Setting up a *business* in the United States

A guide for European founders

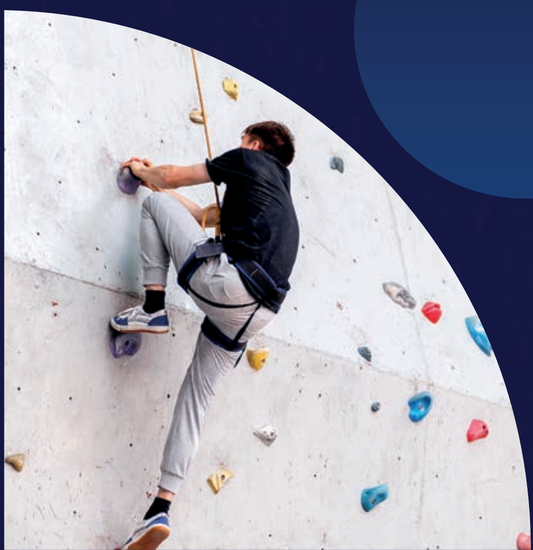
ZEDRA

You have closed your funding round and the US is your next move.

The market is large, the opportunity is real, and your investors expect it.

What most guides do not tell you: setting up in the US as a European founder involves a different set of challenges than it does for a US-based business owner. The processes, the barriers, and the sequence all look different from where you are standing.

This guide is written for European founders and their finance leads who are setting up a US entity for the first time. It focuses on the decisions that matter most in your first 90 days, with a focus on the barriers specific to your situation.



Sustained commercial activity can create a permanent establishment risk for the parent organization.

A *risk* that can arrive before your entity does.

Many European founders begin their US push before the entity is formally established, attending meetings, working with contractors, or having a co-founder spend extended periods operating in the US.

What most do not know: sustained commercial activity here can create a 'permanent establishment' for your European parent, making it subject to US corporate tax even before a formal subsidiary exists. If you have already started US-facing activity, this is worth reviewing before you formalise your structure.

Choosing the Right Entity Structure

For a European parent company establishing a US subsidiary, the most common and appropriate structure is a Delaware C Corporation (C Corp), a wholly owned subsidiary of your European parent entity.

Delaware is the standard for foreign-owned and venture-backed companies because its corporate law is the most developed in the US, its courts have decades of relevant precedent, and most US institutional investors and banking partners expect it.

The C Corp vs. LLC question

You may be advised to set up a Limited Liability Company (LLC) for simplicity. For a foreign-owned, VC-backed tech company, this is typically the wrong structure. An LLC's pass-through taxation creates reporting obligations for your European parent that a C Corp, taxed at the entity level, avoids. If you intend to raise US capital or list on a US exchange, the C Corp is the market standard.

What you will need to establish your entity

- Registered agent in Delaware (required by law)
- Articles of Incorporation
- Employer Identification Number (EIN), obtained from the IRS
- Corporate bylaws and initial board resolutions

The EIN is where most European founders hit their first wall.

Unlike US-based founders, you cannot use the IRS online EIN application without a US Social Security Number (SSN). This creates a compounding problem that can delay your entire US setup by months. The next section explains why and how to avoid it.

The EIN and Banking Challenge

The Catch-22 for Foreign Founders

You need an EIN before most US banks will open a business account. You need a US bank account before you can make payroll, sign leases, or receive client payments. You need both before your first US hire can start. And if your VP of Sales is waiting, the clock is already running.

This is the section you will not find in guides written for US-based business owners, because the problem does not apply to them.

As a European founder without a US Social Security Number (SSN), the standard IRS online EIN application is unavailable to you. The responsible party listed on the application must hold a US SSN or Individual Taxpayer Identification Number (ITIN). Without one, you must apply by fax or mail, a process that can take six to eight weeks under normal conditions, and longer when the IRS is backlogged.

ZEDRA's US team has managed this process across thousands of entity formations globally. Through established relationships with US banking partners and our experience with the IRS application process, we facilitate EIN registration and bank account opening for foreign-owned entities, without requiring a US SSN, and typically resolve both within weeks, not months.

What US Banks Require for Foreign-Owned Entities

Opening a US business account as a foreign-owned company involves enhanced due diligence requirements that go beyond what a domestic business faces. Banks are required by law to comply with Know Your Customer (KYC) and Anti-Money Laundering (AML) regulations. You should prepare:

Corporate documentation

- ✓ Articles of Incorporation and corporate bylaws
- ✓ EIN confirmation letter from the IRS
- ✓ Corporate resolution authorising the account
- ✓ US business address verification

Ownership and compliance

- ✓ Proof of identity and address for all directors and beneficial owners
- ✓ Source of funds documentation
- ✓ Description of intended US business activity
- ✓ Current banking partners and relationship history

The process can take two weeks to three months depending on the bank and the complexity of your corporate structure. Some banks require in-person attendance from account signatories; others do not. The choice of banking partner matters; not all US banks are equipped to work efficiently with foreign-owned entities, and the wrong choice can cost you months.

Employing People in the US

Your first US hire is likely a VP of Sales, a Country Manager, or a technical lead. Before that person starts, there are several things about US employment that work differently from Europe.

At-Will Employment

In most US states, employment is "at-will": either party can terminate the relationship at any time, for any reason that is not legally prohibited. There is no statutory notice period. This is materially different from most European employment frameworks and has implications for how you draft offer letters, employment agreements, and severance provisions. Getting this right from the first hire protects both your company and the employee.

Visa Options for Transferring Key Team Members

If you plan to move a senior person from your European headquarters to lead or establish the US operation, you will need to manage a visa process in parallel with entity setup. The relevant options for an intracompany transfer are:

E-2 Investor Visa

For nationals of E-2 treaty countries, including the UK, France, Germany, and Switzerland, who are investing a substantial amount in and directing the operations of a US business. The most common route for European founders establishing and running a US subsidiary. Requires demonstrating active investment and a genuine operational role.

Visa timing and entity setup must be planned in parallel.

An L-1A petition cannot be filed without an established US entity. If your planned transfer is tied to a specific start date, work backwards from that date and initiate entity setup immediately.

L-1A Visa

For executives and managers transferring from your European entity. Requires one year of employment with the company and an established US entity with local operations and a US team already in place. Because of these prerequisites, the L-1A is typically relevant once the US operation is running, not at the point of initial setup. Standard processing is three to five months; premium processing reduces this to 15 business days.

ZEDRA works with preferred immigration partners and can make introductions upon request.

Payroll and Employer Obligations

Once you have your first US employee, you are subject to federal and state payroll tax obligations. Federal obligations include Social Security (6.2% employer contribution) and Medicare (1.45% employer contribution). State obligations vary; some states have no income tax; others impose income and payroll taxes layered on top of the federal requirement. As you hire in additional states, each new state may trigger separate registration and filing requirements.

Benefits

The US has no universal healthcare. For companies under 50 employees, providing health insurance is not legally required, but it is effectively mandatory for attracting qualified US talent.

In practice, employer healthcare contributions for a small team run $800 to $1,000 per employee per month for single coverage, before dental and vision are added. If employees elect family coverage, employer contributions commonly exceed $2,000 per employee per month. Small groups have no purchasing leverage, and premiums in major US markets such as New York and Boston sit at the higher end of both ranges. A 401(k) retirement plan with a 3–4% employer match is standard for a competitive package.

For a company planning its first three to five US hires, these costs represent a material addition to headline salary, often 20–30% on top of base compensation. Factor this into your budget before you make an offer, not after.

A common shortcut that creates long-term problems

Many founders are advised to use an Employer of Record (EOR) such as Deel, Remote, or Rippling, as a way to hire in the US without setting up an entity. For a single exploratory hire, this can be appropriate.

But if you are scaling, raising US capital, or issuing equity to US employees, the EOR model creates complications: IP ownership may not sit cleanly with your parent entity, equity compensation becomes significantly more complex, and US institutional investors will expect a properly structured Delaware entity before they engage. An EOR is a bridge, not a foundation.

Your US Entity in a Global Structure

As a European parent company with a US subsidiary, you are operating in two accounting and tax systems simultaneously. A few areas require early attention.

Transfer Pricing

Transactions between your European parent and your US subsidiary, including management fees, shared services, IP licensing, and intercompany loans, must be structured at arm's-length rates, documented, and defensible on IRS audit. This is not a detail to address in year two. Getting intercompany agreements in place at setup is significantly easier than retrofitting them later.

GAAP and Parent Company Reporting

Your US subsidiary reports on US Generally Accepted Accounting Principles (GAAP) for US tax purposes. If your parent uses IFRS, your accounting partner needs to maintain parallel records. US investors and lenders expect GAAP-compliant financial statements. Establishing the right reporting structure from day one avoids a costly restatement process later.

Corporate Tax

The US federal corporate income tax rate is 21%. State and local taxes are layered on top and vary by jurisdiction. Your Delaware C Corp also owes Delaware franchise tax regardless of where it conducts business.

One cost European founders consistently do not anticipate: if your C Corp has a large number of authorised shares, which is standard for a VC-backed company, and the default IRS calculation method can produce a franchise tax bill of $50,000 or more. A second method, the Assumed Par Value Capital Method, typically produces a bill of a few hundred dollars for the same company. Delaware permits either; you must know to apply it.

A tax that *applies* before you arrive.

Sales tax is one of the first questions European founders ask about selling into the US, and one of the easiest to underestimate. The mechanics do not map to VAT, and the rules can apply to your business before you have a US office, a US employee, or a US bank account.

Four things European founders most often get wrong:

1. **VAT and US sales tax are not the same mechanism.** VAT is collected at every step of the production and distribution chain. US sales tax is imposed once, on the final consumer. The compliance posture, the registrations, and the way you account for collected tax are all different. Translating VAT logic directly into a US context produces errors.
2. **There is no federal sales tax.** Each state sets its own rules, rates, and filing deadlines. If you sell across the country, you may interact with up to 46 separate state systems. Five states (Alaska, Delaware, Montana, New Hampshire, Oregon) impose no sales tax. Local jurisdictions within a state can layer on additional rates of their own.
3. **Tax treaties do not cover state sales tax.** Bilateral treaties between the US and your home country operate at the federal level. They do not exempt foreign businesses from state sales tax. A foreign entity that owes nothing in US federal income tax can still be liable for sales tax in any state where it has nexus.
4. **Nexus is now economic, not just physical.** Since the 2018 Supreme Court decision in *South Dakota v. Wayfair*, most states impose "economic nexus" thresholds. A common trigger is $100,000 in sales or 200 transactions into the state over a 12-month period. You can owe sales tax in a state where your business has no physical presence at all.

Sales tax does not work the way VAT does, and *liability* can arise in states where you have no physical presence.

The practical implication for software and digital products

Sales tax treatment of SaaS, downloaded software, and other digital products varies by state and continues to evolve. You will also need a system to collect, validate, and store exemption certificates from customers claiming exempt status. Getting this wrong does not produce immediate problems; it produces compounding back-tax exposure that typically surfaces during an audit, a financing diligence process, or a sale.

What To Do First: A Sequenced Checklist

The order in which you complete these steps matters. Missing the sequence creates delays at each stage. Here is what to do, and in what order:

1.	**Appoint a registered agent in Delaware**	Required before you can file Articles of Incorporation.
2.	**File Articles of Incorporation in Delaware**	Standard turnaround is one to three business days.
3.	**Obtain your EIN from the IRS**	Foreign founders without a US SSN cannot use the standard online application. The process requires a paper or fax submission to the IRS. Work with an advisor experienced in this to avoid delays.

The wall typically arrives at step 3

Steps 1 and 2 are straightforward; step 3 is where foreign founders without a US SSN encounter a process the IRS did not design for them. Steps 6 through 10 are frequently deferred and become compliance problems in year two. A structured approach from day one removes both risks.

4.	**Execute corporate bylaws and initial board resolutions**	Required before you can open a bank account or enter into contracts.
5.	**Open a US bank account**	Choose a banking partner with experience working with foreign-owned entities. Prepare your full KYC documentation package in advance.
6.	**Register for state payroll taxes**	Required in each state where you have employees before the first payroll run.
7.	**Register 'to do business' with the Secretary of State**	Where the company operates.
8.	**Set up payroll and benefits administration**	Benefits take four to six weeks to implement from the date of carrier selection; do not leave this until the first hire is about to start.
9.	**Execute employment agreements for US hires**	Ensure your offer letters and agreements reflect US at-will standards.
10.	**Establish intercompany agreements with your European parent**	Management fees, IP licensing, shared services: document these before transactions begin.
11.	**Assess sales tax nexus and register where required**	Note that nexus is ongoing, not one-time.

How ZEDRA Helps

ZEDRA operates across 17 jurisdictions, has supported over 6,100 companies globally, and facilitates hundreds of established US entities a year.

Our Global Expansion US team, based in Boston and New York, works primarily with Series A and B tech, software, and life sciences companies expanding from the UK, France, Germany, and Switzerland. When a European founder calls us after being blocked on Mercury or Brex, or after the IRS fax route has gone quiet for six weeks, we have navigated the same situation many times before.

We do not subcontract; the team that manages your setup is the team that manages your ongoing operations. Your account manager acts as a local controller, coordinating across legal, tax, accounting, and HR so your European leadership team has a single point of contact and a partner for everything on the ground.

From Day Zero

- Delaware entity formation
- EIN facilitation for foreign founders without a US SSN
- Bank account opening through our US banking partners
- Registered agent services set up through a third-party
- Corporate bylaws and board resolution preparation

Ongoing Operations

- US GAAP accounting and financial reporting
- State and corporate income tax filing
- Sales tax compliance and filing
- Federal and state payroll administration
- Employee benefits setup and management
- State nexus monitoring and compliance filing
- Corporate secretarial services
- HR support and employment compliance

Transatlantic coordination

We support the relationship between your European parent and your US subsidiary: intercompany agreement structuring, transfer pricing documentation, parent company reporting support, and coordination with your existing advisors in your home market.

What working with ZEDRA looks like

Days 1–3	Week 1–3	Week 2–4	Week 3–4	Week 4–6
Registered agent appointed. Articles of Incorporation filed in Delaware.	EIN obtained. ZEDRA manages the IRS paper and fax application process on your behalf.	US bank account(s) opened through our banking partners.	Payroll setup initiated.	First US hire operationally supported. Benefits carrier selected and enrolled.

Ready to get started?

If you are setting up a US entity for the first time, or have already hit delays with your EIN or banking, speak to our team.

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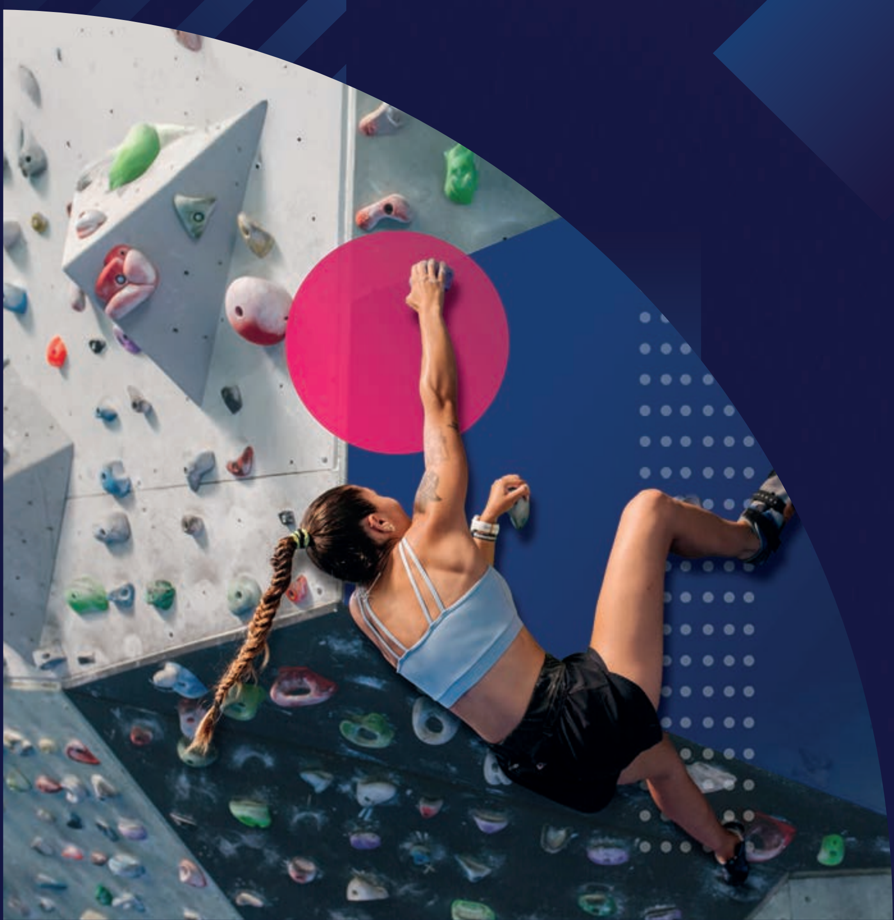

Your world doesn't stand still. Neither do we. Let's make ambition happen.

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