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## Comparison for LLC and C-Corporation in California

This article will compare the difference between California-Corporation and LLC from structure, registration requirements, and tax treatment.

### Structure

	<b>Corporations</b>	<b>Limited liability Companies</b>
<b>No. of Shareholder/ Member</b>	At least 1 Shareholder	At least 1 Member
<b>No. of Director</b>	1	N/A
<b>Characteristics</b>	<p>1. Corporations are intended to provide limited liability; shareholders are generally not individually liable for the debts and obligations of the company.</p> <p>2. Corporations are assessed corporate taxes on their own profits. Shareholders are taxed separately, if the company distributes dividends to them (or if it pays them a salary, in the case of employee owners).</p> <p>3. Corporations are allowed to keep \$250,000 in retained earnings without accumulated earnings tax.</p>	<p>1. LLCs are intended to provide limited liability for founders; moving liability for debts and obligations of the business from the entrepreneurs into the company itself.</p> <p>2. LLCs offer pass-through taxation, the LLC's owners generally pay personal income taxes on the income of the business.</p>
<b>Disadvantages</b>	Double Taxation	An LLC cannot go public and be converted to a tradable stock company, and it can be more difficult to raise capital as a result.

## Registration in California

	<b>Corporations</b>	<b>Limited liability Companies</b>
<b>Registration Procedure</b>	<ol style="list-style-type: none"> <li>1. Name your Corporation;</li> <li>2. Choose a registration agent and address in California;</li> <li>3. Fil registration documents with California State;</li> <li>4. Create bylaws and relevant documents;</li> <li>5. File Statement of Information within 90 days after registration;</li> <li>6. Make corporate kit;</li> <li>7. Apply for EIN.</li> </ol>	<ol style="list-style-type: none"> <li>1. Name availability checking;</li> <li>2. Choose a registration agent and address in California;</li> <li>3. File registration documents with California State;</li> <li>4. Create operating agreement and relevant documents;</li> <li>5. File Statement of Information within 90 days after registration;</li> <li>6. Make corporate kit;</li> <li>7. Apply for EIN.</li> </ol>
<b>Company Annual Renewal</b>	Required	Required

## Tax Treatment

### **Tax- Business Entity**

	<b>Corporations</b>	<b>Limited liability Companies</b>
<b>Federal Income Tax</b>	Form 1120; 21%	Form 1065; For information only
<b>California State Franchise or Income Tax / Annual Tax</b>	Form 100; Greater of 8.84% of business net income or USD 800 minimum franchise tax.	Form FTB 3522 Every LLC that is doing business or organized in California must pay an annual tax of USD 800.
<b>LLC Fee</b>	N/A	If your LLC will make more than \$250,000, you will have to pay a fee. LLCs must estimate and pay the fee by the 15th day of the 6th month, of the current tax year.

**Tax- Non-U.S. Individual Shareholder/Member (take foreign individual as an example)**

	<b>Corporations</b>	<b>Limited liability Companies</b>
<b>Withholding Tax (Foreigner)</b>	Form 1042-S; Required if the entity withheld tax at 30%. The 30% maybe reduced if there is a treaty between US and the member's/shareholder's country.	Form 8805; Foreign member as individual withholding rate is 37%. The individual can file individual tax return to claim refund for excess tax.
<b>Federal Income Tax</b>	Form 1040-NR; Dividend shall be taxed as income not effectively connected with a U.S. trade or business, the tax rate is 30%. The 30% maybe reduced if there is a treaty between US and the member's/shareholder's country. Since net profit has already been levied 21% as income tax in business level, the dividend income tax is second level income tax, which is known as double-taxation.	Form 1040-NR; All the LLC net profit will be passed through to the foreign individual and levy individual income tax, the rate is 10%, - 37%.
<b>Self-Employed Tax</b>	N/A	Foreigner do not subject to self-employment tax.
<b>California State Income Tax</b>	Form 540NR (CA non-residents); California non-residents need to pay income tax on their California source income. The tax rates range from 1%-13.3%, depending on their California State adjusted gross income.	Form 540NR (CA non-residents); California non-residents need to pay income tax on their California source income. The tax rates range from 1%-13.3%, depending on their California State adjusted gross income.

If you wish to obtain more information or assistance, please visit the official website of Kaizen CPA Limited at [www.kaizencpa.com](http://www.kaizencpa.com) or contact us through the following and talk to our professionals:

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