



Changes to the taxation of interest income

Taxation of interest as a trading receipt will be extended to insurers and Distributed Ledger Technology (DLT) firms

Insurers and DLT firms to be taxed on interest income

Changes to the taxation of interest income were announced in a Ministerial Statement to Parliament on 24 January 2024. Currently, only money lenders and deposit taking institutions are taxed on interest income as a trading receipt.

With effect from **1 February 2024** it is proposed that the rules will be extended to tax interest income received by insurers and DLT firms.

Why are the rules changing?

Money lenders and deposit taking institutions have historically been taxed on their interest income on the basis that the making of loans and the purchase of debt instruments is a principal part of their business model and trade. The proposed amendment reflects changes in the landscape of the provision of financial services in Gibraltar since

the current Income Tax Act was introduced in 2010. The Ministerial Statement notes that the use of debt instruments and investments by insurers is a significant and integral part of their trade.

In relation to DLT firms, the Government considers that they have similar characteristics to traditional banks and money lenders, effectively generating income from interest equivalent activities.

What are the next steps?

We expect legislation to be introduced into Parliament shortly to amend Paragraph 15 of Schedule 3 of the Income Tax Act 2010 (taxation of interest as a trading receipt) to extend it to insurers and DLT firms. It will be important for all businesses who operate in these industries to carefully consider the scope of the proposed changes and the impact on their tax position in Gibraltar.

For more detailed information, please do not hesitate to contact:



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