

GNU TUTORIAL HOW TO APPLY U.S. ACCOUNT FOR FOREIGN COMPANY FROM HOME COUNTRY

Editor:

Tomáš Mandys, tomas.mandys at 2p.cz (2p plus)

Home site:

<http://www.2p.cz>

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1. Introduction

The document collects my own experience when establishing US bank account for aliens (non-resident foreigners or foreign companies) from home country. Bush's administration introduced *Patriot Act* that is getting more difficult and sometimes impossible to conduct non-resident account. Some banks even kicked of all existing non-resident clients (e.g. *BankCorp*).

It's easy, open *Google*, enter "*bank account USA*", press ENTER and many pages appear – in right column or as highlighted unfortunately – isn't it? Some of such companies will establish account for you, of course, but prepare to pay many hundreds of dollars and prepare yourself that you will be pushed to particular bank that may not fit your requirements perfectly – you may dislike to pay monthly fees, bank credit card, generally not to have similar conditions as the U.S. residents.

2. Personal account

Read very helpful forum discussion, especially posts by *paulcoin*, at <http://www.webhostingtalk.com/showthread.php?threadid=234915>. There is discussed how to establish personal account for foreigners that is compliant to *PayPal.com*.

Some of the banks are ready to apply alien account but there are big differences.

Wells Fargo

<http://www.wellsfargo.com>

The bank is helpful to establish account but it's not possible (not legal) to income funds from business sources like *PayPal* and no internet banking is possible for aliens. But **checking account** is *for free* if minimal daily balance *exceeds \$1000*. *Credit card* is *for free*, **ATM withdrawal** up to *\$500 per \$2.50*, *free check card*. The bank has offices in northwestern states only. They communicate very promptly via email, send mail to overseas and don't establish foreign business account.

Pacific National Bank Miami

<http://www.pnb.com>

The Ecuadorian bank can establish account but minimal **ATM cash withdrawal** (*\$50*) is allowed for at least for first 6 months and is expensive. They response on email but next communication is headed to voice. **Fees** are relatively *high*, minimal balance *\$1000*.

Eastwest bank

<http://www.eastwestbank.com>

Chinese owned bank, minimal deposit *\$5000*.

Asia-Europe-Americas bank

<http://www.aea-bank.com>

Minimal deposit *\$10000*.

HSBC

<http://us.hsbc.com>

I expect similar conditions as for business accounts, see below.

Mt Morris Saving & Loan, Illinois

<http://www.mtmorrissavngs.com>

The bank cooperates with <http://www.valisinternational.com>, monthly **fees** \$10 or minimal balance \$5000, \$30 for Mastercard, \$300 **ATM withdrawal** limit.

3. Business account

HSBC

<http://us.hsbc.com>

Hong-kong worldwide “local” bank has national branches in many countries. There are extensive branch network in northeastern states. Quick email communication, 2 days response time (Europe-USA). After 2 rounds they did send us an *Opening package* via *DHL* (3-4 days) containing all required documents. We had to indicate which U.S. HSBC branch we wish account to be opened, provide local incorporation documents and bank letter reference at local HSBC desk that will notarize them and send documents to HSBC, N.Y., Buffalo. The bank offers famous *checking accounts*, *BIB (Business Internet Banking)*, *EFT services*, credit cards and more. See bank’s web site.

Term explanation

- **ACH transfer** US domestic transfer via Automated clearing house (USD)
- **Bill pay** US domestic transfer similar to ACH (USD)
- **Money order** check payable at US post office (USD)
- **Wire transfer** transfer in USD or other currency to US or foreign bank (expensive)

3.1. Praxis

You get plenty of **personal checks**.

Your HSBC branch office can issue **cashier’s check** based on signed request delivered by mail (fax is not sufficient).

You get **debit card** having *Cirrus&Maestro* logos, *HSBC* proclaims it’s usable in any machine in Maestro ATM but card is banned in Czech ATMs.

Business Internet Banking is applicable ONLY for businesses in Canada, China, France, England, Scotland, Wales, Republic of Ireland and Northern Ireland.

The only online feature is **wire transfer** via telephone using telephone access code. You can not use an ATM to transfer funds to someone else bank account (EFT).

4. IRS

Although it seems that the bank policies when they do not allow income from potential business (*PayPal*) is useless harassment it’s in compliance to U.S. law. All information may be found on IRS (*Internal Revenue Service*) site (<http://www.irs.gov>). The *IRS* is government organization responsible to federal taxes.

4.1. Tax withholding

Foreigners are subject to 30% tax of all *gross income* unless *income tax treaty* was established between the USA and foreigner's home countries and proper documentation is provided. It means that the bank is required to **withhold 30% of your income** unless regulations are fulfilled.

The bank will send report of your income to the *IRS* therefore a unique identification is required for your company. The identification – *Employer Identification Number (EIN)* – is passed on the **W8-BEN** form (*Certificate of Foreign Status of Beneficial Owner for U.S. Tax Withholding*). You must pass on fulfilled the *W-8BEN* form to the bank (and to customer who will transfer funds to you) **before** any income arrive to your account!

Note the *EIN* is not required for some kinds of income like interest, dividends, see *W-8BEN Instructions*. To take benefits of U.S. business account it is essential *income tax treaty* and the *EIN*.

If you prefer studying *income tax treaty* in your native language, look in law of your country – the same treaty must exist in both laws.

If *income tax treaty* exists then reduced or zero tax is subject of withholding according to purpose of payment, see *IRS Publication 515* how withholding agent treats.

4.2. EIN

You can apply the *EIN* via an intermediary (e.g. <http://www.get-your-company.com/>) quickly for approx. \$100 or you can do it by yourself if you call directly to Philadelphia's *IRS* branch that is responsible for foreigner persons. First download the **SS-4** form (*Application for EIN*) and read instructions. When are you ready, call to +1-215-829-4933 or +1-800-829-4933, see *SS-4 Instructions*.

Note that you can call to toll free numbers +1-800-xxxx from abroad if you have a US operator prepaid call card or via internet call (e.g. <http://fwd.pulver.com>) for free. I personally did not use internet call because quality and delay makes speech badly understandable to me because I do not speak English or Spanish well, as you can read, can't you. The call took approx. 30 minutes for approx. \$10.

Operator will ask you for legal name, mailing address, name of principal, foreign country, reason, date of business started and closing month of accounting year. *SS-4* items 1, 4a, 4b, 7a, 8a, 8b, 9 are mandatory, 3, 5a, 5b, 7b are optional. Note that you do not need 7b *ITIN/SSN* if you need *EIN* for compliance with income tax treaty. If you have not valid personal *SSN* (or *ITIN*?) operator can't tell you generated *EIN* by phone but you'll receive it by email up to 4 weeks.

4.3. Entity classification

Study how will be you company classified according U.S. law, e.g. *Form 8832 Instructions*. You can sometimes change default classification, i.e. eligible entity, using the **8832 form** (*Entity Classification Election*).

Generally *C-Corp* classes are taxed as company, *S-Corp* classes and *LLC* are taxed individual persons (they must have allocated *ITIN/SSN*).

You can for example change status of your association (ltd.) from the default *C-Corp* to the *S-Corp*. Do not send the 8832 form unless you need change default classification.

4.4. ITIN

ITIN is *Individual Taxpayer Identification Number* connected to individual. It is equivalent of US resident's *SSN (Social Security Number)*. Foreigner cannot acquire the *SSN* but can apply the *ITIN*. The *ITIN/SSN* is required for some kind of companies (e.g. *S-Corp, LLC*) when taxed is an individual like shareholder or owner. Apply for the *ITIN* using the **W-7** form (*Application for IRS ITIN*). It seems that you must apply by mail or personally at a U.S. or abroad IRS office or via acceptance agent.

4.5. Tax return

As you have applied EIN you will have post yearly tax report using the **1120-F** form (*U.S. Income Tax Return of a Foreign Corporation*) or **1020NR** (*U.S. Nonresident Alien Income Tax Return - individuals*). In the first case if you do not have any U.S. establishment you can fill only *cover page* and *tag W*. It simplifies requirements but you must disclose income classification on the **8833** form (*Treaty-based Return Position Disclosure Under section 6114 or 7701(b)*).

5. Notes

IRS helpdesk +1-215-516-2000
IRS <http://www.irs.gov>

I haven't find web site where are published law regulations, e.g. §301.7701-1.

Written in 1Q 2005

6. Paperwork Reduction Act Notice

Purpose of the tutorial is time reduction needed to complete ISR forms and approach to the average times that I highly exceeded: **Bank seeking**, 2 months, 1 day, 7 hr., 1 min., 3 sec.; **Recordkeeping**, 4 days, 11 hr., 41 min., 14 sec.; **learning about the law or the form**, 2 days, 6 hr., 5 min., 58 sec.; **Preparing and sending the form to IRS**, 3hr., 1min., 1sec.; **Intercontinental call** 29 min., 40 sec.