



International Tax

Gibraltar Tax Alert

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Tax treatment of intercompany interest amended

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The Gibraltar government approved changes to the taxation of intercompany interest on 6 June 2013 in response to the conclusion of the EU Code of Conduct Group in November 2012 that Gibraltar's tax treatment of intercompany interest was not in line with EU requirements. The Gibraltar government has reacted quickly to amend the legislation, thus reflecting its commitment to ensure that the tax system is considered compliant by the EU and on an international level.

The amendments apply as from 1 July 2013.

Under existing law, Gibraltar does not levy tax on interest. The amendments to the Income Tax Act 2010 result in interest received on intercompany loans falling within the scope of taxation in Gibraltar where the interest is deemed to accrue in or derive from Gibraltar. As a result, any interest receivable that is subject to taxation will be taxed at a rate of 10% (20% in the case of utilities companies or companies abusing a dominant position).

Interest receivable from intercompany loans is deemed to "accrue in or derive from" Gibraltar where the company receiving the interest is registered in Gibraltar.

Where the interest received or receivable is less than GBP 100,000 per annum, however, the interest will not be subject to taxation in Gibraltar unless the income falls within the scope of trading income, as would be the case for banks, building societies, etc. Interest receivable from all connected companies will be aggregated for purposes of determining the GBP 100,000 threshold.

Investment income, such as interest from bank deposits or interest from bonds listed on a recognized stock exchange, will not be subject to taxation.

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