

GIBRALTAR

So... what's with Gibraltar?

Standing strong as one of the Pillars of Hercules, Gibraltar is a small British Overseas Territory located at the southern tip of Spain. Gibraltar is a touristic hub for day-trippers and cruise liner passengers and, yes, its famous apes continue to make the Rock their home: but Gibraltar is also fast becoming a powerful force in international business.

Despite being very much under the radar when compared to the more established Channel Island, Caribbean and onshore European centres, Gibraltar has transformed itself over the past few years to become an exciting, growing, well-regulated and fully EU compliant international finance centre.

The heart of this transformation culminated with the introduction in 2011 of the Income Tax Act, which provides for a flat rate of taxation on corporate profits of 10%, replacing the previous 'tax exempt' regime.

Only those profits accruing or deriving in Gibraltar are taxable and so, properly structured, a Gibraltar company conducting its profit-making activity outside Gibraltar will not suffer taxation on any of its profits. This is not the only attraction Gibraltar offers in the tax field - Gibraltar has no capital gains taxes, wealth taxes, inheritance taxes or stamp duty. Capital duty is a nominal £10 on the initial share capital, with no further amounts payable on any increases. Gibraltar companies can receive dividends free from tax and can pay these onward without suffering withholding. Interest is similarly paid free from withholding taxes and received tax-free. Royalties and savings are not heads of taxation under the Income Tax Act. Although part of the EU, Gibraltar does not charge VAT.

Accordingly, Gibraltar companies play an interesting role in international tax structures, making good use of Gibraltar's position as an EU onshore financial centre offering all the tax advantages enjoyed by its competing jurisdictions.

Gibraltar's company legislation is based on the English 1929 Companies Act and a whole raft of common law precedents are, at least, highly persuasive in Gibraltar courts.

With a strong emphasis on effective, robust management and control, Gibraltar is an ideal jurisdiction for structuring holding companies, trading entities and, increasingly, IP-owning vehicles.

Line Management Services Limited (LMS) is the corporate services arm of Hassans, Gibraltar's largest law firm. LMS offers its clients a full corporate services package including the formation of Gibraltar companies (as well as companies in over 30 other jurisdictions). LMS also caters for registered office, secretarial and registered

shareholder services. Corporate and personal directorships can also be provided. The basic package is complemented by the ability to provide full accounting and banking services. Additionally, LMS can easily feed into Hassans' vast array of legal resources, with expertise available in every field of law.

It is not just Gibraltar companies that are hugely popular in international tax planning structures. LMS also sets up limited partnerships (based on the English 1907 Act, with the added quirk of separate legal personality). PCC legislation, one of the world's leading gaming regimes and a highly popular experienced investor fund product are also amongst Gibraltar's highlights.

As a key Mediterranean port, it is no surprise that Gibraltar offers attractive ship and yacht registration facilities, which again can be structured tax-efficiently through corporate ownership. Boasting a new £75m air terminal, Gibraltar also hopes to become a key player in the worldwide aviation market.

Gibraltar's private client tax regime is equally attractive. Its Category 2 status, aimed at high-net-worth retirees, essentially provides for individuals owning approved residential accommodation in Gibraltar to be subjected to tax of between £22,000 and £30,000 on their worldwide income. Category 3 status, which taxes only the first £120,000 of an individual's remuneration (a maximum payable of £32,550) is also highly attractive for high level executives relocating to Gibraltar.

Hassans' trust arm, Line Trust Corporation Limited (LTCL) sets up trusts for clients of all nationalities. It also provides professional trustee services and can structure clients' investments through the use of special purpose vehicles (SPVs) enjoying the attractions detailed above. Accounting and banking services are also part of the package.

Both LMS and LTCL are licensed, regulated and supervised by the Financial Services Commission of Gibraltar.

Investment advisory and gatekeeper services to keep track of client investments can also be favourably procured.

Gibraltar is a common law jurisdiction, with the Privy Council in London being its highest court of appeal. Its parliament and legislation is modelled on that of the UK. It boasts a young, entrepreneurial, largely local workforce, which combines the unique blend of Latin flair with the tempered benefits of Anglo Saxon institutions and education. The vast majority of Gibraltar's professionals are

trained in the UK and are fully invested in the success of the jurisdiction. Gibraltar has entered into 18 tax information exchange agreements and has been fully white listed by all major international organisations such as the OECD, IMF and FATF.

So...what's with Gibraltar? Nothing short of a highly competitive and attractive jurisdiction for all international tax planners to consider for their structures.

Authors

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