



GOVERNMENT OF GIBRALTAR
PRESS OFFICE
No.6 Convent Place
Gibraltar
Tel:20070071; Fax: 20043057

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The Government has to-day published the text of the new, amended and consolidated Income Tax Act, under cover of a pre-legislative briefing paper that explains the main changes being introduced.

The New Act lays the foundations for the reduction of Company Tax in Gibraltar from 22% to 10% as from 1 January 2011, to coincide with the definitive abolition of the historical tax exempt company regime.

This legislation ends all distinction between “onshore” and “offshore” business. Together with the tax information exchange agreements being entered into by the Government, and Gibraltar’s full integration in the EU and compliance with EU financial services regulation, money laundering and co-operation rules, the new Tax Act completes Gibraltar’s 14 year transition from tax haven to mainstream European financial services centre.

Only by creating a climate of compliance can low company tax and further lowering of personal taxes be assured. The new Act therefore introduces tough anti-avoidance measures and default financial and legal penalties to help ensure that all pay the taxes that are due – thus making the low rate possible for everyone.

The legislation also introduces severe criminal consequences, as well as personal liability, for directors and managers of companies that withhold tax from workers pay and then fail to pay it over to the Government promptly.

To level the playing field between PAYE payers on the one hand and companies and self employed people on the other, the latter will, in future, have to pay tax during the tax year on account of that year’s tax bill. This brings to an end the historical position whereby PAYE payers suffer tax at source, while companies and the self employed could delay paying their tax for several years. The new system is thus fairer to all.

The legislation also introduces a system of self assessment and hefty financial penalties for defaulting on payment or returns.

The new legislation is based closely on the old Income Tax Act, with major amendments to bring about the changes now being introduced. For ease of use the new legislation takes the form of a new, consolidated Act,

The Government is today publishing:-

- (1) A 52 page pre-legislative briefing paper explaining the changed principles and provisions of the Bill;
- (2) The intended text of the Bill;
- (3) The text of the (more extensive than usual) explanatory memorandum attached to the Bill itself.

These texts are available in PDF format on the Government's website: www.gibraltar.gov.gi

All the above is published, as a brief, to allow for written comments (in writing to the Chief Minister at No 6 Convent Place) during a five week period ending 23 July 2010. The Government intends to formally publish the Bill in the Gazette in mid August, so that it may undergo and complete its passage through Parliament during October.

Commenting on the texts, the Chief Minister said:-

"This legislation represents several years work by many people, including officials, lawyers, accountants and others who have supported me in this vital project. The underlying principles have thus already been widely consulted.

Thousands of local jobs, much Government revenue and thus our public services, depend on Gibraltar having an internationally competitive tax system. Many previously tax exempt banks, insurance, investment, gaming and other companies will begin to pay profit tax in Gibraltar for the first time on the same basis as all other companies. These companies are vital to our economy and to the social prosperity of all of us in Gibraltar.

I wish to thank and commend these companies for their continued commitment to Gibraltar despite the introduction of taxation for them. Tax is very important, but Gibraltar is more than about just tax: it is also about political and economic stability, good regulation and high standards and safe business environment, high quality of personal life style, good professional services and communications, and availability of well educated staff.

The Climate of Compliance sought to be created by the new Act is also intended to enable the Government to continue and proceed further with its long established programme of tax cutting for individuals as well. Low tax must come hand in hand with an end to our historically benign tax administration and enforcement system."