

INDIVIDUAL TAX FILINGS IN GIBRALTAR



After the spectacle and sparkle of Guy Fawkes, another date worthy of illumination is 30th November because this is the annual filing and payment deadline for Gibraltar individual tax returns!

By this date, tax returns (and any due payments) are required to be submitted by individuals to the Gibraltar Income Tax Office, to report any assessable income for the tax year from 1st July 2018 to 30th June 2019.

WHO NEEDS TO FILE?

All individuals in receipt of assessable income are required to file a Gibraltar tax return. For employees this remains the case even if all their tax is paid through the PAYE system. This is a change for employees who may have previously worked in the UK, where many employees are not required to file UK tax returns if they pay all their tax through PAYE and have no other income.

This filing responsibility applies regardless of the individual's country of residency. The key determining factor is whether there is any 'assessable income'. For all individuals this includes Gibraltar source assessable income (e.g. Gibraltar employment income, Gibraltar self-employed trade income or Gibraltar rental profits). Therefore frontier workers and overseas landlords of Gibraltar rental property are required to file a tax return and this income may also need to be reported in their country of residency. For those resident in Gibraltar, assessable income is extended to include certain types of foreign income (e.g. overseas employment) and this income may also need to be reported in the source country. Where tax reporting is required in more than one country, relief from double taxation of the income may be available.

TYPES OF GIBRALTAR TAX RETURN

IT1P to be completed by employees and High Executives Possessing Specialist Skills (HEPSS).

IT1S to be completed by self-employed individuals. This includes landlords of Gibraltar rental property (where they do not have other income liable to PAYE).

IT1C to be completed by Category 2 residents. This is a residency regime for High Net Worth Individuals.

If a tax return has not been received in the post, it can be downloaded from the Government's website: www.gibraltar.gov.gi/new/downloads-ito.

PERSONAL INCOME TAX SYSTEMS

In addition to reporting assessable income, the tax return provides the basis for claiming allowances and deductions.

The availability of these allowances and deductions is determined by the operation of two personal income tax systems. Taxpayers can opt to be taxed under the Gross Income Based System (GIBS) or the Allowance Based System (ABS). Spouses may elect either system but restrictions apply to allowances and deductions where one spouse elects GIBS and the other ABS. HEPSS residents are taxed under GIBS. Category 2 residents are taxed under ABS. Different tax rates apply for each system. Further details of each system can be found at <http://info.stmgroupplc.com/stm-fiscalis-gibraltar-tax-rates-2018-2019>.

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TAX PAYMENTS

Gibraltar operates a Payment On Account (POA) system. POAs are based on a taxpayer's tax liability for the previous tax year. Two POAs are due to be made by individuals each year. The first by 31st January and the second by 30th June, with any balancing payment (if required) by 30th November.

If the tax liability due for the year is expected to be less than that of the previous year (due to an income reduction), there are provisions which enable the taxpayer to claim to reduce the POAs.

For employees who pay all their tax through the PAYE system, POAs will not apply. If there has been any underpayment of PAYE, a balancing payment will be required once the tax assessment for the year has been issued by the Income Tax Office. If there has been any overpayment, a repayment should be issued.

Payment can be made in person at the Income Tax Office. Cheques must be made payable to the 'Government General Account'. Payment by bank transfer is the preferred option for many.



LATE FILING AND LATE PAYMENT OF TAX

A late filing penalty of £50 is imposed for a tax return reaching the Income Tax Office after the deadline date. Further penalties are imposed of £300/£500 if the tax return is still not filed within three months/ six months.

A late payment surcharge of 10% of the unpaid tax is imposed on the day following the payment due date. A further 20% surcharge is imposed if the tax and surcharge is not paid within 90 days from the due date. Therefore the cost of delaying payment even by one day can add 10% to your tax bill. It is preferable by far to ensure to act in good time and not leave matters until the deadline.

Other penalties can apply. For example, for fraudulently, recklessly or negligently delivering an incorrect tax return. If a tax return is not submitted, the Income Tax Office can make an estimated assessment to instigate the process of collecting the tax and penalties due.

GLOBAL TAX INFORMATION EXCHANGE

With increasing global measures for tax information exchange and measures imposing penalties for failure to correct historic offshore tax non-compliance, now is certainly the time to ensure that tax reporting is correct and up to date in the taxpayer's country of residency and source country of the income (if different). If in any doubt, specific advice should be sought.

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