

Briefing Note: Buying Property in Gibraltar

Introduction

This note summarises the key tax implications for property purchases in Gibraltar.

Stamp Duty

The rates charged for both residential and commercial property are:

<u>Purchase Price</u>	<u>Rate</u>
To £200,000	Nil
From £200,001 to £350,000	2.0% on first £250,000 5.5% on balance
Over £350,000	3.0% on first £350,000 3.5% on balance

If the property is mortgaged then stamp duty may also be due on the amount borrowed, charged at 0.13% on amounts to £200,000 and 0.20% thereafter.

There are also ancillary acquisition costs which are connected to the registration process.

Income Tax

If a property is rented then the resultant income, less allowable expenses such as agent's fees and loan interest, will be subject to income tax. Similarly, profits resulting from property transactions which are construed to be trading activity, as opposed to investment, will also be subject to income tax.

For individuals, the maximum effective tax rate on rental profits will be 25%.

It may be advantageous to own a property through a Gibraltar company, particularly where the property will be rented. The company tax rate is 10%.

Tax Incentives

Gibraltar residents who are taxed under the Allowances Based System can claim the following allowances and deductions:

- ✓ Home Purchase Allowances - up to a maximum of £15,500, where the property is purchased for use as the main residence.
- ✓ Mortgage Interest Relief - interest is fully deductible on loan amounts up to £300,000.

Capital Gains Tax

There is no capital gains tax in Gibraltar and so gains arising on the disposal of main residences and investment property are tax free.

Inheritance Tax

There are no inheritance, estate, wealth or gift taxes in Gibraltar.

Our Services

We provide a comprehensive range of Gibraltar tax services including obtaining preferred tax status for high net worth individuals or relocated executives under the Category 2 and HEPPS regimes respectively.

We also advise on cross border and international taxation matters including emigration planning and the legitimate use of tax efficient entities based in Gibraltar.

Notice: This note provides general information on the Gibraltar tax system which may be of interest. It is not intended to be comprehensive and should not be construed as professional advice. Tax rates are for year ending 30 June 2012.