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Comparison for LLC and C-Corporation in Delaware

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

Structure

	Corporations	Limited liability Companies
No. of Shareholder/ Member	At least 1 Shareholder	At least 1 Member
No. of Director	1	N/A
Characteristics	<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>
Disadvantages	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 Delaware

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

Tax Treatment

Tax- Business Entity (take company without Delaware physical location as an example)

	Corporations	Limited liability Companies
Federal Income Tax	Form 1120; 21%	Form 1065; For information only
Delaware Franchise Tax / Annual Tax	Corporation can use two methods (Authorized Share Method or Assumed Par Value Capital Method) to figure out the annual franchise tax. The minimum Franchise Tax is USD175 for a corporation with a capital of 5000 shares or less, plus filing fee USD50.	LLC shall pay a flat annual tax USD 300.
Delaware State Corporate Tax	A corporation without physical operating location/business activities in the State shall be exempt from the state corporate tax.	A corporation without physical operating location/business activities in the State shall be exempt from the state information return.

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

	Corporations	Limited liability Companies
Withholding Tax (Foreigner)	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.
Federal Income Tax	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%.
Self-Employed Tax	N/A	Foreigner do not subject to self-employment tax.
Delaware State Income Tax	If your corporation does not have the physical operating location or business activities in the State, you shall be exempt from the state tax.	If your LLC does not have the physical operating location or business activities in the State, you shall be exempt from the state tax.

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

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