



Gibraltar 2016 Budget



Highlights

On 5 July 2016, Fabian Picardo, the Chief Minister of Gibraltar, delivered his first post-Brexit annual budget address, in what he termed the “most important budget sessions of this House for a generation”.

Below we highlight some of the proposed changes to the tax system but here are some of the key statistics announced:

- Inflation for 2015 down to 0.3% in 2015, from 1.8% in 2014
- GDP expected to rise from £1.64 billion to £1.77 billion in 2015/16, a 7.5% increase
- £570m expenditure budget for 2016/17, equivalent to 32% of GDP
- Gibraltar now 4th in IMF GDP per capita rankings (behind only Qatar, Luxembourg and the Macao Special Administrative Region of China)
- Net public debt reduced to £345m
- Budget surplus of £38.8m (net of £25m contribution to Government owned companies)
- Income Tax receipts up £5m
- Corporation Tax receipts up by over £20m to £109m

Individuals

The minimum wage in Gibraltar increases from £6.25 p/h to £6.28 p/h, which is just above inflation.

There are increases in allowances for individuals on the Allowance Based System (ABS) as follows:

Personal allowance increases from £3,200 to £3,215.

Spouse allowance increases from £3,200 to £3,215.

Single Parent Family Allowance increases from £5,264 to £5,290

Nursery school allowance (per child) increases from £5,000 to £5,025

Deduction for first child increases from £1,100 to £1,105

Deduction for children educated abroad (each child) increases from £1,250 to £1,255

Disabled individual's allowance increases from £9,000 to £9,040

Blind individual's allowance increases from £5,000 to £5,020

Medical insurance (maximum) allowance increases from £5,000 to £5,020

Business

The Chief Minister announced a new incentive scheme for start-up companies and limited liability partnerships in Gibraltar employing a minimum of 5 people. The scheme runs from now up until 30 June 2017 and will allow start-ups to avail of a tax credit of up to £50k per annum for the first three years of trading. The credit must be used in each year of trading or it will be lost, as it cannot be carried forward. This means that up to £500k in profits each year will not be subject to tax.

Telecommunications companies are currently subject to corporation tax at 20%, and the Chief Minister announced that they will now pay corporation tax at 10% on profits that are not directly arising from their telecommunications trade.

There was no further news on the mooted capital allowances regime for intangible assets about which the Chief Minister spoke in his 2015 budget speech.

Rates for businesses will remain unchanged.

Import Duties

Further to last year's reduction to import duties, further reductions will be introduced with immediate effect on certain goods whilst import duty is raised on water-pipe tobacco.

Other provisions

There has been no increase in Social Insurance contribution rates this year but the Chief Minister indicated that this will be reviewed on 1 January 2017.

The annual provision for repayments of tax has increased to £10m and assessments for 2009/10 have now been finalised with 2010/11 and 2011/12 to follow this year.

The Income Tax Office are moving towards the digitalisation of all records and will now accept electronic applications for tax registration of companies.

The Tax Amnesty introduced in the Chief Minister's 2015 budget speech to encourage those with undeclared income overseas to repatriate it to Gibraltar has been extended by a further 6 months. The Tax Amnesty has resulted in £27.78m being repatriated since its introduction, with the Government collecting £1.39m in taxes. An increased payment of 7.5% of the amount in question will "wipe the slate clean" (it was 5%). Thereafter, any amounts are potentially subject to a penalty of up to 100% of the tax in question.

There was no announcement made on the Category 2 regime review but the Category 2 / Higher Executive Possessing Specialist Skills (HEPSS) working group has reconvened.

If you would like to read Fabian Picardo's speech in full, please click [here](#).



[Gregory Jones](#)
Tax Director



[Darren Anton](#)
Senior Tax Director

kpmg.gi



kpmg.com/app



[Privacy](#) | [Legal](#)

You have received this message from KPMG Advisory Limited. If you wish to unsubscribe please [click here](#). If you wish to unsubscribe from all KPMG communications, please [click here](#).

KPMG Advisory Limited, Suite 3B, Leisure Island Business Centre, Ocean Village, PO Box 1197, Gibraltar

© 2016 KPMG Advisory Limited, a Gibraltar limited company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved..

The KPMG name and logo are registered trademarks or trademarks of KPMG International.