



UNITED STATES

Delaware - Common law

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Incorporating a company in United States

United States taxes

If you want to incorporate a company in Delaware, this article will educate you on the tax laws for a LLC or a Corporation which are the most common company type in Delaware.

US taxes corporate worldwide income at a progressive rate up to 38%. This ranks United States as 176th overall with regards to corp. taxation rate internationally. Delaware taxes income accrued within the state at an 8.7% rate. This means that LLC and Corporation income outside Delaware are generally not subject to the State Income Tax.

Delaware Corporations may elect to be treated as C-Corp, subject to Federal Income Tax, S-Corp, a disregarded entity status subject to Personal Income Tax, or may be qualified as Not-for-profit Corporation, which are tax-exempted. Non-residents owned corporations cannot elect to be treated as S-Corp. Delaware C-Corp is subject to Federal Corporate Income tax at a top marginal rate of 38% on their worldwide income, its income accrued in Delaware is subject to State Income Tax at 8.7%. A Delaware Corporation may have one or more shareholders, it may be required to file an Annual Report where directors' names are publicly disclosed, but shareholders may not be publicly listed. Delaware Corporations are usually used as holding companies and to own intangible assets.

Regarding LLCs, US LLC may elect to be treated as a disregarded entity. This means that may not be subject to Federal Corp Income Tax, and profits and losses may be reported through its members' personal tax return. Therefore, if its owners are Non-US Residents (and not subject to Personal Income Tax) and the LLC does not operate and generate profit from the US, does not lease or own properties within the US and does not have US employers, offshore income accrued by a Delaware LLC may be income tax free. Delaware LLCs must pay an annual Franchise Tax of US\$ 300. Other fees may apply.

A Delaware LLC may be incorporated by one or more members (owners), it may be required to report transactions between the entity and its foreign members filing the IRS Form 5472. Nominee members can be used not to disclose owners' names.

There are no value-added tax or sales tax, that ranks Delaware as 1st overall with regards to VAT taxation rate internationally. In terms of other taxation, an employer will contribute 15.3% to the equivalent of a social security fund and an employee will contribute 7.65%.

Thin capitalization laws are enacted. This refers to any sort of requirements on a business and the debt-to-asset ratios. Dividends received by a US corporation from another US corporation may be 70% deductible income. Dividend deduction may be increased up to 80% if recipient holds between 20%-80% shares of the distributor.

Dividends payments between US corporations that are members of the same Group may be exempted. Certain Corporations may be subject to Accumulated earning tax on undistributed profits if it is not justified the accumulation based on business needs. Certain Holding Companies that receive substantial passive income may be subject to Personal Holding Company Tax on undistributed profits at a 15% rate. Dividends are distributions of a company profit, established by the board, to a class of its shareholders. Dividends can be issued as stock, cash, or property.

Capital Gains are taxed at a maximum rate of 35%. However, lower rates may apply for long-term capital gains. A capital gains tax is levied on the profits that a corporation or natural person realizes when he or she sells a capital asset for a price that is higher than the purchase price.

The dividends withholding tax rate is 30%. This should be interpreted that the relevant tax authorities expects legal entities to automatically withhold 30% of money remitted abroad on dividend payments. Dividends may be exempted if are paid by a US corporation that received at least 80% of its gross income from an active foreign business for the three-year period before the dividend is distributed. The interest withholding tax rate is estimated at 30%. This should be interpreted usually that the taxman expects legal entities to pay tax on at least 30% of money remitted abroad on interests. The royalties withholding tax rate is 30%. This means that the tax authorities expects relevant legal entities to pay tax on at least 30% of payments abroad on royalties. Withholding taxes may be reduced or eliminated under a tax treaty.

United States Legalse

✗ Patent box

✓ RND credit

✗ Wealth tax

✓ Estate tax

✓ Transfer taxes

✗ Asset taxes

✗ Capital duties

When examining a jurisdiction in which to incorporate, the first thing to look at is the legal code. The underlying law in Delaware is common law. Common law jurisdictions are generally regarded as more favorable for electronic signatures are permitted.

The country code US is for Delaware and the most common company structure in Delaware is a Corporation.

The time to setup is usually 2-3 days to setup a Corporation in US. The min share capitalization is 0, This means you don't have any minimum share capital. The types of cash you can use to capitalize your Corporation are any legal currency.

Yes, one is allowed to re-domicile a Corporation from US. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least 1 shareholder. This makes it possible for you to own a Corporation in US by yourself. Corporate Shareholders are permitted, which means you can have a legal entity as a shareholder. Foreign ownership is permitted, up to 100% of the ownership of the legal entity.

A company is only required to have 1 director on the board. Consequently, corporate directors are not permitted. Directors should not have an expectation of privacy, as they are not kept private in Delaware. There is a requirement to have annual meetings of shareholders.

A registered agent is normally required, which means the company will have to pay a fee on a yearly basis, for an office which can receive any official legal correspondance on behalf of the business. Moreover, a corporate secretary is required by law.

There is a no requirement to file annual returns. This won't exempt the legal entity or the individual shareholder from additional tax or reporting obligations elsewhere and you are encouraged to get personal advice on your personal tax situation. Consequently, there is usually not a requirement to have an audited set of accounts.

Overall we think United States is a good option and have given it a score of 87 as an IO score, using the Incorporations.IO proprietary formula.

87 Tax treaties

38% Offshore Tax

38% Corp rate

1 Loss carry back years

- Corporate time

0% VAT rate

38% Capital gains

0% EOP allowed

✗ Directors not disclosed in a public registry

✓ Shareholders not disclosed in a public registry

✓ Redomiciliation permitted

✓ Registered office required

✗ Corporate director permitted

✓ Local Secretary not required

✓ Local Director not required

✓ Electronic signature

1 Shareholders required

1 Directors required

2-3 days to form



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Country Info



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United States of America (eng)

💰 Currency

USD

☎ Area Code

+1

🏛 Capital

Washington

📍 Region

Northern America

🗣 Native Languages

English