

## Cat 2 - Avoiding the pitfalls

### Tax



The purpose of this publication is to provide guidance in respect of what activities a Category 2 ("Cat 2") individual can carry out in, from within or outside of Gibraltar whilst not prejudicing their tax status in Gibraltar.

The general principle is that Cat 2 individuals should not obtain employment or carry out business in competition with an ordinary taxpayer. This applies whether the individual is carrying out business personally or via a legal entity such as a company.

There are exceptions whereby Cat 2 individuals may receive "earned" income from activities in Gibraltar where it can be proved, to the satisfaction of the Ministry of Finance that there is exceptional economic benefit for Gibraltar, which warrants a departure from the general principle.

The Government recognises that there is an increasing trend of entrepreneurial high net worth individuals wishing to establish themselves in Gibraltar and yet still carry out important economic activity and they have provided the following list of activities that a Cat 2 individual in principle may carry out;

- Owning a Gibraltar Company for his investment purposes in e.g. bank deposits, equities and bonds etc.
- Owning a Gibraltar company in order to invest and trade in properties throughout the world.
- Owning a Gibraltar company for the purposes of trading in goods outside Gibraltar.
- Doing any of the above from a physical office set up in Gibraltar.
- Receiving Director's remuneration as well as dividends in respect of any of the above.
- Being only a shareholder in a company carrying out activities licensable in Gibraltar under applicable financial services or gambling legislation or in a company carrying out a business in Gibraltar that is not in competition with other businesses in Gibraltar.

- Investing, either personally or through a company or another entity, directly or indirectly, in the purchase of property situated in Gibraltar for investment purposes. However, the rental income arising from any such properties is taxable in Gibraltar either on the company or the individual and therefore does not form part of the individual's tax shelter deriving from his Category 2 Status.
- Providing consultancy services to non-Gibraltar companies or receiving employment income from companies outside Gibraltar; as long as those services or employment are physically carried out exclusively outside of Gibraltar.
- From within Gibraltar providing consultancy services to companies or other entities trading outside Gibraltar if that individual owns and controls or is connected by a significant shareholding or ownership interest in such company or entity.

All applicants and holders must continue to provide full disclosure in respect of all facts and circumstances relevant to their Cat 2 status. The above are for guidance only, and are without prejudice to the assessment and decision of the Finance Centre Director.

#### ***For further information please contact:***

PricewaterhouseCoopers Limited  
International Commercial Centre  
Casemates Square  
Gibraltar

Telephone: +350 200 73520  
Facsimile: +350 200 48267

[www.pwc.gi](http://www.pwc.gi)

[patrick.s.pilcher@gi.pwc.com](mailto:patrick.s.pilcher@gi.pwc.com)  
[raacida.amenzou@gi.pwc.com](mailto:raacida.amenzou@gi.pwc.com)  
[aine.panter@gi.pwc.com](mailto:aine.panter@gi.pwc.com)

or your usual PwC contact

While every effort has been made to ensure accuracy, information contained in this publication may not be comprehensive or may have been omitted which may be relevant to a particular reader. No responsibility for loss to any person acting or refraining from acting as a result of any material in this publication can be accepted by PricewaterhouseCoopers.

© 2011 PwC. All rights reserved. "PwC" is the brand under which member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide services. Together, these firms form the PwC network. Each firm in the network is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way.