



PRESS RELEASE

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Government Challenges EC Decision on Tax Rulings

The Government has brought an action seeking the annulment of a decision taken by the European Commission on the practice of tax rulings in Gibraltar. It did so on Wednesday of last week by means of an application lodged with the European Court in Luxembourg.

In its decision, the Commission raised doubts on the compatibility of Gibraltar's tax rulings with EU state aid rules. Although the decision does not contain any final finding, and merely opens a formal investigation, the Government has nonetheless sought to challenge it on procedural grounds.

In particular, the Government considers that the decision was adopted under the wrong procedure; it also lacks adequate reasoning and contains a number of serious errors of fact and of law. This supports the Government's belief that the decision was adopted unexpectedly and in haste, only several weeks before Commissioner Almunia stepped down as Commissioner responsible for state aid law.

The Government is represented by HM Attorney General, Michael Llamas QC, together with the Brussels-based US law firm, Cleary Gottlieb Steen & Hamilton.

In parallel, last week, the Government also filed substantive submissions in relation to the ongoing administrative procedure.

Commenting on the court action, the Chief Minister said,

“The Government will leave no stone unturned in its commitment to protect the financial services industry in Gibraltar. Although the decision does not contain any final finding, it was important that we challenge the considerable deficiencies that it contains. Furthermore, the Government remains convinced that the practice of tax rulings in Gibraltar does not constitute state aid. This case has a long history, spanning over the last two years. This has included correspondence between myself and the UK Government with the current Commissioner, Mrs Vestager, who inherited this decision from the outgoing previous Spanish Commissioner. We have all sought to persuade the Commission to adopt a sensible approach, but to no avail. This is the reason why the court action has been brought. At the same time we continue to engage with the Commission in the administrative procedure in our commitment to deliver certainty to the industry as soon as possible on this matter”.

