

On 19 June 2025, the Government of Gibraltar published the Income Tax (Amendment No. 2) Bill 2025 (Bill No. B.12/25), setting out proposed legislative changes to the tax exemption on employer-provided accommodation. These changes follow on from commitments made in the 2024 Budget Address and are aimed at tightening eligibility while maintaining Gibraltar's appeal to international talent.

The Bill, which amends paragraph 13 of Chapter 4 of Schedule 7 of the Income Tax Act 2010, is currently in draft form and pending parliamentary approval. However, its provisions suggest a clear policy shift - from a broad, relatively automatic exemption to a more targeted, merit-based regime.

BACKGROUND

Under the current rules, employees relocating to Gibraltar for work can benefit from an exemption on the taxable value of employer-provided accommodation for up to seven years. This incentive has historically supported the recruitment of skilled professionals in sectors such as financial services, gaming, and private client advisory.

The proposed amendments retain the core relocation criteria, which remain unchanged. Specifically, the exemption will continue to apply where:

(a) the employee has relocated to and resides in Gibraltar as a result of:

- becoming employed in Gibraltar;
- a change in the duties of employment; or
- a change in the place where those duties are normally performed;

(b) and the employee's previous residence is not within reasonable daily travelling distance of Gibraltar.

What is changing, however, is the narrowing of eligibility to "specific employees" and the introduction of stricter approval, notification, and reporting obligations. These measures aim to ensure the relief is reserved for individuals whose skills are either scarce in Gibraltar or of strategic economic value.

OVERVIEW OF KEY PROPOSED CHANGES

1. Introduction of a "Specific Employee" Test

The accommodation allowance will be narrowed in scope and limited to employees whose skills are either:

- Not readily available in Gibraltar; or
- Considered important for Gibraltar's economic development,

as determined by the Commissioner of Income Tax.

This marks a shift from the current framework, placing greater emphasis on strategic value and skill scarcity.

2. Formal Employer Application Process

Employers will be required to apply to the Commissioner “in such form and manner as he may require.”

While there was no formal statutory approval requirement under the previous regime, the Commissioner had, in practice, issued guidance setting out the form of approval expected. This amendment now places that practice on a clear legal footing, removing ambiguity and ensuring consistency in how applications are handled.

3. Notification Obligations for Accommodation Changes

Any change to an approved employee’s accommodation must be notified to the Commissioner, who will reassess eligibility for the relief. Employers will need to monitor this closely to avoid inadvertent non-compliance.

4. Duration of Relief – Reduced to Four Years

Under the current regime, qualifying employees can benefit from the exemption for up to seven years. The draft legislation reduces this to a maximum of four years, available only once per employee.

5. Annual Reporting Requirements

Employers will be required to declare the benefit arising from all approved applications in their annual return of benefits. This will likely be done via the existing PA10 or P10A forms submitted to the Income Tax Office. Failure to comply with this reporting obligation will constitute an offence under the new provisions.

6. Removal of Director-Specific Carve-Outs

The draft Bill removes the existing restrictions applicable to directors, replacing them with the more general “specific employee” test. This may, in practice, broaden access to the relief where directors meet the skill or strategic importance criteria.

7. Transitional and Practical Considerations

The draft Bill is currently silent on transitional arrangements. However, informal indications suggest that employees already benefitting from the current seven-year exemption may continue to do so, unless there is a material change in circumstances (e.g. new employment or relocation). Formal guidance from the Income Tax Office is expected in due course.

WHAT EMPLOYERS SHOULD BE DOING NOW

While the Bill is not yet in force, the direction of reform is clear. Employers should begin reviewing:

- Existing employees currently receiving the benefit;
- Any upcoming relocations or recruitment plans involving overseas talent;
- Internal processes for benefit reporting and compliance.

FINAL THOUGHTS

These reforms aim to modernise and target Gibraltar's tax framework for internationally recruited employees, aligning the relief more closely with policy objectives around attracting specialist skills and promoting economic development.

We will continue to monitor developments as the Bill progresses through Parliament and further guidance is issued.

If you would like tailored advice on how these changes may affect your business or employees, please don't hesitate to reach out.

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