**Hi-Tech & Corporate Tax Consulting**

Our U.S. corporate tax department was created to serve the growing needs of Israeli hi-tech companies establishing or expanding their presence in the U.S.  Over the years, we have been successful in assisting many multinational clients in navigating the complex U.S. tax system.

Our unique approach emphasizes proactively servicing all aspects of our clients’ various compliance requirements. Our ability to communicate with CFOs and finance teams in Hebrew while working during ***your***business hours makes working with us more efficient. We have developed a deep understanding of conducting business in Israel as well as an appreciation for the local business culture.

At Philip Stein and Associates, we take pride in guiding our clients in all stages of their business, from incorporation through multi-state operation as they achieve successful due diligence and exits.

WHAT WE OFFER YOU

Regardless of the size or complexity of your needs, here are some of the areas Philip Stein & Associates can help your company navigate.

**Federal & State Income Tax**

Doing business in the United States can be a lot more complicated than one may think. A company will have to comply with multiple taxing authorities—on the federal, state and local levels. They will also have to consider the applicable taxable income for each jurisdiction.

Corporations organized under the laws of any of the 50 States and the District of Columbia generally are subject to the U.S. corporate income tax on their U.S. source income. Unless exempt under certain rules, all corporations (that have a U.S. tax identification number) must file a Federal tax return (Form 1120) whether or not they have taxable income. Generally, a foreign corporation must file Form 1120-F if the corporation was engaged in a trade or business in the U.S.

A U.S. entity with a foreign affiliate is required to disclose the affiliate’s intercompany activity on forms 5471 and 5472.

Under the 2017 Tax Cuts & Jobs Act (TCJA) also known as the Trump Tax Reform, a U.S. entity with a Controlled Foreign Corporation (CFC) subsidiary has an additional burden of disclosure and tax reporting on its CFC’s Global Intangible Low Tax Income ([GILTI](https://www.pstein.com/blog/finger-on-the-gilti-pulse/)).

Our firm expertly assists with all your federal filing requirements, accurately calculating your tax adjustments and credits to minimize your exposure and taxes due.

Besides the federal income tax imposed by the U.S. government, most states and some cities impose their own additional taxes. A business that has sufficient connections or nexus (i.e. sales, payroll, office etc.) in multiple states is required to file a tax return for each state.

*In order to avoid double taxation by multiple jurisdictions, our professional team will perform an in-depth analysis to determine in which states your company has sufficient nexus and properly allocate your business’ income.*

**Sales and Use Tax**

If you sell products or services in the U.S. you may be required to charge and collect sales tax. There are thousands of taxing jurisdictions in the U.S. including state, city, and local taxes. As states search for more revenue streams they are increasingly focusing on sales tax. We can help you analyze your sales tax liability- starting with whether you are obligated to collect sales tax at all and at what rate. We can also prepare your state sales tax returns which must be filed monthly, quarterly or annually depending on sales volume.

Similar to VAT, sales tax (also referred to as a transaction tax, use tax, gross receipts tax) is an indirect tax that is collected by the seller on behalf of the person who bears the ultimate economic burden of the tax, the buyer of the product. If the seller does not collect the sales tax, the buyer must generally pay it to the state as a “use tax.”

Many clients believe that if they do not have an office in the state, they do not have “nexus” in the state that makes them subject to sales tax. However, in light of the [Wayfair](https://www.pstein.com/blog/south-dakota-vs-wayfair-supreme-court-overrules-quill/) decision a seller no longer needs physical presence in a state to be responsible for sales tax. “Economic nexus” is created by sales to customers in the state and can create a tax obligation in most states. Also, while services are generally not subject to sales tax, there are, in fact, a number of states, like New York and Texas, which are taxing SaaS (Software as a Service). It is the seller’s responsibility to collect and remit the sales tax. Even Amazon vendors for whom Amazon remits the tax for them, are the responsible party.

Read our blog on the topic [**here**](https://www.pstein.com/blog/sales-tax-may-be-the-biggest-tax-issue-youll-face-in-2019/).

**International Tax Consulting**

Tax planning and compliance is hard enough to do in your home country. When you begin operating in another country, it becomes even more complex. Questions invariably arise, such as:

1. How should we structure our intercompany relationships?
2. Where should we perform our R&D?
3. Where should we hire employees?
4. Can we shift income to a low tax jurisdiction?
5. How much should we pay related entities for goods and services?
6. Does withholding tax apply to intercompany transfers?

As a result of the desire of companies to shift income to lower tax jurisdictions by inappropriate pricing of related party transactions, almost all countries have instituted cost-sharing laws and regulations. The principal tax policy concern is that profits from a related-party transaction may be artificially shifted to low-tax jurisdictions through aggressive transfer pricing that does not reflect an arms-length transaction.  Most countries retain the right to adjust the intercompany payment amounts if the taxing authority disagrees with the transfer pricing analysis used by the taxpayer.

*Our international tax planning service analyzes your company’s current organization and its proposed operations in order to formulate a tax efficient structure. This tax structure takes into account, among other things, domestic and foreign country income tax rates, transfer pricing, controlled-foreign-corporation (CFC) rules, U.S. subpart f and PFIC rules and withholding tax obligations.*

**Hiring and Relocating Employees In The U.S.**

Relocating employees to the U.S. can create unnecessary tax exposure for your foreign parent company if not done right. If you do not first form a U.S. entity you may be creating a permanent establishment for the parent company in the U.S. which can put all of the parent company’s income at risk of U.S. tax liability.

Furthermore, stock options granted in a foreign country can create unexpected consequences once the employee becomes a U.S. resident. For example, options issued in the home country with an exercise price below the fair market value of the shares may be subject to penalties in the U.S.

*We can assist you with properly structuring the parent subsidiary relationship and reviewing your compensation plan. We can also conduct exit interviews with your employees to advise them of the anticipated us tax obligations they will face upon relocation.*