Tax Newsletter | 11 July 2023

Gibraltar Budget 2023

A summary of the key tax related changes announced in the Chief Minister’s Budget Address on 11 July 2023.

Personal Tax Rates

The tax rates on all bands under both the Allowance Based System and Gross Income Based System will reduce by 1% for anyone earning below £100,000 pa (maximum effective rate of tax of 26%).

Tax rates will remain unchanged for those earning more than £100,000 pa.

New tax credits

New tax credits will be introduced in relation to the following:

- 10% of the verified costs for individuals who are enrolled in a gym or who contract a personal trainer who is registered with the Income Tax Office;
- 10% of the cost of private school tuition in Gibraltar; and
- 75% of the LSRA fees for lawyers who are single practitioners.

Tax free lump sum payments

In September 2023, public sector workers will receive a tax free lump sum payments as follows:

- £1,200 (basic salary below £50,000);
- £900 (basic salary between £50,000 and £75,000); and
- £600 (basic salary between £75,000 and £100,000).

Employers in the private sector can elect to make tax-free payments to employees on the same terms. Note that such payments would be excluded from payroll and would not be tax deductible for the employer.

Stamp Duty

The allowance for first time buyers will increase from £260,000 to £300,000.

The stamp duty rate applicable to property sales over £800,000 will increase from 3.5% to 4.5%.

The Commissioner of Stamp Duties and Financial Secretary will undertake a consultation prior to 30 September 2023 on whether to introduce stamp duty in relation to the assignment of purchase contracts for real property (e.g. off-plan purchaser for new developments).

Import duty

Existing measures reducing import duties to mitigate the effect of higher fuel prices will remain in place until 31 December 2023.

Duty rates for private vehicle importations and importation of vehicles by dealers will be aligned. No details were provided as to when this or other import duty measures (below) will take effect.

The vehicle duty cap relating to the importation of petrol or diesel cars will be increased from £25,000 to £35,000.

A new cap of £35,000 will be introduced on the importation of pleasure vessels.

Duty on tobacco will increase by £25 per master case (50p per carton / 5p per box of 20 cigarettes). Duty on vapes and associated products will be set at 50% of the rate of a packet of 20 cigarettes.

Import duty will be reduced to zero in relation to the following health & fitness related items: fitness trackers, bicycles, bicycle accessories or spare parts, treadmills and all other gym or fitness equipment.

Employment Penalties

The Department of Employment vacancy fee will be reduced from £18.00 to £8.60 and will increase in future years in line with the minimum wage.

The Department of Employment will have discretion to waive the £15 penalty for not respecting the 10 day vacancy period.

Pillar 2

Gibraltar has committed to implement the OECD Pillar 2 rules which provides a framework for a minimum 15% tax to be paid by multinational groups in each jurisdiction in which they operate. The rules will apply to multinationals which have at least 750 million Euro of revenue in their consolidated financial statements.

The Pillar 2 rules will take effect in Gibraltar no earlier than accounting periods beginning on or after 31 December 2024. The Chief Minister has indicated that a distinct new regime will be introduced for companies within the scope of Pillar 2 including a domestic minimum top-up tax. However, the implementation of Pillar 2 will be subject to a formal consultation process (see below).

Consultation process

The Chief Minister announced the adoption of a tax consultation process with the various industry sectors through the Gibraltar Finance Centre Council with the aim of focusing on adaptive and progressive fiscal policy. Topics subject to consultation will include the following:

- Pillar 2 Global Minimum Tax;
- A review of the Income Tax Sub-Contractors Regulations 1994;
- An alignment of the tax filing requirements with those of the Company Registrar together with a review of the payment dates for corporate tax;
- The introduction of a tax deductible amortisation of acquired intangible assets (e.g. goodwill); and
- The introduction of Group Relief.

Tax Simplification Measures

The Commissioner of Income Tax will undertake a review of the personal tax system in Gibraltar with a view to simplifying the current rules where possible.

Statutory Minimum Wage / State Pension and Disability Benefit

The statutory hourly minimum wage will increase from £8.10 to £8.60 (a 6.2% increase). The State Pension and Disability Benefit will also increase by 7%.

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