



# Gibraltar's taxation systems

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### **GIBRALTAR CORPORATION TAXATION SYSTEM**

Gibraltar is currently in the process of undergoing substantial changes to its corporate tax system due to pressure from the EU on the basis that Qualifying Companies and Exempt Companies constituted illegal state aid and distorted competition. The Qualifying Company status no longer exists and the Exempt Company regime is currently in the process of being phased out. (The last Exempt Companies will lose their status at the end of 2010). The only Company now available is the standard tax paying Company which pays tax at the rates detailed below.

### **Gibraltar Corporation Tax**

The Gibraltar tax year is from 1st July to the following 30th June. Corporation tax in Gibraltar is charged at 33% (but small companies are charged at a lower rate of 20%).

For 2008/2009 the rate will be reduced to 30% and for 2009/10 further reduced to 27%, after which a new low rate flat rate is anticipated to come into effect from 2010.

### **Liability to tax**

Gibraltar resident companies are not taxable to income on a worldwide basis, but taxable on income 'accrued in, derived from and received in Gibraltar'.

### **Gibraltar Residency for Companies**

A Company is resident in Gibraltar if:

- The management and control of the Company is in Gibraltar.
- The management and control of the Company is outside Gibraltar, but those exercising management and control of the Company are ordinarily tax resident in Gibraltar.

### **Withholding taxes**

There is no withholding tax on dividends or on certain interest payments.

### **EU**

Gibraltar is within the EU and has access to favourable EU directives.

### **VAT**

There is no VAT (or sales tax) in Gibraltar.

## **GIBRALTAR PERSONAL TAXATION SYSTEM**

### **Gibraltar income tax**

Liability to income tax is dealt with Section 6 of the 'Income Tax Act' (formerly the Income Tax Ordinance) where it states that tax

shall be 'payable at the rate or rates specified upon the income of any person accruing in, derived from, or received in, Gibraltar.'

### **Gibraltar tax residency**

The Gibraltar 'Income Tax Act' states that an individual is deemed to be ordinarily resident in Gibraltar;

- If the individual 'resides in Gibraltar except for such temporary absences as to the commissioner may seem reasonable' or;
- Any individual 'who is a British subject or citizen of the Republic of Ireland, who is employed or self employed in Gibraltar and who resides within the Campo district or partly within Gibraltar and partly within that district, except for such temporary absences as aforesaid'. (Campo being La Linea and Algeciras in Spain).

### **Personal tax rates**

Under the Gibraltar standard personal tax regime, there exists two tax systems which operate in parallel to each other. (It is possible to opt for the system that gives you a lower tax outcome).

## Gibraltar Overview

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The gross based income system allows the choice of a flat tax rate but with no allowances, therefore paying tax on gross income as follows:

- 20% on first £25,000
- 30% on next £75,000
- 40% above £100,000

The other alternative is the allowance based system.

The tax rates of the allowance-based system are as follows:

- The first £4,000 of taxable income – 17%
- The next £12,000 of taxable income – 30%
- The remainder of the taxable income – 40%

As the name suggests this system allows taxpayers to benefit from various allowances such as a personal allowance, an allowance for the purchase of a home in Gibraltar, a marriage allowance, etc.

### Qualifying (Category 2) residency status

Category 2 residency was created for High Net Worth individuals coming to Gibraltar. Category 2 residents pay a capped maximum

tax of approximately £20,000 (with a minimum tax payable of £18,000). These figures are pro-rated monthly in the year of arrival or departure.

The key conditions of obtaining Category 2 status are as follows:

- The Category 2 individual must be of substantial and sound financial standing and have a minimum net worth of £2m.
- The Category 2 resident must either own or rent approved residential accommodation in Gibraltar. The accommodation must be approved by the Finance Centre and be used exclusively by the Category 2 individual and his direct family.
- The Category 2 individual cannot have been resident in Gibraltar during the five years immediately preceding the year of assessment.
- The Category 2 individual is not allowed to engage in a trade, business or employment in Gibraltar. Exceptions to this rule include where duties are incidental to a business outside of Gibraltar or the Category 2 resident is a director of a Gibraltar Exempt Company or a director of a Company which

does not transact any trade or business in Gibraltar.

- The Category 2 residency certificate is issued on an indefinite basis, but the certificate needs to be endorsed every three years.
- There is no minimum stay requirement in Gibraltar for a Category 2 resident individual.

### **Category 3 and 4 Residency status**

The Category 3 and 4 statuses were aimed at attracting executives with special skills to Gibraltar. They have similar property requirements as category 2 individuals. Category 3 and 4 status has now been abolished for new entrants.

Existing Category 3 and 4 residents are able to retain their status until end of their current certificate or 30 June 2009 whichever date is later. Income is capped at £15,000 for Category 3 status and between £7,500 and £15,000 for Category 4 status.

### **'High Executive Possessing Specialist Skills' ('HEPPS') status**

From the 1st July 2007 a new status known as 'HEPPS' has been created aimed at individuals with

specialist skills who earn more than £100,000 per annum. The advantage of this regime is that taxation is limited to the first £100,000 of income. The tax payable will be under the normal dual choice system (as described earlier).

The same property requirements will apply as for the Category 3 and 4 status.

### **Capital gains tax and inheritance tax/estate duty**

There is no capital gains tax or inheritance tax/estate duty in Gibraltar.