



# Taxation in Gibraltar

## The Budget 2018

### *A summary of the key taxation changes announced in the Chief Minister's budget on 2 July 2018*

#### **Personal tax**

The Chief Minister announced an increase in the low income earners allowance so that with effect 1 July 2017, any taxpayer with income of £11,200 or less (2017/2018: £11,150) 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 2018 the following allowance increases will be applied:

- Personal Allowance and Spouse/Civil Partner's Allowance will increase from £3,300 to £3,385;
- One Parent Family Allowance will increase from £5,435 to £5,575;
- Nursery Allowance will increase from £5,160 to £5,290;
- Child Allowance will increase from £1,135 to £1,165;
- Child Studying Abroad Allowance will increase from £1,290 to £1,325;
- Dependent Relatives Allowance where the relative is resident in Gibraltar, will increase from £301 to £325. Where the relative is resident outside Gibraltar the allowance will increase from £210 to £215;
- Blind allowance will increase from £5,155 to £5,285;
- Medical Insurance allowance will increase from £5,155 to £5,285.

No changes were announced to the Gross income Based System.

#### **Social Insurance**

A 10% increase in social insurance contributions has been announced, the effect of which is the following:

- Employee contributions will increase by £2.75 per week from £27.50 to £30.25 at the maximum level;
- Married women's contributions will increase by £1.45 per week from £14.50 to £15.95;
- Employer's contributions will increase by £3.65 per week from £36.5 to £40.15 at the maximum level; and
- Self-Employed contributions will increase by £3.35 per week from £33.5 to £36.85 at the maximum level.

#### **Changes to the Transfer of Corporate Tax Losses**

In order to facilitate group restructuring and consolidation, changes have been made to allow the transfer of losses between group entities upon restructuring, provided that there is no change to the ultimate ownership or a change of business within a period of three years. The changes will allow losses to be carried forward against a business even if the business is transferred to another company under the same ultimate ownership.

Anti-abuse provisions will restrict the transfer of losses to instances of legitimate group restructuring. The transfer of accumulated losses from one type of business to another will be specifically prohibited.

#### **Statutory Minimum Wage**

This has increased from £6.45 to £6.75 per hour.

### **Import Duty**

As from midnight on 1 July 2018 import duty has increased on the following goods:

- An increase in duty on water pipe tobacco of £30 from £15 per kilo to £45 per kilo (where the Collector of Customs is satisfied that merchandise can be demonstrated to have been ordered before this announcement and the delivery stage is engaged then the current duty of £15 per kilo will be accepted for that consignment only);
- An increase of £1 for cigarettes from £13 to £14 per carton;
- Rolling tobacco increases by £15 from £45 per kilo to £60 per kilo;
- Cider, shandy and fermented beverages increases to 21 pence per litre;
- Bottled alcoholic beverages with alcoholic strength per volume not exceeding 15% increases by 17 pence per litre;
- American Whisky and Bourbon increases to £2 per litre;
- Sparkling Wines and Champagne increases by 31 pence to £1 per litre;
- Diesel fuel increases by 12 pence per litre of ordinary diesel and 11 pence per litre of premier diesel fuel;
- Unleaded fuel increases by 6 pence per litre of unleaded 95 and 5 pence per litre of Unleaded 98;
- Diesel Engines under 1495cc will incur an additional 10% duty; and
- Import duty on plastic bags has increased by 200%

As from midnight on 1 July 2018 import duty has been removed on the following goods:

- Educational electronic equipment;
- Instruments and appliance used in the medical, surgical, dental and veterinary sciences, including sight testing equipment; and
- Handbags.

The cash back for full electric vehicles with no element of propulsion by a combustion engine is increased to £2,500. Conversely, the cashback on hybrids is reduced by £250. A new cashback incentive of £150 has been introduced for full electric motorbikes and £200 for electrically assisted bicycles.

### **Special Stamp Duty on Affordable Housing**

In order to counter individuals who seek to speculate on affordable housing a Special Stamp Duty of 7.5% will be levied on the sale of property within 10 years after the original purchase of the property.

The special stamp duty will not apply in circumstances of a forced sale, including in the cases of divorce or where a family moves to a larger property as a meritorious upgrader to another, newer, Government affordable housing estate.

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

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