



## Gibraltar Tax Budget Alert

22 June 2015

### **Budget announcement reinforces Gibraltar's strong economic position**

Chief Minister Fabian Picardo delivered his fourth budget address to Parliament on 22<sup>nd</sup> June 2015, providing a very positive overview of the state of Gibraltar's economy and introducing measures to support local business and tax resident individuals. A summary of principal measures is provided below.

Although the legislation for implementation is still to be enacted, the measures will have effect from 1<sup>st</sup> July 2015 unless otherwise specified below.

#### **Contacts**

Joseph Caruana  
jcaruana@deloitte.gi

Stephen Reyes  
sreyes@deloitte.gi

Louise Gonçalves  
logoncalves@deloitte.gi

#### **Headline Economic Data**

- Gross Domestic Product ("GDP") for 2014/2015 is forecasted as £1.64bn, up from £1.48bn (revised 2013/2014 estimate) resulting in a growth of 10.3%.
- GDP growth well on track to exceed target of £1.65bn by 2015/2016.
- Growth in the economy has generated an increase of 6.6% in the number of jobs to 24,422.
- Inflation in Gibraltar averaged 1.8% in 2014, compared to 2.1% in 2013. Inflation expected to remain below 1% during 2015 and rise to the 2% target in 2016.
- Government revenue increased by 14.78% in the year to £559 million.
- Government budget surplus for 2014/2015 is estimated at £51.3 million.

#### **Corporate Tax**

- 100% capital allowance on eligible capital expenditure for new business in the first year of trade.
- 150% deduction for training costs.
- Audit threshold increased from £1 million to £1.25 million.
- Introduction of capital allowances for intangible assets and Research & Development ("R&D") regime to be considered by Government.
- Social Insurance Credit of £100 per employee in respect of the Employer's Contribution for companies who have ten or less employees.

## Personal Tax

Personal tax has been reduced further. Those on the allowance based system ("ABS") have been given the following benefits:

- The tax rate for the taxable income bracket ranging from £0 to £4,000 will be reduced from 15% to 14%;
- The tax rate for the taxable income bracket ranging from £4,001 to £16,000 will be reduced from 18% to 17%;
- The tax rate for taxable income in excess of £16,000 will be reduced from 40% to 39%;
- Personal allowance is increased from £3,100 to £3,200;
- Spouse allowance is increased from £3,100 to £3,200;
- Single Parent Family Allowance is increased from £4,000 to £5,264;
- Nursery Allowance is increased from £4,000 to £5,000 (per child);
- Child Allowance is increased from £997 to £1,100;
- Child Studying Abroad Allowance is increased from £1,105 to £1,250;
- Dependent Relative Allowance is increased from £190 to £300 (or from £139 to £200 where relative is resident outside Gibraltar);
- Home Purchase Allowance is increased from £11,500 to £12,000;
- Medical Insurance Allowance is increased from £4,000 to £5,000;
- Disabled Individuals Allowance is increased from £6,000 to £9,000;
- Blind Persons Allowance is increased from £4,000 to £5,000;
- Special Deduction for senior citizens is increased from £10,887 to £12,000.

The Gross Income Based system ("GIBS") has had the following measures included:

- The tax rate for taxable income in excess of £700,000 will be reduced from 10% to 5%;
- £6,500 deduction from assessable income available in respect of approved expenditure incurred in purchasing a home by first time buyers;
- £1,500 per annum deduction available for employee contributions to approved pension schemes;
- £3,000 per annum deduction available in respect of premiums paid for private medical insurance;
- £1,500 per annum deduction available in respect of mortgage interest payments.

Other points to note:

- Introduction of Payroll Giving Scheme allowing tax free charitable donations to be made.
- Tax payers with assessable income of £11,000 or less do not pay any income tax (for both ABS and GIBS);
- No changes to social security contributions for employers, nor employees;
- Employers' social insurance contributions in respect of an employee's second employment are abolished;
- Tax Amnesty introduced for six months to allow non-compliant tax payers to pay 5% on undeclared monies remitted to Gibraltar;

## Import and Stamp Duty

- Import duty reduced on various items, including but not limited to:
  - Flooring, carpets and associated construction materials reduced from 12% to 6% for trade imports;
  - Hearing aids, walking aids, wheelchairs, glasses and frames for prescription spectacles, contact lenses and dentures reduced to 0%;
  - Toys reduced from 6% to 3%;
  - Hybrid vehicles for those with a valid trade license reduced from 2% to 0%. Hybrid & electric vehicle new car registration cashback also increased from £750 to £1,000;
  - Inboard and outboard marine engines and marine engine spares reduced from 6% to 0%.
- Import duty increased on non-environmentally friendly items such as filament bulbs, increased from 12% to 24%, and two stroke motorcycles, increased from 30% to 50%.
- No stamp duty on the first £260,000 cost of property for first and second time buyers.

## Other Measures

- Minimum wage increased from £6.15 to £6.25 with effect from 1<sup>st</sup> September 2015.
- Public sector pay increased by 2.75%.
- No increase in electricity and water charges.

## Deloitte View

In line with last year's budget, this is very much a people driven budget which once again recognises the effort of Gibraltar's community in the success of its economy – this is evidenced by the various personal taxation measures and benefits provided to individuals. In addition, through proposed measures in areas such as start-ups, intangible asset allowances and R&D, the budget highlights Gibraltar's commitment and flexibility to further develop its tax infrastructure, which will contribute in maintaining its recent economic successes as well as stimulating new areas of growth.