

A photograph of a businessman in a dark suit, light blue shirt, and striped tie. He is gesturing with his right hand, palm facing up, as if presenting or explaining something. The background is white.

# Doing Business in the USA Tax and Operational Challenges

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January 2018

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# TBD

- The international structure of your venture
- Getting Registered
- Operating in the USA - practical aspects
- Getting an Investment
- BPO – Business Process Outsourcing – the new age of business
- What is FATCA, and why is it relevant to you

# Group structure

The international structure of your venture

# Understanding U.S. entities

- **INC (C-corp)**
  - Shareholders
  - Two tier taxation
  - Bylaws
  - Dividends (no SS)
- **S-Corp**
  - Shareholders
  - Path throw for tax purposes
  - Dividends (no SS)
  - Only for US citizens
- **LLC (path throw)**
  - Members
  - Management agreement
  - Path throw for tax purposes
  - Provides K1
  - Check the box
  - Distributions (all subject to SS)
- **Disregarded entity**
  - Single owned LLC
  - Legal entity with no filing requirement

# Structure Options

- **IP and sales in Israel**
  - US serves as sales and marketing
  - Merchant accounts in the US
  - Eligible for “**preferred enterprise**” benefits in Israel and **OSC plan**



# Structure Options

- **IP and Sales in the US**
  - Israel serves as R&D center
  - TP study for cost+ allocation
  - Profits are taxable in the US
  - Not eligible for “**proffered enterprise**” benefits



# Structure Options

- **Offshore**
  - Potential Beneficial tax regime
  - Solid tax opinion and guidance required



# Registration in the US



# Registration

## **Incorporation**

- Delaware vs. Others
- Registered office
- Tax registration vs. Incorporation
- Choosing the right location – Tax vs. Operation

## **Tax registration and filing**

- EIN / TIN
- Place of conduct
- Sales Tax
  - Cross border
  - B2B
- AMAZON

# Registration

## **Bank accounts**

- Many banks
- Tight KYC procedures
- Recommendation and personal connections
- Paypal

## **Merchant accounts**

- EIN / TIN
- Local Bank Account
- Security Deposits
- Stripe / Braintree / Tranzila

# Operating in the USA

## Practical aspects

# Tax issues for bi-national group

## Transfer Pricing Study

- Benchmarking (business risk analysis)
- Internal costs definitions
- RSU and options value



# Tax issues for bi-national group

## Permanent Establishment Issues

- Control over closing of sales
- Representation
- Logistic center



# Withholding from payments



- Transferring money abroad requires ITA's approval for tax exemption
- WTH from royalties

# Three Tier Tax

- Federal Tax
- State Tax
- City Tax



\* Consult a US tax advisor for the most beneficial set up for your company

# Sales Tax

- Complex sales tax regime
- Online sales, B2B sales, cross-border sales, might be exempt
- Registration (and filing) required for all relevant states



\* Consult a sales-tax expert regarding the way you operate and save yourself potential aggravation



# Employment

## W2

- Employee
- Salary slip
- Annual W2 reporting
- Tax withholding
- Employment taxes
  - Income tax, at source
  - Social Security
  - Health (Obama care)
  - Workers comp

## 1099

- Subcontractor
- Invoices
- Annual 1099 reporting
- No withholding at source
- All taxes due by provider
  - Income
  - Social Security

## Tests

- Supervision
- Tools
- Control over schedule
- Employment capacity
- exclusiveness

# Option Plan

- **Israel - 102 provision (for non-public company)**
  - No immediate taxable income to employee
  - At time of sale - capital gain (not salary)
- **US - Fair value study at allocation**
  - Value of RSUs and options are taxable salary

# Consolidated reporting

- Using different accounting software, makes it hard to consolidate
- Intercompany transactions must be canceled
- All NAs and BUs must be aligned
- Benefits of using unified ERP system
  - Inherent consolidation ability
  - Enforcing unified classification across the bord
  - Online ad-hoc reporting
  - Easier budget control

# Getting an Investment

What are the investors looking for

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# Getting investment

- Protect your IP and patents
- Clear business plan
- Clear Milestones
- Budget, and budget control
- Corporate governance
- Reliable reporting

# BPO

## Business Process Outsourcing

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# BPO

- Operation Outsourcing
- Financial Outsourcing
- Advantages
  - Cost efficient
  - Scalable
  - Flexible
  - Expertise
- Dis-advantage
  - Controll

# FATCA

foreign account tax compliance act

What is FATCA, and why is it relevant to you



# What is FATCA

- IRS forces every financial institution (banks, insurance companies, AND FUNDS !!!) in every country to report on:
  - Every specified us person that holds an account
  - Every US person who is a controlling party in a passive company (non-financial foreign entity)



# BDO Technology and Outsourcing Team

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## CURRENT ROLE AT BDO

Tzvika is the head of the Financial Management Services Unit, providing outsource accounting, controller and CFO services to mid-size companies.

In addition, Tzvika manages the global outsourcing operations of BDO Israel.

## RELEVANT EXPERIENCE

Tzvika joined BDO in 2012, after 12 years of vast experience, serving as an auditor and as a CFO of public companies.

Tzvika is an expert in Finance, Tax and Information systems, holding both an accounting degree and a degree in computer science, specializing in Banking, Finance and Information Systems. He combines his knowledge and experience in the accounting and finance area with his technological experience, and provides comprehensive solutions for mid size and large corporations.

Tzvika is experienced with international tax planning as well, especially with the US, and he is the head of the FATCA implementation team, in BDO Israel.

# Thank You!