

In US, there are 3 types of corporation/company: C corporations, S corporations and Limited Liability Company (LLC).

- (1) C corporation: This is the most regular form. It must file a tax return each year. The profit of a corporation is taxed when earned, and then the shareholders are required to pay tax on dividends distributed. On the other hand, shareholders cannot deduct any loss of the corporation. Though a corporation can also take special deductions, the earnings are in fact subject to double taxation.
- (2) S corporation: This form of organization is popular among small businesses. It enjoys limited liability status but also takes the advantages of a partnership on taxation. S corporation is exempted from federal income tax other than tax on certain capital gains and passive income. The shareholders are required to include their share of the corporation's separately stated items of income, deduction, loss, and credit, and their share of income or loss. The income and expenses of the corporation are actually divided among the shareholders and, therefore, the shareholders can avoid double taxation on its gain.
- (3) LLC: It is a relatively new business structure in US which is allowed by individual state statute. It comprises of both a partnership and a corporation nature. A LLC may elect to be either "member managed" or "manager managed" and also to be taxed as a corporation, or as a partnership.

### **Incorporation in Delaware, US**

Foreign businesses seeking to enter the North American market may consider using Delaware corporations to operate. Delaware is the home to more than half of the Fortune 500 corporations and as place for asset protection schemes. It is also well known as a corporate haven within. It offers:

- (1) Great protection on privacy: The identity of company officers and shareholders are not disclosed in the official corporate records of the state.
- (2) Tax advantage: No income taxes for companies operating outside of the state.
- (3) No US residency requirement.
- (4) No minimum capital requirement.
- (5) One person may occupy the position of director and officer and as single shareholder of the corporation or LLC.
- (6) The actual control and business office of the company can take place anywhere and be organized outside Delaware or US.