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# Gibraltar Payroll

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## REQUIREMENT TO OPERATE A PAYROLL IN GIBRALTAR

All employers in Gibraltar are required to calculate and withhold the correct amount of PAYE and Social Insurance, based on prescribed tax tables. These amounts must be paid to the Income Tax Office (ITO) by the 15th of the subsequent month.

## REGISTRATION OF EMPLOYERS

All employers are required to register with both the Gibraltar Department of Employment (DoE) and ITO. A fee is payable upon registration with the DoE, which is renewed annually on the anniversary of registration.

## REGISTRATION OF EMPLOYEES WITH THE DEPARTMENT OF EMPLOYMENT

An employer is required to ensure that any employee working in Gibraltar, even if on temporary basis, is registered in advance with the DoE. There are significant penalties for non-compliance.

A completed notification of vacancy form must be submitted at least 10 days before commencement date. Vacancies registered within 10 working days from, or after the commencement date will incur additional fees. After the 10 day period of notification, the employer will need to inform the DoE of their intention for a specific worker to fill the vacancy by submitting a notice of Terms of Engagement form.

Where employment terms or personal details of a registered worker have changed, the employer must notify the DoE by way of a notice of variation of Terms of Engagement form.

## REGISTRATION OF EMPLOYEES WITH THE INCOME TAX OFFICE

An employer must notify the ITO of the engagement of any employee. To do this, the employee must first be registered with the DoE.

Upon notification of the engagement, the ITO will register the employee for PAYE and Social Insurance and issue a tax code the employee, based on the information they hold. An employee can contact the ITO to ensure that the tax code takes account of all allowances to which they are entitled.

A copy of the employee's tax code and taxpayer reference number will be provided to the employer in order to correctly calculate the monthly payroll withholdings. In the absence of a tax code, an emergency rate of 20% must be applied.

## INCOME TAX

Gibraltar offers a dual personal tax system, namely the Gross Income Based System and the Allowance Based System. Upon registration with the ITO, the employee will be assigned a tax code under the tax system elected by the employee.

On final assessment, the ITO will apply whichever system results in the lower tax payable for a given tax year. Employees can elect either system to be applied to their tax code during the year, this can help to ensure that they are not overpaying PAYE, which can take some time to recover.

## SOCIAL INSURANCE

Social Insurance is payable in respect of all individuals who are working in Gibraltar, even if on a temporary basis. This also applies to any employees on the payroll of a Gibraltar-registered company who are working overseas. The only exceptions to this are when:

- ▼ The employee is also a registered employee of another employer in Gibraltar, and Social Insurance obligations are fully met by the other employer; or
- ▼ The employee holds a valid AI certificate issued by another EEA jurisdiction, in which case social insurance contributions continue to be made in the employee's home country.

The monthly amount of Social Insurance payable is based on the employee's Social Insurance contribution class, as per the certificate issued by the ITO containing the employees tax code.

## TERMINATION OF EMPLOYEES

Upon termination of an employee's contract, an employer must submit a Notice of Termination form to the DoE no later than 7 days from the date of termination. Once a final salary payment is made to the relevant individual, the employer must complete and submit form P7a to the ITO as well as a DSS2 form to the Department of Social Security. Copies of both forms must be given to the employee for their records.



## REPORTING REQUIREMENTS

Under Gibraltar law, employers must ensure that employees are paid at regular intervals and receive a payslip for wages earned during the working week/month. The payslip must record gross earnings, deductions made and net pay.

Following the end of the tax year on 30th June each year, an employer must complete and submit the following forms to the ITO by 31st July:

- ▼ P8 – Employers Annual Statement Declaration and Certificate – this declares the gross salaries, PAYE and SI by employee, and the total PAYE and SI deducted and paid over by the employer.
- ▼ P10/P10A – This lists the Benefit in Kind provided to employees and identifies whether the employee or employer will settle the tax arising on these.
- ▼ P12 – This details pension contributions made by both the employee and employer.

Employers must also give each employee a completed Form P7 – Certificate of Pay, Tax Deducted & SI Contributions. The employee should retain this – as well as certifying the amount of PAYE & SI paid, the information is needed to complete the employee's tax return.

## HOW ABACUS CAN ASSIST YOUR BUSINESS

By outsourcing the payroll function, employers can free up resources and focus on key areas of the business. In addition, outsourcing offers continuity and confidentiality as well as access to experts with an up to date understanding of relevant legislation and regulation.

Abacus can assist with the following:

- ▼ Weekly or monthly processing of payroll, including the calculation of PAYE, SI and any other deductions and net pay.
- ▼ Preparation and circulation of payslips for employees.
- ▼ Processing bank payments for salaries and deductions.
- ▼ Provide weekly or monthly payroll reports to the employer.
- ▼ Processing starters and leavers.
- ▼ Completing annual forms and reporting requirements.
- ▼ Providing advice on an ad-hoc basis.

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GIBRALTAR



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Jun 23