



HM GOVERNMENT OF GIBRALTAR
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PRESS RELEASE

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SUMMARY OF BUDGET MEASURES 2013
AS ANNOUNCED BY THE CHIEF MINISTER
IN PARLIAMENT
MONDAY 24th JUNE 2013

This is a summary of the state of the economy as set out more extensively in the Chief Minister's full address to Parliament and of the budget measures contained therein.

ECONOMIC PERFORMANCE

- Record Budget Surplus – highest ever at £37.174m.
- GDP growth of 7.8% (£1.137bn to £1.226bn).
- On target to meet or exceed GDP of £1.65bn by 2015/16.
- GDP per capita of £41,138 or US\$64,478 (at US\$1.56/£1) – up from 9th to 4th in the world on IMF chart (2012).
- Gross Debt down by £142m or 27.5% (double the £68m reduction estimated last year) from £518m to £376m.
- Net Debt down from £303m to £291m and estimated to be down further to £278 next year.

- Cash Reserves quadrupled upwards from £20m under previous administration to £85m (exceeding estimate of £60m).
- Recurrent revenue exceeds estimate by £28m.
- Departmental expenditure on target.

SPECIFIC MEASURES

- £35m donated to Community Care.
- New Senior Citizens 10 year Debenture introduced by Savings Bank at 5% for nationally resident.
- Children's Bond introduced by Savings Bank – 5% per annum until aged 18. Available for all children under 10. Monies held on trust until 18th birthday at least. HM GoG to deposit £500 per child for every child born after midnight Monday 24th June 2013.
- Civil Service pay – up by 2.9% from 1st August.
- Minimum wage up from £5.70 to £6 as from 1st September.
- WOPS – mechanism and formula for opting back in announced.
- Death in Service – up from 2 times to 10 times salary under the new commutation rules for officers covered by the Pensions Act; up to 3 years from 2 years for those not covered by the Act.

Reducing the Cost of Doing Business in Gibraltar

- No increase in social security for employer or employee contributions.
- Electricity and water charges will not be increased this year, despite the increasing costs of providing these public utilities.
- With effect from 1st July 2013, the discount scheme for early payment of General Rates, which was introduced last year for all new companies starting up business in Gibraltar, will be extended to include a 25% discount in the second year of trading. All new companies will therefore be given a discount in their General Rates bill of 50% in their first year of trading and 25% in the second year of trading;
- Those new companies that have already received a 50% General Rates discount in their first year of trading, since the scheme was introduced last year, will also be given a 25% discount in their second year of trading.

Retail Industry

- In order to further stimulate the retail sector in Main Street in particular and to make Gibraltar a more attractive destination for shopping, and in addition to the import duty reductions made last year:
- In order to encourage the development of the jewellery industry in Gibraltar, including the finishing off of the jewellery manufacturing process in Gibraltar, import duty on Jewellery is reduced by 25% from 6% to 4.5%; and Import Duty on loose gemstones is reduced to zero (0%).
- Import Duty on Sunglasses is reduced by 50% from 6% to 3%;
- Import Duty on Mobile phones is reduced by 50% from 6% to 3%;
- Import Duty on all Sports Equipment and Spares and all Articles for Outdoor Games is reduced by 100% from 12% to zero;
- Import Duty on all Educational Items, including Pens, Pencils, Crayons and Students' Paints is reduced by 100% from 12% to zero;
- Import duty on Bicycle Spares is reduced by 100% from 12% to zero;
- Import duty on fishing rods, fish hooks and other line tackle etc., is reduced by 100% from 12% to zero;
- Import duty on binoculars and camera cases is reduced by 100% from 12% to zero.

Other Import Duties

Diesel

- Import duty on diesel is increased, with immediate effect, by 6.5p per litre to 22p per litre.

Marine Fuel

- In order to encourage the use of Gibraltar by yachts, pleasure craft and all other seagoing vessels and for local vessels, import duty on marine fuel is reduced to zero (0%) with immediate effect. The system will work as a refund for importers in respect of fuels demonstrably supplied to vessels.

Tobacco

- Import Duty on cigarettes will increase by 10p per packet with immediate effect.

Support for Working Families,

Stamp Duty

- In order to assist working families with the purchase of their homes, as well as those families who may need to move to larger or indeed smaller accommodation as their family composition changes, the threshold of 'zero' Stamp Duty, which currently stands at £250,000 for first-time buyers, will be extended to cover second-time buyers.
- Stamp Duty on transfers of properties between spouses, most often an issue in cases of matrimonial breakdown, is abolished.

Increase in Statutory Benefits

- Maternity Grants and Death Grants have remained unchanged at £400 since July 2006. With immediate effect, the Maternity Grant is increased by 50% to £600 and the Death Grant is also increased by 50% to £600.

Support for our Senior Citizens

- The Annual Pensioners Utility Grant, applicable to persons aged 60 and over, will be increased from £75 per annum to £90 per annum, with effect from 2013.

Income Tax

In pursuance of the Government's commitment to reduce the level of personal tax for every taxpayer in Gibraltar, the following reductions in income tax will apply, with effect from 1st July 2013:

Allowance Based System

- For those taxpayers who have elected to pay income tax under the Allowance Based System, the tax rate for the taxable income bracket ranging from £4,001 to £16,000 will be reduced from 30% to 24%.
- This measure will benefit approximately over 3,800 taxpayers.

- All taxpayers under the Allowance Based System with earnings of £10,000 or less will not be required to pay any income tax at all. This will be achieved by extending the Low Income Earners Allowance.
- This measure will benefit approximately over 2,100 of the lowest paid taxpayers in our community and I am proud and honoured to be leading the Government that introduced this measure.
- Additionally taxpayers under the Allowance Based System will benefit from the following increases in allowances:
- The Medical Insurance Allowance is increased from £1,500 to £2,000. The purpose of this is to reward taxpayers who seek private healthcare and in doing so relieve the burden on the health service;
- The Nursery School Allowance is increased from £2,000 to £3,000 (per child). This measure is intended to assist working parents with young families;
- Blind Persons Allowance is increased from £627 to £3,000. This very significant increase demonstrates my Government's commitment to assist the most vulnerable members of our society;
- Disabled Individuals Allowance is increased from £2,724 to £5,000. Once again this very significant increase continues to show our support for parent who bear the responsibility of caring for these individuals;
- Single Parent Family Allowance is increased from £2,632 to £3,000;
- Personal Allowance is increased from £2,812 to £3,000;
- Spouse Allowance is increased from £2,632 to £3,000;

For taxpayers currently under Gross Income Based System

Help for first-time buyers

- In order to further assist working families with the purchase of their first-time home, a deduction from assessable income of £5,000 will be made to taxpayers under the Gross Income Based System in respect of approved expenditure incurred towards the purchase of their home during the tax year commencing 1st July 2013.

Help with Pension Savings

- In order to encourage saving for retirement by way of employee contributions to approved pension schemes, a deduction from assessable income of £1,000 per annum will be made to taxpayers, under the Gross Income Based System, in respect of contributions made with effect from the tax year commencing 1st July 2013.

Other Tax Measures

- Taxpayers who were taxed on their commuted pensions due to the enactment of Section 6(1)(g) of the previous Income Tax Act, which has since been repealed, will now be refunded the full amount of tax deducted. The Income Tax Office will refund these amounts, on application, by way of an extra-statutory concession.
- Pensions received by retired members, aged 55 or over, of the Royal Gibraltar Regiment shall be exempt from income tax. This measure will apply from the tax year commencing 1st July 2012.
- Employment income received by instructors of Royal Gibraltar Regiment Cadets shall also be exempt from income tax in order to bring them in line with members of the Royal Gibraltar Regiment and the Territorial Army.
- Following representations made by the Gibraltar Society of Accountants regarding the audit exemption level within the Income Tax Act 2010, as already announced during the annual dinner on 6th June 2013, I am happy to formally announce that this level will be increased from £500,000 to £1,000,000. This will be effective for accounting periods ending on or after 1st July 2013.
- The aggregate sum donated under the Gift Aid Scheme, previously limited to £1,000, is increased to £5,000. In addition the Government is considering the introduction of a Payroll Giving Scheme locally which will allow tax free charitable donations to be made regularly and automatically through employment earnings.
- In order to encourage the construction of office accommodation in Gibraltar, such developments on which construction commences on or before 31 March 2015 shall be allowed a Capital Allowance deduction in the first year following completion of construction equal to 30% of construction costs and the remaining 70% written down over the following 7 years. This allowance can be claimed in part or in full by either the developer or the occupant up to a maximum claim of the full construction costs. Construction costs are those costs wholly, and exclusively laid out or expended in the construction of the office accommodation including all preliminary planning, design and associated costs but excluding the cost of the land.

Soft Loans to Residential Estates for funding projects powered by solar energy

- The Government will arrange to provide soft loans to Residential Estates for funding projects that use solar panels within their Estates to provide electricity for communal lighting, water heating and the powering of lifts.
- Approved projects will receive funding which would be repayable in a period of up to 10-years at an effective interest rate of 1 per cent interest per annum, with the Government funding the difference in the cost of finance by way of a grant.

Helping Sporting Clubs and Associations

- In order to assist our community to train for competitive sports both nationally and internationally, all children in our community who belong to Gibraltar Sporting Clubs and Associations will be given free access to all public sporting facilities, including the Kings Bastion Ice Skating Rink. Such free access will be given to all children under the age of 18 on presentation of their Gibraltar ID Card.

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