



Gibraltar Tax Budget Alert

24 June 2013

Record budget surplus, 7.8% GDP growth and a budget for the community

Chief Minister Fabian Picardo delivered his second budget address to Parliament on 24th June 2013, following his party's first full year in Government, providing a positive overview of the state of Gibraltar's economy and introducing measures to support local business, working families and encouraging development in infrastructure. A summary of principal measures is provided below.

Although the legislation for implementation is still to be enacted, the measures will have effect from 1st July 2013 unless otherwise specified below.

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Headline Economic Data

- Government budget surplus for 2012/2013 is estimated at a record high of £37 million
- Estimated 2012/2013 GDP is £1.226 billion, 7.8% growth from the previous year
- Economy on track to deliver target GDP of £1.65 billion by 2015
- Gross Public Debt is down by £142 million to £376 million, while net debt is reduced by £12 million to £291 million
- The Government has donated £35 million of its surplus to Community Care

Corporate Tax

- Main initiative to encourage office development is the introduction of a new capital allowance applicable for construction of office premises enabling the developer (or occupant) to deduct 100% of the build cost over 8 years (capped at 30% in the first year after construction and 10% thereafter over seven years)
- The current audit exemption threshold increased from £0.5million to £1million effective for accounting periods ending on or after 1 July 2013

Personal Tax

Several changes have been made to personal tax, in particular the following have been made affecting the allowance based system:

- The tax rate for the taxable income bracket ranging from £4,001 to £16,000 will be reduced from 30% to 24%
- All taxpayers under the Allowance Based System with earnings of £10,000 or less will not pay any income tax as the Low Income Earners Allowance is being extended accordingly
- The Medical Insurance allowance is increased from £1,500 to £2,000
- The Nursery School Allowance is increased from £2,000 to £3,000 per child
- The Blind persons allowance is increased from £627 to £3,000
- The Disabled individuals allowance is increased from £2,724 to £3,000
- The single Parent Family allowance is increased from £2,632 to £3,000
- The Personal Allowance is increased from £2,812 to £3,000
- The Spouse Allowance is increased from £2,632 to £3,000

The Gross Income Based system has had the following measures included:

- £5,000 deduction from assessable income available in respect of approved expenditure incurred in purchasing a home by first time buyers
- £1,000 per annum deduction available for employee contributions to approved pension schemes

Other points to note:

- No changes to the social security contributions for employers nor employees
- Maternity and Death grants increased from £400 to £600 with immediate effect

Import and Stamp Duty

- In order to encourage the jewellery industry in Gibraltar import duty is reduced from 6% to 4.5% and 0% on loose gemstones
- Import duty on sunglasses and mobile phones is reduced from 6% to 3%
- Import duty on all sports equipment and spares and all articles for outdoor games; bicycle spares; fishing rods, hooks etc.; educational items including pens, pencils, crayons, student paints; and binoculars and camera cases are reduced from 12% to 0%
- Import duty on diesel is increased with immediate effect by 6.5p per litre to 22p per litre
- Import duty on marine fuel is reduced to 0% with immediate effect as a measure to encourage the use of Gibraltar by yachts, pleasure craft and all other sea going vessels as well as benefitting local vessels
- Import duty on cigarettes will increase by 10p per packet with immediate effect
- Stamp duty is eliminated for property transactions below £250,000, up from £200,000
- Stamp duty on transfers of properties between spouses is abolished

Other Measures

- The Audit exemption level within the Income Tax Act 2010 is increased from £500,000 to £1m effective for accounting periods ending on or after 1st July 2013
- The Gift Aid Scheme donations is increased from £1,000 to £5,000
- New Senior Citizens 10 year debenture providing interest rates of 5% to Gibraltar residents
- Children's bond introduced by Savings Bank with interest rates of 5% per annum until the child is 18 years old, available for all children under the age of 10
- Minimum wage increased from £5.70 to £6 as of 1st September
- Discount scheme of 50% for early payment of General Rates introduced last year for all new start-up companies in their first year of trading extended to include a 25% discount in their second year of trading
- The Annual Pensioners Utility Grant applicable to persons aged 60 or over is increased from £75 per annum to £90 per annum
- No changes to electricity charges and water rates
- Soft loans to be provided to Residential Estates for funding projects using solar panels to provide electricity for communal areas and services

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