AUXADI

UNITED STATES

COUNTRY FILE - 2019

UNITED STATES

With a GDP of over $20.4 trillion, the United States of America is the world's largest economy, the main destination for foreign investment, and the largest international financial centre. In 2019, the U.S. economy is expected to grow by 2.5% and 1.8% by 2020.

The United State of America is the fourth largest country in the world, with an area of 9,629,091 km (47% of which are agricultural land and 29% are forest land) and an area of 4,500 km from east to west and 2,575 km from north to south. With 325,719,178 inhabitants it is also the third most populated country.

The U.S. is territorially organized into 50 states plus the District of Columbia. The top ten U.S. metropolitan areas, according to the 2010 Census Bureau, are: New York, Los Angeles, Chicago, Philadelphia, Dallas, Miami, Houston, Washington D.C., Atlanta, Boston and, San Francisco.

The country remains the most attractive for foreign direct investment. The American economy is very technologically advanced, with a highly skilled and innovative workforce. A large share of the service sector, 77% of the GDP, employs nearly 80% of the workforce. The industrial sector contributes to 19% of the country´s GDO with machine manufacturing, chemicals, food, automobiles and transportation. The United States is also a world leader in aerospace and pharmaceutical production. Finally, although agriculture barely accounts for 1% of the country´s GDP, the American agriculture sector is one of the largest in the world.

The United Sates is one of the most important markets in the world, with nearly 325 million consumers and a per capita income of 58,270 USD. Paradoxically, it is a very competitive economy with multiple options per product, which makes it difficult to build customer loyalty with the brand.

The unemployment rate was 4.6% at the start of 2007 and the year closed to 10% unemployment. This figure has been gradually reduced to 3.9% in 2018, but there is a downward forecast for the coming years. According to the IMF, the inflation rate remained constant at 2.4% in 2018 and is estimated to reach 2.1% and 2.3% in 2019 and 2020 respectively.

The United States continues to be the main destination for foreign investment, due to the size of its market, the large number of opportunities and the favorable business environment for investment and entrepreneurship. Conversely, the country has the third highest corporate tax rate and is still recovering from the financial crisis and sub-prime loans.

United States: country overview

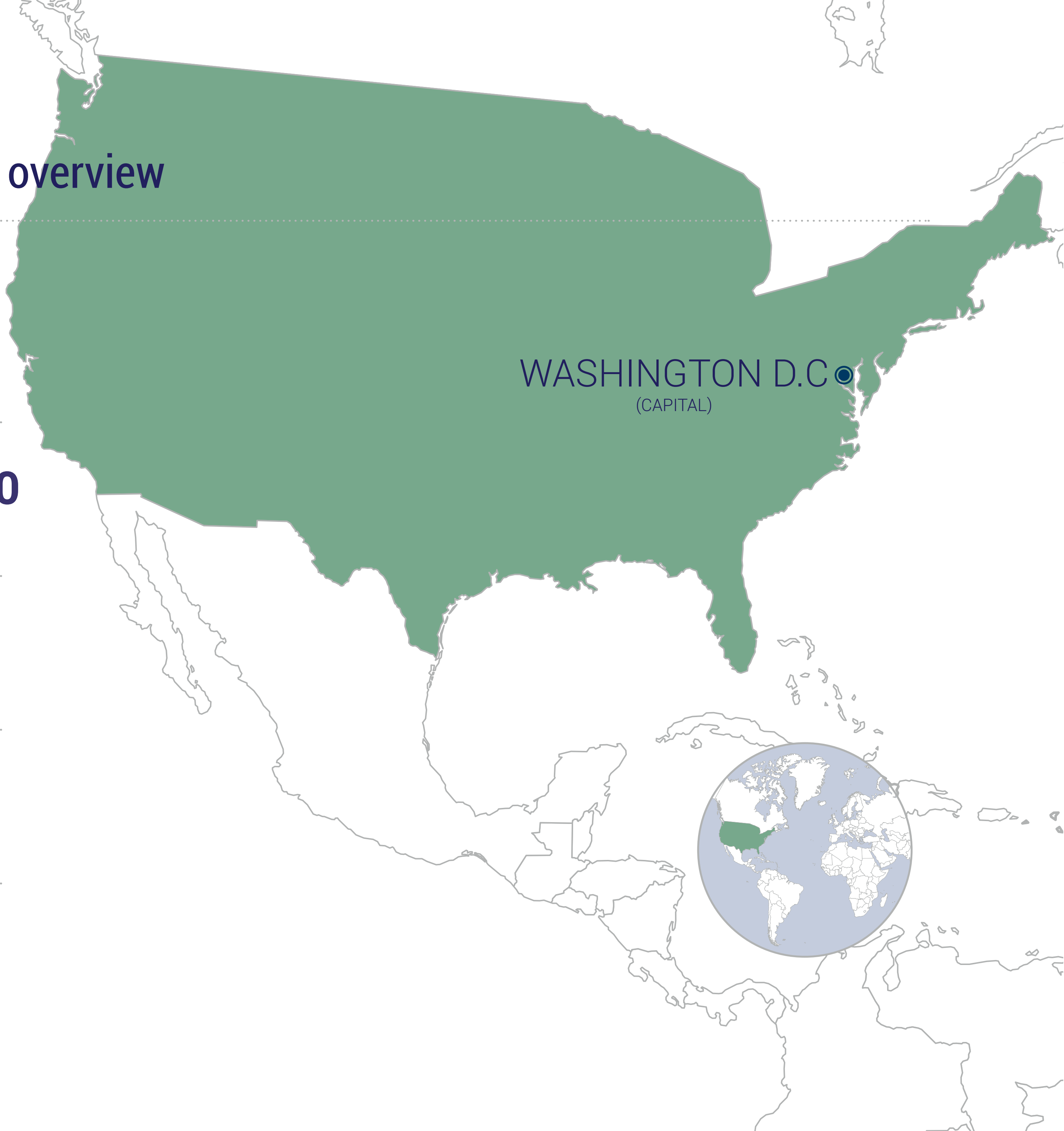
6th
Ranked on the World Bank´s Ease of Doing Business Index 2020

M$ 20,494,100
Gross Domestic Product

$ 51,000
GNI per capita / year

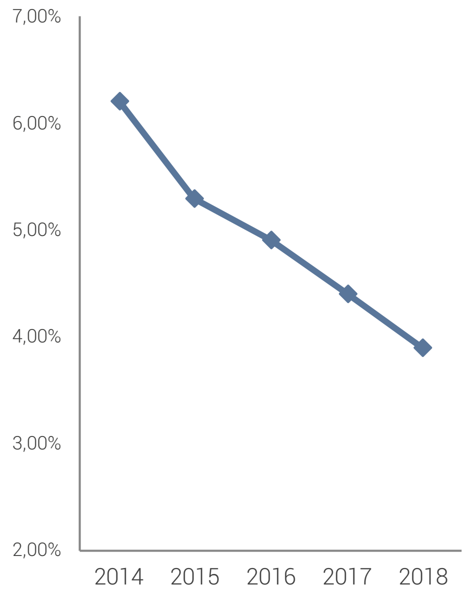
105%
Public debt

325,719,178
Inhabitants



3.9%

Unemployment rate



Main Economic Areas

- **Manufacturing**
- **Wholesale**
- **Insurance and Finance**
- **Professional Services**

LEGAL
ASPECTS

PG-6

USA ranks 6th in terms of ease of opening a business. The average estimated time to set up a company is 4 days. There are no federal rules governing company formation.

4 days

LABOR
ASPECTS

PG-8

Labour legislation is submitted to federal and state regulations. The federal min wage is 1.266 $ per month . The maximum work week is 48 hours. The employer withholds a percentage of the salary for social benefits (Social Security and Medicare).

1,266 $/month

TAX & FISCAL
ASPECTS

PG-11

The U.S. tax system is structured on 3 levels: federal, state, and local. The IRS, Internal Revenue Service, is the agency responsible for controlling taxes and enforcing tax laws. There are double taxation avoidance agreements with more than 60 countries.

Federal State Local

ACCOUNTING
ASPECTS

PG-13

The SEC (Securities & Exchange Commission) requires public companies to report under U.S. Generally Accepted Accounting Principles. Private companies have the choice of reporting in accordance to International Financial Reporting Standards (IFRS).

IFRS

[1]Banco Mundial

Legal Aspects

The USA economy is open and traditionally favourable for foreign investors, which are treated in the same way as domestic investors. However, there are two main types of constraints:

a) Restrictions for national security reasons in specific sectors such as banking, defense, communications, air transport, maritime transport or nuclear energy and mines.

b) Restrictions contained in the Exon-Florio regulations, which give the president the power to block operations of purchase of U.S. companies by foreign companies. In order to avoid any problems of this type, companies with large projects notify their operations in advance to the US administration in order to negotiate alternative solutions. This notification is not considered necessary in the case of small operations.

Some states (California, Illinois, Kansas, Nevada, North Dakota, New Hampshire, New Jersey, New York y North Carolina) have additional constraints and limits for foreign citizens or companies in the purchase of agricultural land.

In public procurement there are protectionist measures at the federal and state levels, where U.S. suppliers and/or products occupy a preferential place to those of foreign origin. Federal agencies are responsible for ensuring fiscal order, the absence of monopolies, the regularization of chemical-pharmaceuticals, food, and environmental issues.

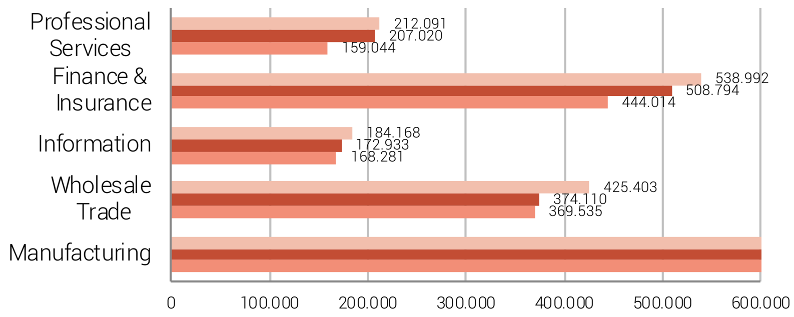
In addition to state and municipal licenses and permits, foreign investors also need federal licenses for the following economic activities:

ECONOMIC ACTIVITY	GOVERNMENT AGENCY
Radio and Television (stations)	Federal Trade Commission (FTC)
Manufacturing and trade of firearms	Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF)
Manufacturing of alcoholic drinks and tobacco	Alcohol and Tobacco Tax Trade Bureau (TTB)
Meats Preparation	Food and Drug Administration (FDA)
Urban Transports	Federal Transit Administration (FTA)
Stocks Transations and Consultings	Securities and Exchange Commission (SEC)

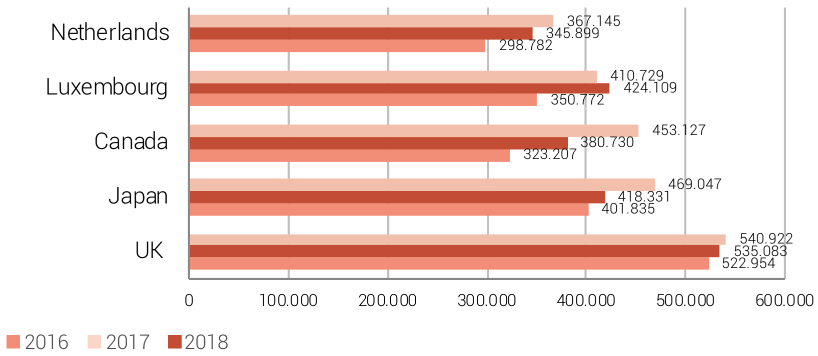
Exchange controls are usually not imposed so that foreign investors can repatriate capital, loans, and profits. On the other hand dividends and interest payments may be subject to withholding tax.

There are investment incentives, mainly at state and local levels such as tax benefits, favorable financing conditions or incentives for job creation and training. Each state has its own promotion agencies to attract companies. At a national level, Select USA offers support to foreign investors.

Foreign Invest by Sector



Foreign Invest by Country



Types of Companies

There is no federal law regulating the opening of a commercial company; it must comply with the laws and regulations of the state in which it is established.

Once the company has been incorporated in any of the 50 states, it may carry out activities in any state, at any time. It is also possible to register the head office in a different state than the legally incorporated office. In order to operate in a state different from the origin state, the company must present its certificate of incorporation in additional to other relevant documents and pay an annual fee to the corresponding Secretary of State. If a company is operating in several states, permission must be requested in the state where not already registered. All transactions are to be regulated by the company laws.

It is quick and easy to incorporate a company in the United States. It is not necessary to have a minimum capital, but it is required to establish a domestic bank before the state of business. A public notary is not required, but the company must be incorporated each federal state and municipality in which it does business. Though the incorporation process is considered simple and a lawyer is not mandatory, it is recommendable in the case of several partners or shareholders or other situations in which the Statutes of the Operating Agreement must be drafted.

There are three major categories of companies in the USA: **Sole proprietorship, Partnership y Corporation.** According to the business type, liability falls on the entrepreneur, two or more people, or a separate legal entity, respectively.

In turn, these corporations are subdivided into the followings:

- **C Corporation** - It is a business organization considered as a legal entity separate from the one of its members or shareholders. They have their own patrimony, debts and limited legal liability. They are equivalent to Spanish S.A.'s. They must pay federal taxes on corporate profits.

- **S Corporation** - It is a variety of a C Corporate designed to avoid double taxation in Corporate C. Shareholders pay taxes on profits, as profits and losses are passed on to the shareholders. This company type is eligible for certain tax benefits if they have fewer than 75 shareholders, and none of them are foreign nationals or non-residents.

- **General Partnership** - It is the result of the association of two or more partners or entities with unlimited liability, regardless of their contribution to capital. It is advisable to make a written Partnership Agreement between the partners and establish rights and obligations.

- **Limited Partnership** - They have only one general partner with unlimited liability while all others have limited liability. Profits are declared personally and the general partner must also pay taxes as a self-employed person.

- **Limited Liability Company (LLC)** - These are business structures that, although incurring higher expenses, their owners are not subject to corporate tax and losses can be deducted as personal loss on income tax returns.

- **Sole Proprietorship** - The entrepreneur is personally liable for all debts and obligations of the company.

Subsidiary

A subsidiary is the extension of a foreign company without its own legal personality. Its establishment is much simpler since it only needs authorization to operate in the state in which it will be established. A subsidiaries capacity to operate is limited. The parent company is responsible for all obligations that the subsidiary may incur.

Joint Venture

Joint Ventures are legal entities, of the same nature as Partnerships, where the partners/parties share profits and losses of a common project. The difference is that there is liability limited with a joint venture in regard to the operation for which it was formed, as opposed to the ongoing responsibility of Partnerships.

Most joint ventures are combination of foreign and North American shareholders of two or more companies. Although it is also common to find entities with no national partners, one example can be those companies that unite with others to distribute similar products to benefit from the distribution network of the American company.

Labor Aspects

The labour market is characterised by high flexibility in hiring, low dismissal costs and little or no labour conflict. Foreigners need a visa to work, be an employer, or invest in the United States. Social security coverage is lower than in Europe and applies mainly to the federal pension and unemployment programme.

Labor law in the United States is subject to federal and state regulations.

There is no national law regulating the establishment of, or operation of companies and contracts. Each of the 50 states plus the District of Columbia, has its own independent regulatory authority over business activities. States impose their own income and other taxes, in addition to taxes at the national/ federal level.

In case of conflict, the law that favors the interests of the worker always prevails. Below is a list of federal laws, regulating some aspects of the labor market:

FEDERAL LAW	REGULATED LABOUR ISSUES
Fair Labor Standards Act	Overtime, minimum wage, employment of minors, filing of labor documentation, equality at work and non-discrimination.
Working Adjustment and Retraining	Notificación de despido en empresas de más de 100 trabajadores.
Notification Act	Notification of dismissal in companies with more than 100 workers.
National Labor Relations Act (NLRA)	Trade union association, collective bargaining. Establishes the National Labor Relations Board (NLRB) for mediation and resolution of labor disputes.
Labor Management Relations Act	Limitations on trade union association, strike, collective bargaining and NLRB powers.
Labor – Management Reporting and Disclosure Act	Controls of union statutes, union elections.
Family and Medical Act	Maternity leave, due to serious illness of the employee or a close relative.

Agencies

The following are key Government Agencies:

- **IRS - The Internal Revenue Service** – is the revenue service of the United States federal government.
- **SSA - Social Security Administration** – is an independent agency of the United States Federal Government that administers Social Security, a social insurance program consisting of retirement, disability, and survivors' benefits.
- **State and Local Agencies** – Each state administers its own tax system.

Registrations

The following are the key Payroll Related Registrations. A taxpayer identification number (TIN) is an account number assigned to a taxpayer (individual or business) by either the IRS (Internal Revenue Service) or the Social Security Administration (SSA). A TIN may consist of any of the following:

1. **Social Security number (SSN)** – this TIN (9-digit number) is for individuals. All employees paid wages by a US employer are required to obtain an SSN.
2. **Employer Identification number (EIN)** – all business with federal fax or filing obligations are required to obtain an EIN (9-digit number) by filing SS-4 Application. The EIN is shown on all federal and employment tax returns.
3. **IRS Individual Tax identification number (ITIN)** – for individuals who are not eligible for an SSN but require taxpayer identification number to comply with US Tax obligations.

Types of contracts

Most contracts in the United States are stipulated under the employment relationship designated as at will. It is a direct relationship between employer and employee, not regulated by the State, in which any of the contracting parties have the power to finalize the contract at will.

Most frequent exceptions to "at will" hiring are in the case of senior management or highly qualified professionals and labor contracts negotiated by a collective bargaining agreement between union representatives and the company.

Onboarding

The following is needed for New Hire Processing:

Form W-4

- Employees Withholding Allowance Certificate is used to determine the proper withholding allowances to which the employee is entitled.
- Required for newly hired employees on day of hire and when an employee's withholding elections change.

Form I-9

- Employment Eligibility Verification – all employers are required to collect and retain certain information on each worker's identity and eligibility for US employment, specifically:
  - Verify identity of a worker and eligibility to work in the US (via specific documents)
  - Attest that required employment verification documents have been seen.
  - Maintain records
- Not filed with any governmental agency but must be retained by the employer until the later of either 3 years after the date of hire, or 1 year after employment is terminated.

There are reporting further requirements associated with onboarding:

State Reporting – each state is mandated to require employers report certain information about their newly hired employees; however, the laws concerning these data elements vary by state. Employers must visit each states website to confirm method of reporting (mail, email, portal, fax)

https://www.acf.hhs.gov/css/resource/state-new-hire-reporting-websites

E-Verify. is used to confirm eligibility of employment. It is an electronic employment eligibility verification system and is free to all employers. Employers submit information from the I-9. They then receive an email regarding the US employment eligibility of the new employee.

https://www.e-verify.gov/

Main aspects to consider about USA Labour Law

Minimun wage	7,25 dólares/per hour. States can enact higher wages in their legislation.
Labour Age	14 years. Under 16 years, timetables and conditions are limited and hiring is prohibited in industry, mining and some other sectors. Between the ages of 16 and 18 there are no time restrictions, although activities considered to be dangerous are restricted.
Working day	8 hour per day or 40 hour work week
Holidays	The law does not establish the existence of holidays, although usually the worker has 15 days per year during the first three years of membership of the company from which longer periods are offered.
Overtime	Above 40 hours per week, they are paid at 150% of the normal hourly wage.
Dismissal	Massive layoffs or plant closures are notified 60 days in advance. Involuntary layoffs are usually notified two weeks in advance or the worker is compensated with a two-week salary.
Non-regulated and collective agreements are dealt with	Payment of vacations and public holidays, compensation for dismissal, temporary incapacity for work, time to eat, rest, vacations or public holidays, extras for Sunday or public holiday work, notices of dismissal, reasons for dismissal or immediate payment of final wages.
Unions, Strikes	13% of workers. The trade union movement in the United States enjoys a social prestige and a capacity for political pressure clearly inferior to that of Europe.

Worker's Compensation – Employers are required to have coverage against workplace injury. Each state has its own worker's compensation laws.

The circumstances under which workers' compensation is available to workers, the amount of benefits that a worker may receive, and the duration of the benefits paid to an injured worker, vary by state. Insurance policies are available to employers through commercial insurance companies.

Payroll Calculations

Wages paid by employers are subject to the requirement to withhold (at source):

- **Federal Income Tax (FITW)** is an employee only deduction. The rate is determined based on the completion of the W-4. The employee rate depends on if they claim: Single, Married filing joint, Married filing Separately, or Head of Household. Rates range from 10% to 37% depending on income bracket.

- **Social Security/Medicare Tax (Federal Insurance Contributions Act)** is an employer and employee contribution. It provides for a federal system of old age, survivors, and disability insurance (OASDI) and hospital insurance – reported and withheld separately. FICA is a fund for Social Security and Medicare.
  - **Social Security** - Employers and Employees are subject to a tax of 6.2% up to an annual wage limit of $132,900 (2019). Employers and Employees are not required to pay Social Security in excess of specified annual wage limit.
  - **Medicare** - Employers and Employees are subject to a tax of 1.45% of covered wages. There is no annual wage limit. Each Employer must withhold an additional 0.9% Medicare taxes on wages in excess of $200,000 paid to an employee.

- **State and Local Tax (dependent on location of residence)** - State unemployment insurance (SUI) varies state to state. Local taxes (county taxes) also exist in states like New York and California.

- **Federal Unemployment Insurance Tax (FUTA)** is an employer only contribution. Employers are required to pay tax of 6% of covered wages up to the first $7,000 of taxable wages.

Reporting

Key Forms	Explanation	Due Date
Form W-4	Employees Withholding Allowance Certificate. Used to determine the proper withholding allowances to which the employee is entitled	Required for newly hired employees on day of hire and when an employee's withholding elections change.
Form I-9	Employment Eligibility Verification – all employers are required to collect and retain certain information on each workers identity and eligibility for US employment, specifically: 1. Verify identity of a worker and eligibility to work in the US (via using specific documents) 2. Attest that it has seen required employment verification documents. 3. Maintain records	Not filed with a governmental agency but must be retained by the employer until the later of either (1) 3 years after the date of hire, or (2) 1 year after employment is terminated
Form 940	Employer's Annual Federal Unemployment (FUTA) Tax Return	Filed annually and due on the last day of the month following the end of the calendar year.
Form 941	Employer's QUARTERLY Federal Tax Return. Used to report the amount of federal income tax withholding, Social Security, and Medicare taxes to the IRS	Last day of the month following the end of a calendar quarter
Form 1042-S/1042	Foreign Persons US Source Income subject to withholding	Filed annually and due no later than March 15
Form W-2	Employee wage and tax statement – used to report certain earnings and deductions for the calendar year	Due to the employee and Social Security Administration (SSA) by January 31 of each year for both paper and electronic forms
Form W-3	Transmittal of Wage and Tax Statements. Used to transmit copy A of W-2 forms	Due to the SSA on January 31 with Forms W-2.
Deposit of Federal Payroll and Withholding Tax Liabilities		Monthly or semi-weekly (bi-weekly) basis.

Leave and Dismissal

Many companies offer leave benefits that allow employees to take time off from work for various reasons.

Leave benefits - whether paid, unpaid or partially paid - are generally an agreement between the employer and employee, or employees´ representative (such as a union).

Family and Medical Leave Act (FMLA) - provides certain employees with up to 12 weeks of unpaid, job-protected leave per year. It also requires that their group health benefits be maintained during the leave. Used for maternity, paternity, adoption, personal illness and care for sick family member.

Severance pay - often granted to employees upon termination of employment. It is usually based on length of employment for which an employee is eligible upon termination. There is no requirement in the Fair Labor Standards Act (FLSA) for severance pay. Severance pay is a matter of agreement between an employer and an employee. Severance is subject to tax.

Unused Vacation Payout – most employers will pay out unused/accrued vacation time with the final pay check.

Time of final pay - Employers are not required by federal law to give former employees their final paycheck immediately. Some states, however, may require immediate payment.

Job loss and Health Care Benefits - Upon termination of employment, some workers and their families who might otherwise lose their health benefits have the right to continue group health benefits provided by their group health plan for limited periods of time. Employers may be required to provide certain notices to their employees Consolidated Omnibus Budget Reconciliation Act (COBRA).

Unemployment Benefits - Workers who are unemployed through no fault of their own (as determined by state law), and meet other eligibility requirements, may be eligible to receive unemployment benefits.

Under the Federal-State Unemployment Insurance Program, each state administers a separate unemployment insurance program within the federal guidelines.

Visa for Foreigners

Foreign nationals who are not lawful permanent residents of the United States (i.e. Green Card holders) must have authorization to work in the United States before starting to work. The American based employer must request approval for a work authorization based on the job offered, the potential employee, and their credentials. This request is filed with the USCIS and in some cases with the US embassy or consulate. In some cases, the Department of Labour must also grant its approval for the employer to sponsor the foreigner. Time and complexity around processing can vary greatly but generally takes at least 2 months.

Once the employer's request for work authorization is approved, most foreigners must also obtain a visa at a United States embassy or consulate. The issuance of a visa does not guarantee admission to the US. It is the documents issued by the CBP at the port of entry or by the USCIS after entering the US Service as the work and residence permit.

Multinationals seeking to transfer foreign employees for assignment to US most often rely on the L-1 visa (Intra Company transfer). This visa is valid for assignments for up to 3 years and can be extended.

American employers of foreign professionals rely on the H-1B (specialty occupation) visa. Which is also valid for up to 3 years with possibility of extension. The job offered must be a specialty occupation. Only a limited number of these visas are granted each fiscal year.

J-1 (Exchange Visitor Visa) is used most often for business trainees. A detailed training program is required.

Tax Aspects

There are federal, state, and local taxes in the USA. Each governing level develops its own laws and has its own courts.

Both natural and legal persons are required to pay the following types of taxes:

1. **Federal Taxes**
2. **State and County Taxes**

Fiscal year lasts 12 months, with the possibility of choice between *Calendar tax year* (from January to December) or *Fiscal tax year* (a period of 12 consecutive months), predefined by the tax individual.

Main Tax Statements

They are national taxes, on common to all the states and regulated by the *Department of the Treasury*. The Treasure Agency is the *Internal Revenue Service* known by its acronyms IRS.

Federal Corporate Income Tax: 21%

Taxes current income derived from the company's activity, including any type of income (royalties, capital income or return on investments). There are several deductions, exemptions, deferrals and tax credits.

Personal Income Tax:10%-37%

There are seven Federal Tax brackets for 2019: 10%, 12%, 22%, 24%, 32%, 35% y 37% (see next page).

Social Security Contributions

Company and employee have the same social contribution rate (7,65% each). Both contribute with the same gross salary percentage and pays it quarterly:

- ***Federal Insurance Contributions Act (FICA): 6,20%.*** Although there isn´t revenue limits for Medicare Taxes, Social Security taxes are only calculated against the first $127,000 an employee earns each year.
- ***Medicare Tax: 1,45% Total: 7,65%*** Medicare Tax Rate applies to the whole salary, without limit.

Federal Unemployment Tax Act (FUTA): 6,2%

($42 per employment, 5,4% per year if it impacts)

It is an unemployment insurance supported by the company, with a tax rate of 6% against the first $7,000 paid as employee salary/year, with a maximum of $420 per employee and year. If the Unemployment State Tax (directly paid to the State) complies with the requirements establishes by the Federal Government, the company will be able to impact the state tax against the federal, up to 5.4%.

State or Local Tax

There are also other fiscal charges (state, local, county, etc.) of complex systematization because in the USA exist more than 10.000 fiscal jurisdictions. In general, almost every state has a *Sales Tax* and a *Property Tax*, as well as a Corporation Tax and a Personal Income Tax in addition to the same federal taxes and deductible from the taxes paid to the states or local administrations.

State Corporate Income Tax: 5,5%-10%

The state and local tax varies between states and councils. Only a small minority of Union States (Nevada, South Dakota and Wyoming) do not earn Corporate Income Tax.

State Income Tax Withholding: 2%-11%

Additionally to the Federal Unemployment Tax, many states ask to take part in the State Unemployment Fiscal Plan.

State Unemployment Insurance Tax

Additionally to the Federal Unemployment Tax, many states ask to take part in the State Unemployment Fiscal Plan.

Worker's Compensation

It´s a contribution of the employer in order to provide some benefits to disabled, sick or injured persons.

State Sales and Use Tax: 4%-8%

It´s raised by mostly states and by some local administrations (councils, counties y local agencies). They are only applied in the phase of sale of goods and services to the final consumer. Buyers exempt from paying the Sales Tax must justify it at the time of sale or failing that, within 90 days, by presenting the seller/supplier with an exemption certificate/carnet. The local component of the tax must be added to the state tax. At regional level, several counties in certain States (e.g. Florida) impose a Discretionary Sales Surtax (DR-15 Discretionary Sales Surtax) on transactions subject to state sales and use tax. This optional local tax can range from 0.5% to 2.5%.

Property Tax: 0,2%-3% property value

It´s raised at nearly all levels: counties, councils, school districts and local service districts. These taxes are generally applied to the set of the family real properties (and of the companies) and sometimes also to personal properties. As well as other state taxes, these ones are deductible from the income of natural persons (in the case of companies they are only authorized to deduct it if the goods are linked to commercial activity), with a limit of 10,000 dollars.

Corporate Income Tax

Corporate income tax is a federal tax regulated by the United States tax code. Most states and local governments have also established taxes on income in addition to the federal income, deductible before the latter administration.

As of January 1, 2018, the federal corporate rate in the U.S. is 21%. This means a reduction of 14% to the previous rate (35%).

In the case of transparent entities, the tax will be 25%. A deduction of 20% will be granted on income obtained from personal businesses.

The alternative minimum corporate tax (AMT) is eliminated; in this situation, American companies will not be required to pay a minimum United States tax.

All companies that operate in the country and receive income from other American sources or that operate with a permanent establishment must be taxed at 21% (except any income subject to the Double Taxation Avoidance Agreement) for 12 months.

Income from current income or any other type of income will be subject to this tax. Negative tax bases may be offset with future returns and a limit of 80%. Additionally, important deductions and exemptions are contemplated, among them those destined for export activity.

Personal Income Tax

The Federal Income Tax is applied to U.S. citizens, any civilian residents with green cards, and those residing in the country for more than 183 days. Any individual that receives revenues from an American source can also be subject to personal income tax.

The income tax is calculated by applying four different scales to the taxable base according to the taxpayer's situation: single, married who opts for a joint return or widower. The tax rate is variable from 10 to 37% depending on the taxable base. The variable rates for the fiscal year of 2019 is the following:

	INDIVIDUAL	CONJUNTA	CABEZA DE FAMILIA
37%	510,300	612,350	510,300
35%	204,100	408,200	204,100
32%	160,725	321,450	160,700
24%	84,200	168,400	84,200
22%	39,475	78,950	52,850
12%	9,700	19,400	13,850
10%	0	0	0

In the state, there are obligatory income taxes which are deductible from the calculation of the federal tax. There are only seven states where residents are not liable to income taxes (Alaska, Florida, Nevada, South Dakota, Texas, Washington y Wyoming). In nine of them the Income Tax is levied on a Flat Rate Individual Income Tax, with a rate between 3,07% and 5,25%. In states with a state level tax, the applicable rates vary 2,9% to 13,3%.

Finally, it is important to point out that there is a minimum tax, known as alternative minimum tax, applicable to people that benefit from special regimes with a maximum rate of 28%.

Personal Property Tax

Taxes on personal properties or Tangible Personal Property (TTP) are applied to goods that can be moved or touched, as equipment, machinery, inventory and furniture of the company.

Internally, the state regulates taxes on TTP levied by local governments. Most of the state taxes are on non-personal, long-term goods. Companies should consider the type of rate applied by each state for economic decisions or when investing.

Double Taxation Conventions

The United States of America has double taxation conventions with more than 60 countries.

The agreement signed with Spain is for income tax and it affects natural and legal persons who work or have subsidiaries in the USA and vice versa. The current agreement was signed in 1990.

According to this agreement, the competence to tax corporate profits rests with the state of residence, unless there is a permanent establishment in the other state. In addition, the tax burden is reduced both for American companies investing in Spain and for Spanish companies investing in the United States.

However, on January 14th, 2013, both countries signed a protocol amending the existing Convention, which was approved in July 2019. This protocol modifies 14 articles of the current agreement, to adapt changed relations between the USA and Spain, as well as those of the OECD Model Agreement. Thus, the fiscal situation with the United States will be similar to Spain´s with its partners in the European Union.

In the new Convention, it has been agreed to eliminate the taxation of the distribution of dividends in business groups, contrary to the the previous 10%, and to eliminate the withholding on interest and the imposition of royalties.

Transfer Pricing

Transfer pricing regulations guide how related entities set internal prices for the transfer of goods, intangible assets, services, and loans, both in national and international contexts to prevent tax evasion

The international method for determining transfer prices is a principle by the name of Arm's Length. Under this principle, transactions between two related entities should not differ from those that would have taken place between independent companies under similar circumstances. This principle is mentioned in the United States´ transfer pricing rules (IRC Section 482 and the Treasury regulations thereunder), the OECD transfer pricing guidelines, and the UN Manual for developed countries.

If a company violates the Transfer Pricing rules, the IRS may increase the tax base and the tax payable, with two types of penalty thresholds, 20% or 40%, depending on the lesser amount of tax paid. After an adjustment of transfer prices, a multinational company may find itself being doubly taxed, or paying taxes on the same income in two different countries. Multinational companies can apply for a double taxation reduction, through a tax treatment.

An optimal way to avoid sanctions is to request an Advanced Pricing Agreement (APA) with the IRS, unilaterally or with the IRS and another tax authority, bilaterally or with the IRS and more than one tax authority, multilaterally, covering transactions between companies.

Accounting Aspects

United States Generally Accepted Accounting Principles (U.S. GAAP) are the recognized set of standards for the preparation of financial statements in the United States. The Financial Accounting Standards Board (FASB), effective for periods ending after September 15, 2009, is the sole source of governmental authority for U.S. GAAP. At that date, all existing accounting standards were replaced by FASB coding for both private and public companies. The Governmental Accounting Standards Board (GASB) is the source of Generally Accepted Accounting Principles (GAAP) for state and local governments in the United States.

The U.S. Securities and Exchange Commission (SEC) requires public companies to report under U.S. GAAP. Private companies have the option of reporting according to International Financial Reporting Standards (IFRS) and small and medium enterprises in accordance with the IFRS for small and medium sized enterprises.

In an increasingly international economic environment, U.S. certified audits often use IFRS standards, since they serve U.S. affiliates of foreign companies and foreign affiliates of U.S. companies, and are useful in international transactions. The authorities responsible for U.S. GAAP and IFRS have embarked on a convergence process for making the two standards compatible.

Any change in the application of accounting principles must be explained by the cumulative effect adjustments presented in conformity with U.S. GAAP. Unlike IFRS, U.S. GAAP does not permit the use of fair value for property, plant and the equipment. These latter define fair value as the price that would be received for selling an asset or paying to transfer a liability in a transaction between market participants at the measurement date.

Minimum Obligations

Financial statements prepared under U.S. GAAP must include:

1. Balance Sheet
2. Profit and Loss Account
3. Statement of Changes in Equity
4. Cash flow statement

The fiscal year usually begins on January 1 and ends on December 31 of the same year.

Both financial statements and taxes must be certified by a Certified Public Accountant (CPA), i.e., by accredited U.S. tax and accounting specialists. CPA licenses are granted by each of the 50 states to practice in that state.

Books

The fundamental guidelines for the maintenance of accounting records are as follows:

1. Accounting records must be kept following the law of each applicable jurisdiction.
2. Accounting records must fairly and accurately reflect the transactions or events to which they relate.
3. Accounting records must fairly and accurately reflect the assets, liabilities, income and expenses of the company.
4. All transactions shall be supported by accurate documentation, in reasonable detail.
5. The financial statements of the company generally shall be prepared under U.S. GAAP.
6. The company must have an adequate system of internal accounting controls.
7. All U.S. publicly traded companies must submit an annual report to the SEC, called "10 K" for U.S. companies and "20 F" for foreign companies.

Audit Obligations

Private companies are not required to audit their financial statements. Based on their requirements, banks and other lending institutions may request financial statements. Public companies must present their annual financial statements -prepared by an Independent Public Accountant (CPA)- to shareholders and to comply with SEC rules and regulations, including an annual audit requirement.

Audits of public companies are conducted following the standards of the Public Company Accounting Oversight Board (PCAOB), while audits of other organizations are prepared under the Generally Accepted Auditing Standards (GAAS) which are issued by the American Institute of Certified Public Accountants (AICPA).

The essential element is the auditor's opinion as to whether the information contained in the financial statements fairly presents the financial position, results of operations and cash flow under U.S. GAAP.

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Accounting, tax and payroll services in more than 50 countries

International Corporations

We help our domestic and foreign clients with their internationalization process, by becoming an extension of their Financial-Administrative departments abroad.

We serve more than 600 clients from different sectors, including - Finance, Energy, Pharmaceuticals, Technology and Communications, Industry, Consumer Goods, Professional Services.

Real Estate

Responsible for the Corporate Management of investment structures totaling nearly 7 billion USD of assets under management from the creation of a holding structure in Luxembourg to the construction phase of an SPV in Europe and Latin America, by offering solutions in Accounting, Reporting, Tax Compliance and Board Membership.

AUXADI

International expansion services
under a single IT platform

International Coverage with local expertise

Through our 15 subsidiaries
and our partner network

Consistency in the execution

Same processes and same quality with our IT Platform,
Multicountry management and Internationall Desks

Single Point of Contact

Thanks to our Multicountry Managers in
the KAM Hubs of Madrid and Chicago

KEY ACCOUNT MANAGEMENT HUBS

- **Madrid**
- **Chicago**

SUBSIDIARIES

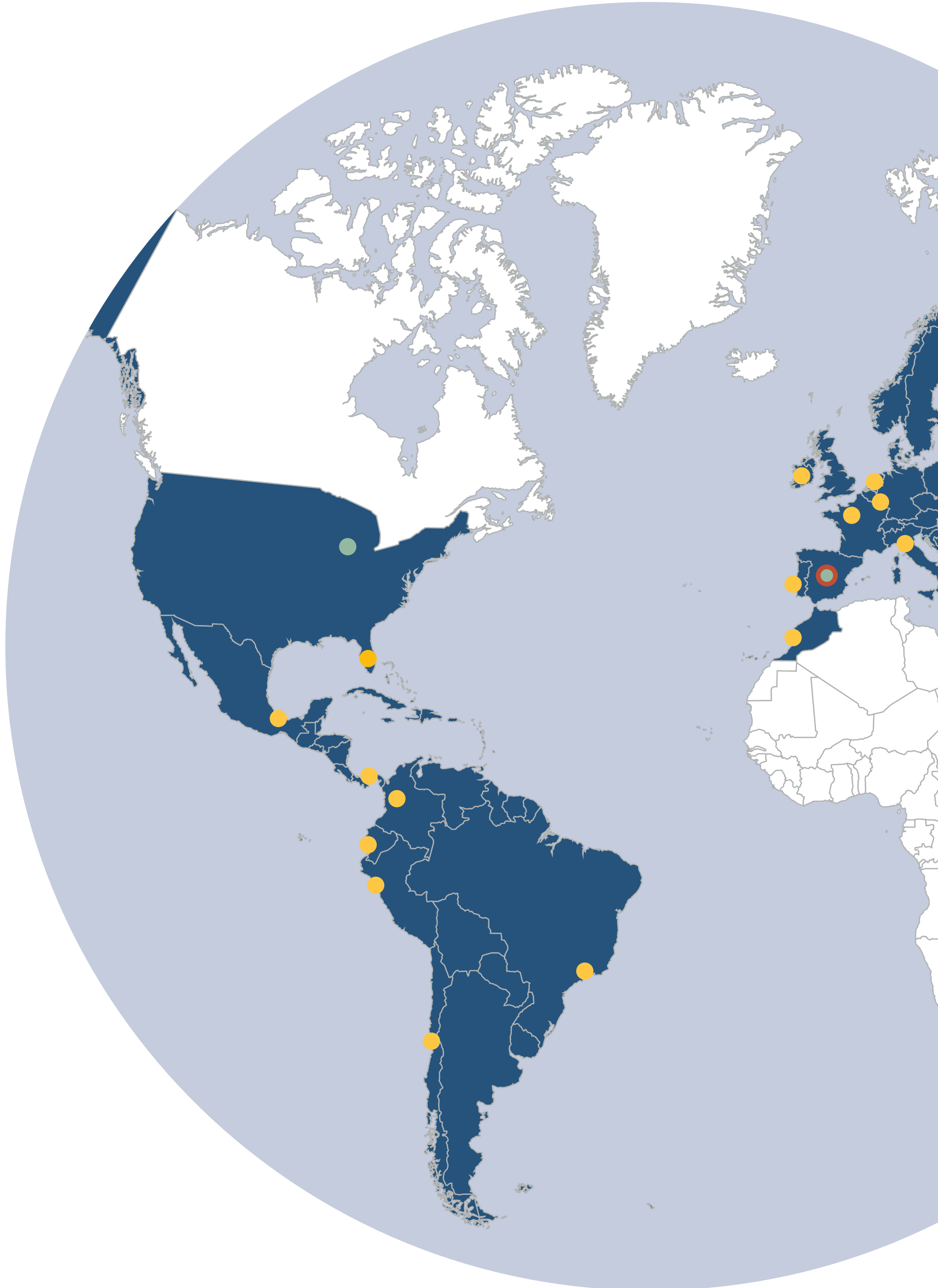
- Spain
- France
- Ireland
- Italy
- Luxembourg
- Portugal
- Netherlands
- Morocco
- Brazil
- Chile
- Colombia
- Ecuador
- Mexico
- Panama
- Peru
- USA

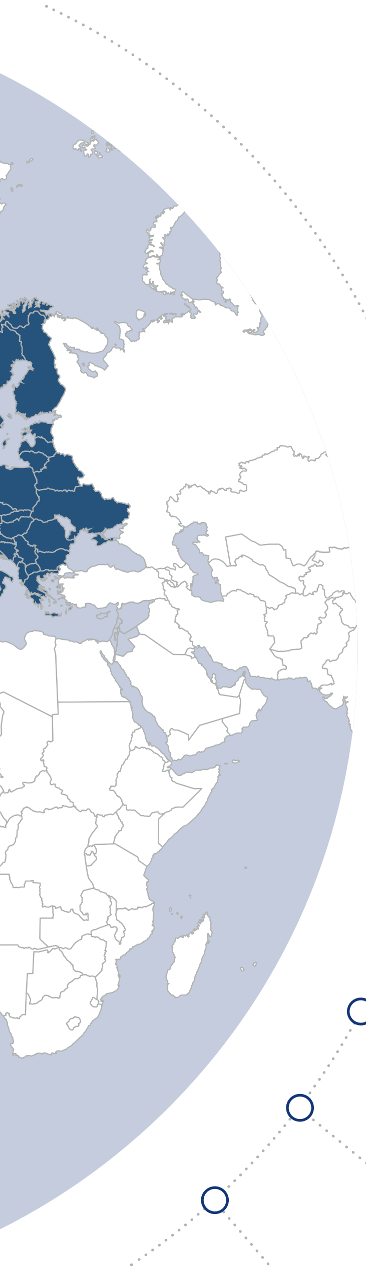
INTL DESKS IN SPAIN

- France
- Italy
- Hungary
- Poland
- Argentina
- Bolivia
- Brazil
- CA & Caribbean
- Chile
- Colombia
- Ecuador
- Mexico
- Peru
- Venezuela
- USA

16
Fully operating subsidiaries

+50
Countries currently being served





Services

We assure same processes with the same quality, in all countries where we operate, based on our Multicountry IT solution, with localizations in 50 jurisdictions, our homogeneous methodology and our International Desks.

- ACCOUNTING
- REPORTING
- CASH MANAGEMENT
- CONSOLIDATION
- TAX COMPLIANCE
- CUSTOMS AND INDIRECT TAXES
- PAYROLL
- STAFFING

Industries

We offer our services to clients from different industries but mainly focused in Real Estate.

REAL ESTATE

FINANCIAL INDUSTRY

ENERGY

PHARMACEUTICAL

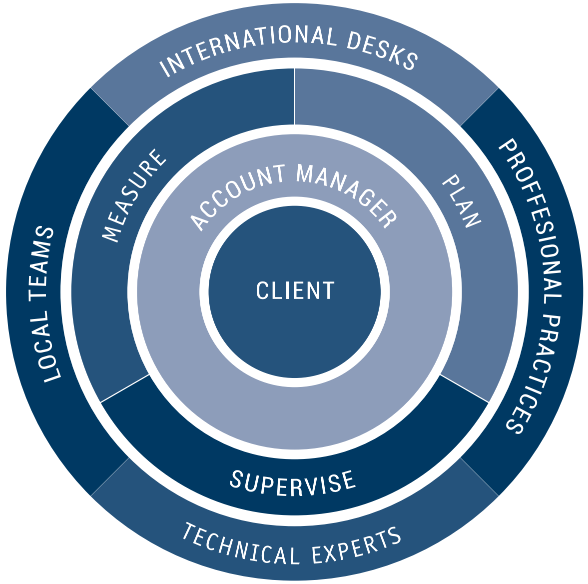
TECNOLOGY & TELECOMUNICATIONS

INDUSTRIAL

PROFESSIONAL SERVICES

RETAIL & WHOLESALE

Service Model



25M USD
Turnover in 2019

+1.000
Clients

AUXADI

Same processes, same methodology in all jurisdictions under the same online platform

Imagine having all the applications that you manage in your day to day job, in a single, cohesive platform allowing you to standardize and consolidate all of your processes and data, integrating procedures, people and results.

Auxadi's IT Platform is a solution based on Microsoft technology that complies with the GDPR. It includes Dynamics NAV, Power BI, Outlook, Excel, Word, as well as a powerful document management tool.

Enter our ecosystem of plugins and features to optimize your financial function.

Gold
Microsoft
Partner
Microsoft

- NAV
- Azure
- Electronic banking
- OCR
- Electronic Signature
- Dashboards
- Payroll Portal
- Tax Connectors add-ons
- Electronic invoicing

Certifications / Security

Microsoft Office 365 and Azure presents the highest security level, according to the National Security Scheme.

Office 365 and Azure incorporate security measures that offer customers a HIGH level of security in accordance with the GDPR Regulation

Microsoft holds the ISO 27001/27018 certifications or the Resolution TI / 32/2014 of the AEPD

An online platform, customized, without expensive implementation costs and delays

ONLY 10 DAYS FOR THE SET-UP
Available to manage your international subsidiaries

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Auxadi can become the ideal partner for your investment in United States. From our offices located in Chicago, we offer value-added outsourcing solutions in the areas of accounting, reporting, tax compliance, payroll management and representation services, among others. Count on our professionals and our extensive experience in the US market for your investments in United States and other countries in Europe and Latin America.