

UNITED STATES OF AMERICA

- 0- SYNOPTIC TABLE: TAXATION OF RESIDENTS AND NON-RESIDENTS
- 1- AN OUTLINE OF COMPANY LAW
- 2- WHEN US COMPANIES CAN BE CONSIDERED RESIDENT OR NON-RESIDENT?
- 3- BUSINESS AND NON-BUSINESS ACTIVITIES (ADMINISTRATIVE OFFICES, LIAISON OFFICES, PURCHASING OFFICES, ETC.)
- 4- WHICH FOREIGN LOCAL UNITS CAN BE OPENED IN THE UNITED STATES: SECONDARY ESTABLISHMENTS, BRANCHES, SUBSIDIARIES OR PERMANENT ESTABLISHMENTS?
- 5- CALCULATING TAXABLE INCOME
- 6- TREATMENT OF LOSSES
- 7- IS INTEREST DEDUCTIBLE?
- 8- IS DEPRECIATION DEDUCTIBILITY ACKNOWLEDGED?
- 9- WHAT TAX TREATMENT IS APPLIED TO RESIDENT COMPANIES?
- 10- ARE GROUP COMPANIES CONSIDERED SINGLE COMPANIES FOR FISCAL PURPOSES?
- 11- WHAT TAX TREATMENT IS APPLIED TO FOREIGN LOCAL UNITS AND NON-RESIDENT COMPANIES?
- 12- ARE CAPITAL GAINS TAXED?
- 13- WHAT TAX TREATMENT IS APPLIED IN CASE OF COMPANY LIQUIDATION?
- 14- TRANSFER OR REPURCHASE OF SHARES: HOW ARE THEY TAXED?
- 15- WHAT OTHER TAXES ARE APPLIED IN THE UNITED STATES?
- 16- DIVIDENDS, INTEREST AND ROYALTIES: HOW ARE THEY CONSIDERED AND TAXED?
- 17- HOW ARE CALCULATED STOCKS OR INVENTORIES?
- 18- HOW ARE RESIDENT INDIVIDUALS TAXED?

- 19- HOW ARE FOREIGN INDIVIDUALS TAXED? WHEN ARE THEY CONSIDERED RESIDENT?
- 20- TERMS FOR TAX PAYMENTS: THE FISCAL YEAR IN THE UNITED STATES
- 21- WHAT TAX INSPECTIONS ARE MADE?
- 22- CAN TAXPAYERS AGREE IN ADVANCE THEIR TAX TREATMENT?
- 23- WHAT EXCHANGE CONTROLS ARE CARRIED OUT?
- 24- WHAT TAX RELIEFS AND INCENTIVES ARE GRANTED BY THE US GOVERNMENT?
- 25- HAS THE UNITED STATES SIGNED BILATERAL TAX AGREEMENTS WITH OTHER COUNTRIES? TABLE OF WITHHOLDING TAXES

Last reviewed: May 4, 2023

Embassy of Italy in the United States of America

Washington DC – Embassy of Italy
Amb. Maria Angela Zappia
3000, Whitehaven Street, NW - Washington, DC 20008
Tel. 0012026124400
Fax 0012025182154
Website: www.ambwashingtondc.esteri.it
E-mail: washington.ambasciata@esteri.it

Consulate of Italy in the United States of America

New York – First Class Consulate General
Cons. Gen. Fabrizio Di Michele
690, Park Avenue - New York, NY 10065
Tel. 0012127379100
Fax 0012122494945
Website: www.consnewyork.esteri.it
E-mail: cg.newyork@esteri.it

Embassy of the United States of America in Italy

Rome – Embassy of the United States of America
Amb.: Jack Markell
Via Vittorio Veneto, 121 – 00187 Rome
Tel. 00390646741
Website: www.it.usembassy.gov/it/embassy-consulates-it/

Consulate of the United States of America in Italy

Milan – Consulate General of the United States of America
Cons. Gen. Robert Needham
Via Principe Amedeo, 2/10 – 20121 Milan
Tel. 003902290351
Website: www.it.usembassy.gov/it/embassy-consulates-it/milano/

0- SYNOPSIS TABLE: TAXATION OF RESIDENTS AND NON-RESIDENTS

	RESIDENTS	NON-RESIDENTS
CORPORATE INCOME TAX	Flat rate 21%	Local units: 30%
TAXES ON CAPITAL GAINS	Included in gross income	None, unless they are connected to USA activities
WITHOLDING TAXES		
Dividends	30%	30% reducible
Interest	30%	30% reducible
Royalties	30%	30% reducible
PERSONAL INCOME TAX	10% - 37%	10% - 37% on USA income
OTHER TAXES		
Local taxes	Variable	
Social contributions	7.65% for both employer and employee	
Tax on the environment	Variable according to the State	
VAT	None	
LOSSES		
Carried forward	Indefinitely up to 80% of taxable income (limit removed between 2017 and 2021)	
Carried back	For all companies: between 2017 and 2021: 5 years For agri-food and insurance: 2 years in any fiscal year	
DEPRECIATION		
Fixed assets	With MACRS method: depreciable assets are classified in 8 categories with depreciation from 3 to 31 years (e.g. special equipment: 3 years; vehicles: 5 years; residential real estate: 27.5 years)	
Intangible assets	15 years	

1- AN OUTLINE OF COMPANY LAW

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>C Corporations</i>	A corporation can reduce, or even eliminate, its federal income tax liability by distributing its income as salary to shareholder-employees who perform valuable services to the corporation, thus reducing taxation at the corporation level; however, those who receive payments from a corporation in exchange for services must pay tax on the amount received as salary.	A domestic corporation is formed by filing a charter or articles of incorporation in a state, a US possession, or with the US Government.	A corporation is governed by a set of bylaws, has its business affairs overseen by a board of directors, and is owned by shareholders who possess shares of the corporation's stock.
<i>S Corporations</i>	An S corporation is a small business corporation, that is a domestic corporation which does not: <ul style="list-style-type: none"> • have more than 100 shareholders • have as a shareholder a person • have a non-resident alien as a shareholder, and • have more than 1 class of stock. 		An S corporation does not pay any income tax at the entity level. Instead, the corporation's income and deductions flow through to its individual shareholders. The individual shareholders are responsible for reporting their share of the income and deductions on their individual income tax returns.
<i>Personal service corporations</i>	A personal service corporation is an entity in which its employee-owners substantially perform personal services. Employee-owners are employees who own, directly or indirectly, more than 10% of the outstanding stock of the corporation.		
<i>Personal holding companies</i>	A personal holding company is any corporation in which at least 60% of adjusted ordinary gross income for the tax year is personal holding company income and more than 50% in value of its outstanding stock is owned, directly or indirectly, by or for not more than 5 individuals.		
<i>Partnerships</i>	A partnership includes a syndicate, group, pool, joint venture, or other unincorporated organisation that carries on any business, financial operation, or venture. Partnerships may be either general partnerships (GPs) or limited partnerships (LPs). The treatment of GPs and LPs may differ for state tax and legal purposes, but is substantially similar for federal tax purposes.		
<i>Limited liability company (LLC)</i>	A limited liability company (LLC) is formed under state law. LLCs can be either single member LLCs or 2 or more member LLCs. A LLC's member(s), like corporate shareholders, are not personally liable for the entity's debts or liabilities		

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>Branch</i>	An unincorporated branch is simply an extension of the domestic entity, as opposed to a separate legal entity. A branch's income is considered to be directly earned by the home office in the same manner as a single member LLC.		
<i>Sole Proprietorship</i>	A sole proprietorship is an unincorporated business that is owned by a single owner and is not organised under any particular state or federal laws. This business form does not have a legal status that is separate and distinct from its owner. All business and individual assets of the owner are subject to any legal judgment or potential legal liability. Any income earned or losses incurred from the sole proprietorship are imputed to the individual owner. A tax return for the entity is not filed		

2- WHEN US COMPANIES CAN BE CONSIDERED RESIDENT OR NON-RESIDENT?

A company or partnership is classified as domestic if it is created under the laws of any state in the US or under US federal law. Corporations or partnerships that are not domestic are foreign corporations. The place of management and control of a corporation or partnership is not a factor in determining the residence of the corporation or partnership.

3- BUSINESS AND NON-BUSINESS ACTIVITIES (ADMINISTRATIVE OFFICES, LIAISON OFFICES, PURCHASING OFFICES, ETC.)

A foreign corporation is liable for US tax on its US source income and on its income which is effectively connected with a US trade or business.

A foreign corporation generally does not engage in a US trade or business unless it enters into sales contracts, acquires rental property, manufactures items or performs services in the US.

Income of a non-resident from any sale of personal property attributable to an office or other fixed place of business in the US is US source income, except for inventory sold for use, disposition or consumption outside the US where the non-resident has an office or fixed place of business which materially participated in the sale.

The US is a strategic location for international operations, and many foreign businesses desire to establish an administrative or liaison office in the US.

Activities of liaison offices will not cause non-US companies to be taxed in the US, provided the office does not engage in certain types of activities and most of the tax treaties between the US and other countries provide that a US office of a foreign entity used for buying goods, collecting information or advertising products does not constitute a US taxable branch of the foreign entity.

4- WHICH FOREIGN LOCAL UNITS CAN BE OPENED IN THE UNITED STATES: SECONDARY ESTABLISHMENTS, BRANCHES, SUBSIDIARIES OR PERMANENT ESTABLISHMENTS?

Since profits and capital gains of a local unit are subject to the same taxes as a US company, the choice of the type of local unit is irrelevant.

5- CALCULATING TAXABLE INCOME

Taxable income means gross income less specifically exempt income and all allowable deductions.

The following are deductible on the basis of the accrual of the fiscal year:

- Travel and entertainment expenses adequately substantiated;
- Amounts spent on tangible or intangible property with a determinable useful life can generally be recovered over a prescribed life under the modified accelerated cost recovery system (MACRS) (see relevant chapter);
- Taxpayers who pay or incur costs of investigating a new business, and who subsequently enter into that trade or business, may deduct certain investigation costs in the tax year in which the corporation begins business.
- Foreign exchange losses, but only if evidenced by a closed transaction.

Qualified charitable contributions plus any contribution carry-overs may not exceed 10% (increased to 25% for cash donations made in 2020) of taxable income.

Adjustments to inventory valuations cannot be made by reference to inflationary indexes. All inventory valuations must be made based on obsolescence, saleability and the condition of the inventory item.

Research and experimental expenditure may be deductible.

Taxpayers who pay or incur costs of investigating a new business, and who subsequently enter into that trade or business, may deduct certain investigation costs in the tax year in which the corporation begins business. Amounts in excess of the calculated deduction are allowed as a deduction, but such excess must be amortised over a period of 180 months.

Under the accrual method of accounting, a deduction is taken in the year in which the liability is incurred, unless it can be properly allocated to another year.

If a taxpayer uses the accrual method of accounting, all items of income, such as rents, interest, and royalties are included as income in the year earned, regardless of when the income is received.

Domestic corporations that receive dividends from other domestic corporations are generally permitted a 50%, 65% or 100% dividend received deduction based on the classification of the payor and type of dividend

Executive compensation deductions for certain executives of publicly held corporations are limited to US\$1 million per year.

6- TREATMENT OF LOSSES

Trading losses are referred to as net operating losses (NOLs) for US tax purposes. NOLs incurred may be carried forward indefinitely for offset against up to a maximum of 80% of taxable income. However, the 80% limitation was temporarily removed for tax years beginning after 31 December 2017 and before 1 January 2021. NOLs incurred by certain insurance companies may be carried forward for a period of 20 years without any limitation on the offset amount.

NOLs incurred in tax years beginning after 31 December 2017 and before 1 January 2021 may be carried back for the 5 years immediately preceding the loss year to offset any taxable income or gains in those prior years. In addition, NOLs incurred by certain farming and certain insurance companies in other tax years may be carried back for the 2 previous years.

In general, if there is a 5% or more change in ownership or any equity structure shift of a US corporation, only a proportion of the corporation's accumulated NOLs, based on a fair market value of the corporation and the long-term federal tax-exempt rate, may be offset.

The IRS may deny any loss carry-overs if a US corporation is acquired for the purpose of avoiding tax.

7- IS INTEREST DEDUCTIBLE?

Interest paid or accrued within a tax year on indebtedness is generally deductible for US tax purposes.

For tax years beginning after 31 December 2017, the deductibility of interest is generally limited to the sum of:

- business interest income for the tax year

- 30% of adjusted taxable income for the tax year (increased to 50% for tax years beginning in 2019 or 2020), and
- floor plan financing interest for the tax year.

The following are special rules regarding the treatment of certain types of interest:

- construction period interest is required to be added to the basis and depreciated over the life of the property
- interest paid to earn tax-exempt income is non-deductible, and
- prepaid interest, whether paid by a cash basis or accrual basis taxpayer, must be amortised over the relevant period.

8- IS DEPRECIATION DEDUCTIBILITY ACKNOWLEDGED?

For most tangible depreciable property that was placed in service after 1986, the mandatory depreciation system is called the modified accelerated cost recovery system (MACRS). Under MACRS, there are 2 distinct depreciation systems. The choice of the applicable depreciation system may depend on the type of property purchased. The first system is the general depreciation system (GDS) and the second system is the alternative depreciation system (ADS).

Under the GDS, the most largely applied system, there are 3 methods for determining the recovery rates to be applied:

- the 200% declining balance method with an appropriate switch to the straight line method to maximise deductions (this method is used for 3-year, 5-year, 7-year and 10-year property)
- the 150% declining balance method with an appropriate switch to the straight line method to maximise deductions (this method is used for 15-year and 20-year property), and
- the straight line method (this method is used for residential rental and non-residential real property, as well as several other types of property).

For purposes of determining the applicable recovery period under the GDS, the US Internal Revenue Code (IRC) divides property into 8 categories referred to as 3-year, 5-year, 7-year, 10-year, 15-year, 20-year: the year refers to the time period over which the taxpayer may recover the basis of items in a class. The recovery period for residential rental and non-residential real property is 27.5 years and 39 years respectively.

Personal property

A taxpayer is generally permitted a six-month deduction, regardless of the month of acquisition or disposition of personal property.

Real property

All real property placed in service during any month is treated as placed in service on the midpoint of such month for the purpose of computing the depreciation deduction for the year in which such property is acquired or disposed.

Alternative depreciation system (ADS)

ADS is a straight line depreciation system under which a taxpayer's basis in depreciable property is recovered generally over longer recovery periods than that prescribed under the GDS.

ADS must be used for all properties.

Amortisation of purchased intangible assets

Intangible assets considered amortisable that were acquired after 10 August 1993 are amortised on a straight line basis over a 15-year period.

9- WHAT TAX TREATMENT IS APPLIED TO RESIDENT COMPANIES?

US companies are subject to tax on income and capital gains.

For tax years beginning on or after 1 January 2018, the tax rate for entities classified as corporations for US federal income tax purposes is a flat 21%.

The United States Government has proposed increasing the corporate tax rate from 21% to 28% from 1 January 2023.

For tax years beginning before 1 January 2018, the following graduated rates applied:

<i>Taxable income US\$</i>	<i>To be paid US\$</i>	<i>% on excess</i>	<i>on the amount over US\$</i>
Up to 50,000	0	15	0
From 50,000 to 75,000	7,500	25	50,000
From 75,000 to 100,000	13,750	34	75,000
From 100,000 to 335,000	22,250	39(1)	100,000
From 335,000 to 10,000,000	113,900	34	335,000
From 10,000,000 to 15,000,000	3,400,000	35(2)	10,000,000
From 15,000,000 to 18,333,333	5,150,000	38(1)	15,000,000
18,333,333		35	0

1. The 39% and 38% tax rates were imposed on these income groups to effectively eliminate the benefit of the graduated tax rates for corporations with taxable income above US\$335,000 and US\$15,000,000 to bring the tax rates up to 34% and 35% respectively.
2. A qualified personal service corporation was taxed at a flat 35% of its taxable income.

Corporate alternative minimum tax (repealed)

Alternative minimum tax (AMT) for corporations has been abolished for tax years beginning on or after 1 January 2018.

For tax years beginning before 1 January 2018, the IRS could impose AMT, which corresponded to 20% of the ordinary taxable income.

10- ARE GROUP COMPANIES CONSIDERED SINGLE COMPANIES FOR FISCAL PURPOSES?

Members of an 80% or more affiliated group of US corporations (consolidated group) may elect to file a consolidated income tax return.

If one member of an affiliated group has losses, and other members joining in the filing of the consolidated return have current income, the losses and income can offset one another.

Dividends and interest paid between members of the same group are tax free within the group, because the offsetting of income and expenses are recorded and reported simultaneously on the tax return.

Transfers of property, services, and capital assets between group members are taxed at local level but are exempt from federal taxes, unless made to a person outside of the group.

A parent corporation's basis in its subsidiary that is a consolidated group member is stepped up by its earnings and profits and reduced by its dividends and other distributions, in order to avoid double taxation.

11- WHAT TAX TREATMENT IS APPLIED TO FOREIGN LOCAL UNITS AND NON-RESIDENT COMPANIES?

The Bilateral Tax Agreements concluded by the United States specify that the tax obligations of the non-resident company exist only in the event that the same has a local unit, a permanent establishment or a representative with a general power of attorney in the United States.

Taxation of the local unit is limited to US source income, or derived from US-related activities, and is 30%, which is added to the tax on the profits of the local unit. The tax base is made up of profits, rents and capital gains.

Local unit taxation can be reduced or eliminated by a tax agreement.

The US 30% withholding tax rate applies to US source income which is not effectively connected with the trade or business of a branch, subject to reduction or elimination by a tax treaty

12- ARE CAPITAL GAINS TAXED?

Capital gains are subject to ordinary corporate tax rates.

Capital gains are calculated for US tax purposes by deducting the adjusted basis (cost minus depreciation) of a capital asset from its sale proceeds.

There is no increase in the original cost basis of an asset sold because of inflationary factors.

A US company may obtain a deferment of tax on capital gains in the following circumstances:

1. where stock of a US subsidiary is transferred to an acquiring US corporation solely in exchange for stock or securities of the acquiring corporation. Immediately after the exchange, if the acquiring corporation owns stock possessing at least 80% of the total combined voting power of all classes of stock entitled to vote and at least 80% of the total number of shares of all other classes of stock of the target corporation, the exchange of shares is tax free to the parent corporation
2. where the US corporation's foreign branch is transferred to a non-US corporation, but only if the foreign corporation uses the assets in the active conduct of a trade or business outside of the US
3. where the income is blocked because exchange controls or other restrictions in a foreign country cause the capital gains not to be readily convertible into US dollars.

13- WHAT TAX TREATMENT IS APPLIED IN CASE OF COMPANY LIQUIDATION?

Under US tax law, capital assets are generally deemed to be distributed to shareholders on liquidation. This deemed distribution results in the liquidating corporation recognising a capital gain or loss on the deemed sale of the capital assets.

A capital gains tax normally is not imposed on a foreign parent company that is the shareholder of a liquidating subsidiary, unless the gain is effectively connected with the conduct of a trade or business in the US.

14- TRANSFER OR REPURCHASE OF SHARES: HOW ARE THEY TAXED?

For US tax purposes, corporate distributions are treated as dividends and taxed to the recipient as ordinary income.

For US tax purposes, corporate distributions are treated as dividends and taxed to the recipient as ordinary income

15- WHAT OTHER TAXES ARE APPLIED IN THE UNITED STATES?

VAT

No VAT (value added tax) or GST (goods and services tax) is imposed at the federal tax level in the US.

Land tax

Individual states may impose a tax on the development or change in the current use of land.

Most states and local authorities impose ad valorem property tax on the owner of real property according to the value of such property.

The applicable rate of property tax varies from jurisdiction to jurisdiction.

Social security contributions

Individuals are subject to social security contributions by way of payroll tax in the case of employees, and self-employment tax in the case of the self-employed. For the latest, the applied rate is 15.3% and is a combination of the old-age, survivors and disability insurance (OASDI) tax (12.4%), and the hospital insurance (HI) tax (Medicare) (2.9%). The OASDI rate applies to a maximum of US\$160,200 of net earnings from self-employment for 2023. All self-employment net earnings are subject to the HI rate.

Employers and employees pay a rate of 7.65% on the annual wage as follows: 6.2% (OASDI) and 1.45% (HI).

Environmental taxes

The Federal government imposes environmental taxes on crude oil and petroleum products, the sale or use of ozone-depleting chemicals (ODCs) and imported products containing or manufactured with ODCs. In addition to these federal taxes, the states have gone further to tax additional products and activities that are environmentally damaging such as severance taxes

on timber, gas, oil, etc; taxes on garbage disposal; taxes on the sale of pesticides and fertilisers; taxes on the cost of electric generation; taxes on the use of air pollutants, etc. Applicable taxes differ from state to state as do the base and rates of tax.

Tax on insurance premiums

Most states impose on insurers a tax on insurance premiums. The base of tax is usually gross premiums received each year on business in the state. The rate of tax varies from state to state.

Excise taxes

Each state imposes excise tax on retailers, wholesalers and manufacturers of an array of specialty consumer goods within that state (alcoholic beverages, cigarettes, soft drinks, etc.). Tax rates vary by state and municipality.

Motor vehicles tax

Many states and counties also impose motor vehicle taxes on the annual operation of motor vehicles. This type of tax covers the operation of motor vehicles, mopeds, motorised bicycles and mobile homes. The amount of tax is usually based on the rate of the vehicle. In some states it is the retail price of the vehicle. Tax is usually collected on registration or renewal of registration for the vehicle.

Tax on gambling

All individuals and entities that pay out gambling winnings must withhold from the source tax at the third lowest rate applicable to unmarried individuals. Gambling winnings from bingo and slot machines are generally not subject to income tax withholding.

Additional state/local taxes

In addition to applicable federal taxes, state and local taxing authorities may impose sales and use taxes, along with business license fees.

16- DIVIDENDS, INTEREST AND ROYALTIES: HOW ARE THEY CONSIDERED AND TAXED?

Dividends

Both dividends paid by a US company to a foreign beneficiary and dividends paid by a foreign company on the profits of the US branch are subject to a withholding tax of 30%, which can be reduced by the provisions of a tax treaty.

Interest and royalties

A 30% withholding tax is deducted at the source on gross income of non-residents from:

- interest
- royalties from the use of patents, copyrights, trademarks, franchises, secret processes and similar items in the US, and
- rents from US property.

In the case of interest, dividends, and royalties, the 30% rate may be reduced, sometimes to nil, by a tax treaty

A US bank may pay interest to foreign companies free of tax if the interest is not effectively connected with the conduct of a trade or business within the US.

US companies may pay portfolio interest tax free.

17- HOW ARE CALCULATED STOCKS OR INVENTORIES?

Inventory, which includes raw materials, work in progress and finished goods, is generally valued at cost or market value, whichever is lower. Either the first-in first-out (FIFO) method, last-in first-out (LIFO) method, or the average cost method of assigning costs must be used in valuing inventory if a specific identification of items sold and on hand cannot be made. The use of the LIFO method in an inflationary context may result in lower inventory valuation and higher deductions for cost of sales. LIFO inventory adjustments must be incorporated into financial, as well as tax accounts. In general inventories must:

There is no specific provision that provides for inventory relief. Whether inventory relief is available is dependent on such factors as market price, obsolescence, condition of merchandise and saleability. The taxpayer has the burden of proof to demonstrate the appropriate application of an adjustment.

18- HOW ARE RESIDENT INDIVIDUALS TAXED?

Tax liability criteria

Residence is generally based on the lawful permanent residence test or the substantial presence test. An individual is generally considered to be physically present in the US for any day that individual is physically present in the US at any time during that day. An individual is treated as a lawful permanent resident if the individual holds a valid US green card, unless modified by treaty.

Income is generally subject to tax when received, rather than when accrued.

Tax rates

Tax rates for US resident taxpayers depend on a taxpayer's tax status. The 4 tax status groupings are for single taxpayers, married taxpayers filing a joint return and surviving spouses, married taxpayers filing a separate return, and heads of households.

The US tax rates for resident individuals for 2023 are as follows:

<i>Taxable income US\$</i>	<i>Cumulative tax (bands) US\$</i>	<i>Plus rate on band %</i>
Singles		
0 – 11,000	0	10
11,001 – 44,725	1,000.50	12
44,726 – 95,375	5,147.50	22
95,376 – 182,100	16,920.00	24
182,101 – 231,250	37,104.00	32
231,251 – 578,125	52,832.00	35
Over 578,125	174,238.25	37
Married individuals filing jointly and surviving spouses		
0 – 22,000	0	10
22,001 – 89,450	2,200.00	12
89,451 – 190,750	10,294.00	22
190,751 – 364,200	32,2580.00	24
364,201 – 462,500	74,208.00	32
462,501 – 693,750	105,664.00	35
Over 693,750	186,601.50	37
Married individuals filing separately		
0 – 11,000	0	10
11,001 – 44,725	1,100.00	12
44,726 – 95,375	5,147.00	22
95,376 – 182,100	16,290.00	24
182,101 – 231,250	37,104.00	32
231,251 – 346,875	52,832.00	35
Over 346,875	93,300.75	37
Heads of households		
0 – 15,700	0	10
15,701 – 59,850	1,570.00	12
59,851 – 95,350	6,868.00	22
95,351 – 182,100	14,678.00	24
182,101- 231,250	35,498.00	32
231,251 – 578,100	51,226.00	35
Over 578,100	172,623.50	37
Taxable trusts and estates		
0 – 2,900	0	10
2,901 – 10,550	290.00	24
10,551 – 14,450	2,126.00	35
Over 14,450	3,491.00	37

The United States Government has proposed increasing the 37% tax rate for resident individuals to 39,6% from 1 January 2023.

Taxable income is income after all deductions and exemptions.

US resident married couples may elect to file a joint return.

All non-corporate taxpayers are subject to a minimum tax. There is a 2-tier graduated rate schedule for alternative minimum tax (AMT). A taxpayer's alternative minimum taxable income (AMTI) is generally the individual's taxable income, adjusted to reflect items of income and deduction which are treated differently for AMT purposes than for regular income tax purposes. The lower tier consists of a 26% rate, applicable to the first US\$206,100 of a taxpayer's AMTI in excess of the exemption amount. The upper tier consists of a 28% rate, applicable to AMTI that is more than US\$206,100 above the exemption amount.

For married individuals filing separately, the 26% rate applies to the first US\$103,050 of AMTI in excess of the exemption amount, and the 28% rate applies to AMTI that is more than US\$103,050 above the exemption amount.

A standard deduction of US\$13,850 for 2023 is deductible from income. This deduction is doubled where taxpayers are married and filing jointly, and is US\$19,400 for heads of households.

Main deductions and reliefs

The personal exemption is suspended for tax years beginning after 31 December 2017 and before 1 January 2026.

For tax years beginning before 1 January 2018, a personal exemption amount (US\$4,050 for 2017) was deducted on a resident's return for the taxpayer, for the taxpayer's spouse and for each of the taxpayer's dependants. Taxpayer Identification Numbers (TINs) had to be obtained for all dependants for whom deductions were claimed.

A taxpayer is allowed a credit of between 20% and 35% of the cost of daycare, up to a maximum of US\$3,000 for one qualifying child, and a maximum of US\$6,000 for 2 or more qualifying children. The credit is intended to assist with childcare expenses necessary to sustain gainful employment.

Inheritance and gift tax

The US imposes a unified transfer tax on property transferred by death or by gift. Residents are subject to the unified transfer tax on assets held worldwide.

The table below shows the applicable tax rates and exemption amounts for recent years:

<i>Calendar year</i>	<i>Estate/GST tax exemption US\$</i>	<i>Gift tax exemption US\$</i>	<i>Highest estate/GST and gift tax rate %</i>
2020	11.58 m	11.58 m	40
2021	11.70 m	11.70 m	40
2022	12.06 m	12.06 m	40
2023	12.92 m	12.92 m	40

Pension, social security and national health policy

Other than the tax levied on wages and self-employment earnings to fund the US social security system, the US does not impose any mandatory pension contributions on taxpayers. However, the US tax system provides for myriad private retirement plans available to US citizens and residents.

From 1 January 2014, all US residents are required to have adequate health insurance: those without such insurance were required to pay a fee. This fee has been abolished with effect from 1 January 2019.

The US social security system provides an array of benefits to eligible individuals. Included in these benefits are retirement, disability and death benefits, and medical benefits to the elderly and disabled.

Federal law requires employers to withhold social security and Medicare taxes from remuneration paid to employees. For 2023, the first US\$160,200 of remuneration paid to each

employee is subject to social security tax at a rate of 12.4%; the employer pays 6.2% and withholds 6.2% from the employee's remuneration.

The Medicare tax is imposed on the employee's entire remuneration at a rate of 2.9% (split equally between employer and employee at 1.45% each).

From 1 January 2013, there is an additional 0.9% for wages in excess of the Medicare insurance threshold (US\$200,000 for a single person, US\$250,000 for a married couple filing jointly and US\$160,200 for a married person filing separately).

Self-employed individuals are also subject to social security tax at a rate of 12.4% on the first US\$160,200 of net employment income for 2023 and to the Medicare tax of 2.9%, plus 0.9% for income in excess of the Medicare threshold. However, a deduction for income tax purposes of 50% of these taxes is allowed for self-employed persons.

19- HOW ARE FOREIGN INDIVIDUALS TAXED? WHEN ARE THEY CONSIDERED RESIDENT?

Tax liability criteria

Residence is generally based on the lawful permanent residence test or the substantial presence test. An individual is generally considered to be physically present in the US for any day that individual is physically present in the US at any time during that day.

Non-residents are subject to tax on US source income. Non-business income sourced in the US is generally subject to a flat 30% tax withheld by the payer, although this rate may be reduced by treaty. Non-residents who carry on a trade or business in the US are subject to US tax on taxable income that is effectively connected with a US trade or business. Taxable income is income net of allowable deductions. The US tax on effectively connected income is imposed at the same graduated rates as those that apply to residents.

Foreign source income of non-residents is generally not subject to US tax.

Non-residents cannot file as head of household and married non-residents use the married filing separately rates.

Tax rates

Income effectively connected with a US trade or business (including wages, salary and other remuneration received by non-residents for work done while present in the US) is subject to US tax at the graduated rates above, except for the rates applied to head of household and to married filing joint returns, which cannot be applied to non-residents' tax returns. Foreign source income of non-residents is generally not subject to US tax.

As non-residents generally cannot file joint returns, married non-residents use the married filing separately rates and unmarried non-residents use the single rates.

US source investment income, such as dividends, interest, and rents, are generally subject to a 30% tax applied at the source, unless reduced by treaty.

For tax years beginning before 1 January 2018, with respect to personal services income, remuneration for work performed in the US by a non-resident who was physically present in the US for 90 days or less during the calendar year, and who earned no more than US\$4,050 in 2017, was exempt from US tax if the work was done for another non-resident individual, a foreign company that had no business operations in the US or the foreign office of a US company. This personal services income exemption is suspended for tax years beginning after 31 December 2017 and before 1 January 2026.

Main deductions and reliefs

The standard deduction is not available to non-residents.

The personal exemption is suspended for tax years beginning after 31 December 2017 and before 1 January 2026.

A taxpayer is allowed a credit of between 20% and 35% of the cost of daycare, up to a maximum of US\$3,000 for one qualifying child, and a maximum of US\$6,000 for 2 or more qualifying children.

Inheritance and gift tax

Non-residents are generally subject to US estate and gift tax only on property located within the US. Property located in the US is generally real estate and other tangible personality with its situs in the US.

The tax rates applicable to non-residents are the same as the rates that apply to residents. Note that the definition of residence for purposes of the unified transfer tax differs from the income tax definition. Domicile is the determining factor of residence for transfer tax purposes. If an individual is domiciled in the US on the date of the transfer (or date of death), the transfer is subject to US tax.

Pension, social security and national health policy

Other than the tax levied on wages and self-employment earnings to fund the US social security system, the US does not impose any mandatory pension contributions on taxpayers. However, the US tax system provides for myriad private retirement plans available to US citizens and residents.

From 1 January 2014, all US residents are required to have adequate health insurance: those without such insurance were required to pay a fee. This fee has been abolished with effect from 1 January 2019.

The US social security system provides an array of benefits to eligible individuals. Included in these benefits are retirement, disability and death benefits, and medical benefits to the elderly and disabled.

Federal law requires employers to withhold social security and Medicare taxes from remuneration paid to employees. For 2023, the first US\$160,200 of remuneration paid to each employee is subject to social security tax at a rate of 12.4%; the employer pays 6.2% and withholds 6.2% from the employee's remuneration.

The Medicare tax is imposed on the employee's entire remuneration at a rate of 2.9% (split equally between employer and employee at 1.45% each).

From 1 January 2013, there is an additional 0.9% for wages in excess of the Medicare insurance threshold (US\$200,000 for a single person, US\$250,000 for a married couple filing jointly and US\$125,000 for a married person filing separately).

Self-employed individuals are also subject to social security tax at a rate of 12.4% on the first US\$160,200 of net employment income for 2023 and to the Medicare tax of 2.9%, plus 0.9% for income in excess of the Medicare threshold. However, a deduction for income tax purposes of 50% of these taxes is allowed for self-employed persons.

20- TERMS FOR TAX PAYMENTS: THE FISCAL YEAR IN THE UNITED STATES

The tax period corresponds to the fiscal year which, as a rule, coincides in turn with the calendar year, although it is possible to choose a different fiscal year. Large companies must submit their returns electronically, while other types of companies can choose.

Corporate tax must be paid by the 15th of the third month following the end of the company's fiscal year, while advance quarterly payments must be made during the year.

If the payment of taxes is made after the deadline, there is an interest on arrears, the rate of which is adjusted quarterly and is linked to the yield of some US government bonds.

21- WHAT TAX INSPECTIONS ARE MADE?

The IRS may audit the books and records of a taxpayer if it suspects taxpayer fraud or understated income, or even if there is no evidence of wrongdoing or mistake.

22- CAN TAXPAYERS AGREE IN ADVANCE THEIR TAX TREATMENT?

The IRS can give advance rulings on the tax consequences of a proposed transaction.

23- WHAT EXCHANGE CONTROLS ARE CARRIED OUT?

Although there are no exchange controls in the US, a person who physically transports, mails or ships currency or other monetary instruments of more than US\$10,000 at one time into or out of the US must file Form FinCEN105, Report of International Transportation of Currency or Monetary Instruments, with the Commissioner of Customs.

Under the IRC reporting rule, any person receiving more than US\$10,000 in cash in connection with a trade or business must file a report within 15 days of the date of the transaction. This provision was enacted to identify taxpayers with unreported cash income and to inhibit money laundering transactions involving proceeds from illegal activities.

24- WHAT TAX RELIEFS AND INCENTIVES ARE GRANTED BY THE US GOVERNMENT?

The US tax system grants various business incentive credits, which provide special incentive to achieve certain economic objectives. The amount of the credit is limited to the sum of business credit carry-forwards and carry-backs and current year business credits. There is a one-year carry-back and a 20-year carry-forward for general business credits.

Low-income housing credit

A taxpayer may take a low-income housing credit in certain circumstances. If applicable, the credit can be claimed annually over a 10-year period beginning in the year the qualified building is placed in service or, under an election that cannot be revoked, the next year. The credit percentages are set so that over this period, the credits equal a present value of 70% of the basis of a new building which is not subsidised by the federal government, or 30% of the basis of an existing building or a federally subsidised new building.

Rehabilitation investment credit

A taxpayer may take a rehabilitation investment credit for the rehabilitation of certain buildings and structures. The investment credit is 20% for the rehabilitation of certified historic structures, and 10% for other eligible buildings originally placed in service before 1936.

Business energy investment tax credit

An investment tax credit is available for business energy investments in certain solar, geothermal, ocean thermal and biomass properties, as well as qualifying advanced coal projects, gasification projects, advanced energy projects and therapeutic discovery projects.

State and local incentives

Many US states and local governments offer various incentives for business development. Although the federal government offers no tax holidays, 18 states have sales tax holidays in 2023, usually over a weekend, during which particular items such as computers and school supplies are exempt from sales tax.

25- HAS THE UNITED STATES SIGNED BILATERAL TAX AGREEMENTS WITH OTHER COUNTRIES? TABLE OF WITHHOLDING TAXES

The United States has concluded tax treaties with a number of countries which specify the withholding tax rates that apply. Non-treaty withholding tax rates apply when they are lower

than the rate specified in the treaty. The following rates of US withholding tax apply to non-resident entities.

	<i>Dividends</i>	<i>Interest</i>	<i>Royalties</i>
	%	%	%
<i>Non-treaty countries</i>	30	30	30
<i>Treaty countries</i>			
Armenia	30	0/30	0
Australia	0/5/15	0/10	5
Austria	5/15	0	0/10
Azerbaijan	30	0/30	0
Bangladesh	10/15	0/5/10	10
Barbados	5/15	0/5	5
Belarus	30	0/30	0
Belgium	0/5/15	0	0
Bulgaria	5/10	0/5	5
Canada	5/15	0	0/10
China	10	0/10	7/10
Cyprus	5/15	0/10	0
Czech Republic	5/15	0	0/10
Denmark	0/5/15	0	0
Egypt	5/15	0/15	0/15
Estonia	5/15	0/10	5/10
Finland	0/5/15	0	0
France	0/5/15	0	0
Georgia	30	0/30	0
Germany	0/5/15	0	0
Greece	30	0/30	0/30
Hungary	5/15	0	0
Iceland	5/15	0	0/5
India	15/25	0/10/15	10/15
Indonesia	10/15	0/10	10
Ireland	5/15	0	0
Israel	12.5/25	0/10/17.5	10/15
Italy	0/5/15	0/10	0/5/8
Jamaica	10/15	0/12.5	10
Japan	0/5/10	0	0
Kazakhstan	5/15	0/10	10
Korea	10/15	0/12	10/15
Kyrgyzstan	30	0/30	0
Latvia	5/15	0/10	5/10
Lithuania	5/15	0/10	5/10
Luxembourg	5/15	0	0
Malta	5/15	10	10
Mexico	0/5/10	0/4.9/10/15	10
Moldova	30	0/30	0
Morocco	10/15	15	10
Netherlands	0/5/15	0	0
New Zealand	0/5/15	0/10	5
Norway	15	0	0
Pakistan	15/30	0/30	0/30
Philippines	20/25	0/10/15	15
Poland	5/15	0	10
Portugal	5/15	0/10	0/10
Romania	10	0/10	10/15
Russia	5/10	0	0
Slovak Republic	5/15	0	0/10
Slovenia	0/5/15	0/5	5
South Africa	0/5/15	0	0
Spain	0/5/15	0	0
Sri Lanka	15	0/10	5/10

Sweden	0/5/15	0	0
Switzerland	0/5/15	0	0
Tajikistan	30	0/30	0
Thailand	10/15	0/10/15	5/8/15
Trinidad & Tobago	30	0/30	0/15
Tunisia	14/20	0/15	10/15
Turkey	15/20	0/10/15	5/10
Turkmenistan	30	0/30	0
Ukraine	5/15	0	10
United Kingdom	0/5/15	0	0
Uzbekistan	30	0/30	0
Venezuela	0/5/15	0/4.95/10	5/10

The United States has signed TIEAs based on the OECD model convention with about 30 countries.