Guidance Notes – Qualifying Individuals

Introduction

The Income Tax Act (2010) the “Act” came into effect on the 1st of January 2011. This new Act has a direct impact on when and how you submit your tax return and pay your taxes.

The guidance being provided will help you understand your obligations under the new Act. Also included are details of the new structure of surcharges and penalties that will be imposed if you do not comply with your obligations. Please note that these are guidelines only and are not to be considered either a substitute nor an alternative to the Act.

Self Assessment

The Act introduces the concept of self assessment and you are now required to make returns of your assessable income and calculate your own tax liability for any tax year.

Making a Return of Income

You are required to make a full and complete return of your assessable income by no later than the 30th November immediately following the end of the year of assessment. The return must be made on Tax Return (Form IT1C) and must be accompanied by all the information requested therein. When making the return, you must also submit payment of any tax due which has not been covered by the payments on account.

You must make a return of your income even if you have not received a tax return from this Office. If a complete return is not received by the deadline, penalties will be incurred.

Payments on Account

For each year of assessment, you are required to calculate your tax liability for that year and make two separate payments on account. To do this, you need to look at your tax liability for the previous tax year and pay 50% of that amount by each payment deadline. Each of these two payments must be made by no later than 31st December and 30th June.

If you think that the liability to tax in any tax year is going to be less than that of the previous year, you can apply to the Commissioner to have the payments on account reduced. However, care must be taken when making such an application since surcharges will be incurred if it is later found out that extra tax should have been paid.

Important Dates

These are the three dates that you should note:

- 30 November: Return to be made plus payment of outstanding tax (if any);
- 31 December: 1st payment on account; and
- 30 June: 2nd payment on account.
**Penalties and Surcharges**

All penalties and surcharges imposed by the Act are deemed to be part of the taxation due by each person and shall be collected as such.

**Surcharge for late payment**

If you do not pay an assessment or a payment on account by its due date, surcharges will be imposed as follows:

- 10% - on the day immediately after the due date;
- 20% - 90 days after the first surcharge; and
- 10% per annum - compounded on a daily basis thereafter.

You should note that this structure of surcharges will be applied to all tax due as from 1\textsuperscript{st} January 2011 even if the assessment was raised under the previous Act.

**Penalties for not making a return or making a false return**

If you do not make a return of your income or if your return is incomplete penalties will be charged as follows:

- 1\textsuperscript{st} December - £50;
- 1\textsuperscript{st} March - £300; and
- 1\textsuperscript{st} April – Up to 150% of the tax due or estimated to be due.

If you make a false return you will be charged up to 150% of the amount made up of the difference between the tax that was really due and the tax that is stated in the fraudulent return as being due.

In order to adjust and become familiar with your obligations, the Act allows for a moratorium on penalties until 30 June 2012. After this date penalties will be incurred on those individuals who continue to default.

**How the system works**

Example: assume an individual who paid £10,000 in the tax year 2011/2012.

In the following tax year (2012/2013) two payments on account will be made, one on 31 December 2012 and one on 30 June 2013. The December 2012 payment will be equal to 50% of the tax paid in the previous tax year (£5,000) and the June 2013 payment will be equivalent to the other 50% (£5,000). Since these payments are paid during the year of assessment ended 30 June 2013, these payments on account will be off-set against the liability for 2012/2013 tax year.

When completing the tax return for the tax year 2012/2013, which must be submitted to this Office by not later than 30 November 2013, you have to calculate the tax liability for that year and submit a cheque with your return equal to the total liability for that year less
the two payments on account made in December and June. So if the total liability for the tax year 2012/2013 is £12,000, then a cheque for £2,000 must accompany your return.

These notes are issued for guidance purposes and therefore any enquiries on these should be directed to this Office. Contact details are provided below.

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Further guidance notes, tax returns and other forms are available and can be downloaded from the Gibraltar Government website at www.gibraltar.gov.gi/taxation