

## Tax

### Income Tax Act 2010. What's new?



31 December 2010 marked the end of the exempt tax company regime and with it the introduction of the Income Tax Act 2010 and the biggest shake up since the original legislation was introduced in 1952. Now all companies receiving income generated in Gibraltar pay tax at the rate of 10% and there is no longer a difference between resident and non resident companies. Utility companies and companies that abuse a dominant position are liable to pay a higher rate of 20%.

With the low rate the new Act also introduces a new climate of compliance bringing Gibraltar in line with other jurisdictions. Failure to file a tax return or pay tax on time can result in a penalty of up to £350 with a fine of 10% for late payment rising to 150%. Failure to respond to a notice or request for information from the Commissioner will result in a fine of £200 on the day the failure occurs and up to £500 per day thereafter and even imprisonment.

Another significant change brought about by the new Act is the introduction of self assessment. The responsibility for calculating the tax liability has shifted to the taxpayer so it is important that the calculation is accurate as failure to pay the right amount of tax could result in penalties.

The basis of assessment has also changed. Under the new Act both companies and individuals in receipt of income other than from employment will be assessed on the actual year's profits and not on those of the prior year as has been the case until now. Complex transitional rules have been introduced in order to accommodate the change in the basis of taxation. Also the concept of the tax year for companies has been abandoned in favour of its financial year end. Self employed individuals and partnerships will be required to draw up their accounts to 30 June.

As a result companies and self employed individuals have to make advanced payments of tax on account. The relevant dates for companies are 28 February and 31 August and for individuals they are 30 June and 31 December. On these dates you will need to pay 50% of the tax payable based on the previous year's assessable income. The balance of the tax due being the actual liability less payments on account, must be paid by companies six months after the financial year end and by 30 November for individuals.

Currently all companies with assessable income are obliged to file audited accounts with the Commissioner of Income Tax. Under the new Act companies with a turnover of less than £500,000 need only file an independent accountants report rather than an audit report.

The new Act brings with it a number of challenges which unless planned for properly can be costly.

#### *How can we help you?*

We can assist you with the preparation and submission of your statutory income tax returns and liaise with the Income Tax Office on your behalf, notifying you of the due dates for payment of your tax, and recommend the amounts to be paid.

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

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