

STAMP DUTY

Only payable on real estate and capital transactions at the following rates:

• share capital (flat rate)	£10
• loan capital (flat rate)	£10

On purchase of Real Estate as follows:

• up to £200,000	nil
• between £200,001 & £350,000	2% on first £250,000 and 5.5% on balance
• over £350,000	3% on first £350,000 and 3.5% on balance

IMPORT DUTIES

Levied on goods imported into Gibraltar, mostly at rates 0% - 12%. As from 1 July 2010 import duty on pedal cycles, electric cars, solar paneling and related equipment is reduced to zero. Import duty on hybrid cars is reduced, but is increased on petrol and diesel powered vehicles.

EXCISE DUTIES

Levied mainly on spirits, wines, tobacco and mineral oils.

SOCIAL INSURANCE CONTRIBUTIONS 2010/2011

Contributor:	% payable on Employee's gross earnings	Min payable (per week)	Max payable (per week)
Employer	20%	£15.00	£32.97
Employee (under 60)	10%	£5.00	£25.16
Employee (age 60 & over)	-	-	-
Self-employed	20%	£10.00	£30.17

No contributions are payable if person is not in receipt of earnings. Income earned by a student whilst on holiday is also exempt.

Contribution credits apply in certain cases, including employees, on unpaid sick leave or maternity leave and persons over the age of 60 years

STATUTORY MINIMUM WAGE

As from 1 January 2011 - £5.40 per hour. (2009-2010 - £5 per hour)

FORTHCOMING MEASURES

The Government has published a New Income Tax Act (subject to amendment) which is expected to come into effect on 1 January 2011. This Act will dramatically change the administration and collection of taxation in Gibraltar and is designed to create a new "climate of compliance" with strict anti-avoidance provisions, provisions for 'naming and shaming' defaulters, tough penalties and fees and criminalization of many tax offences. It also brings a general 10% Corporation Tax rate which will apply to most companies and other substantial changes to the fiscal regime. The draft legislation can be downloaded from our website.

Useful Gibraltar Websites

Baker Tilly (Gibraltar) Limited	www.bakertillygibraltar.gi
Govt. of Gibraltar Information Services	www.gibraltar.gov.gi
Gibraltar Laws	www.gibraltarlaws.gov.gi
Gibraltar Federation of Small Businesses	www.gfsb.gi
Chamber of Commerce	www.gibraltarchamberofcommerce.com



BAKER TILLY
(GIBRALTAR) LTD

Chartered Accountants

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- Auditing • Business recovery • Business start-up services • Company secretarial services • Human resource consultancy (including recruitment services) • Management & Consultancy • Payroll & Ancillary • Receivership & Liquidations • Taxation • Trust and company management

Directors of Baker Tilly (Gibraltar) Limited:
Charles Serruya JP BA (Econ) (Hons) ACA
Jose Julio Pisharello BSc (Hons) ACIB FCCA
Ian Collinson BSc (Econ) (Hons) FCA FMAAT
Angelique Linares BSc (Hons) ACA
Johann Olivera BA (Hons) ACA
Neil Rumford BAdmin (Hons) CA

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For further information on our complete range of services, please contact:

Regal House Queensway, Gibraltar
Tel: (+350) 20074015 / 20079799
Fax: (+350) 20074016 / 20075141

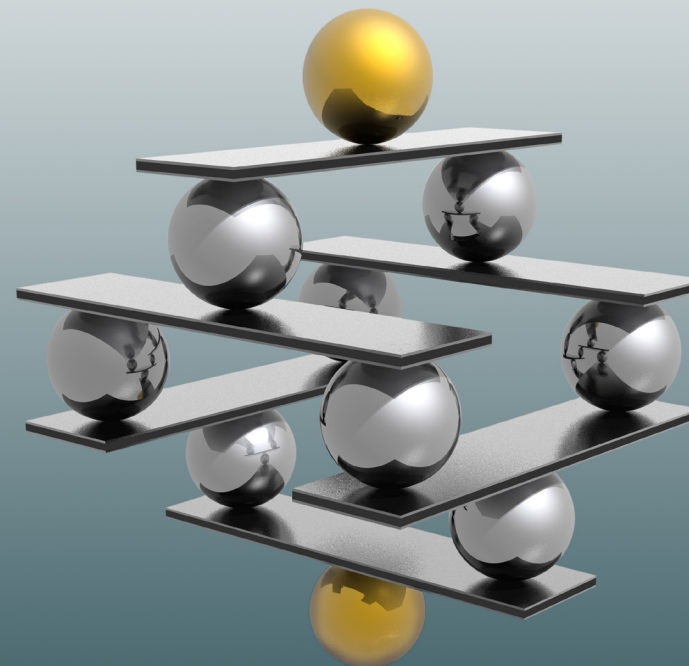
E-mail: info@bakertillygibraltar.gi www.bakertillygibraltar.gi



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Note: Whilst every effort has been made to ensure accuracy, the information contained in Tax Facts may not be comprehensive and recipients should not act upon it without seeking professional advice. The figures herein are based on the Budget Measures announced on 1 July 2010 and on the draft New Tax Act published in June 2010 and may be affected by subsequent legislation.

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Gibraltar tax facts 2010 / 2011



BAKER TILLY
(GIBRALTAR) LTD

Chartered Accountants

GIBRALTAR TAX FACTS 2010/2011

(From 1 July 2010 to 30 June 2011)

INCOME TAX

Choice of Personal Tax systems

As from 1 July 2007 taxpayers may opt to be taxed under an Allowance Based system [see (A) below] or under a Gross Income Based System [see (B) below]. In the case of spouses, where one spouse opts for the gross income based system and the other for the allowance based system, conditions apply on the latter's entitlement to allowances. The Commissioner of Income Tax will calculate the final assessment on the basis of the system which is most beneficial for the taxpayer, irrespective of the system that is chosen by the taxpayer at the beginning of the tax year.

(A) ALLOWANCE BASED SYSTEM

Taxable Income Bands	Rate %	Tax on band
£0 - £4,000	17 (reduced rate)	£680
£4,001 - £16,000	30 (standard rate)	£3,600
Over - £16,000	40	-

PRINCIPAL INCOME TAX ALLOWANCES & RELIEFS

	2010/11	2009/10
Personal allowances		
Personal	£2,812	£2,735
Spouse allowance	£2,632	£2,560
Nursery School Allowance (per child)	£1,023	£995
Child Relief		
In respect of first child only	£997	£970
In respect of each child educated abroad	£1,105	£1,075
Disabled Person	£2,724	£2,650
Dependent Relative (maximum)		
Resident	£190	£185
Non resident	£139	£135
Blind Person	£627	£610
Apprentice	£380	£370
Single parent	£2,632	£2,560
House Purchase Allowance		
Deduction	£11,500	£11,500
Special (£1,000 max p.a.)	£4,000	£4,000
Social insurance		
Employee	£335	£335
Self-employed	£432	£432

OTHER ALLOWANCES & RELIEFS

Low Income Earners Allowance

Persons earning less than £8,000 will be entitled to an additional tax allowance so that no tax is payable by such persons. An additional tax allowance is also given to taxpayers whose earned income for the tax year is less than £19,500.

Students

Earnings during school and university vacations are exempt from tax.

Mortgage Interest Relief

Interest fully allowable on loans to finance Gibraltar residential property occupied by the taxpayer. Allowance restricted on loans issued on or after 1 July 2008 to a maximum of £300,000. Loans issued before 1 July 2008 of over £300,000 will be grandfathered with the amount over the limit which is allowable being reduced by 1/10th per annum.

Life Assurance Premiums

Premiums fully allowable provided they do not exceed 1/7th of assessable income or 7% of the capital sum assured at death. In respect of policies issued on or after 3 June 2008 the allowance is limited to basic tax rate of 17%.

Working Pensioners' Relief

Persons over the age of 60 who are not in receipt of an occupational pension scheme and continue to work are entitled to a tax credit of up to £4,000.

Medical Insurance Allowance

First £1,120 (2009/10 - £1,090) of eligible premiums paid in the tax year by an individual for personal health insurance cover or for the benefit of that individual's spouse or dependent children is fully allowable.

'Topping-up' Allowances

Individuals whose total allowances are less than £3,700 will have their allowances 'topped up' to £3,700. In the case of elderly persons (men aged 65 and over; women aged 60 and over) the allowances are topped-up to £10,887 (2009/10 - £10,590).

Pension Contributions and withdrawal of capital (tax-free)

Contributions to approved personal or occupational pension schemes are allowable subject to certain limits. There is no requirement to buy an annuity. In addition, pensioners may withdraw the whole of the capital tax-free.

With effect from 25 June 2009, the possibility to 'carry back' excess contributions to earlier tax years was abolished.

Further, with effect from 1 July 2009, tax relief on contributions to retirement annuity contracts and personal pension schemes is limited to the lower of 20% of earned income or £35,000.

Income from occupational pensions

Income from occupational pensions is taxed at 0% for persons aged 60 or over (age 55 for ex-policemen and ex-firemen)

Savings Income

Income from qualifying investments (mainly interest from bank & building society deposits and income from quoted investments) is tax free.

Gibraltar Government Debentures

Investments in various Government debentures are exempt from Income Tax.

Approved* Expenditure On Premises

Expenditure incurred up to 31 Dec. 2012 on painting, decorating, repairing and, in general, enhancing the appearance of the frontage of premises is fully allowable as a business expense and also entitles the claimant for a further equal deduction in computing the income chargeable to tax.

**The expenditure must be certified by the Town Planner.*

(B) GROSS INCOME BASED SYSTEM

(a) Persons on Gross Income up to £16,000

<i>Taxable Income Bands</i>	<i>Rates</i>	<i>Tax on band</i>
£0 - £10,000	8%	£800
£ 10,001 - £16,000	20%	£1,200

(b) Persons on Gross Income between £16,001 and £25,000

<i>Gross Income between</i>	<i>On First</i>	<i>Rate</i>	<i>Balance at 20%</i>	<i>Tax Payable</i>
£16,001 - £17,000	£6,000	0%	£10,001 - £11,000	£2,000 - £2,200
£17,001 - £18,000	£5,000	0%	£12,001 - £13,000	£2,400 - £2,600
£18,001 - £19,000	£4,000	0%	£14,001 - £15,000	£2,800 - £3,000
£19,001 - £20,000	£3,000	0%	£16,001 - £17,000	£3,200 - £3,400
£20,001 - £25,000	£2,000	0%	£18,001 - £23,000	£3,600 - £4,600

(c) Persons on Gross Income between £25,001 and £35,000

Rate of 20% applies less tapering relief* on gross income between £25,001 and £26,000

**Tapering relief (On gross income of £25,000 there is a tax-free amount of £2,000 which reduces by £2 for every £1 increase in gross income).*

(d) Persons on Gross Income between £35,001 and £100,000

The effective (average) tax rate is reduced by 0.5% from 2009/10 using a complex formula to give a maximum effective tax rate of 26.25% on gross income of £100,000.

The tax liability is arrived at by (a) calculating the effective tax rate using the 2009/10 tax bands (see below) and (b) then reducing this by 0.5% and (c) applying the resulting rate to taxable income (gross income less tapering relief).

Tapering relief (on gross income of £35,001 there is a tax free amount of £3,284 which reduces by £2 for every £1 increase in gross income).

2009/10 tax bands	Rate
£0 - £25,000	20%
£ 25,001 - £100,000	29%

(e) Persons on Gross Income between £100,001 and £353,000

Rate of 20% on first £25,000 of gross income with the balance taxed at 29%.

Tapering relief applies (on gross income of £100,001 there is a tax-free amount of £1,722 which reduces by £2 for every £1 increase in gross income).

(f) Persons on Gross Income over £353,000

Gross income is taxed as follows:-

First £25,000	20%
£25,001 - £353,000	29%
£353,001 - £704,800	20%
£704,801 - £1,000,000	10%
Excess over £1,000,000	5%

No allowances apply under the Gross Income Based System.

Where a tax payer opts for the gross income based system and the spouse does not, the availability of allowances to the spouse is restricted (refer to Government web site - www.gibraltar.gov.gi).

INDIVIDUALS ENJOYING SPECIAL CONCESSIONS

Qualifying Individuals

Qualifying individuals are non-residents who derive no income from Gibraltar (other than income from an Exempt company). Tax is charged at a rate not less than 2%* on world-wide income subject to a maximum tax payable of £20,000 per annum.

*Rate determined by the Finance Centre Director.

High Net Worth Individuals ('Category 2 Individual')

Only the first £80,000 (2009/10 - £70,000) of assessable income is taxable subject to a minimum tax payable of £22,000 (2009/10 - £20,000) and a maximum of approx. £30,000 (2009/10 - £26,000).

Conditions on residential accommodation and previous residence/activities in Gibraltar apply. A Category 2 individual cannot, in general, engage in a trade, business or employment in Gibraltar.

Relocated Executives Possessing Specialist Skills (REPSS)

Abolished for new entrants (see HEPSS). A flat rate of tax is payable on taxable income (essentially emoluments arising from the qualifying* employment and most classes of other income)as follows:

Qualifying Status	Tax per annum 2010/11	Tax per annum 2009/10
Category 3 individual	£15,000	£15,000
Category 4 individual* **	£7,500	£7,500

** Exempt status company with physical presence in Gibraltar*

*** Taxable income must be less than £50,000.*

Existing REPSS can retain their certificates until the later of expiry of their current certificates or 30th June 2009.

The Category 3 and Category 4 regime will definitively terminate by 31 December 2010 when the exempt tax regime also comes to an end.

High Executive Possessing Specialist Skills (HEPSS)

The tax payable by a HEPSS is limited to the first £120,000 of earned income (2009/10 - £100,000). Persons with REPSS status meeting the earning conditions may migrate to HEPSS. The relevant skills must be deemed to be of exceptional economic value to Gibraltar. HEPSS are taxed under the Gross Income Based System. Conditions on residential accommodation and previous non-residency apply. HEPSS status is available to employees of all companies.

Permitted Individuals and Residence

Permitted individuals are non-residents who work in Gibraltar. They are liable to taxation on their Gibraltar income only. Permitted individuals legislation will come to an end on 31 December 2010. Thereafter, the New Income Tax Act will come into effect and this classifies individuals who visit Gibraltar for 183 days in a tax year or more than 300 days in three consecutive tax years as Ordinarily Resident and taxable in Gibraltar on their world-wide income (subject to double-tax relief).

Other Non-Residents

Generally liable to tax on income accruing in, derived from, or received in Gibraltar with certain exceptions. In particular, tax on interest from bank and building society deposit accounts is exempt. Non-residents are also exempt from dividends and (generally) interest paid by a Gibraltar company.

CORPORATION TAX

Resident Companies	Up to 31.12.10	From 1.1.11
Full Rate		
Utility and energy companies	22%	20%
Other	22%	10%
Small companies' rate	20%	N/A
Marginal relief	7.5%	N/A

Small companies' rate applies if taxable profits do not exceed £35,000 and the company derives at least 80% of its turnover from trading. Between £35,000 and £44,333 (2008/09 between £35,000 and £67,667) the full rate applies less marginal relief on the difference between £44,333 and taxable profit.

Resident Companies - Recent 'start-ups'*

Date business established	Tax Year	Rate
Between 1 July 07 and 30 June 09	2008/09	27%
After 1 July 09	2009/10	10%

** applies to businesses established after 1 July 2007 (conditions apply)*

Withholding Tax	
On dividends*	0%
On interest paid to individuals**	30% - nil after 1.1.11
On interest paid to companies**	22% - nil after 1.1.11

*In addition, no tax is payable on dividends between Gibraltar companies

** Exemptions may apply

Wear and Tear (Capital) Allowances	Until 31.12.10	From 1.1.11	
	Initial Allowance	Additional Allowance	Additional Allowance
Plant & machinery (inc. fixtures & fittings)	100% on first £30,000	at 25% p.a. straight line on balance	at 10% p.a.* on reducing balance
IT Investment	100% on first £50,000	at 25% p.a. straight line on balance	at 10% p.a.* on reducing balance
Industrial buildings (<i>Incl. factories and similar premises</i>)	–	4% p.a. straight line on cost	4% p.a. straight line on cost

• As from 1 January 2011 the writing down allowance on plant and machinery, and IT investment is 10% on companies other than utilities and energy companies and other persons where the allowance is 20%. Assets will be pooled for the purposes of calculating the wear and tear allowance and of balancing charges.

DUE DATES FOR PAYMENT OF TAX

Current Income Tax Act

Employment Income
Other Income & profits
Tax paid via PAYE on the later of:

- 28 February (falling within the tax year)
- 60 days after the issue of an assessment

New Income Tax Act

Employment Income
Companies
Tax paid via PAYE
Advance payment of 50% (estimated) by 31 August
Advance payment of 50% (estimated) by 28 February
Any remaining balance within six months of end of accounting period

Self-employed and other
On account payment of 50% by 31 December
On account payment of 50% by 30 June

COMPANIES ENJOYING SPECIAL CONCESSIONS

Exempt Status Company*
Flat rate of £450 per annum
** Status being phased out by December 2010.*

Non-Gibraltar Income

Income which does not accrue in or derive from Gibraltar is not taxable in the hands of a company. Upon distribution to the shareholders it will only be taxable if they are individuals ordinarily resident in Gibraltar.

TAXATION OF CAPITAL

Estate Duty: There is no Estate duty in Gibraltar
Capital Gains Tax / other capital taxes: There is no Capital Gains Tax in Gibraltar, or any wealth, gift or other capital taxes.

VALUE ADDED TAX

There is no VAT in Gibraltar.

GAMING TAX (On-lineGaming)

Levied at the rate of 1% of relevant income (gaming yield for on-line casinos and bets placed for on-line bookmakers), capped at £425,000 with a minimum payable of £85,000