

SETTING UP BUSINESS IN THE UNITED STATES OF AMERICA



General Aspect

The United States of America, commonly referred to as the United States (U.S.) is a constitutional federal republic, composed of 50 states, a federal district, and various possessions. Forty – eight of the fifty states and the federal district are contiguous and located in North America, between Canada and Mexico. It covers an area of 9,8 million square kilometers and English is the main language. The total population is around 324 million people.

Business Entities

Topic	Feature
Business Formation	<ul style="list-style-type: none">• There is no federal or national law on forming a business in the United States of America.• New businesses are created under one of the fifty states or the District of Columbia.• The choices regarding jurisdiction and business entity type are up to the party forming the business
Entity choice	<p>There are wide array of business entity forms in America. These choices included:</p> <ul style="list-style-type: none">• U.S. Corporation• Branch of a Foreign Corporation• Partnership• Limited liability Company <p>Most foreign companies set up in America as a corporation.</p>
Where to form a business	<p>A company can incorporate in any state, whether it has business operations there or not. However, companies usually incorporate in the state where their primary operations are located, or in one of a number of states that have friendly corporation rules. The state of Delaware is the most popular of these jurisdictions, with corporate laws viewed as liberal and friendly to business.</p> <p>The decisions on entity choice and jurisdiction choice are best made with the joint advice of an American tax expert and a corporate lawyer, both experienced at working with companies headquartered abroad.</p>

Requirements of forming a corporation

The requirements for incorporation can vary from state to state, but incorporation is usually simple, fast and relatively inexpensive in the United States. The following principles generally apply:

Topic	Feature
Principles	<ul style="list-style-type: none">• Incorporation can be accomplished very quickly. If needed, expedited service can result in incorporation in as little as one day.• The filing fees and taxes charged for incorporation vary from state to state.• Corporation can have just one shareholder and this can be an individual or another legal entity• Corporations have a board of directors and officers. In most states, corporations can have as few as one director.• Shareholders, directors and officers can all be foreign citizens and residents in most instances.• Corporations must have a registered agent located in the state of incorporation. This can be a resident manager (foreign or U.S. citizen), a lawyer or a corporate service company with offices in the state.• Corporations are required to file an annual report and pay franchise fees in most states. The information on the annual report is usually limited to the name and address of the corporation, the name and address of the registered agent, and the names and addresses of directors and officers. This is filed with the Secretary of State of the state of incorporation, and is public information.• Except in the case of listed companies and companies in certain regulated industries like banking, there is no statutory audit requirement and no public filing of company financial information



Taxation

Tax	Feature
Tax registration	<ul style="list-style-type: none"> • New companies are required to register with the Internal Revenue Service (IRS) and with the tax authorities of the states in which the company is incorporated or doing business. • The IRS issues the corporation a Federal Employer Identification Number (FEIN), which is used for both federal and state tax purposes. This process can usually be accomplished electronically in a day or less. • Depending on the state in which operations are located, other registrations may also be required.
Federal Taxes	<ul style="list-style-type: none"> • Companies operating in the United States and may be subject to U.S. income tax, and payments to the foreign parent may be subject to withholding requirements. • Companies with employees will also be subject to federal and state tax withholding requirements relating to the wages of those employees. Direct employment taxes for Social Security and Medicare will also arise. • The effect of U.S. federal taxes on a company's global taxation may depend on whether a tax treaty exists between the parent country and the United States.
State taxes and regulations	<p>There is little consistency among state and local taxes.</p> <p>These taxes take three primary forms and can vary significantly from one state to another.</p>
Real estate tax	<p>This tax is levied against the owners of real estate and is used to finance public schools and local government operations. In some jurisdictions, the tax is very high and can have an important impact on company expenses irrespective of whether the company owns or leases.</p>
Personal and corporate income tax	<p>Many states have some form of personal and corporate income tax and rates can vary substantially. A few states have no state income tax and may represent attractive choices.</p>
Sales tax	<p>Many states impose a tax on the sale of goods at retail. Unlike value-added taxes known in much of the world, sales tax does not usually apply to the exchange of goods prior to the final sale.</p>



Other topics

Tax	Feature
Social Security and employee benefits	<ul style="list-style-type: none">• Social Security in the United States is very unlike social programs in most other countries. The program does not provide health or other similar benefits to employees. Instead, it is a retirement income and health benefits program for the elderly and disabled funded by mandatory employer and employee contributions.• Most states have employer-funded unemployment and worker injury compensation programs. Unlike many other countries, there are no requirements for health care or disability protection or for paid vacation. However, most employers fund voluntary programs to provide employees with these common benefits.
Foreign investment incentives	There are no national incentive programs to attract direct foreign investment. Many states offer incentives for major investments that will create jobs and add to the tax base. These take the form of real estate tax holidays, infrastructure improvements, job training and other similar items



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