. Obtain a new credit card in Professional Corporation's name.
4. Arrange to change over the Visa/Mastercard depositing systems to the Professional Corporation.
5. Obtain new cheques in corporation's name that will be used to pay all expenses once the Professional Corporation commences business.
6. Discharge existing bank credit facilities.

ADMINISTRATIVE

1. Obtain letterhead, invoices, and business cards in the Professional Corporation's name. If "Operating as another name", then the Professional Corporation's name must also appear, ie. Smith Dentistry Professional Corporation, operating as Burlington Dental or Burlington Dental a division of Smith Dentistry Professional Corporation.
2. Change telephone listing unless you are still "Operating as another name".
3. Inform vendors via letter of the change in your business name.
4. Inform patients of the change in your business name. This could be done simply by changing your door sign or posting a notice at your front desk.
5. Inform staff that the Professional Corporation will now employ them.
6. Update website and any promotional materials.

ROLLOVER OF ASSETS INTO CORPORATION

A list of assets transferred into the Corporation and the estimated Fair Market Value must be prepared.

Fair Market Value of Goodwill must be estimated.

Election form must be filed by the soonest filing deadline of the transferor or transferee.

FINAL PERIOD OF PROPRIETORSHIP FINANCIAL STATEMENT

In order to effectively plan the optimum tax structure for the year, it is important to finalize the financial statements for the practice up to the date of transfer to the corporation.

These financial statements will provide the information need with respect to book value of the assets for the Rollover Election.

The financial statements will also provide the information to determine the amount of income of the corporation that can be withdrawn tax-free for the purchase of the book value of the assets.

The salary to be taken from the corporation for the current year will depend on the amount of income earned in the final period of the proprietorship and any remaining balance in the Reserve for December 31, 1995 income.

YEAR END OF NEW CORPORATION

Based on the estimated income the corporation will earn, the year-end will be determined. It can be any time up to 53 weeks after the date of incorporation. If the corporation is likely to earn more than \$225,000 in the first year, a period shorter than 12 months may be advantageous.

TAX PLANNING

Since income tax instalments for the current year are normally based on the prior year, it will be important to predict the amount of income that will be subject to instalments in order not to over-pay or under-pay the instalments during the remainder of the year.

Factors that will influence the amount of instalments payable during the year include the amount of income in the proprietorship, the remainder of the reserve, and the level of salary and dividends that will be taken from the corporation.