

Gibraltar Category 2 Individuals

Special tax status for High Net Worth Individuals (“HNWIs”)



“...a Category 2 Individual pays between £22,000 and £29,080 per annum in tax, regardless of their income.”

Who may apply?

Under Gibraltar’s Qualifying (Category 2) Individual Rules 2004 a HNWI, with demonstrable wealth of over £2 million, may apply in writing to the Finance Centre Director for the issue of a Category 2 certificate making the individual tax resident in Gibraltar but limiting the tax that is payable in Gibraltar.

Taxation of a Category 2 Individual

Only the first £80,000 of the taxable income of a Category 2 Individual is considered when calculating the tax payable. Only income remitted to Gibraltar is taken into account, although an individual may elect for his worldwide income to be considered.

The Tax is calculated in accordance with the Income Tax Act with a minimum annual tax charge of £22,000. The maximum tax charge if £80,000 or more is remitted to Gibraltar would be £29,080. Income tax returns in respect of the tax year ended the previous 30 June, together with any payment due must be submitted no later than 30 November. Additionally, payments on account must now be made in two instalments, on or before 31 January and 30 June and shall be set off against the balance to be paid on submission of the tax return.

Taxation of the family of a Category 2 Individual

A Category 2 Individual may elect for the income of a spouse or any child of his or his spouse be deemed to be that of the Category 2 Individual for the purpose of the rules, so that the wife or children will not themselves be taxed in their own right.

This election can only be made if the spouse or child in their own right fulfil all the conditions for a Category 2 Individual.

Conditions

Before a certificate designating an individual as a Category 2 Individual is issued by the Finance Centre Director, he must be satisfied that:

- The individual is of good standing and repute. 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 in the appropriate format, 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.
- The individual's "financial standing" is in excess of £2 million. This is usually evidenced by production of bank statements or written

confirmation from the applicant's accountant.

- The individual has available to him approved residential accommodation in Gibraltar adequate for himself and his family. The property can be rented or bought, but must be of sufficient quality so as to be considered fitting for a person of Cat 2 status. 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 individual has not been present in Gibraltar within the previous 5 years for a period greater than either 183 days in any one year or an average of 90 days in any three of those years
- The individual has not been engaged in a trade, business or employment in Gibraltar within the previous 5 years other than in respect of duties incidental to any trade, business or employment based outside Gibraltar.

Economic Activities

The Government has acknowledged that an increasing trend has developed whereby entrepreneurial HNWI's wish to set

up residency in Gibraltar and carry out valuable economic activity here and relaxed the original restrictions that a Cat 2 individual would be permitted to carry out. Effectively, a Cat 2 individual can now carry out investment related activities for his own account, and in respect of business related activities, as long as the profit making activity does not compete with established Gibraltar businesses these should be allowed too. It is likely that income from any activity carried out within Gibraltar would not be sheltered by the cap on taxable income, and therefore if it is within the scope of Gibraltar taxation the income would be taxable at normal rates in Gibraltar.

Why Gibraltar?

Gibraltar offers a rich British and Spanish bicultural environment in a Mediterranean setting. The low crime rate, high standard of living, friendly people and easy going lifestyle make relocating to Gibraltar a relatively simple decision.

Typical Cat 2 Individuals

Retirees – individuals who have retired from their businesses and wish to improve their quality of life

Remote entrepreneurs – individuals who can carry out their business from any location and have chosen to do so from a

jurisdiction where they and their families can enjoy a quality lifestyle.

Tax nomad – individuals who travel around so much that they do not qualify for tax residence anywhere and wish to become tax resident in a low tax jurisdiction.

Temporary resident – individuals who are expecting a large windfall and wish to become resident in a low tax jurisdiction when this occurs.

Our services

The Deloitte office in Gibraltar has been advising HNWI's for many years and offers a private client service that caters for all their needs, including practical concierge services to ensure a smooth relocation. We can assist both in the application for Cat 2 status and in the annual preparation of the tax return for submission to the tax authorities. Our services also extend to personal tax structuring both in respect of wealth holding structures and succession planning to ensure tax efficient structures sensitive to personal or family issues and priorities. Our wealth management services offer investment monitoring and reporting, to ensure investment managers operate within the margins set and performance and wealth reports are customised to individual needs.

For further information visit our website at www.deloitte.gi

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