



## Taxation of US Interest

In the US, non-resident aliens normally face a flat tax rate of 30% on interest paid out by U.S. banks. However, they are excluded from this taxation if the interest is paid by a foreign bank or another similar non-resident entity.

This 30% rate can also be lower. According to the double treaty between Portugal and the United States, US assessment of interest is limited to 10%. If you are habitually resident in Portugal, the 10% will stand as an international tax credit and will be deducted from the standard 28% assessment due on interest in Portugal. If you are a Non-Habitual Resident, this American levy should be final with the US refunding any balance exceeding the 10%.

Regardless, the interest needs to be declared in Portugal. If you have NHR status, use Annex L in your annual Portuguese “IRS” tax return. Other taxpayers should report the US interest along with other foreign income on Annex J.

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