



PRESS RELEASE

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Chief Minister's Budget Address 2022

Mr Speaker,

I have the distinct honour to move that the Bill now be read a second time.

Introduction

2. Mr Speaker, this is my nineteenth budget address as a Member of this Parliament.
3. It is my eleventh budget address as Chief Minister.
4. Mr Speaker, in moving this Second Reading, I have the honour to present the *estimates* of Government's revenue and expenditure for the year ending 31st March 2023.
5. I will also present the *out-turn* for Government's revenue and expenditure for the year ended 31st March 2022, which was the tenth full financial year of a Socialist Liberal Government since we took office.
6. Mr Speaker, given that it will lace much of what I will say, I should remind the House that this debate comes some almost exactly SIX years after the decision of the British people in a referendum to leave the European Union.
7. That makes obvious the reality that most of our time in Government has been spent dealing with BREXIT.
8. Additionally, the challenges of the pandemic and the war in Ukraine now scar the economic performance of all nations, ours included.
9. I will, of course, Mr Speaker, explain in greater detail in different parts of this address how each of these challenges afflicts us.



Preliminary Remarks

10. I consider that it is therefore incumbent on the Government – in the face of these mammoth challenges - to continue to act in this Budget as we have in the past, in a manner that is both responsible and prudent.
11. Additionally, in taking the steps we will need to take today we must act with a view to protecting the overall economic integrity of the nation's finances in the short, medium and long term.
12. We have an obligation to act to ensure that the spending required by the COVID pandemic is repaid as efficiently as possible and in a manner that provides as little drag for future generations of Gibraltarians as possible.
13. Mr Speaker, I have approached this exercise, with the Minister for Financial Stability and the Financial Secretary and the Treasury, in a spirit of prudence and responsibility, as we must each Budget.
14. We have designed these estimates to PROTECT THE MOST VULNERABLE in our community.
15. We have set out to ensure that our key public services can continue to be seamlessly provided.
16. We have ensured that each measure we have designed achieves the purpose of raising revenue where possible and avoiding any austerity or hardship in any instance.
17. As a result, many of the revenue raising measures I will announce today, with a heavy heart, are going to be in place **ONLY** for **TWO** years, that is to say, **TWENTY FOUR** months.
18. These will be measures that are designed to pay back what the whole House, with the express agreement of the Leader of the Opposition and the Opposition Spokesperson for Public Finances, agreed to take from the public's coffers in order to pay for the worst ravages of COVID.
19. What we all agreed should be paid out, we all must now contribute to paying back.
20. What we all took the benefit of in the extraordinary funding of our health and care services for this period, we must all now contribute to paying back.
21. What all sectors in our economy directly or indirectly took the benefit of, we must all now contribute to paying back.



22. There are no free rides and Gibraltar has never had a free ride.
23. The generations of Gibraltarians who built our nation had no free ride and our generation must recognise that the lives we lead are, in most instances, privileged and we must therefore all contribute to the recovery of our public finances.
24. But let us be crystal clear.
25. This Budget will contain no austerity, because it will contain no cuts of jobs or services.
26. But it will tap our people's personal prosperity in a way that will leave untouched the income of the worst off in our community, who will actually see their income grow.
27. The most vulnerable and those on the lowest incomes, disability benefits and state pensions, as well as those on public sector occupational pensions, will see their incomes continue to grow.
28. We will, in that way, protect the most vulnerable.
29. But if we are all genuinely committed to social justice, then we must see the most well off pay a little more, if only for a few years in a way that is designed to pay off the debts we have incurred to pay our way in the pandemic.
30. And I emphasise that the spending we are talking about repaying is the spending we have all in this House agreed we should incur.
31. This is not to pay for schools, new rental homes for the elderly or affordable homes for young families, the refurbishment of housing estates, new primary care centres, sports facilities or other projects.
32. Each of those projects is a worthy, important project for our community.
33. None of these represent any lavish spending or any project which any member of this House has spoken out against or suggested should not proceed with.
34. Nor is this to pay for the pay of public sector workers, which we have increased considerably.
35. The spending WE will have to all contribute to repaying is the spending WE all have agreed to in this House and which relates directly to the disbursement of money by the Government to address the real hardship that the pandemic would otherwise have visited upon this community.



36. Because by spending as we spent we prevented what would have been mass unemployment and the mass closure of businesses.
37. Indeed, we prevented many of the problems now affecting other economies where the restart of some parts of their activity is impaired, not least the aviation industry.
38. So, Mr Speaker, in the context of the continually difficult historic moment in which we find ourselves, I must tell all Honourable Members that this will no doubt be seen as a tough but necessary budget.
39. TOUGH because, whilst the Government will assist and protect the most vulnerable, we will ask for more from those who can.
40. But NECESSARY because there comes a time in the affairs of many when it cannot be all take, take, take.

The Golden Rule

41. And we have been clear always that we believe that we must never be spending more than we collect.
42. Annual expenditure must not exceed annual revenue.
43. And because of the truly exceptional circumstances of these past two years – not for any other reason – annual expenditure presently DOES exceed annual revenue.
44. That is what we have to correct or we will continue, for longer than would be forgivable – and it is presently forgivable – to breach our own Golden Rule, as set out by Sir Joe Bossano in his first address as Chief Minister in a Budget Debate after 1988.

Sir Joe's 50th Anniversary

45. Mr Speaker, worth that I should pause there to reflect for a moment.
46. Because last Thursday the 23rd of June was not just the sixth anniversary of a very unhappy plebiscite, the anniversary of voting in the Brexit referendum.
47. The 23rd June was also the 50th anniversary of the 1972 General Election.
48. That was the first General Election that saw Joseph John Bossano elected to the House of Assembly, this Parliament's predecessor with 4,383 votes.



49. The Honourable the Father of the House, Sir Joe Bossano, has therefore now been a member of Parliament for MORE THAN 50 years.
50. And on this side of the House, Mr Speaker, we express our congratulations to him on this magnificent milestone and for the huge benefits that his work as a parliamentarian has delivered to Gibraltar and Gibraltarians in the course of the half century that he has served our people.
51. Additionally, Mr Speaker, we would also congratulate him for having persuaded so many of the nay-sayers on the opposite benches who now say they support his economic policies and his policies on international relations.
52. No one now is against the accumulation of rainy day funds, like the GSD were.
53. Incidentally, those are now once again healthy, even at this time.
54. No one now backs the Brussels process, like the GSD did.
55. No one now speaks out against the Future Job Strategy, like the GSD used to.
56. He has seen off all those arguments.
57. The GSD are now converts to what they used to call 'Walter Mitty Economics' and 'unrealistic cherry-picking'!
58. So, I am here to praise Bossano, not to bury him, but the fact is that many on the other side have made it their lives work to come to this place to bury Bossano, not to praise him.
59. Although in that sense they would be truer to the original Shakespeare, they have happily abandoned their original principles - no surprises there - and have adopted a salutary 'if you cannot beat him, join him' approach to Sir Joe which we, on this side of the House, warmly welcome on the occasion of this auspicious anniversary.
60. Those opposite, of course, have now found another target for their disaffections...
61. And you are listening to him, Mr Speaker!
62. I have no difficulty with that.
63. And they should have the comfort that I have no intention of being here for fifty years!



64. But let us return to Sir Joe and his Golden Rule, one which members opposite embrace and eschew depending on whatever mood takes their fancy but which we regard as sacrosanct.
65. To observe the Golden Rule and to reap its benefits for our nations it is immediately necessary that all those of us who can take a step forward and contribute a little more, even if it is for a short period of time, to get the whole community over the COVID hump.

BREXIT

66. Of course, Mr Speaker, we are also still dealing with the negotiations with the EU on a treaty on our future relationship.
67. The reality is that the absence of that treaty has meant that there has been an unwelcome element of uncertainty in our economy.
68. The other side of the coin of that reality is that we cannot accelerate the negotiation, if it would mean saying yes to matters which would be unacceptable, simply to hurry the process along.
69. The GSLP Liberal parties which I represent have a very clear view of what is and is not acceptable to us in this context and what is and is not acceptable to the People of Gibraltar.
70. So any voice which is raised to suggest that we are somehow to blame for the delay in not have a treaty cannot be a voice that is concerned to ensure that the said treaty, if it emerges, is safe and secure for Gibraltar.
71. Because we cannot rush a negotiation other than by accepting things we would not otherwise be prepared to accept.
72. We will not do that.
73. And I say that in anticipation of addresses from other Honourable Members in the House in this debate.
74. It would be inherently contradictory to complain we have not gone fast enough and at the same time suggest we must ensure that Gibraltar's sovereignty, jurisdiction and control must be properly and fully protected.
75. Undoubtedly, however, leaving the European Union has created uncertainty and that will have had an economic consequence.



76. I will say more later in my address to update the House on the latest on the treaty negotiations.

State of the Nation Debate

77. But these are of course matters which fall to be considered in a 'State of the Nation' debate such as this debate on the Appropriation Bill.
78. But whilst these are tough times, requiring tough but necessary measures, it is an honour to have been entrusted by our People to navigate Gibraltar through these storms.
79. There are many detractors of the Government and of mine out there.
80. So much criticism is vented in social media.
81. It is the modern politician's cross to bear that so many want to see the negative in everything and not appreciate the effort that is required to achieve things.
82. But that cross is like water off a ducks back given the honour that it is to hold the reins at this immensely difficult time.
83. The pleasure that it is to see things progress and proceed.
84. The deep satisfaction as we look back and see our achievements, all of them in the teeth of criticism.
85. And the reward that we enjoy as we see a community evolving and a nation progressing socially and economically.
86. Of course we have suffered delays on key projects.
87. Who has not at this time.
88. In fact, I want to acknowledge receipt of a heartfelt petition from purchasers at Chatham Counterguard and Bob Peliza Mews relating to the delays inevitably occasioned to those two projects.
89. I look forward to meeting the organisers of the Petition so that we can discuss the reasons for the delays and the costs increases that are likely on those projects.
90. But I refuse to believe that the Gibraltarians, do not really understand, deep down, the difficulties we have faced and the inevitable delays to projects that have arisen, whatever the more impetuous may choose to blithely post on social media.



91. Because our fellow Gibraltarians know and understand that we did not choose Brexit and the uncertainty it has created and the work it has required.
92. We did not bring COVID upon our selves and the economic and social difficulties it has created around the world.
93. We did not invade Ukraine and the inflationary pressures that it has brought.
94. These factors are external factors and their consequences have to be dealt with and managed and I do not think that many or any Gibraltarian would have made different choices in the circumstances we have found ourselves in than those we made ourselves.
95. However critical some may be, if they had been in my chair they would have done the same thing in 9 or 10 out of 10 of the instances in which we have had to make choices.
96. But – when all is said and done, just as I told the House last year – in the end it will, of course, be my responsibility that we should get this right.
97. And that is a responsibility that I am genuinely honoured to shoulder for our country at this time.
98. Because we, I, will not cower in the face of these difficulties.
99. We will not shake and dither or be rabbits frozen in headlights.
100. We will continue to act.
101. We will continue to work.
102. We will continue to trade through and out of these circumstances.
103. Today marks an important moment in doing so as we set out to prescribe the measures that we will all have to contribute to in order to do so.

The Blame Game

104. Mr Speaker, predictably, I expect some may want to argue that the state of Gibraltar's post pandemic public finances, and, consequently, the measures we have to take, is somehow the fault of the GSLP Liberal Government.
105. That is probably the oldest political trick in the book.



106. Like blaming the Labour Government in the UK for the debt in 2010 – without accepting that the debt arose from the worldwide economic crash and the need to put cash in to stop a total collapse of the banks and the capitalist markets.
107. It worked a treat for the opposition then to use that argument as the excuse for the austerity that followed and that predictably hurt working people whilst exonerating the capitalists that had been saved by the socialist government's spending.
108. I will not stand idly by as the same cruel trick is attempted in Gibraltar to pull the wool over the eyes of Gibraltarians.
109. Naturally, we are the guys in charge and we are responsible for the public finances.
110. But from that to being to 'blame' for a deficit and higher debt is quite a stretch.
111. In this respect, I note the statement last year from the Opposition that the effect of the pandemic was that – whatever had happened before, and whether or not we had followed the Oppositions advice or not – we would have ended up in the same place.
112. It has been suggested by some now that those remarks relate only to the deficit and not the debt.
113. That is to say, it is suggested that the Opposition accept that we would have ended up in a deficit situation, but not that the debt would have increased as it has.
114. Sterile though I think such a debate is, I think it is important to highlight that the deficit is being plugged by borrowing.
115. That is to say, the debt is going up because we are plugging the deficit with borrowing.
116. So, Mr Speaker, given that we will no doubt face this continued sterility in the approach we face in this debate, I provide the obvious answer to the argument we expect to hear in coming days.
117. Because anyone who thinks they can sustain the argument that the economic and public finance issues that Gibraltar is facing today is the fault of the Government of Gibraltar is not being objective in their analysis.
118. I can understand that those who are just perennially opposed to the Government might think that.



119. But any fair minded, independent observer will appreciate that the point of arrival at the pandemic was a point of reducing direct government debt, surpluses and increased revenue over expenditure.
120. That is why, despite the many attempts to try to get that argument to stick, it has stuck only in the quarters that want it to stick.
121. What has driven us to deficit is the three-fold aspect of the deployment of public money to pay those forced out of work by the closure of businesses; the closing of our economy and other economies, that deprived us of revenue at the same time, to a position from which recovery will take some time; and the additional myriad expenses of COVID.
122. It's that simple.
123. We have a deficit because we spent money to keep food on people's tables and to keep our companies going.
124. We spent money to fund the GHA and public sector to trade through COVID.
125. We spent money to plug the revenue gap from our falling or disappearing revenue.
126. Mr Speaker, that gap is still there as government revenue has not yet recovered fully.
127. We are not in this situation because we built a school, built a primary care centre or built new, affordable homes.
128. And the measures we will take today, tough and painful though some may be, have a clear purpose and signify a clear direction out of these difficulties.
129. Getting back on track.
130. Getting back to growth.
131. Getting back to surpluses.
132. Balancing the books, Mr Speaker, which is what our right-thinking citizens want us to do.

Social Progress

133. Mr Speaker, before we get into the economic detail, it is also important to remind ourselves, that this debate has always been wider than just an economic debate or a debate just about the public finances.



134. That is the right approach as the economic well being of a nation comes from the social and political well being of a nation.
135. So it equally falls to us to consider the wider vicissitudes of life in Gibraltar when we consider this Bill.
136. And in that respect, Mr Speaker, I think we are well placed to reflect positively on a decade of social investment, social progress and social reform which has landed well and established itself deeply now.
137. We have refurbished old and tired estates – and we will refurbish more of them as our public finances recover.
138. We have added to massive new green areas for our people in the centre of town.
139. Commonwealth Park and Campion Park serve as everybody’s back garden in Gibraltar.
140. Just that shows commitment to improving our common environment and our peoples’ quality of life.
141. We have built and are building new schools – so that by the time our programme is finished, every school in Gibraltar will have been built by the GSLP, including a new Jewish school.
142. Additionally, we will have employed 172 more teachers in ten years.
143. That is where your money is going, not on lavish spending, as some allege.
144. We have employed 170 more Learning Support Assistants in ten years.
145. That is not lavish spending.
146. That is investment in education.
147. We have employed 137 more nurses in the GHA in the last ten years.
148. And we have employed almost double the number more GPs in ten years – although we still have to get right how to organise appointments with them.
149. That is where your money is going Mr Speaker.
150. In fact, the total complement in Head 16, Education is up from 607 when we took over to 1,123.



151. The total complement of the GHA, which can be seen in Appendix G, has gone up from 869.5 to 1,185.
152. Austerity is about cutting people in such roles.
153. We have done no such thing.
154. We have invested in quality jobs with the best terms and conditions of employment exceeding even those on which we used to match parity before.
155. We have built brilliant new facilities for our elderly at Hillsides and Bella Vista, as well as refurbishing Mount Alvernia and the Jewish Home and opening the John Mac Wing for the elderly.
156. We have provided TWO new primary care facilities for our people, one of them for children.
157. In fact, the Government believes that these are not yet operating as they should and the need to be reviewed and we are in the process of doing so.
158. We have built and are building more affordable homes than have ever been built by any administration in our history.
159. Delays have arisen from the pandemic.
160. Nothing we can do about that although members opposite will, no doubt, try and pin the delays on us.
161. Not surprising, Mr Speaker as I fully expect them to try to pin the Black Death, the Plague and the Vietnam War on us during the course this debate if they think it will help them gain one or two more political points!
162. But we continue **doing**.
163. We have built car parks that provide facilities for those of our people who wanted to buy car parking spaces.
164. We have provided a new facility for our broadcasting corporation so that they have the modern studios and equipment that they need.
165. We developed a 700 berth marina for small boats and will soon provide a hard once we settle an outstanding aspect with the Yacht Club which comes from the time in government of members opposite.
166. We held great concerts the cost of which we subsidised for whole families to enjoy when we could.



167. And we built and established a University of Gibraltar as a centre of learning which had long been an ambition of successive governments that we have made a reality.
168. As is the Gibraltar International Bank.
169. A reality that other governments spoke of and we banked.
170. Literally.
171. We have built and in one case just finished the best sporting facilities our athletes have ever enjoyed.
172. The delays have been impossible to manage for reasons already repeatedly explained in this House.
173. But, again, I have no doubt that the delays will also be said by the Opposition to be our fault, just like the Cuban Missile Crisis and the Korean War.
174. Nothing will be too remote in time or geography for the GSD not to say it was Picardo's fault, the Government's fault or the GSLP's fault!
175. All these things can be said very quickly, 'se dice muy pronto', but what a legacy Mr Speaker.
176. But whilst many have spoken of these things and promised them, we made them happen.
177. And not without great effort.
178. Very late nights and a massive amount of work involving ministerial colleagues and great public servants.
179. That is how we work Mr Speaker.
180. That is not mis-management, Mr Speaker, by any definition.
181. It is the legacy of a golden socialist liberal decade for Gibraltar, stopped in its tracks - like the whole world was - by a pandemic that took no prisoners around the world and has taken 104 of our most beloved people so far.
182. Indeed, Mr Speaker, the best way to demonstrate that the issues afflicting our economy today are NOT relating to our actions, or our alleged mismanagement or any spending which we may have undertaken which is 'lavish' by any stretch of the collective imagination is best set out by a quote from members opposite.



183. ***'And, of course, no one on this side of the House, is saying that if they had been prudent with the people's money over the last 10 years we could have avoided a £157m deficit, which is, of course, COVID related and no one could have predicted the pandemic...'***
184. That is correct of course.
185. It is the actual statement – a direct quote - from the Member for Devil's Gap North, Mr Feetham, speaking, as he told us, on behalf of the Opposition.
186. And that very realistic assessment, which accords to our own understanding, estops the members opposite from now seeking to suggest the opposite with any credibility.
187. The political estoppel created will, nonetheless, no doubt be ignored at the altar of political convenience.
188. But that fleeting moment of lucid honesty which Mr Feetham brought to last year's debate will forever be recorded in the Hansard of this House and in the political history of this community.
189. In fact, Mr Speaker, what we delivered before that was a boost to Gibraltar as a society and for our nation.
190. A massive step forward in a decade of hard work and 'hyperactive government'.
191. A generational step change that we have delivered for our people.
192. Some say we have not done enough.
193. I acknowledge we still have things to do.
194. And we have basic things that have gone awry in the pandemic that we have to fix.
195. Some say we have done too much.
196. You can never please everyone.
197. Sometimes, it feels like we can never please anyone.
198. Certainly no one on the opposite benches, Mr Speaker.
199. But we have satisfied ourselves that we have done what we said we would, insofar as we reasonably could until the pandemic struck.
200. We have not been idle one day since we were entrusted by the People to govern our nation's affairs.



201. We have not been complacent one moment since we took over in December 2011.
202. And we have been humble always in the discharge of our functions.
203. And true to the principles of natural justice and the seven principles of public life set out by Lord Nolan and our draft Ministerial Code.
204. I trust we will now be able to do the work of the Select Committee to finalise adoption of it formerly.
205. And to further tighten that Mr Speaker, we will very soon be publishing a Bill to provide additional protection to prevent any semblance of corruption in our society.
206. Mr Speaker, having blown hot and cold on it, and having insisted that we should not proceed with it, I hope all members opposite will support the Bill when it is published in coming weeks.
207. Gibraltar is now freer and more open than ever before.
208. Freedom and equality in respect of the sexual orientations is established.
209. It was a pleasure, therefore, to have attended this year's PRIDE event on Saturday to represent all of Gibraltar there.
210. And when people ask, why should we have a 'Gay Pride' event?
211. For a simple reason, Mr Speaker, because the opposite is no longer true in Gibraltar.
212. There is no Gay Shame.
213. That is why we celebrate equality with PRIDE.
214. We are also making much better but as yet imperfect provision for the disabled in our community.
215. We have started the work on the extension of the UN Convention on the Rights of Persons With Disabilities.
216. The process has already commenced and is being led by the Minister for Equality, working within the Ministry of Equality and other departments has started.
217. This is a long process with various stages, some of which are not under our direct control.



218. The extension has always been our ambition.
219. This is of course linked to the Disability Act which we passed in this Parliament and which is modelled on the Convention.
220. Mr Speaker, you will recall that there are two sections of that Act that have not yet commenced, and this was in order to give time to plan for premises to be accessible.
221. In the 2019 Budget, I announced an initiative to enable businesses to claim a tax deduction equal to the expenditure of works to improve up to a maximum of £15,000.
222. This was to encourage business to facilitate access to people with disabilities in their existing premises.
223. That measure was made available for 36 months.
224. Regrettably the Covid pandemic got in the way of that initiative, as with so many other things, and as the very first Budget measure I announce today, I am pleased to reinstate this provision for the another 24 months.
225. Every community is always a work in progress, but it is churlish of our opponents not to congratulate us on the progress achieved to date.
226. I will not dwell further on the subject of social progress and inclusion and equality, but I will repeat my warning.
227. Whilst I have breath in my body I will continue to ensure that we move only in one direction in this respect.
228. Forward.
229. Gibraltar has no reverse gear on rights and progress Mr Speaker.
230. The progressive road to equality is a one-way road.
231. And any attempt to reverse the laws to prevent discrimination will have ferocious opposition from the majority to any such attempts.
232. Because Gibraltar is a socially liberal, European democracy and we have taken our place at the table of nations with modern, progressive laws, very often opposed from the majority of those on the opposite benches.



233. And how apposite, Mr Speaker that on the one year anniversary of the Crimes Act or abortion referendum in Gibraltar, the United States Supreme Court should have ruled to undo fifty years of federal protection to women's reproductive rights.
234. Whilst others move backwards, Mr Speaker, we move forward.
235. Only forward.

Treaty Negotiations Update

236. And speaking of matters European, I will now update the House on the progress of the EU negotiations.
237. At this time last year, we had not even seen the publication of the mandate of the European Commission.
238. When we saw the EU mandate, we all agreed that it presented many unacceptable aspects which the government and people of Gibraltar would never be able to agree.
239. Now we have engaged directly with the European Commission on 9 rounds of negotiation.
240. Technical discussions are ongoing today.
241. We have made huge progress in understanding each other's positions.
242. I think it is fair to say that the areas where we have found agreement.
243. It is also fair to say that there are areas where, whether we agree in principle or not, we are not yet able to agree the mechanics of how to give effect to our agreement.
244. Yes, this is taking longer than any of us wished or expected, but it is a negotiation that is on foot and which we have to get right.
245. This really is a process where the adage of 'more haste and less speed' is going to be what gets us to the right conclusion.
246. At the moment the talks are processing through a deeply technical stage where some of the detail of the parts of the Schengen aquis and the relevant parts of the aquis on movement of goods.
247. We have to ensure that these have been fully and properly analysed between the parties in order to ensure that, if we do reach agreement, or when we do reach



agreement, we find no nasty surprises and we have addressed all of those issues in the course of the negotiation.

248. The technical teams for the Government of Gibraltar being led by Michael Llamas QC, the Attorney General, who is immersed in highly complex work.
249. The Deputy Chief Minister and I are equally involved in all policy aspects which the technical work throws up.
250. The numbers of meetings have been innumerable.
251. And the numbers of meetings to come will be innumerable.
252. Yet it is worth remembering that this is NOT a process that we are embarked upon by choice.
253. We have not decided that we wish to recast our relationship with the EU.
254. It may sound trite to say it.
255. But it is important to remember.
256. We are embarked on this process because we must, as a result of the BREXIT referendum, work to fashion the recasting of our relationship with the EU into the best possible form.
257. And if the best form we can negotiate is not safe and secure, then so be it.
258. But we must pursue this course.
259. And I am confident, Mr Speaker, that we will reach agreement and that the agreement will recast our relationship with Europe going forward.
260. It will also present us with an opportunity to recast our relationship with Spain and leave behind the confrontations of the past.
261. Whether that opportunity is taken is more for them than for us.
262. But our had has been stretched out in friendship for generations and under successive governments.
263. Too often it has been cheaper for successive Spanish governments to play to historic prejudices than to move forward to dialogue and cooperation.
264. We may be seeing a change and every Gibraltarian will want to welcome that, if it takes root and is not lost to the rise of far-right extremism in Spanish politics.



265. But the opportunity may be there.
266. And that is why we remain committed to seeking to resolve the nature of our future relationship with the EU through a UK/EU Treaty which is safe and secure on all our fundamental concerns.
267. And which is, essentially with the EU, that has no sovereignty claim on Gibraltar.
268. Because we do believe we can deliver such a treaty in a manner which creates that mythical 'shared prosperity' of which we all talk and which must, perforce, lead to enhanced prosperity in Gibraltar, which is from where it spreads.
269. **Mr Speaker, I remain deeply optimistic that such a safe and secure treaty is possible and now increasingly probable.**
270. The latest technical negotiations are very tough and very tricky and they are dealing with difficult areas of policy.
271. They require deep maturity in understanding the European rules as they are between Member States and how they would apply to us in the context of non-membership of the EU or of Schengen, but of adherence through international treaty and the application of public international law.
272. But what I would therefore warn against is the idea, put out by some siren voices, that we can have done this quicker in some way or that we are failing by not bringing it in quicker.
273. It is worth every member of the community remembering that in Greek mythology, the sirens were dangerous creatures who lured sailors with their enchanting music and singing voices to shipwreck on the rocky coast of their island.
274. In the past, some such sirens have said we should have done like Northern Ireland.
275. Of course, when we pointed out the differences, those who made that argument scoffed.
276. In fact, now, it can be seen that those who argued we should be like Northern Ireland will have seen that there would have been little merit in that.
277. They have now come full circle and are now arguing, like us, that the Gibraltar negotiation is very different to the Northern Ireland negotiation.
278. The same sirens have even called for a deal in which Gibraltar's external relations became the responsibility of the President of the EU Commission.



279. That is not something that we would consider would be safe and secure.
280. I do appreciate that they have come round to our position, although they do not say so.
281. As it is also true that they urge us to do things quicker, but also urge us not to concede anything fundamental – not that we would and that we might need them to remind us.
282. But of course, the only way to go faster is to concede things we are not prepared to concede.
283. We are never going to compromise our British Sovereignty, jurisdiction or control.
284. So any who thinks we have gone soft on the fundamentals, or who thinks they will be able to argue that in order to somehow lure our supporters away, is in for a shock.
285. Because we will not compromise on the fundamentals.
- 286. And neither are we being asked to do so.**
287. But we have been right to be cautious and to be careful in our negotiation.
288. There is too much at stake for Gibraltar – and for those around us - to get things wrong.
289. And if we are put under pressure in the process of negotiation, we have to ignore that pressure in order to negotiate successfully, however much the pressure may produce negative effects in the interim.
290. And I acknowledge, Mr Speaker, the difficulties being experienced by blue and other colour ID card holders.
291. But in assessing our actions and reactions to things that may be happening, our opponents, our supporters and the general public, need to think of what the alternatives are to the steps we are taking.
292. And any such thinking must be deep thinking.
293. That is to say, people should not blithely think that it would be proper to react in this complex and important negotiation as one does in a brawl.
294. This negotiation is no brawl, Mr Speaker.



295. It is as much a game of chess as it is of poker where we all have to win and none of us can lose.
296. Not easy.
297. But nothing worth doing in politics ever is easy.
298. And neither is this Budget easy.
299. Or the numbers that I will now report to the House arising from the social background that I have described.

Economic Growth & GDP

300. Mr Speaker the last time I delivered a full budget address, last year, was July 2021.
301. Over the last few years, in economic terms, the entire world has changed.
302. But, as I highlighted last year and every year, my focus has to remain on this small part of the world that we call home.
303. This is our paradise, and we must preserve it as much as possible.
304. First, it was the unexpected departure of the United Kingdom from the European Union.
305. The exchange rate ructions and the uncertainty created by that vote, and the subsequent negotiations on our departure, caused huge turbulence to a previously settled economic environment.
306. And to think that Brexit seemed so seismic at the time that we called those politically instigated problems ‘turbulent and challenging’.
307. Little did we know what earthquake was to come next.
308. Because next it was as a result of the impact of COVID.
309. The continuing economic effect of that pandemic is the subject of much of my address.
310. Then came its after effects, as the world started opening up.
311. We all saw the tensions between supply and demand played out in news reports daily.



312. These tensions translated immediately to increased prices and worldwide pressures on labour forces as these have been displaced during the lock down.
313. This has resulted in further shortages, such as delays on deliveries of motor vehicles, parts, you name it, and daily pressures such as those we can all relate to such as long queues at security checks at airports.
314. Additionally, all of this turbulence has unfortunately been severely compounded by the war in Ukraine, which really has thrown global markets into crisis.
315. This importance of self-sufficiency in energy and other factors has been brought to the fore as we see larger countries in Europe grapple with their conscience in the face of possible sanctions and what is truly deliverable, despite the tough rhetoric, given their dependence on fuel from Russia.
316. This is the main factor moving inflation as high as it is, the effects of which I will analyse later in my address.
317. These are all salutary lessons for us in Gibraltar as we continue to carefully calibrate the arrangements we might be able to negotiate as part of our own agreement arising from Brexit.

GDP Growth

318. In this context it is perhaps useful for me to update the recent history of GDP growth to provide a sense of how Gibraltar has performed in the face of all of these external forces.
319. I really need to emphasise here that all of these factors, be they COVID, shortages, price inflation, Brexit and now the effects of the war in Ukraine, are really external forces which we as a small nation are at the mercy of.
320. We are buffeted by these forces, but we have no way to arrest them or manage these international issues.
321. We can only ensure the integrity of HMS Gibraltar and work to make sure she is a watertight ship that will withstand any storm.
322. And it really is quite remarkable how a small place like Gibraltar has found its own way of adapting and dealing with them.



323. As with everything this is a continuing journey, not a destination, so it is important to reflect on the journey so far to ensure also the comfort and longevity of the traveller as we continue to navigate the course.
324. Pressures from relocations of public officers to the COVID Helpline and related duties have meant stresses in Government departments such as the Statistics office.
325. The Government Statistic Office has, nonetheless, provided their budget brief which forecasts GDP and revises historic forecast in light of actual information.
326. Mr Speaker I will walk the House through some of these figures, pausing only to thank the Chief Statistician and her team for the work that they do in delivering these annual metrics for our economy.
327. Mr Speaker you may recall that last year I provided a preliminary estimate for the figures for 2019/2020.
328. The preliminary estimate I quoted, last year based on the information provided by the Government Statistic office, was for a GDP of £ 2.57 Billion.
329. I am delighted to confirm that the final estimate for 19/20, the final year before the pandemic which really started at the end of March 2019, has not varied materially from that preliminary estimate.
330. There has been a small positive increase in the final estimate of around £2.1m, which will not move the needle on the rounded figure of £ 2.57 Billion.
331. I explained last year that this represented an increase now of £112m, namely 4.6% (*as adjusted*) over the figure for 2018/2019.
332. I explained that this growth was below the average growth rate during my Government's term in office and has arisen from relocations in the Gaming sector caused by Brexit.
333. And here once again is that first external factor impacting on the economy.
334. Mr Speaker I now turn to the preliminary estimate for 2020/2021.
335. Last year I provided a forecast for that figure of £2.44 billion.
336. The preliminary estimate is slightly below this at £2.41 billion, a reduction of some £ 25m – one that's again not material in the context of the figures.
337. Mr Speaker, as I explained last year, this reduction should not come as a surprise to anyone given the lock down and the other factors affecting this economy.



338. It is consistent with the direction of travel of the growth charted in other mature economies.
339. Once again factors which were not a direct result of anything we have any control over.
340. Mr Speaker I therefore believe the Gibraltar **economy** has performed remarkably well.
341. The lockdown and restrictions on non-essential travel as a result of the Covid-19 pandemic had a significant negative impact on Gibraltar's economy in 2020/21, that is estimated to have contracted by -5.9% in nominal terms to £2.42 billion and decreased by -7.2% in real terms.
342. To correct the forecast I gave last year and bring this up to date, the preliminary forecast GDP for 2019/2020 is £ 2.41 billion that is a reduction of £ 152m, or that decline of 5.9% over the 2019/20 final estimate.
343. Income from Employment and Gross Trading Profits of Companies are estimated to have dropped by -5.2% and -7.6% respectively over the year due to the effect of the pandemic.
344. This confirms my statement last year that we have reverted to GDP levels of 2018/2019 more or less i.e. pre COVID.
345. Rolling things forward Mr Speaker to 2021/22, we opened up the economy in the faltering way that we were best able to achieve and against continuing restrictions elsewhere, not least in our principal markets of the UK and Spain.
346. Our re-opening involved a series of different measures, but I am sure that everyone is now delighted to see Main Street beginning to fill up with tourists visiting on land based tours, or from cruise ships.
347. This has always been an important part of our economic activity.
348. We have been blessed that we took the right decisions to semi-mothball these functions and the associated staff, by keeping full employment, albeit not fully functional.
349. The result is that we have been able to ramp up our airport, cruise liner terminal and coach park without the disruptions many other places have experienced.
350. Mr Speaker, as lockdowns and travel restrictions eased during 2021, the result is that our forecast for GDP for 2021/22 is for £ 2.59m surpassing the pre-pandemic GDP level.



351. The good news, Mr Speaker, is that this GDP bounce back reflects that economic activity is coming back and shows that our **economy** is strong
352. It's our **public finances** that will now need to be nurtured back to health
353. The GDP bounce back represents an increase of £173m or a 7.2% in nominal terms over the final estimate for 2020/21.
354. Mr Speaker this is a solid performance for a year where the economy opened up as early as possible, perhaps in jumps and starts.
355. Real growth, however, decreased marginally by -0.4% as inflation grew at a faster rate, rising by 7.6% over the year to April 2022.
356. The Gross Trading Profits of Companies grew by 10.5% over the year and Income from Employment increased more slowly by 3.6% as the number of employee jobs rose by 3.0% over the year but real average annual earnings fell by -4.6% compared with 2020.
357. Although there was significant growth in 2021, the total number of employee jobs remained below pre-pandemic levels, with a small shortfall of just 200 (-0.7%) compared with October 2019.
358. The numbers show we went from 30,603 jobs at the peak in 2019 to 30,403 jobs in October 2021, growing from a figure of all employee jobs of 29,516 in October 2020 when we were at peak pandemic.
359. Helpfully we can also see that the growth in jobs is coming in the private sector where, in the period from October 20 to October 21 the growth in private sector jobs was 851 (or 3.7%) up to 23,638 and only 47 in the public sector.
360. In the Financial Services sector, we have seen jobs reduced only by 25 out of 4,027 in the past year, up 29% over a quarter and almost a third from when we took over in 2011.
361. Mr Speaker, in that respect, the FATF decision is one which will impact this sector but we do not believe it will impact jobs.
362. We respect the FATF decision and will be working to resolve the matters identified.
363. We do not believe Gibraltar deserves to be anything other than white listed and will work with industry and law enforcement, as well as with the FATF itself to ensure our view is shared by them in time for the next review date.



364. Employment generally has remained stable and Gibraltar continues to benefit from admirable low unemployment levels, even during such difficult times.
365. We also continue to see record low unemployment.
366. In 2021, whilst the pandemic critically affected unemployment throughout the globe, the YEARLY AVERAGE for Gibraltarians registered unemployed was **27**.
367. The comparable figure for 2011 was 442.
368. This represents a drop of 415 unemployed from the time that we took over.
369. A staggering **94%** reduction in unemployment since our election 2011, something of which we are rightly proud.
370. That's not 'mismangement', Mr Speaker.
371. Far from it.
372. In 2022 we have continued to maintain low unemployment levels with 1st Quarter average for 2022 of registered unemployment at **41**, the comparable figure for 1st Quarter of 2012 was 522, a drop of 481.
373. A **92%** reduction in unemployment since 1st Quarter of 2012.
374. Mr Speaker, the House will be pleased to note that as at May 2022 unemployment stands at 35.
375. The fact is that we will all agree that daily life has hardly been normal throughout the year given other places opened up in differing ways with different requirements and the other challenges we have faced.
376. If we take the average year on year economic growth between 2014/15 and 2018/19 (the five years pre pandemic) this averages out to 10.7%, despite the lower than average increase in 2018/19, for the reasons I explained above associated with Brexit and the losses within the gaming sector of the economy.
377. Mr Speaker taking these figures absolutely the forecast figure is £21m higher than the final estimate of the 2019/20 GDP figure.
378. That year was only marginally affected by COVID so what I would surmise is that we are back on track, having lost two years of economic growth.
379. This in my view would be consistent with what the man in the street may feel, that somehow about two years of life have been lost to the pandemic.



The GDP to Tax Ratio

380. Mr Speaker, interestingly, the ratio of Personal Taxation to GDP has been consistently coming down in Gibraltar.
381. The ratio was 13.5% when we took over with a GDP of £1,082 Billion and £146m in total collected in Social Insurance (at £24.1m) and Personal Tax (at £122.5m).
382. Today the ratio is 5% lower – over one third lower - at 8.7% with a total of £225.6m in total collected in Social Insurance (at £45.6m) and Person Tax (at £180m).
383. Mr Speaker the GDP to tax ratio in UK in March 2022 is 32.7%. That is 73.4% higher than in Gibraltar.
384. Mr Speaker the GDP to tax ratio in Spain in to the end of 2021 is 36.6%. That is 76% higher than in Gibraltar.
385. These figures show that the remarkable increases in Government revenue in our time in office have not been driven by taxation as we have relied on external arrivals and our external market to raise revenues.
386. That is the market in which the pandemic has caused havoc.
387. It is returning, albeit more slowly than we would all have wished.
388. Mr Speaker I will now seek to explain how the GDP impacts on Government finances.
389. I will also seek to explain the steps I feel we must take to somehow bridge the gap and bring the state of Government finances back on track, after ensuring this extended period afflicted by external forces.

The GDP Per Capita Calculation

390. Mr Speaker, given all the usual caveats, I will also this year not have to do the GDP per capita calculation for Gibraltar as the figures would be the same as for the year 19/20.

The Public Finances

391. Mr Speaker as I have mentioned in last year's speech the Estimate Book format took on a more complex nature to be able to track COVID related expenditure separately from other annually recurring expenditure.



392. This year the Estimates Book has necessarily had to conform to that format.
393. Mr Speaker, I will now seek to distil at a high level, the contents of those close to 300 pages which set out in detail how Government finances have matched up to expectation and where I think we are heading over the next 12 months.
394. Mr Speaker to add to transparency and to provide the most complete accountability to our people, we have taken the unprecedented step of publishing the Estimates Book online as I rose to start this debate.
395. It will make this exercise easier for the public to follow as they listen to the deliberations of this House.
396. The link to the Draft Estimates Book, confidential until I have got up to speak this morning, is on the Government press office page, on our twitter feed and on our Facebook page.
397. I have shared the links on my Facebook page also.
398. I would therefore refer all those watching or listening who want to follow the economic parts of this debate to please look at the Estimates Book as we go through the next sections.
399. Additionally, earlier Estimates Books will all soon be made available online also to enable all citizens to track the economic evolution of our community over the past fifty years.
400. To make my references easier to follow – and at the risk of sounding like Disney’s ‘Tinkerbell’, but without the assistance of a ringtone - I will refer to relevant page numbers of the Book during the speech so that those following can find the relevant information.
401. In doing so I would sound a cautionary warning.
402. If COVID and lockdown had an impact for the economy and created uncertainty, inflation and world events continue cause pressures and uncertainties that make charting the next 12 months as fraught as it was to predict them some 12 months ago.

The Last Financial Year : 2021/22

403. Turning first to the year that has closed.



404. The background and context to financial year 21/22 was that whilst we lifted restrictions fairly quickly, many countries including the UK and Spain continued with restrictions for longer than we expected when we compiled the Estimates Book during the first few months of 2021.
405. These restrictions were not in the form of a complete lock down, but they nonetheless discouraged international travel generally – although we received visitors from the UK - and impacted on visitors all of which has an impact for many of Government's revenue sources.
406. At a high level Mr Speaker we were projecting a loss for 2021/2022 of £50.72million.
407. As I already have made public on first becoming aware of the figure, the forecast outturn deficit for the year was slightly higher than that at £55.29m by some £4.6m [PAGE 2].
408. Although the figures in the Book are kept confidential until the start of this debate, it would not have been fair for me not to have shared that figure with the public as soon as we became aware of it.
409. That is our commitment to being fully accountable to our people.
410. Mr Speaker let me see if I can break this down into more relevant analysis for those listening to understand.

2021/22 : Revenue

411. The good news in all of that is that our true third party revenue came in at £650m, some £16m above our projected revenue of £634m.
412. This shows that Government revenue stream by and large held up, despite the after effects of the prolonged restrictions [PAGE 5].
413. Personal tax and corporate tax came in some £ 22m overall in excess of our projections [PAGE 6].
414. Import duties on the other hand came in at a disappointing £ 111m, when our conservative estimate were for £150m [PAGE 6].
415. This can be explained given the lack of tourists and the measures we issued to make local shopping more attractive.



416. When we have been used to collecting close to £170m in duty a hit of around £60m or around 10% of our income it is very noticeable, and the reason the COVID response fund had to step in.
417. But I will say more about that shortly.
418. Stamp duty came in at £ 14.9m, almost double the predicted estimate of £8.5m [PAGE 6], signifying the continued strength and resilience of the property market.
419. Aviation revenue was actually down and to an extent, this was in part compensated by higher fees earned on our upper Rock tourist sites.
420. GHA, Group Practice Medical Scheme revenue came in some £10m ahead of our estimate of £56m [PAGE 9].
421. This is directly in line with the result of the increases in SI which were announced after the publication of the Estimates Book and had therefore not been factored into the Estimates.
422. The revenue from increasing the electricity tariff was also reflected as this came in some £2.75m higher than we expected [PAGE 9];
423. Remarkably the Port produced revenue almost in line with expectation some £650k down only on Estimate, despite the reduction in cruise line activity [PAGE 10].
424. With minor exceptions income, is broadly in line with our Estimate [PAGES 6 to 10].
425. The positive take aways from this analysis is that where we introduced measures that were not projected at the time of preparation of the Estimates Book, such as increases in SI or electricity, they actually gave rise to increase that particular revenue.
426. These were not offset by other losses within that same revenue head as might have been expected for example had a spate of redundancies followed the release from restrictions.

2021/22 : Expenditure

427. Mr Speaker on the expenditure side I believe we managed reasonably well as follows:
428. We projected for consolidated fund charges of £ 103.4m and the forecast figure came in at £105.7m [PAGE 13].



429. Most of this difference is made up of £300k additional legal aid, circa £800k of SI contribution arising from the increase, and an additional repayment of tax of £800k [PAGE 16].
430. Similarly we projected for £551m of departmental expenditure and the forecast outturn came in at £569m, a difference of £18m or some 3% [PAGE 14].
431. The main cause of this is not unexpected, with a £ 20m overspend between the GHA, the ERS and the Care Agency, all areas of expenditure which have had a significant and unpredictable overspend as they grapple to return to business as usual and emerge from COVID.
432. The department of Education came in over budget at £61.4m when compared with £58.8m.
433. The main reason for this being the large issues with temporary cover which have been addressed recently by the formalisation of posts that needed to be filled which results in an increase in posts from 869 to 1,123, a whopping 30% increase in posts [PAGES 13 and 61].
434. That is not increased expenditure though, as we are simply regularising posts that were previously funded through the 'temporary assistance' head.
435. The GEA is another authority that has come in at higher than expected costs £67.9m as compared with an estimate of £55m [PAGES 14].
436. The reason for this is the inability to do away with the temporary generators, within the timeline we had hoped for as commissioning continues on the new plant coupled with the inflationary impact on fuel costs.
437. The good news on the former is that we are working to take these off-line and save costs.
438. On the latter however, the recent increase in fuel prices will no doubt impact on the year ahead well beyond what was possible to project earlier this year when the Estimate book was prepared [PAGE 248].
439. I will say more of that later, Mr Speaker.
440. For now I will say that we expect an overspend in this by the end of the year given the unprecedented and unexpected increases in the cost of fuel.
441. Again by and large all other departments fell within the boundaries of their estimates with the usual swings and roundabouts between departments as one departments overspend was compensated by another's savings [PAGES 13 AND 14].



2021/22 : The COVID Fund

442. Finally turning to other expenditure within the COVID fund.
443. This is perhaps the area of expenditure that was most prone to errors in projecting, given the huge uncertainties at the time of preparing the Estimates last year.
444. It was not just a question of determining how long COVID would persist, but also the implications of elements such as how other countries were to react, what tests were required and what attitude would be taken for employees of key facilities such as the hospital that had daily testing of all staff with all the associated impact on cost.
445. What we saw here was expenditure far in excess of the amounts we projected.
446. Our Estimate last year was for a COVID Response Fund Expenditure of £67.5m, whereas the forecast outturn figure turned out slightly in excess of double this amount at £ 135.1m [PAGE 292].
447. The main reasons for this can be broken down [AND ITS WORTH LISTENERS STAYING ON PAGE 292 WHILST I DO THIS ANALYSIS]:
448. A large underestimation of how actual revenue would hold up when compared with the average revenue collected by Government for each of the 7 key heads of revenue compared with the equivalent revenue for the same heads for the two years pre pandemic.
449. By and large our Estimates were broadly in line with expectation save for :
450. The head of Rates, which is easily explained as we provided an exemption of rates for a quarter beyond what we had originally projected and,
451. Import duties, which for the reasons explained came in at £45.7m below the adjustment we expected we would need to make;
452. In addition our COVID costs for the GHA and other public undertakings came in at £22.8m which was £15.8m or over 3 times more than what was originally projected.
453. Mr Speaker as you know the COVID Response Fund is entirely funded by Government borrowing.
454. The effect of this additional £68m of expenditure was that the Government needed to borrow further.



455. Whilst we expected borrowing to increase for the year by £50m it has actually required to increase by £100m [AND THAT CAN BE SEEN FROM PAGE 11].
456. Mr Speaker, I trust this explains the position and also serves to interconnect the different items and threads in the Estimates Book for all members and for everyone in the community who may be listening to or watching this debate.

The Projected Losses

457. Over the last few months there has been an attempt to suggest a division between comments made by the Father of the House in an interview on GBC where he projected a loss of in excess of £90m and some of the statements I have made.
458. The Hon Father of the House was guiding his projections for the overall loss based on the level of borrowing, without classifying the distinction between business as usual loss of £55.3m, and the additional over expenditure incurred within the COVID Response Fund.
459. Mr Speaker I trust the explanation I have provided seeks to reconcile any perceived differences, as in fact there were and are none.
460. Indeed, I would strongly recommend a thorough read and analysis of the Estimates Book which provides all relevant information in this respect.

The Estimate for the Year Ahead : 2022/23

461. Mr Speaker I will now seek to set out where I think Public Finances are heading over the next 12 months.
462. As I have said previously there continue to be very strong external headwinds that make projecting this extremely difficult, but we must of course try to produce as accurate an estimate as is possible with the information available.
463. In many ways these headwinds are different to the effects of COVID, which created uncertainty in economic activity, though lock down and lack of tourists and visitors.
464. The headwinds caused by the impact from the war in Ukraine, the global turmoil and realignment, impact on availability and prices, they have resulted in all Governments reversing years of low interest to introduce repeated increases in interest rates that many of the young in our community will find unprecedented.



465. They impact on cost we simply cannot avoid such as the cost of fuel to power our community or to desalinate our water supply or to fill the truck that delivers produce to our supermarkets.
466. Where all this will eventually settle and what it means is difficult to project.
467. All I can say is that day by day the prognosis is for increasing costs.
468. Our projection of those possible increases back in March 2022 seems modest now as we have seen the rapid rate of change.
469. They impact on all of us in similar ways, devaluing the pound in our pocket and making us feel grateful that there is availability of the product we may seek to acquire.
470. This highlights some of the challenges in delivering a programme of work when it is not just price one is grappling with, but availability and impacted timelines.
471. Once again Mr Speaker I remind the House of my earlier comments that these issues are NOT of our making.
472. The only difference on the effect of this is that most of us do not have to seek to project where we are heading in a way that is so challenging it was most likely wrong from the moment ink dried on this Estimates Book.
473. These external forces are affecting all countries in many different ways – we are no different.
474. Nonetheless Mr Speaker this is what we think will happen over the next 12 months in terms of public finances.

2022/23 : Revenue

475. Mr Speaker we are estimating revenue for the year 2022/2023 of around £ 637million [PAGE 1].
476. This is some £ 12 million below the forecast outturn for the year 2021/2022.
477. Mr Speaker, the reason for this is as follows [PAGE 6]:
478. We have kept corporate and personal tax, more or less in line with estimates for the year that has closed, and not increased these figures in line with the forecast outturn as we expect corporate tax returns coming in this year might be somewhat impacted by the effects of the lock down.



479. Mr Speaker it must be noted that corporate tax returns and assessments trail some 18 months behind general activity;
480. We have significantly reduced our estimate for import duty from the £150m we estimated last year to £120m.
481. We are hopeful that now that visitors and tourists are on the up that the forecast outturn for this year will be higher than this, but we think we should remain prudent in our approach.
482. I should comment that from the information I presently have that it has been wise so far to project on a prudent basis for this sort of revenue.

2022/23: Expenditure

483. Mr Speaker in terms of expenditure we are projecting consolidated fund charges at £99.4 and departmental expenditure at £ 552.8m [PAGE 1].
484. The reasons are as follows:
485. The consolidated fund charges factor in increases in our cost of borrowing assuming an average base rate during this financial year of 1.5%.
486. It is possible that the average may well exceed this given recent announcements by the Bank of England that a more “forceful” approach may be taken to future rises to curb inflation.
487. This recent change only serves to reinforce my comment on the possible accuracy of the assumptions we have made.
488. Mr Speaker the effect of increased borrowing costs is somewhat mitigated by channelling some of the excess cost through the Sinking Fund, nonetheless given the overall impact on liquidity it is important to highlight this.
489. On departmental expenditure this figure of £552.8m is ambitious.
490. It is £16.5m down on the forecast outturn for the year just closed and this occurred during a period where inflationary increases were quite confined.
491. That said if we are going to seek to rebalance our books as soon as possible, and return to the fiscal discipline of meeting expenditure from revenue, we must be controlled and ambitious.



492. Mr Speaker, a quick review of the information on the Estimates Summary page [PAGE 1] shows that we are expecting COVID Response Fund Expenditure to tail off this year, hopefully finally.
493. The budget for the fund is £40.12m.
494. The vast majority of expenditure relates to making contributions to foregone revenue.
495. Once again the majority of this being to cover shortage in Import duties.
496. We have not budgeted for any departmental COVID related expenditure with the exception of the £120k for ERS.
497. The reality on this approach is already proving a challenge as there are invoices that are being received during the early months of this year that will inevitably relate to the COVID Response Fund for goods and services relating to last year.
498. Nonetheless this prudent and controlled approach seeks to bring to an end expenditure under the COVID Response Fund with controlling officers knowing they cannot incur any further spending under the excuse that it is for COVID.
499. Given the GHA was the Authority with the highest COVID related expenditure, we have explained that were a resurgence to occur we expect the cost of the necessary preparations and tests to be between £8m and £10m [PAGE 227].
500. If such expenditure were necessary, should there be for example a resurgence of COVID related cases, it will be available, but it should not be incurred otherwise.
501. In this way any such expenditure is instantly highlighted and we can seek to understand why it has been incurred.
502. Mr Speaker the effect of all of the above results in a projected deficit for the current year of £45.3m and an overall additional net borrowing of £50m.
503. Mr Speaker if we come in or around these figures, it will mean we are back on track and have reset spending within acceptable levels without resorting to cuts in services or austerity.
504. Additionally, Mr Speaker, we will finalise this year our strategy for the repayment of the COVID debt, which will be long term, war bond style debt.
505. Our current discussions with HM Treasury sees us repaying the bulk of the outstanding over a 25 to 26 year period, with the benefit of the Sovereign Guarantee from the UK extending over that period for that ring fenced, crystallised debt.



506. We will be able to set that into legal agreement stone only once the full extent of our COVID drawdown is, itself, crystalised.

Departmental Responsibilities

507. I turn now to the relevant areas of Ministerial responsibility on which I lead, Mr Speaker.

Central Arrears Unit

508. Mr Speaker, I am going to start with the Central Arrears Unit.
509. It is clear that the local economy is still adversely affected by the cumulative impact of the pandemic.
510. The Central Arrears Unit (or CAU) has therefore been asked to continue to take a more conservative and prudent approach towards debtors as many are still just surviving in the current economic climate.
511. Although businesses are now up and running and the tourist industry is now starting to recover, our economy is still recuperating from the aftermath of the pandemic.
512. But whilst we do not want to push anyone over the edge at this time, it is also true that it would be unfair to take steps to increase revenue from everyone who pays and allow those who do not want to pay to continue not paying.
513. Leniency in chasing government debt is therefore being shown only in respect of those who genuinely cannot pay.
514. The CAU in fact focuses mainly on the arrears recovery for the Commissioner of Income Tax, the principle Receiver of Revenue.
515. They focus on compliance with arrears agreements and the recovery of arrears on a daily basis using different methodologies and also actively ensure that current payments are received in a timely manner.
516. This is hugely important in delivering social justice also Mr Speaker, as it is totally socially unjust for most to pay their dues and for some not to bother paying.



517. Although CAU managed to control and reduce the debts for Individual Tax, PAYE and Social Insurance, unfortunately the Corporate Tax debt increased by £2.67M from last year as a result of the economic difficulties being experienced by some businesses.
518. Without CAU, that increase in debt would undoubtedly have been even greater.
519. £1.8M of this increase can be attributed to tax penalties that need to be recovered or written off as the case may be.
520. These arise from a number of non-chargeable and on occasions single purpose companies that are not trading, but remain 'active' at Companies House and are therefore required to file annual returns.
521. Mr Speaker, as you know the Registrar has the discretion to strike off the register the name of any company in respect of which no annual return has been filed for the previous 3 years.
522. Should he so do the prospect of recovering these accrued penalties becomes remote and they then need to be written off.
523. Mr Speaker as you can imagine, the increase in corporate tax debts is largely to be expected given the very difficult trading conditions arising from lockdown and the wider COVID restrictions.
524. CAU continues to retain payments due to companies/businesses by HM Government and retained a total of £2.5M during this year, for both current payments and arrears recovery.
525. This is an incredibly effective tool whereby tax and other debts due to Government are settled by offsetting payment due by Government for goods/services provided by the company/business.
526. The raising of objections for new business licences and/or extension of licences with regards to directors/companies continues to be a very effective tool that has seen the recovery of £456k during this last financial year.
527. CAU has also successfully recovered over £108k with regards to arrears for PAYE, electricity and gambling licence fees as a direct result of dividends received from liquidations.
528. They have also raised objections to Companies House with regards to Re-domiciled companies and liquidations reducing corporate tax by nearly £379k.



529. In addition, Mr Speaker, CAU undertakes full arrears checks for the Environment Department before the granting beach tents as individuals are required to settle all outstanding debts before the use of the seasonal beach tent is approved.
530. Unfortunately it is sometime necessary to use every lever at the disposal of the Government to recover debts due to Government and I am sure that the whole House will agree with this strategy, as we cannot allow some to simply ignore their liabilities whilst the majority dutifully pay.
531. In fact, we have seen a measure of agreement in the House in this respect in the past.
532. Additionally, we do protect those who genuinely cannot pay, as opposed to those who simply won't or don't want to pay.
533. Furthermore, CAU carry out full arrears checks for LPS on the assigning of units, and effectively recovered over £120k in respect of Taxes and Social Insurance prior to the assignment of a unit.
534. However, CAU's most important role during these two challenging years has been to maintain and control the overall arrears of revenue in the midst of a pandemic, where companies/individuals have been struggling to survive from one day to another.
535. As Hon Members will understand, as years go by it becomes more challenging to recover historical debts, especially since the main 'bulk' of arrears had already been addressed by CAU during their first 4 operational years.
536. CAU works closely with all government departments, agencies and authorities to actively pursue and guide them with their debt recovery and assist them with the preparation of write offs for historical bad debts.
537. Mr Speaker, during the last year CAU undertook thorough exercises to identify those bad debts where there was no prospect of recovery, as individuals/sole directors had passed away, left Gibraltar and deemed un-contactable or companies had been struck off the register or liquidated.
538. This exercise was presented to the Financial Secretary who approved write offs amounting to over £4.85M, of which £2.8M pertaining to Taxes and Social Insurance and £0.7M pertaining to General Rates and Sundry Rents.
539. The balance of £1.35M related to House Rents, Airport Landing and Departure Taxes, Hostel Fees, Import Duties, Services Performed by Public Officers, Port Arrival and Departure Taxes and Port Operators and Harbour Craft licences.



540. The benefit of this exercise results in not just reducing the debt but also thoroughly cleansing both the Tax Office and LPS databases.
541. Mr Speaker, even though the pandemic has unfortunately cast long shadows on our economy, it is evident that the CAU has been creative in their approach and has effectively and successfully managed to reduce the overall arrears of revenue by over £2.3M.
542. Finally, let there be no doubt in anyone's mind that CAU shall continue to work diligently to restore fairness to our system of chasing debt and defaulters.

CSRO & Customs

543. Mr Speaker I want to now deal with the Civil Status and Registration Office and Customs.
544. In order to do so but not delay the consideration by the House of the economic issues which concern us today, I will lay on the table an extract containing the relevant parts of my address today which deals with the hugely important work of both these departments.
545. In that way, the House now has before it all relevant information about the running and progress of those departments as well as the important statistical information which may be helpful to members.

The Civil Status & Registration Office

546. I turn now to my responsibilities in respect of the Civil Status & Registration Office which is comprised of three Sections.
547. The three main offices in question are the Nationality & Passport Section, the Birth Deaths & Marriage Registry and the Immigration Section, which includes visa applications and residence applications.
548. All sections are service providers.
549. Two weeks ago, at the request of the staff and with the support and agreement of the Government, the CSRO reopened two counters to the general public.

Nationality and Passport Section



550. The Passport Section of the Civil Status & Registration Office have received 12,817 applications for Gibraltar variant passports and 140 applications for UK passports from 1 April 2021 to 15 June 2022.
551. Additionally, 117 adults were granted British Nationality in 2021 under the discretionary provisions of Section 18 (1) and 18 (2) of the British Nationality Act 1981.
552. 42 minors were also granted British Nationality under the provisions of Section 17 and Section 15 of the British Nationality Act.
553. This year, so far, the number of adults who have obtained British Nationality is 85 and 5 minors have also been registered.
554. Applications for exemption and subsequent naturalisation continue to be received and processed by the Department.
555. Interestingly, Mr Speaker, in the decade we have been in office, 2,044 adults and 407 minors have taken British Nationality as a result of their connection with Gibraltar.

Birth Death and Marriage Section

556. From 1 April 2021 to 15 June 2022, 905 British Nationals have succeeded in obtaining Gibraltar Status under the discretionary provisions of Section 9 (1) of the Gibraltar Status Act and the subsequent entitlement to registration provided under Section 5 of the Act.

Births, Deaths, Marriages & Civil Partnerships and Conversions

557. From 1 April 2021 to 31 December 2021, a total of 1,554 Marriages were performed in Gibraltar.
558. In addition, 29 Civil Partnerships and 7 Conversions from Civil Partnerships to Marriage were also undertaken.
559. This year so far, 783 Marriages, 19 Civil Partnerships and 6 Conversions have already taken place.
560. This figure is from 1 January 2022 to 30 May 2022.
561. June is not included.



562. From 1 April 2021 to 31 May 2022, 312 birth registrations have been effected and 498 deaths have been registered.

Permanent Residence

563. From 1 April 2021 to 31 December 2021, 111 British Citizens obtained permanent residence in Gibraltar.

564. From 1 January 2022 to 31 May 2022, 162 British Citizens obtained permanent residence.

565. I hope Mr Speaker that the House and the public will find this information useful and that it will help the public to appreciate some of the work done by the great men and women of the CSRO – without going into the huge amounts of Visa and Appostille work they also do.

HM Customs

566. I turn now Mr Speaker to my responsibilities for Customs.

567. As you are aware, talks with the EU, Spain and the UK continue.

568. The movement of goods in and out of our jurisdiction form an important part of those negotiations.

569. Much work has been done in the analysis of statistics in support of the negotiations.

570. Specific economic operators have also been engaged with directly to ensure that any changes that we might agree to the systems in place for the collection of duties and fees, and the enforcement of restrictions and prohibitions, continue to serve our community and sustain our economy.

571. At the same time HM Customs has been working hard to build resilience by reviewing its procedures and practices.

572. It has focused on staff training and improving its IT capabilities, whilst at the same time continuing to provide value for money through efficient public service.



Fight Against Crime

573. Of special note this year, HM Customs has achieved notable results in what are often difficult areas to operate.
574. The first of these was the seizure of almost 4kg of cannabis resin, which was to be exported to the UK using a local courier company.
575. Through the close collaboration of multiple customs sections and the courier company, the offender was identified and arrested.
576. She served 5 months' imprisonment.
577. Worthy of mention was the seizure of over TWO tons (2236.25kg) of cannabis resin being transported on a 12 metre rigid hulled inflatable boat.
578. Customs officers arrested four individuals and seized the vessel and drugs. The Royal Gibraltar Police and the Gibraltar Defence Police assisted throughout which demonstrates the close cooperation of our law enforcement agencies at sea.
579. More recently, a shop owner was successfully prosecuted after being arrested by customs officers for selling in breach of his retail tobacco licence.
580. A large amount of cash was also seized as part of the operation. Following the conviction, the Collector of Customs revoked the licence.
581. A parallel financial investigation continues.
582. Mr Speaker, you may also recall a recent press release in which it was reported that a signal flare was fired at a customs vessel causing it damage.
583. Yet again, this demonstrates the hostile environment that our law enforcement agencies often work in and highlights the importance of equipping them with the appropriate assets.
584. This targeted attack on HM Customs is evidence, and a consequence, of the hard work of our officers.
585. It is the reason why HMGoG has invested in a large fleet of patrol vehicles and recently commissioned HMC Sentinel, a state of the art patrol vessel.

Financial Investigations

586. The Financial Investigation Team for HM Customs sits within the department's Investigation Branch.



587. The compliment of four dedicated financial investigators shows HMGoG's commitment to fighting economic crime and pursuing the confiscation of criminal proceeds.
588. The team works in close cooperation with the Gibraltar Financial Intelligence Unit and the Royal Gibraltar Police Economic Crime Unit, together with other stakeholders.
589. This set up helps to expand the officers' spectrum of cases and experience, and facilitates training opportunities.

Law Enforcement Cooperation

590. Mr Speaker, HM Customs continues to maintain and develop close ties with other law enforcement agencies both locally and abroad.
591. What's more, in the recent months, MoUs have been signed with the Border and Coastguard Agency and the Income Tax Office, with additional ones being finalised with the Office of Fair Trading and the Department of Employment.
592. Operationally, the sharing of resources and assets continues to be a regular occurrence both on land and at sea.
593. In particular, joint work is often conducted between the HMC Flexible Anti-Smuggling Team and the RGP Drug Squad.
594. This includes the support of the HMC Drug Dogs team.
595. This pooling of resources allows for enhanced combination of experience and expertise, creating a more efficient system of law enforcement and crime prevention.

ASYCUDA

596. Mr Speaker, ASYCUDA is the dedicated software used for the management of customs processes such as customs declarations and accounting procedures.
597. HM Customs continues to explore new modules that will assist traders and agents, whilst maintaining customs controls. The department will be embarking on outreach programmes aimed at supporting these specific economic operators in order to maintain high standards and develop where necessary. This will smooth out the clearance processes, increase trust and fairness, and undoubtedly result in reduced time and costs for the supply and delivery of goods.



Training

598. With regards to the training of staff in the customs department, the training wing has invested in an on-line training platform that will allow officers to undertake most courses during the quieter periods and work around their day-to-day operational exigencies, which in law enforcement can very rarely be planned ahead.
599. This program will make the organisation more efficient, reducing the amount of time officers need to be released from their posts to meet their training requirements.
600. Some training may be extended to traders or other outside users through pre-registered login accounts.
601. In addition, Mr Speaker, HM Customs has qualified TEN 'Train the Trainers' in personal safety and restraint training, making the organisation self-sufficient in catering for its needs.
602. These trainers are already engaged in exchanging staff from other law enforcement agencies, which allows for bigger class numbers making such training more efficient for all.
603. Without compromising existing training, the department has also engaged on an ambitious training and awareness program in the field of Wellbeing and Mental Health.
604. The organisation has trained officers in all of its section to include Wellbeing Champions, Mental Health First Aid at Work and Stress (Incident) Debriefs. Furthermore, training has been delivered in the field of Special Needs and Disability and a committee has been created to develop awareness in Equality, Diversity and Inclusiveness.
605. All this has been done to ensure the welfare of our officers and ultimately to improve the service they provide the public.

Industrial Action

606. Mr Speaker, the public might have observed customs officers working out of uniform.
607. I am happy that the matter of rotation of officers within the Marine Section, disputed by the GGCA, has now been resolved.



608. HM Customs is now engaged in conversations with Unite the Union, who represents the majority of officers of the Marine Section, in order to review the safeguards and provide them with the assurances that will ensure officer safety at sea.

The Income Tax Office

609. Mr Speaker, it is only fitting that I now turn to taxation given that the collection of corporate and personal income tax consistently accounts for approximately between 40% to 50% of recurring Government revenue.
610. As is now customary, I comment on this very vital part of our economy highlighting developments and important areas in this field that are relevant to our community.
611. The total amount of tax collected in the 21/22 financial year is £324.6m, representing £202.5m in personal taxes and £122.1m in corporate taxes [PAGE 6 OF THE BOOK]. That is £22.5m more in personal income tax and £2.1m more in corporate tax than in the previous financial year 20/21.
612. Despite this immediate net increase in revenue, the general expectation is that trends will start to decline as the eventual effect of the COVID-19 pandemic is realised in the years to come.
613. It is now more important than ever that we continue to exercise prudent financial management, ensuring that we successfully drive through these challenging times.
614. This is the focus of this government.
615. We are fully committed to ensuring the speedy return to the prosperity Gibraltar has always enjoyed, to the life every Gibraltarian deserves and to continuing to make Gibraltar the wonderful place it is.
616. This is the path that we have embarked on.
617. It is by no means an easy path.
618. I am confident however that this government has the necessary expertise and maturity to navigate these challenges which, together with the public service, achieve the desired and deserving outcome for all.
619. Our prudent financial management is evident in that way that we have forecasted future tax receipts.



620. Our financial estimates for the 22/23 financial year are projected as £307.6m, ensuring that any potential impact from external factors such as Brexit or the lasting effect of the COVID-19 pandemic are suitably hedged against.

Tax Refunds

621. Mr Speaker, I have in past Budget sessions highlighted the enormous investment made by my government in addressing the historic backlog of tax refunds owed to the public.
622. In the extended financial year 19/21 an unprecedented investment amounting to £26m was allocated to tax refunds ensuring that as many taxpayers as possible were repaid monies due to them.
623. Notwithstanding the careful and responsible approach that we have adopted regarding public spending, we have continued to allocate significant funds towards tax refunds, with an amount of £18.8m allocated in the financial year 21/22.
624. Despite the difficulties we are experiencing, it is right to give money back to tax payers that is due to tax payers as soon as possible.
625. It is also a measure that puts money back in people's pockets at a difficult time.
626. This is not just the right thing to do.
627. It is in line with the recommendations of the OECD on helpful measures to the public to cope with the pandemic.
628. I am advised by the Commissioner of Income Tax that whilst the COVID-19 pandemic impacted anticipated progress in their refunds programme, the Income Tax Office is now continuing to update its refund position successfully.
629. Presently, over half of the assessment refunds for 19/20 and over one third of those for 20/21 have now been completed.
630. Completion in relation to these years will continue and refunds will continue to be released in line with the funding of £10m made available this financial year.
631. I know that some criticism may have been levied against the Income Tax Office by some that have experienced delays in receiving refunds.
632. I am also aware that some have had to wait longer than we would like in order to receive refunds.



633. Unfortunately, cash counters had to be closed due to the COVID-19 pandemic and as a result the payment of tax refunds are now carried out via direct bank transfer.
634. I believe that most people are content to receive their tax refunds in this manner; it is more streamlined, there is no requirement to physically queue up at a counter and no delay due to clearing.
635. It also allows for a shorter processing time and for HM Treasury to effect payment sooner.
636. It is important to understand the extraordinary number of applications received by the Income Tax Office.
637. Most people in Gibraltar had not supplied these details and therefore this continues to be a tremendous task, but one we are committed to in order to ensure that taxpayers receive their refunds directly and quickly.
638. This investment in information will pay dividends in the future and towards the efficiency of future refund payments by the Income Tax Office.
639. The team at the Income Tax Office is working hard to give you back what you are owed; they do not want to keep it.

International Tax

640. This Government continues with its commitment to tax transparency and prevention of base erosion and profit shifting (BEPS).
641. As a Member of the OECD's Inclusive Framework, Gibraltar has engaged in these initiatives including the implementation of Pillars 1 and 2 relating to the taxation of the digital economy, the allocation of taxing rights and the harmonisation of a minimum global tax rate; probably the most drastic change to modern taxation in recent times.
642. The Commissioner of Income Tax, in the capacity as Competent Authority for Gibraltar, has continued to ensure that Gibraltar meets all international obligations under its various international exchange mechanisms in respect of both the automatic exchange of information and that exchanged on request, including both the International Tax Agreement with Spain and the Double Taxation Agreement with the UK.



643. Gibraltar also continues to undergo numerous assessments as part of its membership with the Inclusive Framework on BEPS across various of its actions.

Digital Tax Office

644. Returning to a national focus, the Income Tax Office continues with its digital transformation in conjunction with HM Government's Digital Services team.
645. Last year saw the roll out of preliminary tax e-services.
646. I was sorry to see that the adoption of this service was not as expected, with most taxpayers continuing to opt to file their returns either by email or even in paper form.
647. We have listened to criticisms and complaints about the system.
648. We have listened to what you want and need and we have worked hard to deliver what you deserve; a system for which you can easily register, one which is not cumbersome and is set out in a familiar format, one which is not time-consuming and one which is dynamically responsive to your requirements.
649. As a result, both components of the tax return that need to be completed on-line are now much simpler.
650. Finally, I would like to express my sincerest thanks to all the team at the Income Tax Office for all their hard work, dedication and commitment.
651. In doing so, I turn now to the measures that the necessary Government will implement in order to redress the imbalance in our public finances and secure our nation's future.

Invest in Marketing

652. Mr Speaker last year I announced an incentive intended to promote the investment in marketing by awarding business that invest in marketing an additional deduction amounting to 50% of marketing costs.
653. When we discussed this incentive internally, before the announcement, it was always intended to refer to marketing of Gibraltar as a destination and jurisdiction to visit or in which to set up business, and not a deduction for all marketing expenses generally.



654. The idea of the incentive was that as we emerged from the pandemic, we wanted to encourage travellers to visit Gibraltar and businesses to consider relocating here particularly now the case has been made and proved for remote working.
655. This was a way of adding to the Government's own efforts and promotion of Gibraltar by allowing and incentivising businesses to join us in these efforts.
656. We recognise that businesses sometimes have a different and at times perhaps a more effective way of delivering these objectives.
657. That was the intention, however it was not how it came across from the speech, or the legislation that followed.
658. Mr Speaker, this incentive was intended for a period of two years.
659. Following this announcement, we have realised that this incentive is uncapped and capable of being overused by certain sectors of the economy as presently drafted.
660. With this in mind, Mr Speaker, I am terminating this incentive with immediate effect.
661. Mr Speaker, to date, very little use has been made of this incentive, in large part because those businesses that might use this heavily to market to their customers are considerably delayed on their filings, something which, in itself, needs to be corrected and I will deal with this shortly.
662. It should also be noted that some businesses within these sectors have brought the possibility of excessive charges to our attention and told us they will not be making use of this enhanced deduction.
663. In order to treat everyone fairly, the incentive will apply for its first and only year as set out in the legislation, but only in the way it was originally intended, i.e. the marketing must be of Gibraltar as a destination and jurisdiction with the aim of attracting, conventions, events, visitors and tourists or new businesses to set up here.
664. Generic marketing to your customer base of your product is not what we had in mind and will not be allowed.
665. The Income Tax Office will set out guidance to define marketing in the context of that legislation.
666. An amendment to the legislation will shortly be passed to address these issues.



Amnesty / Windfall tax

667. Mr Speaker there has been much discussion and debate in other Parliament's of the introduction of a Windfall tax.
668. I must admit I find the principle of retrospective taxation challenging, however I also recognising these are difficult times which call for difficult measures.
669. Many key and long held principles have been set aside as countries chase ways of balancing their books.
670. Indeed, as every day passes it seems some announcement is made whereby the entire rule book is being rewritten.
671. Mr Speaker it will come as no surprise that we are looking at our corporate tax take and how this is being split between the various pillars and sectors of this economy.
672. What we have found is that certain sectors pay their way in a balanced manner, whereas others are not meeting their end of the bargain.
673. They are using all the creative tricks that are available to them and in cases pushing the extent of limits that were not expected to be pushed and which they should know better.
674. Mr Speaker, I will not point these sectors out as it would be unfair but rather tell them how I suggest we address this without resorting to a windfall tax, which punishes everyone across the board.
675. Mr Speaker we are going to open an amnesty period between now and 31 December 2022.
676. All companies who have filed accounts during the COVID period (i.e. the last [2] financial years) and should have filed accounts up to December 2022, will be invited voluntarily to review their returns.
677. If they consider they have under declared or pushed deductions in a way that might be considered over creative, they will be allowed to resubmit these returns and pay the corresponding taxation without penalty, interest or further question.
678. At the same time we are conducting a review of those companies that we consider are being over creative and under declaring. Mr Speaker listeners should note that in doing this we have reached out to our contracts at HMT to secure a secondment who will assist with this process.



679. After the end of the Amnesty window on 1 January 2023, the Commissioner of Income will then issue estimated assessments on those companies where we believe there has been an undeclaration for the years in question.
680. The tax in this case will be a multiple to be determined of the taxation they would otherwise have paid.
681. There will also be penalties and interest charges.
682. Mr Speaker, in Gibraltar we have generally taken a friendly and open view to operators in respect of their corporate tax, always seeking to incentivise and prioritise business and make the jurisdiction attractive and fair.
683. In this regard our officials are approachable and tend to take a balanced view when applying our tax legislation.
684. I don't intent that to change, but ask operators to reciprocate and treat the jurisdiction correctly and fairly too.
685. The last two years have been exceedingly tough.
686. We believe that as a Government we have enabled business to continue to thrive despite the unprecedented challenges.
687. It is therefore a little too much when there is a feeling that that generosity of spirit is being somehow taken for granted and abused.
688. The world is changing.
689. Going forward international businesses that set up here and do not pay tax here will be paying the correct amount of tax elsewhere anyway.
690. So these operators are depriving this jurisdiction of tax for no net benefit. We must therefore instil in them correct behaviour at this early stage.
691. Their under declaring here needs to stop and we intend to tackle it in the next 12 months going back through earlier financial years.
692. Mr Speaker we will need enact legislation to deal with this and this will follow this session.

Purchase of Aquagib



693. Mr Speaker, over 30 years ago the GSLP Government entered into a series of agreements to privatise the production of Water, the maintenance and operation of our water network and waste-water network.
694. As part of a joint venture arrangement with the Lyonnaise Group, a number of contracts were entered into between the joint venture entity, Lyonnaise des Eaux (Gibraltar) Limited and the Government of Gibraltar, whereby HMGOG contributed our network and desalination plant.
695. This model was similar to the model adopted in the creation of GibNynex in telecommunications space.
696. Lyonnaise Group, as shareholder of joint venture entity, Lyonnaise des Eaux (Gibraltar) Limited brought in their expertise.
697. In this way the joint venture we now know as Aquagib Limited was set up.
698. The operation and maintenance contracts were originally for a period of 30 years with the possibility of extending it further for 10 years.
699. Mr Speaker, the contracts expired on 30 June 2021 and given the other pressures facing Government at the time, it was agreed to extend it for a short period such that discussions could take place between the Government and NWG Commercial Solutions Limited, known as Northumbrian Water (the successors to Lyonnaise Group).
700. The nature of the agreement was that if the contract were not renewed the respective assets held in Aquagib would be returned to Government.
701. Clearly it is not practical to unwind Aquagib given the implications of that approach.
702. Mr Speaker, the Government has therefore agreed to take Aquagib back into public ownership.
703. Thirty years ago, it was right to find a partner to push our water production forward and benefit from external expertise.
704. Today, it is right that we should renationalise our water supply and buy in expertise when and where we need it.
705. But the benefit of our water production company can now return to the taxpayer entirely.



706. We will therefore purchase the shares in Aquagib for the proportionate net asset value of these based around the latest financial statement and calculations, subject to any adjustments that may be required.
707. By transferring the shares as opposed to allowing the contracts to reach their natural conclusion, it is possible to avoid numerous problems, such as having to set up a new entity with all the implications for novation of agreements, customers, creditors, banks and importantly employees of the company.
708. The proposed approach of acquiring the shares in the way proposed means nothing changes.
709. Mr Speaker the accounts are being audited and completed and it is therefore not possible to provide the exact cost of the acquisition at this stage.
710. These will be subject to negotiation of course before finalising the purchase price.
711. Although discussions and documentation are advanced, the agreement has as yet to be finalised between the parties.
712. Mr Speaker I am pleased to say that the Government would expect to finalise this within the next 6 months such that ownership will return fully to Gibraltar Government ownership and control in the course of this financial year.

Hospital Finance

713. Mr Speaker, as you all Honourable Members will know the GSD entered into a structured finance agreement to purchase and fund the set up costs of St Bernard's hospital.
714. Mr Speaker, we on this side of the House, have been vocal critics of that agreement.
715. Indeed, the former leader of the GSD, Mr Feetham, has himself been consistently critical of this arrangement entered into by the government of the former, former leader of the GSD and the current leader of the GSD, Mr Azopardi.
716. To put it in perspective an arrangement entered into by the GSD for a total value of £54m will by the end of this year have cost the taxpayer a total sum of £91.3m, leaving an amount of around £17.8m still to pay.
717. That is to say, the agreement the GSD entered into would have cost the taxpayer £109.1m, assuming we paid it off now!
718. It would even more if we continued the GSD arrangements.



719. That agreement offered a break clause given interest swaps mature, so long as certain filings are completed by the 11 July 2022.
720. These filings would allow the Government to act as agent in the sale of the hospital building.
721. The arrangement provides for a reduction of around £825k by way of rebate if this approach is taken.
722. Mr Speaker I can confirm that the Government is in discussions with RBSI to take advantage of this ability to terminate that sale and leaseback agreement and instead of brokering a sale with a third party, confirm it will be purchasing the hospital itself.
723. This will substitute the present sale and leaseback arrangement with a short-term financing that vests title away from NatWest Bank of the hospital back with the Government or GHA.
724. Mr Speaker, whilst terms have not been finalised to put this in perspective, we currently pay a rent to the Bank of £ 5m per annum.
725. That is best seen on **[PAGE 226]** of the Estimates Book.
726. The new arrangement we propose would allow us to fully repay the hospital loan over 10 years for an annual payment of around £1.9m.
727. Mr Speaker this would represent a saving of an additional £3.1m that can be spent on health care by taking advantage of this opportunity.
728. There are of course numerous alternatives for that final repayment which we are considering.
729. Mr Speaker if we decide to repay this facility more promptly an alternative would be to increase repayments to say £3m per annum, again less than the £5m in rent, which again frees up £2m for further health care and will allow us to repay the loan in under 7 years.
730. These interest figures have been projected with current rates of interest in mind, of course.
731. Mr Speaker whilst we expect interest rates to rise we do nonetheless feel we can structure a deal which will be more beneficial to the tax payer and those patients that use the GHA than the current deal done by the GSD and which we have been locked into and that Mr Feetham and we have been rightly critical of for so long.



Protecting the vulnerable

732. Mr Speaker, in order to ensure that we do Social Justice, one of the things that this Budget must also do is insulate the most vulnerable from the effects of rampant inflation and the increased cost of living.
733. So who are the 'most vulnerable' and how will they be protected by this Budget?
734. First of all, we must agree that vulnerability for the purposes of this discussion is economic vulnerability.
735. Secondly, the key factors in economic vulnerability are earnings and dependence on state payments.
736. In the circumstances, Mr Speaker, we will be ensuring that those on the minimum wage, those on Disability Benefit and recipients of the State or Old Age Pension will all enjoy the benefit of increases in line with inflation to the payments that they receive.
737. I will take each of those in turn to announce the relevant increases that this Budget will provide as follows:

The Minimum Wage

738. The Minimum Wage will increase, in line with our estimate of inflation, at the rate of 8%.
739. The Minimum Wage will therefore increase by 60 pence to £8.10 per hour.
740. The Government considers that this is the best way to ensure that the minimum sum of money that people earn in our economy keeps pace directly with the cost of living in our economy.
741. Based on a 37.5 hour week, the Minimum Wage will go up from £14,681.25 to £15,855.75 an increase of £1,174.50.
742. Based on a 39 hours week, the Minimum Wage will go up from £15,268.50 to £16,489.98 an increase of £1,221.48.
743. Those worst off in work will therefore enjoy the benefit of salary increases of £1,200.

Disability Benefits, State & Public Sector Occupational Pensions



744. Mr Speaker, it will not just be the Minimum Wage that will go up by inflation.
745. The State Pension and Disability Benefit will also go up by inflation, which as I say we expect to be in the region of 8%.
746. It is right that the Old Age Pension and Disability Benefit should go up by the rate of inflation, in order to ensure that those who depend on those amounts are not affected adversely by the increase in the cost of living.
747. There will also be an increase for occupational pensions from the Government which will increase by 2% in line with the provisions of Section 6 (2) and (2A) of the Pensions (Increase) Act.
748. Those pensions have been increasing by 2% each year for the last twenty years, even in the years when inflation has been lower.
749. They will also rise by that rate this year.

Public Sector Salaries

750. Mr Speaker, our public sector salaries have grown in Gibraltar even when in successive years they have not grown in the United Kingdom.
751. Where once parity was an aspiration for our community, in the past twelve years we have exceeded parity in many areas.
752. In most areas, public sector salaries in Gibraltar are now in the region of 40% above parity with equivalent grades in the UK.
753. That is not true of all areas, however.
754. We will not tolerate, even in these difficult moments that any public servant should fall below parity with the UK equivalent officer.
755. Because we remain committed to parity with the UK public sector.
756. We are therefore prepared to borrow more if necessary to fund public sector pay increase for any grades that might falls below its UK parity analog.
757. In addition, and in any event, we will resume the annual pay rises for the public sector as our revenue recovers or the overall cost of the public sector payroll comes down as a result of efficiency measures taking effect.
758. Our public sector deserves nothing less and we restate our commitment it and to the complement of the civil service at the time of our election in December 2011.



Public Sector Fees & Charges

759. In terms of the services provided by the public service, Mr Speaker, as from the 1st of July, all fees charged by any government department and payable to government, including licence fees and forms etc will increase in line with inflation, rounded to the nearest half point and to the nearest 50 pence.

Category 2 Individuals

760. Mr Speaker, over the years we have noticed a number of issues with the operation of the Category 2 regime and we will seek to correct these as we now progress the development of that hugely successful regime.
761. Mr Speaker a point that is concerning us is that the scheme works well when individuals join and stay in Gibraltar.
762. One of the things that we have noticed, however, is that as individuals decide to leave they sometimes fail to adequately settle their final tax position prior to departure.
763. This means that their final period in Gibraltar can, in some instances, go untaxed.
764. This arises when the authorities seek to raise the amount but the individual is no longer in Gibraltar and it is very difficult to locate them, let alone get them to settle the amount of taxation due or enforce an order in that respect.
765. In order to resolve this concern, we are going to require existing CAT 2 individuals, as from this year, to pay the year's tax in advance.
766. This will be effective for the tax year commencing on 1 July 2022 and the amount will be based on the maximum amount of tax payable under this regime.
767. This should be settled by 30 November this year, which is the date by when they are obliged to file their return together with their annual balancing payment of taxation for the year just passed as is normal.
768. This payment in advance will be returned to them (as adjusted) if or when they finally decide to leave and any overpayments will be credited or rebated as appropriate.



769. In this way the final amount due on the year of departure can be settled correctly and we do not end up having to chase individuals outside Gibraltar, with varying degrees of success.
770. Mr Speaker this rule will also apply to new applicants who will be asked to pay a year up front on confirmation of the status.

Category 2 Individuals - Rates of taxation

771. Mr Speaker, we believe that all individuals were cared for very well during the COVID pandemic and it is therefore necessary for us to look to all our taxpayers amongst others for ways to recover the amounts spent.
772. CAT 2 individuals are perhaps the wealthiest in our community.
773. In this regard we propose to increase the bandings such that the maximum assessable income increases to £118,000, up from £105,000.
774. This results in an additional amount of tax of £5,000 at the maximum income level.
775. The minimum amount of taxation will also increase by £ 5,000 from £ 32,000 to £ 37,000.
776. This we believe is a small increase to balance the benefit of the safety and relative freedom living in Gibraltar has granted them during the most difficult times of this pandemic.

Measures for CAT 2 individuals

777. Mr Speaker we have also noticed another trend recently whereby certain individuals have given up their CAT2 status and others are coming to Gibraltar without any such status and nonetheless residing here.
778. This follows advice from certain quarters to assist such individuals to remain resident of Gibraltar, with all the benefits that accrues, but pay not tax or make any other DIRECT contribution to the Government's coffers.
779. The reason for this is that we do not tax many forms of income and therefore some individuals have chosen to make Gibraltar their home, without necessarily paying their way.
780. Mr Speaker I am sure you will agree that this is neither fair nor equitable.



781. To deal with this we propose to introduce a tax whereby any non Gibraltar national, who claims residency in Gibraltar or is resident in Gibraltar, is not in possession of a CAT2 or HEPSS certificate and is not in true third party employment, i.e. someone who is here but is not making any contribution, will be taxed on their full savings income, including pension income, interest income, dividend income and income from other passive sources.
782. This approach is clearly intended as a penalty.
783. We will use the register of occupation as a means to assist us identify these individuals and grant the Commissioner of Income Tax wide powers to address this issue.
784. Mr Speaker, there will also be a simple way to address this and that is to rationalise their status by enabling them to apply for their CAT2 status retrospectively, so long as they meet the eligibility criteria and pay any outstanding amount of tax.
785. Mr Speaker, that means that they will attain the protection afforded to them by CAT2 status.
786. In order to address the unfairness of them not having paid over what may possibly be a number of years, they will need to pay the taxation at the maximum rate with no adjustment for lower rates of income.

Personal tax

787. Mr Speaker similar to the position of CAT2 individuals, when seeking to square our public finances we have looked at other relative unfairness's in our tax system.
788. One that has existed but has remained unaddressed is the way the personal tax rate introduced by members opposite when they were in Government, dips for income in excess of £500k under the Gross Income Based System ("GIBS").
789. Mr Speaker at present, under the GIBS system the average tax rate for income up to £500k works out to 25%.
790. The rates become, in our view, socially unjust beyond that point.
791. This is not something that we have alighted upon before given that there are few of us on those levels of income.
792. Beyond that Mr Speaker the rate drops to 18% and beyond £700k, that income is taxed at 5%.



793. This means that the higher the overall income, the lower the overall average rate of taxation.
794. That GSD measure is NOT progressive and it is NOT socially just.
795. So Mr Speaker for illustrative purposes, someone declaring £1m pays tax at 17.6% whereas someone with an income of £30k pays an effective rate of 18.3%.
796. This cannot be right.
797. Mr Speaker this creates an anomaly whereby business owners and others are able to delay or defer payments such as dividends, or even consultancy fees, etc, to a point whereby they are able to distribute accumulations in one go and avail themselves of a lower marginal rate of taxation.
798. Mr Speaker in order to address this anomaly, the rate beyond £105,000 of income will be a flat rate of tax, and subject to what I am going to say in a few moments about tax rates generally, will be 25%.
799. This is a fair approach whereby everyone pays tax at the same rate save those at the very lowest levels of income (i.e. less than £25k) who pay at an average rate of just under 17% and those on very low incomes, below the tax threshold, who pay zero.

Temporary measures : Tax Rates

800. Mr Speaker, like every country in the world, we are going through tough times that have impacted on our public finances and our levels of necessary borrowing.
801. This borrowing has not been on anything other than the spending on COVID and the maintenance of our public sector salaries.
802. Nothing lavish.
803. Nothing extravagant.
804. Whatever some may now say to try to spare their blushes in having agreed our COVID spending.



805. Mr Speaker it is, nonetheless, incumbent on me and this Government to seek to find a way to lead this community out of the deficit period, with the certainty that we can address the debt that has built up during the COVID period and its aftermath.
806. In order to do this I propose a number of temporary measures.
807. This measure is for **TWO** years only, and tax rates will restore after those two years for these taxation measures that follow.
808. Mr Speaker for the next two years all rates, in all bands, under the Allowance Based System and the Gross Income Based System will increase by two pence in the pound for two years only.
809. That is a two year, two percent increase in taxation.
810. That is to say, under these new bandings an individual paying tax under GIBS on income above £25k will be taxed at an average rate of 27%, not 25%, and below that level the average rate will be just shy of 19%, not the aforementioned approximately 17%.
811. The measure will apply only for two years.
812. Mr Speaker, as we did last year, the Government has decided NOT to levy tax on pensions.
813. We gave careful consideration to the option but, on balance, we have determined it is possible to avoid doing so.
814. Mr Speaker, I do believe this measure was largely to be expected in this community and will catch few right-thinking members of the community by surprise.
815. The additional income recovered by this measure will allow us to fill in the revenue shortfall in the coming two years, and to make repayments of the amounts borrowed.
816. It will also assist us to crystallise our COVID related borrowing in a structured way over a longer period and allow us to repay this in a managed way.
817. Mr Speaker, we have all lost two years of our lives to COVID.
818. The Government has been paying out for two years.
819. But we have lost two years of revenue whilst paying out more than ever.
820. So now for the next two years we must get whole again.



821. We must use the next twenty-four months to strengthen our public finances.
822. We may likely get a UK EU Treaty, but it may only last four years.
823. So we will have to be strong at the latest in four years.
824. So, Mr Speaker, this is a Budget measure we impose not out of desire but out of necessity, to get our public finances back on their feet in two years.
825. That does not change that we want tax to remain as low as possible.
826. That is why we are fixing this measure for a short and defined period so that people will have the certainty of what they will pay and for how long.
827. Given the GDP to tax ratios we see in other countries, and increases being seen in direct and indirect taxation in other economies, this is a modest measure which will be must less painful than it will be useful in the rebuilding of our public finances post COVID.

Tax Penalties

828. Mr Speaker, taxation is the lifeblood of any modern government and is vital to the continued prosperity and growth of any economy.
829. In order to ensure taxes are duly paid, it is vital to enforce tax compliance.
830. Compliance is not an ugly word.
831. It simply means that each of us should contribute what is owed in a fair and timely manner so that this can be invested for the benefit of all.
832. It is therefore imperative that tax systems have robust and practical tax compliance measures.
833. Unfortunately, the current sanctions we have in place are outdated and in some cases simply not fit for purpose.
834. Tax penalties should penalise those that flagrantly flaunt their obligations whilst simultaneously acting as a deterrent to others from doing the same.
835. In seeking to improve this, I have already asked the Commissioner of Income Tax to carry out a review of existing penalty regimes and seek alternatives that



implement stricter but fairer sanctions; ones that are commensurate with the size of the defaulter as well as the level and frequency of the default itself.

836. These revised sanctions will be shortly introduced and will seek to create a noticeable improvement in general tax compliance and behaviour.

Raising of fees : tax certificates & information requests

837. Mr Speaker, presently the Income Tax Office receives numerous applications for certificates and other information requests, ranging from ordinarily resident and sub-contractor certificates to payment transaction printouts as well as copies of previous filings and associated documentation.

838. Whilst the team at the Income Tax Office are proficient in expediting these service requests to the best of their ability, the large volume of requests at particularly critical times of the fiscal year impose a notable administrative burden and corresponding cost on the department which, up until now, has been absorbed as part of continuing operations.

839. Certificates confirming 'ordinarily residence' are sought to satisfy requirements from offshore financial institutions as part of the due diligence and self-certification processed governed by obligations imposed by regulations for the exchange of financial account information between jurisdictions or to provide additional evidence of tax residency in Gibraltar in response to a tax residency challenge or enquiry from a foreign jurisdiction.

840. Sub-contractor certificates are sought by those seeking to avoid the imposition of a 25% withholding tax being applied on payments received from their main contractor in accordance with the Income Tax (Construction Sub-Contractors) Regulations 1994.

841. In order to alleviate the administrative burden referred to above, with effect from 1 September 2022, the Income Tax Office will impose administrative fees for the provision of these services.

842. A tariff sheet will be made publicly available by the Income Tax Office.

Transitional provisions

843. Mr Speaker, following the change in corporate tax rate from 10% to 12.5% on 1 August 2021, the Income Tax Office has received representations from industry practitioners that the legislation is not sufficiently prescriptive in providing a basis how the transitional year containing the change in tax rate is to be computed.



844. Although we believe this was clear, in order to accommodate industry request an amendment to the Rates of Tax Rules 1989 is being published.
845. In addition to this, the Income Tax Office is also issuing explanatory notes supplementing this legislative amendment.

Audit threshold

846. Mr Speaker, section 30 of the Income Tax Act 2010 provides for a threshold of assessable income above which corporate tax returns must be accompanied by audited accounts.
847. This threshold presently stands at £1.25M.
848. In order to assist our audit practitioners, and particularly those smaller firms, this threshold is being increased from £1.25M to £1.50M.
849. We understand this increase will expand the net of companies in scope of this audit exemption with approximately 85% of companies filing chargeable returns with the Income Tax Office now benefitting.
850. This increased threshold will apply to accounting periods ending on or after 1 July 2022.
851. Mr Speaker, we will be introducing a regulation-making power in section 30 of the Income Tax Act 2010; one which will allow us to make the necessary changes to this threshold expeditiously and responsively without the need to seek the amendment of primary legislation in Parliament.
852. Mr Speaker, I nevertheless urge practitioners and company directors themselves to ensure that the quality of accounting records and accounts is maintained and that the increase in this threshold we have announced today is not used as an excuse to disclose improper or incorrect returns to the Income Tax Office.
853. Should we find that the quality of non-audited accounts is lacking, we will reverse this measure.

The Company COVID Charge

854. Mr Speaker, by and large most companies in Gibraltar somehow benefited from the approach we took during COVID.
855. If the company was operational with a large workforce, they received support for their staff and reduced elements of rates and other charges.



856. If they are passive holding companies, their service providers, directors and secretaries were put in a position they were able to operate and keep those companies compliant.
857. If is therefore right and fair that as we seek to balance the Government's finances we should also ask every company to make a small contribution, just as we are seeking, for a time limited basis, from personal tax payers.
858. As with individuals we are seeking a COVID recovery charge for the period of two years only.
859. We propose that every company pay a COVID recovery charge of £ 25 per week over the next two years.
860. This charge will be levied as part of the company annual return collected by Companies House, as from 1 August to allow Companies House the time to set their systems to deal with this.
861. Companies House will then pass this COVID recovery charge straight on to Government with no deduction whatsoever.

Import Duty : Reversal of COVID Measures

862. I turn now to import duties, Mr Speaker.
863. In July 2020, in the first throes of the pandemic, we announced a series of measures designed to provide financial support to our businesses as they returned to work during that difficult period and secondly to stimulate and accelerate economic activity.
864. These measures included an import duty waiver which was introduced for ALL commercial imports other than for certain commodities such as excise goods.
865. In addition to this, we later introduced a 10% flat rate of import duty to be levied on all personal imports over £25 in value, with this measure again not applying to key commodities.
866. Both of these measures will be revoked with effect from zero hours on the 29th June.



867. Private importations will now be charged at the import duty rates in place prior to the introduction of these measures in 2020, subject to the £25 de minimis rule.
868. The waiver on commercial importations ceases to be in effect also at zero hours on the 29th June.
869. This means that duty will be charged as per the Integrated Tariff Regulations 2017.
870. The relevant Gazette during the course of today.

Fuel Duty

871. Mr Speaker you may recall that HMGOG introduced a change to the tariff for petroleum products at the roadside petrol pump, for motor vehicles only.
872. This measure was aimed at helping our petrol stations locally, as an equivalent measure had been introduced in Spain.
873. This does not apply to fuel for vessels or other pleasure craft.
874. This measure was there to partly address the ever increasing price of fuel suffered at the petrol pump by the motorist and haulier.
875. The equivalent measure has recently been extended in Spain.
876. In order to ensure that our citizens do not feel the economic driven need to go to Spain to fill up, I propose to extend the original measure here too from its expiry date of 30 June 2022 to 30 September 2022.
877. Mr Speaker we will keep fuel prices under review and make such announcements as may be necessary in coming months about this measure.
878. Absent a further announcement, fuel duty will revert to its original non discounted rate on the 1st October 2022.

Electric Charging Points

879. Any individual tax payer who installs a mechanism for the electric charging of a vehicle in their home or private parking space or garage owned by them will be able



to continue to deduct the first £2000 of costs approved by the Commissioner of Income Tax against their tax liabilities.

Ban On Diesel & Petrol Mopeds

880. Mr Speaker, in tandem with measures to encourage the uptake of electric alternatives we will be actively disincentivising the purchase of conventionally fuelled vehicles.
881. Mopeds fully fuelled by diesel or petrol will become prohibited imports as of 1st July 2023.
882. These vehicles are polluting, cause a noise nuisance and contribute to overall levels of traffic.

Ban On Used Cars, LCVS & Buses > 5 Years Old

883. Nearly 50% of currently actively registered vehicles in Gibraltar are more than 10 years old.
884. The market sees approximately 500-600 imports of used vehicles every year that do not meet the latest emissions standards.
885. In order to prevent the market from continuing to be filled with older, more polluting vehicles used passenger cars other than classic cars, light commercial vehicles and buses over 5 years old will become prohibited imports from the 1st January 2023.

Sustainable Tourism Tax

886. Tourism is one of the main areas of our economy where we expect to see growth.
887. We are excited to see it slowly but surely returning to pre-pandemic levels.
888. The influx of visitors, however, places increased demands on our infrastructure and on our tourist products such as our beaches and the nature reserve.
889. As such, Government will be introducing a Sustainable Tourism Tax, similar to that already payable in many destinations.
890. Research has shown that well designed tourism taxes can be both practical and meaningful tools in the sustainable management of a destination's resources.



891. As from the 1st August this year hotel and Air BnB visitors will therefore pay **£3 per person per night** for a stay in Gibraltar.
892. All revenue from this hotel levy will be paid into the Climate Action Fund and be invested into relevant projects such as promoting sustainable mobility and protecting and preserving our biodiversity.
893. It will be the responsibility of each hotelier or property owner to pass that cost on monthly to the Department of the Environment as the receiver of revenue.
894. Additionally, as from 1st of April next year, Cruise ship passengers will pay £1 passenger environmental levy based on the number of passengers on the vessel calling.
895. This sum will be paid to the Port Authority.

Water and Electricity increases

896. Mr Speaker we have seen the recent inflationary increases apply across the board.
897. Nonetheless the item that will be most noticeable to individuals will be the increased to the cost of fuel at the petrol pump, despite the deduction of duty we have granted and now extended to seek to mitigate the impact.
898. These increases are really quite significant by any measure, and are being felt across the globe, even in the US, which is an oil producer.
899. This is, in fact, the principal driver of inflation across the world.
900. You know the situation is severe when US citizens are complaining of the cost of filling up a tank of petrol.
901. Mr Speaker, as you know we have opted to produce our electricity that powers our homes and businesses through the use of natural gas.
902. The cost of gas is linked to the price of oil and this has also increased with inflation.
903. Not only that Mr Speaker but to keep self sufficient we desalinate our water supply and this process is powered by electricity, which is ultimately powered by natural gas.
904. Mr Speaker we have recorded increases in IRP here between July last year, the time of our budget announcement and April 2022 of 5.8%.



905. I have no doubt, based on the recent CPI increase announced for May in the UK of over 9%, that by the time the end of the year comes that our own IRP will be closer to that figure.
906. We consider that increases are likely to be in the order of 8% as I have already said we will apply that figure to the Minimum Wage and State Pension and Disability Benefit.
907. In light of this we really need to pass on some of the cost of the increases we are suffering on the cost of producing electricity, which in turn is also used to produce water.
908. As a result we propose to increase electricity and water but contain that increase to 8% also.
909. We are not applying the full increase in the cost of fuel to the consumer.
910. Far from it.
911. We are greatly amortising the increase to ensure it is less harsh than the reality of the market in which we are operating.
912. We are going to provide more support, in doing so, than any other government is providing in Europe.
913. And we are doing, from a historic position of giving full amortisation, in a much, much more generous manner than is the case in the UK or in Spain or in any other economy.
914. Gibraltar electricity prices are very significantly cheaper than the UK and Spain, our two most relevant comparators.
915. Compared against the prices paid by consumers in the UK, Gibraltar's average annual household electricity bill is approximately 30% lower.
916. Spain has an average annual household electricity bill that is almost 40% more expensive than our own.
917. Gibraltar's average household consumption is 4,038 kWh which is quite high.
918. This consumption is notably higher than the average consumption in the UK (where it is 2,900kWh) and Spain (where it is 3,240kWh).
919. The reason for this is likely two fold.



920. The first is that heating of households and in some instances cooking, in UK and Spain is generally delivered via other means, normally gas heaters/boilers.
921. This gas is billed separately, has also increase significantly and has not been incorporated in the comparisons I have just provided.
922. Additionally, the higher cost also makes people more conscious of consumption of electricity – something we all used to be in earlier times.
923. But notwithstanding our higher household consumption, our electricity bills are still lower.
924. If we calculate the annual household bills according to annual consumption by flexing volumes to equate things like for like, our bills would be approximately 50% lower than Spain and the UK.
925. And that is even with the discounts we have seen announced in Spain and the financial support being provided to some in the UK.
926. Indeed, that is why discounts and financial support for some is necessary in those jurisdictions.
927. Consumers in Gibraltar have not needed price caps or electricity tax cuts, as we have seen in Spain and the UK.
928. Indeed, electricity charges have been stagnant in Gibraltar since 1984 until 2010 under the GSD.
929. Our consumers are not exposed to regular price fluctuations based on fuel prices as most if nor all European consumers are.
930. Here, the unit price has remained constant for the past 12 months and before then it had been constant for 11 years.
931. And the 8% tariff increase that we are announcing today will be fixed for at least the next 12 months and represents an increase to the average monthly bill of £4.37, or £1.09 a week.
932. Mr Speaker, thankfully, for most people in our economy, that will be an imperceptible amount.
933. This is approximately just over one third of the total increase suffered by our neighbours over the last 3 months alone – where they have seen an increase of €162.01 in Q1 2022.



934. Mr Speaker, to put all of this in context the price we are paying for diesel to run the temporary generators whilst we snag out the new power station has increased from £467.31 per metric tonne (supply date April 2021) to £1,022.00 per metric tonne (supply date May 2022) in other words an increase of around 119%.
935. Mr Speaker for LNG this has increased from £9.24 per MMBTu (Metric Million British Thermal Units) (supply date May 2021) to 15.7829 per MMBTu (May 2022) or an increase of some 71% in the period of one year only.
936. Mr Speaker the increase in water and electricity which I have announced will apply as from the August 2022 bills, again to allow the GEA and Aquagib to deal with billing issues and will be accompanied by a weekly levy of £1 against each Aquagib and GEA meter to support infrastructure maintenance cost as we prepare to make greater investments in the distribution and management network of our basic utilities.
937. Going forward, Mr Speaker, and building upon this continuing subsidy against the fuel price, hereafter electricity and water tariffs will increase annually on the 1st of April by the cost of living percentage rounded down to the closest whole number.
938. That will be a considerable, continuing discount against the fluctuations of the cost of fuel, whilst being a more manageable subsidy for future generations to sustain.
939. Mr Speaker, in the event that there are people who find themselves in genuine difficulty, and for whom this increase might be meaningful, the Government will introduce a means tested 'Utilities Credit' which will provide relief for genuine cases of hardship arising from these increases.
940. I will discuss the detail of this with relevant unions and representative organisations, including Action on Poverty, to ensure that we are able to protect the most vulnerable and that no-one falls between the cracks.
941. Mr Speaker, raising the cost of utilities, even if it is only by just over £1 a week, will obviously be unpopular.
942. Most will not even feel this increase.
943. But it will be unpopular with everyone.
944. I want to just say this.
945. I think that sitting in my chair at No6 Convent Place, having my responsibilities and seeing what I see from the bridge of HMS Gibraltar, everyone in this House, every Gibraltarian and resident of Gibraltar would do the same thing.



946. These are the right steps to steady the ship and by spreading the load amongst all who have taken the benefit of the measures we are now paying back, whilst protecting the most vulnerable.
947. Because this is the right thing to do, even though it may not be the most popular thing to do.
948. And I want to recognise, Mr Speaker, the representations from employer and business representative organisations seeking no increases in respect of the costs of utilities.
949. It is their jobs to make the case for their members and I recognise that too.
950. But if any of the members of the Chamber or the Federation were in my Chair, if our Captains of Industry were doing my job, they would be making the same decisions too.
951. Yes they might also take the knife to the public sector and to public sector terms and conditions, something that I will never do, because I believe in and I defend the Gibraltar public sector and the role it plays in keeping the community working, as it did in sterling fashion during the COVID pandemic.
952. And our unions might think that they might borrow more to pay out more, until they saw that in the medium and long term that would mean less jobs, less quality employment and more years without surpluses and pay rises, as well as even higher inflation.
953. On reflection, union leaders and business leaders would reach the same conclusions I am setting out to the nation today.
954. And they too would do what I am doing now.
955. Because I am doing these things to make Gibraltar strong for my children.
956. I am doing this to make Gibraltar strong for their children.
957. I am doing this to make Gibraltar stronger for all our children and our children's children.
958. And not because we choose to do so.
959. But because we need to do so.
960. Actions taken out of necessity not ideological choice or desire.
961. And when we are done, Gibraltar will be stronger than it has ever been before.



962. And Gibraltar will need to be stronger going forward.
963. With a future outside the EU, although hopefully with a treaty relationship with it.
964. With all commentators predicting a recession.
965. With a war in eastern Europe that shows no signs of abating and with its attendant worldwide consequences.
966. Mr Speaker, I may be an optimist.
967. I may believe Gibraltar has a bright future.
968. Although this year will present high inflation and rising interest rate charges outside our control also.
969. But I know that our strong and bright future comes only as a result of robust, tough measures now.
970. When the going gets tough, the tough get going.
971. Always protecting the vulnerable.
972. But taking a little more from those who can.
973. Because, as Sir Joe has also repeatedly taught us, 'the road to self-determination is paved by self-sufficiency'.
974. And, in the end, Mr Speaker, we are the ones elected to manage problems and to fix problems, not to exacerbate them.
975. That is why we have to do what is right to treat the patient and not to fail to do so.

Thanks to Public Servants & FS

976. Mr Speaker, it is incumbent on me to thank the whole of the public service for the magnificent work they do for Gibraltar.
977. I say that genuinely and knowing that they are often the butt of criticism.
978. But the Gibraltar we know and love cannot operate without our public sector's continued commitment.



979. In particular I thank the officers of the departments that I have reported on and who work directly under my ministerial responsibility.
980. I single out of course for specific mention those who work daily with me at No6 Convent Place, assisting me in the discharge of my obligations in the post of Chief Minister.
981. They are a special bunch of people who are like knives through the butter of the daily challenges we face.
982. My success is down to them.
983. The failures of my office are entirely my own.
984. Of course, in this debate so much of the preparatory work is done by the team from the Financial Secretary's Office, the Finance Ministry and the Treasury.
985. I thank all those who have helped us to prepare the Estimates Book.
986. I single out Bethany, Ernest and Susie who, together with the Financial Secretary himself, spend most of the late winter and early spring in a permanent wrestling match with figures and spreadsheets to produce the Estimates.
987. These Estimates are therefore as much my work as the work of the Financial Secretary, Albert Mena.
988. I genuinely believe he has been an essential part of how we have successfully negotiated the very challenging past 28 months since dreadful first moments of March 2020.
989. I cannot be fulsome enough in my gratitude, on behalf of the People of Gibraltar, for his work alongside me in the Finance Ministry in the dark days of the dawning of the pandemic.
990. History will judge his contribution as essential for the economic survival of this community.

Concluding Remarks

991. Mr Speaker, this is not a give away Budget, because there is nothing to give away
992. But neither is this an austerity budget which would be a budget of cuts and wholesale tax increases that affect everyone in our economy in the same way.
993. No.



994. We will target support for those most in need.
995. We will use this budget to deliver measures that will ensure that those worse off in our economy will not suffer in this period
996. No one in our economy will be left without enough money to buy the goods they need in their home.
997. And our opponents, Mr Speaker, should not treat our people like children.
998. Pretending they don't understand the severity of the worldwide economic downturn, the complexity of the situation and the reality of the arguments about our public finances.
999. Because contrary to suggestions, there is no pay freeze in Gibraltar, as we continue to invest in the areas which require and are worthy of our investment, not least our people, who will continue to progress through spine points etc.
1000. Mr Speaker, the fact is that our people gave me this job, this past decade, not because it was easy but because it was hard
1001. And we are taking these measures today, not because they are easy but because they are right.
1002. That is why this will not be a budget for those who have more than enough to have even more.
1003. Because today we must rebuild our public finances, not plunder them.
1004. The fact is that if we had not had the COVID pandemic to deal with, we would today probably be announcing a 100m surplus.
1005. If that were the case, we would not be announcing a tax rise.
1006. We have raised salaries and allowances for the past 10 years, so people know our instinct is not to tax more.
1007. We are not taking these steps to court unpopularity.
1008. We are doing so because we have to and we will do so only for a limited time.
1009. And, of course, Mr Speaker, the pandemic has affected many things, of course, not just our finances.



1010. And as a result, the Government accepts that there are issues affecting services to citizens that we have to resolve.
1011. Is everyone happy?
1012. No!
1013. Do we need to do more in some areas?
1014. Yes!
1015. But let us be clear that where we are failing to act there is a good and problematic reason – not negligence or dereliction.
1016. And there is of course the effect of the pandemic and the effect of the Brexit negotiation.
1017. Both those are slowly resolving themselves and we expect to be able to do more to resolve outstanding issues in coming months.
1018. I know that this Budget will be difficult for people to hear.
1019. The tough part of this job is not being able to do everything that people would like you to do.
1020. But we are already borrowing quite a large amount of money.
1021. Borrowing more for recurrent expenditure would not make sense and it would further breach our Golden Rule.
1022. We have to get back to observing the Golden Rule as soon as possible.
1023. So yes, some of these things are difficult.
1024. They're certainly unpopular.
1025. But these are the responsible and prudent measures we have to take.
1026. They are measures that will help us in the long-term.
1027. And I am not going to deviate from the long term good just for some short-term popularity gain.
1028. That is not what people elected me to do.
1029. It is not what people entrusted me to do.



1030. Indeed, not doing so is why people trust us.
1031. Because we are on the side of parents, pupils, pensioners and patients in improving public services.
1032. And, of course, we are also on the side of our public servants.
1033. We have shown that by prioritising them for ten years.
1034. But the efficient delivery of the public services themselves to those that need them is also the priority for my government.
1035. So to every young person.
1036. To every older person.
1037. To every pensioner.
1038. To every vulnerable person.
1039. I say, WE on your side.
1040. Your ambitions are our ambitions.
1041. Your concerns are our concerns.
1042. Your aspirations are our aspirations.
1043. As we remove the low rate of tax for those earning over half a million pounds, we are building also a new model of Gibraltar based on equality, fairness and opportunity which is not based on class, wealth or who you know.
1044. A nation of fairness for the many - not the privilege of the few.
1045. Concerned about those who use services as much as we care for those who provide services.
1046. The people's government.
1047. Delivering the people's priorities in the people's toughest Budget yet.
1048. But seeking to do the people's bidding.
1049. Because this is a budget to ensure that we strengthen our common treasure chest again.



1050. A budget to protect us in the long term with very little pain in the short term.
1051. With no give always, but no austerity either.
1052. With none of the benefits we enjoy and value in Gibraltar being negatively affected.
1053. Mr Speaker, we respect our people.
1054. We believe in the Gibraltarian, in Gibraltar and in the Gibraltarian spirit.
1055. We trust our people.
1056. We trust them to understand the logic and reasons behind this Budget.
1057. A people's Budget.
1058. A fair Budget.
1059. And a renaissance Budget to lead to a rebirth of our public finances.
1060. To leave COVID behind.
1061. To make Brexit history.
1062. And to propel our nation forward.
1063. Because this really is a Budget in which I am telling our people to ask not what more they can take from our country.
1064. I am telling our people to accept that now it is time for our country to take a little more from each of us.
1065. These increases are preparing us to be in a position to give public sector pay rises in the future.
1066. Setting direction to resolve the economic issues we face today.
1067. To repay the debt.
1068. To get back to surpluses.
1069. To protect our way of life.



1070. And to insulate our prosperity for future generations.
1071. I am raising taxes and I am raising utilities.
1072. These things may be unpopular.
1073. But they are the right thing to do in these circumstances, in this time and in this moment.
1074. To turn the corner and to get back to growth.
1075. And Mr Speaker, every Gibraltarian and resident of Gibraltar who cares about Gibraltar and our people will want nothing less.
1076. Mr Speaker, that is why –
1077. Even though it contains tough measures –
1078. Even though it contains measures to increase taxation in small way for a short period –
1079. Even though it may feel like hard medicine – it is the right appropriation for this nation at this time and:

I UNHESITATINGLY COMMEND THE BILL TO THE HOUSE.

Before I sit down, Mr Speaker, and given the length of my address, I would propose that the House should now recess and return at [TIME].

Adjournment.