Doing business in the US

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Introduction

This guide is intended to provide potential investors with the knowledge and insight needed to do business in the U.S.; one of the largest and most vibrant markets in the world. The U.S. is a large and complex country, whose economic, political and cultural influence is felt worldwide. To operate successfully in this market, companies should be aware of the numerous factors that influence competitive advantage in the U.S.

The United States is a market-oriented economy, which benefits from abundant natural resources and a highly productive, educated workforce. The U.S.'s growth was founded on industrial strength and although the U.S. is now considered post-industrial, it retains a strong manufacturing sector. The current focus of the U.S. economy has shifted towards services, but it maintains a large presence in manufacturing, oil and energy, financial services, engineering and technology, pharmaceuticals and media. The state relies on the private sector, with government agencies often purchasing goods and services from private companies.

The vast size and geographical diversity of the U.S. gives it a large and vibrant consumer economy that offers a huge variety of goods and services; several states have comparable outputs to smaller European countries. The United States currently has the largest GDP of any single country, with a value of USD17, 535 billion1; a position it has held since 1900. The United States dollar remains one of the strongest global currencies, and the world's most popular reserve currency.

The biggest export markets for the U.S. are Canada, Mexico, China, Japan, the U.K. and Germany. According to the U.S. Bureau of Economic Analysis, the trade deficit increased by USD0.8 billion between September 2013 and September 2014.

The U.S. experienced average growth of 2.7 per cent per annum from 1973 until the start of the financial crisis in 2008. The U.S. was at the centre of the 2008 crisis, and GDP fell by as much as 5 per cent between 2008 and 2009.

The majority of U.S. businesses enjoy great flexibility in decisions to expand capital plant, lay off surplus workers and develop new products. U.S. firms are near the forefront in technological advances, especially in medical, aerospace and military equipment.

The U.S. has a welcoming attitude to foreign direct investment, and the federal government provides equal treatment to both domestic and international investors. The assets of foreign countries in the U.S. have an estimated value of USD3.18 trillion and are responsible for over five million jobs.

While the federal government offers no incentives (or restrictions) to Foreign Direct Investment, state and local governments often offer incentives to preferred industries or proposals in the form of grants, bonds, tax exemptions, work force training, infrastructure improvements and more. Technology and manufacturing are typical examples of these desirable industries.

While this guide makes reference to some of the most common issues investors might face, it must be noted that certain industries, such as the financial services sector, are subject to special regulation and therefore companies wishing to invest in this area should seek legal advice.

The information in this publication is current at December 2014.

Legal overview

Political and legal system
The United States of America is a federal republic and constitutional representative democracy, centred in Washington D.C. It combines and encompasses laws, bodies and agencies at a federal, state and local level.

The U.S. government works on a system of checks and balances among the three branches of government, which are: the executive branch, judicial branch and legislative branch. Each branch has its own independent institutional base and its own enumerated and implied powers.

The executive branch is responsible for implementing and enforcing the laws written by Congress, and is headed by the president of the United States. The president also appoints the heads of federal departments.

The legislative branch consists of the Senate (100 senators, two from each of the 50 states) and the House (435 representatives, representing each of the 50 states, based on population). The Senate and the House make up the Congress, which is tasked with writing and passing legislation. The Congress is granted a number of rights and powers by The Constitution, including the authority to declare war and confirm or reject presidential appointments.

The judicial branch of the U.S. government has the responsibility of interpreting and applying the law. It includes the United States Supreme Court, which is the "highest court in the land" and acts as the final authority in legal disputes. The main political parties are the Democratic Party, generally viewed as more liberal, and the Republican Party, generally viewed as more conservative. There are other "third parties", but these have historically shown less influence.

The U.S. has a strong judicial system that is rated 19th in the world by the WJP Rule of Law Index. The legal system consists of federal and state courts, with trial, appellate and supreme courts in the federal and state systems. Generally, state laws govern areas that are not pre-empted by the federal government, e.g., state and local taxation, marriage and family law and local crime. Federal laws govern areas that are expressly or implicitly pre-empted by the federal government, e.g., international treaties, federal taxation, violations of federal law, cases involving the federal government, interstate crimes, and issues involving interstate commerce.

The U.S. Constitution provides that each criminal defendant is entitled to representation by legal counsel and a trial by a jury of his/her peers.

Data protection
There is no single, comprehensive law regarding data protection in the U.S. Provisions can therefore be found in a number of federal and state laws regarding privacy and consumer protection. These include, but are not limited to:

- The Federal Trade Commission Act (FTC Act)
- The Gramm-Leach-Bliley Act (GLBA), aka the Financial Services Modernization Act
- The Health Insurance Portability and Accountability Act (HIPAA)
- Health Information Technology for Economic and Clinical Health (HITECH Act)
- The Fair Credit Reporting Act (FCRA)
- The Controlling the Assault of Non-Solicited Pornography and Marketing Act (CAN-SPAM)
- The Electronic Communications Privacy Act
- Privacy of Consumer Financial Information (Regulation P)
- Unfair, Deceptive or Abusive Acts or Practices (UDAAP)
- Various state level data breach laws

The intent of these laws is generally to mandate or encourage businesses to:

- Keep customer data securely and confidentially
- Act transparently in the way they share data
- Keep and store private data for no longer than necessary
- Ensure that data is accurate
- Only use data with express consent

Laws will vary depending on the context and the state. Businesses must be familiar with the sector-specific laws applicable in the state where they operate.

The Federal Trade Commission (FTC) is one of the primary regulators and enforcers in this space; it regularly prosecutes business entities for offences related to data protection. Prosecutions usually result in fines, though criminal penalties can include imprisonment.

The increasing scale and complexity of the data laws in the U.S. can represent a challenge to data managers and impose administrative costs on businesses.

Money laundering regulations
The U.S. has a strict anti-money-laundering apparatus, which includes a number of laws criminalising money laundering, as well as preventative measures that force transparency of transactions and disclosure of records.

The Bank Secrecy Act (BSA) is the main legislation against money laundering; it requires that U.S. financial institutions keep and make available records of transactions (such as cash transactions over USD10, 000), as well as reporting suspicious activities and performing due diligence around "Know Your Customer".

The Financial Crimes Enforcement Network (FinCEN) is the institution tasked with monitoring financial transactions in order to combat money laundering, terrorist financing and other financial crimes. It serves as the financial intelligence unit of the United States, and is the primary enforcer of the BSA. The Federal Reserve and Office of the Comptroller of the Treasury also play active roles in the enforcement of the BSA.

The U.S. does impose controls on the movement of money across its borders; any movement above USD10, 000 needs to be reported directly to FinCEN.

U.S. money laundering law has a broad scope; there is no minimum amount for a crime to be prosecuted. Moreover, transactions do not need to be successful in order to infringe the law.

In addition, the Foreign Account Tax Compliance Act (FATCA) is now effective in the U.S.; it requires foreign financial institutions to report financial accounts owned by, or having the signature authority of, a U.S. person. These must be reported either directly to the U.S. Internal Revenue Service (IRS) or indirectly through their own government's revenue agency. Failure to report such accounts may result in withholding penalties by the financial institutions. A U.S. person's failure to report such accounts may result in civil or potentially criminal penalties.

Intellectual Property Rights
In the U.S. intellectual property is protected by patents, copyrights and trademarks. These serve in their various forms to provide creators with an exclusive legal right to their intellectual property.

Intellectual property in the United States is regulated by the United States Patent and Trademark Office (USPTO).

COPYRIGHT	
Copyright can protect any original works of authorship including: literary work, dramatic works, musical works, artistic works, layouts and typographical arrangements, recordings and broadcasts. It is an automatic right, and therefore, it is not necessary to apply to register a copyright; however, registration is a prerequisite to filing a lawsuit for copyright infringement. The copyright symbol (©) is still used optionally to provide additional legal protection.	
Protection granted	Copyright does not protect ideas for work, it is only when the work itself is fixed that copyright automatically protects it. Copyright in the U.S. is granted by the 1976 Copyright Act, which has been amended to conform with the Berne Convention. A copyright gives the bearer the exclusive right to reproduce, sell, export and perform the work. The copyright holder must bear all costs of protecting the copyright, including legal representation, court costs etc.
Infringement	Copyright applies to any medium, which means that copyright protected work cannot be reproduced in any other medium. Acts that can infringe a copyright include the copying of the whole or a substantial part of the work, issuing copies to the public, etc. without the consent of the copyright owner. Authorising an infringement can in itself constitute a copyright infringement.
Duration	For works created on or after January 1, 1978:70 years after the death of the author. If the work was a 'work for hire' (e.g. product of a corporation or business) 120 years after the creation of the work or 95 years after first publication (whichever is shorter). Generally, works created or registered before January 1, 1978 can have their copyrights renewed to a maximum duration of 95 years (some exceptions apply).

PATENTS	
A patent is a property right relating to an invention or process, often applicable to an industrial environment. Patents must be registered with the USPTO, and result in public disclosure of the details of the invention, as well as legal protection for a limited duration. The limited duration of a patent means that at its expiry, the content of the patent becomes public domain. As such, some may choose not to patent some ideas or property in an effort to keep the content secret. Pure discoveries and scientific or mathematical formulae cannot be patented. Patents are now generally accepted to behave as property, and can be bought, sold, mortgaged etc.	
Protection granted	A patent gives its owner the ability to take legal action to stop others from copying, manufacturing, selling and importing the invention without the inventor's permission. It also allows the owner to sell the invention and all the intellectual property rights, licence the invention to someone else while retaining the IP rights, discuss the invention with others and set up a business based around the invention.
Infringement	Infringing a patent means manufacturing, using, offering for sale, selling or importing patented products or inventions without the owner's permission. It is not necessary to know that an invention is patented to infringe the patent.
Duration	Generally 20 years from the date on which the application was filed (some exceptions apply).
Overseas patent convention	A patent held in the United States offers no protection outside of the United States and as such, an inventor must obtain patents separately in order to guarantee protection. The Patent Cooperation Treaty (PCT) streamlines the process of acquiring patents in multiple countries.

TRADE MARKS	
A trademark is a brand name that serves to distinguish and identify goods and services produced by one individual or company from any other provider. A trademark can be a: word, personal name, design, letter, phrase, symbol, distinctive colour, symbol, smell or combination thereof. Trademarks need not be registered, but owning a federal trademark provides important benefits and further legal protections. Unregistered trademarks are usually denoted by the TM or SM symbols, and registered trademarks are usually denoted by the ® symbol.	
Protection granted	The owner can obtain protection in the U.S. by registering the trademark with the USPTO, usually through a legal advocate. Once a trademark is registered, the owner gains presumptive rights to its use throughout the United States. The federal registration can be used to obtain registration in foreign countries. Trademark infringement actions concerning a registered or unregistered mark can be brought in federal court.
Infringement	Some examples of potential infringement of a trademark, include without limitation: • Unauthorised use of an identical or confusingly similar trade mark for identical or similar goods and services to a trademark which thereby creates a likelihood of confusion on the part of the public • Where a mark is famous (i.e. widely recognised by the general consuming public of the U.S. as a designation of source of the goods or services of the mark's owner), trademark dilution may arise from the unauthorised use of the similar mark which impairs the distinctiveness of the famous mark or harms the reputation of the famous mark
Duration	Potentially indefinite. Federal trademark registrations must be renewed every 10 years, and a statement of use also must be filed between the fifth and sixth years after registration.

Conducting business in the US

Any foreign company or individual wanting to do business in the U.S. will need to decide under which form they want to operate. The various business entities available are described below.

Branch

There is no specific regulation that governs the setting up of a branch in the U.S. Generally, a foreign company that wishes to establish a branch in the United States must register with the state where the branch will conduct business. Operating a branch may open up a parent company to increased liability and potential legal claims and as such many companies prefer to set up corporations in order to reduce liability.

Limited Liability Company (LLC)

Formation

LLCs are formed under state law rather than federal law and as such the statutes governing LLCs can vary from state to state. An LLC combines the limited liability structure of a corporation with the flexible structure of a partnership.

Capital requirement

Like corporations, there are usually no minimum capital requirements to form an LLC.

Company charter

The terms of an LLC are set out in an agreement (usually called a Limited Liability Company Agreement or an Operating Agreement). Owners of an LLC have limited liability for the potential loses, obligations and actions of the LLC. Typically, their maximum loss is limited to the value of their investment in the LLC.

Filing requirements

An LLC is treated as a pass-through entity, unless its members elect for it to be treated as a corporation for federal tax purposes. A pass-through entity is a means of preventing double taxation in which the business entity does not pay income tax at the corporate level, but instead income taxes are paid by the owners on income from the business.

The Limited Liability Company Agreement need not be filed with a public official, unless the LLC is publicly-traded which would necessitate registration with the Securities and Exchange Commission (SEC).

Corporation

Formation

Corporations are created under state law rather than federal law; thus it is important to recognise that corporate law will vary from state to state. Certain states are therefore more often selected due to more favourable or flexible conditions provided by local statutes governing corporations (Delaware is a popular choice for these reasons). A Corporation incorporated in one state (or in a foreign country) may operate in any other state, but may be required to file tax returns in those jurisdictions. Corporations typically adopt the suffix 'Inc.', short for "incorporated", but others such as 'corp', short for 'corporation' or 'ltd' short for 'limited' may also be available.

Forming a Corporation is a simple procedure in most states, usually only requiring completion of an application, generally known as the Articles of Incorporation. This application is filed with the appropriate state agency, and must be renewed annually, usually with an accompanying small fee. Failure to file the annual report may result in the state revoking the Corporation's right to do business in the state, or to dissolution of the Corporation.

Capital requirement

There is generally no minimum capital requirement imposed on corporations, and companies are commonly formed with a share capital of USD1-2. Some states impose restrictions on the issuance of shares and the types of business.

Constitution

A Corporation is considered a separate legal entity to its owners (shareholders), and has many of the same rights as a person. The right of "corporate personhood" is a legal concept that originates in the U.S. and states that corporations can legally be considered as people. This means that corporations can sue, be sued, and have the same responsibilities as a natural person. Corporations will produce a Certificate of Incorporation (or Articles of Incorporation), which is the official charter for the company governing its existence, powers and the shares it may issue. The charter will also contain the rules governing how senior positions are determined, usually by voting by shareholders, board members and directors. The charter is filed with the appropriate public official in the state in which the Corporation is formed and can only be amended with the approval of the Corporation's directors and shareholders. The internal bye-laws of the corporation are generally not published.

Filing requirements

Every company incorporated or registered in a state is required to file an annual report stating the names of the corporate officers and the company address. Most states impose an annual fee for the right to do business in the state. Failure to file the annual report may result in the state revoking the corporation's right to do business in the state or the dissolution of the Corporation.

Sole Proprietorship

A Sole Proprietorship is an unincorporated business wholly owned by a single individual, where there is no legal distinction made between the individual and the business. One therefore cannot be a sole proprietor and treat the company as a corporation.

Formation

Starting a Sole Proprietorship business is very easy, as it requires no formal or legal steps at the federal, state, or local level. Sole proprietors need a name to operate under and a trademark on that name, as well as a business bank account.

Capital requirement

There are no capital requirements for a Sole Proprietorship, but an individual in a Sole Proprietorship is held personally liable for all business commitments.

Filing requirements

As the operator and business are considered the same entity, a Sole Proprietorship is not taxed separately. Instead, the individual is taxed on their income, and the income, losses and expenses are filed with Schedule C form 1040. This is regarded as "self-employment". This is an uncommon entity structure due to the risk of unlimited liability to the individual owner.

Partnership

Partnerships are agreements of two or more individuals or entities that may include Joint Ventures, and come under two categories:

General Partnerships

In a General Partnership, two or more partners share liability for the partnership's obligations and risk. General partnerships are rarely used because similar tax structures exist for other business vehicles that offer limited liability.

Limited Partnerships

In a Limited Partnership, one general partner assumes personal liability for all of the partnership's liabilities and obligations, while the other limited partners have limited liability. Limited partners are only liable for what they contribute to the partnership, and have no management control of the partnership. The general partner acts as a corporation or other entity that itself offers limited liability to its owners.

Both forms of partnership qualify as "pass-through" entities for U.S. federal income tax purposes. The existence of LLCs (which offer less liability for owners) has reduced the popularity of the partnership structure.

Trust

A Trust is an unincorporated entity under which the title to business property is turned over to a person (trustee) who manages the property for the benefit of the owners who hold transferrable shares in the Trust. Generally, a Business Trust will not classify as a Trust for federal income tax purposes, but will instead be classified as a Partnership.

Trust arrangements are commonly used by individuals in structuring their personal estates. These trusts are typically not established for business purposes and can be established by individuals in life or at death. A Trust created during one's lifetime is referred to as an 'inter vivos' Trust. A Trust created upon death is referred to as a Testamentary Trust. Under both arrangements legal title of the property is transferred to a trustee who controls and maintains the property for the designated beneficiaries.

Income from a Trust will be taxable to the Trust, the beneficiary or the creator of the Trust, depending mainly on the terms of the Trust. Additionally, a determining factor in taxability may be whether distributions are made to the beneficiaries. Certain types of trusts in which the creator remains in control are ignored for income tax purposes and all income is passed through and taxed to the creator. Trusts are commonly used for estate-planning purposes and offer non-tax advantages as a vehicle for holding property.

In certain situations, formation of a Trust by a non-resident alien, prior to achieving U.S. residency status, can be advantageous from a tax point of view.

The choice of entity is an important decision and should not be made without the consultation of qualified professionals.

Tax system

All U.S. companies are subject to a variety of taxes. The laws, regulations and cases governing taxation in the United States are complex and change regularly. Tax rates and structures vary across different states. Potential investors in the United States should obtain tax advice as to the effects of all relevant authorities.

Corporate Income Tax (CIT)

Generally, a U.S. company is taxed on the entirety of its worldwide income, including that from branches overseas.

Corporate income tax rates for 2014:

Income Bracket (USD)	Tax Rate (USD)	Of amount Over (USD)
0 - 50,000	15%	0
50,001 - 75,000	7,500 +25%	50,000
75,001 - 100,000	13,750+34%	75,000
100,001 - 335,000	22,250+39%	100,000
335,001 - 10,000,000	113,900+34%	335,000
10,000,001 - 15,000,000	3,400,000+35%	10,000,000
15,000,001 - 18,333,333	5,150,000+38%	15,000,000
18,333,333+	35%	0

(As of November 2014)

It is worth noting that state level taxes will be applied on top of these taxes, which can lead to an average marginal tax rate of approximately 40 per cent.

(Note: Taxable income of certain personal service corporations is taxed at a 35 per cent flat rate.)

Registration

Businesses must be registered with the Internal Revenue Service (IRS) in order to receive a federal Employer Identification Number (EIN), which is necessary to file a tax return. The U.S. tax system is self-assessed. Taxpayers are required to file their own tax return by the 15th day of the third month following the end of their tax year, though automatic extensions of time up to six months are available. Failure to timely file an income tax return usually results in penalties and interest. In addition, the IRS assesses penalties for failing to timely file associated information returns.

Residency of corporation

The residency of corporations is generally determined for U.S. federal tax purposes based on the place of organisations of the corporation, subject to certain limited exceptions.

Liability to tax

Income taxes are imposed by the federal government, most states, some cities and other local authorities. The federal income tax is administered by the IRS.

Special taxes or rates on corporations include the alternative minimum tax, the accumulated earnings tax and the personal holding company tax, among others.

Taxable income

While financial statement income (book income) provides the starting point for calculating taxable income, the U.S. Tax Code and income tax regulations contain numerous tax accounting methods that differ from those used for financial reporting purposes. Tax accounting methods are generally adopted on a taxpayer's tax return for its first taxable year and can generally only be changed in subsequent years with the approval of the IRS.

A number of typical tax accounting methods may be elected:

- Cash or accrual method
- Inventory valuation methods
- Revenue recognition methods
- Timing of tax deduction for expenses
- Depreciation and amortization methods

Taxable income can be treated differently from book income for a number of items:

Amortization: Amortization is allowed for the cost of most acquired intangible assets such as patents, franchises and goodwill over a 15-year useful life, regardless of the actual useful life of the asset.

Depletion: Depletion is allowed for exhaustible resources such as oil, gas, timber and minerals.

Interest: For some corporations, the deductibility of certain types of interest expense (e.g., interest paid to certain related foreign persons or real estate investment trusts as defined under U.S. federal tax law) can be limited when debt-to-equity ratios are within parameters defined under U.S. federal tax law. The existence of certain guarantees of debt can also result in the application of these rules.

Start-up expenditures: A newly organised corporation may elect to amortize its organisational and start-up costs over a period of not less than 180 months.

Bad debt expenses: Most taxpayers may not deduct an estimate of bad debt. Instead, a bad debt deduction is allowable only when an item is actually charged off.

Depreciation: The tax recovery period for fixed assets often differs from book treatment, as illustrated in the table below. The Tax Code also provides accelerated depreciation incentives. The current "bonus depreciation" rules allow taxpayers to expense half of the cost of most kinds of property with a 20-year depreciable life or less if it is placed in service before 1 January 2014. As of December 2014, legislation under consideration may change the placed-in-service date.

Fixed Asset	Period	Method
Autos, Trucks	5 years	Accelerated or Straight Line
Furniture and fixtures	7 years	Accelerated or Straight line
Equipment	3, 5, 7, 10 or 15 years	Various
Real Property	27. 5 or 39 years	Straight Line

In addition to the items listed above, many items reserved and expensed for book income purposes are not deductible for tax purposes until the actual payment occurs.

Inventory valuation

Inventory is the collection of assets that is intended for sale, and is usually priced at the lowest market value, on a either a 'first-in, first-out' (FIFO) basis or 'last-in, first-out' (LIFO).

Capital gains

U.S. resident companies must pay tax on a measure of their short versus long term capital gains. Assets held for less than 12 months are treated as short term and all other assets are long term. The tax rate is applied to the difference between long and short term gains. The maximum tax on these transactions is 35 per cent.

Taxable year

Generally, a corporation may choose as its taxable year any 12-month period that ends on the last day of a given month. Alternatively, a taxpayer may elect to use a "52-53-week" taxable year as defined in the Internal Revenue Code and income tax regulations. Once chosen, a taxable year can generally only be changed with the consent of the IRS.

Groups

Domestic corporations forming an affiliated group may elect to file a consolidated return for federal income tax purposes. The broad effect of consolidation is that the group is taxed as a single corporation, filing one return. This allows for the offset of profits and losses and tax-deferred transfers of assets within the group. Special rules apply to losses incurred by a corporation before it joins the consolidated group. If an election is made, all eligible corporations must join in the election. A foreign corporation (except for certain Canadian and Mexican corporations) cannot be included in a consolidated group.

Unlike federal income tax reporting, states differ in determining what filing methods are required or allowed for an affiliated group of companies. Some states require or allow entities to report on a separate basis, while others require or allow an affiliated group to file a combined report (which may be substantially different from that of a federal consolidated group). Other states allow consolidated filing groups (but again, such groups may be different from the federal consolidated group).

Transfer pricing

Transfer pricing regulation governs the transfer of assets, both tangible and intangible, within a single business entity or between subsidiaries. Enterprises must transfer assets based on an 'arm's length principle', which stipulates that the receiving business must be treated in the same way as a customer by the sender, using a realistic price for a customer. This is in order prevent the use of transfer pricing as a means of tax evasion by corporations, as they could otherwise transfer assets out of divisions, lowering their profits and the tax they pay on them.

Payment dates and tax returns

A domestic corporation must file a federal tax return (Form 1120) within three-and-a-half months of its year-end. For corporations with a calendar year-end, the date for filing a

federal income tax return is March 15. However, automatic extensions of time are available.

A foreign corporation with a U.S. office or place of business is required to file a Form 1120F within three-and-a-half months of its year-end. A foreign corporation with no U.S. office or place of business must file Form 1120F within six-and-a-half months of its year-end.

Corporations with total assets of USD10 million or more at the end of the corporation's tax year must generally file Form 1120 electronically. The balance of tax due must be paid by the original due date of the return. A corporation may be required to make estimated tax payments during the taxable year. Various penalties and interest may apply for non-compliance. States and localities have varying payment dates and tax return filing requirements that are often not consistent with the federal filing requirements discussed above.

Losses

For federal income tax purposes, a net operating loss may be carried back two years and carried forward for 20 years. Special rules provide a longer carry-back period for losses attributable to certain activities or liabilities. Losses incurred from the disposition of a capital asset may only be offset by capital gains. Net capital losses generally may be carried back three years or forward for five years.

States and localities have special rules that often impact the amount of a loss available to a taxpayer. State carry-forward and carry-back periods may differ from the federal carry-forward and carry-back periods. Likewise, states and localities do not uniformly follow federal rules on capital gains and losses. It is advisable to consult an experienced advisor in this field to help manage the complexities of adherence.

Foreign tax credits

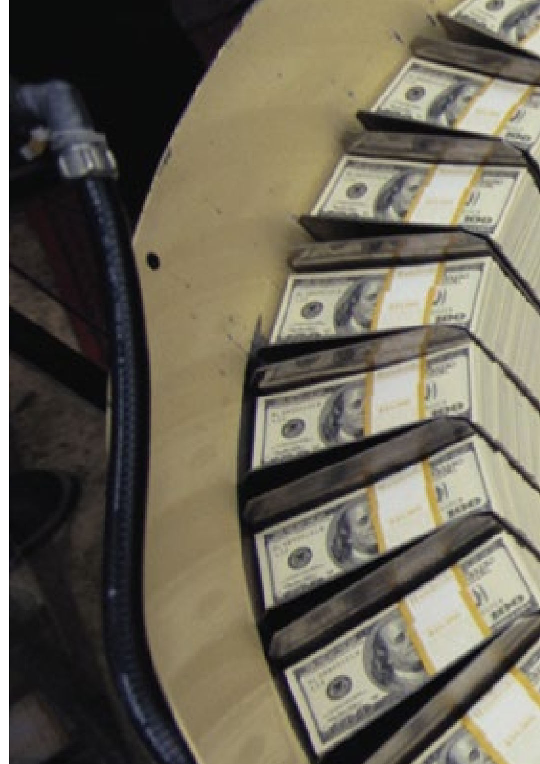
When taxpayers accrue foreign income taxes or tax paid to a foreign country, they are often eligible to receive either a tax creditor a deduction on current tax. Foreign Tax Credits (FTC) reduce the income tax liability of the taxpayer.

Foreign investment in U.S. real property

Gain or loss from the disposition of a U.S. real property interest by a non-resident alien or foreign corporation is subject to tax in the United States as though the foreign person were engaged in a trade or business in the United States and the gain or loss was effectively connected with such trade or business. The determination of whether an asset is a U.S. real property interest, and what constitutes an interest therein, is made based on U.S. federal tax rules. Moreover, persons acquiring certain U.S. real property interests from foreign persons generally must remit a withholding tax to the IRS. Tax treaties typically do not limit the ability of the United States to impose tax on dispositions of U.S real property interests by foreign persons.

Branch profits and excess interest tax

In addition to the tax on effectively connected income described above, foreign corporations are also generally required to pay tax at a rate of 30 per cent on U.S. earnings that are deemed to be disinvested from the United States during the year. Special rules may apply in the case of branch-level interest expense. The branch profits tax and excess interest tax can be reduced or eliminated under certain tax treaties. If a tax treaty benefits exist, U.S. federal tax law may impose qualifications on foreign corporations in order to obtain such benefits in addition to those described in the applicable tax treaty.



The United States taxes its citizens, as well as non-citizens qualifying as U.S. residents on their worldwide income.

Personal Income Tax

The United States taxes its citizens, as well as non-citizens qualifying as U.S. residents on their worldwide income. The taxation of an individual who is not a U.S. citizen depends upon whether or not the individual is considered a resident of the United States.

Resident alien individuals are taxed in the United States on their worldwide income just as U.S. citizens are. Non-resident aliens are taxed on certain types of passive or effectively connected income.

An individual is generally considered to be a resident alien for U.S. federal tax purposes in the following cases:

- The individual is a lawful permanent resident of the United States (i.e., the individual holds a green card)
- The individual meets the "substantial presence test" under the applicable U.S. federal tax laws

Tax rates

The income tax burden on individuals is low in the United States compared with that of other industrialised nations. Rates vary depending on the taxpayer category. For 2015:

Tax	Married filing jointly / surviving spouses	Married filing separately	Single	Household
10%	0-18,450	0-9,225	0-9,225	0-13,150
15%	18,451-74,900	9,226-37,450	9,226-37,450	13,151-50,200
25%	74,901-151,200	37,451-75,600	37,451-90,750	50,201-129,600
28%	151,201-230,450	75,601-115,225	90,751-189,300	129,601 – 209,850
33%	230,451-411,500	115,226 - 205,750	189,301-411,500	209,851 – 411,500
35%	411,501-464,850	205,751-232,425	411,501-413,200	411,501 – 439,000
39.6%	464,851+	232,426+	413,201+	439,001+

Brackets are indexed annually to reflect inflation. An alternative minimum tax may apply.

Most states and localities also actively collect income tax from non-residents, as well as individuals who reside in their territory. The imposition of income tax on non-residents may occur when non-residents have gross income sourced at state or locality through an ownership interest in an entity doing business or performing services in that state or locality.

Taxable income
Individuals are taxed based on their gross income, which includes all sources (unless specifically exempted by the IRC). Gross income can include salaries, pensions, service fees, business income, property gains, rents, dividends etc.

Each state will have its own laws for the specific calculation of taxable income. Most states follow similar tax laws to federal laws, but there are some exceptions, such as California and New Jersey.

Itemised deductions
Itemised deductions are subtracted from Annual Gross Income (AGI) when calculating tax. These deductions include mortgage interest, state and local income, charitable donations and other tax deductible payments.

Exemptions
Individuals are allowed to claim a "personal exemption" from their AGI which is a flat amount. In 2014 this amount is USD4, 000, and all income above this is taxable at graduating rates.

Credits
Tax credits are available to reduce the tax liability of an individual on a dollar for dollar basis. This includes foreign tax credits, child tax credits, adoption credits etc. Taxpayers can deduct these taxes as an Itemised deduction, or claim a credit subject to legal limitations and phase-outs.

Payment dates
U.S. citizens and residents must file an income tax return (Form 1040) by 15 April, following the end of the tax year (31 December). For U.S. citizens or residents who have a tax home outside the United States on 15 April, the due date for filing and payment of any balances of tax due is automatically extended to June 15.

Taxpayers may also obtain an additional automatic filing extension to 15 October by filing Form 4868.

These filing extensions do not extend the deadline for paying tax, only for filing the tax return. The time for payment may not be extended.

Tax must be paid throughout the year through withholding and estimated tax payments. It may be necessary for the individual to make quarterly estimated tax payments if taxes are being withheld from their wages. Penalties apply to underpaid estimated tax.

Penalties and interest may be assessed for non-compliance.
Employers must withhold federal income tax from wages, in accordance with published wage withholding tables and information supplied by the employee. There are strict time limits and reporting requirements for payment of withheld taxes to the government. In most states there is a similar requirement to withhold state income taxes.

Foreign persons
Foreign persons include non-resident alien individuals, foreign corporations and certain trusts, estates and foreign governments. For this purpose, the determination of a person or entity's status as foreign is made solely under U.S. federal tax rules.

Two distinct tax regimes are applicable to foreign persons under U.S. federal tax law:

Certain types of passive income (as defined under U.S. federal tax law) are subject to a flat 30 per cent withholding tax at the source of payment

Foreign persons who are deemed to be engaged in the conduct of a trade or business within the United States may be taxed similarly to U.S. persons on income they earn that is effectively connected with such trade or business. The determination of whether a foreign person is engaged in the conduct of a trade or business within the United States, as well as the determination of any taxable income connected therewith, is made within the definitions and rules of U.S. federal tax laws.

Certain tax treaties entered into by the U.S. with other tax jurisdictions may reduce or eliminate the U.S.'s ability to tax certain items of income described above.

Passive income
Certain types of income, including interest, dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, other fixed or determinable annual or periodic gains, profits, and income, may be subject to U.S. taxation at a rate of 30 per cent if the income is from U.S. sources (as defined by applicable U.S. federal tax law) and it is not otherwise treated as income effectively connected with the conduct of a trade or business within the United States.

When applicable, this tax is withheld at the source of the payment by the payer (or, more specifically, by the withholding agent, which is determined under highly complex U.S. federal tax rules). The withholding agent generally must remit the tax withheld to the IRS and file certain tax returns.

If the applicable withholding tax is eligible for reduction or elimination by an applicable U.S. tax treaty, the recipient must generally provide certification to the payer that the recipient is eligible for benefits under a treaty. The type of certification that must be provided depends on the nature of the payment and type of benefit the recipient is claiming.

Effectively connected income
Foreign persons who earn taxable

income that is effectively connected with the conduct of a trade or business within the United States are subject to U.S. federal tax on such income at graduated rates in a manner similar to that of U.S. persons. Such income generally includes any income from U.S. sources that is not subject to the 30 per cent withholding tax described above and, in some cases, certain income from foreign sources if connected with the foreign person's U.S. trade or business.

If a foreign person is engaged in the conduct of a trade or business within the United States, the foreign person generally must file an annual income tax return with the IRS. For instance, a non-resident alien individual must file Form 1040NR, U.S. Non-resident Alien Income Tax Return, and a foreign corporation generally must file Form 1120F, U.S. Income Tax Return of a Foreign Corporation (and, in certain circumstances, Form 5472, Information Return of a 25 per cent Foreign-Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business).

Certain activities of foreign persons may be eligible for reduced rates of tax, or exemption, based on a tax treaty entered into by the United States.

Tax treaties

The United States has entered into tax treaties with various foreign jurisdictions to reduce the incidence of double taxation and tax avoidance of certain income deemed to be from U.S. sources under U.S. federal tax law. The following considerations must be taken into account by foreign entities seeking to obtain benefits under a tax treaty that the United States has entered into:

- Tax treaties may reduce the applicable tax rates on certain types of income and exempt certain items of income from taxation
- Tax treaties may limit the types of activities of foreign persons that can be subjected to U.S. taxation.
- In order to qualify for benefits under most U.S. tax treaties, foreign persons must qualify as residents of the country with which the treaty applies. In the case of many treaties, this entails meeting certain limitation of benefits provisions intended to curtail so-called treaty-shopping
- U.S. taxpayers are generally not permitted to apply reduced rates of withholding unless proper certification is presented by the foreign person recipient
- Certain treaty positions taken by foreign persons to reduce or eliminate the imposition of U.S. taxation must be disclosed to the IRS with the foreign person's tax return. Penalties can be imposed if such disclosures are not properly made.

Other taxes

Sales Tax

There are no nationally imposed sales taxes (such as Value Added Tax) but most states and some local jurisdictions impose a local sales tax. These taxes vary significantly depending on the local jurisdiction, and are subject to routine modification.

Property taxes

A variety of property taxes are levied by most states and local jurisdictions, including taxes on the ownership of real property and certain personal property, as well as transfers of real property.

Net investment income tax

Beginning in 2013, a 3.8per cent tax on "net investment income" became effective for certain higher-income individual taxpayers with modified AGI in excess of USD200, 000 for single filers and USD250, 000 for joint filers. Taxpayers meeting those thresholds could be subject to an additional 3.8 per cent tax on income earned from a passive activity, capital gain from a disposition of property, or income derived from rents, royalties, interest, dividends and annuities. The threshold amounts are not indexed to inflation, and trusts and estates are also subject to the tax, albeit at lower threshold levels.

Estate and gift taxes

A non-domiciled alien is liable for estate tax on property located within the United States, unless exempted by a treaty. Intangible property located in the United States is subject to estate tax. The estate tax is imposed on the value of property that was owned at death.

The estate tax and gift tax are currently unified under U.S. federal tax law, with a top rate of 40 per cent and a lifetime exemption of USD5.43 million in 2014.

An unlimited amount may be transferred free of tax to a U.S. citizen's spouse because U.S. federal tax law provides an unlimited marital deduction for bequests to spouses of U.S. citizens. This unlimited deduction will also apply to property left to a non-U.S. citizen spouse if the property is left in trust for the benefit of a non-U.S. citizen spouse and the trust meets the requirements of a Qualified Domestic Trust. A non-domiciled alien is allowed a credit that will offset the first USD60, 000 of his or her estate.

Certain states impose taxes on gifts, trusts, estates, and inheritances.

Generation-skipping transfer tax

If a transfer is subject to gift or estate tax, it may also be subject to generation-skipping transfer (GST) taxes. GST taxes apply when a transfer subject to gift or estate tax is to a person who is two or more generations younger than the transferring taxpayer (e.g., grandchildren and great-grandchildren). The GST lifetime exemption is USD5.25 million for 2014.

Labour

In the U.S., employment is regulated by the contract between employer and employee and subject to a wide range of both state and federal rules. These apply to both US and foreign employees within the United States.

Individual employee rights are governed by the following legislation:

- The Civil Rights Act of 1964, which prohibits employment discrimination based on race, color, religion, sex or national origin
- The Equal Pay Act of 1963 (EPA), which protects men and women who perform substantially equal work in the same establishment from sex-based wage discrimination
- The Age Discrimination in Employment Act of 1967 (ADEA), which protects individuals who are 40 years of age or older
- Title I and Title V of the Americans with Disabilities Act of 1990 (ADA), which prohibit employment discrimination against qualified individuals with disabilities in the private sector and in state and local governments
- Sections 501 and 505 of the Rehabilitation Act of 1973, which prohibit discrimination against qualified individuals with disabilities who work in the federal government
- The Civil Rights Act of 1991, which, among other things, provides monetary damages in cases of intentional employment discrimination

Workplace regulation is applied at both the state and federal level by the U.S. Department of Labour, as well as each state's own local labour department.

U.S. employees have relatively little protection from termination due to the default classification of employment as 'at-will' under U.S. law. The "at-will" rule gives employers the right to terminate an employee at any time, without notice, and for any reason. However, there are multiple statutes prohibiting discrimination and termination based on race, gender, age, sexual orientation, physical disabilities etc.

Minimum wage
As of November 2014 the statutory minimum wage in the United States is set at a nationwide level of USD7.25 per hour. Some states have set a higher rate, with the highest being USD9.32 per hour in Washington. After a call from the president in 2014 to raise minimum wages, several states have passed legislation to increase the minimum wage between 2017 and 2021, with the highest being an eventual wage of USD15 per hour in Seattle, to be implemented by 2021.

Various minimum wage exceptions apply under specific circumstances to disabled workers, full-time students, youth under the age of 20 in their first 90 consecutive calendar days of employment, tipped employees and student-learners.

Working time and leave
Employers are not required by law to offer paid vacations, but one to three weeks per year is a customary level of paid vacation. A number of public holidays are observed by government offices. Private-sector employers, although not required by law to do so, customarily observe seven major holidays.

Maternity leave is guaranteed to employees under the Family and Medical Leave Act of 1993, which provides new mothers with a minimum of 12 weeks unpaid leave, given certain stipulations.

Several states have expanded the coverage of maternity leave legislation to provide more extensive benefits. The extent of these benefits varies from state to state, and in the District of Columbia a law recently went into effect providing eight weeks of fully paid leave to DC government workers.

Social security
The Federal Insurance Contributions Act (FICA) imposes both U.S. Social Security and Medicare tax on all compensation received for services performed within the United States. FICA generally requires matching contributions from the employer and the employee for both Medicare and U.S. Social Security (also called old age, survivors, and disability insurance, or OASDI).

The OASDI rate is 6.2 per cent for both employers and employees in 2014. OASDI is imposed up to a wage cap that is adjusted for inflation each year and is USD117, 000 in 2014 and USD118, 500 in 2015.

The Medicare tax rate starts at 1.45 per cent for both the employer and the employee and is not capped. Beginning in 2013, the rate on the employee share of Medicare tax increased to 2.35 per cent on earned income over USD200, 000 for single filers or USD250, 000 for joint filers. An employer is required to withhold Medicare tax at the higher 2.35 per cent on an employee's wages in excess of USD200, 000, regardless of the employee's filing status. The employer's share of Medicare tax remains 1.45 per cent of all employee wages. In addition, a new Medicare tax became

effective for the first time in 2013 that imposes a 3.8 per cent tax on "net investment income," but only to the extent adjusted gross income exceeds USD200,000 for single filers and USD250,000 for joint filers. Net investment income generally includes rent, royalties, interest, dividends, capital gains, and income from passive trades and businesses. The tax is not imposed on non-resident aliens.

Generally, employers must pay unemployment insurance to both state and federal authorities. State unemployment insurance contributions vary from state to state and may also depend on the insurance claims record of the employer's workforce. The Federal Unemployment Tax Act (FUTA) imposes a 6 per cent tax on the first USD7, 000 in remuneration paid to each employee, though most employers can claim a 5.4 per cent credit for state employment taxes (employers in states that have borrowed money from the federal government for unemployment benefits could be subject to a reduced credit).

Employers must also withhold federal and state income tax from wages, in accordance with published wage withholding tables and information supplied by the employee. There are strict time limits and reporting requirements for the remittance of withheld taxes to the federal and state governments.

Employers are not required to provide retirement benefits for workers, but the federal government provides incentives to employers to sponsor retirement benefit plans, funded by employers, employees or both. The most common scheme available is the defined contribution plan, more commonly known as the 401(k), which allows both employers and employees to contribute to separate accounts for participating employees. The employer and employee contributions are excluded from the employee's taxable income until distributed to the employee. Non-U.S. retirement benefit plans generally do not qualify for U.S. tax benefits.

Many employers also offer profit-sharing plans and stock incentive plans. Other employment benefits such as housing or cars are less common than in other countries.

Healthcare and benefits

Healthcare

The U.S. healthcare system is heavily reliant on private medical insurance, which the majority of people will acquire through their employer.

Healthcare benefits are a significant part of labour costs for most U.S. employers. These benefits are provided by the payment of premiums, usually with a contribution from the employee, to a variety of private insurers and not-for-profit organisations. Larger employers often self-insure the benefit; that is, these employers do not pay a premium to an insurer, but instead, pay directly for the cost of healthcare services obtained by their employees. Regardless of whether the benefit is insured or self-insured, employees are usually not taxed on the value of the benefit.

In 2015, employers with at least 100 full-time employees and full-time equivalent employees will be required to offer adequate coverage to their workers or pay penalties. If these employers offer coverage to less than 70 per cent of their full-time employees, the employer is subject to a penalty in an annual amount equal to USD2, 000 times the number of full-time employees in excess of 80 full-time employees (counting even those to whom coverage is offered).

If an employer offers coverage to 70 per cent or more of its full-time employees but the coverage does not meet certain standards of minimum value and affordability, the employer is subject to a penalty. This penalty is an annual amount of USD3, 000 multiplied by the number of full-time employees who purchase insurance through a federal or state insurance exchange and whose income is low enough to qualify for financial assistance from the U.S. government to help defray the cost of coverage.

Starting in 2016, all employers with 50 or more full-time employees and full-time equivalent employees will be required to offer coverage to at least 95 per cent of their full-time employees or pay a penalty equal to USD2,000 times the number of full-time employees in excess of 30 full-time employees (counting even those to whom coverage is offered). The USD3, 000 annual penalty for not offering affordable minimum value coverage will apply from 2016. The USD2, 000 and USD3, 000 penalties are indexed for inflation beginning in 2015.

Employment of resident and non-resident employees

U.S. immigration law is regulated and administered by federal agencies. The law divides all foreign nationals wishing to enter the United States into two basic categories: immigrants and non-immigrants. Immigrants are foreign nationals who enter the United States in order to reside permanently, while non-immigrants are persons who

come for a temporary visit only. Both categories require a visa to work in the United States.

There are numerous categories of non-immigrant visa, which allow the individual to enter and remain in the United States on a temporary basis (usually from six months to five years) and in certain cases to accept employment. If an applicant meets the necessary requirements, the U.S. Citizenship and Immigration Services (USCIS) can grant him or her permission to work in the United States.

Although the federal government has made it more difficult to enter the United States for certain classes of non-immigrant, the non-immigrant visa offers the easiest and best means for foreign persons to enter the country for temporary assignments with domestic or foreign employers. Foreign nationals who wish to enter the United States as permanent residents should expect considerable delays in obtaining their visas.

There are several government agencies involved in the visa application process. The U.S. Department of Homeland Security (DHS) is the government agency that oversees immigration.

Trade unions

All U.S. employees have the right to join a union. Union membership is most common in the manufacturing, construction, government and transportation sectors, but unions only represent a small proportion of the private sector workforce. Once a majority of employees agree to organise a labour union, the union will negotiate with management on behalf of its members to achieve their best interests with regard to working conditions and compensation issues. The process is called collective bargaining and these negotiations generally culminate in the execution of a binding collective bargaining agreement. Grievances are frequently settled by arbitration, but the right to strike is protected by law.

Audit

There is no general requirement for privately-held U.S. companies to submit formal financial statements to any regulatory body, aside from specific requests from owners or creditors.

Financial reporting requirements are substantially different for publicly traded and privately held companies. Publicly traded companies are subject to additional financial statement and disclosure requirements promulgated by the Securities and Exchange Commission (SEC). Their annual financial statements are required to be audited by registered independent certified public accountants.

Accounting standards

In most cases financial statements are prepared in accordance with a conceptual framework referred to as generally accepted accounting principles (GAAP). Although not statutory, GAAP have long been recognised as authoritative by business executives, governmental agencies, the courts and professional accountants.

Reporting standards for corporations and their auditors are issued from various sources:

- The Financial Accounting Standards Board (FASB) has the responsibility and ultimate authority for establishing accounting principles used in the preparation of financial statements for entities required to undergo an independent audit
- The Public Company Accounting Oversight Board (PCAOB), created in 2002 by the Sarbanes-Oxley Act, issues auditing and independence and ethics rules for public accountants performing audits and reviews of publicly registered companies. The annual financial statements of publicly held companies must be audited by independent certified public accounting firms that are registered with the PCAOB
- The American Institute of Certified Public Accountants (AICPA) sets auditing and attestation standards for audits of most private companies, and provides accounting and auditing guidance through issuance of accounting and audit guides and statements of position

The SEC's mission is to protect investors. One of its primary tasks includes ensuring that information presented in public filing documents related to offerings of securities and periodic financial information presented by public companies is complete and not misleading. In addition, the SEC publishes rules and interpretations relating to information distributed to shareholders, company financial reporting, audit requirements and independence. Both the SEC and the PCAOB are staffed to conduct investigations

and may take legal action against companies, management, auditors or other parties if potential violations of the securities laws or other regulations may have occurred.

Accounting records

Reporting standards may vary based on the industry and sector of a business and based on whether the business is a for-profit operation. For example, not-for-profit organisations, such as colleges and churches, follow accounting practices that differ from the reporting standards for corporations organised for profit. Similarly, an oil and gas company will have different reporting requirements than a traditional manufacturer.

U.S. GAAP rules may differ significantly from international accounting conventions. The SEC has allowed the use of International Financial Reporting Standards (IFRS) by foreign private issuers reporting in the United States. The summary of a July 2012 SEC report on IFRS use in the United States said: "The staff report does not include a final policy decision, or even a recommendation, as to whether IFRS should be incorporated into the U.S. financial reporting system, or how such incorporation should occur".

Audit requirements

Although the financial statements of privately held companies are generally not statutorily required to be audited by independent certified public accountants, many owners/managers of privately held companies choose to have such audits for general business reasons. Companies with significant creditors or minority equity interests may be required to use a public accounting firm to comply with loan/stockholder agreements. Some regulated industries, such as insurance companies, are more likely to be subject to regulatory reporting requirements, including providing audited financial statements.

Branches of foreign companies

Branches require a US tax filing by the foreign company, and do not provide tax advantages over forming a corporation and thus are rarely used. Unless it is a registrant with the SEC.

When applicable, SEC rules require that foreign branches file Form 5472, Information Return of a 25 per cent Foreign- Owned U.S. Corporation or a Foreign Corporation Engaged in a U.S. Trade or Business.

Treaty-based positions

Any person who takes the position that an income tax treaty overrules an internal revenue law of the United States may be required to disclose such position to the IRS. When applicable, such disclosure can be made with the person's U.S. tax return or on a *pro forma* return if a return.

Any person who takes the position that an income tax treaty overrules an internal revenue law of the United States may be required to disclose such position to the IRS.

Trade

Imports
Per the office of the U.S. Trade Representative, the U.S. is a party to free trade agreements with 20 countries, as well as participating in negotiations of the Trans-Pacific Partnership (TPP) with countries of the Asia-Pacific and the Transatlantic Trade and Investment Partnership (T-TIP) with the European Union. These trade agreements serve to open markets and facilitate free trade.

Customs duties
All goods imported into the United States are subject to duty unless specifically exempted. Most duties are levied on an ad valorem basis. The Harmonized Tariff Schedule of the United States (HTSUS) sets forth the rates of duty and the U.S. Customs and Border Protection (CBP) is responsible for the interpretation and enforcement of the HTSUS. Virtually all of trading partners, except a small number of communist countries, may qualify for 'most-favoured nation' treatment. Preferential rates and programs are available in many developing countries and increasingly in countries with which the United States has negotiated free trade agreements. After reviewing merchandise, it may be possible to reengineer a product to achieve duty savings.

Customs value may be determined using various valuation methods; the preferred basis of appraisement is transaction value. Imports that are priced at less than fair value or that benefit from foreign government subsidies may be subject to anti-dumping duties, countervailing duties and other sanctions. It may be possible to reduce values, and therefore customs duties, by reviewing methods of valuation.

Numerous foreign trade zones and bonded warehouses (both public and private) have been established throughout the United States. Duties are generally deferred until goods are imported into the United States from such zones.

If properly documented, most goods assembled abroad from American components are subject to duty only on the value that is added abroad. This has facilitated the establishment of assembly plants in various lower-wage countries and along the U.S.-Mexican border.

Compliance
The Customs Modernization Act (Mod Act) has shifted responsibility for classifying and valuing merchandise to the importer. Onerous penalties are possible for non-compliance issues as simple as negligence. However, the Mod Act states that if an importer consults an expert (including an accountant or attorney experienced in customs), they will not be penalised, even if the expert gave them advice that ultimately proved to be incorrect. To obtain this benefit, the importer must engage the expert and obtain a written opinion.

The U.S. Customs and Border Patrol has a regular cycle of auditing importers, both selectively and randomly. Many importers have found it helpful to perform a pre-emptive audit with expert guidance. Potential benefits include eliminating compliance issues and identifying duty savings. Finally, if importers find problems and disclose them to customs officials (and also meet certain statutory requirements), they can limit the amount they must pay to the duties owed plus interest.

Import restrictions
Certain advance cargo information on merchandise arriving in the United States by commercial ocean carrier for U. S. consumption must be electronically submitted by the Importer Security Filing (ISF) importer, or his or her authorised agent.

U.S. customs officers and employees are not authorised to act as agents for importers or forwarders of imported merchandise, although they may give all reasonable advice and assistance to inexperienced importers.

Customs brokers are the only persons who are authorised by the tariff laws of the United States to act as agents for importers in the transaction of their customs business. Customs brokers are individuals or firms licensed by the U.S. Customs and Border Protection to prepare and file the necessary customs entries, arrange for the payment of duties, take steps to effect the release of the goods in customs custody, and otherwise represent their principals in customs matters. The fees charged for these services may vary according to the customs broker and the extent of services performed.

The type of documentation required for admission depends on the type of merchandise. For example, apparel from countries where quotas or quantitative restrictions are imposed may require a visa document. Merchandise that is regulated by the Food and Drug Administration (FDA) may require preclearance of a manufacturer/vendor and/or the filing of certain FDA documents at the time of entry. In order to expedite clearance of special classes of merchandise, it is important to be prepared prior to entry.

Finance

Capital markets

There are three national securities exchanges in the United States that are available to overseas companies: the NASDAQ Stock Market (NASDAQ), the New York Stock Exchange (NYSE) and the NYSE Amex (formerly known as the American Stock Exchange). Each has its own listing requirements, both qualitative and quantitative. To trade on any of these stock exchanges, the company must be registered with the SEC. Each exchange has complete descriptions of their listing requirements on their respective websites.

On the NYSE, non-U.S. companies may elect to qualify for listing either under the exchange's Worldwide Listing Standards or its Domestic Listing Standards. An applicant company must meet all of the criteria within the standards under which it seeks to qualify for listing.

On the NASDAQ, non-U.S. companies that choose to list their securities must meet certain initial and continued financial requirements. Companies may choose to list on one of three exchanges: the Nasdaq Global Select Market, the Nasdaq Global Market or the Nasdaq Capital Market. NASDAQ's quantitative listing requirements generally call for all companies to meet higher thresholds for initial listing than for continued listing. Listing requirements are complex and change regularly, and can be found on the relevant websites for each exchange.

Other sources of finance

Venture capital

Venture capital (VC) is money that typically is invested in young, growing or otherwise unproven companies that have the potential to develop into significant firms. In recent decades, VC has become an increasingly important source of funds for start-up companies.

Obtaining VC is unlike traditional forms of money-raising, such as obtaining loans. Lenders have a legal right to interest on a loan and repayment of the capital, irrespective of the company's success or failure. By contrast, VC typically is invested in exchange for a stake in a company and, as shareholders, the investors get returns only if the business grows or becomes profitable.

Private equity

Private equity (PE) is defined as investments by professionally managed partnerships that involve leveraged buyouts (LOBs) or other equity investments with a substantial amount of associated indebtedness. PE funding has historically been used to purchase majority interests in operating companies. These operating businesses can either be entrepreneur-owned private companies or divisions/subsidiaries of larger publicly traded companies. PE funding has also been used to take public companies private.

In recent years, PE funding has been used in a broader spectrum of transactions. Shareholder recapitalisations involve providing liquidity to existing shareholders while they still retain a meaningful ownership interest in their companies. These recapitalisations can occur with the PE investor purchasing a majority or a minority stake in the company. Also, PE firms are increasingly making minority investments in growing businesses much like VC firms. Although PE firms typically do not invest in start-up or early-stage companies, a higher degree of overlap is occurring between VC investors and PE firms.

Banking system

Financial institutions

The United States has historically rejected universal banking in favour of a divide between commercial and investment banking. As a result, U.S. financial institutions include commercial banks, investment banks, insurance companies, savings banks and a number of other financial services organisations that have traditionally specialised in providing a certain type of financial service or product. Most financial institutions are owned and controlled by bank or financial holding companies, which are used to diversify the location of operations and services provided by the parent company. Financial institutions are regulated by a fragmented group of state and federal agencies, many with overlapping authority. Oversight is determined by the type of charter granted to the financial institution and is a factor to be considered when forming a financial services entity.

Commercial banks

The United States has a dual banking system that allows banks to obtain a charter either from the federal government or from one of the various states. Foreign banks also have a significant presence in the country. The advent of interstate banking brought on by the Riegle-Neal Interstate Banking, Branching and Efficiency Act of 1994 and the partial repeal of the Glass-Steagall Act by the Gramm-Leach-Bliley Act of 1999 has given rise to a rapid pace of consolidation in the industry, although there are still more small local banks than are commonly found in the other countries.

National banks operate under federal charter and are not owned by the government. National banks are supervised by the Office of the Comptroller of Currency (OCC). They must be members of the Federal

Reserve System and are insured by the Federal Deposit Insurance Corporation (FDIC), a government agency. Each such bank must have the word "national" in its name and is required to maintain substantial deposits with the Federal Reserve Bank (the central bank of the United States).

Each state has laws that cover the chartering, organisation and regulation of banks within its jurisdiction. The laws are administered in much the same way as those applying to national banks. State-chartered banks may become members of the Federal Reserve System. All state-chartered banks are insured by the FDIC and need not become members of the Federal Reserve System in order to be insured.

In addition to performing the traditional commercial banking activities, many commercial banks accept savings deposits and act in a trust capacity. Commercial banks provide a full range of services for the international business community, including lines of credit, letters of credit, banker's acceptances, factoring receivables and foreign exchange transactions. With the partial repeal of the Glass-Steagall Act, commercial banks, through their financial holding company affiliates, may conduct securities underwriting and sponsor mutual funds.

Commercial banks are principally a source of short- and medium-term credit. Business loans may be made on a secured or unsecured basis, depending on the financial stability of the firm, its general reputation and the banker's familiarity with its management. Interest is generally related to the bank's prime rate, although many banks also provide loans priced according to the London Interbank Offer Rate (LIBOR).

Investment banks

Investment banks play an integral role in the financial system through underwriting and distributing long-term debt and equity. Long-term financing may be accomplished either through a public offering or by a private placement. Investment banks provide numerous other financial services, including merger and acquisition advice, financial policy analysis, research and technical assistance, securities trading, and structuring of sale-leaseback transactions. Many investment banks have also been brought under the umbrella of a parent financial holding company, allowing them to form relationships with affiliated financial institutions capable of providing additional financial services.

Credit unions

Credit unions are voluntary, cooperative, non-profit financial institutions that are owned by their members. Credit union members typically share a definable community of interest or a common bond based on occupation, association or residence. The United States also has corporate federal credit unions, which essentially operate as "bankers' banks" and provide loan services to other credit unions.

Credit unions enjoy tax-exempt status and are exempt from several other statutes that restrict commercial banks because they were initially created to provide financial services to low-income consumers. Credit unions are restricted in the type and amount of loans they can provide. The Federal Credit Union Access Act of 1998 prohibits credit unions from making commercial loans totalling more than 12.25 per cent of assets. Credit unions have recently petitioned Congress to increase this cap to 27.5 per cent of assets and a bill to increase the cap to that amount was introduced in the House in February 2013. However, commercial banks have raised resistance, arguing that such an increase will create unfair competition for their products.

Like banks and savings associations, credit unions may be chartered under state or federal law. Credit unions are regulated by the National Credit Union Administration. The National Credit Union Share Insurance Fund provides insurance up to USD250, 000 per member account for federal credit unions and qualified state-chartered credit unions.

Savings banks

As with commercial banks, the United States utilises a dual banking system that allows the formation of a savings association under federal or state law. Federal savings associations were previously chartered and supervised by the Office of Thrift Supervision (OTS) and insured by the FDIC. The Dodd-Frank Act transferred the functions of the OTS to the OCC, FDIC, the Federal Reserve Board and the Bureau of Consumer Financial Protection on 21 July 2011. Federal savings associations are eligible to become members of the Federal Home Loan Bank System, which extends credit to members and facilitates a secondary market for conventional mortgages. Federal savings associations are required to devote the majority of their assets to home mortgages, small business loans and consumer credit.

State savings associations are regulated by their state chartering authority and the OTS. State savings associations may elect to become members of the Federal Home Loan Bank System. In order to obtain membership in the system, an association must be FDIC-insured and make long-term (15-30 years) mortgage loans to the satisfaction of the Federal Housing Finance Board.

Savings banks and savings and loan associations play an important role in channelling long-term funds into the housing industry. These funds are primarily invested in long-term mortgages on residential and commercial property.

Insurance industry

The United States has the largest insurance market in the world, over USD1.7 trillion of premiums are issued. It has been the largest market since 2000. The insurance industry forms an integral part of the U.S. economy, and includes more than 2.3 million licences insurance agents and brokers.

U.S. insurers are active participants in financial markets, and are among the largest purchasers of bonds, as well as numerous other short term financial instruments.

The U.S. has long been a centre of innovation and expansion for the insurance industry, and consequently, insurance is offered in nearly every conceivable field.

Insurance is regulated at a national level by the National Association of Insurance Commissioners (NAIC) and the Federal Insurance Office (FIO). Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the FIO;

- Monitors the industry to identify gaps and potential crisis
- Monitors the extent to which insurance is available to the public
- Makes recommendations to the federal reserve
- Coordinates efforts to develop federal policy relating to the insurance industry

It is worth noting that the Life and Health sector in the U.S. is particularly competitive, due to the privatised healthcare system.

Investment management industry

The U.S. has a large and diverse investment management community and has traditionally been a world leader in both size and innovation. The industry collectively allocates approximately USD53 trillion in financial assets.

The industry suffered following the 2008 financial crisis and has undergone significant regulatory reforms in the subsequent years. Transparency is an increasing focus; investors are far more hesitant about utilising high leverage strategies. Despite this, investment management continues to be a highly profitable sector.

As a world centre for asset management, U.S. markets consist of a wide variety of companies that offer a comprehensive array of investment products. Professional asset managers invest in bonds, shares and other securities as well as assets such as real estate to produce various investment products. These products are widely used by institutions including pensions, corporations, and charities.

Infrastructure

The overall quality and reliability of infrastructure is a critical factor for businesses across all sectors. The U.S. has one of the strongest infrastructures in the world, ranking fourth in the Nabarro world infrastructure index.

The U.S. has a good national ICT infrastructure and ranked eighth in the world for broadband quality.

The U.S. ICT infrastructure has a number of key features that allows it to meet the requirements of international companies:

- Ranking as one of the world's leading locations for its IT environment
- Broadband internet penetration is 79 per cent
- The largest number of secure servers in the world
- The largest 4G/LTE network in the world

With an integrated system of airports, seaports, rail and roads, businesses located in the U.S. can select the optimal method of moving people and freight between major cities and locations, both within the U.S. and internationally.

The main advantages of the U.S. transport system include:

- Excellent air links to internal and international locations from a large number of high quality of airports
- The largest nation-controlled access highway system in the world
- A large and comprehensive rail network facilitates the movements of huge amounts of goods across the entire length of the country
- Small regional commuter rail systems around metropolitan areas
- Over 150 mainland sea ports, as well as others on islands territories such as Hawaii and Guam
- Over 325 total ports of entry into the country, including airports, land borders and airports

The U.S. has a large and comprehensive highway network covering 6,406,504 km, which is owned and operated by local governments, with federal assistance. An interstate highway system joins a National highway system to provide comprehensive links on both local and national levels.

The U.S. has a high quality utility infrastructure, with access standardised and near universal. The electrical power grid is far reaching and consistent, with energy prices remaining relatively low.

Though large, the U.S. power grid is one of the oldest in the world, and there have been recent calls for heavier government investment in its upkeep and expansion.

The U.S. Environmental Protection Agency (EPA) maintains active protection of environmentally significant sites and resources, and is responsible for the management of hazardous waste. The EPA actively cleans and manages brownfield and industrial sites. The U.S. maintains a large municipal waste disposal network.

Country profile

Capital City	Washington DC
Area	9,857,306 sq. km
Population	318,892,103
Language	English
Currency	United States Dollar (USD)
International dialling code	+ (00) 1
National Holidays 2015	1 January – New Year's Day 19 January– Martin Luther King's Birthday 16 February – George Washington's Birthday 25 May – Memorial Day 4 July (observed 3 July in 2015) – Independence Day 7 September– Labour Day 12 October – Columbus Day 11 November – Veterans Day 26 November – Thanksgiving 25 December – Christmas Day
Business and Banking hours	09:00 – 17:00
Stock exchanges	NASDAQ NYSE NYSE AMEX
Political structure	Constitutional Federal Republic
Doing Business rank 2014	7

Ease of Doing Business

Topics	2015 rank	2014 rank	Change in rank
Starting a business	46	41	-5
Licenses and Permits	41	43	2
Getting Electricity	61	58	-3
Registering property	29	30	1
Financing	2	1	-1
Protecting Investors	25	21	-4
Paying Taxes	47	44	-3
Trading Across Borders	16	15	-1
Enforcing Contracts	41	41	No change
Resolving Insolvency	4	4	No change

Source: World Bank Group (Doing Business)

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