

When a physician retires from practising medicine, or closes their practice for any other reason, they don't simply lock the clinic door and walk off into the sunset. The process of practice closure has rules, regulations and standards in place to protect patients, their privacy, their access to medical records, and more.

The College of Physicians and Surgeons of British Columbia sets out its expectations on leaving practice in one of its practice standards, [Leaving Practice](#) (last revised May 6, 2022). This standard applies where you cease practice, close or relocate your practice, or take an extended leave of absence. It sets out practice management considerations to ensure continuity of patient care and the preservation of patient records.

The college's Leaving Practice standard (along with its other [practice standards](#)) reflects legal requirements that are enforceable under the B.C. Health Professions Act and college bylaws. You can get advice on these issues from the college or the Canadian Medical Protective Association (CMPA).

However, we recommend going further and getting professional advice when planning your practice closure. We strongly advise you to review current college practice standards, as well as related legislation, policies and guidelines, with your lawyer and accountant. Advance planning will help you fulfill the mandatory requirements and give adequate lead times for a smooth transition.

What the college's Leaving Practice standard covers

In brief, the Leaving Practice standard highlights the college's positions on the following:

1. **Notice of departure.** Notice should be given to patients as soon as possible; a minimum of three months is considered reasonable. Patients must also be notified of how they can access their medical records and other related information. Notices should also be sent to anyone involved in patient management, from office staff and diagnostic facilities to Medical Services Plan and WorkSafeBC.

Note: If you are an incorporated physician, out of an abundance of caution we recommend that you consider giving joint notices to patients, i.e. from yourself and from the medical professional corporation.
2. **Protocols for medical records.** The physician must arrange for the retention or transfer of medical records, as well as for patient access to them. (See also "Obligations regarding medical records," below.)
3. **Patients who need ongoing care.** The physician must identify their patients who are under acute/active treatment and make every effort to arrange for their ongoing care.
4. **Return of pharmaceuticals.** The physician must make arrangements for the transfer of pharmaceuticals to another practitioner or for destruction of the pharmaceuticals.
5. **Unexpected closure.** The college also states that every physician must proactively plan for unexpected closure (for example, due to sudden illness or death) and have a contingency plan in place.

Other obligations when closing a practice

Closing your medical practice involves a number of further considerations, beyond the college's Leaving Practice standard.

1. Obligations regarding medical records

As noted above, the college's Leaving Practice standard should be reviewed in order to understand its position on your obligations to your patients — including how to handle their medical records.



The college also addresses medical records in:

- its [bylaws](#) (see Part 3, Section B, “Registrant records”); and
- the practice standard [Medical Records Management](#).

You’ll find details on ceasing a practice, including strict regulations on the transfer of medical practice records to another physician or agency, providing patients with enduring access to their records, and the destruction of records. Departing physicians must also provide the college with a written summary of the status of the records, and how patients can access them. In addition, the physician must have a contingency plan in place to address the records on death or inability to practice (where the physician is abruptly unavailable).

Ongoing obligations: Although you may have retired from practice, some responsibilities continue. The college sets out some of these obligations in the bylaws regarding:

- maintenance of patient records in accordance with federal and B.C. laws
- destruction of patient records that no longer need to be maintained

If you die while you still have these obligations, the executor of your estate becomes responsible for this. Accordingly, you should discuss this with your executor, and your will should identify these issues.

2. Partnerships and business details

If you operate in some form of group practice, there may be internal agreements or arrangements as to how the group deals with a member or partner retiring from practice. For example, there may be agreements about handling notice of your departure and medical records. You’ll need to review these as well as college (and other) requirements.

Whether you’re in a group practice or not, other business arrangements will need to be terminated and notice periods considered. These might include:

- office or building lease
- telephone and utility connections
- internet and security providers
- janitorial service
- banking and credit card services
- insurance provider
- health plan provider
- employee terminations/notices
- magazine and other subscriptions
- computer and maintenance provider
- medical records maintenance services

To the extent necessary, we recommend that you go over these details with your professional advisors in advance to ensure compliance and a smooth transition.

3. Notifying the college of practice closure

Upon ceasing practise as a physician, you will need to complete and return the college’s “[Retirement/Resignation](#)” form.

If you are an incorporated physician, your medical professional corporation has at least one form to complete for the college: the “[Inactive Notification of a Professional Corporation](#)” form. You’ll need to provide the date the corporation is becoming inactive and the reason.

We recommend that you contact the college for its current policy and deadlines on filing the Retirement/Resignation form and, if you are incorporated, the Inactive Notification of a Professional Corporation form; and to make sure that you are adhering to any other current college policies on closure.

4. Decommissioning your medical professional corporation

Medical professional corporations (MPCs) have special rights, privileges and obligations in order to carry on business in B.C. — including a permit to practice medicine. (See Part 6 of the college [bylaws](#), which deals with medical professional corporations.)

If you ran your medical practice through an MPC and you are retiring, relocating your practice outside the province, or changing back to practising as an unincorporated physician, you must decommission, or deactivate, the MPC. In essence, this means cancelling your corporation’s permit to practise medicine.

As the MPC is authorized to practise and has an annual certification, steps must be taken for its closure of practice. We recommend that, together with your legal advisor, you review any published requirements or policies regarding MPC closure and also talk to the college to understand any additional current requirements.



5. Dealing with your decommissioned corporation

Decommissioning an MPC is not the same as dissolving or winding up the corporation. Despite the practice closure, the corporation still exists along with its directors, officers, shareholders, assets and liabilities.

Once the deactivation has been acknowledged by the college, your options include:

- **Wind it up:** Formally dissolving, or winding up, the corporation involves selling its assets, among other steps. You'll need to provide the college with a true copy of the certificate of dissolution issued by the B.C. Registrar of Companies.
- **Convert it:** You can keep the corporation and convert it into an investment holding company. This will likely require a name change. The Health Professions Act (RSBC 1996) sets out a prohibition on having a corporation with a name indicating a medical practice if it is not an MPC. As a result, it makes sense to change your corporate name to remove any medical components in the name, such as "Dr."

According to the college bylaws (as of December 2021) the name change is at the discretion of the college registrar. The registrar may also require proof of the name change from the B.C. Registrar of Companies. However, the college's "Inactive Notification" form calls for a name change within a "reasonable period of time."

- **Transfer it out of the province:** If you're relocating and planning to continue practising through an MPC outside of B.C., you'll need to provide the B.C. college with a true copy of the certificate of continuation, issued by the registrar of companies in the new jurisdiction.

Inform the college of your plan: The college expects that you will undertake one of the options above within a reasonable period of time. The college asks to be informed in writing of your intentions for your corporation, and the approximate date that the formal steps will be completed.

We recommend you discuss all this with your lawyer to ensure you've complied with all the requirements.

Tax implications of decommissioning your MPC

As noted earlier, when you retire from practice in your medical professional corporation, it does not mean that you must wind up your corporation. You are however, typically required to change your corporate name, give notifications and cancel your corporate permit to practise medicine. Furthermore, there are tax implications to note or consider, including those set out as follows:

No immediate taxes upon retirement

Whatever your plans are for the future of your corporation, the change in status of your corporation from practising under a permit and ceasing practice does not trigger any immediate income taxes. It also does not change or create a tax year-end or require filing any additional corporate tax returns. In many instances, retirement from medical practice means the corporation will continue on as an investment holding corporation.

If, however, you have employees, there may be a requirement for earlier filing of any T4 supplementaries and summaries. We strongly suggest discussing the issue with your accountants at the same time as you discuss other tax and accounting implications of closure. Canada Revenue Agency provides that when a business ends, source deductions must be remitted within seven days and that information slips must be prepared and filed within 30 days of closure.

Reduction in active business income

As you no doubt are aware, the active business income in your MPC — your medical practice income — is taxed at the low preferential small business rates. For British Columbia, in 2022, up to the first \$500,000 of active business income can be taxed at 11%. This tax benefit was useful to you and your MPC where you were operating a practice. However, it becomes less relevant in the retirement years when the medical practice is closed, and you have no active business income.

As a result, after closure of your medical practice in the corporation, two of the tax provisions that restrict the use of the small business rate (by reducing the small business limit amount) also become less relevant (in most cases):

Passive Investment Grind: Access to the small business rate of 11% on the first \$500,000 of practice income begins to erode when investment income within the corporation reaches \$50,000. For every dollar of investment income in excess of \$50,000, the small business limit amount would be reduced by \$5. As a result, when investment income reaches \$150,000, the small business limit would be reduced from \$500,000 to zero. Whether assets are included or excluded from "investment income" is determined according to a prescribed formula and defined as "adjusted aggregate investment income."

To avoid abuses in this area, the investment income test is applied to the professional corporation and all corporations that are "associated" to it. Generally, these "associated corporations" would be corporations under common control or where there is sufficient cross-shareholdings among members of a group. Therefore, a professional corporation's small business limit and access to the small business rate could be impacted by it being associated to other corporations with significant investment income.

High Taxable Capital: In 2022, if the professional corporation and associated corporations to it had “taxable capital” in excess of \$10 million, the small business benefits would begin to shrink. For every dollar of taxable capital in excess of \$10 million, the small business limit would be reduced such that at \$50 million of taxable capital, there would be no small business limit available.

There are a number of different strategies or approaches to address adjusted aggregate investment income. Some involve timing of when to sell investments, while others depend on the type of investments and yet others may involve a corporate restructuring.

On retirement and closure of your practice in your corporation, the bulk of your corporate income will likely be investment income from your corporate portfolio such as dividends, interest and capital gains. This investment income is taxed at a rate higher than the small business rate. However, the tax on investments is subject to a refundable tax mechanism. Initially, such income would be taxed with a refundable portion to the corporation once distributions are made to individual shareholders (in which case there would then be tax to the individuals).

Fewer restrictions on corporate structure and shareholdings

Once an MPC is converted to a “regular” corporation (an investment holding corporation), there are certain opportunities that present themselves. Many provincial colleges have restrictions on who can be directors, voting shareholders or even shareholders of an MPC. Upon retirement and decommissioning of the MPC, there are often more opportunities to engage in estate planning with family members.

Useful documents for B.C. physicians closing a practice

College of Physicians and Surgeons of British Columbia practice standards (May 6, 2022):

- [Leaving Practice](#)
- [Medical Records Documentation](#)
- [Medical Records Management](#)
- [Ending the Patient-registrant Relationship](#)

College [bylaws](#)

College forms

- [“Retirement/Resignation”](#)
- [“Inactive Notification of a Professional Corporation”](#)

CMPA article (March 2020):

- [Closing or leaving a practice: Tips for primary care physicians](#)

Please consult with your estate and tax planning advisors to learn which strategies would be best suited to you and your family's circumstances.

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