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Comparison for LLC and C-Corporation in New York

This article will compare the difference between New York-Corporation and LLC from structure, registration requirements, and tax treatment. And give you couple of examples of tax calculation for your reference.

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 New York

	Corporations	Limited liability Companies
Registration Procedure	<ol style="list-style-type: none"> 1. Name your Corporation 2. Choose a registration agent and address in New York 3. File registration documents with New York State 4. Create bylaws and relevant documents 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 New York 3. File registration documents with New York State 4. Create operating agreement and relevant documents 5. Make corporate kit 6. Apply for EIN
Additional Requirement in New York Registration	N/A	Within 120 days after the effectiveness of the initial articles of organization, a limited liability company (LLC) must publish in two newspapers a copy of the articles of organization or a notice related to the formation of the LLC.
Company Annual Renewal	Required	Required

Tax Treatment

Tax- Business Entity

	Corporations	Limited liability Companies
Federal Income Tax	Form 1120; 21%	Form 1065; For information only
New York State Income Tax / LLC fee	Form CT-3; Highest of 6.5% of business income, 0.025% of business capital and the fixed dollar minimum tax; MTA surcharge may apply for company in Metropolitan Commuter Transportation District (MCTD)	Form IT-204-LL Filing fee will be based on the NY source gross income, LLC fee ranges from \$25 to \$4,500.
New York City Income Tax / Unincorporated Business Tax	Form NYC-2; Highest of 6.5%-8.85% of business income, 0.15% of business capital and the fixed dollar minimum tax;	Form NYC-204; 4% of NYC taxable income is calculated for UBT.

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.
New York State Income Tax	Form IT-203(NYS non-residents); New York non-residents need to pay income tax on their New York source income. The tax rates range from 4%-8.82%, depending on their New York State adjusted gross income.	Form IT-203(NYS non-residents); New York non-residents need to pay income tax on their New York source income. The tax rates range from 4%-8.82%, depending on their New York State adjusted gross income.
New York City Income Tax	N/A	N/A

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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