

The Institute of Chartered Accountants of India

***Seminar on Global Opportunities for
Indian Chartered Accountants
(at COE Kolkata)***

**Tax considerations for US Corporations
with Indian Founders**

CA. Maneet Singh Sabharwal, CISA, DISA(ICAI)

17-04-2026

[Connect on LinkedIn](#)



Global Trade and Services Committee



Agenda



- Types of entity structure
- Pass-through entity and Opaque entity
- Indian considerations
 - Overseas Direct Investment (FEMA)
 - Shareholding structure
 - US entity as a directly owned entity or a subsidiary
 - Round tripping
 - Back office or captive units
 - Entity Structure
 - Transfer Pricing
 - Income Tax Disclosures in India

Possible options for Entity type

- Limited Liability Company (LLCs)
- Partnerships (GP, LP, LLP)
- Corporations
 - C Corporation
 - S Corporation



Pass through entity

- In pass through entity Structure - the entity does not pay any tax; instead, its partners or members pay the taxes to the IRS.
- For example, a partnership
 - Will file Form 1065 with the IRS
 - The partnership will do a withholding of 37% on non-US individual partners and @21% on non-US corporate partners
 - Will issue Schedule K-1 to all of its partners in accordance with their share of profit, loss, and capital
 - Partners will use the K-1 to file their income tax return and disclose the income/loss from the partnership
 - Indian individual founders or parent entity will need to have an ITIN/EIN for filing individual income tax return
 - Individual founders need to file Form 1040-NR, and the Parent entity will need to file Form 1120-F with the IRS every year to report their share of income from the partnership and pay the taxes.
 - Past through entity structure expose Indian shareholders to US tax filing requirements
- **Branch profit tax (BPT)**
 - Applicable on foreign corporations who own a pass-through entity in the US
 - Pass through entity can be a single member LLC and a multi-member LLC
 - Branch profit tax rate is 30% on dividend equivalent amount; reported on 1120-F

Corporation



- **C Corporation**

- Like an Indian private limited company
- Opaque entity - C Corporation pays its own tax @21% at the federal level. State income tax rate varies
- Anyone can become a shareholder in a C Corporation, individual or non-individual

- **S Corporation**

- Pass through structure
- S corporation does not pay any tax; instead, its shareholder pays the tax through Schedule K-1 income reported for them
- This option is only available to US citizens and residents. Thus, Indian founders who are not US citizens or tax residents will not be able to avail this option
- This option is beneficial in a sense that, as it is a pass-through entity, there will be no dividend distributions and a tax limitation of a corporate structure, which is double taxation – taxation in the hands of the corporate and in the hands of the shareholder when the dividend is distributed, is neutralized
- This option is available to Indian founders and parent entity incorporated in India

Indian perspective

- FEMA – Overseas Direct Investment (Form FC to be filed with the AD bank)
- **Shareholding options evaluation**
 - Individual as a shareholder in the US corporation
 - Indian resident earlier living abroad and still have funds in the overseas bank account to open the entity – No ODI filing required
 - LLP as a shareholder in the US corporation – SPV for making investment in the US corporation
- **Round tripping**
 - Indian back office or captive unit in form of Subsidiary of the US Corporation
- **Visa preparation**
 - H1, L1, O1
 - Parent-Subsidiary relationship
 - Associate entity structure relationship



[Connect on
LinkedIn](#)

Thank you

*Maneet Singh Sabharwal | +91-7877027787 |
singh.maneet.21@gmail.com*