

**Deloitte.**



## **Gibraltar Category 2 Individuals**

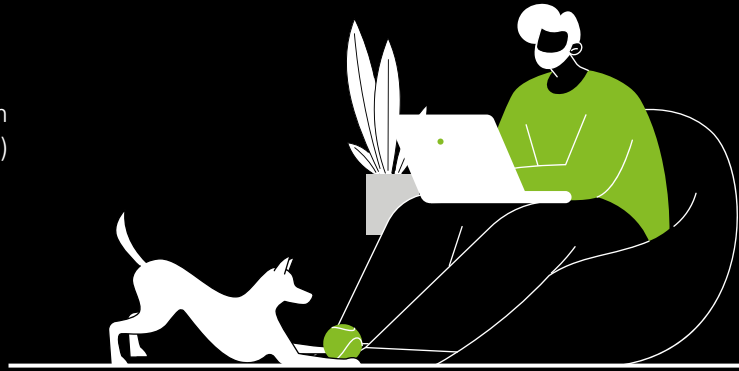
Special tax status for High Net Worth  
Individuals (“HNWIs”)

January 2023

**MAKING AN  
IMPACT THAT  
MATTERS**  
*since 1845*

## Introduction

Gibraltar’s legislation includes provisions - the Qualifying (Category 2) Individual Rules 2004 - which offers qualifying High Net Worth Individuals (HNWIs) access to a special tax status – Category 2 status. Following successful application to the Finance Centre Director, and receipt of a Category 2 certificate, the Category 2 status results in the individual being taxable in Gibraltar but only to a limited extent.



## Taxation of a Category 2 Individual

Only the first £118,000 of assessable income derived by a Category 2 Individual is taken into account when calculating their tax liability in Gibraltar. By default, only income remitted to Gibraltar is taken into account, although an individual may elect for their worldwide income to be declared instead.

The tax liability is calculated in accordance with Income Tax Act 2010, subject to a minimum annual tax liability of £37,000. The maximum tax liability (notwithstanding the below temporary increases), which arises if £118,000 or more of assessable income is remitted to or declared in Gibraltar, would be £42,380. Income tax returns in respect of a tax year (ending 30 June), together with any balancing payment due must be submitted no later than 30 November. Additionally, payments on account must be made in two instalments, on or before 31 January and 30 June and are set off against the balance to be paid by no later than 30 November.

In his 2022 Budget address, the Chief Minister of Gibraltar announced a temporary increase of 2% on all tax rates across all tax bands under the allowance-based system (“ABS”) of taxation and the gross income-based system (“GIBS”) of taxation. This measure is applicable for the next two tax years (i.e., tax years ending 30 June 2023 and 2024). Granted that the maximum Category 2 tax charge is calculated under ABS, this temporary 2% increase will also apply. As such the maximum Category 2 tax charge for tax years ending 30 June 2023 and 2024 will amount to £44,740. This temporary increase in tax would not impact the minimum Category 2 tax charge of £37,000.

In addition to the application fee of £1,100, the Chief Minister announced that all individuals applying for Category 2 tax status will, going forward, be required to make a bond payment equivalent to the maximum tax payable (i.e., currently £44,740). This bond payment would amount to a one-off payment which is refundable by the Gibraltar Income Tax Office, net of any taxes due, in the year of assessment in which an individual relinquishes their Category 2 tax status.

## Taxation of the family of Category 2 individuals

A Category 2 Individual may elect for the income of a spouse, civil partner, or any child of the individual or their spouse/civil partner to be deemed to be income of the Category 2 Individual for the purpose of the Rules. This election may only be made if the spouse, civil partner, or child is not prevented, by virtue of their previous residency, nor by activity undertaken in Gibraltar, to apply for this status in their own right.



## Conditions for application

Before a certificate designating a HNWI as a Category 2 Individual can be issued by the Finance Centre Director, he must be satisfied that:

- 1 | The individual is of good standing and repute. In addition to any background checks that may be carried out on the individual and their family, the individual will need to produce two character references in a specified format: one from a reputable bank, and another from a recognised professional (usually an accountant or lawyer) with whom the individual has maintained relationships for a required period of time.
- 2 | The individual has net assets in excess of £2 million. This is usually evidenced by way of bank statements or written confirmation from the applicant’s accountant.
- 3 | The individual has available to him approved residential accommodation in Gibraltar adequate for himself and his family. The property can be rented or bought but must be of sufficient quality so as to be considered fitting for a person of Category 2 status. The property must be continuously available for the individual’s exclusive use and therefore cannot be rented out by the individual.
- 4 | The individual has not been resident in Gibraltar within the previous five tax years.
- 5 | The individual has not been engaged in a trade, business, or employment in Gibraltar within the previous five tax years other than in respect of duties incidental to any trade, business or employment based outside Gibraltar.
- 6 | The individual will pay the refundable bond payment, which is equivalent to the maximum Category 2 tax liability that would apply in the tax year of application.

## Our Services

The Deloitte office in Gibraltar has been advising HNWIs for many years and offers a private client service that caters for all their needs, including practical all-encompassing concierge services to ensure a smooth relocation. We can assist both in the application for Category 2 status and in the annual preparation of tax returns. Our services include advising in respect of wealth holding structures and succession planning sensitive to personal or family issues and priorities.

## Contacts



**GAVIN GAFAN**

*Associate Director*

Tel: +350 200 11252

gpgafan@deloitte.co.uk

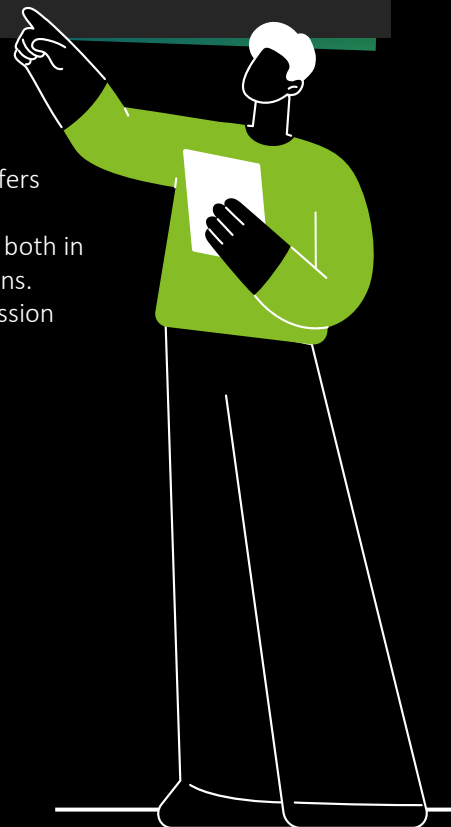


**VICKRAM KHATWANI**

*Director*

Tel: +350 200 11251

vickramkhatwani@deloitte.co.uk





This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte Limited accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte Limited is a subsidiary of Deloitte LLP, which is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more about our global network of member firms.

Deloitte Limited is a company registered in Gibraltar with registration number 97704 and registered office at Floor 3, 120 Irish Town, Gibraltar, GX11 1AA.

Directors: A list of our directors is available upon request at our offices

© 2023 Deloitte Limited. All rights reserved.

Designed by CoRe Creative Services. RITM1287973