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Gibraltar Payroll Obligations

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Gibraltar Payroll Obligations

1. REQUIREMENT TO OPERATE A PAYROLL IN GIBRALTAR

All Gibraltar registered employers are required to calculate and withhold the correct amount of PAYE (“Pay As You Earn”) tax and social insurance (Gibraltar social security), based on prescribed tax and social insurance rates. In line with the Income Tax (Pay As You Earn) Regulations, 1989, these amounts are to be paid to the Gibraltar Income Tax office by the 15th of the subsequent month.

2. REGISTRATION OF EMPLOYERS

All Gibraltar employers must register with the Gibraltar Department of Employment (“DoE”), which is the authority that administers and enforces Gibraltar employment laws. Registration will take place upon payment of a fee of £86 and is renewed annually on the anniversary of first registration. The renewal fee is £34, which doubles if renewal is not effected within a month of due date. If the registration details of the business require a change, these must be notified to the DoE, and will incur an additional cost of £21.50

3. REGISTRATION OF EMPLOYEES

In line with Employment Regulations, 1994 all employers are required to ensure that any employee working in Gibraltar is registered in advance with the DoE, by first submitting a completed Notification of Vacancy form at least 10 days before commencement date, along with payment of a registration fee of £9.50¹. Vacancies registered within 10 working days from, or after the commencement date will incur additional fees.

After this 10 day period of notification, the employer will need to inform the DoE of their intention for a specific worker to fill said vacancy and does so by submitting a completed Notice of Terms of Engagement form².

Subsequent to the initial registration, where the employment terms or personal details of a registered worker have changed, the DoE must be notified by way of a Notice of Variation of Terms of Engagement form. Once successfully registered with the DoE, the Notice of Terms of Engagement form will need to be submitted to the Gibraltar Income Tax Office, along with a copy of the employee’s passport. The Income Tax Office will then issue the employee’s tax code and taxpayer reference number, which must be provided to the employer in order to correctly calculate the monthly payroll withholdings. In the absence of a tax code, the emergency rate of tax of 20% must be applied.



1 - Employers with ten employees or less are exempted from the Notification of Vacancy fee and associated penalties.

2 - 10-day vacancy penalty fee may be waived at the discretion of the Director of Employment.



4. INCOME TAX

Gibraltar offers a dual personal tax system, namely the Gross Income Based System (“GIBS”) and the Allowance Based System (“ABS”). Upon registration with the Income Tax Office, the employee will be assigned a tax code under the tax system elected by the employee.

5. SOCIAL INSURANCE

The Social Security (Insurance) Act requires that social insurance be payable in respect of all individuals who are working in Gibraltar. This also applies to Gibraltar-registered employees who are working overseas. The only exception to this is when:

- the employee is also a registered employee of another employer in Gibraltar, and their social insurance obligations (employee’s and employer’s contributions) are fully met by the other employer; or
- the employee holds a valid A1 certificate issued by the UK, in which case social security contributions continue to be made in the UK.

The monthly amount of social insurance payable is based on the employee’s social insurance contribution class as allocated by the Income Tax Office.





6. TERMINATION OF EMPLOYEE

Upon termination of an employee's contract, an employer must submit a Notice of Termination form to the DoE no later than 7 days from the date of termination. Once a final salary payment is made to the relevant individual, the employer must complete and submit form P7a to the Income Tax Office as well as a DSS² form to the Department of Social Security. Copies of both forms must be given to the employee for their records.

7. ONGOING OBLIGATIONS AND ANNUAL REPORTING REQUIREMENTS

Under Gibraltar law, employers must ensure that employees are paid at regular intervals and receive a pay slip for wages earned during the working week/month. The pay slip must record gross earnings, deductions made and net pay.

Furthermore, following the end of the tax year on 30th June each year, employers must complete and submit the following forms to the Income Tax Office by 31st July:

- P8 – Employers Annual Statement Declaration and Certificate. This declares the gross salaries, PAYE and social insurance broken down by employee, and the total PAYE and social insurance withheld and paid by the employer.
- P10/P10A – This lists the Benefit in Kinds provided to employees and identifies whether the employee or employer will settle the tax arising on these.
- P12 – This details pension contributions made by both the employees and employer.

Employers must also provide employees with a completed Form P7 (Certificate of Pay, Tax Deducted and Social Insurance Contributions) on an annual basis

HOW CAN DELOITTE ASSIST

Deloitte Gibraltar have developed a bespoke GDPR compliant payroll processing and management service, performed by tax professionals. We can support with all registrations, monthly payroll obligations and annual employer compliance.

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