



# Gibraltar – The Home for Innovation

## How Gibraltar can help the Video Games Industry



### Osborne pulls in the lifeline

On 22nd June 2010 George Osborne cancelled the proposed tax incentive for the Video Games Industry. Industry bodies had been campaigning for such a tax incentive for several months and whilst full details of the proposed scheme had yet to be announced its withdrawal came as a blow to an industry suffering from worldwide competition and a “brain drain” to countries outside Europe.

### Gibraltar – The British Solution

Gibraltar is a British Overseas Territory located in the Central European Timezone. At the tip of the Iberian Peninsula it is served by its own airport with twice daily flights to London, and every other day to Manchester. Gibraltar airport is undergoing a major redevelopment and is expected to expand its destinations in the near future. Gibraltar is part of the EU for all purposes save the VAT area and the Common Agricultural Policy. In recent years Gibraltar has become a centre for technology related industries and is in the position of the world leading jurisdiction for online gaming. Gibraltar allows easy access to the Costa del Sol, and the related leisure industry. Beautiful beaches and an exciting and relaxed lifestyle are all around. The legal system in Gibraltar is based entirely on English law as modified by local statute. It has a fully recognisable corporate law structure and its criminal law is completely English in character. There is no restriction on property ownership and any EU passport holder with employment can be resident there.

### Relocating your business to Gibraltar

Relocating a business to Gibraltar has never been easier or more attractive. The taxation structure of the Gibraltar economy is designed in such a way as to encourage innovation and entrepreneurship.



### Your Company

The environment of Gibraltar in terms of tax is very company friendly. Gibraltar’s corporate tax is levied solely on income accrued and derived in Gibraltar and any income derived in Gibraltar is taxed at 10% for start-ups. The 10% rate will be extended to all businesses (save utility companies) by 1st January 2011.

Gibraltar has also structured its tax regime in such a way that passive income is essentially untaxed. Income from royalties is tax free to Gibraltar companies; interest from deposits in recognised banks is tax free, as is income from quoted securities or other securities the income from which is derived from non-taxable sources.

Gibraltar is also fully integrated into the EU Parent-Subsidiary Directive. This means that dividends from a Gibraltar Subsidiary to a UK (or other EU) Parent will be tax free in the hands of the parent company. This also works in reverse so if a Gibraltar parent owns EU subsidiaries dividends from its subsidiaries will be tax free in the hands of the parent.

Gibraltar does not level any form of capital taxes, such as Capital Gains Tax. Therefore, any gains made on the disposal of capital items by your company (for example the sale of intellectual property rights) will not be taxable in Gibraltar.

The statutory cost of employing people in Gibraltar is low compared to the United Kingdom. The main cost of employment which is imposed on an employer is the Employers’ National Insurance Contribution. The Gibraltar government only levies a minimal contribution and it is not earnings related being at a flat rate.

### Special Projects

There is nothing against a company setting up a subsidiary to carry out a special project in Gibraltar. A single product could be developed here with a Gibraltar company carrying out the development and holding the intellectual property. On completion of the development the physical operation could be wound up leaving the Gibraltar company as an intellectual property rights holding company which could receive its royalties tax free in Gibraltar.

[www.gibraltarlaw.com](http://www.gibraltarlaw.com)

+350 200 79000

## The Workforce

Gibraltar is at present not a centre for the games industry, but its workforce is well educated and used to technology with a high level of general computer literacy stemming from Gibraltar being a centre for the online Gaming Industry. Educated using the English system Gibraltarians fluently speak both English and Spanish, degree level qualifications are common and school exam results generally out-perform the UK average.

## The Individual's Income Tax

### All Individuals

Anybody who wishes to be resident in Gibraltar, and does not qualify for a special tax status, may choose to be taxed either on a Gross Based system or on a traditional Allowance Based system. The Gross Based system is designed to assist those who do not have access to the tax free allowances such as mortgage interest relief and marriage allowances which are still a substantial part of the Gibraltar individual taxation system.

With a capped rate of Social Insurance (equivalent to NI) for individuals and a choice between Gross Based and Allowance Based you can see that the Gibraltar tax system is designed to be flexible and allow everyone the options to pay tax in a way which suits them. Tax in Gibraltar is viewed as a partnership between Government and the individual; not as a battle between "us" and "them". Our tax system reflects that, it is also reflected in the attitude of the tax authorities to assisting the individual.

### High Executive Possessing Specialist Skills ("HEPPS")

Gibraltar has for several years wished to attract those with specialist skills to Gibraltar, and has successfully done through several different tax regimes. The latest incarnation being HEPPS. The benefits of the HEPPS scheme are that any person with specialist skills of exceptional economic value to Gibraltar who has not been resident in Gibraltar during the preceding three years and earns over £120,000 per annum will pay tax only on the first £120,000. All else will be free of Gibraltar tax.

The HEPPS resident is expected to live and work in Gibraltar and to contribute to local life. It is a working status. HEPPS are required to have a property of a designated type available for use throughout the year.

There is another special tax status, "Category 2", which has restrictions on the work it is possible for the individual to do in Gibraltar, but gives a very beneficial tax position. This is more suitable for an individual seeking to take a back seat from a previously successful career. If you wish to learn more about Category 2 please contact us and we will supply any information you may require.

## Other Taxes

### Capital Taxes

Gibraltar does not level any Capital Gains Tax ("CGT"), Inheritance Tax ("IHT") or other capital transfer taxes.

UK CGT is only levied on residents. By becoming non-resident of the UK you will become immune to UK CGT if certain criteria are met, so disposals of shares, properties and other capital items may become free of UK CGT.

IHT and CGT are complex areas of tax law which should be assessed on a case by case basis. Before planning for such eventualities you should seek advice from a competent tax professional.

### National Insurance

National Insurance, known in Gibraltar as Social Insurance, is levied at a much reduced rate in Gibraltar compared to the UK for both individuals and employers

## VAT

There is no VAT in Gibraltar, though the Gibraltar Government does levy an import duty which ranges between 0% and 12%. Import from the EU VAT zone allows the EU VAT to be reclaimed.

## What can Hassans do?

With over 70 years experience and as the leading law firm in Gibraltar Hassans has for many years assisted businesses to locate to Gibraltar. Hassans can act in establishing companies, relocating staff, assisting in finding office space. With our unrivalled contacts in Gibraltar we stand ready to assist you in any way we can.

Our firm has a track record of bringing new industries to Gibraltar and working in partnership to develop infrastructure and a legislative environment that allows a new industry to thrive.

If there is anything in this leaflet which has interested you please do not hesitate to contact any of the practitioners listed below.



### Chris White

Partner  
chris.white@hassans.gi



### Francis Carreras

Associate  
francis.carreras@hassans.gi



### Grahame Jackson

Associate  
grahame.jackson@hassans.gi