



Tax Bulletin

Gibraltar – Taxation of Inter-Group Interest

EU Code of Conduct Group review of Gibraltar Income Tax Act

PwC Tax

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

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

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Background

The EU Code of Conduct Group recently completed its review of the Gibraltar Income Tax Act, 2010.

With the exception of the non-taxation of interest receivable arising on inter-group transactions the EU Code of Conduct Group has found the Act to be compliant with EU law in all areas.

Interest receivable

As a result, interest received or receivable by a Gibraltar company, arising from an inter-company loan, will be taxable at the corporate rate of taxation which is currently 10%.

Exemptions

Where the interest received or receivable is less than £100,000 per annum it is exempt from any charge to taxation. Consequently this change will not affect the majority of Gibraltar companies.

Anti-avoidance measure

For the purposes of determining whether or not the threshold has been exceeded, interest earned from different group companies will be deemed to be earned from the same company.

Scope of the tax

It is important to note that the taxation of inter-company interest is applicable to all companies registered in Gibraltar, regardless of where they are managed and controlled from.

Accordingly, the situs of the loan is no longer relevant. This is a sharp contrast to trading income which continues to be subject to taxation only when it is accrued in or derived from Gibraltar.

Investment Income

As this change only impacts inter-group transactions, any interest earned from bank deposits or from investments quoted on a recognised stock exchange will remain outside the scope of Gibraltar tax.

Date of commencement

Interest on all inter-group loans will be subject to taxation as from 1 July 2013.

Way forward

If this change has an impact on your company please contact us as there may be ways to mitigate the tax exposure.

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