

High Executive Possessing Specialist Skills (“HEPSS”)

This bulletin summarises the key aspects of HEPSS in Gibraltar, a special employment tax status which provides cost saving incentives to companies recruiting senior executives.

Introduction

In 1998 the Government introduced a special employment tax status as a cost saving incentive for companies recruiting senior executives. On 1 July 2007 the Government abolished this status (commonly referred to as Cat 3 status) for new entrants and replaced it with the High Executive Possessing Specialist Skills (HEPSS). Existing Cat 3 certificate holders are able to retain that status until expiry of their current certificate or until 30 June 2009, whichever is the longer.

As from 1 July 2007 employees whose Cat 3 status had expired had the choice of applying for HEPSS status or being taxed as ordinarily resident employees.

Benefits

Under the HEPSS Rules, tax will be payable only on the first £100,000 per annum of income under the Gross Income Based tax which for the 2009/10 tax year equates to a total tax charge of £26,750.

The above benefits together with the fact that no capital gains tax, estate duty or inheritance tax is payable in Gibraltar can be a significant cost saving incentive for companies recruiting senior executives.

Eligibility

This status is available to:

Existing Cat 3 certificate holders who earn more than the £100,000 per annum; or new applicants who possess skills not available in Gibraltar and, in the Government's opinion, necessary to promote and sustain economic activity of particular economic value to Gibraltar, who will occupy a high executive or senior management position, and who will earn more than £100,000 per annum of income in Gibraltar;

With the exception of existing Cat 3 certificate holders, the new applicants must not have been

gainfully occupied or resident in Gibraltar for any part of the period of thirty six months immediately preceding the year in which the application is made.

The qualifying individual needs to have available for their exclusive use residential accommodation in Gibraltar, approved for this purpose by the Finance Centre Director, adequate for their and any or all of their family in Gibraltar dependant upon him.

Procedure

The application is made by the employer who needs to apply to the Finance Centre Director in writing together with all the required supporting documents.

The application needs to be accompanied by a non refundable fee of £1,000.

Ongoing Requirements

Once issued, the certificate is dependant on the employment of the individual within the same company so any change in employer will precipitate an immediate withdrawal of the certificate. The individual also needs to maintain a good character and a reputation that would not be deleterious to the reputation of Gibraltar.

Conclusion

Gibraltar is a reputable and well regulated finance centre within the EU. The tax savings afforded by the HEPSS status together with the close proximity of Andalusia, with its cities steeped in history and culture, and the availability of the Costa del Sol and Portuguese Algarve, with their internationally renowned leisure activities including several leading golf courses, make Gibraltar a very attractive location for individuals to live and work and helps employers attract the calibre of personnel which make a valuable addition to the jurisdiction's already highly skilled workforce.

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