



Income Tax Office

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HM Government of Gibraltar

**GUIDANCE NOTES**

**FOR**

**SELF-EMPLOYED INDIVIDUALS**

**September 2016**

## Guidance Notes – Self Employed Individuals

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### ***Introduction***

The Income Tax Act (2010) the “Act” came into effect on the 1<sup>st</sup> of January 2011 and as a self-employed taxpayer, 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.

### ***Basis of Assessments (with effect from 1 July 2011)***

Assessments are made on an actual year basis. Therefore your income from 1 July to 30 June in any tax year will form the basis of this assessment.

Eg:

Assessment 2014/2015 = Income earned in tax year 1 July 2014 to 30 June 2015.

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

You are required to make a full and complete return of your assessable income by no later than the 30<sup>th</sup> November immediately following the end of the year of assessment. The return must be made on Tax Return (Form IT1S) and must be accompanied by all the information and documentation 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.

The Act requires all self-employed individuals to keep accounts which are adequate for the purposes of taxation. The accounts must be prepared to a 30 June year end to coincide with the tax year and must be submitted with the return.

### ***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 31<sup>st</sup> January and 30<sup>th</sup> 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 you have miscalculated the tax liability.

### ***Important Dates***

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These are the three dates that you should note:

30 <sup>th</sup> November	*Complete return to be submitted plus payment of balance due for the corresponding tax year (if any)
31 <sup>st</sup> January	1 <sup>st</sup> payment on account
30 <sup>th</sup> June	2 <sup>nd</sup> payment on account

\*A complete return consists of both the Tax return and an accompanying set of accounts.

### ***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;

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 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<sup>st</sup> December - £50
- 1<sup>st</sup> March - £300
- 1<sup>st</sup> June - £500

#### ***How the system works***

Example: assume an individual who's tax liability relating to their self employed income for the tax year 2013/2014 was £10,000.

In the following tax year (2014/2015) two payments on account will be made, one by no later than 31<sup>st</sup> January 2015 and the other by no later than 30<sup>th</sup> June 2015. The January 2015 payment will be equal to 50% of the previous year's total tax liability relating to self employed income (£5,000) and the June 2015 payment will be equivalent to the other 50% (£5,000). Since these payments are paid during the year of assessment ended 30 June 2015, these payments on account will be off-set against the liability for 2014/2015 tax year.

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When completing the tax return for the tax year 2014/2015, which must be submitted to this Office by not later than 30 November 2015, you have to calculate the tax liability for that year and submit payment with your return equal to the total liability for that year less the two payments on account made in January and June. If the total liability for the tax year 2014/2015 is £12,000, then payment for the outstanding £2,000 must accompany your tax 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.

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

Tel. No.: 350 20074874  
Fax No.: 350 20051621  
Email: [selfemployed@gibraltar.gov.gi](mailto:selfemployed@gibraltar.gov.gi)

Further guidance notes, tax returns and other forms are available and can be downloaded from the Gibraltar Government website at [www.gibraltar.gov.gi/new/income-tax-office](http://www.gibraltar.gov.gi/new/income-tax-office)