

Why Doctors Moving to Canada Love the Two-Tier Tax System

Thinking about moving your medical career to Canada? One of the biggest advantages physicians enjoy here isn't just lifestyle — it's **how you're taxed**.

In Canada, doctors can structure their income through a **Medical Professional Corporation (MPC)** — giving them access to a **two-tier tax system** designed to help professionals build long-term wealth.

Here's the simple version:

1. **Your Corporation earns the income** from your practice.
 - o Less expenses including clinic overhead charges.
2. **You pay yourself a salary** only for what you need to live on.
 - o This salary is included as an expense and also reduces your corporate income.
3. **The remaining profits stay in the corporation**, where they're taxed at a much lower rate — usually **9–11%** for active business income, depending on the province:
 - o That's a fraction of the top personal tax rate, which can reach over 50%. The savings stay inside your company — available to **invest, reinvest, and ultimately fund your retirement** on your own terms
4. See chart below for an example of a doctor earning \$500,000 after overhead fees paying themselves \$250,000 of personal income across different provinces.

Province	Tax on first \$250,000 Personal Income	Small Business Tax Rate Over \$250K	Personal Tax rate over \$250K	Tax Savings on income up to \$500K
Ontario	\$89,000	12.2%	46.16%	\$ 84,900
Manitoba	\$90,500	9%	50.4%	\$103,500
Saskatchewan	\$84,000	10%	47.5%	\$ 93,750
Alberta	\$79,000	11%	47.5%	\$ 91,250
British Columbia	\$82,000	11%	54.0%	\$106,250
U.K. In £	\$77,000	25%	45.0%	\$50,000*

***Only available for physicians allowed to incorporate their practice.**

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5. **Down the road, the corporation will pay dividends** to the doctors. In Canada, dividends are **subject to lower tax rates** to ensure there is no double taxation.
- This allows physicians more pre-tax dollars to invest.
 - This also allows for physicians to pay lower marginal tax rates when they take the money out in retirement.
 - Retirement also enables income splitting between the physician and their spouse.

Why it matters

By incorporating, physicians can:

- **Defer tax** and grow investments faster inside their corporation
- **Split income** with family members (where rules allow)
- **Choose between salary and dividends** for the most efficient cash-flow mix
- **Build a retirement plan** directly within their medical corporation
- **Invest in Insurance** providing a future source of *Tax Free* Income

Ready to start planning your move?

At Corporate Wealth Management Canada, we help physicians transition smoothly — from incorporation to investment and retirement.

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