

# Gibraltar tax facts

1 July 2017 to  
30 June 2018

## Personal tax

### Choice of personal tax systems

Taxpayers may opt to be taxed under the Gross Income Based System (see (A) below) or the Allowance Based System (see (B) below). The Commissioner of Income Tax will calculate the final assessment on the basis of the system that is most beneficial for the taxpayer, irrespective of the system that is chosen by the taxpayer at the beginning of the tax year. In the case of spouses, where one spouse opts for the Gross Income Based System and the other for the Allowance Based System, conditions apply on the latter's entitlement to allowances.

#### (A) Gross Income Based System

All taxpayers will pay tax at an (overall) effective rate of no more than 25%.

(a) The income bands and tax rates for income up to £25,000 are:		(b) The income bands and tax rates for income above £25,000 are:	
First £10,000	6%	First £17,000	16%
£10,001-£17,000	20%	£17,001-£25,000	19%
Balance	28%	£25,001-£40,000	25%
		£40,001-£105,000	28%
		£105,001-£500,000	25%
		£500,001-£700,000	18%
		Balance	5%

These rates apply for both 2016-17 and 2017-18.

### Deductions under the Gross Income Based System

#### Approved expenditure on premises

Expenditure incurred on painting, decorating, repairing and, in general, enhancing the appearance of the frontage of premises, entitles the claimant for a deduction in computing the income chargeable to tax in addition to any other deduction available as a business expense. The expenditure must be certified by the town planner. Under the Gross Income Based System the deduction is restricted to a maximum of £5,000.

#### Purchase of main residential property in Gibraltar

A deduction is available with respect to mortgage interest payments up to a maximum of £1,500 p.a. There is also a deduction of up to £6,500 in total for first-time buyers with respect to approved expenditure toward the purchase of their home.

#### Employee contributions to approved pension schemes

There is a deduction of up to £1,500 p.a. with respect to contributions to approved pension schemes.

#### Medical insurance

A deduction is available with respect to private medical insurance of up to £3,000 p.a.

#### Installation of solar energy for boilers

An allowance of up to £3,000 over two years is available for the installation of solar energy for boilers.

#### (B) Allowance Based System

Taxable income bands	Rate %	Tax on band
£0-£4,000	14	£560
£4,001-£16,000	17	£2,040
Over £16,000	39	

Taxpayers under the Allowance Based System receive a tax credit amounting to the greater of £300 or 2% of the tax payable based on the above table.

## (B) Allowance Based System

### Principal allowances and reliefs

	2017-18	2016-17
Personal allowance	£3,300	£3,215
Spouse allowance	£3,300	£3,215
Nursery school allowance (per child)	£5,160	£5,025
Child relief in respect of first child only	£1,135	£1,105
In respect of each child educated abroad	£1,290	£1,255
Parent of a disabled individual	£9,285	£9,040
Dependent relative - resident (maximum)	£315	£305
Dependent relative - nonresident (maximum)	£210	£205
Blind person	£5,155	£5,020
Apprentice	£380	£380
Single parent	£5,435	£5,290
House purchase deduction	£12,000	£12,000
House purchase special deduction (£1,000 max p.a.)	£4,000	£4,000
Social insurance - employee	£335	£335
Social insurance - self-employed	£432	£432

### Other allowances and reliefs under the Allowance Based System

#### Low income earners allowance

Individuals earning less than £11,150 (2016-17: £11,050) are entitled to an additional tax allowance so that no tax is payable by such individuals. Allowances are tapered for taxpayers whose earned income for the tax year is between £11,150 and £19,500.

#### Students

The earnings of a full time student are exempt from tax.

#### Mortgage interest relief

Interest is fully allowable on loans to finance Gibraltar residential property occupied by the taxpayer. The allowance is restricted to a maximum loan of £350,000.

#### Life assurance premiums

Premiums are fully allowable provided they do not exceed one-seventh of assessable income or 7% of the capital sum assured at death.

#### Working pensioners relief

Individuals above the age of 60 are entitled to a tax credit of up to £4,000, as long as their pension does not exceed £6,000.

#### Installation of solar energy for boilers

An allowance of up to £3,000 is available over two years for the installation of solar energy for boilers.

#### Medical insurance allowance

The first £5,155 (2016-17: £5,020) of eligible premiums paid in the tax year by an individual for personal health insurance cover or for the benefit of that individual's spouse or dependent children is fully allowable.

#### "Topping-up" allowances

Individuals whose total allowances are less than £4,188 (2016-17: £4,103) will have their allowances topped up to that amount. In the case of elderly persons (men aged 65 and above; women aged 60 and above) the allowances are topped up to £12,200 (2016-17: £12,030).

### **Approved personal pension schemes and retirement annuity contracts**

Tax relief, limited to the lesser of 20% of earned income or £35,000, is given on contributions to such schemes. Employers' contributions to approved personal pension schemes within these limits are not taxable as a benefit in kind on employees. There is no requirement to buy an annuity. In addition, pensioners may withdraw the whole of the capital tax-free. In order to allow members of these schemes to top-up unused tax relief, a one-year carry-back provision is available.

### **Occupational pension schemes**

Relief is restricted to one-sixth of the assessable income (the limit including any life assurance premiums).

### **Approved expenditure on premises**

As described under the Gross Income Based System, but the £5,000 limit under that system does not apply.

### **Disabled individuals tax exemption**

An additional earned income allowance effectively exempts individuals in employment from tax, if they are recipients of disability allowance paid by the Department of Social Security.

## **Other exemptions and concessions**

### **Income from pensions**

Occupational pensions received from an approved pension scheme by taxpayers aged 60 or above who are in employment (age 55 for ex-policemen, ex-firemen, ex-customs and ex-Gibraltar Regiment) will not be taken into account in establishing tax due on the earned income. In addition, all such pensions are taxed at 0%.

### **Savings income**

Income of a passive nature is not liable to tax (this includes bank interest and dividends from shares quoted on a recognised stock exchange). Income from investments in various Government debentures is exempt from income tax.

### **Charitable donations**

Under the Gift Aid Scheme, when donations are made the Government pays the charity the equivalent of the tax suffered by the donor at the standard rate of tax (20%). The limit on gifts under the scheme is £5,000 p.a.

There is in addition a new Payroll Giving Scheme, allowing tax-free donations to be made to approved charities through employment earnings, up to a maximum of £5,000 p.a.

### **High net worth individuals (Category 2 individuals)**

Taxed under the Allowance Based System, but only on the first £80,000 of assessable income, resulting in maximum tax payable of £27,560. This cap does not apply to certain income accrued in or derived from Gibraltar. Minimum tax payable is £22,000. Conditions on residential accommodation and previous residence and activities in Gibraltar apply. A Category 2 individual cannot generally engage in a trade, business or employment in Gibraltar, unless agreed in advance with the Finance Centre Director.

### **High executive possessing specialist skills (HEPSS)**

The tax payable by a HEPSS is limited to the first £120,000 of earned income. The relevant skills must be deemed to be of exceptional economic value to Gibraltar. HEPSS are taxed under the Gross Income Based System. Conditions on residential accommodation and previous non residency apply.

## **Benefits in kind**

Benefits in kind are extensively listed and defined. Specific taxable benefits provided to employees and/or their families include vouchers, credit tokens, accommodation, vehicles and loans. In addition, there is a catch all provision for benefits not specifically covered under the legislation.

Benefits received by an employee of less than £250 in a year of assessment are not taxable.

Employers may opt to pay the tax on benefits on behalf of the employee by obtaining a dispensation from the Commissioner of Income Tax. If the total benefits received by an employee amounts to between £250 and £15,000 in the year of assessment, then the tax payable thereon is at the rate of 20%. Benefits in excess of £15,000 are taxed at 29%.

There are exceptions, subject to conditions, for relocation and accommodation expenses of relocated employees.

There is an exemption in respect of approved health insurance premiums paid by an employer on behalf of employees (including coverage for their spouse and children). This applies to premiums of up to £5,155 (2016-17: £5,020) under the Allowance Based System, and of up to £3,000 under the Gross Income Based System. In either case, the exemption would be reduced by any amount claimed by the taxpayer as a deduction for health insurance.

## Residency

Individuals are ordinarily resident in Gibraltar if they are present in Gibraltar in either 183 days or more in a tax year, or in more than 300 days in 3 consecutive tax years. Ordinarily resident individuals are liable to tax in Gibraltar on their worldwide income (subject to double-tax relief).

### Income from occasional presence

If a person is not ordinarily resident in Gibraltar and is also present here for less than 30 days in a tax year, no tax is charged on income from director's fees.

There is a similar provision for nonresident employees and self-employed individuals whose duties and activities (except for any which are ancillary to that work) are exclusively outside Gibraltar.

### Tax rates

Particular rules apply to allowances and income bands for individuals who are not resident in Gibraltar for a complete tax year. Therefore, tax rates different from those shown in the above tables apply in practice to such individuals.

## Trusts and Foundations

A trust is resident in Gibraltar if one or more of the beneficiaries are ordinarily resident in Gibraltar (excluding Category 2 individuals) or the class of beneficiaries may include an ordinarily resident individual. A nonresident trust is only liable for tax on income accrued in or derived from Gibraltar. The rate of tax that applies to trusts is 10%.

A foundation registered under Gibraltar's Private Foundations Act 2017 is resident in Gibraltar, unless persons resident in Gibraltar and the issue of such persons are irrevocably excluded from benefit in respect of the foundation. A resident foundation is taxable on a worldwide basis; a non-resident foundation is taxable only on chargeable income accrued in or derived from Gibraltar. The applicable tax rate is 10%.

## Corporate tax

The standard rate of corporate tax is 10% (20% in the case of utility and fuel supply companies and companies abusing a dominant market position).

Companies are taxed on profits accrued in or derived from Gibraltar (i.e., territorial basis of taxation). In the case of companies licensed and regulated in Gibraltar, the profits are deemed to accrue in and derive from Gibraltar, except for activities carried on outside Gibraltar by a branch or permanent establishment.

From 1 July 2013 onward, tax is chargeable on interest from a company (or from connected companies in total) that amounts to £100,000 or more per annum. Interest income from such loans is deemed to accrue in and derive from Gibraltar where the recipient is a Gibraltar registered company.

An incentive scheme is available to companies for business start-ups which commenced between 5 July 2016 and 30 June 2017. The business will be eligible for a tax credit equal to the tax otherwise payable up to a maximum of £50,000 over each of the first three years of trading. The business must have at least five employees in the first year. There are anti-avoidance measures to ensure that it is only applied to genuinely new businesses in Gibraltar.

### Anti-avoidance

The Commissioner may disregard part or all of any arrangements that are deemed to be artificial and/or fictitious and whose purpose is to reduce or eliminate tax payable in Gibraltar.

There are also specific anti-avoidance provisions in areas such as thin capitalisation, transactions with connected individuals and back-to-back loans. Promoters of a scheme are required to notify the Commissioner of any arrangements or proposals

that will reduce the tax due by a taxpayer.

### Penalties and surcharges

There is an extensive range of penalties and surcharges, including the following:

- ▶ Late payment of tax
- ▶ Late or incomplete returns
- ▶ Incorrect returns or information
- ▶ Tax evasion
- ▶ Nonpayment of PAYE or social insurance
- ▶ Failure to report notifiable arrangements
- ▶ Noncompliance with information requests

The Commissioner has the discretion to waive, reduce or discharge any penalty (as opposed to surcharges) incurred if satisfied that the act or failure to act that incurred the penalty was purely inadvertent.

### Withholding tax

There is no withholding tax on dividends, interest or royalties.

### Capital allowances

	Initial allowance	Additional allowance
Plant and machinery (incl. fixtures and fittings)	100% on first £30,000 of purchases in year	15% p.a.* of remaining balance
IT investment	100% on first £50,000 of purchases in year	15% p.a.* of remaining balance
Industrial buildings (incl. factories and similar premises)	4% p.a. straight-line on cost	

Assets are pooled for the purposes of calculating capital allowances and reduced by the proceeds of any disposals. The remaining balance is carried into the following year.

\*The annual capital allowance is given at 20% of the pool value for any company taxable at 20% on profits (for example, utility and energy companies).

Capital allowances are given with respect to:

- ▶ the construction of office accommodation in Gibraltar where construction commences on or before 31 March 2015
- ▶ the construction of high value residential accommodation, where ground is broken before December 2015.

See our publication "Doing Business in Gibraltar" for further details.

From 1 July 2015 onward, new businesses may claim 100% of eligible capital allowances in the first year of trade, subject to conditions.

## Due dates for payment of tax

Employment income	▶ Tax paid via PAYE
Companies	▶ Advance payment of 50% by 30 September ▶ Advance payment of 50% by 28 February ▶ Any remaining balance within nine months of end of accounting period
Self-employed and trusts	▶ On account payment of 50% by 31 January ▶ On account payment of 50% by 30 June ▶ Any remaining balance by 30th November following the end of the tax year

## Submission of accounts and tax returns

Companies	▶ Tax return, accounts and dividend return (if applicable) due nine months after financial year end
Self-employed and trusts	▶ Accounts up to 30 June ▶ Tax return and accounts by 30 November

For accounting periods ending on or after 1 January 2016, all companies registered in Gibraltar, as well as any other company that has income assessable to tax in Gibraltar are required to file a tax return. Previously, only companies with income assessable to tax in Gibraltar were required to file a return.

## Taxation of capital

There is no estate duty, capital gains tax, inheritance tax, wealth, gift or other capital tax in Gibraltar.

## Value-added tax

There is no VAT in Gibraltar.

## Gaming tax (remote gambling operators)

Gaming tax is levied at the rate of 1% of relevant income (gaming yield for remote casinos and bets placed for online bookmakers), capped at £425,000 and with a minimum payable of £85,000, per licence, per annum.

## Stamp duty

Only payable on real estate and capital transactions at the following rates:

- ▶ Share capital (flat rate) £10
- ▶ Loan capital (flat rate) £10

On purchase of real estate as follows:

First and second-time buyers	
▶ First £260,000 of purchase price	Nil
▶ Balance above £260,000 to £350,000	5.5%
▶ Balance above £350,000	3.5%
Other buyers	
▶ Where purchase price does not exceed £200,000	Nil
▶ Purchase price of between £200,001 and £350,000	2% on first £250,000 and 5.5% on balance
▶ Purchase price of over £350,000	3% on first £350,000 and 3.5% on balance

## Import and excise duties

These duties are levied on goods imported into Gibraltar, mostly at rates of up to 12%. Items to which no duty applies include: works of art, gold bullion, classic cars (subject to conditions), LED lighting, writing implements, mobile phones, musical instruments, portable computers, TVs, electrical audio, visual and sports equipment, educational equipment, software, biofuels, loose gemstones, paper and stationery made from recycled materials, yachts, and electronic equipment and propellers for use on boats and sails. Excise duty is levied mainly on spirits, wines, tobacco and mineral oils.

## Rates

There are discounts for early payment of rates for businesses, generally 15%. New start-ups benefit from a 65% discount in their first year of trading, and 25% for the second year. There are additional discounts for bars, restaurants and casinos in connection with their cooperation with the smoking ban in such establishments.

## Social insurance contributions

Social insurance contributions from 1 April 2017 onwards are as follows.

Contributor	% payable on employee's gross earnings	Min payable (per week)	Max payable (per week)
Employer	20%	£16.50	£36.50
Employee (under 60)	10%	£5.50	£27.50
Employee (age 60 and above)	-	-	-
Self-employed	20%	£10.00	£30.17

No contributions are payable if the individual is not in receipt of earnings. Income earned by a full-time student is also exempt. Contribution credits apply in certain cases, including employees, on unpaid sick leave or maternity leave and individuals over the age of 60 years.

A social insurance credit of £100 per employee applies to companies with 10 or less employees, and to new companies with up to 20 employees in their first year of operation.

For further details on many of these items, please refer to our publication 'Doing Business in Gibraltar'

## Useful Gibraltar websites

### Government of Gibraltar

#### Information Services

[gibraltar.gov.gi](http://gibraltar.gov.gi)

#### Gibraltar Income Tax Office

[gibraltar.gov.gi/taxation](http://gibraltar.gov.gi/taxation)

#### Laws of Gibraltar

[gibraltarlaws.gov.gi](http://gibraltarlaws.gov.gi)

#### Gibraltar Federation of Small Businesses

[gfsb.gi](http://gfsb.gi)

#### Gibraltar Chamber of Commerce

[gibaltarchamberofcommerce.com](http://gibaltarchamberofcommerce.com)

#### Gibraltar Finance Centre

[gibraltarfinance.gi](http://gibraltarfinance.gi)

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