

# EXPORT RÅDDET

SWEDISH TRADE COUNCIL

# ESTABLISHING A U.S. COMPANY

Swedish Trade Council

Chicago, March, 25, 2009

# THE SWEDISH TRADE COUNCIL MAKES IT EASIER FOR SWEDISH COMPANIES TO GROW INTERNATIONALLY

## Sweden:

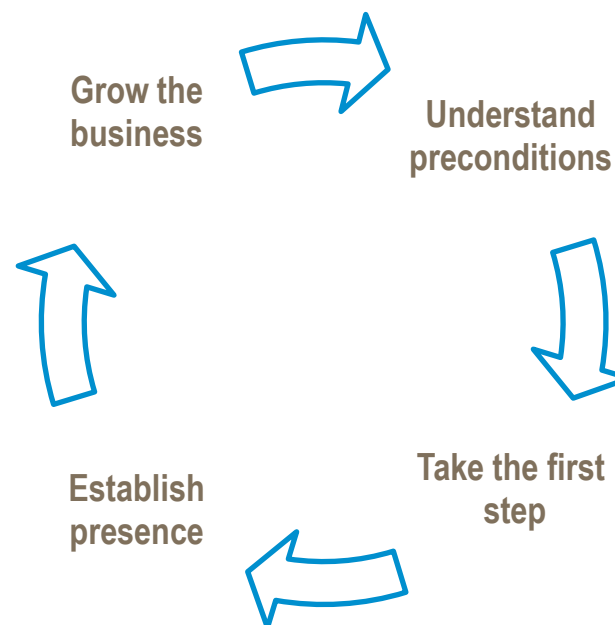
- Headquarters in Stockholm, 80 employees
- 22 regional export advisers
- All Trade Commissioners regularly visit different parts of Sweden

## Abroad:

- 500 employees in over 50 countries
- Through partners and networks we cover more than 100 countries

## STC USA:

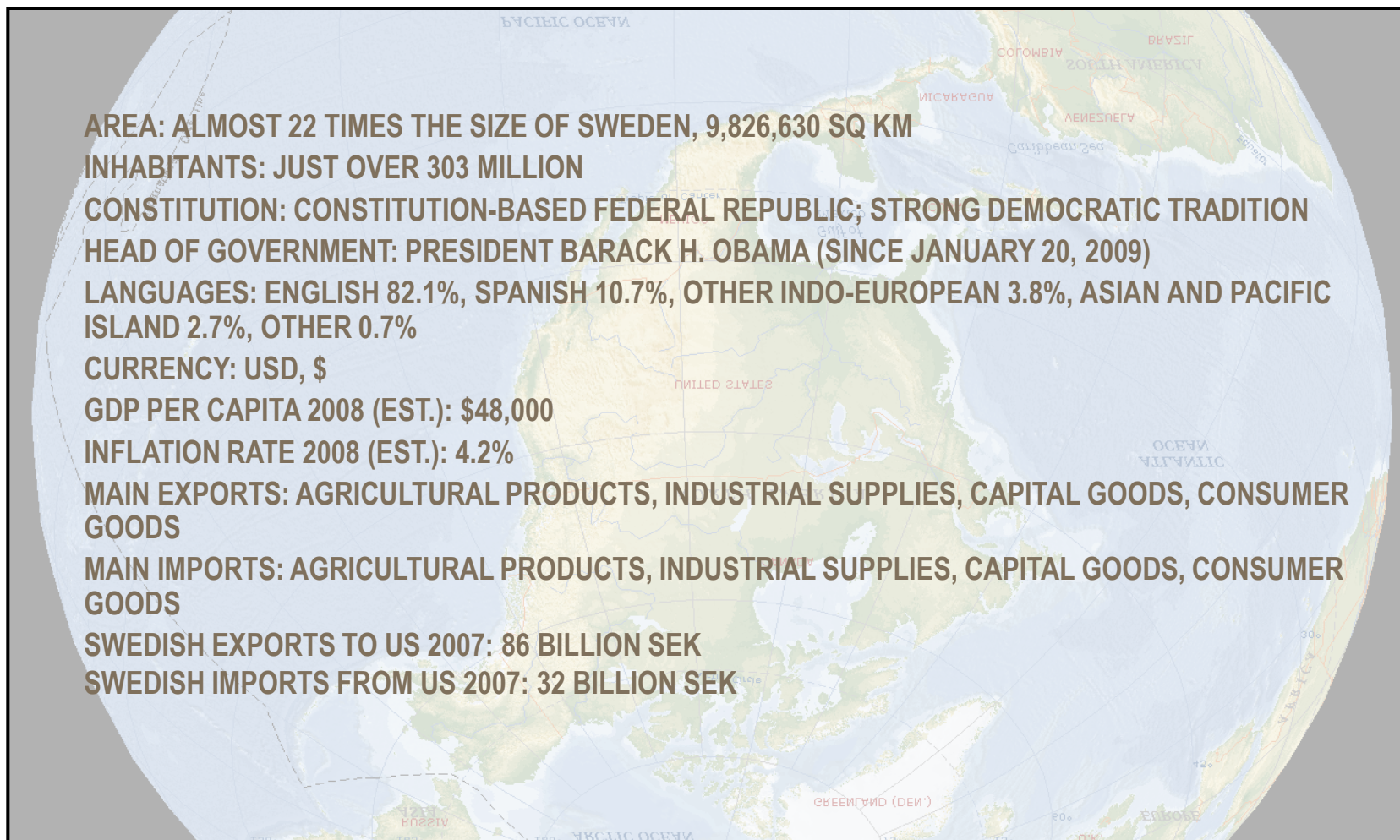
- Operational since 1949
- 15 local employees



Vision of the office:

STC USA aims to be the primary consulting partner for Swedish companies doing business in the U.S.

# UNITED STATES IN BRIEF



Source: CIA World Fact Book, Statistics Sweden

## BUSINESS ENTITY TYPES

There are five types of business entities:

- **Corporation:** separate legal entity owned by shareholders who enjoy protection from personal liability. Corporations are taxed annually on their earnings. Two types of corporations:
  - A C corporation files and pays corporate income taxes directly. C Corporations are considered a separate entity from their shareholders, and must pay taxes on income left over after business expenses. There are usually no U.S. residency requirements on shareholders, officers or directors, although a resident “registered agent” must be provided
  - An S corporation is a closed corporation, which in turn is one whose shares are held by members of a family or by relatively few persons. Please note that no shareholder of the corporation may be a nonresident alien. S corporations are generally not taxed on its income. Rather, its profits or losses “pass through” to the shareholders, based on their percentage ownership. The shareholders must personally pay taxes on that income in a similar manner of an C corporation
- **Limited liability company:** a hybrid business entity which has a separate legal existence and generally offers liability protection to its owners (called members). It can be classified as either a partnership or a corporation for tax purposes

## BUSINESS ENTITY TYPES, CONT'D

- **General partnership:** not a separately taxed entity, where profit or loss flows through to the partners
- **Limited partnership:** 2 types of partners, general partners who have management authority and personal liability, and at least one person in the role of limited partner. Tax on income derived from a limited partnership is paid by the partner at the rate applicable to the partner
- **Limited liability partnership:** partners enjoy some protection against personal liability. Each partner must be a person licensed under state laws to engage in the practice of public accountancy, law or architecture. The LLP is not a separate entity for income tax purposes; profits and losses are passed through to the partners and reported on each individual's tax return

# INCORPORATION

- Registration of a company is done at state level with Secretary of State
- Cost varies depending on state from \$50 to several hundred, but usually less than in Sweden
- Time to complete a registration is 24 hours to a couple of weeks, depending on state
- It is recommended to incorporate in the state where the primary business will be done
- Most states require that companies file with the Secretary of State, if the company is ‘doing business’ in the state. “Doing business” in a state is a.o. defined by:
  - Having a physical presence, such as an office or warehouse
  - Having employees in the state
- Most states do not require a minimum of equity capital (“aktiekapital”)
- Ownership: most types of business entities can be owned by non-U.S. citizens or non-resident aliens
- Tax ID or Federal Employer ID Number (FEIN) is the equivalent of the Swedish “organisationsnummer” and is applied for after the company has been incorporated

## COMPANY LOCATION ISSUES

- State and local sales and business **tax situation**. These are the different taxes that need to be considered:
  - Federal Corporate Income Tax: varies depending on company profit (usually 15-30%). If company pays state business taxes, these are deducted from Federal Corporate tax
  - State corporate and personal income taxes
  - Local (city or county) sales tax (for selling products to consumers)
  - City business tax
- **State and local legislation** regarding company liability and employment
- Location of company's main **customers, distributors, suppliers and partners**
- Proximity to qualified **personnel** from universities and other companies in the specific industry
- Proximity to **transport** facilities (airports, ports, trains and roads) and short transportation distances for company personnel and product logistics
- **Cost of living** and hiring personnel in different cities and regions
- **Cost for** renting office and warehouse **space** in different cities and regions

## OTHER IMPORTANT ISSUES FOR COMPANY ESTABLISHMENT

- **Insurance:** Product Liability, Personal Liability for company's officers and directors, office space insurance
- **Intellectual Property:** Copyright, Patents, Trade Marks, Internet domains, Non-Disclosure Agreements all have to be filed for separately
- **Financial:** Local accounting and book keeping in order to be in compliance with the Internal Revenue Service and local and Swedish audits, bank account with local bank for payment and payroll processing
- **Business Law:** Contracts with distributors, partners, customers etc are much more detailed than in Sweden, there is no such thing as a "standard" contract. Lawyers are therefore specialized in different areas, such as corporate law, visas, licensing contracts, office leases, employment, etc. A company might need several lawyers/law firms for different purposes
- **Employees:** Most employers offer benefits packages comprising health and dental insurance, as well as retirement plans to their employees. Commissions, bonuses, or profit-sharing plans are also quite common, especially for sales people. Enlist professional help in designing benefits packages, employee offer letters and handbooks in order to be in compliance with labor laws, regulations and customs in your specific industry

## USEFUL SOURCES

- Small Business Administration (US Government assistance): [www.sba.gov](http://www.sba.gov)
- Internal Revenue Service (taxes): <http://www.irs.gov/businesses/index.html>
- US Customs (import regulations and customs duty): <http://www.customs.gov>
- Bureau of Labor Statistics (labor statistics): <http://www.bls.gov/home.htm>
- U.S. Embassy in Stockholm (visas/work permits): <http://stockholm.usembassy.gov/Consulate/index.html>

## CONTACTING THE SWEDISH TRADE COUNCIL IN THE USA

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