



International Tax

Gibraltar Tax Alert

24 December 2013

Royalty income to be subject to income tax

Gibraltar's Income Tax Act has been amended to bring royalty income within the scope of taxation.

As from 1 January 2014, royalties that are deemed to accrue in or be derived from Gibraltar will be subject to corporate taxation at a rate of 10% (20% in the case of utilities or companies abusing a dominant position). Royalty income will be deemed to accrue in or be derived from Gibraltar where the company receiving the income is registered in Gibraltar.

The change in the tax treatment of royalty income was made to ensure the Gibraltar tax system is compliant with EU rules and international expectations. The European Commission initiated an investigation of Gibraltar's regime in October 2013, in particular, to examine whether the tax exemption for certain passive income, such as interest and royalties, involves state aid that grants a special advantage to companies producing such income. Gibraltar amended the rules governing the tax treatment of interest as from 1 July 2013.

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