Hamilton Bailey
Medical Practice Law Specialists

hamiltonbailey.com
Adelaide, South Australia

Medical Practice Structure Overview

Business Structures for Australian Medical Practices

Choosing the right business structure is one of the most important decisions a medical practitioner will make. The structure affects your personal liability, tax obligations, regulatory compliance, succession planning, and ability to bring in partners or sell the practice.

This guide provides an overview of the common structures used by medical practices in Australia.

Understanding Corporate Practice Rules

Before selecting a structure, practitioners must understand the corporate practice rules in their state or territory. These rules ensure clinical decisions remain independent of commercial interests.

Jurisdiction	Key Requirements
New South Wales	No specific prohibition; standard AHPRA obligations apply
Victoria	Restrictions on corporate employment; clinical independence required
Queensland	Less restrictive; corporate practice generally permitted
Western Australia	Similar to Victoria; restrictions on corporate employment
SA / TAS / ACT / NT	No specific prohibition; standard professional obligations apply

Structure Options

Option 1: Sole Trader

The simplest structure where you operate as an individual. You are the business — all income is personal income, all liabilities are personal liabilities.

Advantages

- Simple and inexpensive to establish
- Minimal compliance requirements
- Complete control over business
- Easy to wind up

Disadvantages

- Unlimited personal liability
- Income taxed at marginal rates (up to 47%)
- Limited income-splitting opportunities
- Difficult to bring in partners or sell

Best suited for: Practitioners starting out, low-risk practices, locums, or those who value simplicity over tax efficiency.

Option 2: Partnership

Two or more practitioners carrying on business together with a view to profit. Governed by state/territory Partnership Acts and a partnership agreement.

Advantages

- Relatively simple to establish
- Shared capital and resources
- Pooled expertise
- Each partner taxed individually

Disadvantages

- Joint and several liability
- Partners bound by each other's actions
- Potential for disputes
- May dissolve on death/retirement

Best suited for: Two or more practitioners sharing resources, active involvement preferred, transitional structures.

Option 3: Company (Proprietary Limited)

A separate legal entity established under the Corporations Act 2001 (Cth). The company can own assets, employ staff, and enter contracts in its own name.

Advantages

- Limited liability for shareholders
- Lower tax rate (25% for base rate entities)
- Flexibility in profit distribution
- Easier to bring in stakeholders
- Perpetual succession

Disadvantages

- More complex and expensive to establish
- Annual ASIC compliance obligations
- Strict director duties
- Losses cannot be distributed
- Personal services income rules may apply

Best suited for: Established practices with significant profits, practitioners seeking asset protection, practices planning for growth or eventual sale.

Option 4: Discretionary Trust (Family Trust)

A trust where the trustee has discretion to distribute income and capital among a defined class of beneficiaries, including family members.

Advantages

- Significant income-splitting flexibility
- Asset protection
- CGT concessions available
- Useful for estate planning

Disadvantages

- Complex to establish and administer
- Losses cannot be distributed
- Undistributed income taxed at 47%
- State-based trust taxes in some jurisdictions

Best suited for: Practitioners with family members who could benefit from distributions, asset protection focus, intergenerational wealth transfer.

Option 5: Service Entity Structure

A hybrid arrangement separating practice income from service provision. Commonly used to address corporate practice restrictions while enabling tax planning.

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│                  PATIENTS                       │
│                      │                          │
│                 Fees paid                       │
│                      ▼                          │
│  ┌────────────────────────────────────────┐    │
│  │     PRACTITIONER(S)                    │    │
│  │  • Derives practice income             │    │
│  │  • Holds Medicare provider numbers     │    │
│  │  • Maintains clinical independence     │    │
│  └────────────────────────────────────────┘    │
│                      │                          │
│               Service fee                       │
│                      ▼                          │
│  ┌────────────────────────────────────────┐    │
│  │     SERVICE ENTITY (Company/Trust)     │    │
│  │  • Owns premises and equipment         │    │
│  │  • Employs administrative staff        │    │
│  │  • Provides practice management        │    │
│  │  • Charges arm's length service fee    │    │
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Critical Requirements

- Service fees must be commercial (arm's length)
- Documentation is essential (service agreements)
- Genuine services must be provided

Tax Comparison (2024-25)

Structure	Tax Rate	Notes
Individual	0%–47%	Marginal rates; Medicare levy additional 2%
Company (base rate)	25%	If aggregated turnover < $50M and < 80% passive income
Company (standard)	30%	Otherwise
Trust (distributed)	Beneficiary's rate	Income distributed to beneficiaries taxed at their rates
Trust (undistributed)	47%	Trustee taxed at top marginal rate

Example: $400,000 Net Profit

Structure	Approximate Tax
Sole trader (single income)	$152,000
Partnership 50/50 with spouse	$116,000
Discretionary trust (optimal distribution)	$98,000

Simplified illustration only. Actual outcomes depend on many factors.

Common Structures by Practice Stage

Stage	Common Structure	Rationale
Starting out	Sole trader	Simple, low cost, flexibility to change
Established (single)	Sole trader + service trust	Income splitting, some asset protection
Growing practice	Company + service trust	Tax planning, asset protection, ready for partners
Multi-practitioner	Partnership of trusts/companies	Flexibility, asset protection, succession

Key Takeaways

1. **There is no "one size fits all"** — the right structure depends on your circumstances, risk profile, and goals
2. **Simple doesn't mean best** — while sole trader is easiest, it offers no asset protection and limited tax planning
3. **Compliance matters** — the ATO actively reviews medical practice structures
4. **Professional advice is essential** — structuring involves tax, legal, and accounting considerations
5. **Plan for the future** — choose a structure that can grow with you and facilitate your eventual exit

Disclaimer: This guide provides general information about business structures for medical practices in Australia. It does not constitute legal, tax, or financial advice. Business structuring is complex and highly dependent on individual circumstances. Tax laws and corporate practice rules vary and change frequently. We strongly recommend seeking independent professional advice from qualified lawyers, accountants, and financial advisers before making decisions about your practice structure.

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