DOING BUSINESS

IN THE UNITED STATES

The network for doing business

CONTENTS

1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 90 countries throughout the world.

Business partners working together through the UHY network to provide transnational services for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report outlines key issues and information for investors considering business operations in the United States has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in the United States can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, you are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at February 2015.

We look forward to helping you do business in the United States.

2 – BUSINESS ENVIRONMENT

The US form of government is best described as a representative democracy with a federal government, 50 state governments and thousands of smaller municipalities such as counties, cities, towns and villages.

The federal government consists of three branches which provide checks and balances to each other. The three branches are:

- Executive – headed by the president who is elected every four years. Its main duty is to enforce the laws of the land
- Legislative – a bi-cameral body consisting of the Senate and the House of Representatives, which collectively represents the electorates of all states. Its main duty is to create, amend or repeal laws
- Judicial – led by the US Supreme Court, a body of nine justices who are appointed by the president and serve life terms. Also called 'the high court', the Supreme Court's main functions are to interpret the laws of the land and establish procedural rules for the federal courts
  - In addition, there are lower federal and appellate division courts throughout the United States to handle both civil and criminal matters.

The two dominant political parties in the US are the Democratic Party and the Republican Party. No third parties have gained any significant representation in recent decades.

THE MARKET

With a gross domestic product of USD 17.7 trillion for 2014, the US market remains the largest in the world.

Because of a relatively high standard of living and the size of the US population – almost as large as the entire European Union – market share, profit potential and political stability provide a strong attraction for many businesses and individual entrepreneurs to invest or expand their business operations.

Although each business owner has unique motives and needs, there are several general characteristics which attract investors to the US, such as:

- Easy access to markets via expansive communications and transportation networks with relatively few language, customs or tariff barriers
- A stable political and economic environment which supports the private sector and the entrepreneurial spirit
- Relatively easy access to sources of capital through a stable banking system and private equity placements
- Free convertibility of currency without the currency exchange controls imposed in many other countries
- A good supply of management talent and a skilled labour force
- A tax system with comparatively low income tax rates compared with many other countries (although property taxes and other use taxes are generally levied at varying degrees by state and local taxing authorities)
- Special incentives offered competitively by state and local governments as inducements to attract new business to their communities.

Like any large, mature economic system, the US economy is continuously changing and adapting to national and global conditions. Such factors as fuel prices, inflation, changing market demands and changes in laws and regulations all contribute to growth cycles which inevitably cause periods of high growth followed by downturns.

It is difficult to predict positive economic growth or whether a particular business sector in the US will continue to behave according to previous events. An effective way to minimize the risks and help make successful US investments is to seek sound advice from knowledgeable professionals on issues which directly relate to your business or investment.

What follows is a brief summary of selected areas of interest to foreign businesses and individuals considering an investment in the US.

GOVERNMENT REGULATION

Foreign trade in the US is generally subject to few restrictions since the marketplace is highly accessible to both importers and exporters, especially compared with some other countries.

Certain industries or products are separately regulated (e.g., food and drug products, banking, insurance and utilities), while others are subject to protectionist fees or duties. Import duties may be controlled with proper planning and structuring; for example, by altering the design or construction of any merchandise imported, or by arranging for assembly in the US. For this reason, many foreign vehicle makers have opened assembly plants in the US to avoid or significantly reduce tariffs on their products.

There are many requirements related to federal and state registration, reporting and other compliance (e.g., environmental) responsibilities, which can appear quite formidable. This is due in part to the 'home rule' effect where state and local governments have wide authority on regulating commerce in their jurisdictions, including product liability, insurance, financing, taxes and pollution control. However, states have little or no power to regulate certain activities, such as interstate commerce, communication and national defense matters.

Often, states will impose additional standards on regulations which extend beyond federal requirements. For example, the State of California exercises stringent environmental emissions controls which exceed federal thresholds. Some states are very active in regulating business affairs, while others rely principally on federal regulation. Corporate law, contract law and the law of torts are areas almost exclusively the province of state law. A thorough evaluation of state, corporate and regulatory statutes is required before deciding where to locate. UHY Advisors professionals can assist with these matters.

FINANCIAL SYSTEM

The US financial system is regulated at both the federal and state levels.

The central bank is known as the Federal Reserve System (or the Fed). Created in 1913 in response to cyclical credit collapses and to provide the nation with a more flexible and stable monetary supply, its responsibilities include to:

- Conduct the nation's monetary policy
- Provide a system of supervision and regulation of the nation's banking institutions and monetary supply
- Maintain the stability of the US financial system
- Provide certain financial services to the US government, the public, financial institutions and foreign governments, and
- Carry out the mandates and mission of the Fed through 12 Federal Reserve Banks throughout the US.

The capital needed to transact commerce in the US is available from a number of sources. Depository institutions, commercial lenders and other financial institutions, as well as non-bank lenders are used to secure funding for operations. In addition, the US is home to the world's premiere stock exchanges and other venues for capital creation such as private equity placements.

3 – FOREIGN INVESTMENT

The US continues to be the largest recipient of foreign direct investment in the world.

Among the top reasons cited by companies for making investments in the US are the:

- Size and strength of the market
- US dollar’s status as world’s reserve currency
- Quality of roads, telecommunications and other infrastructure
- Legal protection for patented, trademarked and copyrighted goods
- Pro-business regulatory climate
- Highly skilled workforce.

Foreign companies invest in the US to be closer to their American customers, sell more products and improve their global competitiveness.

4 – SETTING UP A BUSINESS

Integrated business and tax planning is crucial to a company's operational and financial success.

US tax burdens are affected by the method chosen for doing business in the US, whether the entity is a branch, corporation or partnership, a purchase of assets or shares of a US company, or a merger with a US company.

NON-US BUSINESSES

BRANCH VS. US SUBSIDIARY

A basic rule in the taxation of a branch of a non-US corporation is that active business income and passive investment income (not connected with an active business) are to be separated and taxed at different rates. Net business income is taxed at ordinary graduated rates and passive income is taxed at a flat 30% rate (unless reduced by an applicable treaty).

The computation of business profits is similar, regardless of whether operations in the US are conducted through a US subsidiary or through a branch of a non-US corporation.

BRANCH

Profits from a US branch of one non-US corporation cannot be combined with losses from a US branch of another non-US corporation to reduce overall tax liability. All operations would have to be conducted by branches of the same non-US corporation. Conversely, other unrelated US business income of a non-US corporation will be aggregated with the branch earnings or losses of the same non-US corporation. This could result in income being taxed at higher marginal tax rates. In other cases, it will allow losses from one branch to offset income from another branch, which could potentially reduce the aggregate US tax cost.

Generally, dividends and interest paid by US corporations are taxable to the recipients. US citizens must include these payments in their income subject to US taxation. In order to collect a tax on dividend and interest payments by a US corporation to a non-resident foreign person, a 30% flat withholding tax is applied (unless reduced or eliminated by a US tax treaty). In general, dividend and interest payments by a non-US corporation to foreign persons are also subject to US taxation, which is collected by imposing a 30% withholding rate (or lower treaty rate) on the amount paid attributable to US earnings.

A separate 'branch profits' tax is imposed on the earnings and profits of a US branch of a non-US corporation attributable to the branch's effectively connected income.

Earnings and profits subject to the branch profits tax are reduced (increased) by an increase (decrease) in US net assets. Although a US income tax treaty can reduce or eliminate the branch profits tax, these benefits can only be claimed by corporations which are qualified residents of the treaty country.

US BUSINESSES

US SUBSIDIARY

A group of US corporations affiliated by at least 80% stock ownership with a common parent corporation may elect to file a consolidated US corporate income tax return. The tax is imposed on the consolidated taxable income. Filing on a consolidated basis may reduce US taxes since losses of one member may be used to offset the profits of another. Many non-US persons find it advantageous to form a US parent corporation which owns several corporations conducting business in the US, and to file a consolidated US return. Operating in this form may also be based on legal liability considerations.

The advantages of forming a parent corporation in beneficial treaty countries, where US corporations or US branch operations can be owned, are often restricted by US treaty-shopping rules.

ACQUISITION OF A US BUSINESS

The decision to purchase business assets or stock of an existing US corporation involves significant legal and tax considerations. It is important to determine the manner in which US business activities will be conducted as early as possible. Different methods of acquiring existing US business assets or interests and establishing proper capital structures can result in significantly different tax costs. The tax consequences to the buyer and seller will directly affect the price to be paid.

JOINT VENTURE OR PARTNERSHIP

For business purposes, the use of a joint venture or a partnership may, in certain instances, be desirable to foreign corporate or individual investors seeking to start a US business. For tax purposes, a non-resident individual or foreign corporation which owns a US partnership interest will be considered to be engaged in a US trade or business.

Although a partnership is a separate entity for tax purposes, no tax is imposed on the partnership itself. However, the partnership is required to withhold taxes on behalf of each foreign partner at the highest effective tax rate on that partner's pro-rata share of the partnership's effectively connected US income.

Each partner, whether corporate or individual, then accounts on their US return for the US tax consequences attributable to its share of the partnership or joint venture operations.

The use of these entities allows for consolidation of operating results with each partner's other US activities.

LIMITED LIABILITY COMPANY

Most states have adopted statutes permitting the creation of limited liability companies (LLCs), which may be treated as partnerships for US income tax purposes, while enjoying the limited liability associated with corporations. Many joint ventures are now created using an LLC.

5 – LABOUR

WAGES

The Fair Labour Standards Act (FLSA) establishes a minimum wage, overtime pay, record-keeping and child labour standards which affect full- and part-time workers in the private sector and in federal, state and local governments.

The act requires that covered employees, unless otherwise exempt, be paid not less than one and one-half times their regular rates of pay for all hours worked in excess of 40 in a working week.

State laws also apply to employment subject to the FLSA. When both this Act and a state law apply, the law setting the higher standards must be observed.

UNEMPLOYMENT

Unemployment insurance provides benefits to persons who are unemployed through no fault of their own, who are ready, willing and able to work, and who are actively seeking work.

Administered on a state level, funding of the unemployment system comes from employer assessments and through state unemployment subsidies. During a period of unemployment, the claimant is eligible to receive up to 26 full weeks of benefits.

SOCIAL SECURITY

Under the Federal Insurance Contributions Act of 1935, both employers and employees are required to contribute to the Social Security fund which was established to provide retirement benefits for all workers.

For 2015 remuneration (including taxable benefits and deferred compensation), up to USD 118,500 is subject to social security tax at the rate of 6.20%. All remuneration without limit is subject to the Medicare tax at 1.45%/2.35%. Employees pay 1.45% on the first $200,000 of wages ($250,000of combined wages on a joint return; $125,000 on a separate return), and 2.35% (1.45% plus 0.9%) on wages in excess of these amounts.

While working in the US, residents of certain countries may (because of bilateral agreements with the US) be covered by their own national plans and, therefore, be exempt from mandatory participation in Social Security.

WORKER'S COMPENSATION

Workers' Compensation laws are designed to ensure that employees who are injured or disabled on the job are provided with fixed monetary awards.

These laws also provide benefits for dependents of those workers who are killed because of work-related accidents or illnesses. State workers' compensation statutes establish the framework for most employment in their jurisdictions.

HEALTH INSURANCE

The United State has enacted the Affordable Care Act (ACA) which generally requires all individuals be covered by health insurance through their employer or to purchase insurance through one of the exchanges. Certain small employers and qualifying individuals are allowed tax credits for some or all of the premiums paid. If employers or individuals chose not to purchase insurance they are subject to penalties.

6 – TAXATION

Federal, state and some local governments tax the income earned by non-US individuals and entities from business or investment activities conducted in the US.

State and local income tax laws are diverse and often complex. At the state and local levels, there are also sales, property, franchise and unemployment taxes. Federal excise and import duties are also imposed.

Whether a non-US person's income is subject to federal taxation depends principally upon the person's status as a resident or non-resident of the US, and whether the non-US person is doing business in the US. Most federal tax law is contained in the Internal Revenue Code and the voluminous regulations and rulings issued by the Internal Revenue Service. However, many special tax provisions are contained in tax treaties with the US which override the normally applicable US statutes.

TAXATION OF NON-US BUSINESSES WITH OPERATIONS IN THE US

The overall tax consequences of alternative methods of doing business in the US require careful analysis of the interplay of several sources of law – the US Internal Revenue Code, tax treaties and tax law in the foreign corporation's home country.

The following summary covers only the most frequent applications of US tax law and certain treaty provisions.

US income tax is imposed on income effectively connected with the conduct of a trade or business within the US by non-US persons. Gross income is reduced by the cost of goods sold, depreciation, amortization and certain other allowable business deductions to arrive at taxable income. US branches may also deduct a reasonable allocation of their foreign home office expenses, such as research and development and administrative costs. Graduated tax rates are applied to taxable income to establish the gross tax. The gross tax may be reduced by certain business credits and an alternative minimum tax may increase the tax payable. (See Appendices I and II for the regular and alternative minimum tax rates.)

State corporate income taxes frequently mirror the federal system, with many states providing different credits and most states imposing a minimum annual tax payable by all corporations incorporated or doing business in the state. Under income tax treaties, business income is generally taxable by the US only if attributable to a ‘permanent establishment’ in the US.

If there is no applicable treaty, income is taxable if it is ‘effectively connected’ with the conduct of a US trade or business as defined by the Internal Revenue Code and regulations. It is important to recognize the point at which activities in the US become a US trade or business. Failure to recognize that threshold can result in unanticipated and adverse tax effects.

Generally, mere market investigation, collecting information, storing or purchasing goods in the US will not subject the foreign corporation to US income tax. In contrast, the use of travelling salespeople or other US personnel, dependent or exclusive US commission agents, or the opening of a sales office or US plant will subject the foreign corporation to US tax on its business income. The mere ownership of a controlling interest in a US corporation (with limited contractual authority) will not automatically be considered a US permanent establishment of the non-US stockholder. These are general guidelines. The definition of 'permanent establishment' varies with each treaty and must be carefully considered.

TAXATION OF INCOME NOT RELATED TO A US TRADE OR BUSINESS

Income from US sources which is not effectively connected with a US trade or business or a permanent establishment in the US is subject to a 30% withholding tax on gross income (as opposed to the graduated tax on net business income).

This rate may be reduced or eliminated by applicable tax treaties. The flat tax generally applies to interest, dividends, rents, royalties and similar payments from US sources. Capital gains (e.g., from the sale of stock) are generally not subject to tax by the US, with the exception of transfers of US real property interests.

TAXATION OF NON-US INDIVIDUALS

The taxation of non-US citizens depends upon whether they are classified as residents or non-residents by the Internal Revenue Code.

NON-RESIDENTS

Certain (passive) income paid to non-resident alien individuals is subject to a withholding tax at a rate of 30% of the gross amount. The rate may be reduced or eliminated if the recipient is a resident of a country having a tax treaty with the US. This withholding system applies to income from US sources which is not effectively connected with the conduct of a trade or business within the US and generally consists of interest, dividends, rents, premiums, annuities and similar payments. In limited circumstances, compensation earned from personal services may fall within this category, depending on the payer, the amount and the recipient's length of presence in the US.

If the non-resident's US sourced income does not fall into this 'passive' category, it is treated as income effectively connected with a trade or business, which is taxed at graduated rates after certain exemptions and deductions.

In general, capital gains are only taxable to non-resident aliens if they are present in the US for 183 days or more during the year the gain is realized. However, gains from the sale or exchange of patents, copyrights, trademarks, goodwill, etc. are taxable, regardless of the individual's presence in the US, if they are contingent on the productivity or use of such property. Likewise, gains from the sale of US real estate interests are subject to tax as a result of the Foreign Investment in Real Property Tax Act (FIRPTA). Gains on a non-US person's sale of US assets which were used in a US business are also taxable to the extent of depreciation taken.

There is generally no state taxation of non-resident aliens or non-US business entities not doing business in a state. However, compensation for services rendered in a state is treated as business income subject to state income taxation.

RESIDENTS

Non-US individuals classified as residents of the US are taxed in the same manner as US citizens. All of a US resident's world-wide income is subject to tax, less certain adjustments to income, itemized deductions and personal exemptions. Trade or business expenses are generally deductible when paid or incurred. Capital purchases of business assets are generally deductible over several years; the length of the period depends on the class to which the assets are allocable.

Certain personal expenditures such as contributions to retirement plans, mortgage interest and charitable contributions reduce the income subject to tax. After all deductions and exemptions, the net (taxable) income is subject to graduated tax rates depending on the amount of taxable income and filing status (married filing jointly with spouse, married filing separately, single or head-of-household). Certain credits may reduce the tax payable, while an alternative minimum tax may increase it. Individuals generally file tax returns on a calendar year basis.

States will generally do one of the following:

- Follow the federal calculation and substitute their own rate system, credits and exemptions
- Impose tax as a percentage of federal tax, or
- Impose a modified gross receipts tax at low rates. Some states have low rates or tax-selected categories of income only. Some states (including Alaska, Nevada, Florida and Texas) have no personal income tax.

WHO IS A RESIDENT?

Since the tax rules are radically different for non-residents and residents, the determination of residency status is critical. A citizen of the US is always taxed as a resident. For non-US citizens, lawful admission or substantial presence in the US determines residency status.

Lawful admission refers to a person who has been granted permanent resident status at any time during the year under the federal immigration laws and whose status has not been revoked.

Substantial presence refers to a person in the US (other than as an exempt teacher, student or non-US government-related person) if:

- The person is in the US at least 31 days in the calendar year
- The total number of days such a person is in the US during the current and two preceding calendar years is at least 183.

NOTE: To compute the number of days a person is in the US, the days in the current year are added to one-third of the days in the preceding year and one-sixth of the days in the second preceding year. Thus, if a non-US individual averages at least 122 days' presence in the US each year, he/she will meet the substantial presence test and be considered a resident.

EXCEPTION: If a non-US person 1) is present fewer than 183 days in the current year, and 2) can demonstrate a tax home in, and a closer connection to a non-US country, the resident status will not apply unless this person has applied for permanent status during the year. Special rules apply to the first and last year of residency.

INCOME TAXATION OF US REAL ESTATE OPERATIONS

A non-US taxpayer may elect to treat the operation of US real estate as a trade or business to avoid the 30% (or reduced treaty rate) gross withholding tax on rents received. Since many real estate projects operate at a taxable loss or minimal profit, this election frequently saves taxes.

SALE OF A US REAL PROPERTY INTEREST

Regardless of whether a non-US person is engaged in a US trade or business, gain from the sale of any US real property interest will be taxed as business income. Real property interests include direct ownership of US land, buildings, mineral interests and the like, as well as ownership of stock in a US corporation whose primary assets are such properties.

In general, non-resident individuals pay a minimum of 15% to 35% of the net gain from the sale. To ensure collection, the buyer or buyer's agent must withhold and remit to the Internal Revenue Service 10% of the gross selling price at closing. Even in the case of no gain, the 10% withholding tax must be withheld unless an exemption certificate is obtained (in advance) from the Internal Revenue Service. This can take up to three months. For dispositions by non-publicly traded partnerships, trusts and estates, the withholding tax rate is 35% of each non-US partner's or beneficiary's share of the gain realized.

SALES AND USE TAX

There is no value-added tax or sales tax at the federal level. However, most state and local jurisdictions impose a sales and/or a use tax on tangible personal property and certain other kinds of property and services subject to some exemptions.

Each state and local's sales and use tax system is unique, and the rates and goods subject to the tax vary greatly.

NON-US INDIVIDUALS

Effective tax planning for non-US individuals involves the full utilization of treaty exemptions, proper timing of income recognition and planning for residence status. For example, since US capital gains may in some cases be exempt from US taxation to non-residents (but taxable to resident aliens), it can be advantageous to recognize certain gains in a year in which the individual qualifies for non-resident status.

This increases the importance of planning prior to moving to the US. Other factors to consider are:

- Treaty exemptions and statutory exemptions exist for a certain amount of personal service income
- The deductions generally allowed to non-residents are different than those allowed to residents
- Non-residents are taxed on US sourced income only, while residents and US citizens must report worldwide income to the US

- Gift and estate taxes can also play an integral part in deciding the most beneficial status and form of ownership of valuable assets.

7 – ACCOUNTING & REPORTING

In the US, public companies represent the most regulated type of entity related to accounting and financial reporting.

For both public companies and all non-public entities, the Financial Accounting Standards Board (FASB), formed in 1973 as the private sector standard-setting body, is responsible for establishing what are known as 'Generally Accepted Accounting Principles' (GAAP) for financial reporting. The Securities and Exchange Commission (SEC) and other regulatory organizations, such as the various stock exchanges, exercise influence in the standards-setting process and prescribe additional rules for affected companies, including a requirement for audited financial statements. State laws usually do not require a business to appoint independent auditors and audited financial statements are not required for US income tax filings.

Entities proposing to sell securities to the public, as well as existing publicly held entities, are generally required to file increasingly detailed disclosures with the SEC, including audited financial statements issued within specific time periods following the quarter end and year end. Banks, other credit lenders and parent company management of subsidiary entities doing business in the US, may also require that financial statements be audited.

Federal tax law may prescribe or permit certain accounting rules which may vary from GAAP and result in financial statements which differ from a company's tax return. These items are usually separately identified in the tax return and reconciled to the financial statements.

As required by the Sarbanes-Oxley Act of 2002, the Public Company Accounting Oversight Board (PCAOB) was created to provide registration, inspection, auditing standards and enforcement for all Certified Public Accounting (CPA) firms providing audits of publicly owned companies listed on the US exchanges.

All CPA firms which provide attest services to public companies are required to be registered with the PCAOB. UHY LLP, in the United States, is fully registered with the PCAOB and is eligible to provide audit services to US public companies.

In addition, if 20% or more of a US company's assets and revenue are from a foreign subsidiary, then that foreign entity must also be audited by a firm registered with the PCAOB. As a result, many UHY International member firms have registered also with the PCAOB.

The principal professional accounting organization in the US is the American Institute of Certified Public Accountants (AICPA). The AICPA promulgates private company auditing and ethics standards for its membership, which comprises individual certified public accountants who obtain this licensing from their respective states.

The AICPA has also established a series of Audit Quality Centres which require member firms to adhere to rigorous quality control standards and to undergo periodic peer reviews by outside independent CPAs. Each state also has promulgated laws and regulations for the accounting profession.

In the US, UHY LLP is a licensed independent CPA firm which provides financial statement audits and other attest services. Registered with the PCAOB, UHY LLP is wholly independent of UHY Advisors and is an independent member of UHY International. For more information about UHY LLP, contact Larry Porschen at (314) 615-1220 or email lporschen@uhy-us.com.

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APPENDIX I – FEDERAL INCOME TAX RATES, EFFECTIVE 2014

Federal income tax rates do not include any state income taxes which may be applicable.

A. TAX RATE TABLES - PERSONAL INCOME TAX RATES

These tax rate brackets are adjusted annually for inflation.

TABLE 1

Single taxpayers for tax years beginning in 2014

TAXABLE INCOME	TAX AMOUNT TO PAY	% OF THE TAXABLE INCOME OVER
USD 0 – 9,075		10% on income over USD 0
USD 9,075 – 36,900	USD 907 +	15% on income over USD 9,075
USD 36,900 – 89,350	USD 5,081 +	25% on income over USD 36,900
USD 89,350 – 186,350	USD 18,193 +	28% on income over USD 89,350
USD 186,350 – 405,100	USD 45,353 +	33% on income over USD 186,350
USD 405,100 – 406,750	USD 117,541 +	35% on income over USD 405,100
USD 406,750 +	USD 118,118 +	39.6% on income over USD 406,750

TABLE 2

Married individuals filing joint returns and surviving spouses for tax years beginning in 2014

TAXABLE INCOME	TAX AMOUNT TO PAY	% OF THE TAXABLE INCOME OVER
USD 0 – 18,150		10% on income over USD 0
USD 18,150 – 73,800	USD 1,815 +	15% on income over USD 18,150
USD 73,800 – 148,850	USD 10,162 +	25% on income over USD 73,800
USD 148,850 – 226,850	USD 28,925 +	28% on income over USD 148,850
USD 226,850 – 405,100	USD 50,765 +	33% on income over USD 226,850
USD 405,100 – 457,600	USD 109,587 +	35% on income over USD 405,100
USD 457,600 +	USD 127,962 +	39.6% on income over USD 457,600

TABLE 3

Married individuals filing separate returns for tax years beginning in 2014

TAXABLE INCOME	TAX AMOUNT TO PAY	% OF THE TAXABLE INCOME OVER
USD 0 – 9,075		10% on income over USD 0
USD 9,0755 – 36,900	USD 907 +	15% on income over USD 9,075
USD 36,900 – 74,425	USD 5,081 +	25% on income over USD 36,900
USD 74,425 – 113,425	USD 14,462 +	28% on income over USD 74,425
USD 113,425 – 202,550	USD 25,382 +	33% on income over USD 113,425
USD 202,550 – 228,800	USD 54,793 +	35% on income over USD 202,550
USD 228,800 +	USD 63,981 +	39.6% on income over USD 228,800

3.8% TAX ON INDIVIDUALS' NET INVESTMENT INCOME

Individuals with modified AGI (MAGI) over $200,000 ($250,000 for joint filers or surviving spouses; $125,000 for married separate filers) must pay the Net Investment Income Tax , which is 3.8% of the lesser of: (1) "net investment income" (interest, dividends, etc.), or (2) MACGI over theses threshold.

B. TAX RATE TABLE - CORPORATE INCOME TAX RATES

TABLE 4

Corporate income tax rates

TAXABLE INCOME	TAX AMOUNT TO PAY	% OF THE TAXABLE INCOME OVER
USD 0 – 50,000		15% on income over USD 0
USD 50,000 – 75,000	USD 7,500 +	25% on income over USD 50,000
USD 75,000 – 100,000	USD 13,750 +	34% on income over USD 75,000
USD 100,000 – 335,000	USD 22,250 +	39% on income over USD 100,000
USD 335,000 – 10,000,000	USD 113,900 +	34% on income over USD 335,000
USD 10,000,000 – 15,000,000	USD 3,400,000 +	35% on income over USD 10,000,000
USD 15,000,000 – 18,333,333	USD 5,150,000 +	38% on income over USD 15,000,000
USD 18,333,333 +		35% on income over USD 18,333,333

APPENDIX II - FEDERAL ALTERNATIVE MINIMUM INCOME TAX, EFFECTIVE 2014

The alternative minimum tax (AMT) is calculated by applying the AMT rate to the excess of AMT income over the exemption amount. The alternative minimum tax is additional tax to the extent that it exceeds the regular income tax.

RATES

Individuals:

USD 0 – 182,500	26%
USD > 182,500	28%
Corporations	20%

EXEMPTION AMOUNTS*

Single individual: USD 52,800	reduced by USD 0.25 for each USD 1 by which AMT income exceeds USD 117,300
Married individual filing jointly: USD 82,100	reduced by USD 0.25 for each USD 1 by which filing jointly AMT income exceeds USD 156,500
Married individual filing separately: USD 41,050	reduced by USD 0.25 for each USD 1 by which filing jointly AMT income exceeds USD 78,250
Corporations: USD 40,000	reduced by USD 0.25 for each USD 1 by which AMT income exceeds USD 150,000

LET US HELP YOU ACHIEVE
FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at www.uhy.com to find contact details for all of our offices, or email us at info@uhy.com for further information.