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PRESS RELEASE

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Attached a copy of the Chief Minister's Statement.

<u>Statement by Peter Caruana,</u> <u>Chief Minister of Gibraltar</u> <u>On Thursday 18th December 2008.</u>

"Gibraltar Governments hails comprehensive victory in the EU tax case as huge for Gibraltar, economically, socially, politically and constitutionally".

The Government of Gibraltar is over joyed at the outcome of the EU State Aid Case. The Court has found in Gibraltar's favour and has accepted our arguments on each and every issue, relating both to regional selectivity and material selectivity, and has ordered the commission to pay the Gibraltar Government's legal costs.

On <u>Material Selectivity</u>, the court has found that the Commission were <u>wrong</u> to declare Gibraltar's proposed and notified tax scheme (i.e. payroll tax, plus property tax, subject to a cap of 15% of profit) to be in breach of the EU State Aid Rules.

On <u>Regional Selectivity</u>, the Court has correctly understood and applied Gibraltar's Constitutional Status and relationship with the UK, and has therefore dismissed the EU Commission's case, which was based on the false proposition that, for EU State Aid purposes, Gibraltar is merely a region of the UK and thus is not entitled to have its own tax system different to that of the UK.

Although we are delighted to have won on both counts, <u>Regional Selectivity</u> was the overriding and crucial issue for Gibraltar because without our ability to devise and implement our own tax regime, Gibraltar's economy, and thus our social and political model, could not have survived. This would have respresented a massive political, economic and social blow for Gibraltar.

This needs to be clearly understood. Had Gibraltar lost the Regional Selectivity case, we would have had to adopt the UK's company tax system and company tax rates. That would result in the bulk, if not all, of the finance centre and gambling companies <u>leaving Gibraltar</u>. That would have meant the loss of thousands of jobs throughout our economy, and a very large fall in Government revenue. This in turn would have rendered unsustainable our current level of public services and public sector employment.

"This is a huge and vital victory for Gibraltar. A threat to our economic, social, and thus political well being, has, once again, been successfully seen off. I believe that the economy of Gibraltar now has the opportunity to forge ahead to the next level of growth and development, to fulfil its great potential and thus to guarantee that we shall bequeath economic and social prosperity and stability to our children, grand children and future generations.

Once again, this small community has demonstrated that, when right is on our side, and we hold our nerve and we behave reasonably and intelligently, we have the ability and determination to defend our rights and interests as a people, even when they are challenged by more powerful entities and forces.

On behalf of the people of Gibraltar, I wish to thank all those companies in the financial services and gambling sectors and other sectors of the economy that have had the faith and confidence in us to stay with Gibraltar during these difficult and uncertain times.

The threat that Gibraltar has faced cannot be understated, nor therefore, can the importance of this victory to Gibraltar and its people and our future. In recognition of this fact, and in celebration of Gibraltar's success, I declare Monday the 5th January 2009 to be a Public Holiday.