



## PRESS RELEASE

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### Chief Minister's Budget Address 2021

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 eighteenth full budget address as a Member of this Parliament although last year we had only a shorter, emergency budget.
3. Including last year's shorter, emergency Budget, this is my tenth full budget address as Chief Minister.
4. It is a singular honour, Mr Speaker, to be only the third of our six Chief Ministers to date to be given the privilege by our people to lead in this State of the Nation debate after a third, successive general election success.
5. I am truly humbled by the trust deposited in me and in my Cabinet colleagues by the People of Gibraltar.
6. Mr Speaker, as part of my address on this second reading of the Appropriation Bill, I have the honour to present the **estimates** of Government's revenue and expenditure for the year ending 31st March 2022.

7. I also have the honour to present the ***out-turn*** for Government's revenue and expenditure for the year ended 31st March 2021, which was the ninth full financial year of a Socialist Liberal Government since we took office in December 2011 – but within the context of the eighth and ninth full financial years having been merged into one, twenty four month year for reasons relating to the Covid pandemic.
8. Mr Speaker, for that very same reason, this address is the first full Budget address in the lifetime of this Parliament and after a general election, now over a year and a half ago.
9. Remarkably, it also comes some five years – yes, five years, half a decade - after the decision of the British people in a referendum to leave the European Union, after the UK's departure from the EU both *de facto* and *de jure*, and after the New Year's Eve Agreement on our potential future relationship between us and the EU.

## **THE SPEAKER**

10. Mr Speaker, before I move on to matters of financial substance, I should say a word or two about your role in presiding over this debate.
11. I had hoped to say at what should have been your first full Budget session in charge last year, but it was not to be.
12. For you see, Mr Speaker, you are exclusively, I believe, the only Gibraltarian to have seen the

Budgetary process through all its stages in three distinct guises.

13. The first as civil servant in various departments and latterly at No6 Convent Place, which I might best describe as the cauldron of the preparation of the Estimates Book and the Budget Debate.
14. The second as the Clerk in this Parliament and its predecessor House of Assembly.
15. And the third, now, as our Presiding Officer or Speaker.
16. Quite an achievement, Mr Speaker, if I may say so, and one on which you are to be congratulated, I am sure, on behalf of all members.

## **PRELIMINARY REMARKS**

17. In the context of the historic juncture in which we find ourselves, Mr Speaker, I have no doubt that today it falls on me to deliver the hardest budget in our history as a people since the closure of the frontier.
18. I confess I have thought that each year since the Brexit referendum has got progressively harder.
19. I could never have imagined, however, the last time I delivered a full Budget address, with a

potential hard Brexit looming, just how much harder things were going to get.

20. Now, the House will have to deal not just with the self-harm of Brexit, but also with the consequences of the SARS COVID-19 pandemic declared by the World Health Organisation which will no doubt, once again, dominate much of our debate these coming days.
21. A 'State of the Nation' debate would not be much of a debate, after all, if it did not include a discussion of both the latest on Brexit and the worst effects of Covid.
22. Because, both Covid and Covid uncertainty have had and is having an effect on the economy.
23. And additionally, of course, both Brexit and Brexit uncertainty have had and is having an effect on the economy.
24. But these are not matters that are in any way in our hands to fix, whatever some might try to pretend about how they would have tamed Spanish dragons and European Commission hounds on their white chargers.
25. Such fiction will cut no mustard with the sensible people of Gibraltar.
26. But whilst this time is a hard time, it is also the most distinct honour to be trusted by our people to hold the reins at this difficult time.
27. Because it is my obligation, in this time and generation, together with my Cabinet colleagues,

to manage the purse strings of our nation prudently whilst maintaining investment where necessary and continuing to provide support to some particularly beleaguered sectors.

28. And – when all is said and done – in the end it will, of course, be my responsibility that we should get this right.
29. That is a responsibility that I am genuinely honoured to shoulder for our country at this time.
30. But obviously, Mr Speaker, it is not my government's fault or my fault that COVID hit.
31. It is not my fault or the fault of any member of the government that the government – with the full support of the opposition - had to fund the payment of the salaries of most of the working people in our economy.
32. One would have thought that was obvious.
33. But I make that point because there is some foolishly ill-informed comment out there which fails even to see the obvious, and I will meet such attempts to mislead and confuse our people head on today.
34. Mr Speaker, anyone who thinks the economic and public finance issues we face today as a people are the fault of the Government is deluded.
35. In particular when the argument is about our public finances at the point of arrival to this crisis – when we had declared, successively the largest surpluses in our history – establishing that we

could pay for all our expenses and have more money left over than ever before.

36. So anyone who thinks they can argue that may as well set out to try to blame me for infecting the bat in China that led to the creation of the virus.
37. It's madness.
38. It won't wash, Mr Speaker.
39. The People of Gibraltar won't buy it.
40. The deployment of public money to pay those forced out of work by the closure of businesses was an essential way to keep people fed.
41. It's that simple.
42. We did it to keep food on people's tables and businesses operating.
43. And we did it without discrimination on nationality or place of residence.
44. But whilst the pandemic and the spending required to get through it was obviously not my fault or the fault of any other person in Gibraltar, getting us back on our feet;
45. Getting back on track;
46. Getting back to growth.
47. That will be our challenge, our obligation and our responsibility.

48. And that will not be easy.
49. Because Covid is still kicking around – and not just here but also in many markets from where our client's come.
50. In particular, because Brexit has, of course not yet gone away for Gibraltar.
51. And not because we are not included in the Trade Agreement done between the UK and the EU already.
52. Because, let's face it Mr Speaker, that agreement contained very little that we would want for Gibraltar in terms of frontier fluidity.
53. The opposite, in fact.
54. It contains no aspects which protect or promote fluidity and mobility of people, which is one of the key aspects of what we need to protect.
55. So we have to continue to take our Brexit work to a safe and timely harbour this year.
56. And in the interim, of course, we have to continue to suffer the uncertainty that Brexit has created for our economy – although it has not been as bad as some had anticipated.
57. The Covid pandemic, however, has been an economy destroying event around the world.
58. It has been a public finance annihilating pandemic in every country on the planet.

59. A government revenue wrecking event around the whole of the globe.
60. And no one here should be dishonest in seeking to suggest that our public finances have somehow fared worse than any other.
61. Far from it in fact, as I will show later in my analysis of the figures in the COVID fund.
62. Similarly, Mr Speaker, what we cannot do is lull ourselves into a false sense of security now, with Covid cases continuing to rise.
63. Especially, Mr Speaker, because so many in our community, thanks to the work done by the whole of the GHA, ERS and government team throughout the public sector, seem to think that everything is hunky dory and the government is somehow being unnecessarily evil when taking necessary steps to right this economy by raising social insurance and all the other things we will have to do.
64. Of course, Mr Speaker, it is not helpful that the same opposition that preaches prudence and supported our additional and extraordinary COVID BEAT spending now breathes life into the notion that Government's necessary actions are somehow unfair.
65. But Mr Speaker, I know that the vast majority of the sensible, reasonable and realistic people of this nation of ours are very clear in understanding that the Government is doing what it needs to do for our people.



66. That's why I am clear also that what awaits in the months to come is not a winter of discontent.
67. It is a winter of a loud minority of malcontents.
68. Loud.
69. Wrong.
70. And a minority.
71. And Mr Speaker, the opposition would do well to note that in the way that they address the serious issues that we need to consider in this debate.
72. I do hope that they will not stray into cheap populism in their speeches and that they will understand the importance of each of the measures that my colleagues and I will take the House through today and in coming days.
73. And let's look at how lucky we are in Gibraltar.
74. The Economist last week analysed the fault lines in the world economy by identifying as the first differentiating aspect between nations as 'the jobs and the job nots'.
75. We must understand, Mr Speaker, in global terms, how lucky we are.
76. According to the Economist, as at last week, only 8% of the population of the world has had one dose of the Covid vaccine.
77. Only 4% have had the full two doses required.

78. And we are there.
79. In that 4%.
80. And we are there, let's be clear, thanks to the United Kingdom.
81. As I have said before and will not tire of saying:
82. Gibraltar has never been luckier to be British – even though we might not have liked the British family's Brexit decision.
83. I will later analyse also the effect of the United Kingdom's support for our borrowing via its sovereign guarantee.
84. But the first point I want to make in this economic analysis Mr Speaker is that we cannot continue to be the spoilt child of Europe.
85. We have to understand that the pandemic will change some things.
86. Not any of what I might call our community's sacred cows.
87. But, certainly some aspects of life that we are overdue in addressing.
88. That is part of what we will address today.
89. And my message is that we have to grow up and be ready to build a stronger Gibraltar as we do.
90. Because, Mr Speaker, this is not a give-away budget.

91. There is nothing to give away.
92. It would not be good for any of us or safe for our community for us to indulge in Budget give-aways.
93. We are in a deficit situation where the Government is reporting a loss of £158,000,000.00 and predicting a further year of loss of £50,000,000.00 if we spend only in keeping with this Estimates Book.
94. This is therefore a very, very prudent budget.
95. A rebuilding budget.
96. A budget for our Covid times.
97. A budget designed to ensure that our future generations will have, when their time comes, what we have had and more.
98. Mr Speaker, despite how difficult these times are, this is a Budget to promote ambition and entrepreneurship, aspiration and achievement.
99. And I want to talk today directly to our young people also.
100. Because, although this may appear a staid debate in a Parliament a million miles away from the priorities of the everyday lives of our teenagers, this is a Budget for them above all else.
101. Why is this budget for you, if you are a young person?

102. Because this government is working to ensure that your scholarships are protected.
103. We are the party that created the mandatory scholarship scheme and extended it.
104. And we will protect it going forward for future generations.
105. And what are we doing for you, if you are a young person?
106. We are not just protecting scholarships.
107. We are also continuing, hard though it is, to work to deliver our affordable homes.
108. We are working to keep venues open and to invest in culture and education by the continued building of new schools.
109. Maybe at this time we cannot do even more.
110. We cannot organise fun concert events as we might wish to.
111. Why can't we do more for you?
112. Because of the moment in which we live.
113. That is the reality we cannot get away from.
114. But how does what we do for you as a young person compare to what other nations do for their young people?

115. Well, I dare say that as a result of the policies of the GSLP dating from the late 80's, Gibraltar is one of the best places in Europe if not the world to be a young person.
116. Sure that there will be more to do.
117. But just looking at what we do already, this is truly a remarkable place to live a young life.
118. If we had one thing missing, Mr Speaker, it was open green spaces and maybe more areas to enjoy in summer.
119. In the last ten years we have opened a new swimming pavilion at GASA.
120. We have also not sold the old Nuffield Pool, but instead we have made it available to our people.
121. We have invested more than double more on scholarships.
122. We have delivered brilliant new schools, got rid of the old asbestos clad buildings and are in the process of delivering even more new schools – this year a new St Martin's School and in coming years even more.
123. We have organised mega-concerts that the GSD opposition have attended but heavily criticised.
124. And we have developed parks and green areas.
125. Commonwealth Park was funded, not just by the taxpayer, but also by a generous contribution from the Kusuma Foundation.

126. Similarly, I am very pleased to be able to announce that the new park at Midtown is being funded entirely by a very generous donation from Trusted Novus Bank.
127. There will be no cost to the taxpayer.
128. This donation of the entire costs of the development of the park is a gift to all of the People of Gibraltar by the Board and shareholder of Trusted Novus Bank.
129. Mr Speaker, as we emerge from a year like 2020 and the first part of 2021, which has been so hard for every sector and for every person, without exception, in Gibraltar, this is a magnificent donation by Trusted Novus.
130. The Bank, in this way, is wanting to give back to the community that is its home.
131. The donation to the development of the park is the way that Trusted Novus wants to contribute to our people's ability to enjoy the benefits of life outdoors in our great Mediterranean climate.
132. What a magnificent and unparalleled manner for Trusted Novus Bank to cement its already deep roots in our community as a very local bank.
133. What an '*out of the ordinary*' manner to support the community with an '*out of the ordinary*' donation for an '*out of the ordinary*' park area in the very centre of our city.

134. And, moreover, I do note, Mr Speaker, that issues with the commissioning of the lifts from the area of Reclamation Road to Line Wall have now been resolved and the lifts are now operational.
135. This is another, very positive step in promoting accessibility to our City Centre.
136. In fact, Mr Speaker, whilst we still, no doubt, have a long road still to travel, we have made huge social progress in Gibraltar in the past ten years.
137. And we have not stopped as a result of even Brexit or Covid, although we have, unfortunately, been delayed by the latter.

## **SOCIAL PROGRESS**

138. Mr Speaker, this debate has never been narrowly limited to matters of public finance and the economy for a simple reason.
139. The performance of an economy, and the attendant revenue and expenditure of any relevant public administration, is inextricably linked, encouraged or limited by, the social background against which it is delivered.
140. And in that sense, Mr Speaker, the last ten years of our political history in the context of our social progress as a people, led by a Socialist Liberal Government, are years of which to be proud – although we still have work to do, and perhaps we always will.

141. But Mr Speaker, in the past decade we have led a liberation movement without equal in our history.
142. We have delivered more and more equality, through the consistent leadership of the Ministry of Equality, that has been led for ten years by Samantha Sacramento.
143. Mr Speaker, that record for holding a particular portfolio is equalled by few others beyond the ministries for finance or the deputy premiership in our community.
144. Although there is, of course, Mr Environment, who has also held his particular portfolio for ten years.
145. But Mr Speaker, what a ten years.
146. First Civil Partnerships – but not just for those of the same sex, but also for those of the opposite sexes.
147. The celebration and promotion of equality via PRIDE events.
148. IVF provided by the GHA to opposite and same sex couples.
149. Then Equal Marriage.
150. Because ‘Love is Love’.
151. Love is an emotion, not a sacrament.
152. Mr Speaker and the law should never get in the way of it.



153. Also, our new rules on surrogacy.
154. Mr Speaker, I am hugely proud of how our laws and our society has formally moved on in the area of equality.
155. If anyone doubts the importance of this progress, I invite you to read the magnificent writing of Jonathan Pizarro (@JSPzro on Twitter) to understand the demons that lurked in the undergrowth of our community and why they needed to be banished.
156. What a writer, Mr Speaker.
157. What a Gibraltarian.
158. And what home truths he tells us about our community.
159. And what a brave man we have now also as Mayor, Mr Speaker.
160. Our first openly gay Mayor, who is demonstrating, with his 'We are One' campaign, the value of our diversity to us as a nation.
161. And if there were any doubts about lurking homophobia and the reasons why we had to make these laws, some of the social media around the celebration of PRIDE month this year has been disgusting.
162. I applaud the work of ERG in highlighting these issues.

163. And Mr Speaker, I can tell the House and all Honourable Members that the Government will not accept the continued homophobia we are seeing.
164. The Government will therefore monitor whether it may be necessary to further bolster our legislation to make it a specific criminal offence to denigrate a person as a result of their sexual orientation.
165. There can be no doubt that such behaviour is at the very least bullying of the worst sort.
166. It may be that there is no choice but to also make it a specific criminal offence, and I am asking that our Ministry for Justice and Equality should urgently consider this.
167. Especially, Mr Speaker, in light of horrific offences such as the homophobic murder of a young homosexual man in Spain.
168. The murder of Samuel is undoubtedly a further wake-up call.
169. Homophobia, like racism, sexism and antisemitism, is not just the preserve of other continents.
170. It's there is Europe.
171. It's there is Russia and in Hungary.
172. But it will not be tolerated here.
173. And this is not just me speaking as a Minister, as Leader of the House and as the senior elected political representative of the People of Gibraltar.

174. This is also me talking as a citizen.
175. Let us not for one moment believe that it is funny or clever to discriminate against a person for their sexual orientation.
176. Whilst I have breath in my body I will continue to ensure that we move only in one direction in this respect.
177. Forward.
178. We have no reverse gear on rights and progress Mr Speaker.
179. And neither does this community.
180. I have a warning for those who would oppose us on these issues.
181. The progressive road to equality is a one-way road.
182. So, Mr Speaker, anyone who stands against progress.
183. Anyone who stands against rights.
184. Anyone who is in favour of reversing the laws to prevent these discriminations – needs to understand that they will have ferocious opposition from the majority to any such attempts.
185. And Mr Speaker, the depth of that majority was best evidenced by the result of the referendum on

the Crimes (Amendment) Act which we celebrated last month.

186. That showed that there is a huge, progressive majority in Gibraltar, even with almost half the number of persons eligible to vote not turning out.

187. I congratulate the Honourable Minister for Health for the GHA's work in preparation for the implementation of the result of the referendum and for having now commenced our law on abortion and started the provision of services in that respect.

## **MODERN SERVICES**

188. Because the progress we are seeing in Gibraltar, Mr Speaker, is not simply in the area of rights.

189. We have also progressed greatly in our investment in the services our community both enjoys and offers.

190. In some respects, on this issue, members opposite seem to both say that we have done too much and that we have not done enough.

191. They accuse us one day of having spent lavishly, that is to say, too much.

192. And the next day, with a startling lack of consistency, they tell us we have not done enough.

193. Well, we have done much.

194. And if there was any doubt, then it was dissipated at the sight of seeing our now clearly world class sporting facilities being used by some Paralympians as they train for target shooting at our range.
195. And we will soon see final completion of the Lathbury facility also that has been delayed as a result of the pandemic repeatedly frustrating the ability of the international contractor to attend to the remaining works.
196. But we have also done so much more that I will analyse later, Mr Speaker.
197. Refurbishments and affordable homes.
198. New children's medical facilities and new schools for our children with more to come.
199. And as from last week, already the migration has begun to a new National Broadcasting Studio for the Gibraltar Broadcasting Corporation.
200. Now GBC will have new home that has been leased from a private developer and will not involve the payment of capital from the taxpayer.
201. The deal will be a rental deal instead, with the liability of the taxpayer being for the equipment necessary and with an option to purchase.
202. Mr Speaker the National Broadcaster came into its own during the pandemic.

203. They broadcast daily at 4pm and kept all our citizens aware of the latest information on the pandemic.

## **BREXIT**

204. Mr Speaker, I had thought that Brexit would bring out the best in us.

205. In fact, COVID did.

206. In the public sector as a whole.

207. In the GHA.

208. In the treasury.

209. In our relationship with the UK.

210. Mr Speaker the people I work with and lead, the people in my Brexit teams left me gobsmacked with the extraordinary work they have done and are doing.

211. The people I work with and lead have left me totally humbled by their approach to delivering when the chips were down and Gibraltar had to deal with Covid.

212. What an extraordinary team I have had the luck to lead at a political level.

213. What an extraordinary team I have had the luck to lead in the public sector.

214. What extraordinary Gibraltarians have stepped up to the plate, year after year, Covid after Brexit, and

what extraordinary progress we have made and we are making.

215. Although reports of my girth are, unfortunately, never exaggerated, reports of Gibraltar's demise at the altar of Brexit were grossly overstated by those who wished us the worst.
216. Honourable Members will see that Brexit uncertainty had a very clear effect on our GDP.
217. I will come onto that analysis later.
218. But my only regret is to sometimes see that the sharpest prophets of doom are not outside of Gibraltar wishing us the worst as a people.
219. The worst are usually inside Gibraltar wishing us the worst as a party and not caring what the effect of that is on us as a nation.
220. Well, Mr Speaker, Brexit came and went.
221. We have left the EU *de jure* and *de facto*.
222. It is not over for us yet, as we are continuing to negotiate arrangements specific to Gibraltar.
223. But we have today the fluidity that we need.
224. And with the negotiations to come, we hope we may secure even better fluidity going forward.
225. A treaty between the United Kingdom and the European Union over Gibraltar can recast our relationship into something more positive than even in our period of membership.

226. This would be a bespoke solution that we are confident is now possible after the New Year's Eve Agreement.
227. Whilst that is negotiated, and as we expect an EU mandate as early as this week, I have written to Minister Wendy Morton consenting and agreeing to the Memoranda of Understanding we entered into under the Withdrawal Agreement being extended at least until the end of October.
228. I do expect, however, Mr Speaker, that the EU's mandate for the negotiations is likely to leave a lot to be desired.
229. I would simply say to all Honourable Members and to the whole community, that this will be only the EU's opening position.
230. It will not bind us in any way.
231. And insofar as the mandate may not reflect the New Year's Eve Agreement, it will, frankly, be quite irrelevant.
232. We have already set out clearly the highwater mark of what we are prepared to do.
233. We have already set out clearly the basis on which we are prepared to do a historic agreement that will deliver to us on fluidity and will provide opportunities for investment from Gibraltar businesses into the Campo around us.
234. That would be good for Gibraltar.



235. Good for the Spanish areas around us also.
236. And it would therefore be good for the European Union too, as our frontier workers include citizens of all the member states of the EU.
237. But we will not ever countenance any concession on sovereignty.
238. And we will not permit any presence on or any function on Gibraltar of any Spanish national authorities.
239. Any EU mandate which suggests that will not represent what we will be prepared to agree in a final treaty.
240. Those parameters we have already set out in the New Year's Eve Agreement.
241. So, Mr Speaker, what I will say is that we remain steadfastly committed to the New Year's Eve Agreement.
242. The Foreign Secretary has taken time to come to Gibraltar and set out the United Kingdom's commitment to the New Year's Eve Agreement also in a joint negotiating mandate that we agreed.
243. We have been faithful to the agreement as we have set out our mandate going forward.
244. That shows our good faith, and we hope it will be reciprocated.

245. Additionally, we recognise that the EU will be seeking to protect the single market with orthodoxy.
246. We trust that, in respect of the commercial aspects of the negotiation, the EU will come to better understand the circumstances – both geographic and of scale – of this economy.
247. We trust that they will see that the solutions that are required to protect the single market in great nations of millions of people and thousands of square miles are not needed here.
248. That will be for the process of negotiation.
249. But let me be clear.
250. We will never enter into any arrangements which impoverish our businesses.
251. We will never enter into any arrangements which dig a grave for our businesses.
252. We are looking to do the opposite.
253. We are working to deliver arrangements that will deliver a ROCKET BOOST for our businesses in every sector.
254. That is the work we are ensuring we also do with TLAC and its subcommittees.
255. I look forward to chairing a full TLAC as soon as the EU mandate is published.

256. And when it is, and when our business see the mandate is unfavourable, they should have the confidence of understanding that those unfavourable asks will not be agreed by us.
257. ITS.
258. THAT.
259. SIMPLE.
260. And Mr Speaker for that reason, we are continuing our work on being prepared for all eventualities, including the possibility that we may end up with No Negotiated Outcome.
261. In other words, if we have to have a hard GIBEXIT because the EU's asks in its mandate are not acceptable and they do not shift before we finalise our negotiations, we will be ready to end negotiations without a treaty.
262. That is not an outcome we desire.
263. But it is an outcome we will be ready for.
264. And the United Kingdom has already indicated it will stand steadfastly by Gibraltar in such circumstances.
265. And I have no doubt of that, Mr Speaker.
266. We are already working hard on different options for such an eventuality.

267. The Deputy Chief Minister jointly chairs a No Negotiated Outcome committee with the Europe Minister, Hon Mrs Wendy Morton.
268. Because we will be ready if not enthusiastic about a non negotiated outcome.
269. But despite that, I also believe that we should be optimistic and enthusiastic about the final outcome of the treaty negotiations.
270. I do believe that we will be able to enter into long-term and binding international obligations between the UK and the EU in relation to Gibraltar which will work well for our people.
271. Without any concessions on sovereignty.
272. Without any compromise on sovereignty.
273. Because we will never agree to concessions or compromises on sovereignty.
274. And in anticipation of that treaty being finalised, we are also preparing for a negotiated outcome.
275. And in doing so we are working with Ernest and Young to analyse the best opportunities, not just in the region but globally.
276. We are looking to understand how best to capitalise on the fluidity arrangements we anticipate in the UK/EU treaty.
277. And we are looking to understand how best to ensure that Gibraltar is best placed to continue to

be an economic engine for our people and for the region around us.

278. I genuinely believe that we can grow even the already incredible 25% contribution to the GDP of the region around us.
279. Of course, Mr Speaker, I confidently anticipate that the Leader of the Opposition will not surprise us by saying that it is terrible that we do not have a treaty yet.
280. He will tell us we have missed many opportunities to settle the Gibraltar arrangements.
281. Of course, he will not identify what we could have done that we have not done.
282. He will not identify what opportunities we have missed.
283. And he will likely refer – unless he is quickly changing his prepared speech as I speak – that we should have settled matters a-la-Northern Ireland as he has said before.
284. Well there are no opportunities we have missed.
285. There is a chance to do a treaty that settles problems – irritants to give them their reference point as per Snr Dastis – that have plagued our relationship with Spain and the EU for years.
286. And those are the opportunities that we have to take.
287. But he is right.

288. We could have settled matters sooner.
289. All we had to do was concede.
290. Compromise.
291. Give way on the fundamentals.
292. All the things we were not prepared to do.
293. That is the reality, Mr Speaker.
294. But it is also a reality that, at the moment, with interim arrangements, our fluidity arrangements are functioning, bar a week of problems as the interim arrangements were extended and some Covid controls got in the way.
295. And that, Mr Speaker, is the problem with the Leader of the Opposition's theories.
296. Not only are they based on the fallacy that we have missed opportunities – and I challenge him to tell us which in his intervention.
297. They are theories which have no meaningful practical consequences today as things continue almost as was normal pre-Brexit.
298. And additionally, Mr Speaker, the political position could not be more favourable.
299. We are closer to Britain than ever.
300. The political relationship between Gibraltar and the UK has never been better.

301. We have left the EU with the UK.
302. Ergo, we can be nothing more or less than British.
303. We will have an arrangement with the EU via a Treaty with the UK.
304. Ergo, we can be nothing more or less than British.
305. So the idea that these new arrangements are a challenge to our sovereignty just cannot get off the ground.
306. And additionally, Mr Speaker, at the soft level, the osmosis level, the reality is that Gibraltar is now more British than ever.
307. We are even seeing a diminution of our bilingualism, which is very concerning.
308. But the reality is that there is less chance of osmosis now than there has been for a hundred years.
309. We have turned the page and there is no turning back.
310. In fact, Mr Speaker, we need to consider with the British Government going forward how we enhance our representation as part of the British political family and whether Gibraltar sits comfortably in its current status as an Overseas Territory, or whether a more bespoke arrangement, perhaps more akin to the Channel Islands, is more adviseable and agreeable to both sides.

311. That will be the work of the Constitutional Select Committee that I do hope we will be able to see take off very soon.
312. That Select Committee and all others have fallen victim to the pandemic.
313. I sincerely expect we will be able to see them start functioning this financial year.

### **BUDGET BOOK EXPLAINED**

314. Looking now more directly at this financial year and the performance of our economy and public finances, Mr Speaker, I want to turn now to the Budget Book itself.
315. Mr Speaker this year for the first time the Financial Secretary and I felt it necessary to add a foreword to the Estimates Book which I believe is self-explanatory.
316. However, for those who may be tuned into listen to this debate let me explain.
317. Mr Speaker as all honourable members are aware, as a result of the pandemic the Parliament agreed that the Government should not be required to prepare an Approved Government of Gibraltar Estimates of Revenue and Expenditure (or the “Estimates Book”) last year, which would have been the financial year 2020/2021.
318. As a result, therefore, exceptionally, a Budget Debate was not held last year for the first time in



the history of this Parliament and its predecessor, the House of Assembly.

319. Instead, the year end for the accounting period of the financial year 2019/2020 was first extended by 6 months by agreement of all honourable members of this Parliament by the passing of the Appropriation Act 2019 (Amendment) Act 2020.
320. That provided for the accounting period 19/20 to end on 30 September 2020.
321. At that stage, we would have been dealing with an 18 month financial 'year'.
322. The accounting period was further extended again, also by agreement of all honourable members, by a further 6 months to 31 March 2021 under the provisions of the Appropriation Act 2019 (Amendment No 2) Act 2020 which this House passed on 25<sup>th</sup> September last year.
323. As all members are aware, of course, these amendments, had the effect of creating an anomalous twenty four month financial year, spanning the period from 1st April 2019 to the 31st March 2021.
324. Mr Speaker, we are about to start what, I have no doubt, will, very likely be a more 'normal' Budget Debate.
325. Such debates are always full of attempts at political point scoring, the politics of claim and blame.

326. Given what we have been through, Mr Speak, that 'normality', however unpleasant in some respects, is almost to be welcomed.
327. That this place should, to the extent that you might permit it, become once again, a gladiatorial political arena, is a small price to pay for the return of some semblance of normality in our community as we hope to leave the ravages of the Covid pandemic behind us.
328. But I will never forget, Mr Speaker, that as a result of the seriousness of the issues facing Gibraltar, those two Appropriation Amendment Acts were passed with the unanimous support of all Members of the Parliament.
329. And I will never forget the hours of work that the Financial Secretary, his team and I had to put in, whilst the rest of the world collapsed around us, in order to ensure that we provided financial stability to this community.
330. Those were the headiest of days.
331. The hardest of days.
332. And undoubtedly the harshest of days.
333. But by dint of hard work and imagination, and thanks to the strength and flexibility that we had built into the structure of the public finances of Gibraltar, we were able to get through.
334. I will say more about the structure of the public finances of Gibraltar and why we have been right to structure them as we have later in this address

when I will be able to prove that we have decidedly, decisively and definitively won the argument against honourable members opposite as to borrowing and the use of Government companies.

335. For now, and for the purposes of this part of my address, Mr Speaker, the important thing is that I should set out that the two amendments to the Appropriation Act 2019 that were passed in Parliament provided the legal support necessary for the flexibility that the Government needed to continue spending and to spend additional amounts during the 'lock down' periods without having to come to this House to hold a Budget Debate.
336. Remember, Mr Speaker, that those were the days also of daily 4pm briefings.
337. It would have been difficult if not impossible to prepare for such a debate.
338. But approving these Amendment Acts was an essential part of enabling the Government to continue to spend Constitutionally and in keeping with the law, namely, the Public Finance (Control and Audit) Act.
339. All of this was done without any detailed estimation of budgets of revenue or expenditure and without the laying or circulation to Members of the Estimates Book or indeed without the to and fro that is customarily held in Parliament as part of the Appropriation sessions we are holding this week.

340. At that moment, Mr Speaker, the battle was with the new virus emerging around the world, not with each other.
341. It would have been unforgiveable for us to have self-indulgently been arguing in this House when the community, more than ever, needed us to be working on the front line issues of real concern.
342. Mr Speaker, the whole of the usual, detailed budgetary process was also curtailed in this way to limit the contact that individuals might have with one another in the work of compiling the Estimates Book.
343. That, obviously, requires meetings and contact which would have been possible but highly impractical by virtual encounters.
344. But, with the Amendment Acts we were able to find the process for providing the additional budget necessary to afford to safely navigate Gibraltar through the pandemic.
345. And, Mr Speaker, I want to lay down two markers here.
346. The first is to say that I have thanked the opposition members in this house, all of them, over and over again for their support.
347. And in doing so I reiterate to the whole of Gibraltar that the spending we were able to undertake in that period was thanks to their votes in this House in favour of the Amendment Acts.

348. We could have passed those Bills without their support in reliance on our in-built majority.
349. Instead we passed them by unanimity.
350. Secondly, we designed the BEAT measures in a way that took into consideration the comments from the Honourable Mr Clinton during the private discussions we had and the public debates we had.
351. Insofar as I will, I think undoubtedly, be called upon to disagree with him today, I want to renew my thanks to him for that support and for his views at the time which helped develop our own ideas.
352. But those markers are necessary for a reason.
353. The first marker is necessary because, Mr Speaker, if we today revert to a negative vote from the official Opposition to the Appropriation Act, then the spending from the 1<sup>st</sup> of August will no longer be as a result of the views and votes of all of us, but as a result of the votes and views of the Government and – if she acts in keeping with her previous views and votes – those of the Honourable lady, the independent member for Together Gibraltar.
354. Mr Speaker, it would be a real pity, in my view, if they were to revert to their 2019 practice.
355. I urge them to argue against the Bill but to vote for it, as we used to do.
356. Because Gibraltar needs an appropriation.





370. Gluttons for punishment you might say... biting off more than you can chew, some might say less positively.
371. But we know this has to be done, and we do not shy away from the challenge of delivering what Gibraltar needs, even if we cannot deliver it as quickly as we might have wanted.
372. The opportunity has, therefore, also been taken this year to rationalise the shape and format of this Estimates Book in a way that provides full compatibility with the Government's new digital systems and adds further transparency, simplifies presentation and streamlines comparability going forward.
373. We have done that by ensuring that the parameters and fields of the digital programme are now reflected in the Book.
374. Mr Speaker, as a result of these collective changes, this Estimates Book now spans over 292 pages, around 44 more than the last Estimates Book produced for 2019/2020 and over 100 pages more than the estimates for the same period one decade ago in financial year 2011/2012.
375. Mr Speaker the Estimates Book is visibly thicker and larger than that of earlier years.
376. And why is that Mr Speaker?
377. For the simple reason that there is more information in here than ever before.



378. So I do have no time for the nonsensical suggestion that we somehow provide less information than our predecessors in Government did on public spending.
379. We provide hundreds of pages more.
380. We have provided more each year.
381. 100 pages more this year.
382. And each month on our website, we provide detailed statistical information that was never provided before and is updated with great regularity. So Mr Speaker, it would be to mislead the House to suggest that we are not providing information or to suggest that we are providing less information than any previous administration.
383. Additionally, Mr Speaker, of course, we have now finished the accounts of the vast majority of the government companies.
384. I will give more details of this later as I explain how we have acted to catch up with the gross dereliction of legal duties by the government of the GSD which did not publish accounts for government companies after 1996, despite the fact that they made it a legal requirement to do so, without exempting the government.
385. So whether it is in relation to the direct books of the government or the indirect books of the government companies, we have published more, much more, and much more regularly than the GSD EVER DID in office.

386. I would therefore gently counsel all Honourable Members that they will obviously be misleading the House if they suggest opposite, something which they will no doubt not wish to do, as they would obviously be putting themselves outside the provisions of the standing rules of this House if they did.
387. Mr Speaker, as ever, the enforcement of those rules is not a matter for me, but a matter for you.
388. I am simply highlighting the facts.

## **THE 20/21 EXPENDITURE**

389. Mr Speaker, when reviewing this Estimates Book, it should therefore be noted that the Appropriation Amendment Acts passed last year focussed solely on the expenditure heads.
390. With the exception of a few, limited, heads which required more detailed analysis, the estimated expenditure for the period 2019/2020 was simply multiplied by two in each head to take account of two years of expenditure instead of one.
391. The House will recall that it was, in particular, the heads on Health and Care which we looked at in much greater detail in order to ensure that we provided what was necessary expenditure for that area in the middle of the pandemic.
392. We also provided a more detailed increase for the Education head.

393. Since no Estimates Book was presented to Parliament, no adjustment was made to heads which estimate Recurrent Revenue.
394. Indeed, Mr Speaker, the thing that had been abundantly clear to all members of the community, let alone – or at least - all members of this House, I hope, was the fact that the pandemic was annihilating activity in the areas which provide our key heads of revenue.
395. Mr Speaker, nonetheless, and in order to aid comparison, in presenting this Estimates Book all columns showing the comparative estimate for 2019/2021 show figures that have been doubled.
396. If we had not done this, the Forecast Outturn looks disproportionate against the original single year estimate for 2019/2020.
397. The same is true for revenue heads within the appropriate appendices.
398. The revenue into the heads has been provided from the COVID Response Fund, as I will explain in greater detail later to ensure that the House has refreshed its understand of the COVID fund and how it was agreed it should be set up to operate as a feeder of revenue.
399. It should be noted that this approach has not been taken for I&DF revenue, as this is not recurrent.
400. We were therefore clear from the outset that the I&DF should not receive a doubled-up revenue figure.

401. Additionally, it should be noted that the adjustments made to I&DF expenditure in the two Bills amending the Appropriation Act 2019 for the extra year were therefore not to simply double each subhead.
402. Instead we did a fairly accurate exercise, with the technical officers in charge of each project area, to calibrate, on the basis of quite precise estimates carried out for each of the projects that were underway at the time of each of the Amendment Acts.

## **PRESENTATION**

403. Mr Speaker, for all of these reasons, the Department, Authority and Agency presentation has had to be varied in the Book.
404. Accordingly, Mr Speaker each page of the Estimates Book is divided into the traditional four columns.
405. The first and last columns have not changed:
- a. The column headed "Estimate 2021/2022" represents the allocated budget for the year ahead. Mr Speaker there is no change to this column;
  - b. The column headed "Actual 2018/2019" covers the actual expenditure for the year ended 31 March 2019. Mr Speaker there is also no change to this column.
  - c. Mr Speaker, columns two and three, however, have changed to cover the two year period

commencing on 1 April 2019 and ending on 31 March 2021 as provided for in the amended Appropriation Act 2019, as follows:

- i. The column headed “Forecast Outturn 2019/2021” contains the outturn for the 24 month period ended 31 March 2021; and
- ii. The column headed “Estimate 2019/2021” contains the estimates as approved initially for 2019/2020 and as provided for in the amended Appropriation Act 2019 to cover a 24 month period. In most cases (other than in respect of the GHA, ERS and Education), this simply multiplies the budget by two.

## **THE COVID RESPONSE FUND**

406. Mr Speaker the Estimates Book also now contains a section dedicated to the COVID-19 Response Fund.
407. As all honourable members are aware this fund was established on the 23rd April 2020 in order to provide for all expenditure incurred, benefits payable and fiscal measures adopted by Government in response to the COVID-19 pandemic and for the settlement of any costs and expenditure related thereto that the Government may incur.
408. The Financial Secretary and I agreed with the Honourable Mr Azopardi and with the Honourable Mr Clinton how we would establish, operate and report on this Response Fund.

409. Mr Speaker, the fund sits outside the Consolidated Fund and applies the amounts Government has borrowed during this exceptional period in three ways.
410. Mr Speaker, this section now discloses in detail the revenue used directly to supplement foregone revenue for the duration of the COVID-19 pandemic.
411. Clearly, during lockdown the Government suffered a devastating loss of revenue of the type seen only in a World War.
412. This was not a recession style deceleration.
413. This was not the closure of the dockyard.
414. This was the closure of everything, or just about everything.
415. This was a war type annihilation, the like of which no Gibraltar Government has ever had to deal with.
416. I say that advisedly, Mr Speaker, as at the time, even of the frontier closure, we had 'support and sustain' and an economy built on 60% of revenue originating from UK Government MOD spending.
417. Mr Speaker, that is an important point to note when we come, as we no doubt will, to the point when some will try to, foolishly, opportunistically and without foundation, argue that the dire state of our public finances somehow has something to do with pre-pandemic spending.

418. Some have been foolish enough to call our spending 'lavish', I will address such nonsense later in my speech.
419. For now, as I set out the real and genuine causes of the state of our public finances, and the reasons for the actual and forecast deficit, I will set out the fact of the matter. And that is clear Mr Speaker.
420. This is a one in a hundred year event.
421. A war time catastrophe affecting the otherwise reliable revenue of the Government and there is no one in this House or outside it who saw it coming or who could have managed the public finances in the decade before in a manner than would not have resulted in a deficit and need to rebuild.
422. No one will believe any suggestion to the contrary when tested against the truth and the reality of our community's needs.
423. Be that as it may, Mr Speaker, the shortfall in the revenue heads has been made up from the COVID-19 Response Fund.
424. This has helped supplement losses to the Government's main recurrent revenue heads thereby providing income to Government to enable it to meet its ongoing salary and other ongoing costs.
425. Mr Speaker during the pandemic these adjustments were made monthly based on a formulae and methodology proposed by the

ingenious Financial Secretary and agreed with Mr Azopardi and Mr Clinton and derived by comparing the actual revenue to the average revenue for the previous two financial years (2017/2018 and 2018/2019).

426. So, to be clear, what we put into the revenue heads each month was the average of the sum each head had received in the two previous financial years.
427. The moneys were sourced from borrowing provided for under the sovereign guarantee provided by the United Kingdom, which has greatly reduced the cost of borrowing.
428. These amounts feed right back to the revenue pages in the Estimates Book but, in order to highlight that they are exceptional in nature, have been shown outside the traditional Estimate/Forecast Outturn Operating Statement as 'Exceptional Item[s]'.
429. This serves to ensure that these payments stand out, aiding transparency and ensuring that the reconstruction of the accounts and the debates in future are not intoxicated with these references.
430. Mr Speaker this section of the Estimates Book also discloses those costs incurred directly by Government as a result of the pandemic.
431. These are the directly attributable COVID-19 costs met by departments, authorities and agencies.
432. Mr Speaker the treatment is slightly different in the Estimates Book.



433. For departments this amount is fed into the Revenue pages of the Estimates Book whereas for agencies and authorities this amount feeds straight into the Revenue section of the agency or authority revenue heads.
434. Mr Speaker the COVID-19 associated expenses are clearly identified on the relevant pages.
435. Where COVID-19 associated expenses have been spent on a number of different subheads, then the traditional authority or agency page is shown encompassing the forecast outturns for all of its recurrent costs.
436. Additionally, a separate page has been added which simply displays the element of those costs per subhead that are directly attributable COVID-19 expenses.
437. Mr Speaker, the position for the estimate for the year ahead is somewhat different, for good reason.
438. When reading the Book, honourable members need to remember that this Estimates Book was compiled between January and April 2021 when we were in the thick of the second lock down, under tight lock down restrictions for part of the period.
439. There was greater uncertainty then about how long restrictions would last or whether the vaccine process would prove effective.

440. Although there are no clear certainties even now, there is, it is fair to say, less uncertainty.
441. The estimate of COVID-19 expenditure which we anticipate will continue to be necessary going forward, has been contained on a single line.
442. This is just, however, Mr Speaker, an estimate to be considered with that backdrop.
443. Will we see new strains?
444. Will we see new booster vaccines required?
445. All of this is still to be determined.
446. Mr Speaker each figure for each department, authority or agency has been based on those costs incurred at 31 March 2021 but which have yet to be settled, together with the department's, authority's or agency's best estimate of additional costs to be incurred during the next year in the light of the experience of the last year and based on the uncertainties that were prevalent at the time.
447. The reason for keeping this item separate on a single line is to ensure that these estimated COVID-19 associated costs are not considered as part of the day to day approved budget and can only be used to pay for specifically identifiable COVID-19 costs.
448. As I already highlighted, this serves also to ensure that these payments stand out, aiding transparency and ensuring that the future year on year analysis and the reconstruction of the

accounts is not infected with these exceptional figures.

449. Mr Speaker once amounts are spent, these sums will appear within the 'Forecast Outturn' column next year and they will also be easily and separately identifiable.
450. Mr Speaker this section also analyses COVID-19 Capital Expenditure.
451. This is essentially those cost to be charged directly to the Improvement and Development Fund to meet those capital costs required as a result of the COVID-19 pandemic.

### **COVID-19 RESPONSE FUND ACCOUNTS**

452. Mr Speaker, the accounts for the COVID-19 Response Fund have been published separately and are included on pages 290 to 292 of this Estimates Book.
453. This is consolidation of the publication of this Fund in our Gazette on a quarterly basis.
454. These have been published in this way so that every citizen is able to assess the local cost of this global pandemic.
455. Mr Speaker, since details of this fund are presented to the nearest pound when they have been published on a quarterly basis, the published figures have been presented in the same way in this Estimates Book.

456. Mr Speaker for ease of reference, the order of presentation has, however, been adjusted to better align with heads and lay out of this Estimates Book in a manner that we hope will assist honourable members.
457. Again, Mr Speaker, full transparency.
458. Full accountability.
459. More information than ever has been presented before in respect of any Fund created by any previous government.
460. Once again, Mr Speaker, the unbreakable trail of evidence that gives the lie to any suggestion that there is not now more transparency than ever before in our history.
461. Evidence to refute any member suggesting the opposite and putting them foul of the line of truth and safely in the net of those who would be misleading the House by suggesting the opposite.
462. The amounts are, additionally, cross referenced throughout the Estimates Book to assist with the interpretation of the Book as a whole.

## **THE COVID FUND UPDATE**

463. Mr Speaker last week we also shared the updated figures for the COVID-19 Response Fund for the period 1 April 2021 to 30 June 2021 with the Leader of the Opposition on a confidential basis, as we had committed to do from the outset of this pandemic and have been doing.

464. This is first quarter performance.
465. We are aiming to publish these later this week in the Gazette on Thursday so that the community can see how the economy is faring its way out of this pandemic.
466. Mr Speaker as I have explained previously the COVID-19 Response Fund is the place where we have booked all of those exceptional costs related to the pandemic so they are easy to identify separately from ongoing day to day expenditure.
467. Mr Speaker when preparing the Estimates Book we provided some £67.45 million for the year.
468. Mr Speaker you will appreciate that as the economy emerged out of this pandemic these costs were front loaded, i.e. we projected for these costs to be incurred in the early months in the hope that as we unlock we do so on a permanent basis and do not need to return to some of the unprecedented measures experienced last year.
469. So Mr Speaker what does the COVID-19 Response Fund for this period show?
470. Well Mr Speaker it is slight better than expected.
471. It shows that, as we open up the economy, the support for flagging government income is reducing with most of the main heads of revenue that required support during the COVID period not needing this.

472. Nonetheless from an annual estimate of £55.8m, already £19.56m has already been expended.
473. The reason for this is largely linked to the throughput of tourists visiting Gibraltar and I am confident that as this happens revenue will be slowly restored.
474. Although our hotels have experienced a resurgence in recent months, we still have not seen the return of day trippers by coach and by cruise liner who account for the sales of many products with the consequent impact on Government duty.
475. In terms of expenditure, we projected some £11m for the year whereas only £5.4m has been expended so far.
476. The lions share of this is expenditure, some £3.3m, has been spent on BEAT measures which Mr Speaker as you know are now coming to an end as from the end of July.
477. On capital expenditure we projected at some £625,000 and to date only £9k has been spent.
478. Mr Speaker overall the figures are consistent with what I believe our people are generally experiencing, a slow return to normality.
479. Of course there are blips and anomalies but I am hopeful that as the year progresses there is a return to normal levels of income and less of a need to incur expenditure on COVID related items.

480. I am sure, Mr Speaker, that the whole House and the whole community joins me in that wish.

## **DIGITISATION FORMAT CHANGES**

481. Mr Speaker as you know the Government has been embarked on a digitisation programme.

482. My colleague the Honourable Albert Isola, the Minister for Digital, Financial Services and Public Utilities will no doubt elaborate on his work as part of this budget speech.

483. I will nonetheless address the effect that the digitisation programme has on the lay out of the Estimates Book.

484. Whilst the presentation of each estimates page will be broadly familiar, the section of 'Other Charges' no longer groups charges into 'Office Expenses' and 'Operational Expenses'.

485. The review carried out as part of the digitisation process has identified a number of inconsistencies that have been compounded over time.

486. For that reason, Mr Speaker the opportunity has therefore been taken to rationalise these resulting in a number of changes as follows:

487. The nomenclature has been clarified to provide a seamless and uniform nomenclature adopted across the Estimates Book to aid comparability between departments, authorities and agencies.

488. This should also result in items being posted in a consistent way.
489. The system will also facilitate being able to collate each of these costs across all of Government going forward.
490. An Appendix is included on pages 287 to 289 which shows how the existing nomenclature has been grouped under new and consistent naming conventions.
491. It is proposed to include this Appendix for a number of years to ensure ease of reference so that Honourable Members can useful cross reference backwards to earlier years and the previous nomenclature with ease;
492. Mr Speaker, 'Other Charges' are listed with consistent subheads in a sequential and consistent order throughout; and
493. Finally, Mr Speaker, the last point on rationalisation is that in order to aid comparability overtime heads across the Estimates Book have been expanded to disclose overtime subheads on a consistent basis.
494. This head is now analysed as between each of conditioned, emergency, manning level maintenance and discretionary overtime in each head.
495. Mr Speaker finally turning now to the Establishment non-financial pages, Honourable Members should also note that the figures provided for as the Establishment, that is to say



the complement or the number of persons whose salaries are funded through the Book for the financial year 2019/2021 are provided only as at for the initial period 2019/2020 and not as for the full period, as it turned out to be, of 2019/2021.

496. Mr Speaker, this arises from the fact that there will have been agreed changes in the period between 2020/2021 which cannot now be accurately reconstructed and provided for other than by comparison between the two actual opening periods – that is to say, comparing between 1<sup>st</sup> April 2019 and 1<sup>st</sup> April 2021.
497. For the reasons already alluded to in relation to the need to move and adopt the Amendment Acts, there is no position recorded for 1<sup>st</sup> April 2020.
498. Additionally, given the predicted deficit for the end of the financial year 2021/2022, there is no funding provided for vacant posts to be filled in this financial year.
499. Mr Speaker, I am very keen to set out very clearly just how much the public sector has grown in our time to avoid the untrue suggestion that we are somehow operating under the complement.
500. NOTHING COULD BE FURTHER FROM THE TRUTH.
501. The reality of the position is that all of the public sector has grown considerably and I will provide details of that in the part of my address that looks at the number of employees in our economy.

## **EFFECT OF GOVERNMENT RESHUFFLE**

502. Mr Speaker as you also know the Estimates Book is ordered in such a way as to facilitate the way this Parliamentary session functions.
503. The book is divided into departments that are grouped together under a heading for each Minister to enable the debate to follow that logical sequence.
504. As you are aware Mr Speaker last month I carried out a minor Government reshuffle.
505. Mr Speaker the Cabinet collectively felt this reshuffle was necessary in order to prepare the structure for the challenges to come in relation to the negotiations for a future relationship between Gibraltar and the European Union and also COVID-19.
506. To my recollection a ministerial restructure has not happened before between publication of the Estimates Book and this annual debate taking place.
507. Mr Speaker in doing so the Estimates Book as originally published no longer follows in sequence the responsibilities that now befall each Minister.
508. Although this is common after every reshuffle, given we are in time before the Book goes firm in its approved version, we are able to review it to bring it back into what will be its logical ministerial flow.

509. Mr Speaker for that reason I have asked the Financial Secretary to reorder the Estimates Book and this has been made available to all members of this Parliament a short while ago.
510. Mr Speaker I can assure members of the Parliament that the Estimates Book remains true and consistent with the one they were presented in April 2021.
511. None of the figures will change – just where they appear in the Book under the chronological run of relevant Ministers.
512. Mr Speaker all they need do is check the figures on pages 1 to 3 to check this.
513. In other words not a single number has been changed from those included within the Forecast Outturn or Estimates column.
514. Mr Speaker all that has happened in that the final version of the Estimates Book, after we have moved the changes at the committee stage, will be reordered when it is published in final form as ‘The Approved Estimates of Revenue and Expenditure 2021/2022’ such that each Minister heads a section under which their current responsibilities are listed.
515. Obviously Ministerial titles have changed, as have those for their controlling officers.
516. Mr Speaker the new titles are now reflected within the Estimates Book I circulated a short while ago.

517. The sequence of revenue income has also been reordered to follow that same sequence.
518. Mr Speaker some typos that were identified in the earlier draft have also been corrected.
519. These are normally corrected when the approved version of the Estimates Book is published after this debate.
520. We however, ensured that they were corrected in the presentation of this revised Estimates Book.
521. Mr Speaker in addition an error that was noted to the Actual result for 31 March 2019 disclosed on page 3 has also been corrected.
522. Mr Speaker, the Financial Secretary provided an early copy of these amendments to Mr Clinton, Mr Azopardi and to the Honourable Lady.

## **APPROPRIATION BILL**

523. Finally Mr Speaker the Appropriation Bill follows the sequence of the Estimates Book.
524. Given this has changed I wrote to you earlier and submitted a revised Appropriation Bill also to ensure it tallies with the Estimates Book.
525. The only change has been to the order of PART 1 of that Bill which now also follows the order of Ministerial responsibilities after the reshuffle, as set out in the amended Estimates Book.

526. Mr Speaker once again, there has been no other change to this Appropriation Bill and I have only done this to facilitate the sequencing of the debate in Parliament and to ensure alignment with the responsibilities charged to each Minister after the reshuffle.

## **ECONOMIC GROWTH AND GDP**

527. Mr Speaker the last time I delivered a full budget address was June 2019.

528. In economic terms, the entire world has changed.

529. But my focus has to remain on this small part of the world that we call home.

530. This is our paradise, and we must preserve it as much as possible.

531. When I delivered my speech in 2019, I said, Mr Speaker, that:

*“The 2016/17 GDP figures had just surpassed the £ 2 Billion mark;*

*The GDP figure for 2017/18 was estimated at £ 2.17 Billion reflecting an increase of £ 169.25m or 8.5%;*

*and*

*The Government Statistics office preliminary forecast for the turbulent and challenging year that was 2018/2019 was £ 2.35 Billion.*

*That showed an increase of £ 177.8m or an increase of 8.2% compared to 2017/18”.*

532. In those figures we were seeing reflected the third full year of GDP performance after the vote of the United Kingdom to leave the European Union.
533. Mr Speaker, when I reflect on that speech now, when we all look back to those days, little did or could we know what lay ahead.
534. If we had known what lay ahead, I would not, in hindsight, have classified 2018/2019 as ‘turbulent and challenging’.
535. Those words, ‘challenging’ and ‘turbulent’ are how I would best now reflect on 2020/21.
536. Incredibly challenging.
537. Incredibly turbulent.
538. But we have got the ship to port safely, Mr Speaker, and all the souls aboard have been provided for, even in these remarkably challenging and turbulent times.
539. So, Mr Speaker, in less figurative and in starker, financial terms, how have we fared you may ask?
540. The Government Statistic Office has now provided their budget brief which forecasts ahead and revises historic forecast in light of actual information.

541. Mr Speaker I don't think the outcome will catch anyone in this country who is genuine in their analysis of the economy by surprise.
542. So Mr Speaker let me starting by first taking you back.
543. The firmed-up figures for 2017/2018 now show a GDP figure of £2,3 billion which is actually £97m more than we projected reflecting an annual growth of a stunning **12.3%**.
544. A brilliant performance given the Brexit uncertainty we were living through then.
545. This is an even better figure than I reported to the House last year and a reason to be very pleased and very proud of the work of everyone in our economy.
546. Let me just also clarify that Gross Domestic Product, or GDP, is not revenue to the Government.
547. It is not the public finances.
548. It is the total output of the economy of all actors in it.
549. The figures for 2018/2019 were actually £2.46 billion which again is close to £ 100m more than the figures I reported to this Parliament.
550. That means that for the 2018/2019 period the growth turned out to be 8.3%, not 8.2%.

551. The growth was larger than expected but also growing from a larger base figure for 17/18.
552. Again, Mr Speaker, this is an even better figure than I reported to the House last year and a reason to be very pleased and proud of everyone in our economy.
553. What this shows, Mr Speaker, is that across Government we are consistently conservative in the information we provide to this House.
554. We do not seek to overestimate revenue.
555. We underestimate it.
556. That is the prudent and conservative thing to do.
557. And that is what we do.
558. So we do not flatter our accounts.
559. We unflatter them.
560. In fact, I would rather flatter our accountants for the excellent job they do, than pretend to flatter our accounts.
561. We see this with the Estimates Book and we see it now also with the projections of GDP.
562. Of course, Mr Speaker, with something like GDP it is possible to get the estimate wrong but we can see year on year, just as I have been able to demonstrate to the House, and as is laid down in the Hansard for posterity, that the forecasts of GDP that we bring to this House are outstripped



by the actual performance of the economy when the estimate goes firm.

563. That is as it should be.
564. Mr Speaker turning now to figures for 2019/2020.
565. The preliminary estimate of these by the Government Statistic office is for £ 2.566 Billion, which they round up to £2.57 Billion.
566. That is to say a growth of £ 110m or a 4.5% growth over 2018/2019.
567. The growth for that year is clearly lower when compared to the close to double digit growth in the previous 10 years in Government.
568. And although in cash terms the sum is higher than in earlier years, it is obviously a smaller percentage of a larger economy.
569. But it is entirely in keeping with our expectation at the time of the last General Election, when these figures were not yet available.
570. In fact, Mr Speaker in our manifesto, we expected that we could reach exactly the same sum.
571. The Honourable Father of the House, Sir Joe Bossano, adopting his control of The Force as an economist, predicted that the GDP would grow as follows:

*“It is expected that the result for 2019/20 will be of the order of £2.57bn.”*

572. Mr Speaker that is really a remarkably accurate figure provided by Sir JoeDa! **(YODA)**
573. Almost Oracle like in its precision.
574. Mr Speaker, for the many 'manifesto festishists' on the benches opposite, that prediction is on page 44 of the Green Gibraltar GSLP Liberal Manifesto for 2019.
575. That is now exactly the result confirmed by the Government statistics office.
576. This slower rise in GDP, in the context of the larger rises in years before, was largely due to the negative growth in the gaming sector over the year.
577. This deceleration is made up of two key elements: a reduction in corporate tax receipts and reduction in employment and gaming jobs.
578. Mr Speaker if Honourable Members reflect back to that year now apparently so distant year, they will recollect that we had one very large and significant departure of a gaming operator relocating to Malta brought about by the then pre-Brexit uncertainty.
579. Another significant gaming operator, in that same year, unusually went into liquidation for reasons entirely unrelated to Gibraltar.
580. Those two, gaming industry related events, had a deep and immediate effect on our GDP.

581. It is, of course, a matter of regret that, despite the very careful management of this sector, these events occurred.
582. This simply serves to remind us of how important the gaming sector is to our economy.
583. And yet, despite that, Mr Speaker, we have suffered these circumstances being visited upon us for reasons beyond Gibraltar's control or responsibility.
584. The sector has, nonetheless, continued to grow, despite the set back.
585. Mr Speaker, I think it is worth noting that in the period that I have been Minister for Finance, in the ten years from 2011/12 to 2019/20, the total GDP growth has been 133%.
586. The economy grew from £1.2 Billion in 2011/12 to £2.57Billion, as I have just reported in 2019/20.
587. That is a growth of 133% in ten years.
588. Double and one third again.
589. This growth is unprecedented other than for the years in which the original reclamation was carried out.
590. The GDP per capita has gone from £37,369 to £71,787.
591. That growth represents a 91% increase in the GDP per capita.

592. Additionally, public sector revenue from that economy grew from an estimated £394m in 2011/12 to an estimate of just shy of £700m, or £697 exactly, in 2019/20.
593. That is a growth in public sector revenue of 77 percent in GOVERNMENT REVENUE.
594. We have collected more revenue for our people than ever before in the history of government in Gibraltar.
595. Expenditure has also, of course, increased.
596. From an estimated £457m in 2012/13 (the first Budget book for which we were responsible after our election in December 2011) to an estimated £681m in 2019/20 before the pandemic hit.
597. That growth in EXPENDITURE, Mr Speaker is of some 49% - well short of the increase in REVENUE of 77% that we delivered for the same period.
598. There is a 28% gap in the growth between REVENUE and EXPENDITURE in the right direction.
599. That is the important thing.
600. That we grew income by MORE than we grew expenditure.
601. In fact, income grew by 28 % more than expenditure in the same period.

602. That is a track record that we can be very proud of indeed.
603. But of course, when the pandemic hit, it has gutted our public finances.
604. That is why must act now to restore financial stability.
605. Additionally, Mr Speaker, the Statistics Office is reporting that Aggregate Public Debt as a share of GDP has gone from 43.1% under the GSD, to 13.5% before the pandemic.
606. That is a reduction of 30%.
607. That ratio will obviously change for next year, Mr Speaker, given the impact of the borrowing we have had to do in relation to the pandemic.
608. I will report later to the House on current, increased borrowings.
609. The same will be true of Net Public Debt as a percentage of GDP has gone from 25.3% in 2011 under the GSD to 11.2% before the pandemic.
610. We have more than halved it.
611. We have reduced Net Public Debt by 14%.
612. Mr Speaker, however they want to slice and dice it on the benches opposite.
613. However they want to spin it.
614. These are the figures from the Statistics Office.

615. And what these figures show are a record for us to be proud of.
616. And then some!
617. Mr Speaker I now turn to the forecast for 2020/2021.
618. This is the year of the impact of Covid.
619. The year of a full shut down of our economy.
620. A financial year that started with the first lock down and ended with the second lock down.
621. A disaster of a year in human, emotional and, of course, financial and economic terms.
622. No one will be surprised that the growth for this year is negative.
623. No prediction that we could have seriously made could have envisaged the close down of the global economy as a result of the planetary event that the pandemic has represented.
624. After all, Mr Speaker, this is a year where the economy has largely been locked down for months by order of the Government.
625. We moved from stimulating growth as a policy to styming movement as a policy.
626. Additionally, the Government, the public purse, that is to say the public finances, have been the source of the liquidity injected into the private

sector so that jobs were preserved, livelihoods were protected and businesses survived those unprecedented times.

627. Indeed, we should recall that at that time the ability and timetable to return to normal life was not defined with any certainty.
628. Mr Speaker, this was a time which was as dramatic as it was unprecedented.
629. It is important we set that down here, for parliamentary posterity, for when our successors look back at Hansard, in the context of this debate.
630. We closed down businesses.
631. We stopped the movement of people.
632. We grounded flights and cancelled buses
633. Cruise liners and tourists – the life blood of many of our small businesses - were simply not allowed to visit.
634. Mr Speaker fortunately today many sectors of the economy have returned to some element of normality or at least started to return to normality.
635. But others have yet to return to anywhere near normal.
636. For example, Mr Speaker, our port still has not seen the virtually daily arrival of cruise lines with the passengers taking rock tours or spending in our restaurants, cafeterias or shops.

637. Mr Speaker despite this I believe the Gibraltar economy has performed remarkably well.
638. Our forecast GDP for 2020/2021 is £ 2.44 billion.
639. Mr Speaker that is a reduction of £ 126m in the Gross Domestic Product or a reduction of -4.9%, that is minus four point nine.
640. A contraction in place of growth.
641. No one could have genuinely expected otherwise.
642. In fact, I confess, Mr Speaker, I was happily surprised by that performance.
643. I expected a greater reduction in economic activity for the year.
644. In essence – in the worst ravages of pre-Brexit and in the depths of the worldwide Covid pandemic - we have simply reverted to our world ranking topping GDP levels of 2018/2019 more or less.
645. Mr Speaker that performance is much better than I or others in my team expected would be the case when we were in the depths of the successive lock downs.
646. Of course, Mr Speaker these are the figures for the period to March 2021 and we all know the effect of the pandemic will persist economically for some considerable period to come.
647. Nonetheless what's important now is how Gibraltar powers out of this economic malaise as



well as how we fare in powering out of the uncertainty that Brexit had created for us.

648. I will outline some tax measures later in my speech that are aimed at assisting with this and encouraging investment.
649. What I can confirm to the House is that we do expect that we will be working to try to continue to grow the economy in keeping with the estimate we made in our last manifesto, although it is unclear yet if we will be able to achieve it.
650. This is an estimate for economic growth based on 5% growth per annum or a total of 20% growth in the period of the lifetime of this Parliament.
651. That will continue to be our ambition.
652. We say that, however, with the caveat that the effect of the pandemic is not yet over and that there may yet be another sting in the tail of it.
653. In this respect, the various tenders in the process of being awarded will bring the private sector into the growth of the GDP with even greater vigour, Mr Speaker.
654. In that I also include the start of works at Victoria Keys, which has now been given the final advice due from the Development and Planning Commission, as well as advanced discussions on the Eastside development.

## **THE GDP PER CAPITA**

655. Mr Speaker, the GDP results I am reporting this year will once again put Gibraltar among the fastest growing economies in the world for the year before the pandemic hit.
656. As a result, I will therefore continue the tradition, started by my predecessor, Sir Peter Caruana, of calculating for the House the GDP per capita in our economy.
657. I reiterate that I am very sceptical of the value of this calculation or its accuracy and it is not a strictly scientific measure, but as this was used by Members opposite when they were in Government as an indicator of the average standard of living of individuals in Gibraltar, I will continue to do the calculation for them.
658. In Gibraltar, the particular nuance is that our daily imported working population matches up against the whole of the resident population, creating a significant distortion.
659. Having said this, this calculation is used in similar analysis internationally and that is why it was adopted by Members Opposite when they were in Government.
660. It is nonetheless an established economic metric, of however much it may also be of doubtful value, which I shall once again provide to the House.
661. In this respect, as I have told the House, the latest forecast for 2019/20 estimates a GDP per capita growth of 4.5% from the previous year to £2.566 Billion.

662. On the IMF GDP per capita rankings, the UK features in 35<sup>th</sup> position with a GDP per capita of INT\$44,117 and Spain in 47<sup>th</sup> position with GDP per capita of INT\$38,392.
663. The sums are in a currency referred to as 'international dollars' designed by the IMF to show purchasing-power-parity by using the rate of the United States dollar as at a 20 year average.
664. Gibraltar's GDP per capita for 2019/20 is forecast at £79,707 or INT\$121,154.64 placing Gibraltar in FIRST position, up from third in the last calculation<sup>1</sup>.
665. Gibraltar is closely ahead of Luxembourg which enjoys a GDP per capita for the year of \$118,002.
666. As I have said before, and must reiterate to ensure the record of the House reflects, my own view is that these measures are not scientific because of the differing methodologies and fluctuating exchange rates on which they are based.
667. This lack of uniformity in calculation makes the exercise unreliable.
668. Additionally, in the case of Gibraltar, the calculation is particularly lacking in relevance given we have now reached 30,000 working people in a population of 32,000 – making the per capita aspect unreal and in my view totally distorted.

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<sup>1</sup> Using the latest published Census figure of population of 32,194 people. Given recent currency fluctuations, the exchange rate is once again based on a 20 year £Pound/\$Dollar average the same figure used the year before for purchasing power parity.

669. The important aspect of this exercise, however, is really only to appreciate that Gibraltar's economy is estimated to have grown again in 2019/20 before the pandemic struck by 4.5% and with average earnings going up by almost 3%.
670. This growth continues to place us ahead of other small countries in the world, including Malta, Luxembourg, Singapore and Hong Kong when it comes to GDP per capita.
671. But I emphasise, Mr Speaker that this was for the year BEFORE the pandemic hit.

## **THE COST OF BORROWING**

672. Mr Speaker I turn now to the question of borrowing and the cost thereof.
673. The cost of borrowing is the lowest in history since governments started borrowing in the 16th century.
674. So our borrowing is also at the lowest interest rate ever secured by the Government of Gibraltar.
675. And that is why short term borrowing now has made sense.
676. And that is also why we did not ask the UK for money.
677. Not least because we did not need it.
678. We asked the UK to support our own borrowing.

679. We did not seek and we did not get £500m from the UK.
680. We did not even seek the loan of £500 from the UK.
681. We sought and we got support for our sourcing of our own £500m.
682. That is what shows the resilience of our balance sheet and the strength of our covenant.
683. Whatever others may say, we have been able to source our own £500m, even in these difficult times.
684. We did not need the UK's guarantee for that.
685. I can happily inform the House that we had £500m available to us **EVEN WITHOUT THE UK GUARANTEE.**
686. What the UK guarantee has done is secure the borrowing at a much lower rate.
687. At the same rate as a sovereign nation.
688. And let's be clear that the UK has not provided a similar guarantee to others willy-nilly.
689. So when the banks have X-rayed our economy and our public finances, they have considered our public finances and our economy strong enough to lend us half a billion pounds.

690. I say to everyone in this community who reads what the naysayers say – not just in this House, but beyond it, who do you believe?
691. The backseat drivers on social media who have ZERO experience of finance?
692. They tell you things are horribly bad with our public finances because we are mismanaging.
693. Yet the professionals in the banks that have considered the risk Gibraltar represents, have assessed it is a very, very low risk, despite not being a sovereign nation.
694. The professionals have considered that we are doing a very good job managing our public finances – although of course right now every nation is suffering pressure on the public finances and we are in a deficit situation.
695. Mr Speaker I believe that the vast majority in our community will be very satisfied indeed that even in these very difficult times our Government has been assessed as such a low risk thanks to our prudent management of our public finances.
696. That is the real test to pass.
697. Not that of the social media commentators the Opposition's retired bankers.
698. Additionally, the UK Treasury itself, when it has considered our risk of default on our borrowing, has assessed we are a sufficiently low risk that they have provided the sovereign guarantee.

699. As has the FCDO that have to make this assessment also.
700. Again, I say to our public, that they should take great confidence from this and listen less to the arm-chair experts and commentators on social media who are demonstrably wrong about most things.
701. And this is the slam-dunk that demonstrates it!
702. Again, the UK sovereign guarantee is a great vote of confidence in the strength of the covenant of the Gibraltar PLC, the company in which we all hold our shares and our livelihoods.
703. Even in these very difficult times.
704. That is really something to be proud of and in great measure the fruit of the work of the Financial Secretary, Albert Mena, at this extraordinarily challenging time.
705. Our public finances are in a very bad cash situation, like every other Exchequer in the world, but we will build back better, sooner and stronger than most others.

## **THE PUBLIC FINANCES**

706. Mr Speaker as I have mentioned at the start of this speech the Estimate Book is extremely complex this year for the reason I have outlined.
707. I will however seek to highlight the key performance indicators so that those listening are

aware how we have fared and what we expect for the 12 months ahead.

708. Dealing first with the 24 months that have passed.
709. Mr Speaker as I already mentioned in May when I first became aware of the forecast outturn the Government has posted a loss.
710. This is a significant loss and something that last occurred in 2003/2004.
711. It is important, as we go into this debate, Mr Speaker, that we recall that the last deficit declared was in the time that Members opposite were in Government.
712. The reason for the last deficit under the GSD was not – like today - a worldwide pandemic which no one could avoid.
713. The reason for the last deficit under the GSD was not – like today - related to a global shut down of the worldwide economy.
714. The reason for the last deficit under the GSD was much easier to understand.
715. It was a LAVISH pre-election splurge in spending.
716. The last deficit in our history was occasioned by LAVISH GSD spending which brought the public finances into the red.
717. So, Mr Speaker, when we refer to the dire state of the public finances now, and when we hear members opposite refer to our public finances



being in a dire state, we have to keep in mind that these are the after-effects of a global event and that the public finances of most nations, large and small, are suffering as we are.

718. That was not the case in 2003/4.
719. The only relevant event in that financial year was the General Election of October that year.
720. Indeed, the General Election that bestowed on me the honour of being elected for the first time.
721. Additionally, we have to remember that the majority of the spending that we have undertaken and which has led to this loss and additional borrowing was AGREED WITH the honourable Mr Clinton and Mr Azopardi.
722. In 2003/4, the spending which led to the deficit had not been agreed with the Official Opposition.
723. In those circumstances, although I am of course open and happy to debate in this House 'the point of arrival' at this pandemic, we have to be abundantly clear that the point of arrival was one of surplus.
724. We did not arrive at the pandemic with a deficit, like the GSD arrived to 2004.
725. So when the Honourable Members opposite like to go outside this house to propagate the untrue myth of our pre-pandemic spending being problematic, and when there are some sheep out there who would buy that myth, I would say this:

726. There is no logic or truth to that at all.
727. We were in surplus before this crisis therefore all our spending before this crisis had been affordable and it is untrue to spin the untruth that our spending on schools, teachers, healthcare facilities, our healthcare staff, the police and its resources, our civil servants and public servants, is somehow the cause of this extraordinary deficit.
728. It is not true.
729. And those who say that need to ensure that they understand that the 'S' in GSLP stands for SOCIALIST.
730. And we are always going to be proud of our investment in our public services and in our public servants.
731. But of course we have to cut our clothes to fit the cloth we have available.
732. We are proud of having built new schools.
733. We are proud that by the time we have finished our programme every public educational establishment in Gibraltar will have been built by a GSLP government, in some instances with our Liberal colleagues.
734. But we were doing that when the world was not in crisis.
735. We are proud that we have increased public sector pay.

736. We are proud that we have provided for the socio-economic development of our people by building new homes where we only initially recover half the cost.
737. We have refurbished our housing estates and will continue doing so.
738. We have built a new marina.
739. We have built a new national university.
740. We have built a national bank.
741. And all of that we built in a manner that was affordable and yet enabled us to deliver the highest surpluses in history year on year.
742. So when the talk is of anything being lavish, it is of lavish investment in Gibraltar and the Gibraltarians, our people
743. That is where the money has gone.
744. So we see this sort of prudent spending as a socialist virtue, Mr Speaker, not as a sin.
745. But always whilst it can be afforded.
746. We will not permit spending to be undertaken when it cannot be afforded because we will not borrow to fund recurrent expenditure.
747. And the worldwide economic factors have turned dramatically.
748. And we must react appropriately.

749. So what is important to understand.
750. What is real.
751. What is undeniable.
752. Is that this is a PANDEMIC LOSS.
753. The deficit is caused exclusively by the COVID 19 pandemic.
754. Whilst the reason for this loss are well know Mr Speaker I would like to signpost some key indicators.

## **GOVERNMENT REVENUE**

755. Mr Speaker our revenue over the two year period 2019/2021 was in the region of £ 1,255 million.
756. If you consider Mr Speaker that our estimate for revenue for the single year 2019/2020 was £700 million without any growth, we would have expected to raise around £ 1,400 million in revenue over the two year period.
757. This loss of revenue which amounted to around 11% had to be made up to keep Government going.
758. This was met from the COVID-19 Response Fund which in turn borrowed these monies.
759. So Mr Speaker around £ 158m was borrowed to meet forgone expenditure.

760. Mr Speaker foregone expenditure came from a number of fronts as follows.
761. Mr Speaker, business activity ceased so Government would no longer receive revenue from sources such as the Nature reserve ticket.
762. This is equally applicable to import duty and many, many other heads of revenue;
763. Mr Speaker as we locked down Government provided a number of incentives to business to allow it to retain its staff and be in a position to resume once the pandemic was over.
764. Examples of this were PAYE and Social Insurance waivers, rent and rates holidays etc.
765. Incidentally, Mr Speaker, I did not hear anyone complain when we waived Social Insurance payments for many months.
766. Finally Mr Speaker, with counters closed and movement restricted it becomes more difficult for payments to be made to Government and or chased up.
767. Government also suspended more aggressive approaches to debt collection cognisant of the difficulties everyone was facing.
768. The effect of all of the above was that Government saw a drop of some £65m in its personal and corporate tax receipts and £74 million in its import duty receipts.

769. The balance to make up the aforementioned £ 158m came from Rates, Electricity and Group Practice Medical scheme receipts.

## **DEPARTMENTAL EXPENDITURE**

770. Mr Speaker, departmental expenditure came in overall at £1147 Billion for the 24 month financial year – roughly £573.5m for each of the 12 month periods.

771. This was reasonably close to the revised Appropriation Bills we passed during the course of the pandemic which was, as Honourable Members will recall, Mr Speaker, simply doubled the projected budget for 2019/2020 with the exception of those figures for the GHA, the Care Agency and the Education department which we could see would be impacted.

772. Mr Speaker I am quite impressed and proud that despite the pressures of the pandemic we projected this with some accuracy given the estimate was for £1,153 million and the forecast outturn was for £1,147 million.

773. That is a difference of around £6 million, which in the scheme of things amounts to no more than a rounding error.

774. Mr Speaker this of course is the global position.

775. In fact most departments fell well within their allocated budget given the constraints of activity whereas others were forced to spend more on account of the exigencies of the pandemic.

776. To a large extent fiscal control was out of our hands and we were required to spend in order to save lives and protect our front line workers.
777. This was a period of what we might call 'demand led spending' in certain key areas.

## **THE BEAT COVID SCHEME**

778. Nowhere was this more evident than in the BEAT scheme.
779. Mr Speaker as you know we set up a scheme at short notice to be able to fund the cost of employees to ensure they could meet their own costs of living.
780. This scheme took many forms but was dedicated to support businesses in the affected sectors as they slowly resume their activity.
781. The cost of the BEAT scheme alone to the end of March 2021 was £28.5 million.
782. I welcome, Mr Speaker, that Honourable Members were our allies in the disbursement of this money and the creation of the Covid Fund.
783. This amount was paid to all those eligible that made a claim irrespective of nationality or residence.
784. Mr Speaker it was the right thing to do.

785. I hope they will not now run to the hills when they see the cash effect of what they supported and start to decry the pandemic expenditure.
786. Additionally, it was administered in record time to ensure those that needed help received timely support.
787. As with every scheme of this nature that is thought up at short notice there are always issues, there are always those that feel they were not fairly treated but by and large Mr Speaker I believe the scheme met its objectives and was successful.
788. Finally Mr Speaker the COVID Response Fund supported the capital expenditure requirements of the GHA and other Government departments to enable the purchase of ventilators and IT equipment amongst other capital items to the tune of around £ 5m.
789. Overall Mr Speaker the COVID Response Fund supported the forecast outturn in one way or another to the tune of £ 227m.
790. With the exception of £ 2m which came from the European Social Fund claimed to support BEAT employee payments, the balance was raised from Government additional borrowing.
791. This means Mr Speaker that indirectly our recurrent expenditure has been financed by borrowing. Mr Speaker this means that this pandemic has required us to break a sacred rule.
792. We did so Mr Speaker with the support of this parliament and in the knowledge that this was the



way that virtually every other country across the globe was facing down the challenge of this pandemic.

793. So Mr Speaker by the end of March 2021 our aggregate public debt has increased from £ 438.9 million as at March 2019 to £ 677.7m by 31 March 2021.
794. Still within the ratio of 40% of our GDP at £2.57 Billion.
795. But Mr Speaker that's not the full story.
796. It's important to also reflect on what else we paid for during lock-down.
797. Mr Speaker some £92 million was paid in pensions, without fail.
798. And in order to stimulate continued economic activity, and following advice from the OECD, the Government completed its assessments on individuals and paid out a total of £ 26m in tax refunds over the two year period.
799. Mr Speaker this means that we are now up to date with tax assessments and almost all of the personal taxpayers will have received their rebates to 2018/2019 and we continue to make good progress on completing the assessments for 2019/2020 with some 25% now complete.
800. This is better progress than many if not most countries in the world.

801. So another thing we do with the money we collect as revenue, is give it back to tax payers who have overpaid as soon as possible.
802. That is not 'lavish spending', Mr Speaker.
803. That is properly returning money to its rightful owner as soon as possible.
804. It is a virtue, not a sin.
805. Mr Speaker I will talk about this further when I comment on the performance of the Income Tax Office more generally, given it falls within my area of direct ministerial responsibility.
806. Mr Speaker it would have been so easy to have simply allowed ourselves to fall behind in tax refunds and undo the excellent work that has been achieved in earlier years.
807. We did not do so.
808. We did the right thing and return monies due to the taxpayers to whom the money is owed.

## **THE ESTIMATE FOR THE YEAR AHEAD**

809. Mr Speaker now I want to reflect on the estimate for the year ahead as this will better describe to Honourable Members the challenge I believe we now face as a community going forward.
810. The year ahead is going to be very challenging as we seek to restore the public purse whilst ensuring we support economic activity.

811. The balance that needs to be found is not an easy one as Government seeks to balance the books, repay the cost of this pandemic and put Gibraltar in a position to be ready to face the other challenges that may well yet come our way.
812. Mr Speaker because we must be honest with the electorate, yes we have faced down this pandemic, yes we have exited it perhaps quicker than many other countries, thanks in large part to the support from the UK, but lets not kid ourselves it has taken a tremendous toll on our public finances as it has taken a toll on virtually every other countries public finances.
813. We all face the same challenges and like the pandemic I want Gibraltar to exit this challenge successfully before anywhere else, and I believe we can do it.
814. Mr Speaker but first to the challenge ahead.
815. As you can imagine seeking to project what will happen in the next 12 months is extremely difficult, as this changes depending on further restrictions that may have to be imposed, how quickly business returns how quickly revenues return etc.
816. Despite these difficulties, estimating expenditure for next year as accurately as possible needs to be done.
817. At present, we are estimating revenue for the year 2021/2022 of around £ 633 million.

818. That figure is some £67 million (or 10%) adrift from the level of revenue we were used to in 2018/2019 and that which we were projecting for 2019/2020.
819. Mr Speaker in that time we have not reduced employees or our ambition of the services we need to deliver to this community.
820. Additionally, Mr Speaker, we will, of course, be making a contribution to various charities, including Community Care, although they already have been able to build up their reserves, for rainy days such as those we are experiencing now, from the contributions made by this Government – having been left at zero by the former, GSD, administration’ failure to make donations in excess of their liabilities.
821. But, Mr Speaker simple mathematics tells us that this expenditure cannot match up to our projected income for the year.
822. Indeed, Mr Speaker we are projecting a deficit of £51m.
823. In order to fund this deficit this means that we will need the COVID-19 fund to step in and borrow a further £51m.
824. I can tell you we have done so already, we have already borrowed a further £ 50m over 31 March 2021 figure.
825. This is, of course, to be expected Mr Speaker as the economy was largely shut down in the first few months of this year and we expect revenues to return as we seek to return to business as usual.

826. Mr Speaker we are projecting departmental expenditure of around £ 551 million.
827. This is almost in line with the expenditure estimated in 2019/2020, ie we are seeking to maintain expenditure levels for two years.
828. It is therefore important for those listening to understand that every additional pound spent this year beyond the sums estimated will be an additional pound we need to borrow.
829. We are keen to repay that borrowing not extend it.
830. For that reason, Mr Speaker, to rebuild our public finances as quickly and as effectively as possible, I want to emphasise to everyone listening that we must be careful with any additional expenditure not already provided for in the Estimates Book before the House.

## **COMPANY ACCOUNTS**

831. Mr Speaker, speaking of matters not provided for specifically in the Estimates Book, I also want to deal with the question of the accounts and audits of the government companies.
832. COVID has impacted our ability to progress the audit of all government company accounts.
833. Nonetheless very good progress has already been made in catching up on the accounting processes for Government owned companies such that the

accounting is up to date and companies are ready for audit, or for the accounts to be reviewed for an accountant compilation report to be prepared, for those companies not legally requiring an audit.

834. During the lock down period much progress has been made in the readiness for either of these processes to be finalised.

835. To be clear, Mr Speaker, there are a total of around 70 government companies.

836. 11 of these, like Gibraltar International Bank or Gibtelecom, are not within the remit of Government accounting team compiling the reporting of these companies.

837. This therefore leaves 59 companies.

838. 27 of these, or almost half, that is to say, were formed before our election and were all in default of the obligation to file account before we were elected.

839. Management accounts are ready for either audit, or an accountants compilation report, up to 31 December 2019 and beyond for 54 of these companies i.e. some 91% of all companies within the ambit of Government reporting.

840. The audits and accounting compilation report processes have been completed on 34 of these companies with many others presently underway.

841. To explain the nature of the problem, Mr Speaker if you focus on those companies which we incorporated post our election in 2011, some 39

companies, management accounts are up to date for 35 of these companies for the periods up to 31 December 2019, with audits having been completed on some 26 of those companies.

842. This is the best record of any administration.
843. Mr Speaker we have therefore broken the back of this process and I now look forward to seeing steady progress to finalise the remainder over the coming 12 month period and have these filed and available to the public.
844. The filing should then be maintained without fail.

## **EMPLOYMENT**

845. Mr Speaker, I want to move now to look at the performance of the job market these past 24 or 25 months since the last Budget Debate.
846. In that time, several ministers have carried responsibility for this important area of government policy.
847. The Department of Employment continues to demonstrate that, despite the pace of work and the enormous pressures placed on it in recent times by both BREXIT and the COVID pandemic combined, the dedication of its team has not faltered for a moment.
848. They have done a magnificent job, so ably and inspiringly led by Debbie Garcia.

849. During these past two years, the department has not rested.
850. They have continued to work tirelessly and have stepped up to the demands and challenges placed upon them all.
851. A real example of a department in action in the service of the community.
852. During the pandemic the department was also a fundamental entity in ensuring that the BEAT support measures we approved were administered correctly in a manner that made our BEAT COVID measures a deliverable reality.
853. And as a result of that work, even in these most difficult times, unemployment has remained stable and Gibraltar continues to boast historically low unemployment levels.
854. Looking to the statistical facts Mr Speaker, as at October 2020, the total number of employee jobs in Gibraltar has decreased, by 1,087 an unsurprising 3.6% reduction, from 30,603 in 2019 to 29,516 in 2020.
855. Those figures were records each year and we must not be surprised at all that the combination of Brexit uncertainty and Covid carnage has resulted in slightly lower overall employment figures.
856. Breaking down that analysis, the private sector employment figure has recorded a decrease of 1,214 jobs from 24,001 to 22,787 in October 2020.



857. That is a reduction of just over 5% in private sector jobs in that period.
858. Conversely the public sector and the MOD have seen an increase in the numbers of persons employed of 1.9% and 2.1% respectively to 6,232 and 497 in October 2020 when compared to October 2019.
859. When the private sector reduction and the public sector growth are netted off against each other, the overall drop in employee jobs is the 3.6% I referred the House to earlier.
860. Mr Speaker, I want to tell the House that there has been consistent growth in the number of public sector jobs in the years we have been in office.
861. In the Civil Service, the number of persons employed and in post has gone up from 1,584 when we were elected in 2011 to 2,040.
862. Mr Speaker that means a growth of roughly 25% in Civil Servants in post under the GSLP Liberals in the past decade.
863. I remind the House that we have won three elections committed to the complement as it was in 2011.
864. We have in fact increased the numbers actually employed in the Civil Service by 25% or a quarter.
865. So I imagine no one is going to be accusing us of decimating anything, and certainly not the Civil Service.

866. Additionally, in the agencies and authorities, excluding the GHA, the number of persons employed and in post has gone up from 730 to 890 or 22%.
867. That increase is up by a fifth.
868. In the Gibraltar Health Authority the numbers of persons employed and in post as direct GHA employees has gone from 715.5 to 914.5.
869. That is an increase of 28% Mr Speaker in the persons employed in the Health Authority.
870. An increase almost of one third, Mr Speaker.
871. Mr Speaker that growth in the public sector has to be better analysed to be properly understood.
872. I will be asking the Civil Service Union and Unite to review these figures with me and – if appropriate – to consider with us the possibility of the introduction of agreed Early Exit Packages.
873. These would, of course, only be agreeable if the number of posts could be reduced going forward.
874. Undoubtedly as a result of the growth of public sector employment, the average gross earnings in Gibraltar are also up.
875. The figure for average gross earnings now stands at £32,625.26.
876. This is another record high, despite the many challenges our economy has faced, with an

increase of 2.7% from the previously reported figure.

877. Mr Speaker, in the near decade we have been in office, average gross earnings have increased from £25,831 by an incredible 26%, that is to say, OVER A QUARTER, to the figure I just reported to the House of £32,635.
878. That is growth that is manifesting itself in the growth of earnings across our economy.
879. Definitely something we are proud of.
880. Mr Speaker, under this Government despite all the challenges, and with all the sterling efforts of Mrs Garcia and her team, we continue to see record low unemployment.
881. In 2020, the year of a global pandemic and of our actual departure from the EU, the yearly average was a record low of 21.
882. In the last quarter of 2020 as we battled to support the return to normal business operations, we again achieved a record-breaking figure with the last quarter average of unemployment at 23, the lowest level ever recorded in unemployment history since records began.
883. In 2021, we have continued to maintain low unemployment levels with the 2021 second quarter average of unemployment again at 23.
884. Mr Speaker this, a 95% reduction in unemployment since our election 2011.

885. That is to say, our record is a 95% improvement on the position we inherited from the Honourable Members opposite for the GSD.
886. I remember when Honourable Members opposite used to say that anything under 300 was to be considered full employment.
887. We inherited the number of unemployed from them at a year average of 442.
888. Their last second quarter average in 2011 was 433 unemployed.
889. Our second quarter average last year was 5, Mr Speaker.
890. That is obviously a pre-pandemic figure.
891. But with a pandemic and having left the EU our second quarter average was 23.
892. Just for the sake of clarity, that is to say, our second quarter average unemployment rate in the middle of pandemic having left the EU was 413 unemployed LESS than under them.
893. Just saying, Mr Speaker.
894. Just saying.
895. Because that really says it all, Mr Speaker.
896. I guess we will not be hearing any more of the nastiness against the Father of the House's much maligned by hugely successful 'Future Job Strategy'?

And it puts all of their past rhetoric and all of the rhetoric to come today and later this week in its proper context.

897. Whatever their words before and after today, whatever the spin we may meekly see them try to apply to this fantastic performance by the GSLP Liberal Government, the GSD's lack of action in providing employment for those that needed it, their record and their performance is what damns them.

898. And despite their repeated criticism, their sneering, now more than ever these record-breaking unemployment numbers are the proof Mr Speaker, that this Government's system works.

899. And it has continued to work well even under testing times that we are living through.

## **THE INCOME TAX OFFICE**

900. Mr Speaker, I now turn to taxation and the revenue that the employment in our economy generates has produced.

901. The collection of corporate and personal income taxation consistently comprises approximately between 40 to 50% of recurring Government revenue.

902. It is therefore a vital part of our economy and one in which I must therefore comment on this year.

903. The total figure of tax collected for 19/20 amounts to £323.0M, representing £189.4M in personal income taxes and £133.6M in corporate taxes.
904. The total figure of tax collected for 20/21 amounts to £314.0M for 20/21, representing £185.6M in personal income taxes and £128.4M in corporate taxes.
905. That is £4.3m less in personal taxation and £5.2m less in corporate taxation collected in 20/21 than in 19/20.
906. That amounts to an overall reduction in tax revenue of £9.5m from one tax year to the next.
907. It is expected that the COVID-19 crisis will significantly start to impact global tax revenues given the noticeable decline in economic activity and consumption following national lockdowns and the forced closure of many businesses throughout the pandemic.
908. This is the expected widespread outcome predicted by the OECD.
909. In fact, in our own national analysis, the total tax collected in Gibraltar has dropped £31.7M in the 24 month period from £345.7M in 18/19 to £314.0M 20/21.
910. This represents a 9% decline in tax revenue, which although aligned to general expectations globally, also includes the impact of Gibraltar's exit from the European Union.

911. Mr Speaker, at any other time in our post war history we would have considered BREXIT the most life-changing and re-defining moment in Gibraltar's modern history.
912. For this reason, my Government continues to exercise prudent financial management and planning, allowing us to navigate these challenges securely and ensuring we safeguard our future and our way of life.
913. A way of life we have all come to cherish.
914. And a way of life we wish to maintain and enhance for our children, and our children's children.
915. Given the above, our financial forecasting of the 21/22 revenue figure is conservatively projected to a lower sum of £300m.
916. This figure is reached taking into consideration the impact we expect to see on corporate and personal incomes as a result of the pandemic.
917. Of that, £180M relates to personal income taxes and £120M relates to corporate taxes.
918. This is a very prudent estimate based on a safe and pragmatic consideration of the demographic of our taxpayer base and historic trend analyses.

## **TAX REFUNDS**

919. As part of our continued assistance to taxpayers, as I alluded to earlier, we have also provided in the

Estimates sufficient funding to sustain the Income Tax Office's Refunds Programme.

920. That will continue what we have already done during this difficult period when we have sought to accelerate refunds to taxpayers.
921. As a result, a further £10M was invested in the 24 month financial year gone, bringing the total amount allocated to tax refunds during the 19/21 period to £26M.
922. This is more money than has EVER before been paid in refunds to taxpayers, Mr Speaker.
923. This has allowed us to continue to make significant inroads in this area and to ensure that those who are owed their money get it as soon as possible.
924. Our commitment will continue in 21/22, with an additional £18M allocated towards the final stages of this process.
925. Mr Speaker this will enable the Income Tax Office to issue remaining refunds up to and including those for the 19/20 tax year and allowing for a return to a reduced recurring funding level in the future.
926. This process itself has not been without its difficulties.
927. The closure of Government's cash counters arising from the pandemic has required the Income Tax Office to process a tremendous amount of banking information, not previously



held, in order to be able to service refunds due to taxpayers.

928. I am aware that some people have had to wait longer than they or we would have liked to receive their refunded money.
929. I ask those of still waiting to please be patient.
930. The Government does not want to keep your money.
931. It wants to return it to you as soon as possible.
932. That is the best stimulus measure we can provide, Mr Speaker, to put more money into tax payers pockets for them to save or spend as they wish.
933. I therefore urge everyone listening, and who have not done so already, to please ensure that they provide banking information to the Income Tax Office.
934. Having these details available will reduce the processing time and enable HM Treasury to effect payment in a shorter timeframe.
935. In this respect, I must thank the team at the Income Tax Office for their hard-work and efficiency.

## **INTERNATIONAL TAX ISSUES**

936. Mr Speaker, I must also take the opportunity to speak about international developments on taxation.

## **BEPS**

937. The Government continues along its defined strategy of tax transparency and prevention of base erosion and profit shifting (BEPS).
938. Gibraltar has already indicated its in-principle support for OECD's consensus on Pillars 1 and 2 relating to the taxation of the digital economy, the allocation of taxing rights and the harmonisation of a minimum global corporate tax rate.
939. This is perhaps the most pivotal move taken to date in order to address BEPS risks at a global level and by large multinational enterprises; one Gibraltar has participated in as an Inclusive Framework Member on an equal footing with all other 129 countries that have expressed support for this initiative.
940. The Commissioner of Income Tax, as Competent Authority for Gibraltar under numerous international exchange mechanisms continues to service relevant obligations in respect of the exchange of information.
941. During the period since my last Budget address, Gibraltar has undergone numerous assessments as part of its membership with the Inclusive Framework on BEPS across a wide range of actions.
942. It is important to recall that access to the OECD's Inclusive Framework on BEPS was achieved as a

direct result of negotiating and concluding the tax treaty with Spain.

943. This permitted Gibraltar to become a member of the Inclusive Framework and participate autonomously in initiatives such as those set out above.

## **THE GLOBAL FORUM ASSESSMENT**

944. Most notably, in September 2020, the Global Forum published that Gibraltar retained its largely compliant rating in accordance with the international standard for the exchange of information on request.
945. This rating puts Gibraltar on a par with many other significantly larger and mainstream jurisdictions such as Australia, Canada, Germany, Spain and the United Kingdom.
946. An excellent result for a small jurisdiction with limited resources.
947. Most definitely a testament to the hard work and expertise of all involved.

## **INTERNATIONAL RECOGNITION**

948. The Government's prudent stewardship and our economic policy coupled with our appetite for tax transparency, administrative cooperation and mitigation of BEPS risks has attracted positive international recognition.

949. Not only does Gibraltar no longer feature on specific lists classifying territories as tax havens but is listed by the Tax Justice Network below the United Kingdom, the Channel Islands, Germany, the USA and Spain in their 2021 Corporate Tax Haven Index.
950. This list ranks those jurisdictions most complicit in helping multinational corporations to underpay corporate income tax by considering tax and financial systems as well as laws and policies available to reduce instances of abuse.
951. Jurisdictions are ranked by their Corporate Tax Haven Index value comprising a measure of how much scope for corporate tax abuse the jurisdiction's tax and financial systems allow.
952. This is assessed against 20 indicators.
953. Mr Speaker I have tasked our taxation experts to now review the Tax Justice Network's detailed methodology and consider these 20 indicators in order to improve our ranking where possible.

## **DOUBLE TAXATION AGREEMENTS**

954. Perhaps the most central developments in Gibraltar's international tax landscape in the period since my last address is the entry into force of both the Double Taxation Agreement (DTA) between the UK and Gibraltar and the International Agreement on Taxation (ITA) between the UK and Spain regarding Gibraltar.

## **THE DTA WITH THE UK**

955. Following ratification, the DTA with the UK entered into force on 24 March 2020.
956. This framework provides greater clarity for international businesses structuring their tax affairs and allows them to do so in a manner which is wholly transparent and aligned to international tax principles.
957. This in turn encourages inward investment and growth at such a crucial time.
958. Relationships have also been strengthened between the Income Tax Office and HMRC and HM Treasury in the UK enabling officials on both sides to reach out and network with counterparts and key personnel as required.
959. An example of this is the Memorandum of Understanding between the Competent Authorities of the United Kingdom and Gibraltar concerning the assistance in the collection of taxes under Article 26 of the DTA, signed on 24 June 2021.

## **THE TAX TREATY WITH SPAIN**

960. Despite having seen its fair share of negative commentary, particularly from the honourable members opposite and being the subject of a lengthy Parliamentary debate, the Government successfully published the legislation giving domestic effect to the International Tax Agreement with Spain on 26 February 2021, following which, it entered into force on 4 March 2021.

961. Following its entry into force, the Joint Co-ordination Committee and the Liaison Bodies formed under Articles 4 and 5 of that Agreement met in May 2021 via video conference.
962. The purpose of the meeting was to discuss important aspects of its implementation and the best way forward on co-operative matters.
963. More recently, the first reciprocal exchange of information under Article 3 of the agreement has been successfully concluded by both parties involved.
964. Mr Speaker, for all of these reasons, as expected, the Agreement with Spain is a success story in the making.
965. No concessions made on sovereignty and a commitment by Spain to both remove us from their blacklist and not to lobby for our inclusion on any others.
966. However, if this wasn't sufficient evidence vindicating the Government on its decision to proceed with this Agreement, I have only recently received some positive news justifying all our hard work on this.
967. As a result of the liaison between the Income Tax Office and their Spanish counterparts, I am now advised that certifications issued by the Gibraltar tax authorities have been recognised by a regional tax court in Andalusia.

968. As a result of their acceptance, these authorities have officially accepted the tax paid in Gibraltar as a set-off against the tax due in Spain.
969. This important recognition should now see tax cases against Gibraltarians in Spain receiving a fairer treatment in-line with internationally accepted principles.
970. Recognition of the independence of the Gibraltar tax authorities and, by extension, the autonomy of our tax system is a fundamental breakthrough and one which has been facilitated through this much maligned Agreement.
971. I hope that these successes continue and that this Agreement allows for a closer relationship with our neighbours; one under which through mutual respect and understanding a relationship can flourish for the betterment of both sides.
972. Later this week Mr Speaker we plan to issue a list of Questions and Answers compiled by the Income Tax Office based on those Questions people have raises.
973. Clearly this is not tax advice but rather the Income Tax Offices view on how they understand the Tax Treaty with Spain.
974. The Income Tax office reserves the right to modify this as matters progress and there is further experience from the interaction of the treaty, but I think this will be useful for professional advisors in particular.

## **EU STATE AID CASE**

975. Finally, Mr Speaker, in relation to the international aspects of the work of the Tax Office, I refer the House to the press release issued by the European Commission on 19 March 2021 under which the UK was being referred to the European Court for failure to recover illegal tax exemption aid in Gibraltar.
976. I am pleased to be able to announce to the House today that the Income Tax Office, as the authority charged with recovery of the aid due, has achieved provisional implementation of the decision, as confirmed by the European Commission's Enforcement Team, through payments into escrow in relation to the outstanding amounts of aid.
977. In the circumstances, Mr Speaker, we expect to be able to continue to work to give effect to the State Aid decision without infraction proceedings being progressed further against us.

## **DIGITAL TAX OFFICE**

978. Returning to focus on a national level, the Income Tax Office continues on the path to a digital transformation.
979. A move into this space is considered a vital and necessary step in a post COVID-19 working environment.



980. Initiatives such as the wider rollout of a Digital File Management System within the Income Tax Office now assists and facilitates the retrieval and use of documents electronically.
981. Similarly, payments of tax are effected directly via a dedicated user portal, whilst refunds are credited directly to taxpayer's bank accounts.
982. Both of these measures enhance the user experience and allow a more streamlined process.
983. Significant work has been carried out internally for the provision of systems including facilitating the submission of employer returns in addressing the reporting requirements of the BEAT assistance schemes paid during the COVID-19 pandemic.
984. This development work is now being used as a basis for other projects including a framework for a smoother process for employers to submit their payroll returns.
985. In this regard, the Commissioner of Income Tax has asked me to extend his thanks to the Government's Information Technology and Logistics Department for their continued support as and when required in all such matters.
986. The Income Tax Office has also worked closely with Government's Digital Services team for the successful launch a number of online tax services.
987. These include a registration and verification process, the application for an S1 certificate (healthcare entitlement based on social insurance

contributions) and the ability to manage your allowances.

- 988. These services are being expanded and will shortly also allow taxpayers to submit their income declaration on line through a dedicated user portal.
- 989. Innovation, modernisation and a strong sense of customer needs underpins this project, driven forward by the Income Tax Office's intention to deliver a digital tax system that is fit for purpose for all users.

## **BUDGET MEASURES**

991. And now, Mr Speaker, I turn to the moment you have all been waiting for.
992. Having shared all this detailed information with all Honourable Members, I will turn now to the measures that the Government proposes to introduce this year.

## **DISABILITY BENEFIT & OLD AGE PENSION**

993. Mr Speaker, this year, in keeping with our manifesto commitment, the Disability Benefit will increase by the rate of inflation.
994. The Old Age pension will similarly also increase in line with inflation.
995. Mr Speaker the Government has already made clear its commitment to equalise the pensionable age between men and women.
996. We will continue our work to achieve that in the most advantageous way possible that is affordable for our community.
997. That is work in progress that is taking longer because we are trying to deliver the best possible option for our people.

998. Both the Disability Benefit and the Old Age pension have risen by at least the rate of inflation every year since we were elected, and will continue to do so.

## **THE MINIMUM WAGE**

999. Mr Speaker, the minimum wage will also go up again this year.

1000. When we took over the minimum wage was at about £5.07 per hour.

1001. That amounted to just over £10,000 a year.

1002. The statutory minimum wage was increased to £6.45 with effect from 1 August 2017.

1003. It went up in August 2018 again by 4.5% or 30p an hour to £6.75.

1004. As a result, the minimum wage had increased by 25% in our first seven years in office.

1005. That was already the highest increase in the minimum wage that any Government has ever delivered in our history.

1006. Mr Speaker, I have said repeatedly that I am in politics to help working people.

1007. My background is proudly undeniably working class.

1008. As I have told the House before, I am proud that I come from a working family and we know what it is like to have to scrimp and save.
1009. Each year I will therefore insist in wanting to continue to increase the minimum wage by as much as the economy can reasonably bear without risk.
1010. If I thought it could rise by more, I would put it up by more.
1011. That is a careful exercise that we have to do.
1012. In 2019 I put in place a mechanism to ensure that the minimum wage would increase by a third of what it was when we were elected.
1013. The legislation on the minimum wage therefore provided for increases to £7.50 until the next three financial years.
1014. Honourable Members will recall that at the election the Leader of the Opposition betrayed that he had not been aware of this being provided for in the law.
1015. Mr Speaker, those increases, culminating in this increase will deliver a minimum wage at £7.50 an hour.
1016. The next two programmed increases will provide for inflation.
1017. Mr Speaker, these increases gives workers on the minimum wage Mr Speaker the certainty that their

hourly rates will continue to rise every year for five years.

1018. Workers have never had that certainty before, in particular when members opposite were in power and the hourly wage rate sometimes did go up at all for some years.
1019. I am delighted that by seeing through the implementation of this law this year we are delivering the most generous ever increase in the minimum wage in any ten year period, however it is measured.
1020. No government in Gibraltar's history has ever increased the minimum wage more.
1021. By announcing these increases as we did in 2019, we also enabled businesses to plan ahead.
1022. Mr Speaker I recognise the representations made by the Chamber and the Federation of Small Businesses seeking that we should delay the increase in the minimum wage for a year as a result of the pandemic.
1023. We do not agree.
1024. We believe that our five year escalator for the minimum wage was the right thing to do and we should not stop or pause the escalator.
1025. As I told the House when we introduced the escalator, I happy and proud to be able that at this rate our minimum wage is comfortably in the now top third of the group of 21 countries in the EU that have a minimum wage or the Group 3 Tier.

1026. Now our minimum wage is 6th highest in the 21 out of the 27 countries in eurozone in which there is a minimum wage.
1027. Mr Speaker I am calculating that based on a minimum wage at £15,600 a year or £1,300 a month, at 7.50 an hour, on the basis of a 40 hour week, 52 weeks a year – divided by 12 for the number of months in the year.
1028. That means that the minimum wage in Gibraltar has ALREADY gone up by almost 50% in the time we have been in office.
1029. From just over £10,000 to over £15,000!
1030. At Friday's exchange rate of 1.17 Euros to the Pound Sterling our Minimum Wage will be in the top third in Europe at €1,521 or €18,252 a year or €1,521 a month.
1031. Mr Speaker, the average, monthly minimum wage in Europe is €962, or about two thirds of ours.
1032. We are doing well by any measure, Mr Speaker, when it comes to our record on the minimum wage.
1033. Germany, Mr Speaker only provided for a minimum wage as recently as 2015.
1034. We have had it since the Honourable the Father of the House introduced it in his first budget after 1988.

1035. After this increase we will be alongside France and just below Germany at €1,584 and Belgium at €1,594.
1036. But with one caveat, Mr Speaker.
1037. When adjusted for deductions of social insurance, the sum of the take home minimum wage in Gibraltar is HIGHER than in and Germany.
1038. To be clear, in Germany an employee pays about 14% of their gross salary in **social insurance for healthcare** - half (or 7%) paid by the employee and half by the employer - an additional **pension insurance** of 18% - half (or 9%) paid by the employee and half by the employer.
1039. Additionally, long term care insurance is paid at the rate of 3% by each employee (with an additional 0.25% if a person is childless) and also of 2.4% - half paid by the employee and half by the employer – of Unemployment insurance.
1040. Mr Speaker, all of these deductions on social insurance equivalent payments due from a person on the minimum wage in Germany produce a state deduction of €110.88 for health care insurance, €142.56 for pension insurance, €47.50 for long term care insurance and €19.00 for unemployment insurance.
1041. The total state deductions in Germany, the industrial power house of Europe, from the pay packet of a citizen on the minimum wage is therefore €319.94.



1042. That leaves a minimum wage take home pay BEFORE TAX in Germany of €1,264 per month.
1043. Mr Speaker, in Gibraltar the monthly, take home, minimum wage before tax is reduced by sum of state insurance payments of £130 per month payable by the employee.
1044. That is €152 per month.
1045. Less than half the deductions in Germany.
1046. That leaves a take home minimum wage in Gibraltar of €1,369 a month.
1047. Our minimum take home pay for full time work is therefore above Germany.
1048. They never thought it was over before our election.
1049. But is now.
1050. Mr Speaker, it is an honour to be able to show that our consistent increases in the minimum wage since we were elected have now put our minimum wage above the German equivalent.
1051. We will continue to seek to increase and climb up that ranking too.
1052. Because in the same way we have grown our economy in other areas, we will continue to do so in this respect also.
1053. Properly, consistently and realistically adding to the minimum wage in a sustainable manner.

1054. And Mr Speaker, as the Minimum Wage goes up, so does the guarantee that no pensioner or pensioner couple will have to survive without at least the minimum wage.
1055. That is a measure without equal in Europe Mr Speaker.
1056. It is important that those who talk of hardship or of needing more should realise what the context is.
1057. People need to be reminded both of the benefits already enjoyed in Gibraltar and of how important it is that our careful balance is not upset.
1058. In simple terms, Mr Speaker, we must not kill the goose that lays the golden eggs.
1059. Because the quality of our country will always be measured by what we offer to those who have least and not what we require of those who have most.
1060. And this year we will move to ensure we provide a law for trade union recognition.
1061. Our command paper will pass to become a Bill and then to become an Act.
1062. Additionally, Mr Speaker, we do not just want to ensure that we are raising the amounts payable per hour for each worker.
1063. We want to ensure that our labour market is increasingly progressive and fair.

1064. In this respect we have done considerable work in partnership with Unite the Union on how labour conditions should change.
1065. Indeed, the social insurance changes made by the Father of the House will largely dissuade the use of zero hour contracts.
1066. We are continuing that work.
1067. Wage progress.
1068. Social progress.
1069. Workers rights.
1070. All protected.
1071. All enhanced.
1072. Do not expect otherwise from this Socialist Liberal Government.

## **THE CORPORATE TAX RATE**

1073. And I move now to address matters of corporation tax.
1074. Mr Speaker those following international tax matters will have seen the OECD announcement following the OECD meeting that took place on the 1 July 2021.
1075. This meeting was to discuss and agree upon on the framework for tax reform.

1076. In essence over 130 countries and jurisdictions out of 139 in the OECD joined the bold new framework for international tax reform.
1077. Gibraltar is one of those jurisdictions.
1078. The framework, which, as Honourable Members will know, originated in a G7 meeting in Cornwall, has now been adopted by the G20 and has led to the EU changing its position on the so-called 'google-tax' or the 'digital levy.'
1079. Mr Speaker for the benefit of those that may not be following this the G7 and the OECD have alighted on a framework to update key elements of the centuries-old international tax system, which is no longer fit for purpose in a globalised and digitised 21st century economy.
1080. Mr Speaker the framework consists of the two-pillar package which is the outcome of negotiations coordinated by the OECD for much of the last decade.
1081. Mr Speaker this framework aims to ensure that large Multinational Enterprises (MNEs) pay tax where they operate and earn profits, while adding much-needed certainty and stability to the international tax system.
1082. Mr Speaker, Pillar One seeks to ensure a fairer distribution of profits and taxing rights among countries with respect to the largest MNEs, including digital companies.

1083. It would re-allocate some taxing rights over MNEs from their home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there.
1084. Mr Speaker, Pillar Two seeks to put a floor on competition over corporate income tax, through the introduction of a global minimum corporate tax rate that countries can use to protect their tax bases.
1085. Although this is complex, it is important that it should be understood in our community, as these measures are important to our finance centre, which creates thousands of jobs that provide incomes for many families and corporate taxes that fund our services.
1086. So, our people need to understand these issues - in the same way they understood our, admittedly simpler, exempt company regime because, back in the day, it brought a lot of work to our people despite the non-payment of corporation tax.
1087. Mr Speaker, “th[is] two-pillar package will provide much-needed support to governments needing to raise necessary revenues to repair their budgets and their balance sheets while investing in essential public services, infrastructure and the measures necessary to help optimise the strength and the quality of the post-COVID recovery”.
1088. Mr Speaker these are the OECD’s words not mine.
1089. I am delighted to confirm that Gibraltar has registered its support for this framework.

1090. Mr Speaker whilst I understand this will present challenges to this jurisdiction and its model of taxation I do not believe it is in Gibraltar's interest to be the outlier that would not sign up to this framework and would seek to resist it.
1091. Mr Speaker to have resisted this would be to consign Gibraltar to the group of 8 countries and jurisdictions that did not support this.
1092. That would not be a safe 'Cabal' to be included in, especially as the measure, being an OECD measure and not an EU measure, will NOT require unanimity for its application.
1093. The fact that financial services companies are likely to be exempted, at the instance of the United Kingdom, will no doubt make application easier.
1094. But our future is as a leading, innovating, value added jurisdiction on the right side of the global transparency and accountability spectrum, not on the opaque side.
1095. Mr Speaker, what I believe we need to do is to understand the changes and navigate Gibraltar through reforms safely and securely so that we are left placed in the best position possible.
1096. These are early days though, as the framework has just been agreed conceptually.
1097. As ever with matters related to taxation, the devil will be in the detail.

1098. Mr Speaker, nonetheless what is clear is that under Pillar 2 the world will likely soon be moving to a minimum tax rate of 15%.
1099. Mr Speaker, for this reason I am today announcing an increase in corporation tax in Gibraltar.
1100. Any company commencing a financial period after today's date will now pay corporate tax at 12.5% and not 10%.
1101. This means that if the new global agenda prospers, when we are required by the OECD to move to 15% the increase will be less significant.
1102. 12.5% is also the rate of corporation tax in Ireland.
1103. Additionally, Mr Speaker it needs to be remembered that corporate tax is only paid on profits.
1104. It is not paid on turnover.
1105. For that reason, it is not an additional cost to the business, but rather a slice that Government takes of profits before these are returned to the shareholders by way of dividends.

## **INCENTIVES FOR CORPORATES**

1106. Mr Speaker whilst we increase the tax rate for corporates, we will also provide new incentives to corporations that act properly and responsibly.

1107. As we come out of this pandemic my government wants to seek to encourage good corporate social responsibility.
1108. We will support corporate behaviour that delivers capital investment, corporate behaviour that delivers marketing strategies that help place businesses and Gibraltar on the map, and corporate behaviour that supports the further training of our workforce, encouraging employment.
1109. We will also single out for support corporate behaviour that encourages environmental improvements.
1110. So, Mr Speaker, I say to businesses:
1111. Invest in employment;
1112. Invest in training;
1113. Invest in capital items;
1114. Invest in marketing;
1115. And invest in environmental improvement, and we will support you in doing so.
1116. We will be your partners in these endeavours.
1117. And these are the measures that will deliver our partnership.
1118. Mr Speaker unless I state otherwise the measures I am about to announce will only have a limited life



of around two fiscal periods from this date until the 30 June 2023.

1119. This is what we believe will turbo charge this economy out of this difficult period we have experienced and will create the foundations for a stable recovery.
1120. We will of course, nonetheless, consider the take up of these measures and review their application over the period in question.

### **INVESTMENT IN EMPLOYMENT**

1121. First of all, Mr Speaker in order to encourage employers to take on and train new staff, we will grant an allowance of 50% of the fixed salary cost of every employee employed after this date.
1122. This means that for every £ 10,000 invested in employing new staff, the business will be able to claim a deduction of £ 15,000.
1123. For the purposes of this measure “fixed salary costs” means the employment costs as per the contracted salary or similar with the Employment Service.
1124. So who can sustain the nonsense argument that we are taxing employment, when, in fact, we are giving tax breaks for employment and for training of new staff.
1125. The measure will be limited to basic salary and be exclusive of bonuses, allowances and overtime.

## **INVEST IN TRAINING**

1126. Mr Speaker business that invest in training their people the allowance for qualifying training under section 16 of Part IV of Schedule 3 of the Income Tax Act will be increased by 10% to 60% of those training costs.
1127. This means that for every £ 1,000 spent of training the business will be able to claim a deduction of £ 1,600.
1128. Mr Speaker the claimant will need to satisfy the Commissioner of Income Tax, through an application, that the expense is validly incurred in staff training.
1129. In order to encourage appropriate behaviour for these purposes it will be cost of training only that is increased, so ancillary costs such as travel and accommodation are not covered.

## **INVEST IN MARKETING**

1130. Mr Speaker business that invest in marketing will be awarded an additional deduction amounting to 50% of marketing costs.
1131. This means that for every £ 1,000 spent of marketing the business will be able to claim a deduction of £ 1,500.
1132. Again, Mr Speaker, the claimant company will need to satisfy the Income Tax Office, through

application, that the expense is validly incurred in marketing for the purposes of the business.

## **CAPITAL ALLOWANCES**

1133. Mr Speaker capital allowances encourage businesses to invest and upgrade their equipment.
1134. COVID-19 has shown the reliance we now have on technology, on IT, on contactless payment etc and we want to encourage our businesses to invest in upgrading their equipment.
1135. For this reason Mr Speaker we will increase First Year Allowances for plant and machinery and computer equipment from £30,000 and £50,000 to £60,000 and £100,000 respectively and allow the following:
1136. Mr Speaker for plant and machinery where the amount of expenditure incurred is greater than £60,000, the first year allowance will be the higher of the following:
- a) £60,000; or
  - b) 50% of the expenditure incurred.
1137. And Mr Speaker in the same vein for computer equipment where the amount of expenditure incurred is greater than £100,000, the first year allowance will be the higher of the following:
- a) £100,000; or
  - b) 50% of the expenditure incurred

1138. In addition Mr Speaker, in order to ensure the capital allowances flow through over shorter period and assist businesses immediately in these difficult times, we will increase pool allowance from 15% and 20% to 25% and 30% respectively for persons and persons other than companies.
1139. Mr Speaker we will also grant a general wear and tear on real property from where the business is conducted at 1% of the cost of acquiring the property.
1140. This is different to the industrial buildings allowance and industrial buildings therefore will not be eligible for this allowance.
1141. Finally, Mr Speaker and consistent with our green agenda and our commitment to reduce the amount of polluting vehicles on our roads we will extend capital allowances to promote the adoption of greener technologies by businesses.
1142. As a result the 'plant and machinery' definition will now allow for private vehicles where these are partly used for the production of the income and the motor vehicle is a full electric vehicle and not a hybrid.
1143. As a government we need to lead by example as we are, and we need to create the environment to protect the environment by encouraging businesses to follow our lead.
1144. As an economy we need to move in this direction and it is often the private sector that leads the way.

## **ENVIRONMENTAL IMPROVEMENT**

1145. Mr Speaker I have already touched on one environmental measure.
1146. I will now announce further environmentally important measures that are NOT intended to be limited to the next two years.
1147. Mr Speaker we have already provided legislation allowing deductions for solar energy systems for the installation of water heaters.
1148. These measures are now extended for any solar systems installed by companies/businesses or individuals and no longer to be limited only to water heaters.
1149. Mr Speaker a similar deduction for improvements to the EPC rating of a property is available under the Energy Performance (Deductions) Rules 2018.
1150. The Income Tax Office has not received any applications to date.
1151. Mr Speaker we will therefore increase the rates applicable to see if we can encourage business to take up this measure.
1152. The rates will therefore increase as follows:
1153. In category A+ the rate for tax deduction will increase by 30% from 70% to 100%;

1154. In category A the rate for tax deduction will increase by 30% from 55% to 85%;
1155. In category B the rate for tax deduction will increase by 30% from 40% to 70%;
1156. In category C the rate for tax deduction will increase by 25% from 25% to 50%;
1157. In category D the rate for tax deduction will increase by 15% from 15% to 30%;
1158. In category E the rate for tax deduction will increase by 10% from 15% to 25%; and
1159. In category F the rate for tax deduction will increase by 5% from 5% to 10%.

## **PERSONAL TAX MEASURES**

1160. Mr Speaker as I have mentioned previously, because no budget session was held last year and it was not possible to increase allowances or consider taxation changes.
1161. Mr Speaker in the context of this difficult year, the first instinct of many may have been to raise personal taxation.
1162. We have worked very, very hard in the Government and in the Ministry of Finance to **try** NOT to raise personal taxes.
1163. Social insurance has been raised to help fund the GHA and pensions.

1164. And Honourable Members and those watching should be reminded that every penny of social insurance goes ONLY to fund the GHA and pensions.
1165. So today, I will **NOT** raise personal taxes for working people on our standard GIBS or Allowance Based systems.
1166. And I will not introduce tax on pensions.
1167. We have worked very hard not to have to do so at this very difficult and financially challenging time.
1168. Additionally, I will not raise personal allowances across the board in a manner that will have the effect of lowering the tax burden.
1169. Given the 24 months we have just past and the challenging period ahead it would be irresponsible of me to increase all tax allowances.
1170. I am however conscious, Mr Speaker, that there are those within this society that need our help more than others.
1171. Those of us who can carry the burden of these difficult times have a responsibility to do so.
1172. Similarly, it is our responsibility to help those who most need our help.
1173. For this reason, I propose to increase allowances by inflation or more to a targeted, limited group of taxpayers who are the ones who may most need and benefit from such increases.

1174. In this respect, Honourable Members should note that the measure of inflation in the period July 2019 (the time of the last budget) to April 2021 is around 1.5%.
1175. Mr Speaker the following allowances are therefore set to increase with effect from 1 July 2021 as follows:
1176. The age allowance for single individuals is increased from £ 5,600 to £ 5,685;
1177. The age allowance for married individuals increased from £9,055 to £9,190. We must be conscious of the importance of helping those of our elderly in our community who need our help;
1178. The allowance for blind persons will be increased from £5,395 to £5,475 to assist those with visual impairments;
1179. The allowance for child studying abroad is increased from £1,355 to £1,375 to assist families with dependants in further education, which is already funded by the government;
1180. The allowance for a dependent (non-resident) relative is increased from £220 to £250;
1181. The allowance for a dependent (resident) relative is increased from £335 to £400;
1182. The allowance for disabled individual increased from £9,475 to £10,000. This is a considerable increase, much ahead of inflation, which is designed to show that we understand just how difficult the lives of the family members of the



disabled are too. **This sum has increased from £2,724 under the GSD to £10,000 in our time in office. That is to say, Mr Speaker, we have QUADRUPLED the disabled individuals allowance.** It is right that we should increase such allowances in this way. I do not care if members opposite call me lavish in my spending when I spend on these matters, or in the creation of a new St Bernard's School or on other expenditure to come for people with disabilities. I consider their attempt to deprecate us in such respects no more than a badge of political honour. I know that there is more to do in this respect, but we have done more than most and we will take no lessons from the GSD on this;

1183. The maximum allowance for nursery fees is increased from £5,400 to £5,480;
1184. The allowance for a single parent family is increased from £5,690 to £5,800, again, much above inflation, because in this bracket Mr Speaker this increase will help single parent families, usually, but not always, women left to bring up children alone, in a meaningful manner.
1185. Mr Speaker, I also am asking that the Commissioner should look at the definitions employed in respect of this single parent family allowance to ensure there is no abuse of it.

## **CAT2 AND INDIVIDUAL WITH SPECIALIST SKILLS**

1186. Mr Speaker, the rules for Category 2 individuals and those for High Executive Possessing

Specialist Skills have not been amended for a number of years now.

- 1187. It is time to balance the requirement for these with the demand that has been seen in recent months.
- 1188. Mr Speaker our changes are relatively straight forward.
- 1189. For Category 2 Individuals the cap beyond which no further taxation is due in Gibraltar is set to increase from £ 80,000 to £ 105,000.
- 1190. In addition, the minimum tax payable for Category 2 Individuals is set to increase from £ 22,000 to £ 32,000.
- 1191. Mr Speaker our changes for High Executive Possessing Specialist Skill arise from changing the threshold to qualify for this classification.
- 1192. Going forward, to qualify for this classification an individuals will need to earn more that £ 160,000 instead of the existing level of £ 120,000.
- 1193. These individuals will only pay taxation up to this level.
- 1194. Mr Speaker transitional arrangements will also be brought into effect.
- 1195. These will cover businesses that are presently in possession of certificate in respect of existing individual employee possessing specialist skills, who currently earns more than £ 120,000 but less than £ 160,000.

1196. These certificates will remain grandfathered under the HEPSS regime for a period of two years to allow these businesses to rationalise their employment terms.
1197. Grandfathered individuals will continue to pay taxation under the HEPSS regime, which is slightly higher than taxation under the normal regime, even though they would not qualify for a HEPSS certificate if they applied for it after these changes, under the revised terms.
1198. This will allow their employers not to lose their certification whilst they readjust their employees earnings and qualify under the revised provisions for HEPSS.
1199. Mr Speaker since it is ill advised to increase taxation retrospectively, and we would always seek to avoid that if possible, these changes will come into effect on 1 August 2021.

## **REGULATIONS**

1200. Mr Speaker business has often said that it is difficult to deal with these measures once announced without the relevant legislation in place.
1201. We have heard them Mr Speaker.
1202. Whilst the time to produce the regulation is certainly now much shorter than when my colleagues opposite were in Government, when we often found ourselves legislating more than a

year after a measure has been introduced, any delay is obviously regrettable.

1203. For that reason, Mr Speaker on Thursday this week Regulations will be published in the Gazette that bring into force all of these announcements which require regulations to be changed.
1204. In respect of those measures which require a primary change to legislation, I will be seeking to amend the Bill before House in order to propose the inclusion of the changes necessary to the Income Tax Act as we pass this Bill.
1205. I would like to thank the Commissioner of Income Tax, John Lester and his team for their hard work and diligence in making this possible.

## **THE ELECTRICITY TARIFF**

1206. Mr Speaker the last time electricity was increased was when the GSD was in office in July 2010.
1207. The standing charge had been increased by the GSD by 100% in 2005.
1208. Since that time to the end of January 2021 IRP has increased by around 20.5%.
1209. Those that follow these debates will recall that in the last few years of the GSD Government they had starting increasing these tariffs annually since 2008, presumably to get the electorate accustomed to the 5% annual increases that would be demanded by the financing arrangement

they were intending to put in place to finance their diesel power station.

1210. The tariff had been increased by 10% in 2005 and then they had been increasing by average of 5% per annum from 2008 to 2010, in the Budget the year before election year.
1211. Yes, Mr Speaker, members opposite will not be able to avoid the fact that the measure that the GSD proposed in respect of electricity tariffs was to increase electricity charges over these past ten years by 50% and to continue those increases for a further five years to reach a total of a 75% increase.
1212. My Government has - instead - held electricity prices at their 2010 levels for over 11 years.
1213. That said Mr Speaker given the increases to the cost of living and the disproportionate contribution the taxpayer needs to make to fund the production of electricity, the time has now come to increase all tariffs across the board so that we no longer all have to fund the consumption of electricity by the biggest consumers through our general taxation.
1214. We must move to a system where those who consume pay closer to the cost of what they consume.
1215. As we have consistently said in the election campaigns since 2015, we are better able to do this now with the new LNG facility now commissioned and working.

1216. This is a cleaner and cheaper fuel than the Grimmy, Smelly, Diesel power plant we were going to be condemned to under the GSD.
1217. In consumption terms, Mr Speaker, commercial users presently make up about 16% of users by number but consume some 52% of the units billed, whereas residential users amount to 79% of the GEA's customer base but only consume 39% of units billed.
1218. These statistics are correct for the first quarter of 2021.
1219. For this reason, Mr Speaker, the Government will increase the commercial electricity tariff and all other incidental tariffs by 20% rounded of, on both charge per unit and standing charges to keep pace with inflation.
1220. Mr Speaker, I also think this is also a moment to consider how best to charge for electricity.
1221. Historically the business tariff has had a discount over personal consumption.
1222. This historical anomaly was based on charging less for a greater consumption, however in 2021 our green or environmental agenda means it no longer makes sense, as a community, for us to be rewarding or subsidising volume consumption of electricity.
1223. In addition, it is businesses that are usually best placed to make the environmental changes that are required such as smart lighting, conversion to LED lighting and greater insulation to business

premises to retaining the heat in winter and blocking it out in summer.

1224. For that reason, Mr Speaker, in order to align matters we will match domestic consumer tariff to the new, lower, increased commercial tariff.
1225. This means that the commercial consumer tariff increases by less than the inflationary increase, that is to say by some 16%.
1226. This also means, Mr Speaker, that we will have put the cost up by an average of 1.6% a year whilst we have been in office, or 3.5% less than the GSD.
1227. And all that, Mr Speaker, is, in any event, 30% less than the GSD would already have increased the electricity charge, Mr Speaker.
1228. That is a GSLP Liberal discount of which I think we can be proud on this side of the House.
1229. The increases will henceforth be linked to inflation and will increase on the 1<sup>st</sup> June each year.
1230. Additionally, Mr Speaker, Tariffs 5, 6A and 6B are now abolished.
1231. They were only benefitting a small number of consumers and the Government sees no reason to continue them.
1232. We hope, Mr Speaker, that this will also encourage consumers to install renewable sources of energy.

1233. Mr Speaker, at these new rates, the electricity charges in Gibraltar will still be lower than in the United Kingdom or Spain – and that will be because Government will still be subsidising the cost.
1234. I should add, Mr Speaker, that our power station does not just pollute less than the option proposed by members opposite; it is not an eyesore at the entrance to the nature reserve, it cost less and it will be paid for sooner too and without the consumer having to dig deeper into their pockets as they would have had to do under the funding arrangements proposed by the GSD and members opposite.
1235. Thank goodness Mr Speaker that we were elected in time to stop that Grimmy, Smelly, Diesel folly.

## **IMPORT DUTY**

1236. Mr Speaker, as you are aware following the New Year's Agreement we are involved in detailed negotiations with the EU, Spain and the UK about a possible fluidity deal.
1237. Part of the New Year's Agreement envisaged that we would look at a Customs arrangement.
1238. Some of the alternatives that we have discussed with TLAC envisage a change to our established systems of import duties.
1239. We will continue our work with TLAC and with specific sectors and specific economic operators



to ensure that we are ready for the negotiation and the decisions we will have to make.

1240. Mr Speaker, given the challenges of the possible changes to the regime I propose to make very limited changes to the duty tariff at this point despite it being over two years since I last effected significant changes.
1241. I do not think it is prudent to do otherwise.
1242. However, in order to continue to raise revenues from the consumption of polluting fuels, as from midnight last night, the rebate on duties for fuels supplied from land or otherwise to Superyachts, jet-skis or pleasure craft of any type is reduced by one third and the supply of these fuels will therefore attract one third of the relevant fuel duties.
1243. And any diesel fuel supplied to a Superyacht, jet ski or pleasure craft of any type will now attract 12 pence of duty per litre – roughly the same amount as will be due by the reduction of the rebate by one third in respect of other fuel.
1244. These increases will retain Gibraltar's attraction as a port for such visiting vessels, but will also provide much needed revenue for the public coffers at this time from those who are fuelling a hobby or a pleasure and not from those who require fuel for professional purposes.
1245. Mr Speaker, as part of my government's continuing efforts to curb the health problems arising from smoking as well as our commitment to tackle all illicit tobacco smuggling, and after

consultation with the collector of customs, the following increases of input duty have been introduced as from midnight last night, import duty per carton of 200 cigarettes will be increased by £0.50 to £15.50 per carton.

## **THE SALE OF SMALL BOATS MARINA**

1246. Mr Speaker as you know a couple of years ago we conceived and built the small boats marina.
1247. This houses 700 vessels approximately.
1248. We were much criticised for this development by members opposite.
1249. It is another one of the things they complained was 'lavish spending', however good it might be for so many who have benefitted from the creation of the berths.
1250. The marina provided berthing for experienced hands who wanted to have a place to berth their vessel as well as a number of Gibraltarians that had not previously own vessels but aspired to own one too.
1251. Unfortunately, some individuals no longer want the vessels but are unable to sell these are the next prospective purchaser is unable to confirm whether they will be eligible for a berth making the market extremely limited.
1252. We are also aware that a number of berth holders would wish to acquire their berth just like car owners want to acquire a garage.

1253. With this in mind the Government will now move to sell the berths to those who may be interested.
1254. The sale price for the larger berths will be £40,000.
1255. The smaller berths will sell for £ 32,000.
1256. That price will hold until the 31<sup>st</sup> March next year.
1257. Each year, on the 1<sup>st</sup> of April until further notice, the sale price for berths from government will increase by 10%.
1258. Once acquired, the berths will be freely transferrable but only to Gibraltar residents approved in writing by the Captain of the Port in his discretion.
1259. Renting of berths will also only be permitted if previously approved in writing by the Captain of the Port in his discretion and each rental will require specific approval.
1260. The right for onward sale by an individual will, however, be at an open market price.
1261. Given that berths and boats are not necessities but luxuries, these transactions will be subject to stamp duty at the rate of 5%.
1262. Berthing fees will still be payable, as these are in the nature of a service charge payment to the management committee of the marina and they go to the maintenance of it.

1263. Mr Speaker, the total revenue from the sales of the berths, if all were to be sold, would amount to more than £25,500,00.00 which is close to the development costs of the Small Boats Marina.
1264. Additionally, the Government also retains the huge asset which is the outer Super Yacht Marina which has brought so much business already to Gibraltar and which we are looking to develop further.

## **CONCLUDING REMARKS**

1265. Mr Speaker, those are the measures I announce today.
1266. That is the Budget that we propose for Gibraltar.
1267. No tax rises – although that has not been easy.
1268. Maintaining the absence of tax on pensions.
1269. Modest tax allowances.
1270. Duties on polluting fuels and on income generation measures from luxuries not from necessities.
1271. A carefully calibrated package of measures designed to protect the income of working people.
1272. Giving only to those that need it the most.
1273. Taking more only from those that can afford it the most.
1274. Working to refund our coffers to continue to fund the lifestyle we all want to see for our children.
1275. My colleagues will later take the House through how each of their departments will address their own revenue and spending commitments to deliver against the Estimates now formally before the House.

## **GRATITUDE**

1276. It is traditional that I would now thank all Ministers and public servants for their work in the run up to this debate.
1277. It has become almost formulaic to do so.
1278. But it cannot be formulaic.
1279. These past 24 months have shown everyone in our community that, without our public sector, we would not have been able to deal with the COVID Pandemic as we did.
1280. So, there is nothing formulaic about the gratitude I express to all my ministers for their work alongside me, and the Deputy Chief Minister in particular, in these extraordinary times.
1281. I include for thanks, of course, the Honourable Mr Gilbert Licudi QC, who was a Minister at the worst of times and was also a feature of our daily 4pm press conferences.
1282. Now that he is not a Minister, he can reflect on the excellent work he has delivered for Gibraltar.
1283. His record includes the small boat marina, the University and a number of new schools.
1284. That alone would be a magnificent record for a whole government.
1285. He should rightly be proud of what he has achieved as a Minister.
1286. As should Neil Costa, who has left the Government since the last Budget and carries the

moniker of 'hyper achiever' for his efforts in my first to Cabinets.

1287. It is a pleasure to now see the Hon Vijay Daryanani about to deliver his first, of I hope many, Budget addresses.
1288. Mr Speaker, in the Government we have all really been a Cabinet team that has been in the trenches together.
1289. From Brexit to Covid.
1290. And we have built a bond of trust and friendship between us a result.
1291. My sincere thanks to all of my Ministerial team.
1292. My equally sincere thanks to all the senior officials who work closely with me or with my Ministers.
1293. Each of Michael Llamas, the Attorney General, Albert Mena, the Financial Secretary and Hector Montado, the Chief Technical Officer.
1294. Thank you for your unwavering commitment and dedication.
1295. Gibraltar could not exist as a successful economy without your hard work.
1296. Sincere thanks also to Chief Secretary, Darren Grech and his team, especially Richard Montado and Michael Crome.
1297. These were the worst of times.

1298. You were all the best colleagues, friends and professional support.
1299. And the most sincere appreciation to all of you not just from me, to Ministers and senior officials.
1300. This year I want to express the gratitude and thanks of the people of Gibraltar to you all for your '*beyond the call of duty*' approach at these hugely difficult times.
1301. I know, that it is not over yet and I will have to call on you to go 'above and beyond' for a little while longer yet.
1302. I know also that you will be there and that you will never let your beloved Gibraltar down.

## **THE PARLIAMENT: CLERK & STAFF**

1303. Mr Speaker I want to take this opportunity on my behalf and on behalf of all members of the Government, and I am sure all members of the House to thank you, the Clerk and all members of your staff for your assistance this year in the discharge of my functions as Leader of the House during the course of the past two years since the General Election and indeed during the course of the pandemic and my need to report back to Parliament on both Brexit and Covid.
1304. Thank you for your very kind support throughout.
1305. I specifically want to single out for gratitude the Clerk of the House who has carried the



responsibility for two referenda and two General Elections and one or two European Elections.

1306. Mr Martinez has indicated his intention to retire, and in that tug of war, I have been unable to carry more sway than Mrs Martinez.
1307. I therefore ask the whole house to join me now in reflecting our thanks to him in this, his last State of the Nation debate.

*[BANGING ON DESKS].*

## **OTHER DEPARTMENTS**

1308. Mr Speaker, I carry political responsibility for other departments which I have not gone through today in the course of my speech because the political moment in which we find ourselves has required a deeper analysis of some aspects of the economics of Gibraltar in this time in our history.
1309. I do not want to keep the House for longer than I have to but it is also unfair for me not to report on the excellent work which is being done in Customs, CSRO, in Industrial Relations and Public Sector HR and in the BCA.
1310. I will therefore lay on the table a report, with your leave, as I did at the last Budget, on the functioning of those departments.

## **THE MINISTRY FOR FINANCE & THE TREASURY**

1311. Mr Speaker, beyond the Financial Secretary, behind these two Estimates Books, the Supplementary Appropriation Bills which we will deal with later in this session, the full year checking and cross checking and the planning for this debate, is a team of people who kept working at the most difficult of times and who kept smiling despite the many drafts, redrafts and the very many changes that 'the Book' goes through from inception to printing.
1312. Thank you to Ernest Tomsett, Susie Gonzalez, Bethany Gomez and Alison Cruz as well as many others in the team who make it possible for us to account with such absolute and complete transparency and clarity to this House and to taxpayers generally.
1313. All that is right about this Book is down to their skill and diligence as they professionally ensure that we report accurately to The People.
1314. I also extend my thanks to all in the team at the Ministry of Finance and Her Majesty's Treasury.
1315. I once again thank them all on behalf of Gibraltar for their precise and careful work throughout the year.
1316. In the Ministry of Finance and in the Treasury, the Budget is not a one day debate, it is a 365 day a year exercise.

## **THE PRESS OFFICE**

1317. I must also, of course, Mr Speaker, thank the Press Office at No6 led by Clive Golt.
1318. These past 24 months we have pushed ourselves to the limit in order to ensure that the public had as much information as possible about the pandemic.
1319. This has meant an incredible effort, above and beyond the call of duty.

## **THE STAFF OF No6**

1320. Additionally, Mr Speaker, my sincere gratitude, like never before to my personal team at No6, so ably and professionally led by the tandem of Peter Canessa and Denise Ghio and the Parliament team led by Gareth Ochello and Philip Borge.
1321. This year they have worked more than ever.
1322. To boot, they have not even claimed overtime when doing so at the height of the COVID pandemic.
1323. This team is the rocket fuel that propels me forward at the worst of times.
1324. They always keep me smiling.
1325. And they always look great when the cameras are rolling.
1326. I thank you all from the bottom of my heart.

1327. I thank you all on behalf of The People of Gibraltar.
1328. This year we are saying a fond and sad farewell to Joyce Diaz, who will be retiring against all our wishes.
1329. We will also be saying farewell to Georgina White who will be leaving on maternity leave.
1330. We wish her all the very best at this very happy time and in the age old Gibraltarian way, we wish her also 'una horita corta.'
1331. She will be replaced by our younger Georgina De Bono, who will make up the team with Susan Martinez and Javi Redondo.
1332. We have also said a very fond hello to Saide Haverland and to a whole new team of Close Protection Officers, Anthony, David and Stuart.
1333. Mr Speaker, for the first time since I have been Chief Minister, the protection team is younger than me...
1334. I thought someone might be sending me a message...
1335. But then I worked out that they are younger than all of the putative contenders on that side too, even, if I may say so with respect, the Honourable Lady!

## **A DECADE IN OFFICE**

1336. In fact, Mr Speaker, in the last ten years, I have gone from sitting there and being called unfit to govern, to delivering ten Budget speeches from here and presiding over greater economic growth than those who had impugned my ability a decade ago.
1337. The journey has, of course, been bitter sweet.
1338. In that time I have been lucky enough to become a husband and a father.
1339. But I have also become an orphan.
1340. Such is life, Mr Speaker.
1341. And last week, Justine and I celebrated our first ten years of Marriage.
1342. We had married on a Saturday after a Budget.
1343. This year, we celebrated our first decade together with a week to go before a Budget.
1344. I promised her yesterday not to ever organise another Budget debate the day after her birthday!
1345. I also thank her from the bottom of my heart and from the depth of my love for her for putting up with it all.
1346. Ten years, three lovely children and three elections and two referenda won together.
1347. Not a bad record!

## CONCLUSION

1348. But now, Mr Speaker, there is no question that there are hard times ahead for all of us in this community.
1349. But they will only be hard in the context of the very good times we have just seen screech to a pandemic halt.
1350. What we are calling hard, previous generations would have called '*a walk in the park*'.
1351. They had so little, but they made so much of it.
1352. And they showed us a better way.
1353. **That** is the Gibraltarian way.
1354. And if this is our moment of hardship, let us give thanks that this is as bad as it gets.
1355. Because we have built a Gibraltar that is economically resilient for moments such as this.
1356. Reserves in Community Care.
1357. Reserves in the Savings Bank.
1358. But we have to understand what has happened.
1359. We have had to pull the handbrake.
1360. We are on a new journey as a people.

1361. But one that happily does not require the hardships of evacuation.
1362. And as we move forward, we will spend on things that matter.
1363. But we will save on things that do not.
1364. Because we chose to balance the books in this generation - **not because it is easy, but because it is just.**
1365. Because we will ensure that we carry the burden of paying for the problems of our generation – like Covid – and the follies – like Brexit – and not transmit the burden to our children’s generations.
1366. We have invested millions already and will invest more on the right projects for our people.
1367. We make no apology for investing in our people.
1368. And now we must rebuild our public finances like we have built new schools.
1369. We must deliver a renewal and a regeneration to return to sustainable growth.
1370. Sustainable growth.
1371. That is the key.
1372. Because we are not the same Gibraltar that went into the pandemic.
1373. We have already lost 94 of our people to it.

1374. They will NEVER be forgotten.
1375. I will forever carry the loss of them with me.
1376. But, Mr Speaker, that past is written.
1377. And we are now left to write the future for our children.
1378. And that is what this Budget does, Mr Speaker.
1379. It starts to write a brighter future for our people.
1380. A future that shimmers clearer in the sunlight of the times to come.
1381. Because *"[t]he real divide [in politics today] is not between left and right. It's between ambition and no ambition."*<sup>2</sup>
1382. That's why I know we have done the right things these past 24 months.
1383. Because we have invested in the ambitions of our people.
1384. As we have done every day of the past almost ten years in government.
1385. As we do and will continue to do every day.
1386. We have invested in the things that matter.
1387. We have invested in the services that matters.
1388. And we have delivered to the people that matter.

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<sup>2</sup> Mariana Mazacutto

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1389. We have delivered for the people who work hard every day.
1390. Or for those whose days are so hard that they cannot even work.
1391. And in the past 24 months, we have even delivered the basic wage to many to protect working people from the economic consequences of the ravages of the pandemic.
1392. That has been the aim of every one of our budgets.
1393. To deliver for working people.
1394. To deliver real social justice.
1395. To ensure that those who can, are free and able to do what they wish, when they wish.
1396. And that those that cannot are properly provided for.
1397. Ambition for our people.
1398. Aspiration for our people.
1399. Achievement for our people.
1400. Those are the three 'A' to which we aspire.
1401. **That** is what we believe that this Budget will once again put us on the road to delivering.
1402. And **that** is what we stand for in this Parliament today.

1403. And **THAT** is the politics of this Government.

1404. Mr Speaker, that is why

**I UNHESITATINGLY COMMEND THE BILL TO  
THE HOUSE.**

*Adjournment.*