Doing Business in the U.S.

GENEVA GROUP INTERNATIONAL

Rome, Italy

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Brian Rowbotham
br@rowbotham.com

Peter Trieu
ptrieu@rowbotham.com

101 2nd Street, Suite 1200
San Francisco, CA 94105
USA
(415) 433-1177
www.rowbotham.com

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State Boundary
Road
River
National Capital
State Capital
City or Town
0 300 KM
0 300 Miles
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MEXICO
Pacific Ocean
Atlantic Ocean
Gulf of Mexico
THE BAHAMAS
ALBERTA
BRITISH COLUMBIA
SASKATCHEWAN
MANITOBA
ONTARIO
QUEBEC
NEW BRUNSWICK
Vancouver
Calgary
Saskatoon
Victoria
Regina
Swift Current
Winnipeg
Lake Winnipeg
Moosonee
Amos
Timmins
Quebec
Fredericton
Montreal
Ottawa
Toronto
Kingston
Lake Superior
Lake Huron
Lake Michigan
Lake Ontario
Lake Erie
WASHINGTON
Seattle
Olympia
Spokane
Yakima
Vancouver
Portland
Salem
OREGON
Medford
Klamath Falls
Eureka
Redding
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Elko
Ely
NEVADA
Las Vegas
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Modesto
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Fresno
Visalia
Bakersfield
Santa Maria
CALIFORNIA
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San Bernardino
San Diego
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Lewiston
Boise
Idaho Falls
Twin Falls
MONTANA
Missoula
Great Falls
Helena
Butte
Billings
Miles City
Missouri
WYOMING
Sheridan
Casper
Rock Springs
Cheyenne
UTAH
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Provo
Cedar City
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Fort Collins
Boulder
Denver
Grand Junction
Colorado Springs
Pueblo
Durango
Arkansas
Colorado
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RUSSIA
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Anchorage
Juneau
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Honolulu
0 100 KM
0 100 Miles

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U.S. Tax Rates

Corporate Rates (1) (2)

Taxable Income ($)	Tax Rate
0 to 50,000	15%
50,000 to 75,000	$7,500 + 25% Of the amount over 50,000
75,000 to 100,000	$13,750 + 34% Of the amount over 75,000
100,000 to 335,000	$22,250 + 39% Of the amount over 100,000
335,000 to 10,000,000	$113,900 + 34% Of the amount over 335,000
10,000,000 to 15,000,000	$3,400,000 + 35% Of the amount over 10,000,000
15,000,000 to 18,333,333	$5,150,000 + 38% Of the amount over 15,000,000
18,333,333 and up	35%

This rate structure produces a flat 34% tax rate on incomes from $335,000 to $10,000,000, gradually increasing to a flat rate of 35% on incomes above $18,333,333.

Notes

(1) U.S. Corporations taxed on worldwide income
Foreign corporations taxed on
- active business income in U.S.
- investment income

(2) Add 6% for state tax [average]

Individual Rates (2)

Tax Year: 2012

Filing Status: Single

If your taxable income is between...			your tax bracket is:
0	and	8,700	10 %
8,700	and	35,350	15 %
35,350	and	85,650	25 %
85,650	and	178,650	28 %
178,650	and	388,350	33 %
388,350	and	above	35 %

Individual withholding - Capital Gains: Top rate: 15%
- Qualified dividends: 15%

Notes

(2) Add 6% for state tax [average]

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Corporate Tax Structure

Non-U.S. Shareholders

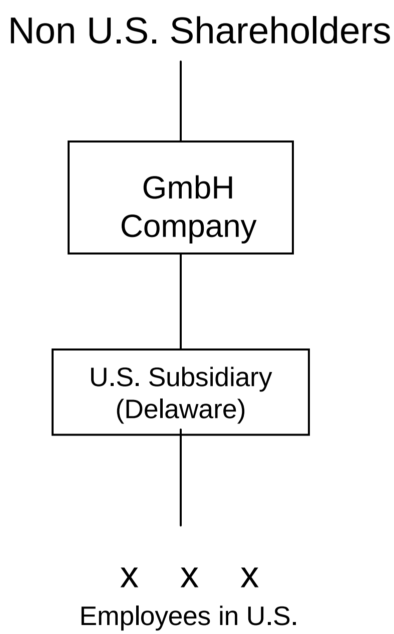
U.S. Corporate

Income: $100

		2012	2013
Dividends	[59 x 30%]	18%	21.2%
Tax = 41%	[Fed 35% + State 6%]	41%	41%
		59%	62.2%

Doing Business in the U.S.

Start-Up - Employee Relocation: Best Structure



- Avoids parent company exposure to U.S. tax
- Proper payroll withholding can be set up by U.S. subsidiary
- Problem – Visa delays – A U.S. subsidiary cannot legally employ non-U.S. employees

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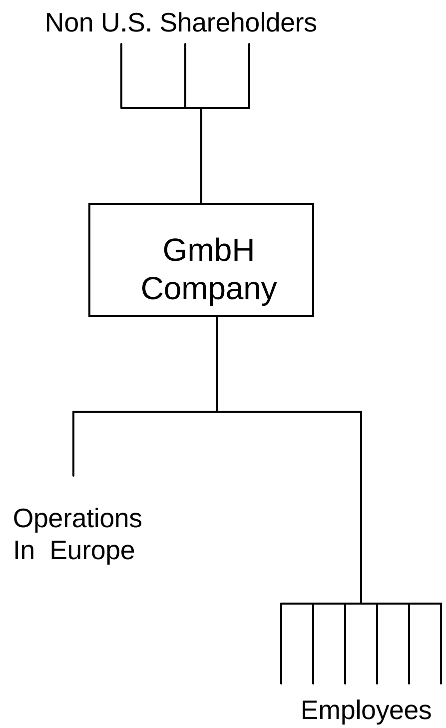
Start-Up - Employee Relocation: Typical Problem



Exposure to:

- P.E. issues
- Employee withholding tax
- Allocation of worldwide income and expenses to U.S.
- Branch tax exposure uncertainty
- State tax [California Unitary Taxation]

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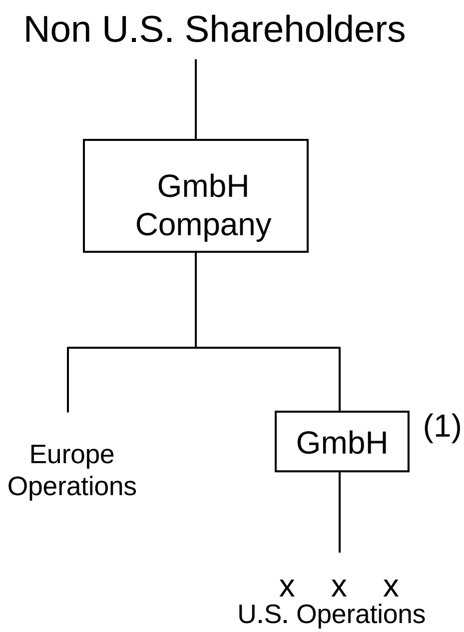
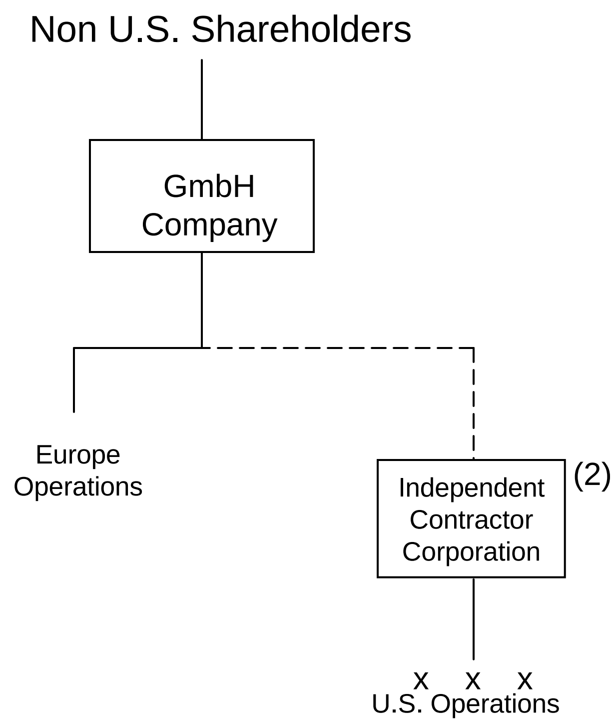
Start-Up - Employee Relocation: Two Solutions

Alt (1)



Alt (2)



(1)
- Foreign subsidiary for non-U.S. employees
- U.S. tax return for (1) nets to zero
- May be costly in home country

(2)
- Independent advisory company can employ non-U.S. employees
- Saves costs of foreign subsidiary
- Avoids P.E. status
- Easy transition to best structure when visas approved

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Pre-arrival Tax Planning Checklist for Executives

1. Consider establishing a foreign or U.S. trust for estate planning purposes. If assets are located in one's country of origin, it may be necessary to consult with local counsel to coordinate legal and tax issues. The use of trusts may not work in civil law jurisdictions, e.g. France and Germany.
2. Determine if accelerating gift planning or contemplated sales of assets prior to entering the U.S. will save global tax.
3. Explore tax strategies that will step up the tax basis of assets to their fair market value so only appreciation after becoming a U.S. resident will be taxable in the U.S.
4. Review existing investment structures to determine whether there will be adverse tax impacts under U.S. tax laws.
5. Stock options, when exercised, usually generate ordinary income in the U.S. that is taxable at the top rate of 35%. Consider exercising options prior to arrival.
6. Review deferred compensation and retirement benefits, to determine how to efficiently access these sources with minimum tax before and after arrival.
7. If you have a foreign stock plan, you should check whether vesting will be taxable to you after entering the U.S.
8. Plan the proper timing for arrival. Arriving in the last half of the calendar year will usually result in nonresident status for the full year. Foreign income and capital gains during the year should then be exempt from U.S. tax.
9. If you are being relocated to the U.S., consider whether you should be employed by the U.S. or foreign affiliate and whether you should be covered by social security in the U.S. or in your home country.

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Pre-arrival Tax Planning Checklist for Executives (Cont)

10. If you are in the U.S. for a short period of time, you may be exempt from U.S. tax under the relevant income tax treaty.
11. Transferring appreciated assets to a foreign trust or foreign company will usually trigger current income tax on the appreciation if the transfer is made when you are a U.S. resident.
12. Expatriation: If after 7 years of residence as a green card holder, you relinquish your green card and leave the US, you may be subject to an exit tax on appreciated assets. To minimize this risk, you may wish to defer getting your green card if your stay in the US is not permanent.
13. Reporting bank balances and foreign investments is required under federal and state rules. The following IRS forms need to be considered:

    - TDF 90-22.1 Foreign Bank Account Report – For balances in excess of $10,000
    - From 3520 Receipt of any distributions or benefits from a foreign trust
    - Form 3520 Receipt of gifts or bequests over $100,000 from a foreign person
    - Form 3520A Annual return for a foreign trust
    - Form 5471 Return of U.S. person in certain foreign corporations
    - Form 8865 Return of U.S. person in certain foreign partnerships
    - Form 8621 Investment in a passive foreign investment company (e.g. foreign mutual fund)
    - Form 8938 New in 2011 – Statement of foreign financial assets

      Caution: Many foreign holding structures may fall within these reporting requirements. Significant penalties will be assessed if appropriate reporting is not done.

Speakers Bio
Rowbotham & Company

Peter Trieu is a Tax Director at Rowbotham & Company. His practice focuses on advising clients regarding domestic and international tax planning and compliance. He also assists clients with their trusts and estate plans. His clients include entrepreneurs, multi-national families, high net-worth individuals and businesses. His practice area includes International Taxation, Corporate and Partnership Taxation (including S corporations and LLCs), Taxation of Mergers and Acquisitions, Executive Compensation and Estate and Gift Tax.

Brian Rowbotham is a CPA with 33 years of experience advising businesses and individuals on complex domestic and international income and estate tax planning. He is the founding partner of Rowbotham & Company LLP which is almost exclusively dedicated to businesses and investors needing both domestic and international tax and accounting services.

His clients include private and public companies around the globe which consist of: U.S. and foreign institutional investors, multinational families and executives and non-U.S. investors doing business in the U.S. Mr. Rowbotham has advised clients in major domestic and international litigation and has also served on the boards of both privately held and publicly traded companies.