



**GOVERNMENT OF GIBRALTAR
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PRESS RELEASE

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COMPANY TAX – COURT RULING AND GOVERNMENT’S INTENTIONS

The European Court of First Instance has informed the Gibraltar Government that it will deliver its judgement in the Gibraltar State Aid case on the 18th December 2008.

The Government will not be distracted in its plans for the very delicate transition to the new low rate corporate tax system by inaccurate and ill informed Opposition statements.

Contrary to recent statements by the Opposition, it is not true that the finance centre and online gaming industries had urged the Government to introduce the new system sooner or before the Court ruling. It continues to be inappropriate to do so, and would only have been done by Government as a very last resort, i.e. if the ruling had not materialised in time for the tax year 2010/11 in which the tax-exempt status regime must end.

In London, on Gibraltar Day the Chief Minister said that he expected and fully intended that the new tax system should be in place by 1st July 2009. This will be achieved by the development, consultation, drafting and passing through Parliament of the legislation necessary to implement the new Regime, including all relevant details of the scheme. That legislation will then be commenced in time for the 2010/11 tax year, i.e. starting on 1st July 2010. In the meantime, companies in all sectors will have a year to prepare for the commencement of the new regime, with the benefit of knowing the terms of the legislation (which will already have been passed by Parliament) and thus the clarity and certainty that certain sectors were seeking.

Next year, as said by the Chief Minister in his budget speech earlier this year, the Government intends to continue with its corporate tax rate cutting policy by again introducing a substantial further reduction in the corporation tax rate for the tax year commencing 1st July 2009. Corporation tax rates have already fallen from 35% in 2007 to 27%.

A Government spokesman said:-

“It has always been the case that the timetable for implementation is informed by a complex set of factors, including the timing of the Court’s Ruling, EU State Aid Rules relating to recoverability of new aid, the conflicting interests of different sectors of the economy, the conflicting interests of different companies within the same sector of the economy, the revenue needs of the Government, and the desire of industry to have sight of the final details of the Scheme at the earliest possible date.

Those who assert that the new tax system should have been introduced sooner, simply fail to grasp the very negative implications of doing that in the context of EU State Aid Rules, the negative impact on the prospect of retaining in Gibraltar companies that are key to our economy and employ many hundreds of people, and in the context also of Government revenue needs.

Indeed, they also misunderstand the “advice” that the Government has received from the Finance Centre and others, which has not been that the Government should rush to introduce the new system. Different sectors of the economy and different operators within each sector (including operators within the Finance Centre) have given the Government very different “advice” in this respect. Part of the complexity of the transition is balancing these conflicting interests.

The Government has at all times proceeded, and will continue to proceed in accordance with the consultation process that it conducts with the finance centre and the online gaming centre who understand the many conflicting issues that arise and have to be reconciled. The course of action being advocated by Opposition would have economically very negative consequences for Gibraltar.”