

Gibraltar offers compelling tax advantages for High Net Worth Individuals via the opportunity to take-up Category 2 or HEPSS (High Executive Possessing Specialist Skills) status. Category 2 & HEPSS Status offer individuals the ability to limit their tax liability to a maximum of circa £30,000. Given Gibraltar's enviable position at the entrance to the Mediterranean, its British heritage and easy accessibility there are compelling reasons to consider the opportunities Gibraltar presents.

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 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' or 'HEPSS' status, upon taking up residence in Gibraltar you will immediately be able to enjoy the following benefits:

- **Limit your Income Tax** – as a Category 2 you will pay income tax only on the first £80,000 of your assessable income & as a HEPSS, the tax payable is limited to the first £120,000 of earned income and thus limiting your tax liability in Gibraltar to a maximum of circa £30,000;
- **Residence in a tax neutral jurisdiction** – as a Category 2 or HEPSS you will be resident in Gibraltar's tax friendly environment, with no exposure in Gibraltar to any of the other taxes listed above. In fact you will have no exposure to any other direct form of taxation in Gibraltar at all;
- **Business Interests** – in the case of a Category 2 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. In the case of a HEPSS, you must possess skills that are deemed to promote and sustain economic activity which is of value to Gibraltar. Furthermore as a HEPSS individual, you must be employed in Gibraltar for that purpose and earn more than £120,000 per annum.

It will be seen therefore that by taking up residence in Gibraltar coupled with securing Category 2 or HEPSS 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 OR HEPSS STATUS

In order to achieve the special tax privileges of Category 2 or HEPSS status the applicable rules require that you satisfy the following requirements:

- Accommodation - 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;
- Private Comprehensive Health Insurance;
- Statement of Net Worth or Income – in the case of Category 2, you must provide a statement of net worth to show a minimum of £2 million, to the satisfaction of the Gibraltar Finance Director or in the case of HEPSS, you must show that your employment income is a minimum of £120,000;
- Passport & CV - You must produce a valid passport and full CV.

APPLYING FOR CIVILIAN REGISTRATION CARD AND PERMIT OF RESIDENCE

When the Category 2 or HEPSS Status Certificate is issued you will then need to apply for the issue of a Civilian Registration Card and a Permit of Residence.

The rules require that you satisfy the following requirements:

- Accommodation – you will be required to provide a copy of the rental agreement, which must be for at least 6 months, Deeds or underlease if you have purchased the property, as well as evidence of the payment of rates or service charges and utility bills for the 3 months prior to the application date.
- The Category 2 or HEPSS certificate.
- In the case of a Cat 2 applicant proof of self sufficiency or in the case of a HEPSS applicant proof of the employment contract.
- Private Comprehensive Medical Insurance – this does not include Cash-Back Health Schemes, Travel Insurance policies or access to the Gibraltar Health Services. The minimum requirement is for policy benefits of at least £100,000.00 per year, including in-patient and day-patient treatment in Gibraltar, the Spanish hinterland and United Kingdom Hospitals. The benefits should also include all surgeon's, anaesthetist's and consultation fees, diagnostic tests and physiotherapy, radiotherapy/chemotherapy treatments as well as surgical procedures and related costs for drugs and dressings. Additionally the insurance should offer cover for evacuation and repatriation and air and/or road ambulance service to anywhere in Europe.

Exclusions to Category 2 Status

You cannot be a Category 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 Category 2 status for a period greater than either 183 days in any one of those years or an average of 90 days in any three of those years; 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.

Exclusions to HEPSS Status

You cannot be a HEPSS if you have been gainfully occupied or resident in Gibraltar in any part of the thirty six month period immediately preceding the year in which the application is made.

