Setting up on your own
Puja Patel discusses Unincorporated Business Structures

Setting up your own practice is an exciting career move for any practitioner. There will be a myriad of decisions that will need to be made. The first and most obvious is ‘Where do I start?’.

Before deciding to establish your own practice, make sure you understand what’s involved, the most critical steps, the timetable and costs. It will take thought, planning, management skills and appropriate advice.

First, you will need to decide if you are going alone or with a colleague and if the latter, in what type of entity. Here, we look at unincorporated business structures.

A single-handed ownership where you are the only dentist in a new environment can be a daunting position. Therefore, many dentists (who are not buying an established practice) opt to start from scratch with a colleague.

There are various forms of joint venture and it is important to choose at an early stage the most suitable arrangement. The two forms of unincorporated joint ventures which may be familiar to dentists are expenses sharing arrangements and partnerships.

Expense sharing arrangements can be distinguished from partnerships by the degree of integration between the dentists. It is important that dental practitioners understand the differences between expense sharing and partnerships to ensure their business is protected and that there are no nasty surprises at a future date.

The expense sharing arrangement is most commonly used where dentists operate separate dental practices but in close proximity. Whilst they continue to trade as distinct businesses, the parties agree to share common expenses such as common areas, staffing costs, utilities or marketing.

A partnership is an integrated joint venture and the dental business is the business of the partnership rather than of the individual parties. A partnership business is a closer relationship than that envisaged by an expense sharing arrangement.

Whilst many dental practitioners in partnership set out with the express intention of being a partner, there are a number of dental practitioners who believe they operate under an expense sharing arrangement when in fact they are partners. This can lead to entirely unforeseen and undesirable consequences.

NHS dentists face particular problems with such a mix up as it has the potential of putting the NHS contract in jeopardy. GDS Contracts can be made with an individual dental practitioner, a partnership and a dental corporation. Accordingly, where multiple dentists are signing up to a single GDS Contract, they are almost certainly doing so as a partnership. PDS Agreements differ in that they cannot be made with partnerships and are instead entered into by a group of individuals (although they are likely to be in partnership by virtue of this arrangement).

Dental practitioners who sign an NHS contract as a partnership, are holding themselves out to be a partnership to the PCT and are jointly responsible under that NHS contract for the obligations under that contract.

If you are looking to operate your new dental practice under an unincorporated business structure, think very carefully how you wish the relationship with your colleague is to be governed.