



Taxation in Gibraltar

The Budget 2017

A summary of the key taxation changes announced in the Chief Minister's budget on 26 June 2017.

One year on from the UK's decision to leave the EU and with negotiations underway on what form the UK, and by extension, Gibraltar's exit from the EU will take, the Chief Minister has announced conservative tax measures in his budget focused mainly on customs duties together with inflationary allowances for individuals taxed under the allowance based system.

Personal tax

There will be an increase in the low income earners allowance so that with effect 1 July 2017, any taxpayer with income of £11,150 or less will not pay any income tax. This has increased from £11,050 and applies to both the Allowance Based and the Gross Income Based tax system.

Taxpayers under the Allowance Based System will obtain inflationary increases in their personal allowances. With effect from the 1 July 2017 the following allowance increases will be applied:

- Personal Allowance and Spouse/Civil Partner's Allowance will increase from £3,215 to £3,300;
- One Parent Family Allowance will increase from £5,290 to £5,435;
- Nursery Allowance will increase from £5,025 to £5,160;
- Child Allowance will increase from £1,105 to £1,135;
- Child Study Abroad Allowance will increase from £1,255 to £1,290;
- Blind allowance will increase from £5,020 to £5,155;
- Health insurance premium allowance will increase from £5,020 to £5,155;
- Dependent relative allowance will increase where the relative is resident

in Gibraltar, from £305 to £315 and where the relative is resident outside of Gibraltar, from £205 to £210; and

- Disabled individual allowance will increase from £9,040 to £9,285.

Import Duty

Import duty on the following goods has been reduced to zero:

- Prams;
- Sports or dance apparel imported by or for a sport or dance association;
- Indoor sports equipment such as billiards, pool, darts or chess; and
- Classic cars meaning vehicles of historic interest, no longer in production and over 30 years old.

Import duties will be reduced on the following goods:

- Handbags from 6% to 3%;
- Jewellery and imitation jewellery will be reduced from 4.5% to 3%;
- Sports trackers/watches also known as wearable battery operated devices are reduced from 12% to 3% ; and
- Gold bullion duty has been decreased from 6% to 1%.



As from midnight on 25 June 2017 import duty has increased on the following goods:

- Water pipe tobacco will increase from £3 per kilo to £15 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 £3 per kilo will be accepted for that consignment only);
- Diesel fuel will increase by 3 pence per litre of ordinary diesel and 1 pence per litre of premier diesel fuel; and
- Jet skis import duty will be increased from 0% to 20%.

Import duty on plastic bags has doubled from 5 pence to 10 pence.

Import duty on tobacco products designed to be heated and not burned will be set at £45 per kilo of tobacco content.

Purchase of electric forklift trucks currently attract no import duty. As a further incentive the Chief Minister announced that forklift trucks will receive the same cash back as for any electric road vehicle and the cash back for full electric vehicles with no element of propulsion by a combustion engine is increased by a further £750 cash back. This increase does not apply to hybrid vehicles for which the current position remains unchanged.

Deductions that apply to residential premises in respect of the installation of solar power will now also apply to commercial premises.

The Chief Minister announced a mechanism for importation into bond of very high value retail items sent to retailers on consignment (i.e. items with a value in excess of £25,000 which the retailer will only pay for once he/she sells the items in question). Under the proposed scheme, which will be limited to Main Street traders, import duty will be payable only when the items are sold. The traders, who will need permission from the Collector of Customs will need to inform the Collector within 2 hours of the actual sale and pay the relevant customs duties within 48 hours. Items imported by the trader or any trading entity within the same group under this scheme must be re-exported or the duty paid within 6 months of its first importation. Any items which have been re-exported will not be able to benefit from this scheme for another 24 months.

Statutory Minimum Wage

This has increased from £6.28 to £6.45 per hour with effect from the 1 August 2017.

Social Insurance

Since Social Insurance contributions were already increased earlier in the year with effect from 1 April 2017, the Chief Minister confirmed that there will be no further increases to social insurance during this calendar or financial year.

It was announced that the age from which social insurance contributions made by young employees will start accruing towards the contributor's pension will be reduced from 20 years old to 15 years old.

Old Age Pensions

Will increase for individuals from £440.54 to £452.44 and the couple's pension will increase from £660.85 to £678.70.

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

Colin Vaughan
colin.p.vaughan@gi.pwc.com

Edgar Lavarello
edgar.c.lavarello@gi.pwc.com

Patrick Pilcher
patrick.s.pilcher@gi.pwc.com

Telephone: +350 200 73520

Or your usual PwC contact