

Non - Taxing Gibraltar Lifestyle Appeals to Wealthy Individuals

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For many years the Rock of Gibraltar has provided a very appealing alternative to those looking for a British way of life in a Mediterranean setting. Gibraltar is a small, safe and friendly jurisdiction offering a Mediterranean climate and sitting on the doorstep of one of the world's premier leisure locations, Southern Spain. Whether it's enjoying the multitude of first class restaurant and golf courses, playing water sports or

sunbathing on the many and varied beaches either on the Mediterranean coast or the Atlantic coast, hiking or exploring the five mountainous nature reserves or even skiing in Sierra Nevada, the region offers it all.

As an added incentive, if one is needed, Gibraltar has a special tax status, called Category 2 status, more commonly referred to as Cat 2 status, which allows individuals with demonstrable worth of over £2 million to limit the amount of income that is considered when calculating the tax they need to pay in Gibraltar to £80,000, with a minimum tax payable of £22,000. If the individual declares income of more than £80,000, then the tax that he will pay will be based only on income of £80,000 and will be just under £30,000. Only income remitted to Gibraltar is taken into account unless the individual opts for his worldwide income to be included. If the individual's wife or children have income in their own right, this income can also be included as part of the individuals income in his tax return, so that the wife or children will not themselves be taxed.

This special status is only available to those who have not previously been resident in Gibraltar for 5 years and in order to qualify the main condition is that they must have a suitable property, which they can rent or buy, available to them (and their immediate family) exclusively for the period for which they are registered as a Cat 2 individual. The property must be of sufficient quality so as to be considered fitting for a person of their financial standing. The Gibraltar Finance Centre Director, who is the person to whom the application is directed, will make this consideration. There is no requirement for a minimum number of days that an individual actually has to spend in Gibraltar, the only requirement is that the property must be available for their exclusive use and therefore cannot be rented out by the Cat 2 individual.



The Finance Centre Director will also need to satisfy himself that the applicant is of good standing and repute, and apart from any background checks that may be carried out on the individual and his family, the individual will have to produce two character references one from a reputable bank and another from a recognised professional (usually an accountant or lawyer) with whom the individual has maintained relationships for an appropriate period of time. In addition, a certificate from an accountant confirming that the individual has net assets in excess of £2 million, and a curriculum vitae are required.

However saving tax is only a means to an end – that end being a better quality of life. It is uncommon for someone to severely compromise their lifestyle just to save tax. In this respect Gibraltar has a profound advantage over other jurisdictions seeking to attract High Net Worth Individuals, in that it combines institutions which operate in the familiar British way with a community which is easy to integrate into, with the leisure and lifestyle opportunities which the Mediterranean location affords. In fact many of the individuals who have taken up Category 2 tax status find themselves spending more time in Gibraltar than originally had been their intention for precisely this reason.



It is true that when Gibraltar implemented the Cat 2 tax status the intention was to attract wealthy individuals to retire in Gibraltar. The status has indeed proved very popular - over 400 individuals are registered as Category 2 residents - but the surprise has been that not that many of these have been wealthy retirees. In fact the status has proved very attractive to other individuals, most of which can be classified into three main categories.

The first of these, can be labelled the “mobile entrepreneurs”. These are individuals who can perform their services from anywhere in the world and have chosen to do so from a location where telecommunication facilities are excellent and the quality of life that their family and they can experience is second to none. The business activities that a Category 2 resident is allowed to engage in under the Rules are restricted, but the restrictions have been relaxed recently, mainly to reflect the trend that increasingly more “mobile entrepreneurs” are being attracted to Gibraltar, and as long as the activities are investment related or if business related do not compete with established Gibraltar businesses, they should be allowed. The fact that business in Gibraltar is transacted in English and based on Anglo-Saxon principles, with the security provided by established British law, means that many of the difficulties encountered by entrepreneurs originating from the UK in other foreign jurisdictions do not arise.

The second category of individual that has found Category 2 status beneficial we can call the “multi resident individual”. This is an individual who travels around so much that he does not spend long enough in any country to make him tax resident there. In order to avoid being inadvertently noticed by the tax authorities of any high tax jurisdiction who

might want to bring them into that jurisdiction's tax net, the individual registers in Gibraltar, and therefore now "belongs" here. Sports people and entertainers may fall into this category.

The third category is the "temporary resident". These are individuals who may be expecting a large windfall, perhaps because they are selling their business, or have obtained a large contract, or are expecting a large inheritance and want to be resident in a low tax jurisdiction when they do so. It also applies to individuals who are emigrating to a high tax jurisdiction and before they do so become tax resident in Gibraltar for the necessary period. They are then able to tax efficiently organise their affairs, perhaps set up trusts or foundations, before they then move into a high tax jurisdiction in subsequent tax years.

Whatever the driver for becoming a Category 2 resident of Gibraltar, Deloitte is very aware that all high net worth individuals need to have access to first class professional services and has developed a suite of services aligned with their needs. These include tax planning and compliance, succession planning, monitoring and reporting on investments, managing payments and extend to general concierge services to ensure a smooth relocation and trouble free living. Deloitte prides itself on meeting the service expectations of High Net Worth Individuals who decide that they want to combine a lower tax jurisdiction with an enviable quality of life.