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International Tax
Gibraltar Highlights 2017

Investment basics:

Currency – Gibraltar Pound (GIP)

Foreign exchange control – There are no exchange controls in Gibraltar. Residents and nonresidents may maintain accounts denominated in foreign currencies.

Accounting principles/financial statements – IAS/IFRS and Gibraltar GAAP. Financial statements must be prepared annually.

Principal business entities – These are the public and private limited company, partnership, limited partnership, sole trader, branch and nonresident company.

Corporate taxation:

Residence – A company is resident if it is managed and controlled in Gibraltar.

Basis – Companies are taxed on income that is accrued in or derived from Gibraltar. Branches are taxed in the same manner as companies. Nonresident companies are subject to tax on Gibraltar-source income.

Taxable income – Corporation tax is imposed on a company's profits, which consist of business/trading income accrued in and derived from Gibraltar. Investment income from listed securities (except for banks) is not subject to taxation. Expenses incurred wholly and exclusively in the production of taxable income may be deducted in computing taxable income.

Interest received or receivable from intercompany loans "accrued in or derived from" Gibraltar is subject to tax in Gibraltar at a rate of 10%. A Gibraltar registered company is automatically deemed to have intercompany interest income "accrued in or derived from" Gibraltar.

Where the interest received or receivable is less than GIP 100,000 per annum, 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 GIP 100,000 threshold.

Royalty income "accrued in or derived from" Gibraltar is subject to tax in Gibraltar at a rate of 10%. Royalty income is deemed to be "accrued in or derived from" Gibraltar where the company receiving the income is registered in Gibraltar.

Taxation of dividends – Dividends are not subject to taxation.

Capital gains – There is no capital gains tax in Gibraltar.

Losses – Trading losses may be carried forward indefinitely, provided there is no change of ownership in the company and no major change in the nature or conduct of trade within a period of three years. The carryback of losses is not permitted.

Rate – The rate for companies is 10%; however, utility companies and companies that abuse a dominant position are subject to taxation at 20%.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Unilateral relief is granted for tax suffered in a foreign country.

Participation exemption – The provisions of the EU parent-subsidiary directive have been transposed into domestic legislation, although dividend income is not subject to taxation.

Holding company regime – See under "Participation exemption."

Incentives – More pertinent to the incentive to invest in Gibraltar are the applicability of EU directives and a territorial tax system. A flat rate 10% tax is available, and investment income (except for banks) and dividend income are not subject to taxation. There are tax-free benefits to attract certain employees, particularly high-earning executives.

Withholding tax:

Dividends – There is no withholding tax on dividends.

Interest – There is no withholding tax on interest.

Royalties – There is no withholding tax on royalties.

Technical service fees – There is no withholding tax on technical service fees.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – No

Social security – Employer contributions are payable on a weekly basis, up to a maximum of GIP 32.97 per week.

Stamp duty – Stamp duty is charged at a fixed rate of GIP 10 and applies on the initial creation of share capital or a subsequent increase, and on immovable property located in Gibraltar.

Transfer tax – No

Anti-avoidance rules:

Transfer pricing – There are no specific transfer pricing rules, but the tax authorities can apply a general anti-avoidance provision if an arrangement is deemed to be artificial or designed to reduce tax. Under a clause for connected parties, where a transaction is deemed not to be at arm's length, allowable deductions are restricted to the lower of the amount of the expense, 5% of gross turnover or 75% of net profits (pre-expense). When interest is paid at a noncommercial rate, the excess is disallowed for tax purposes.

Thin capitalization – Interest paid is deemed to be a dividend where the debt-to-equity ratio exceeds 5:1 and the interest is paid to a connected party that is not a company, or interest is paid to an arm's length party where the loan is secured by assets belonging to a connected party that is not a company.

Controlled foreign companies – No

Disclosure requirements – There is a duty to notify the tax authorities about arrangements that reduce tax.

Other – When an individual transfers assets abroad and this gives rise to income to a nonresident that can be enjoyed by an ordinarily resident taxpayer, currently or in the future, the income of the nonresident will be taxed to the ordinarily resident taxpayer, unless it is a *bona fide* commercial transaction and the purpose is not to avoid tax. The general anti-avoidance provisions also may apply.

Compliance for corporations:

Tax year – The tax year is 1 July to 30 June. Companies are subject to tax in their accounting period; if the accounting period exceeds 12 months, it will be divided into two periods.

Consolidated returns – Consolidated returns are not permitted; each company must file a separate return.

Filing requirements – A tax return, along with audited accounts or an accountant's compilation report, as applicable, must be submitted within nine months from the accounting year end. Advance payments of tax based on 50% of the previous year's tax must be made by 28 February and 30 September. The final payment (or refund request) is due at the time the tax return is filed, i.e. within nine months of the accounting year end.

Penalties – There are surcharges for the late payment of tax and penalties for the late filing of tax returns and for errors or omissions in the tax return/payment.

Rulings – An advance ruling can be obtained from the Commissioner of Income Tax.

Personal taxation:

Basis – Individuals are taxed on income accrued in or derived from Gibraltar and, if the individual is ordinarily resident, also on nontrading worldwide income (except rental income from foreign property). Individuals who are present in Gibraltar for less than 30 days per year are exempt.

Residence – An individual who is present for at least 183 days in a year or 300 days in any three consecutive years is ordinarily resident. Presence is defined as any part of a 24-hour period commencing at midnight.

Filing status – The income of a spouse is taxed separately.

Taxable income – All trade and employment income accrued in or derived from Gibraltar is taxable and, in the case of an ordinarily resident individual, worldwide income also is taxable. Interest income, royalty income and income from foreign property are not subject to taxation. Expenses incurred for the production of taxable income may be deducted for tax purposes.

Capital gains – There is no capital gains tax in Gibraltar.

Deductions and allowances – Personal allowances are available to the taxpayer and his/her spouse. There also are allowances for children, dependent relatives, marriage, nursery school, life insurance, approved pension scheme contributions and medical insurance. Gibraltar offers mortgage interest relief and a home purchase allowance.

Rates – Gibraltar has a dual tax system, under which a taxpayer is free to elect between an allowance-based system and a gross income-based system.

Rates under the gross income-based system are split between gross income of less than GIP 25,000 and gross income exceeding that amount. The rates on income under GIP 25,000 are 6% on the first GIP 10,000, 20% between GIP 10,001 and GIP 17,000 and 28% on the balance. The rates on gross income exceeding GIP 25,000 start at 16% and peak at 28%. The rates start to reduce for gross income exceeding GIP 105,000, up to a minimum of 5% for income exceeding GIP 700,000.

The allowance-based system has a reduced rate of 14%, a standard rate of 17% and a rate of 39% for taxable income exceeding GIP 16,000.

The minimum amount of tax payable by individuals holding "Category 2" residence status (available to high net worth individuals) is GIP 22,000 per annum, and the maximum tax is GIP 27,560. Executives holding "HEPSS" status are limited to tax on the first GIP 120,000 of assessable income under the gross income-based system.

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty applies to purchases of Gibraltar real estate, as follows: property costing under GIP 200,000 is exempt; for property with a cost between GIP 200,001 and 350,000, the rate is 2% on the first GIP 250,000 and 5.5% on the balance; and for property with a cost exceeding GIP 350,000, the rate is 3% on the first GIP 350,000 and 3.5% on the excess. For first and second-time buyers, there is no stamp duty due on the first GIP 260,000 of the cost of the property, irrespective of the total cost.

Capital acquisitions tax – No

Real property tax – No, but stamp duty applies (see above).

Inheritance / estate tax – No

Net wealth / net worth tax – No

Social security – Employee contributions are payable on a weekly basis, up to a maximum of GIP 25.16 per week.

Compliance for individuals:

Tax year – Self-assessment is made on an annual basis; the year of assessment is the period of 12 months commencing on 1 July and ending on 30 June of the following year.

Filing and payment – Tax on employment income is withheld by the employer under the PAYE system and remitted to the tax authorities. Income not subject to PAYE is self-assessed and the tax return must be submitted by no later than 30 November following the year of assessment. Income not included under PAYE requires advance payments of tax based on 50% of the previous year's excess. Payments are due by 30 June and 31 January. The final payment is due by 30 November at the time the tax return is filed.

Penalties – There are surcharges for the late payment of tax and penalties for the late filing of tax returns and errors or omissions in the tax return/payment.

Value added tax:

Taxable transactions – No

Rates – No

Registration – No

Filing and payment – No

Source of tax law: Income Tax Act 2010

Tax treaties: Gibraltar has not concluded any tax treaties, but does have 27 tax information exchange agreements.

Tax authorities: Income Tax Office

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