

Gibraltar tax facts

1 July 2022 to
30 June 2023

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 ("GIBS")

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:		
	2022/23	2021/22		2022/23	2021/22
First £10,000	8%	6%	First £17,000	18%	16%
£10,001-£17,000	22%	20%	£17,001-£25,000	21%	19%
Balance	30%	28%	£25,001-£40,000	27%	25%
			£40,001-£105,000	30%	28%
			£105,001-£500,000		25%
			£500,001-£700,000	27%	18%
			Balance		5%

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 £7,500 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 £6,000 over two years is available for the installation of solar or wind energy installations.

Electric vehicle charging installation

There is a deduction against tax liabilities available for the first £2,000 of the cost of installing a mechanism for the electric charging of a vehicle in the taxpayer's home, or in a parking space or garage owned by them, subject to approval.

(B) Allowance Based System ("ABS")

Taxable income bands	Rate %	
	2022/23	2021/22
£0-£4,000	16	14
£4,001-£16,000	19	17
Over £16,000	41	39

Taxpayers under the ("ABS") receive a tax credit amounting to the greater of £300 or 2% of the tax payable based on the above table. These rates apply for both 2022-23 and 2021-22.

(B) Allowance Based System ("ABS")

Principal allowances and reliefs

Personal allowance	£3,455
Spouse allowance	£3,455
Nursery school allowance - maximum per child	£5,480
Child relief in respect of first child only	£1,190
In respect of each child educated abroad	£1,375
Parent of a disabled individual	£10,000
Dependent relative - resident (maximum)	£400
Dependent relative - nonresident (maximum)	£250
Blind person	£5,475
Apprentice	£380
Single parent	£5,800
House purchase deduction	£13,000
House purchase special deduction (£1,000 max p.a.)	£4,000
Social insurance - employee	£335
Social insurance - self-employed	£432

The above allowances and reliefs apply to 2022/23 and 2021/22

Other allowances and reliefs under the ABS

Low income earners allowance

Individuals earning £11,450 or less are entitled to an additional tax allowance so that no tax is payable by such individuals. Allowances of lower amounts are available to taxpayers whose earned income for the tax year is between £11,451 and £19,975 (2021/22: £19,712).

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 £6,000 is available over two years for the cost of solar or wind energy installations.

Medical insurance allowance

The first £5,395 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 £4,343 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 £12,645.

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.

Electric vehicle charging installation

There is a deduction against tax liabilities available for the first £2,000 of the cost of installing a mechanism for the electric charging of a vehicle in the taxpayer's home, or in a parking space or garage owned by them, subject to approval.

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).

Gift Aid Scheme

Under the Scheme, when qualifying donations are made to a charity approved in Gibraltar the Government pays the charity the equivalent of the tax suffered by the donor at the standard rate of tax applicable to the donor. The limit on gifts under the scheme is £10,000 p.a.

High net worth individuals (Category 2 individuals)

Taxed under the ABS, but only on the first £118,000 (2021/22: £105,000) of assessable income, resulting in maximum tax payable of £44,740 (2021/22: £37,310). This cap does not apply to certain income accrued in or derived from Gibraltar. Minimum tax payable is £37,000 (2021/22: £32,000). A one-off payment in advance of £44,740 is required to be made by 30 November 2022 by existing Category 2 individuals. New Category 2 individuals will be required to pay this on confirmation of their Category 2 status. This is refundable when the Category 2 certificate is relinquished. 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 £160,000 of income covered by the HEPSS certificate, resulting in annual tax payable of £43,140 (2021/22: £39,940). The relevant skills must be deemed to be of exceptional economic value to Gibraltar. HEPSS are taxed under the GIBS. 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 £5,395 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 as from 1 August 2021 is 12.5% (previously 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 as from 1 August 2021 is 12.5% (previously 10%).

Corporate tax

The standard rate of corporation tax is 12.5% as from 1 August 2021 (previously 10%). Where a financial year straddles the 31 July 2021, the 12.5% rate will be applied to those months in that financial year from August 2021 onwards. A tax rate of 20% applies to utility and fuel supply companies and companies abusing a dominant market position. Companies are taxed on taxable classes of profits or gains which are 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.

Tax Incentives

The following apply in accounting periods ending between 1 July 2021 and 30 June 2023:

- o An additional allowance of 50% of the fixed salary cost of new employees
- o An additional 60% deduction is given for qualifying training costs. (For accounting periods prior to 1 July 21, the additional deduction is 50%).

A deduction is available of up to £6,000 over two years for the cost of any solar or wind energy installations.

From 1 July 2021 onwards a deduction is given of between 10% and 100% (previously between 5% and 55%) of the cost of improvements to the EPC rating of a property. The % applied depends on the EPC rating achieved.

Business may claim a deduction for expenditure on works carried out to improve access for people with disabilities to their premises, up to a maximum of £15,000, subject to conditions. This will apply to such expenditure between 1 July 2019 and 30 June 2024.

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

Any company that believes it has under-declared its taxable profits in respect of its 2020 and 2021 accounting periods and has as a result been under-assessed for tax may file amended returns by 31 December 2022. On doing so the company will be assessed on the additional tax with no additional penalty. Any company not filing amended returns in accordance with the above, but which is found to have underdeclared its taxable profits will be required to pay the taxation assessed – as well as a further charge equivalent to the entirety of the amount assessed to tax.

Withholding tax

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

Capital allowances	Initial allowance	Additional allowance
Plant & machinery Accounting periods ending between 1 July 2021 and 30 June 2023	Up to £60,000 of purchases, or if higher, 50% of expenditure in period	25% p.a. of remaining balance ^{1,2}
Plant & machinery Accounting periods ending before 1 July 2021	Up to £30,000 of purchases in year	15% p.a. ³ of remaining balance
Computer equipment Accounting periods ending between 1 July 2021 and 30 June 2023	Up to £100,000 of purchases, or if higher, 50% of expenditure in period	25% p.a. ² of remaining balance
Computer equipment Accounting periods ending before 1 July 2021	Up to £50,000 of purchases in year	15% p.a. ³ of remaining balance
General wear and tear on property Accounting periods ending between 1 July 2021 and 30 June 2023	-	1% of acquisition cost ⁴
Industrial buildings	-	4% of acquisition cost

¹ Includes a fully electric vehicle, used wholly or partly for business. If used partly for business, the deduction will be restricted by 50%.

² in the case of a company taxed at 20%, an allowance of 30% is given

³ in the case of a company taxed at 20%, an allowance of 20% is given

⁴ excluding the cost of land.

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.

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 as a reduction in their corporate tax liability in the first year of trade, subject to conditions.

Due dates for payment of tax

Employment income	▶ Tax paid via PAYE
Companies	<ul style="list-style-type: none"> ▶ 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	<ul style="list-style-type: none"> ▶ 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	<ul style="list-style-type: none"> ▶ Accounts up to 30 June ▶ Tax return and accounts by 30 November

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.

A company is required to file audited accounts with its tax return if it is medium or large, or if it has gross income assessable to tax in Gibraltar of £1.5m or over (for years ending prior to 1 July 2022: £1.25m). A small company or micro-entity with gross assessable income below the audit threshold is required to file accounts with an independent accountant's report attached. A small company or micro-entity with no income assessable to tax in Gibraltar may file a balance sheet with its return, instead of full accounts.

Sustainable tourist tax

From 1 August 2022, all visitors using hotels or other short-term accommodation will pay £3 per person per night, to be paid into a Climate Action Fund. Cruise passengers are to pay an environmental levy of £1.

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)

License fees are fixed at £100,000 for B2C licensees and £85,000 for B2B licensees per annum. In addition, B2C licensees pay gaming tax of 0.15% of gross revenue (this generally being gross win for online bookmakers and gaming yield for online casinos).

Stamp duty

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

As from 2 July 2018, a Special Stamp Duty of 7.5% applies to the sale of any property which was sold as an "affordable home" for and on behalf of the Government in the four years preceding the introduction of this measure. This will not apply in certain circumstances, for example, forced sale. Purchases of berths in the Small Boats Marina are subject to stamp duty of 5%.

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: 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, 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 20%. Early payment discounts of 50% apply to retail, wholesaling trades and catering establishments and 30% for hotels. Start-ups benefit from a 65% discount in their first year of trading, and 25% for the second year; this must be applied for first.

Social insurance contributions

Social insurance contributions from 1 August 2022 onwards are as follows.

Contributor	% payable on employee's gross earnings	Min payable (per week)	Max payable (per week)
Employer	19%	£28.50	£50.50
Employee (under 60)	10%	£12.50	£36.70
Employee (age 60 and above)	-	-	-
Self-employed	20%	£28.50	£50.50

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

Gibraltar Income Tax Office

gibraltar.gov.gi/taxation

Laws of Gibraltar

gibraltarlaws.gov.gi

Gibraltar Society of Accountants

gibraltaraccountants.com

Gibraltar Federation of Small Businesses

gfsb.gi

Gibraltar Chamber of Commerce

gibraltarchamberofcommerce.com

Gibraltar Finance Centre

gibraltarfinance.gi

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