

Gibraltar Tax Residency





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Whitmill has been based in Gibraltar since 2009 providing services to both Private Clients through its Trust and Company Services and to Asset Managers and Investors through its Funds Services Business.

During the last five years Whitmill has helped a number of its clients take up tax residency in Gibraltar and given increasing instability in certain parts of the world and the trend by governments in certain first world countries to increase the tax take from wealthy residents, there is a strong argument for promoting Gibraltar as an attractive jurisdiction for wealthy individuals and families to consider as an alternative when looking to relocate to the likes of Monaco, Switzerland or the Channel Islands.

About Gibraltar

Gibraltar is a self-governing British overseas territory consisting of 2.5 sq. miles at the southern-most tip of the Iberian Peninsula. It is adjoined to Spain by a narrow strip of land and strategically positioned at the entrance of the Mediterranean between the continents of Europe and Africa.

Gibraltar is a politically stable country with a business friendly culture. English is the main language and it has a legal system modelled on the UK. As such it finds favour not only with wealthy British nationals and UK firms looking to relocate, but also other wealthy nationalities who value the benefits this historic framework provides.

Gibraltar offers a good quality of life, security, an excellent education system and a Mediterranean climate with access to all types of sports and leisure activities either locally or across the border in Spain.

As a leading international financial centre within the European Union, complying with all EU Directives and regulations Gibraltar is an ideal location to passport services into the EU and for cross border trade, having the added advantage of being outside of the VAT (value added tax) zone..

A small and adaptable jurisdiction Gibraltar has responded well to the financial crisis with a robust, diversified and thriving economy. The signing of numerous Tax Information Exchange Agreements "TIEA's" has resulted in the OECD white-listing the territory whilst the recent fiscal changes mark and complete a long journey from offshore tax haven to mainstream European financial centre.

About the Gibraltar economy

In 2015 Gibraltar's Chief Minister, the Hon. Fabian Picardo presented a budget designed to encourage business, encourage start-ups and entrepreneurs, improve public services and deliver sustainable economic growth.

In terms of Gibraltar's economic performance key statistics announced included:

- Inflation in Gibraltar averaged at 1.8% in 2014, and is expected to remain below 1% during 2015, rising towards the 2% target in 2016
- The forecast GDP for 2014/15 is £1.64 billion – a GDP growth of 10.3% in money terms and another year of double digit economic growth
- Gibraltar is still ranked among the fastest growing economies and third in the world for GDP per capita behind Qatar and Luxembourg
- Employment is at a record high at 24,422 – up 16.4% since 2010
- Average annual earnings have grown to £28,244 – up almost 20%
- The net public debt is lower than last year having been reduced to £375m
- The budget surplus of £51.3m – is the highest on record and that is after taking away £25m – the contribution to Government owned companies
- Income Tax receipts are up by around £8m
- PAYE is up to £22m – an 18% increase against falling tax rates
- PAYE receipts from the gaming industry up 40% to £22.5m
- 'Remarkable' growth in corporation tax receipts – up almost £9m
- Insurance sector corporation tax receipts are up from £1.8m in 2011 to £22.6m now and the gaming industry corporation tax receipts are up from £7.98m in 2011 compared to £33.42m in the last financial year



Investment in infrastructure - The Blue Water

Having already delivered the development of the water-front area, the new international airport and the mid-town project, the Gibraltar Government were, in 2015, delighted to be able to give the go ahead to the Blue Water Reclamation project. This will see a £1.1 billion investment for the redevelopment of the Eastside of Gibraltar.

It further underlines Gibraltar's ambitions to identify itself a credible alternative international finance centre and home for ultra-high net worth families and individuals.

The project will consist of the development of a resort that will provide:

- over 450 high end apartments and suites
- over 1,000 new homes
- a marina exclusively for super yachts
- a number of commercial units which will provide for luxury shopping and cafes and restaurants
- a five star hotel
- a promenade along the sea front linking Eastern Beach to Catalan Bay
- the re-routing of traffic along the eastern side.

The project will also include provision for the development of a multi-storey car park for in the area of Catalan Bay, which is being developed with the convenience of beach users in mind. The whole development will be designed to protect Catalan Bay and the interests of the residents of that area. The development has also been designed to be a low energy development, emphasising the Government's commitment to the environment and sustainable growth.

In addition, the project will include:

- the development of an outer sea wall to protect the existing reclamation
- a law enforcement marine base within the Marina for use by the maritime assets of Gibraltar's law enforcement agencies
- the development of a public pool on the Eastside in the area adjacent to Eastern Beach

Gibraltar Taxation & Residency Options

Gibraltar offers compelling tax and estate planning benefits for wealthy private individuals considering a new country of residence. Whether this is for personal tax restructuring, estate planning or simply to change lifestyle there are significant benefits to be gained from becoming a Gibraltar resident. With a new attractive fiscal regime Gibraltar is fast becoming the favoured jurisdiction for wealthy private individuals and businesses looking to reduce their overall personal or corporate tax liability in a perfectly legitimate way.

If you are considering moving to a more favourable tax regime to escape the increasingly higher level of taxes levelled on business owners and private individuals who are able to live off their invested wealth you may well want to look at the benefits which Gibraltar residency offers.

There are a couple of Gibraltar Residency options available to wealthy private individuals:

1. Category 2 Residency

Since the 1st January 2011, persons become ordinarily resident in Gibraltar if they visit or spend 183 days or more in a tax year or more than 300 days in three consecutive tax years. An ordinarily resident individual is liable to tax in Gibraltar on his/her worldwide income (subject to double-tax relief).

Why should you consider applying for Category 2 Gibraltar Residency status?

This status would appeal to you if you are looking to protect either trading or earned income from higher rates of taxation in your country of residence or where you declare your income.

The key conditions which you must satisfy in order to qualify and obtain Category 2 Gibraltar Residency status can be summarised as follows:

- The Category 2 individual must have sufficient means to maintain himself and his family and with minimum net worth in excess of £2 million
- The Category 2 individual must submit a curriculum vitae detailing his qualifications and work experience as well as supply passport copy and two references, one of which must be from a banker confirming that the individual's net worth is in excess of £2,000,000
- The Category 2 individual must purchase an approved residential property in Gibraltar to be maintained throughout the residency period. The property must be available for the Category 2 individual's exclusive use and be large enough to house their direct family. Even though it is also possible to rent approved residential accommodation in Gibraltar this may expose the individual to challenge in another country over the permanency of residence
- The Category 2 individual cannot have been resident in Gibraltar during the five years immediately preceding the year of assessment
- The Category 2 individual is not allowed to engage in a trade, business or employment in Gibraltar unless it is in a sector or activity that is not in direct competition with a local business. There are exceptions to this rule where it can be proved to the satisfaction of the Ministry of Finance that there is an exceptional economic benefit to Gibraltar that merits an exemption from the general principle. The Gibraltar Finance Centre has issued guidelines covering the list of permissible activities which a Category 2 individual may undertake however these are without prejudice to the assessment and decision of the Finance Centre Director
- The Category 2 status is granted on an indefinite basis however the residency certificate needs to be sent to the Gibraltar Finance Centre for renewal every three years
- The Category 2 individual must have private medical insurance cover in place to insure them and their family in the event of illness in Gibraltar
- There is no minimum physical residence requirement in

Gibraltar for a Category 2 resident however this does not guarantee that an individual will not trigger deemed tax residency in another jurisdiction particularly if residency rules are being flouted.

Individuals who are considering Gibraltar residency should seek professional tax advice and tidy their tax affairs prior to applying for residence.

How much income tax would you pay as a Category 2 Gibraltar Resident?

Tax liability is capped at £80,000 of income with a minimum tax of £22,000 and a maximum tax of £28,360.

- No Inheritance Tax
- No Wealth Tax
- No Capital Gains Tax
- No Gift Tax
- No VAT
- No taxation on savings interest
- No taxation on dividend income arising from companies quoted on a recognised stock exchange
- No taxation on pension income from an approved occupational scheme for individuals aged 60 or over. (An advanced ruling from the Commissioner of Income Tax would be required to establish whether pension income is subject to tax or not)
- A flat rate of 2.5% income tax on QROPS and QNUPS pensions in drawdown

Double Taxation Arrangements

A Gibraltar resident who is in receipt of income which is liable to tax in Gibraltar that is derived from and has already been taxed in another jurisdiction shall be entitled to double taxation relief in Gibraltar in respect of that income of an amount equal to the tax which has already been deducted or the Gibraltar tax, whichever is less.

A Category 2 individual can switch Gibraltar Residency status and qualify on a self-sufficiency basis.

2. Self-Sufficiency

Why should you consider applying for Gibraltar tax residency on “Self Sufficiency” grounds?

This status would appeal to you if you were in receipt of passive income that already enjoys a benign tax regime.

The key conditions which you must satisfy to qualify and obtain Gibraltar Residency status on self-sufficiency grounds can be summarised as follows:

- The self-sufficient individual must provide two references from a banker, lawyer or accountant confirming number of years the applicant has been known and the fact that they are of a good standing and repute
- The self-sufficient individual must provide a letter from

the bank showing receipt of pension payments or a 3 month bank statement confirming income into Gibraltar in amounts that demonstrate the individual is able to support himself financially

- The self-sufficient individual who resides but does not work in Gibraltar whether by choice or necessity regardless of whether they are of pensionable age or not, will require private medical insurance for themselves and any dependants. This rule applies to EU nationals and others but excludes UK pensioners
- The self-sufficient individual must provide evidence of having accommodation in Gibraltar either a property rental contract or title deed to a property

How much income tax would you pay as a Self-Sufficient Gibraltar Resident?

There is no tax to be paid save for any income that is earned or remitted to Gibraltar.

The advantages of becoming a Self-Sufficient Gibraltar Resident.

- No Income Tax except for earned or remitted income
- No Inheritance Tax
- No Wealth Tax
- No Capital Gains Tax
- No Gift Tax
- No VAT
- No taxation on savings interest
- No taxation on dividend income arising from companies quoted on a recognised stock exchange
- No taxation on pension income from an approved occupational scheme for individuals aged 60 or over. (An advanced ruling from the Commissioner of Income Tax would be required to establish whether pension income is subject to tax or not)
- A flat rate of tax of 2.5% on QROPS and QNUPS pensions in drawdown

An individual who has obtained Gibraltar Residency on self-sufficiency grounds would be unable to switch status and apply to become a Category 2 Gibraltar Resident.

At a time when governments around the world are increasing personal and indirect taxes to increase revenues, Gibraltar offers a refreshing alternative.

At Whitmill we provide a complete service to individuals and businesses looking to relocate to Gibraltar.

We will guide you through the relocation process, and can assist with the formation, management and administration of offshore structures.

Please note that the information and any commentary on the law or tax related matters contained in this document is only intended as a general statement and is provided for information purposes only and no action should be taken in reliance on it without specific legal or tax advice. Every reasonable effort is made to make the information and commentary accurate and up to date, but no responsibility for its accuracy and correctness, or for any consequence of relying on it, is assumed by the author. Further this factsheet is not intended to amount to legal advice.

Wayne Meenagh
Managing Director

Daniel Azopardi
Director, Private Clients

T +350 200 61013 (Direct)
E wayne@whitmill.gi

T +350 200 61012 (Direct)
E Daniel@whitmill.gi

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