



Taxation in Gibraltar

The Budget 2015

A summary of the key taxation changes announced in the Chief Minister's budget on 22 June 2015

PwC Tax

PwC has unrivalled expertise and knowledge of Gibraltar tax laws and practice.

Our tax experts provide support to individuals and businesses on all current tax issues and on resolving the complex issues involved in tax planning.



Personal tax

Increase in the low income earners allowance so that any tax payer with income of £11,000 or less will not pay any tax.

Income earned by full time students outside of vacation time will be exempt from taxation.

In respect of the allowance based system:

- The tax rate for the first £4,000 of taxable income is lowered to 14%;
- The tax rate for the taxable bracket of £4,001 to £16,000 is lowered to 17%;
- The tax rate for the remainder of taxable income is lowered to 39%;
- Personal and spouse allowances increase to £3,200;
- Allowance for individuals of state pensionable age increases to £12,000;
- One parent family allowance increases to £5,264;
- Nursery allowance and allowance for blind persons increases to £5,000;
- Child allowance for first child only increases to £1,100 and allowance for children living abroad increases to £1,250;
- The disabled individuals allowance increases to £9,000;
- Allowance for medical insurances premiums increases to £5,000;
- The house purchase allowance increases to £12,000.

Individuals over the age of 60 are now eligible for a tax credit of £4,000 on the basis that they are not in receipt of pension or annuity income exceeding £6,000. Previously the cap was £2,000.

In respect of the gross income based system:

- Allowance for medical insurance premiums increases to £3,000;
- Allowance for mortgage interest repayments increases to £1,500;
- Allowance for pension contributions increases to £1,500;
- The deduction to assessable income for first time home buyers increases to £6,500 in respect of approved expenditure towards the purchase of their home;
- The tax band for income exceeding £700,000 reduces to 5%.

Companies

The audit threshold requiring companies to submit audited financial statements increases to £1,250,000.

Social Insurance Contributions

Employers' contributions in respect of an employee's secondary employment are abolished.

Training costs

Training costs for employees studying for a qualification will be allowed as an expense against the profits of a business at the rate of 150%.

Pre-notification/withholding

Construction type services provided to residential homes in Gibraltar from businesses outside of Gibraltar will be subject to pre-notifications to the Income Tax Office, Customs and the Financial Secretary and will be subject to withholding taxes on payments.

Amnesty

A six month tax amnesty to allow individuals who have not previously declared their income has been brought into force. Income which has been repatriated abroad and would otherwise have been subject to taxation in Gibraltar will be liable to a 5% levy on the total amount remitted to Gibraltar. Individuals who do not take advantage of the amnesty will be liable to a penalty equal to the full amount of tax due in Gibraltar. Further details will be announced shortly.

Small business & start-up incentives

All newly established businesses in Gibraltar will be able to claim 100% of their eligible capital allowances in the first year of trade.

Businesses with 10 employees or less will be able to receive a credit of £100 per employee in respect of employer's contributions. For new businesses, in the first year of operation, the credit is extended to 20 employees.

A tax credit equal to the lower of 200% or £5,000 of architectural fees and fees charged by the Government in respect of successful planning applications will be available in the first three years of operation.

Stamp duty

No stamp duty will be payable by first and second time buyers on the first £260,000 of the cost of their property.

Rates

Purchases of affordable homes will benefit from a rates holiday of zero rates in the first year increasing by 10% per year thereafter.

Statutory minimum wage

This is increased to £6.25 with effect from 1 September 2015.

Changes in import duty rates

Import duty on the following goods has been exempted:

- Items for the elderly, disabled and infirm (hearing aids, walking aids, wheelchairs etc.);
- Inboard and outboard marine engines and marine engine spares;
- Television spares;
- Suitcases;

Import duties on flooring, carpets and associated construction materials have been reduced to 6% for trade imports.

Hybrid vehicles with a valid trade licence are exempt from import duty. A flat rate of 5% has been introduced for private imports. Cash-back on hybrid vehicles is extended to purely electric vehicles and increased to £1000.

Duty on the importation of 2 stroke motorcycles will increase to 50%.

Import duties on all domestic or white goods with an A or above rating has been reduced to 3%.

Import duty on all domestic appliances or white goods with a B rating is doubled to 12% and filament bulbs to 24%.

Import duty on Toys has been reduced to 3%.

Import duty on rolling tobacco has been increased to £45/kg.

Import duty on wines, beers and spirits have been increased to 50p, 35p and £1 per litre bottle respectively.

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