



## Taxation of US Dividends for Foreign Nationals

As a rule, foreign nationals who are not resident for tax purposes in the US (commonly referred to as “non-resident aliens”) face a US tax on dividends paid out by U.S. companies at the rate of 30%.

However, these “aliens” are exempt from this levy for the following types of dividends:

- Dividends paid by foreign companies, or
- Interest-related dividends, or
- Short-term capital gain dividends.

This 30% rate can also be lower. Under the USA - Portugal Double Taxation Treaty, US assessment is limited to 15% which will stand as an international tax credit when reported in Portugal.

### Taxation in Portugal

The standard Portuguese autonomous tax rate for dividends for resident taxpayers is 28%. When the 15% credit for the US levy is applied, the final assessment will be 13% ( $28\% - 15\% = 13\%$ ).

When registered as a *non-habitual resident* (NHR) in Portugal, there should be no further taxation in Portugal. Although exempt, taxpayers must still report this income in Annex L of their Portuguese individual income tax return.

To complete the process, the US Internal Revenue Service should refund any balance exceeding the treaty-mandated 15%.