

## **Questions and Answers For Veterinary Incorporation**

Professionals like lawyers, physicians, and veterinarians have traditionally organized their practices in a simple business form called a sole proprietorship. In this way, the professional alone owns and operates the practice, and the professional is personally responsible for the debts and liabilities of the practice.

More recently, however, many professionals have wanted to practice through a corporation. Apart from possible income tax benefits, incorporation allows two or more professionals to share in the ownership and operation of their practice.

After recent changes to the law that governs the practice of veterinary medicine in Manitoba and with the coming into force of this Part of this by-law, veterinarians will be permitted for the first time to practice veterinary medicine through a corporation.

### **What does it mean to practice veterinary medicine through a corporation?**

In its simplest form, a veterinary practice involves a veterinarian who provides services that aim to prevent, diagnose, or treat diseases of, or injuries to, animals. A client or animal owner provides instructions to the veterinarian and then pays the veterinarian directly for the services provided. The payment does not go to a clinic or another individual. This form of business is called a sole proprietorship.

In contrast, a veterinary corporation acts as an intermediary between the veterinarian and the client or animal owner. It would be usual that a veterinary corporation enters into an agreement with a veterinarian to provide services on behalf of the corporation. The veterinary corporation then invites a client or animal owner to provide instructions to the veterinarian whom the corporation has engaged. In exchange for the veterinarian's supply appropriate veterinary services, the client or animal owner pays the veterinary corporation. The transaction is between the corporation and the client or animal owner, and between the corporation and the veterinarian. In effect, a veterinary corporation practices veterinary medicine through a licensed Manitoba veterinarian.

### **How may a veterinary corporation be created?**

Part 4.1 of the Act and this Part of this by-law set out the requirements that a veterinary corporation must satisfy. In general, the steps are:

- 1) a licensed Manitoba veterinarian reserves a name for the proposed veterinary corporation, having include “veterinary corporation” as part of the name;
- 2) once the Manitoba Companies Office approves that name, the veterinarian requests and obtains the consent of the Registrar to proceed with the incorporation;
- 3) the veterinarian then files articles of incorporation and other documents at the Manitoba Companies Office;
- 4) the veterinarian presents the filed articles of incorporation and other required documents to the Registrar and pays a fee;
- 5) if the corporation has been organized in accordance with the Act and this Part of this by-law, the Registrar will issue a permit for the veterinary corporation;
- 6) the veterinary corporation may engage in the practice of veterinary medicine, subject to the Act and this by-law and any subsequent by-laws; and,
- 7) the veterinary corporation pays an annual permit fee in order to continue its practice of veterinary medicine.

### **Who may be an officer or director of a veterinary corporation**

Only a licensed Manitoba veterinarian member may be a director of a veterinary corporation or its president.

### **Who may own a veterinary corporation?**

A corporation is owned by its shareholders, who, as the term implies, hold shares in the corporation and share in its ownership. However, there are different kinds of shares, and only some shares entitle their holders to vote in the election of a corporation’s directors.

At least initially, all of the voting shares of a veterinary corporation must be held by one or more licensed Manitoba veterinarians. No other individual may own any of the voting shares in a veterinary corporation.

The non-voting shares of a veterinary corporation may be owned only by

- 1) the holder of voting shares in the veterinary corporation,
- 2) the spouse, common-law partner, or child of a licensed Manitoba veterinarian who holds voting shares in the veterinary corporation,
- 3) another corporation that is not a veterinary corporation but whose shares are all held by (a) a licensed Manitoba veterinarian who holds voting shares in the

veterinary corporation, or (b) the spouse, common-law partner or child of a licensed Manitoba veterinarian who holds voting shares in the veterinary corporation.

No other individual may own any of the non-voting shares in a veterinary corporation.

**Is there any other way in which to operate a veterinary clinic, whether for profit or not?**

No. Manitoba law requires that a veterinary clinic must be either a sole proprietorship or a veterinary corporation that meets the requirements of the Act. No other form of business entity may operate a veterinary clinic. It does not matter if the clinic operates for free, at cost, or for profit. It does not matter if the clinic merely arranges for licensed Manitoba veterinarians to provide veterinary services to the clients or animal owners that come to the clinic. Such clinics are not in compliance with the Act and this by-law, and they are engaged in the unauthorized practice of veterinary medicine.

**What is the underlying reason that prevents any other way in which to operate a veterinary clinic?**

According to Manitoba law, the main purpose of the MVMA is to protect the public interest through the regulation of the practice of veterinary medicine within the province. The Act specifically defines those over whom the MVMA has such oversight and disciplinary authority. The practice of veterinary medicine outside that scope is generally and expressly prohibited by statute, and it is subject to prosecution or civil legal proceedings. This regulatory scheme therefore ensures the protection of the public in two ways: first, every person who engages in the practice of veterinary medicine is generally subject to MVMA governance, including its standards for admission to the profession and its guidelines for safe and effective practice; and, secondly, the authority of the MVMA is restricted to only those who practice veterinary medicine in accordance with the Act.

The Act requires that a veterinary clinic must be a sole proprietorship or a veterinary corporation that meets the statutory requirements, and this is the simple answer that prevents any other way in which to operate a veterinary clinic. Manitoba law simply does not allow it.

However, there is a better answer that relates to the oversight and disciplinary authority necessary to the governance of a veterinary clinic that operates through a corporation. In order to avoid bringing the regulation of the profession into disrepute, it is important that a professional governance body like the MVMA must be able to regulate and, if necessary, discipline those who practice in a way that undermines the protection of the public. Only where a veterinary corporation is controlled by licensed Manitoba veterinarians may the MVMA have effective regulatory authority over both individual practitioners and the companies through which they choose to practice.