

At a Glance: Gibraltar Budget 2011

Introduction

At the Parliamentary session of 4th July 2011 the Chief Minister delivered his Budget speech.

The main theme has been to cut the main rates in personal taxes whilst leaving other main areas, including social insurance, largely unchanged.

There are also some measures to assist local businesses by increasing the discount available for business rates as well as reducing customs duty on a range of popular items.

Economic Highlights

- ✓ GDP growth of 6.5% in the last year.
- ✓ GDP growth in current year estimated to be 5%.
- ✓ Budget surplus of £31M.
- ✓ 20,975 jobs in the economy as at October 2010, a record high.
- ✓ Net public debt 23% of GDP.
- ✓ Public sector pay rise of 2.5%.

Taxation Highlights

Company Income Tax (no changes)

- ✓ 10% standard tax rate continues.

Social insurance (no changes)

Stamp Duty (no changes)

Individuals

- ✓ All taxpayers under the Allowances Based System will receive a tax cut of 2%, or if greater, £300.
- ✓ Top rate of tax under the Gross Income Based System reduced to 28% (29%) and the bottom rate reduced to 6% (8%).
- ✓ Effective tax rate lowered in all income bands.
- ✓ The impact of these changes is that the maximum effective rate of tax is:

Income	Effective Rate
to £8,000	Nil
to £15,000	<11%
to £20,000	<15%
to £25,000	<17%
to £40,000	< 20%
to £300,000*	<25%

* at amounts over £300,000 the rates fall.

Preferred Tax Status (no specific changes)

- ✓ No changes for Category 2 and HEPSS individuals although each should benefit from the general cut in tax bandings and rates.

Other Measures

- ✓ Rates early payment discount restored to 20% (10%). A further 10% discount for bars and restaurants that prohibit smoking.
- ✓ Import duty reduced to 6% on many items including audio visual equipment, electronics, household goods, toys and tools (12%).

Notice: This note provides general information on Gibraltar tax matters which may be of interest. It is not intended to be comprehensive and should not be construed as professional advice. Measures announced in the Budget are subject to legislative approval. Unless otherwise stated the new tax measures will be effective from 1st July 2011.