



CATEGORY 2 STATUS

For High Net Worth Individuals

ISOLAS
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Gibraltar's geographical position at the southern tip of the Iberian Peninsula, coupled with its favourable tax regime, makes this jurisdiction an attractive choice for High Net Worth Individuals looking to establish residency here.

Read on for more information on the requirements and application process.





REQUIREMENTS

Gibraltar offers the opportunity for High Net Worth Individuals to obtain a special tax status known as Category 2 (Cat 2), which places a cap on the tax liability of that individual.

Tax is applied to the first £105,000 of assessable income (including worldwide income), meaning that a Cat 2 individual will pay a maximum of £37,310 tax per annum, subject to a minimum tax payable of £32,000 (current rates), irrespective of income levels.

In order to qualify for Cat 2 status, an individual:

- must have a net worth that exceeds £2,000,000 (the Finance Centre Director will consider individuals who have significant net worth in crypto provided certain criteria is met);
- must not have been a Gibraltar resident for the five years preceding the application (although there are discretionary provisions in certain circumstances). Previous residency includes 183 days in any tax year during the previous 5 years, or an average of 90 days in any three of the previous 5 years;
- must have private full risk medical insurance which extends to Gibraltar and that covers repatriation amongst other things;
- is required to have residential accommodation (purchased or rented) in Gibraltar that is suitable and approved by the Finance Director;
- must produce two independent references from recognised institutions/professionals (one must be from a bank and the other from a law or accounting firm); and
- must produce a valid passport and full CV.

Application fee: £1,000. (non-refundable).

QUESTIONS & ANSWERS

I am planning to relocate to Gibraltar as a Cat 2 Individual; can my spouse benefit from my application?

Yes. A spouse or dependent may elect to have their income assessed under your Cat 2 arrangements, or alternatively seek Cat 2 status in their own right.

As a Cat 2 Individual, is there a legal requirement regarding the length of stay in Gibraltar in any particular year?

No. Although relevant international residency rules should be considered.

How is tax paid in Gibraltar?

The Gibraltar tax years runs from 1 July to 30 June. Cat 2 individuals must file their tax returns by 30 November of each year following the end of that tax year.

Cat 2 individuals must make two 'payments on account' by 31 January and 30 June in each year. Each one should be 50% of the tax paid in the previous year's assessment. Final payment of tax should be submitted with the individual's tax return and should be the tax liability for that year less the two tax payments on account.

A Cat 2 certificate needs to be sent to the Gibraltar Finance Centre for endorsement every three years.

I am currently a shareholder of a company and a director of that company; do I fall foul of the Cat 2 requirements?

As a Cat 2 Individual you may be a shareholder of companies whose activities are carried outside of Gibraltar.

You may also be a director if such is permitted under the conditions of your application; consent from the Finance Director would need to be sought.

Cat 2 individuals are allowed to carry on or exercise a trade business profession, vocation or employment in Gibraltar.

However, any income derived from these activities may not form part of an individual's Cat 2 assessable income but may be taxed separately under the rates applicable to ordinary taxpayers. Although a Cat 2's tax liability from these activities could be mitigated through appropriate tax planning.

Are Cat 2 Individuals eligible for the GHA healthcare in Gibraltar?

No. However, in certain cases contributions made by the individual in the UK may be considered in Gibraltar which may in turn allow them to apply for a GHA card. This is considered on a case-by-case basis.



BENEFITS

LOCATION & CLIMATE

Gibraltar's geographical location on the southern tip of the Iberian Peninsula lends itself to the beautiful Mediterranean climate for which it's known. This unique, British Overseas Territory is just a 20-minute drive away from the renowned Costa del Sol, home to towns such as Marbella, well known for its beautiful beaches, bustling nightlife, and world-renowned golf courses. From nearby Malaga, Portugal is just over an hour's flight away. In addition, Morocco lies some 13km across the Strait of Gibraltar, offering a whole new culture to immerse yourself in.

LEGAL SYSTEM

The law of Gibraltar is a combination of common law and statute, and is based heavily upon English law and therefore embodies the advantages and security of English company and trust law, beneficial to those wishing to operate from Gibraltar.

INVESTMENT, PROPERTY & BUSINESS

Gibraltar has a vibrant financial industry, comprising internationally-recognised companies within sectors such as internet gaming and Distributed Ledger Technology (DLT), all of which require rental accommodation. Gibraltar has neither wealth tax nor capital gains tax, meaning a purchaser retains 100% of the capital increase of the property on its sale. In addition, Gibraltar has no inheritance tax, nor forced-heirship regime.

TAX

Gibraltar benefits from favourable tax advantages, including:

- No capital gains tax
- No value added tax (VAT)
- No estate duty
- No wealth tax
- No inheritance tax



HOW CAN WE HELP?

ISOLAS LLP can help guide you through the Cat 2 process with ease. Our experienced team is on hand to assist with your Category 2 application and liaise accordingly with the relevant authorities on your behalf.

In addition, we can review and advise you on your rental agreement, or alternatively, assist you with your purchase of a property by dealing with the conveyance, carrying out the necessary searches, ensuring you have good root of title, dealing with stamp duty and registration costs and liaising with solicitors, estate agents and the Finance Director.



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