

**Chandrawat  
& Partners**

# **DOING BUSINESS IN USA**

A comprehensive guide on USA

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# INTRODUCTION

Constituting less than 5 percent of the world's population, Americans generate and earn more than 20 percent of the world's total income. America is the world's largest national economy and leading global trader. The process of opening world markets and expanding trade, initiated in the United States in 1934 and consistently pursued since the end of the Second World War, has played an important role in the development of American prosperity. According to the Peterson Institute for International Economics, American real incomes are 9% higher than they would otherwise have been as a result of trade liberalizing efforts since the Second World War. In terms of the U.S.A economy in 2013, that 9% represents \$1.5 trillion in additional American income.

Rapid trade growth may well act as a transmitter of economic stimulus around the globe and a vehicle of continued recovery, particularly if enhanced by additional efforts to reduce barriers and expand trading opportunities further. Recognition of the long term benefits of expanded trade, as well as the positive role trade can play in the current economic recovery are central factors reflected in the Administration's trade policy.

# ECONOMIC OVERVIEW

The USA boasts the world's largest economy, characterized by stable growth and a robust business environment. With a diverse range of industries and a skilled workforce, the US economy offers vast opportunities for domestic and international businesses.

Real gross domestic product ("GDP") increased at an annual rate of 1.3 percent in the first quarter of 2023. The US's steady growth is driven by strong consumer spending, business investment, and technological advancements. However, the U.S.A could enter a mild recession by the end of next year as higher interest rates slow demand for goods, services and the workers to produce them. JPMorgan predicts a mild recession beginning in late 2023, with business investment up 3% and weaker activity in residential investment. Since the pandemic, aggregate delinquency rates have been at near historic lows of 2.7%, and overall debt servicing ratios are particularly cascading from levels in the years leading up to the 2008 financial crisis.

In the wake of fears of inflation, the Federal Reserve Board has set a 2% inflation target. Moderation is expected, relying on tighter monetary policies and high interest rates. Nonetheless, Deloitte forecasts that this is temporary, emphasising that labour markets need to loosen up.

The strong dollar has Gross Domestic Product (Second Estimate), Corporate Profits (Preliminary Estimate). granted cheaper import rates but caused trouble for exports. The U.S. monthly international trade deficit decreased from \$70.6 billion in February (revised) to \$64.2 billion in March 2023, according to the U.S. Bureau of Economic Analysis and the U.S. Census Bureau.

The US economy spans a wide range of industries, allowing businesses to tap into diverse sectors. Key sectors include technology, finance, healthcare, manufacturing, energy, aerospace, entertainment, and agriculture. This diversity provides flexibility and enables businesses to cater to various market segments.

# FOREIGN DIRECT INVESTMENT POLICY

The United States recorded the largest increase in inward foreign direct investment of all economies recently. The latest release of the ("IMF's") Coordinated Direct Investment Survey shows the US position increasing by \$506 billion, or 11.3 percent, last year.

For the 112 economies that reported data, inward ("FDI") positions rose by an average of 7.1 percent in national currencies. In dollar terms, this global growth figure translates to only 2.3 percent, due to the recent strengthening of the greenback.

**Investment Promotion Programs.** The U.S.A government maintains programs to facilitate U.S.A outbound and inbound FDI. The U.S. International Development Finance Corporation ("DFC") aims to promote private investment in less-developed countries.

DFC's establishment in law in 2018 (P.L. 115-254) was part of the U.S. policy response to China's "One Belt, One Road" initiative. DFC provides financing, political risk insurance, equity, and technical assistance for investment projects. In contrast, Select USA, a Department of Commerce program established by a 2011 executive order, aims to coordinate federal efforts to attract and retain foreign investment, on top of state-level efforts.

**U.S.A International Investment Agreements.** As World Trade Organization ("WTO") agreements address investment in a limited manner, BITs and FTAs provide the primary tools for establishing investment rules globally. The United States is a party to BITs or FTAs with investment chapters in over 50 countries.

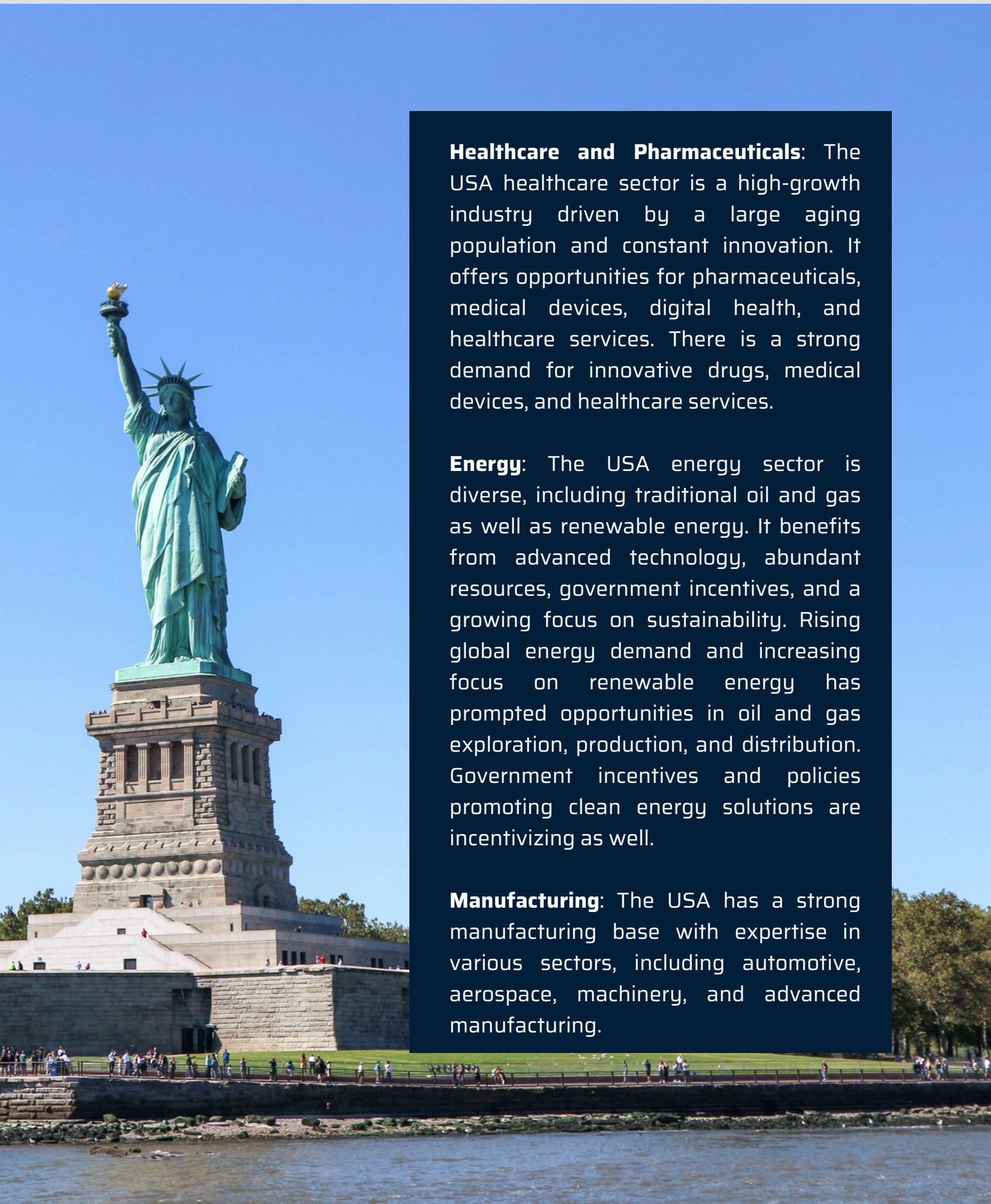
These agreements aim to reduce FDI restrictions and ensure nondiscriminatory treatment of investors and investment, subject to national security and other exceptions, balancing other policy interests—typically enforced through binding arbitration under investor-state dispute settlement ("ISDS"). BITs require two-thirds Senate approval; FTAs require approval by both Chambers to enter into force. The U.S.A-Mexico-Canada Agreement ("USMCA") contains the most recent set of U.S.A investor protections. It varies in key respects from other U.S.A FTAs, notably limiting recourse to ISDS.

# KEY SECTORS

The USA is home to thriving sectors such as technology, finance, healthcare, manufacturing, energy, and more. This section provides an overview of the key sectors, highlighting their growth potential and investment opportunities.

- **Technology and Innovation:** The United States is a global leader in technology and innovation, with renowned tech hubs like Silicon Valley. This sector offers access to top talent, robust infrastructure, and a supportive ecosystem for startups and tech companies. Employment in computer and IT is projected to grow 11% from 2019 to 2029, faster than the average for all occupations. There is high demand for cutting-edge technology products and services.
- **Financial Services:** The US financial services sector is one of the largest and most developed in the world. It provides access to a deep capital market, advanced financial technologies, and a range of banking and investment opportunities. Since there is access to a large and mature financial market, there are opportunities for investment, wealth management, and financial advisory services as well. Diverse revenue streams, such as fees, commissions, and interest income, are available.






**Healthcare and Pharmaceuticals:** The USA healthcare sector is a high-growth industry driven by a large aging population and constant innovation. It offers opportunities for pharmaceuticals, medical devices, digital health, and healthcare services. There is a strong demand for innovative drugs, medical devices, and healthcare services.

**Energy:** The USA energy sector is diverse, including traditional oil and gas as well as renewable energy. It benefits from advanced technology, abundant resources, government incentives, and a growing focus on sustainability. Rising global energy demand and increasing focus on renewable energy has prompted opportunities in oil and gas exploration, production, and distribution. Government incentives and policies promoting clean energy solutions are incentivizing as well.

**Manufacturing:** The USA has a strong manufacturing base with expertise in various sectors, including automotive, aerospace, machinery, and advanced manufacturing.

# ADVANTAGES



Doing business in the USA offers numerous advantages, including access to a large consumer market, a stable political and legal environment, advanced infrastructure, strong intellectual property protection, and a culture of innovation and entrepreneurship. The USA has a strong entrepreneurial culture that encourages risk-taking, innovation, and business growth. The country celebrates and supports entrepreneurial endeavors, providing a supportive ecosystem with mentorship programs, networking opportunities, and resources for startups and small businesses.

- **Large Consumer Market:** The United States' large consumer markets offer significant opportunities to reach a broad customer base. The population's high purchasing power and diverse consumer preferences provide a favorable environment for businesses across various sectors.
- **Strong Economic Stability:** It has a solid infrastructure, well-developed financial markets, and a transparent legal system that promotes business confidence and attracts investments.
- **Innovation and Technological Advancements:** The United States is at the forefront of innovation, with a vibrant ecosystem for research and development. It boasts leading universities, research institutions, and technology hubs that foster innovation and entrepreneurship. Access to advanced technology and talent creates a competitive edge for businesses.
- **Access to Capital:** The USA offers ample access to capital through diverse funding sources. It has well-established venture capital networks, angel investors, and a robust banking system that support businesses at various stages of growth. The availability of capital facilitates business expansion and investment opportunities.



- **Favorable Regulatory Environment:** The USA has a business-friendly regulatory environment that promotes fair competition and protects intellectual property rights. The rule of law, efficient contract enforcement, and transparent regulations provide a stable and predictable business environment.
- **Infrastructure and Logistics:** The United States offers world-class infrastructure and logistics networks, including transportation systems, ports, and reliable supply chains. Efficient logistics facilitate domestic and international trade, ensuring smooth operations and distribution for businesses.
- **Skilled Workforce:** The USA has a highly educated and skilled workforce with access to talent across various sectors. The presence of renowned universities and vocational training institutions produces a pool of skilled professionals, supporting businesses' workforce needs.
- **Global Trade Opportunities:** The United States has a robust presence in global trade. It has numerous free trade agreements, enabling businesses to access international markets with reduced trade barriers. The country's economic influence and strong diplomatic relations provide opportunities for global expansion.
- **Cultural Diversity and Consumer Trends:** The USA is a culturally diverse nation, representing a melting pot of consumer preferences and trends. Businesses can tap into a wide range of demographics and cater to evolving consumer demands, offering products and services that resonate with diverse audiences.



# TYPES OF BUSINESSES

These are the common types of business structures in the USA. Each structure has its own legal, tax, and operational considerations.

- **Sole Proprietorship:** A sole proprietorship is the simplest form of business where an individual operates and owns the business. The owner has unlimited liability and is personally responsible for all aspects of the business. Since the owner is personally liable for the debts of the firm, they may have difficulty acquiring financing from banks or other financial institutions.
- **Partnership:** A partnership is a business structure where two or more individuals share ownership and responsibility for the business. Partnerships can be general partnerships, where all partners have equal liability, or limited partnerships, where some partners have limited liability.
- **Limited Liability Company ("LLC"):** An LLC is a flexible business structure that provides limited liability protection to its owners (called members). It combines aspects of a corporation and a partnership, offering personal liability protection while allowing for pass-through taxation.
- **Corporation:** A corporation is a legal entity separate from its owners (shareholders). It provides limited liability protection to shareholders and can issue stock and raise capital. Corporations are subject to more complex regulations and formalities.
- **-C Corporation:** A C Corporation is a standard corporation where profits are taxed at the corporate level, and dividends are taxed at the individual level.
- **-S Corporation:** An S Corporation is a corporation that elects to pass corporate income, losses, deductions, and credits through to its shareholders, avoiding double taxation.

# MINIMUM ELIGIBILITY CRITERIA

- Anyone can register a business in the USA regardless of their citizenship status. A visa is not necessary to establish a company in the USA. The country's citizens and non-residents of the USA can register companies in the United States of America. To register a company in the USA, obtaining a legal address is necessary. The country's citizens may indicate their home addresses as legal addresses for their business, and non-residents who do not have any property in the USA should operate through an agent since internal documentation transfer to another country is impossible. A startup may be inducted in more than one state.
- The minimum capital requirement for doing business in the United States varies depending on the type of business entity.
- **Limited Liability Company ("LLC"):** There is generally no minimum capital requirement for an LLC in the United States.
- **C Corporation:** There is no minimum capital requirement for a C corporation in the United States.
- **S Corporation:** There is no minimum capital requirement for an S corporation in the United States.
- **Small Business Lending Companies (SBLCs):** Beginning on January 4, 2024, SBLCs that make or acquire loans must maintain a minimum unencumbered paid-in capital and paid-in surplus of at least \$5,000,000 or 10 percent of the aggregate of its share of all outstanding loans, whichever is greater
- No specific eligibility criteria exist for establishing a sole proprietorship. There are no explicit eligibility criteria, but partners should have a mutual agreement, an understanding of their roles, and a written partnership agreement.

# HOW TO SET UP A BUSINESS?

- State laws primarily govern the requirements for company registration in the United States. Each state has its own statutes and regulations related to business formation and registration. An Employer Identification Number ("EIN") is a 9-digit sequence that helps identify one's business for tax purposes. An EIN is required before registering a company in the USA (whether an LLC or a corporation). The Internal Revenue Service ("IRS") provides a free registration service for all applicants and can be completed online.
- **Sole Proprietorship:** Any individual can start a business in their own name without any formal registration requirements. However, obtaining required licenses and permits may be required depending on the nature of the business and local regulations.
- **Partnership:** Partnerships demand two or more individuals to come together and agree on the terms of the partnership. Partnership laws, often based on the Uniform Partnership Act ("UPA") or Revised Uniform Partnership Act ("RUPA"), provide the legal framework for partnerships. These laws define the rights and responsibilities of partners, partnership formation, and the filing of partnership agreements.



### **Limited Liability Company ("LLC"):**

- Choose a unique name for your LLC that complies with state regulations.
- File Articles of Organization with the Secretary of State or a similar state agency.
- Designate a registered agent to receive official documents on behalf of the LLC.
- Pay the required filing fees.

### **Prepare these documents:**

- Personal data regarding one or more founders and appointed directors of the company. These include surname, name and patronymic, place and date of birth, address of registration and residence, and copies of the main pages of the international passport. If legal entities act as founders, additional documents are required. Among them are statutory documents of the enterprise, including minutes of meetings, articles of association, certificate of incorporation, etc. It is obligatory to provide information on the company's name and the attached list of its types of activities.
- The documents must be signed or stamped by the notary.
- State LLC Acts govern the formation and operation of limited liability companies. These acts outline the procedures for filing Articles of Organization, membership requirements, operating agreements, and other relevant aspects of LLC formation.:



# TAXATION

In The United States of America, Tax is imposed on both the federal and state level. Federal and state taxes are completely separate and each has the authority to charge taxes. The federal government does not have the right to interfere with state taxation. Each state has its tax system that is separate from the other states. Within the state, there may be several jurisdictions that also charge taxes. Local Government bodies like Municipalities, Regional Municipalities, Rural Communities ("RC") and Local Service Districts ("LSD") impose their taxes separately like property Tax, licensing fees, etc. where Individual income taxes, Payroll taxes, and corporate income taxes are the main sources of federal tax revenue, Sales tax and Income Tax are main sources for State revenues while Property taxes are the main revenue source for local governments.

## **Sales Tax.**

Sales taxes are placed on the sale or lease of goods and services .There is no national sales tax in the US and therefore no standard rate is there. Sales tax is a state tax and is governed at the state level and varies from state to state as well as within the state. For example, NY State Sales Tax is 7% and NJ is 3%, but Albany has 8% sales tax while Syracuse has only 7%. As of 2017, 5 states (Alaska, Delaware, Montana, New Hampshire and Oregon) do not levy a statewide sales tax. California has the highest base sales tax rate, 7.25%

## **Value-Added.**

Tax Among the states in the USA, only Michigan taxed a form of ("VAT") called the single business tax. It later replaced this with the Michigan business tax. Meanwhile, Puerto Rico has been imposing a 10.5% VAT since 2006. There is no value added tax in the United States. Though there have been proposals to replace some Federal taxes with a value added tax.

### **Payroll Tax.**

The day businessman hires their first employee, they become responsible for payroll tax. Payroll tax is not a single tax, but it is a blanket term used to refer all taxes paid on the wages of employees like FICA Tax, FUTA tax and other State & Local Taxes. If businessmen have employees, they are going to be responsible for deducting portion of employee wages and paying payroll taxes. If running a small business but don't have employees, still have to remit payroll taxes—for themselves. This is called self-employment tax and is effectively Medicare plus Social Security for themselves (which amounts to 15.3% of net business income).

### **Property Taxes.**

Taxpayers pay Property Taxes on real estate or personal properties. Local governments collect these taxes as a source of revenue. In computing property taxes, the government multiplies the fair market value of the property with the tax rate applicable to a certain city or municipality. Property taxes imposed by local governments range from 0.70% to 3.6%. Taxpayers can also claim property tax as part of their itemized deductions, which can then reduce their federal income tax. To be eligible, they need to meet certain requirements For example; their itemized deductions should be more than their standard deductions. There's also a combined tax limit of \$10,000 for both property and income taxes, according to the new law. A non-payment of the property tax may result in a lien, which can decrease a person's chances of selling the home or land fast.

**Income tax.**

- The income tax rates in the United States for the tax year 2022 are as follows:10%: Taxable income between \$0 and \$10,275 for single filers (\$0 - \$20,550 for married individuals filing jointly)
- 12%: Taxable income between \$10,276 and \$41,775 for single filers (\$20,551 - \$83,550 for married individuals filing jointly).
- 22%: Taxable income between \$41,776 and \$89,075 for single filers (\$83,551 - \$178,150 for married individuals filing jointly).
- 24%: Taxable income between \$89,076 and \$170,050 for single filers (\$178,151 - \$323,925 for married individuals filing jointly).
- 32%: Taxable income between \$170,051 and \$215,950 for single filers (\$323,926 - \$411,700 for married individuals filing jointly).
- 35%: Taxable income between \$215,951 and \$323,925 for single filers (\$411,701 - \$622,050 for married individuals filing jointly).
- 37%: Taxable income over \$323,926 for single filers (\$622,051 for married individuals filing jointly)





# ACCOUNTING STANDARDS

Generally Accepted Accounting Principles ("GAAP") is the accounting standard adopted by the U.S.A Securities and Exchange Commission ("SEC") and is the default accounting standard used by companies based in the United States. The Financial Accounting Standards Board (FASB) is responsible for setting accounting standards in the U.S.A and has developed the Accounting Standards Codification ("ASC"), which is the only source of authoritative GAAP in the U.S. The ASC is a comprehensive set of approved accounting methods and practices that provide guidelines and policies for financial reporting. The U.S. law requires companies to follow GAAP when preparing their financial statements. The SEC also publishes accounting guidance to help companies comply with the accounting requirements of the federal securities laws. The Public Company Accounting Oversight Board ("PCAOB") is a standards-making body created by the Sarbanes-Oxley Act of 2002, which oversees the auditing standards in the U.S.A.

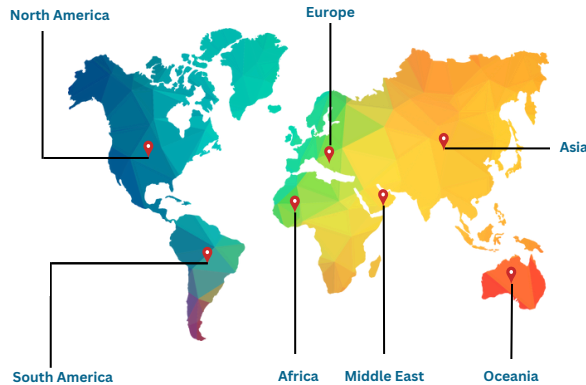




## HOW WE CAN HELP ?

- Our team of experts is adept at conducting extensive market research, aiding enterprises in comprehending their intended audience, prevalent industry trends, and potential competitors.
- Our proficient specialists can establish well-defined objectives, delineate feasible measures, and pinpoint prospects for both development and enlargement.
- Our team possesses the ability to perform evaluations of risks, pinpointing potential threats and vulnerabilities within a business. Subsequently, they can propose strategies for risk mitigation to safeguard against unfavorable occurrences.
- Our experts proffer guidance regarding the most suitable legal structure for a venture, be it a corporation, partnership, limited liability company ("LLC"), or sole proprietorship. They expound upon the tax ramifications of each choice, while also helping in selecting the optimal option based on objectives and circumstances.
- Our team is competent in delving into and recognizing any necessary licenses, permissions, or registrations requisite within the client's particular sector or industry. The business aids in the application process and ensures the organization's adherence to all legal prerequisites.

## SERVING CLIENTS WORLDWIDE



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## Key Contact



### **Surendra Singh Chandrawat**

Managing Partner

✉ [surendra@chandrawatpartners.com](mailto:surendra@chandrawatpartners.com)

Connect Surendra on

[LinkedIn](#)

[WhatsApp](#)

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