

Gibraltar Budget 2023 highlights

HM Government of Gibraltar has today announced its budget measures for the year 2023/24. The Chief Minister's address included the following matters:

Personal taxation

Last year's budget introduced an across the board increase in tax rates of 2%, to apply for two tax years. For 2023/24, this will be partly reversed by a reduction of 1% for all taxpayers with taxable income below £100,000 per annum. This will reduce the maximum effective (overall) tax rate for such taxpayers from 27% to 26%.

Tax rates for taxpayers with taxable income of £100,000 or more will remain unchanged, i.e., the maximum effective (overall) tax rate remaining at 27%.

The Chief Minister re-affirmed his intention for the temporary increased rates to end in 2024/25, with the maximum effective rate for all taxpayers reverting to 25%.

New tax initiatives include:

- Assistance by private sector employers to their employees on the same terms as those announced in the budget for public sector employees (i.e., a one-off lump-sum payment) may be paid tax-free. Such payments will not be a deductible expense for corporation tax purposes. The equivalent (tax free) payments referred to for public sector employees are £1,200, £900 and £750 to employees with basic salaries of less than £50,000, £50,000 to £75,000 and £75,000 to £100,000 respectively.
- Individuals enrolled in a gym or who contract a personal trainer registered with the Income Tax Office may deduct 10% of the verified cost against their tax liability.
- Parents funding private school tuition for their children in Gibraltar may set off 10% of the cost against their tax liability.
- Single practitioner lawyers may deduct 75% of fees they pay to the Legal Services Regulatory Authority from their tax liability.

No changes to tax allowances were announced.

Corporate taxation

No change to the corporate tax rate was announced. However, a number of matters are under consideration:

- Within the context of BEPS Pillar 2, Government is seeking to implement new incentives, a distinct new regime for companies within the scope of Pillar 2 and a domestic minimum top-up tax. A consultation process is to be set up,

with Gibraltar's implementation of BEPS Pillar 2 to take effect no earlier than accounting periods beginning on or after 31 December 2024.

- The Commissioner of Income Tax is to investigate a simplification of the personal tax system, which currently has two methods (the Gross Income Based System and the Allowance Based System).
- A consultation process on various aspects of Gibraltar's tax system, including:
 - Consistency and opportunities in line with the international tax landscape
 - Considering deductions for the amortisation of acquired intangible assets such as goodwill
 - Group relief (i.e., being able to transfer tax losses within a group of companies)
 - Aligning tax filing and Companies House filing obligations and a review of payment dates for corporate tax.

Minimum wage

The minimum wage is being increased from £8.10 to £8.60 per hour (effective date to be confirmed)

Import duty

Private motor vehicle importations to be set at the same rate as for dealer imports.

The cap on duty for the importation of petrol and diesel cars to be increased from £25,000 to £35,000.

A cap of £35,000 to be introduced for duty on the importation of pleasure vessels.

Import duty on fitness trackers, bicycles and related accessories and spares, and on gym or fitness equipment to be reduced to zero.

Property-related

First-time homebuyer allowance to increase from £260,000 to £300,000 (although not stated, we believe this relates to the exemption from stamp duty)

Stamp duty on sales over £800,000 to increase from 3.5% to 4.5%

To consider introducing stamp duty on the assignment of purchase contracts (eg, sale of rights from off-plan purchases).

Economic data

<i>Tax receipts:</i>		
Personal taxes	£247.7m	+23.6%*
Corporate tax	£159.1m	+30.6%
Import duty	£92.9m	-16.6%

<i>Gross Domestic Product:</i> 2022/23 preliminary forecast 2021/22 estimate 2020/21 final estimate	£2.74 bn £2.55 bn £2.42 bn	+ 7.5% +5.4%
Total number in employment: October 2022 October 2021	31,150 30,403	+2.5%
<i>Average earnings:</i> October 2022 October 2021	£34,105 £32,443	+5.1%
<i>Average registered unemployment:</i> 2 nd Q of 2023	26	

* this and subsequent % figures are the % change from the previous year.