

CATEGORY 2 – RESIDING IN GIBRALTAR

A GUIDE FOR HIGH NET WORTH INDIVIDUALS 2024 - 2025

Gibraltar is ideally situated at the southern tip of the Iberian peninsula. Temperatures in Gibraltar range from 16°C in the winter to well above 30°C in summer and the country boasts an average of 300 days sunshine per year. Shipping and tourism are mainstays of Gibraltar's economy with more than 12 million people visiting Gibraltar annually, many of them stepping ashore from cruise liners. The territory is also a dynamic international finance centre with an excellent infrastructure and buoyant financial services and gaming sectors. There has been a vast amount of work in the residential sector, with many new developments having been built to accommodate wealthy expatriates.

An increasing number of High Net Worth Individuals are taking advantage of the fiscal and lifestyle advantages attainable by establishing residency in Gibraltar under the Category 2 regime.

These include a capped tax liability under the Category 2 rules coupled with the benefits of living in a Mediterranean climate and the wide range of activities that can be enjoyed from Gibraltar's geographical position.

KEY CATEGORY 2 FISCAL BENEFITS

- Capped annual tax liability based on income of £118,000 (2023 - 2024 £118,000)
- Maximum annual tax of £42,380 (2023 - 2024 £44,740)
- Minimum annual tax payable of £37,000 (2023 - 2024 £37,000)
- Spouse and family income may be included

Under the Category 2 rules, individuals are generally subject to a cap on their Gibraltar tax liability with income tax payable only on the first £118,000 of annual taxable income. This gives rise to a maximum annual Category 2 tax liability of £42,380. As taxable income does not include, for example, capital gains, gifts or many types of investment income it is possible to lower the tax liability further. However, a minimum annual tax liability of £37,000 is applied, which is pro-rated in tax years of arrival and departure.

The Gibraltar tax year runs from 1 July to 30 June.

MAIN REQUIREMENTS

In order to become a Category 2 resident in Gibraltar the following conditions must be satisfied:

- The applicant must have a minimum net wealth of £2 million.
- The applicant must have exclusive use of approved Category 2 property. The property must be of a certain standard and appropriate to sustain the lifestyle of the individual and family. The property may either be bought or rented.
- Generally, the applicant must not undertake business activities that compete with local entities that derive their income from within Gibraltar. Certain local activities are permitted, with the approval of the Finance Centre. Such income will be taxed separate to, and in addition to, the Category 2 tax.
- From 1st July 2022, all Category 2 residents are required to pay a deposit of tax for their final year of Category 2 residency. This equates to the maximum Category 2 tax for the tax year (currently £42,380). New Category 2 residents will be required to pay this amount (of currently £42,380) on Category 2 application, together with the £1,197 application fee. Any tax deposit paid in advance will be repaid to the Category 2 Individual at the time their Certificate is surrendered or relinquished. The amount repaid will be after deduction of any balance of final year tax due.

There is no minimum physical Gibraltar presence requirement. However, being a Category 2 resident will not protect an individual from becoming tax resident elsewhere. Therefore if time is being spent outside of Gibraltar, awareness of the residency rules in that jurisdiction is essential.

There are restrictions applying where the applicant has previously been resident or working in Gibraltar within the preceding five years.

Category 2 status is awarded on the decision of the Finance Centre Director.

PROPERTY

The Gibraltar property market is buoyant. In recent years, there has been a substantial increase in the number of projects, and in particular, the number of prestigious developments being constructed. Property purchases attract a Stamp Duty charge, but there is no Capital Gains Tax regime and hence no Gibraltar Capital Gains Tax on sale.

As a guideline, Category 2 approved property will cost a purchaser from £550,000, or a tenant from £2,500 p/m.

ACCESSIBILITY

Gibraltar services daily flights to and from cities in the UK, including Bristol, London Gatwick, London Heathrow and Manchester.

Malaga airport is 1.5 hours drive east from the Spanish border and services most main countries. Jerez airport is a similarly timed drive west from the border and services many main countries.

THE ECONOMY

In addition to the successful tourist, shipping, and construction trades, the Financial Services sector is a key pillar of Gibraltar's economy.

Gibraltar, as an International Financial Services centre, has seen this sector of the economy grow in recent years. With the Government's commitment to making Gibraltar an attractive base from which to do business internationally, it is anticipated that this sector will continue to flourish.

The Government's encouragement of e-business has been reflected in growth in the technology sector, with a number of large gaming companies and cryptocurrency companies taking advantage of the favourable fiscal environment and high quality telecommunications infrastructure.

HOW WE CAN HELP

Sovereign Tax Services can assist with all matters relating to the obtaining of Category 2 residency in Gibraltar and maximising its benefits including, but not limited to, the following:

- Introductions to local estate agents, banks and lawyers
- Preparation and submission of Category 2 residency application
- Liaison with the Finance Centre at the application stage and once resident, as required
- Obtaining and renewing a Gibraltar Civilian Registration Card and Permit of Residence as required under Gibraltar Immigration Law
- Preparation and submission of Gibraltar income tax returns and other compliance matters

ASSET AND WEALTH MANAGEMENT

- Assessing the benefit of any UK pension transfer, under the UK's Qualifying Recognised Overseas Pension Scheme (QROPS) regime
- Creation and management of trusts, companies, pension schemes (e.g. Qualifying Non-UK Pension Scheme - QNUPS) within the Sovereign Group of Companies

SUMMARY OF BENEFITS

- No capital taxes
- No sales taxes
- Generally, maximum £44,740 annual tax for Category 2 residents
- Good economy and infrastructure
- Warm climate
- Vibrant housing market
- Permitted Activities for Category 2 Residents, recognising the growing trend of entrepreneurial High Net Worth Individuals who wish to establish themselves in Gibraltar and yet still carry out important economic activity.

Gibraltar offers both fiscal and lifestyle advantages to the relocating High Net Worth Individual and enjoys a close relationship with the UK, as well as a geographical connection to mainland Europe and Africa.



Sovereign Tax Services is a trading name of Sovereign Fiscalis Limited, Sovereign Place, 117 Main Street, Gibraltar, GX11 1AA, Company Registration Number: 84307

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