



Taxation in Gibraltar

The Budget 2016

A summary of the key taxation changes announced in the Chief Minister's budget on 5 July 2016.

In the wake of the UK electorate's recent decision to leave the EU, the Chief Minister has announced a cautious budget for the Financial Year 2016/2017.

The main tax changes announced are summarised below:

Personal tax

There will be an increase in the low income earners allowance so that any taxpayer with income of £11,050 or less with effect from 1 July 2016 will not pay any income tax.

Taxpayers under the Allowance Based System will obtain inflationary increases in their personal allowances. With effect from the 1 July 2016 the following allowance increases will be applied:

- Personal Allowance and Spouse/Civil Partner's Allowance will increase from £3,200 to £3,215;
- One Parent Family Allowance will increase from £5,264 to £5,290;
- Nursery Allowance will increase from £5,000 to £5,025;
- Child Allowance will increase from £1,100 to £1,105;
- Child Study Abroad Allowance will increase from £1,250 to £1,255;
- Dependent Relative Allowance will increase, where the relative is resident in Gibraltar, from £300 to £305 and, where the relative is resident outside of Gibraltar, from £200 to £205;

- Disabled Individual Allowance will increase from £9,000 to £9,040;
- Blind Allowance will increase from £5,000 to £5,020;
- Medical Insurance Allowance will increase from £5,000 to £5,020.

New Tax Amnesty

Following last year's tax amnesty, a new tax amnesty lasting 6 months beginning at midnight on 5 July 2016 was announced.

Income remitted from abroad and which would otherwise have been subject to taxation in Gibraltar will be liable to a 7.5% levy on the total amount remitted to Gibraltar or 7.5% on the value of any assets purchased abroad on the proceeds of the income accrued and derived in Gibraltar upon which tax should have been paid.

Statutory minimum wage

This is increased to £6.28 with effect from 1 August 2016.



Social Insurance Contributions

Although a reform of the social insurance system was in the pipeline, the proposed new system will first be reviewed to ensure it is fully compliant with EU law.

The Government will not at this stage be increasing the level of social insurance contributions and will monitor the effects of the decision of the EU referendum on Gibraltar business and will, if necessary, introduce any increases on 1 January 2017.

Telecommunications Companies

To ensure a 'level playing field' for telecommunications companies, the higher tax rate of corporate income tax of 20% shall apply only to the profit and gains arising from telecommunication activities which are specifically mentioned in the Income Tax Act, while the lower rate of corporate income tax rate of 10% will apply to the gains and profits arising from their non-telecommunications business and activities.

A Start-up Incentive

All newly established businesses in Gibraltar setting up over the next 12 months (i.e. between 5 July 2016 to 30 June 2017) will be eligible for a tax credit equal to the tax due up to a maximum of £50,000 per annum over each of the first three financial years of trading if they meet the following conditions:

- it must be a new business setting-up in Gibraltar and not the transfer of a business already existing in Gibraltar;
- the business must employ at least 5 people in Gibraltar; and
- the business must be a company or limited partnership but not an individual trading in its own name.

The tax credit does not carry forward from one year to the next. Therefore, if the company does not make a profit and is not able to use the credit it will be lost.

Changes in import duty rates

Import duty on the following goods has been exempted:

- Vision correction aids and accessories such as spectacles, spectacle lens and contact lens;
- Marine Sector equipment such as sails, propellers, electronic equipment, and spare parts for use exclusively in boats;
- School satchels; and
- Essential items and personal care products such as deodorant, perfumes, bath salts, other bath preparations, nappy's, nappy liners, tampons, sanitary towels and shaving cream.

Import duties on fizzy drinks and other soft drinks with a sugar content (other than milk based drinks) of above 5 grams per 100 millimetres will increase to 10%. The same level of import duty will be levied on sugar and sweeteners used in sweetening of drinks produced in Gibraltar which have the same sugar content.

There will be a change in import duties on water pipe tobacco from 12% import duty to £3.00 duty levied per kilogram.

For more detailed information, please do not hesitate to contact:

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