

Government of Gibraltar



6 CONVENT PLACE

OFFICIAL NOTICE

Dual Taxation System

Following the announcement by the Chief Minister in his 2007 Budget Speech of a new 'Dual Taxation System' to be introduced with effect from 1st July 2007, the Income Tax Office has set up a webpage on the Government's website to enable individual taxpayers to calculate which of the two tax systems will result in the payment of lower tax.

An 'On-Line Tax Calculator' will enable taxpayers to compare their tax liability under both systems. Taxpayers will require to input their estimated annual gross earnings and their total allowances as reflected in their current Tax Code. If a taxpayer does not know the level of allowances of his / her Tax Code, this information is also available on the web page. The 'On-Line Tax Calculator' will then automatically work out the tax liability under both the Allowance Based System and the Gross Income Based alternative.

Explanatory notes and conditions that will need to be taken into account by taxpayers before deciding on which tax system is best suited to their circumstances are also included in the webpage, as well as application forms to be used for electing the Gross Income Based alternative. In the absence of a specific choice the existing Allowance Based System would be deemed to have been chosen. Once a taxpayer has made a choice, the Income Tax Office will alter his / her Tax Code, which will then become effective immediately.

Before deciding on whether or not to elect the Gross Income Based alternative, taxpayers will need to take into account that certain allowances, which they may have been claiming (for example, mortgage interest relief on their home), will upon such election not then be available to their spouse. It is therefore not possible for one spouse to benefit from the Gross Income Based alternative and for the other to claim that mortgage interest relief on their home. Even so, spouses may make the same or a different choice of system of taxation in respect of their separate incomes.

Taxpayers will be free to elect the Gross Income Based alternative at any time and such election will apply for the complete year of assessment in which it is made and will remain valid until the Income Tax Office is notified otherwise.

Irrespective of the tax system a taxpayer may elect, in the final assessment of tax liability in any one year the Commissioner of Income Tax will work out the tax liability under both tax systems and apply the one that results in the lower tax payment to that taxpayer. This will result in a refund if, in fact, the taxpayer has paid more tax than if he / she had chosen the other system.

The Income Tax Office webpage can be accessed at:
<http://www.gibraltar.gov.gi> - Icon: 'Budget 2007 – On-line Tax Calculator'

The explanatory notes and application forms for taxpayers who wish to opt for the alternative Gross Income Based System can also be obtained from the Income Tax Office, Ministry of Finance, St Jago's Stone Block, 331 Main Street.

Taxpayers with queries may contact the Income Tax Office by telephone (Tel: 44161 or 74924) or by email at (paye@gibraltar.gov.gi). If you are self-employed the telephone number is (Tel: 74874) and the email address is (selfemp@gibraltar.gov.gi).