

PwC US Tax Services: Understanding U.S. Corporate Tax Transparency Act



Key Aspects About the U.S. Corporate Tax Transparency Act

The Corporate Transparency Act (CTA), effective from January 1, 2024, is a crucial development for small businesses in the U.S. The act is designed to combat illicit activities such as tax fraud, money laundering, and terrorism financing by enhancing transparency in ownership information.



Who is impacted by the act?

The legislation mandates businesses meeting specific criteria to submit a Beneficial Ownership Information (BOI) Report to the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN). This includes not only corporations and LLCs but also extends to trusts under certain conditions, enhancing the scope of entities required to demonstrate transparency in their ownership structures.

Beneficial owner definition: According to the CTA, an individual qualifies as a beneficial owner if they possess a significant ownership stake, exert major influence over the reporting company's decisions or operations, own at least 25% of the company's shares, or hold a similar level of control over equity. For trusts, this includes:

- A trustee or other individual with authority to dispose of trust assets.
- A beneficiary who is the sole permissible recipient of trust income and principal, or who has the right to demand distribution or withdraw substantially all of the trust assets.
- A grantor or settlor who has the right to revoke or otherwise withdraw trust assets.

Reporting Criteria: Reporting companies, based on their establishment date, must provide details in the BOI report. This includes information about beneficial owners, company applicants, and the business itself, covering names, addresses, birthdays, identification numbers, legal name, trademarks, U.S. address, taxpayer identification number, and jurisdiction of formation. The inclusion of trusts highlights the act's comprehensive approach to capturing a wide range of entities and ensuring robust transparency and accountability in business ownership and control.

Tax implications and our services

Filing and updates

The initial filing deadline varies depending on the business's establishment date, with subsequent requirements to update information. Changes in ownership, operational alterations, or authority delegation may require updates. Importantly, there are no fees for the filing process, and electronic forms are available on the FinCEN website.

Both domestic reporting companies (e.g., LLCs, corporations) and foreign reporting companies registered in the U.S., as well as trusts under specific conditions, must submit BOI reports. The inclusion of trusts acknowledges the diverse structures through which business entities operate and seeks to ensure comprehensive transparency. Filing deadlines range from 30 to 90 days, contingent on the establishment date and the nature of the changes that necessitate updates to the BOI report.



Administrative Considerations

It's crucial for businesses to be aware of the administrative burden associated with maintaining compliance with the Corporate Transparency Act. Keeping track of any changes that might affect the BOI report requires diligent oversight and possibly the implementation of internal processes or systems designed to monitor and record such changes in real-time. This may include modifications in beneficial ownership, company structure, or control mechanisms. Ensuring accurate and timely updates to the BOI report not only complies with regulatory requirements but also minimises the risk of non-compliance penalties. Businesses may need to consider allocating resources or seeking professional assistance to effectively manage these obligations.



More information on
www.pwc.ch/us-tax-service



Get in touch

While we do not provide direct services related to the CTA, we are well-equipped to connect you with qualified legal experts who specialize in CTA compliance. These professionals can offer the specialized assistance required to navigate the complexities of the CTA regulatory landscape.



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