



**HM GOVERNMENT OF GIBRALTAR**  
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<b>PRESS RELEASE</b>
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**SUMMARY OF BUDGET MEASURES 2014**

**AS ANNOUNCED BY THE CHIEF MINISTER IN PARLIAMENT**

**On MONDAY 30<sup>TH</sup> JUNE 2014**

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 the budget measures contained therein.

**ECONOMIC PERFORMANCE**

- Record Budget Surplus – highest ever at a revised figure of £65 million;
- GDP growth of over 10% (£1.28 Billion (2012/13) to £1.41 Billion (2012/13));
- On target to meet or exceed GDP of £1.65 Billion by 2015/16;
- GDP per capita of £47,066 or US\$ 75,117 (at US\$ 1.59/£1) – up from 9<sup>th</sup> to 3<sup>rd</sup> in the World on the IMF World Economic Outlook Database Ranking of Countries;
- Gross Debt at £450 million (£70 million lower than previous GSD Administration);
- Net Debt at £354 million (25% of GDP - well within statutory borrowing limits);
- Cash Reserves at £96 million (With Usable Cash Reserves up from £2.5 million in March 2012 to £82 million in March 2014);
- Recurrent Revenue exceeds estimate by £57 million (up by 12%);
- Departmental Expenditure contained (up by just 4% over the estimate);
- Employee Jobs up by 6.5% at 22,907 (up by 1,388 since October 2012);

## **SPECIFIC MEASURES**

- £45 million donated Community Care (bringing total contributions made by this Government to the Trust during the past two financial years, to £80 million).
- Public Sector Pay – up by 2.5% from August 2014;
- National Minimum Wage - up in line with Index of Retail Prices from £6.00 to £6.11 from 1<sup>st</sup> August 2014;
- Widows and Orphans Pension Scheme (WOPS) – revised re-entry mechanism with repayments of outstanding contributions by instalments.

## **REDUCING THE COST OF DOING BUSINESS IN GIBRALTAR**

- Reductions in Import Duty:
  - Import duty on all LED lighting, including LED torches, is reduced from 12% to zero (0%);
  - Import duty on all writing implements, including pens, pencils, ball point pens, and felt-tip pens, is reduced from 12% to zero (0%);
  - Import duty on mobile phones is reduced from 3% to zero (0%);
  - Import duty on pleasure craft, yachts and other seagoing vessels, under 18 metres in length, including jet-skis and kayaks, is reduced from 6% to zero (0%);
  - Import duty on pet food, including dog and cat food, is reduced from 12% to zero (0%);
  - Import duty on fertilizers, for all flowers, gardens and other greenery, is reduced from 12% to zero (0%);
  - Import duty on all paper-based stationery, including receipt books, carbon paper, envelopes, diaries, maps, plans, drawings, trade advertising material and post cards, is reduced from 12% to zero (0%);
  - Import duty on all umbrellas, including sun umbrellas, is reduced from 12% to zero (0%) and the import duty on sunglasses is also reduced by 3% to zero (0%);
  - Import duty on musical instruments; musical instrument parts and accessories, is reduced from 12% to zero (0%);
  - Import duty on natural and cultured pearls is reduced from 12% to 4.5%, in line with the import duty on other jewellery items;

- Import Duty discount and cash-back on hybrid vehicles is extended to purely electric also. The cash back is increased to £750 for cars and introduced at the rate of £150 for motorcycle;
- import duty on all artwork, including paintings; drawings and pastels; sculptures and other statuary; original engravings, prints and lithographs; basketwork and wickerwork, is reduced from 12% to zero (0%). There is no export duty;
- items of furniture and furnishings as well as domestic appliances (also known as white goods), import Duties payable by locally registered companies with a valid trade licence are reduced from 6% to 3%.;
- Import Duty on textiles imported also by those with a valid trade licence are reduced from 6% to 3%;
- Other changes in Import Duty
  - Import duty on all appliances or white goods with a C or D rating is doubled from 6% to 12%. There are very few such items on the market these days and they are hugely inefficient;
  - Import duty is introduced on the commercial importation of single use plastic bags and single use paper bags not made from recycled paper, at the rate of 5p per bag;
  - import duty on rolling tobacco increased by 20% from £35 per kilo to £42 per kilo.
  - There will be no increases in the import duties on fuels.
- Electricity and water charges will not be increased this year;
- Social Insurance Contributions, for both employers and employees, will not be increased this year;
- Passenger tax at the Gibraltar International Airport is abolished for passengers who are joining vessels in Gibraltar;
- Any vessel calling at the Eastern Anchorage (EA) in order to take on provisions, spares, stores, or to carry out crew changes will receive a 75% discount on tonnage dues;
- Ships anchoring in the Western Anchorage (WA), whose main purpose is bunkering, will receive a 75% discount on tonnage dues;
- Discount for early payment of Rates for Offices, Workshops, Construction and Manufacturing Industries, and Transport and Distribution Industries - increased from 10% to 15% with effect from 1<sup>st</sup> July 2014;
- For new companies starting up business in Gibraltar - discount for early payment of Rates of 65% for their first year of trading;

- Assistance in the introduction of the smoking ban is extended to September 2015 - for bars and restaurants the discount for the early payment of Rates to 30% between 1<sup>st</sup> October 2014 and 30 September 2015;
- £250,000 Fund established to support the development of new start-ups in Gibraltar – Chamber of Commerce and Federation of Small Business to consider applications;

## **SUPPORT FOR WORKING FAMILIES ON THE PURCHASE OF THEIR HOME**

No Stamp Duty will be payable by first-time and second-time buyers on the first £250,000 of the cost of their property, irrespective of the total cost of their new home.

## **SOFT LOANS TO RESIDENTIAL ESTATES**

Soft loans to be provided to residential estates for funding projects to change traditional lighting within their residential estates to LED lighting.

## **SUPPORT FOR OUR SENIOR CITIZENS**

- Annual Pensioners Utility Grant increased from £75 per annum to £100 per annum, with effect from 2014.
- Old age pensions increases by the rate of inflation.
- The Minimum Income Guarantee similarly increased.

## **OTHER MEASURES**

- Assistance to those businesses which have had to move their tobacco retail licences out of Laguna and Glacis - a 100% discount on General Rates payable in their new premises for one year and an additional capital allowance or tax credit is allowed equivalent to the relocation costs approved by the Commissioner of Income Tax in his discretion.
- General restructure of Customs Department;
- City Fire Brigade and Royal Gibraltar Police to receive an additional 2.5% pay increase and a removal of the 3% abatement currently applicable to their pay.
- Housing Allowance of RGP officers is increased from £76 to £125 per calendar month.
- Social Insurance Credits to be given to members of the Royal Gibraltar Regiment and HM Customs as from the age of 55, in line with other uniformed bodies;
- Places of Worship to receive credits against their electricity bills;
- Common Law relationships to be recognised for Benefit Purposes.

## INCOME TAX

Reductions in income tax with effect from 1st July 2014:

- Taxpayers with assessable income of £10,500 or less will be brought out of the taxation system altogether and will pay no income tax. This applies to taxpayers in both the Allowance Based System and the Gross Income Based System.
- A tax-free allowance up to £3,000 over two years for both the GIBs and Allowance Based System for the installation of solar energy for boilers.

### **Allowance Based System:**

- Medical Insurance Allowance is increased by 100% from £2,000 to £4,000;
- Nursery School Allowance is increased from £3,000 to £4,000 (per child);
- Blind Persons Allowance is increased from £3,000 to £4,000;
- Disabled Individuals Allowance is increased from £5,000 to £6,000 with no 5-year residency requirement;
- Single Parent Family Allowance is increased from £3,000 to £4,000;
- Personal Allowance is increased from £3,000 to £3,100;
- Spouse Allowance is increased from £3,000 to £3,100.
- the tax rate for the taxable income bracket ranging from £4,001 to £16,000 will be reduced from 24% to 18%.

### **Gross Income Based System:**

#### **Help for First-Time Buyers**

- a deduction from assessable income of £6,000 in respect of approved expenditure incurred towards the purchase of their home, during the tax year commencing 1<sup>st</sup> July 2014.

#### **Help with Pension Savings**

- a deduction from assessable income of £1,200 per annum during the tax year commencing the 1st July 2014.

#### Help with Private Medical Insurance

- a deduction from assessable income of £2,500 per annum in respect of premiums paid for such cover during the tax year commencing the 1st July 2014.

### **Standard Rate of Tax**

- the standard rate of tax for individuals is reduced from 30% to 20%, with effect from 1 July 2014.
- the standard rate of tax for trusts is reduced from 30% to 10%, with effect from 1 July 2014.

### **Other Income Tax Measures**

- Approved employment-related loans made to directors and connected persons to cease being treated as earnings from employment.
- Self-employed and those not in active employment to be given the opportunity to participate as members of Approved Pension Schemes.
- Payroll Giving Scheme to be introduced allowing tax-free charitable donations to be made to approved charities through employment earnings - at a maximum of £5,000 per taxpayer per annum.
- Capital Allowances are extended to cover high value accommodation, where ground is broken before December 2015.

### **AFFORDABLE HOME OWNERSHIP**

- Loan facilities for public sector employees who may wish to purchase their home under any of the Government's home ownership schemes. Such loans to be secured against their pensions and gratuities.
- 50/50 scheme to be extended to the sale of Government Post War Housing Stock to sitting tenants and eligible relatives.
- to assist those who may wish to buy their home in cash and who may have their savings locked-up in fixed-term debentures, with either the Government or the Gibraltar Savings Bank, debenture-holders will be given the option to redeem their debentures before the maturity date, with no penalty, if they can satisfy the Financial Secretary that the redemption monies will be applied for that purpose.

### **ARTS SCHOLARSHIPS FOR UNDER 18s**

- two annual scholarships to be available to children under the age of 18 who are exceptionally gifted in the arts and who are able to obtain placements to progress their development and studies.