

WHY TAKE UP RESIDENCE IN GIBRALTAR?

Gibraltar offers compelling tax advantages to High Net Worth Individuals via the opportunity to take-up Category 2 Status. Category 2 Status offers individuals the ability to limit their tax liability to a maximum of (approx) £23,000. Given Gibraltar's enviable position on the entrance to the Mediterranean, its British heritage and easy accessibility there are compelling reasons to consider the opportunities Gibraltar presents.

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RESIDENCE & TAX

Every jurisdiction applies its own particular rules to determine an individual's country of residence. In fact choosing your country of residence is, from a tax planning point of view, the most important decision you will ever take because this will determine not only the country which is entitled to tax you but also, in many cases, the system of taxation which will, thereafter, apply to you. It is obvious therefore that a person who is about to engage in any tax planning or re-structuring of his private affairs will have to consider carefully where he wishes to establish his residence in the context of the plans that he may wish to implement.

Once you are regarded as a resident in any country, it is likely that that country's taxation system will seek to impose tax upon you under various heads, which may include your worldwide income (income tax), your worldwide capital gains (CGT), your wealth and, in the event of death, inheritance tax on your estate (IHT).

If by arranging your affairs in a particular way you are able to both limit your exposure to income tax and mitigate the incidence of other taxes, then you will be well on the way to devising an efficient personal tax structuring plan. If on top of everything you can secure these benefits by fixing your personal residence in a neutral jurisdiction which

caters for your lifestyle, then the plan really works! This is where Gibraltar excels.

WHY GIBRALTAR?

Gibraltar offers great attractions to anyone considering the establishment of a new country of residence whether in the context of a personal tax re-structuring, for estate planning purposes or simply for a change of life. Quite apart from a friendly, relaxed lifestyle and perfect Mediterranean climate, Gibraltar offers tremendous fiscal advantages which make it an extremely tax efficient as well as desirable place to live. Gibraltar has:

- ❖ No Inheritance or Succession taxes;
- ❖ No Capital Gains taxes;
- ❖ No Wealth taxes;
- ❖ No tax on Savings and Investment Income;
- ❖ No VAT;
- ❖ No Stamp Duty (other than on Gibraltar real estate)

So Gibraltar provides what is potentially an excellent base from which to plan your personal affairs. Furthermore, by applying for what is known as "Category 2 status", upon taking up residence in Gibraltar you will immediately be able to enjoy the following benefits:

- ❖ *Limit your Income Tax* – as a “Cat 2” (as everybody calls them) you will pay income tax only on the first £60,000 of your assessable income, resulting in a maximum tax charge of approximately £23,000. The minimum tax payable is £18,000;
- ❖ *Residence in a tax neutral jurisdiction* – as a Cat 2 individual you will be resident in Gibraltar’s tax friendly environment Gibraltar, with no exposure to any of the other taxes listed above. In fact you will have no exposure to any other direct form of taxation at all;
- ❖ *Business Interests* - you will also be entitled to continue to carry on your trade, business or employment with no tax consequences of any sort, so long as these are conducted outside Gibraltar. You may even be able to carry on your business from Gibraltar through a Gibraltar company, so long as you are able to meet certain criteria.

It will be seen therefore that by taking up residence in Gibraltar and securing Cat 2 status you will, in one move, have achieved the two limbs of an efficient plan: limited income tax and reduced exposure to other forms of tax.

APPLYING FOR CATEGORY 2 STATUS

Requirements for Category 2 Status

In order to achieve the special tax privileges of Cat 2 status (technically “Qualifying (Category 2) Individual Status”) the applicable rules require that you satisfy the following requirements:

- ❖ *Accommodation* - As a Cat2 you must have a ‘prime area’, approved property for your exclusive residential use in Gibraltar;
- ❖ *References* - You must produce two independent references from recognised institutions/professionals, one of which must be from an international bank;

- ❖ *Statement Of Net Worth* - You must provide a statement of net worth to show a minimum of £2 million, to the satisfaction of the Gibraltar Finance Director;
- ❖ *Passport & CV* - You must produce a valid passport and full CV.

Exclusions to Category 2 Status

You cannot be a Cat 2 if:

- ❖ You have been present in Gibraltar within a period of five years preceding the year of assessment in which you lodge your application for Cat 2 status; or
- ❖ You have been engaged in a trade, business or employment in Gibraltar within a period of five years immediately preceding the year of assessment in which the application is made; or
- ❖ You are carrying on any trade, business or employment in Gibraltar, save to the extent of the exceptions mentioned above.

The Application

A fee of £1,000 is payable on submitting the application for Cat 2 status. Properly presented applications are usually granted within 14 days. Cat 2 Certificates are issued valid for an indefinite period subject only to continuing compliance with the applicable qualifying rules.

CONCLUSION

Gibraltar provides a perfect platform to (i) restructure your private holdings efficiently (ii) limit your taxes in a tax friendly environment and (iii) at the same time enable you to conduct your business from Gibraltar. Naturally as a Cat 2 you could continue to be or otherwise become liable to taxes in other countries in which you are or may be deemed to be resident. That will depend on how you choose to manage your affairs.



Obviously you should take expert advice before planning any change of residence of this kind. In fact the applicable rules are a little complicated and you will almost certainly require professional assistance. Also establishing residence in Gibraltar, even with Cat 2 status, may not mitigate your tax liabilities outside Gibraltar if you are taxed on the basis of your nationality or on the basis of some criteria other than residency.



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