

## **Tax Treaties Are Important to You**

The United States has income tax treaties with a number of foreign countries. Under these treaties, residents (not necessarily citizens) of foreign countries are taxed at a reduced rate, or are exempt from U.S. income taxes on certain items of income they receive from sources within the United States. These reduced rates and exemptions vary among countries and specific items of income.

If the treaty does not cover a particular kind of income, or if there is no treaty between your country and the United States, you must pay tax on the income in the same way and at the same rates shown in the instructions for [Form 1040NR](#). Also see [Publication 519, U.S. Tax Guide for Aliens](#), and [Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities](#) at [www.irs.gov](http://www.irs.gov).

Tax treaties reduce the U.S. taxes of residents of foreign countries but generally do not reduce the U.S. taxes of U.S. citizens or residents. This is because most income tax treaties contain what is known as a "saving clause" which prevents a citizen or resident of the United States from using the provisions of a tax treaty in order to avoid taxation of U.S. source income.

Treaty provisions generally are reciprocal (apply to both treaty countries). Therefore, a U.S. citizen or resident who receives income from a treaty country and who is subject to tax imposed by that foreign country may be entitled to certain credits, deductions, exemptions, and reductions in the rate of tax of that foreign country. These benefits generally are not available to U.S. citizens who do not reside in the United States.

Foreign taxing authorities sometimes require certification from the U.S. Government that an applicant filed an income tax return as a U.S. citizen or resident, as part of the proof of entitlement to the treaty benefits. For information on this, refer to [Form 8802, Application for United States Residency Certification](#).

Note that you cannot take a foreign tax credit for taxes paid to a foreign country that you do not legally owe, including amounts eligible for refund by the foreign country. If you do not exercise your available remedies to reduce the amount of foreign tax to what you legally owe, a credit for the excess amount is not allowed.

### **References/Related Topics**

- [Tax Treaties](#)
- [Publication 901](#)