



**Income Tax Office**

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**HM Government of Gibraltar**

**GUIDANCE NOTES**

**FOR**

**COMPANIES**

**MARCH 2015**

## Guidance Notes – Companies

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### ***Introduction***

The Income Tax Act (2010) the “Act” came into effect on the 1<sup>st</sup> January 2011 and as a trading company 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 or an alternative to the Act.

### ***Basis of Assessment***

Under the new Act you will be taxed on an actual year basis. The company will therefore be deemed to have ceased trading on the 31<sup>st</sup> December 2010 and recommenced trading on the 1 January 2011. Cessation and commencement rules will therefore be applied as follows:

**2010/11**      1 July 2010 to 31 December 2010 (cessation)  
                  1 January 2011 to end of accounting period (commencement)

**2009/10**      The greater of –  
                  1 July 2008 to 30 June 2009 or  
                  1 July 2009 to 30 June 2010

### ***Making a Return of Income***

A company which has assessable income chargeable to tax under the Act for an accounting period must make a full and complete return of its income and its liability to tax by not later than 9 months immediately following the end of the company’s accounting period (e.g. if a company’s accounting period ends on 30 June, the return must be made by not later than 31 March). The return must be made on Tax Return Form CT1 and must be accompanied by all the information and documentation requested therein, including accounts. When making the return, you must also pay any balance of the tax due which has not been covered by the payments made on account.

A company with assessable income of less than £1,000,000 in an accounting period which is not less than 12 months is not required to submit audited accounts. However all unaudited accounts must be accompanied by an Independent Accountant’s report to the effect that the accounts have been drawn up in accordance with the Act. A company with assessable income of at least £1,000,000 in an accounting period which is not less than 12 months is required to submit audited accounts.

A company is required to make a full and complete return of its income even if the Commissioner has not issued it with a tax return. Failure to comply with this requirement will result in the imposition of penalties as laid out in Section 65 of the Income Tax Act 2010.

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### ***Declaration of Dividends***

Every company that declares a dividend in favour of a person ordinarily resident in Gibraltar or another company incorporated in Gibraltar shall within one month of declaring the dividend prepare and deliver to the Commissioner a dividend return, Form (CT2).

### ***Payments on Account***

A company shall make a payment on account of its future liabilities on or before 28 February and 30 September in each calendar year. Each payment on account shall be in two equal instalments of 50% of the tax payable for the previous accounting period as stipulated on the [Payments on Account Table](#). The payments on account made in an accounting period shall be set-off against the tax due for that accounting period.

If a company believes that the payments on account for an accounting period will exceed the liability for that accounting period, the company can apply to the Commissioner to have the payments on account reduced. This must be done by using Form CT4 and must be received by the Commissioner before the payment on account of either is due. However, care must be taken when making such an application, since surcharges will be incurred in instances where the tax that should have been due is found to be greater than the actual amounts paid.

### ***Important Dates***

These are the dates that you should note:

28 February	payment on account
30 September	payment on account
9 months after the end of the company's accounting period.	A complete Return submitted and any outstanding liability settled

### ***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 make 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 due date.

You should note that this structure of surcharges will be applied to all tax due as from 1<sup>st</sup> January 2011 even if the assessment was raised under the previous Income Tax Act.

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

The return is due by not later than 9 months after the company's year end. If you do not make a return or if your return is incomplete penalties will be charged as follows:

- On the day immediately after the return is due - £50
- 3 months after the first penalty - £300

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.

### ***Understanding payments on account***

This example is based on a company with an accounting period ending on 30 June and a tax liability of **£5,000** for the period ending 30 June 2014.

<b>Payment date</b>		
<b>30 September 2015</b>	Basis period:	30/06/14
	<i>Allocated to:</i>	<i>2016</i>
<b>28 February 2016</b>	Basis period:	30/06/14
	<i>Allocated to:</i>	<i>2016</i>

The table above shows that the payment on account which is due for both September and February has a **basis period** of 30 June 2014. We already know that the liability for this period equates to £5,000, therefore two equal instalments of 50% must be made as follows:

Payment due by September 2015 - £ 2,500  
Payment due by February 2016 - £ 2,500

Since these payments on account are **allocated to** 30 June 2016, they will effectively be off-set against the liability for that accounting period.

Please note that company must also submit with its return, payment of any outstanding tax which has not been covered by the payments on account. In the above example we allocated £5,000 (2 payments on account of £2,500 each) for the period ending 30 June 2016.

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

The Commissioner of Income Tax  
St. Jago's Stone Block  
331 Main Street  
Gibraltar

Tel. No. 20074889  
Fax No. 20042398

Further guidance notes and other forms are available in the Gibraltar Government website at [www.gibraltar.gov.gi/taxation](http://www.gibraltar.gov.gi/taxation) .