# Plant & Associates

## Medical Industry – what you need to know

Being in the medical industry, it is important to structure yourself in an entity that best suits YOU. You need to consider income splitting options, effects of personal services income, options to salary package, GST issues, liability for payroll tax and PAYG withholding and superannuation. The treatment on all these issues and many more all depend on the type of structure you are in.

Medical professionals generally enter into either a **medical partnership** or a **company structure**. In both cases, it is the norm to have some personal liability for your own actions as an individual. However, by forming a medical partnership it is likely that you will also be liable for the actions of other practitioners in the partnership. This is one reason why many may choose a company structure.

**The benefits of a company structure…**

Although companies cost more to maintain in terms of compliance, the advantages of forming one has its advantages. The business structure can remain as it is when one practitioner leaves or joins unlike in medical partnerships, the practitioner can **specify their relevant interests** in the business and greater **flexibility** is also there when it comes to **profit distribution** as these can be allocated to a spouse or a family trust structure in most circumstances other than personal services income. When it comes to selling the business it will be a lot easier too due to the **simple takeover process**.

**And the down side…**

Within many industries, employers would prefer you as an entity other than a sole trader/employee in order to remove their **Workcover**, **payroll tax** and **superannuation guarantee** obligations. However, with the ATO hot on the heels of these type of employees super and payroll tax may still apply. If you are an employer seek advice on what your obligation is and if you are an employee find out what your rights are especially to super payments.

Prior to splitting income with your spouse you must **obtain professional advice** as there are restrictions on **personal services income** (PSI). PSI you earn as a medical practitioner needs to be included in your individual tax return even if you are under a company or trust structure. You may not be able to distribute as much as you plan to your spouse unless for example, where you operate a medical practice as a whole and after paying the doctors all their wages/contract payments, you are able to split the remaining profits to other entities or your spouse.

**What are service entities?**

Basically just another company or trust that is set up to employ all staff excluding practitioners, signs lease premises, purchases plant and equipment etc. and then charges practitioners a marked up fee for the use of these services. Beware, there are **profit benchmarks** imposed by the ATO on service entities.

**Other things to consider…**

You will need to consider the level of **asset protection** you require in cases such as bankruptcy, death, litigation, marriage breakdown and involuntary administration. Planning for these events will vary depending on the structure and are best addressed on initial set up of the entity.



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