

TAX-EFFICIENT RESIDENCE IN GIBRALTAR

This bulletin summarises the key aspects of residency for High Net Worth Individuals in Gibraltar.

Introduction

Individuals wishing to take advantage of living in a Southern Mediterranean location whilst also enjoying a beneficial tax environment may apply to become residents of Gibraltar under the Qualifying (Category 2) Individual Rules 2004 ("the Rules").

Benefits

Under the Rules, individuals in possession of a Qualifying Certificate ("Qualifying Individuals") are liable to income tax on the first £70,000 of assessable income. The minimum income tax liability, irrespective of income, is £20,000 per annum, whereas, at current rates, the maximum liability is approximately £24,500 per annum.

Qualifying Individuals may engage in trade, business or employment that is based outside Gibraltar and may benefit from tax structures, such as Gibraltar Trusts, that are usually only available to non-residents and which, under certain conditions, are not subject to taxation.

Individuals with substantial assets and/or income may, therefore, choose to establish their tax residence in Gibraltar and take advantage of the Rules in their tax and estate planning thereby limiting their tax liability on worldwide income.

It should be noted that there is no minimum residency requirement under the Rules.

The above benefits together with the fact that no capital gains tax, estate duty or inheritance tax is payable in Gibraltar make residence in Gibraltar an attractive proposition for individuals who are able to fulfil the criteria required.

Eligibility

Only individuals who have not been resident in Gibraltar during the previous five years of assessment are eligible to apply for a Qualifying Certificate.

Procedure

Applications are made to the Finance Centre Director and must be accompanied by two references. One reference must be from a bank, whereas the other must be from either a law or accountancy firm. In addition, one of the foregoing references must attest that the applicant has net assets to a value of at least £2 million. A certified copy of the applicant's passport and *curriculum vitae* as well as a non-refundable fee of £1,000 will complete the application.

It should further be noted that, although the Finance Centre Director will seek to be satisfied that the prospective Qualifying Individual has sufficient means to maintain himself and his family, it will not be necessary for the individual to declare his worldwide wealth or earnings.

Within two months of obtaining a Qualifying Certificate, successful applicants are required to obtain approval from the Finance Centre Director in respect of residential accommodation for the continued, exclusive use of the Qualifying Individual and his/her family. Residential accommodation may be acquired or rented and must be of a standard commensurate with the lifestyle of a wealthy individual.

Registration

Once granted Qualified Individual status, various administrative procedures have to be complied with such as the obtaining of: (i) residency permits under the Immigration Control Ordinance; and (ii) Civilian Registration Cards.

The foregoing registration documents will be issued upon the Qualifying Individual demonstrating that he and those family members covered by the Qualifying Certificate are adequately protected by private medical insurance covering the cost of all medical treatment in Gibraltar.

Ongoing Requirements

Once issued, a Qualifying Certificate shall remain valid subject to the Qualifying Individual demonstrating, on each anniversary of the granting of the Qualifying Certificate, compliance with, *inter alia*, the rules in respect of accommodation and the restrictions on engaging in trade, business or employment based within Gibraltar. In addition, the Qualifying Individual is required to demonstrate that any liability to Income Tax in the preceding year has been met.

Conclusion

The advantages of obtaining tax residency in Gibraltar are considerable. The close proximity of Andalusia, with its cities steeped in history and culture, together with the availability of the Costa del Sol and Portuguese Algarve, with their internationally renowned leisure activities including several leading golf courses, increase the appeal of Gibraltar as the ideal location for tax-efficient residence.

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