



## PRESS RELEASE

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### The Budget 2023 – Chief Minister’s Address

Mr Speaker,

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

#### Introduction

1. Mr Speaker, this is my twentieth budget address as a Member of this Parliament.
2. It is my twelfth budget address as Chief Minister.
3. I am conscious of the honour that it is to be able to say those words.
4. Because, Mr Speaker, Gibraltar will go to the polls this autumn. As a result, this may be my last Budget as Chief Minister. I take nothing for granted. Indeed, the last thing I would ever take for granted is the support of the People of Gibraltar. I work to earn that support every day.
5. Mr Speaker, in moving this Second Reading, I therefore appreciate that it is indeed an honour to present the *estimates* of Government’s revenue and expenditure for the year ending 31st March 2024, that is to say, the current year.
6. I will also present the *out-turn* for Government’s revenue and expenditure for the year ended 31st March 2023, which was the eleventh full financial year of a Socialist Liberal Government since we took office in December 2011 and started to deliver policies, projects and changes which have positively transformed our nation for the better.
7. We have also had to deal with issues in these eleven years that have been without precedent in our democratic history.
8. A full on, world-wide, respiratory pandemic that required us to shut down our economy and most of our public service and private sector.



9. And, of course, we are dealing now with the 7<sup>th</sup> year post BREXIT referendum. Remarkably, we have now been in Government more years since the referendum than before it.
10. Additionally, a major European war, arising from Vladimir Putin's illegal invasion of Ukraine, has created inflationary pressures that have caused cost of living issues for many of the least well off in our community and more so beyond our shores.
11. Of course, all of BREXIT, COVID, the effect of the Kwarteng Budget and the cost of living will temper and affect the statement I will make to this House today in support of the Appropriation Bill.
12. I will say more later about how each of these has affected our economic performance and how they influence the measures I will announce today.
13. Indeed, apart from our work to adhere to our 'Golden Rule' on recurrent expenditure, little has shaped this address more than those three evils that have beset these past two terms.

### **Preliminary Remarks**

14. So, Mr Speaker, as we start to see off these challenges and start to round the corner, we do so because we have known how to manage matters responsibly and prudently in the depths of the worst moments we have faced.
15. And so, we will continue to act in this Budget as we have in the past.
16. In a manner that is both responsible and prudent.
17. Because to get beyond the pandemic, continue to manage Brexit and to ameliorate the cost-of-living issues faced by the less well off, we must do so without creating future public finance issues for our children.
18. And so, therefore, in taking the steps we will need to take today we must continue to act with a view to protecting the overall integrity of the nation's public finances in the short, medium and long term.
19. And that is the touchstone on which these estimates are based.
20. Not on short term electioneering.
21. I will leave that to others, Mr Speaker.



22. My concern is to ensure that at the end of my third term as Chief Minister and Minister for Public Finance, we have restored financial stability and that said financial stability is secure going forward.
23. Integrity.
24. Stability.
25. Affordability.
26. Socially just.
27. Those are the litmus tests we have established for every measure that I will announce today.
28. And that is the way we, as a people, ensure that we are ready for whatever else is thrown at us next!
29. And in doing so we will provide for repayment of the extraordinary COVID debt that we incurred with the support of the Leader of the Opposition and Mr Clinton.
30. Indeed, I vividly recall Mr Clinton saying, in your absence, Mr Speaker, to the Presiding Member, *"... now is not the time for us to nit-pick as to is this prudent or is this the right thing to do at this stage. We need to do what is necessary and we will work out later on how we pay for what we need to do. This is something I thought I would never say, but it is true"*.
31. That was on Friday 20th March 2020 at line 644 of the Hansard, should any one wish to check.
32. It was the right attitude then from the GSD opposition, Mr Speaker.
33. And we, on this side of the House, stand by what we said and remain committed to the COVID debt being repaid as efficiently as possible and in a manner that provides as little drag as possible for future generations of Gibraltarians.
34. Because we must accept that we must all now contribute to paying back the BEAT scheme and the COVID funding that all of our people took the benefit of in the extraordinary funding of our health and care services for the pandemic period.
35. Mr Speaker, I have therefore worked diligently with the Minister for Financial Stability and the Financial Secretary and the Treasury, to continue to ensure that the spirit of prudence and responsibility is the golden thread that laces these Estimates, as it has each Budget I have delivered in this House and as will continue to be the case should the People of Gibraltar so decide later this year.



36. With Charles Santos, the talented new Financial Secretary, the third Gibraltarian successively appointed to the post, we have designed these estimates once again to PROTECT THE MOST VULNERABLE in our community, as they are the ones now feeling the pressures that arise from the increases in the cost-of-living.
37. We have ensured that our key public services can continue to be seamlessly provided and that the cost of these is not growing unnecessarily.
38. And we have worked with colleagues in the trade union movement to ensure that they have understood how we have structured support for our employees in the public sector at this time of cost-of-living increases.
39. And, Mr Speaker, despite the continued and repeated calls for cuts from the members opposite for the GSD, I am very pleased that once again this year this Budget will contain no austerity, because it will contain no cuts of jobs or services.
40. And, moreover, the income of the worst off in our community will grow with the measures we will announce.
41. Because the measures I announce will all seek to do social justice above everything else.
42. Just like last year, the most vulnerable and those on the lowest incomes, disability benefits and state pensions, as well as those on public sector occupational pensions, will see their incomes continue to grow.
43. By doing that we will achieve what we achieved last year.
44. We will protect the most vulnerable.

### **The Golden Rule**

45. And in doing so we in the Socialist party that I represent and our Liberal partners have always been clear that we believe that we must never be spending more than we collect.
46. Annual expenditure must not exceed annual revenue.
47. We are ready now to demonstrate our commitment once again to that rule.
48. The truly exceptional circumstances of the joint financial years between 2020/21 to 21/22 are now over.
49. The COVID fund is the past.
50. From now we are back to ensuring that annual expenditure DOES NOT exceed annual revenue.



51. In the past financial year we have managed to get closer than we expected.
52. The deficit was reduced, as I have already announced from the anticipated £50m to £15m.
53. This year we will go further and we will work towards restoring a surplus.
54. That is to say, we will balance the books and have something left over at the end too.
55. We re-establish financial stability – and we do so sooner than most other nations on the planet.
56. In doing so, we correct the anomalous position of the past three financial years, and we return to adherence of our Golden Rule, as set out by Sir Joe Bossano in his first address as Chief Minister in a Budget Debate after 1988.
57. I remind members that the last time the Golden Rule was breached – other than due to the exceptional situation arising as a result of the pandemic – was actually under members opposite in the financial year 2007/8.
58. It was not breached by the GSLP Liberal Government I lead, despite their many accusations of profligacy and protestations that we spend too much.
59. It was breached by them in 2007/8 when the extenuating circumstance leading to expenditure exceeding income was... the General Election.
60. So honourable members will forgive me for not taking lessons from them on how to balance the books...
61. Although I have no doubt we can expect hours of pontification on the subject in coming days.
62. But their theory and rhetoric are unmatched by their record in Government.
63. So we will take everything they say with the proverbial ‘pinch of salt’.

**Sir Joe Bossano**

64. What it is worth doing, Mr Speaker, is reflecting on the fact that the man who laid down the Golden Rule was unable to deliver his 50<sup>th</sup> Budget address last year.
65. Last year he was afflicted by COVID.



66. This year, he is back, fighting fit as ever and ready to provide us with the analysis that this House has had the benefit of since 1972, the year I was born...
67. I am sure I speak for the whole House and for the whole of Gibraltar when I set out the appreciation of our nation for Sir Joe's continued efforts for each and every one of us.
68. No one would describe him as an easy task master.
69. No one would describe him as easy to please.
70. I don't think he cares, Mr Speaker.
71. Win the GSLP an election and you may be lucky to get a kiss on the cheek, a pat on the back followed by the inevitable, 'me voy pa la oficina, pisha', or 'I am off to the office old boy'.
72. But no one would describe him as anything other than THE MOST COMMITTED GIBALTARIAN PATRIOT amongst us all.
73. And at 84, if he is still here, still arguing and still defending Gibraltar and our People, frankly, whether you agree with him or not, and I do, then you need to respect the contribution Sir Joe is still making today.
74. He is more than a legend in his own lifetime.
75. He is a legend in all our lifetimes.
76. A legend for our homeland and for all time.

### **State of the Nation Debate**

77. And it was he who first established the principle that the Budget Debate was to be led by an elected representative of the People of Gibraltar.
78. It was he who first reflected that the debate on the annual Appropriation Bill was, for our Parliament, the equivalent of our State of the Nation Debate.
79. And there are many matters that fall to be assessed in this last State of the Nation Debate in the lifetime of this Parliament.
80. For this year is such a year.
81. And this debate is such a debate.



82. So in these tough times, which have required strong leadership and necessarily unpopular measures, it has been the greatest privilege to have been entrusted by our People to navigate Gibraltar successfully through these storms.
83. And I say successfully **advisedly**, Mr Speaker.
84. And I say successfully **objectively**, Mr Speaker.
85. Because when we come to look at the main subject of this debate, the numbers, there is undoubtedly a success story underlying the performance of the Gibraltar economy and, therefore, the Public Finances of His Majesty's Government of Gibraltar.
86. In less time than we expected.
87. In less time than most of the rest of the world, we have reduced our deficit.
88. And now we are predicting a surplus for this current financial year.
89. A modest surplus which, in my view, we may even exceed.
90. Indeed, as I showed the House in this debate some years ago, we have traditionally exceeded our estimated surpluses in each year since we have been elected.
91. But for now, I want to tie together a number of themes.
92. Because, Mr Speaker, I have spoken about our prudent financial management.
93. I have spoken about our Golden Rule.
94. And I have spoken about Sir Joe who first set out in this Parliament.
95. And our deficit reduction and our return to surplus has been guided by each of those together, not least by Sir Joe's constant and difficult work in the Ministry of Financial Stability.
96. There are many detractors of the Government, of Sir Joe and of me out there.
97. The social media experts who have degrees in everything and nothing all think they know better than anyone about everything.
98. It is the curse of modern politics to see a small band of negative social media warriors try to negatively influence the majority.
99. But I believe in Gibraltar.
100. And I believe in the Gibraltarians.



101. They see the work we do.
102. They see the effect of the work we do.
103. And I know they like the results they see.
104. The Gibraltarians will like what I am going to announce today.
105. The reversal of deficits into surpluses.
106. They like the modern physical, political and egalitarian Gibraltar we have built in twelve years.
107. And the way we have changed our nation for the better.
108. Not just paying for COVID and for the BEAT measures.
109. Not just dealing with BREXIT.
110. But also, changing Gibraltar beyond recognition.

**I Remember when...**

111. Because, Mr Speaker I remember when we were first elected.
112. And the Gibraltarians remember when they elected us.
113. Gibraltar was by no measure a waste land in 2011.
114. But neither was it in 1996 nor 1988.
115. Yet I remember a Gibraltar in 2011 where the hospital was full and no beds were ever available.
116. Now there are beds available every night.
117. I remember a Gibraltar when the issues facing those with mental health problems came after honouring a deal with Spain to build an airport that would never operate as intended.
118. Immediately we built Ocean Views and now Mental Health provision in Gibraltar is improving like never before.





119. I remember a Gibraltar where charities were shunned and the service they can better provide was lost to our people.
120. And now with Clubhouse, Childline, GibSams and Possabilities, we provide better services to more people at great value for money.
121. I remember a Gibraltar where schools were old, not fit for purpose and lucklustre and they let down our pupils and our excellent teaching fraternity – where the Boys Comprehensive School was half a century old and falling to bits.
122. And now, we have schools that ARE THE ENVY OF EVERY NATION IN EUROPE AND THE WORLD.
123. We have spent £160m on new schools.
124. But should we not have?
125. We were absolutely right to do so and that is not an extravagance.
126. It is catching Gibraltar up from where we found it.
127. And – as a result - every Government school from 1<sup>st</sup> of September delivered by a socialist administration.
128. That is a record to be proud of.
129. As is the massive increase in resources we have provided in the brilliant Learning Support Facilities we are providing in our schools.
130. Because I remember a Gibraltar where there was only one LSF and it was not well resourced.
131. Now I see a Gibraltar with better LSF facilities than most countries in Europe and with a better pupil to teacher ratio than anywhere else.
132. The ratio is better than classes at Eton, Mr Speaker.
133. And on that we do spend money and we are proud to spend the money and we are proud of the work our magnificent teachers do.
134. And they are magnificent, Mr Speaker, because I have met them all.
135. I remember the Gibraltar where who you loved and married was an issue and having children on IVF was not possible.
136. That was the GSD's Gibraltar.



137. Now we defend loving who you want, how you want and having children because you want, whatever your gender and sexual orientation.
138. I remember a Gibraltar where a woman asserting her reproductive rights was one thing and one thing only.
139. A crime.
140. And yet now a balanced law provides for choice in the right way.
141. I remember the GSD Gibraltar with half the doctors at the Primary Care Centre.
142. I remember a system without a Primary Care Centre for children.
143. Not anymore, as we have delivered a new PCC for our children only.
144. And I remember when we disgracefully dealt with Dementia and Alzheimer's patients in the acute ward in unfit for purpose KGV.
145. Not any more as we developed a fit for purpose facility that is the envy of any in Europe.
146. I remember a Gibraltar of rundown estates which have now been fully refurbished, with more refurbishments to come.
147. And I remember a Gibraltar with a Budget of only £750,000 for domiciliary care.
148. Now this year we have spent over £4,000,000 on giving our people the option and the dignity to stay at home, to be cared for at home and even to die at home where possible.
149. I remember a Budget of just £200,000 for children in care in Gibraltar and just over £100,000 for the Dr Giraldi home.
150. And now we spent more than £1.2M on children in care and the Giraldi home.
151. And I remember a Budget of £10.5M for policing with only 253 police officers available to the Commissioner when we were elected.
152. Now the Budget for policing is up £17.2M and the total number of police officers is up by more than 10% to 284!
153. And therefore even with the issues that have arisen as a result of the McGrail Inquiry, the number of officers available to the Commissioner is greater than ever before and with more being recruited already.
154. So yes, Mr Speaker, there are issues.



155. Of course.
156. Government is a constant, ongoing project.
157. To deal with crises and to deliver change and new projects.
158. But when you look objectively at what we have done.
159. When one looks genuinely at our record and not through the partisan spectacles of members opposite.
160. What you can see is a record of achievement unparalleled by many except perhaps by the first GSLP administrations of Joe Bossano and the post war administrations of Joshua Hassan.
161. I give credit also to the closed frontier push of Bob Peliza.
162. But in overall terms, as I stand with my party and the Liberals to face the judgement of the People, I am proud of the record of achievement that we have delivered.
163. More new homes than ANY GOVERNMENT IN OUR HISTORY.
164. Some delayed.
165. I get it.
166. But still more than ever.
167. Hassan Centenary Terraces Phase 1 in snagging and being handed over.
168. Hassan Centenary Terraces Phase 2, Chatham Views and Bob Peliza Mews all already under construction.
169. And Mons Calpe Mews and Beach View Terraces a huge success alongside Charles Bruzon House and Sea Master Lodge.
170. In 12 years - with Brexit and COVID - more than in 16 years under the GSD.
171. More new schools than ANY GOVERNMENT IN OUR HISTORY.
172. And more new parks and areas for leisure than ANY GOVERNMENT IN OUR HISTORY.
173. And that despite Brexit, despite COVID and despite the day-to-day issues that blight us.
174. We have delivered.



175. Sure we are still down a Theatre and a Military museum... because some projects just have not been deliverable in the time available after COVID and with post-Brexit negotiations ongoing.
176. But let us not have debate that suggests, as we have heard before that we were not a New Dawn but a false dawn.
177. It is disrespectful to the People of Gibraltar to part from such a premise.
178. Because it is demonstrably not true.
179. And let us not have a debate about debt based on a nonsensical addition of the cost of every project without deduction of income, repayments etc.
180. It is just an attempt to scare the people of Gibraltar into choosing stagnation over progress to talk direct and indirect debt in that way.
181. Sir Joe who I say is our guru on these matters - and they now see as a guru too, having long referred to him as a villain - is clear about debt not being a bad thing when it is for good projects and projects of important social value.
182. Yet all of this unfair criticism is literally water off a duck's back.
183. Because we continue in order to deliver progress for our people.
184. We look now, at the end of the lifetime of this Parliament, at the work done with deep satisfaction.
185. We can see achievements delivered in the face of adversity.
186. We can see achievements crowning our time in Government so far.
187. And we can see all these things achieved in the teeth of the constant criticism of the unimaginative official Opposition who present no alternative to our People.
188. And when it comes to having faced the challenges we have faced, Mr Speaker, I am clear that the People of Gibraltar know that at every turn we have made the right decisions for Gibraltar.
189. The same decisions 9 or 10 out of 10 Gibraltarians would have made faced with all the information we had at our disposal at the time we made each of the decisions we made.
190. Now not all of that information was or is available to the public.
191. It could not be and it cannot be.



192. But as a Gibraltarian patriot, I can assure all the other 32,000 Gibraltarian patriots that they would have made the same decisions I made, we made collectively, if faced with the facts and the information we had.
193. And I know my fellow Gibraltarians know and understand that and that the difficulties we face today with delayed affordable housing and COVID debt would be faced by the GSD if they had been in Government too.
194. And of course, that is relevant to the idea that members opposite want to put about that we are somehow to blame for delays to affordable housing etc.
195. We are not.
196. We do not deserve to be 'punished' for delaying the projects, as they propose.
197. Brexit and COVID are not controllable aspects.
198. They are not 'excuses' as they have shamefully been referred to by some members opposite in some of their flights of fancy.
199. How can the loss of life of over 100 of our fellow Gibraltarians be referred to as an 'excuse'?
200. But in the end, we subject ourselves to the judgment of our people.
201. In the end it is my responsibility to have got things right.
202. It is the Cabinet represented here that collectively made the decisions.
203. And it is on my political shoulders that ultimate responsibility lies.
204. I carry the weight of that responsibility on my shoulders because I must.
205. That is what people have paid me to do and it has been my privilege to lead Gibraltar in this difficult time and generation.
206. We have not cowered, as others might, when the time came to make difficult decisions.
207. We did not falter, as others might, when we had to decide to borrow to keep the nation going.
208. My hand did not tremble when it came time to lock down our people, to pay BEAT to all those furloughed.
209. Neither did we tremble when it came time to unlock.



210. And this Government team did it together.
211. That is leadership, Mr Speaker.
212. Not the sniping from the corners that we get from some quarters.
213. Because it has been remarkable, in the troubled lifetime of this Parliament, to see some agree to spending and then cower in the face of the debt incurred.
214. Some have urged us to do more and spend more and then run for cover when they see the cost.
215. Come on.
216. The People of Gibraltar see through such cheap devices and such convenient political hypocrisy and cowardice.
217. When the time came, the People know we acted when they needed us to act.
218. Did we get everything right?
219. Probably not.
220. But we made every decision in good faith based on the information available to us.
221. We were not rabbits stuck in headlights unable to make the decisions our people needed us to make.
222. And that is what you elect a Government for Mr Speaker.
223. To make decisions.
224. Good decisions, the best decisions possible, on the basis of the information available.
225. And we did that together also, in some respects, with the Leader of the Opposition, who attended Cabinet on a number of occasions and agreed with our views on the most crucial decisions made by a Government in the history of our democracy.
226. Literally 'life and death' decisions.
227. As close to a Government of National Unity as this nation has ever seen.
228. Something not done even in other more mature democracies in Europe or the world.



229. I thank the Leader of the Opposition for the work we loyally did together in those harrowing moments.
230. That is the Keith I know.
231. Not the Mr Azopardi who has given way to the basest partisan instincts since then as he faces his last chance to fulfil a personal political ambition to see his name etched on the woodwork at No6 Convent Place.
232. I say the same to the Honourable Mr Clinton, who I thank today, in the last State of the Nation debate in the lifetime of this Parliament, for the weeks in which he worked with me and Albert Mena on the BEAT measures.
233. But I deprecate him for quickly running for cover on the COVID debt incurred as a result of the decisions we made together.
234. And, by the way, as an aside, Mr Speaker, given the bleak analysis of the public finances that they are doing outside of here and will no doubt repeat in this debate, I assume the GSD are not going to go into an election promising to build another rental housing estate or any other affordable homes.
235. If they truly believe what they are saying about the public finances, they cannot commit to anything but austerity, hellfire and brimstone for four years.
236. They will have to go to the election promising only to raise taxes, raise social insurance and raise all Government charges.
237. If they do not, they are, in effect, going to be admitting that our analysis of the public finances is the correct one and theirs has been false all along.
238. They cannot have it both ways.
239. If Mr Clinton stands behind a manifesto promising public sector pay rises, maintaining the size of the public sector as it is and providing more services, then everything he has said in the past eight years must have been false, or the promises in the manifesto will have to be judged to be false.



## BREXIT

240. As has been the case in respect of the tactic that Mr Azopardi has been deploying on the continuing post-Brexit Treaty negotiations.
241. Or can anyone really believe that if a safe and secure deal could have been done we would not have done it.
242. Well, Mr Speaker, the reality is that we are continuing the negotiations and have had to stop only as a result of calling of elections in Spain.
243. We must respect the democratic process in Spain.
244. As our own electoral period will have to be respected.
245. I remain optimistic that the issues that are live in the negotiations can be resolved without concessions by either side.
246. None will have to loose and none will win on the perennial issues that divide us.
247. I have to thank Michael Llamas for his extraordinary contribution to this work.
248. It was undoubtedly his destiny to be as much of an expert in EU law, world standard, to be able to deal with the depth of the technical expertise required to take on the EU in this negotiation.
249. He is the corner stone of the Government team which the Deputy Chief Minister and I proudly lead.
250. He is ably assisted by Daniel D'Amato and the rest of his team.
251. The teams from London, Brussels and Spain are also to be recognised and thanked for their diligence and ingenuity in addressing the difficult technical issues that arise.
252. I publicly thank them all today for their continued perseverance.
253. The House and the public know I was quizzed on the negotiation most recently by the European Scrutiny Committee of the Commons.
254. There is little more I can offer the House by way of update other than to say that on the British side we continue to work to try to advance matters as much as possible in readiness for a recommencement of negotiations as soon as possible after the 23<sup>rd</sup> of July, regardless of the outcome of the Spanish negotiations.





255. But, Mr Speaker, surely Mr Azopardi is not going to seriously try to argue that if a safe and secure treaty could have been reached he would have been able to do it where we have not?
256. That argument is tantamount to trying to push every drop of torrential rain upwards through a jungle ravine.
257. Because if it had been possible to do such a deal, we would, of course have done it.
258. And I am clear that we will keep on working for such a deal.
259. But no such deal has yet emerged.
260. At least not one that passed our strict filters of what is safe and secure.
261. But perhaps what is on the table might have passed Mr Azopardi's filters, as he has already said that as far as he is concerned an Andorra style solution is not Joint Sovereignty, as he sets out in his book, *Sovereignty and the Stateless Nation*.
262. Well for us, in the GSLP Liberals, an Andorra style solution is Joint Sovereignty and we would not consider safe or secure for Gibraltar.
263. But we will keep working.
264. We are almost there.
265. And, because we are almost there, we must continue as soon as we can after the 23<sup>rd</sup> July.



## **ECONOMIC GROWTH & THE GDP**

266. Mr Speaker, it is time to now start to get under the bonnet of the economy before turning directly to attend to the guts of the public finances of our nation.

### **FINAL GDP ESTIMATE 20/21**

267. In doing so, Mr Speaker, I will remind the House that last year I advised that the preliminary estimate for the GDP for financial year 20/21 was £2.416 Billion.

268. In fact, the final GDP estimate for financial year 20/21 has come in at £2.42 Billion.

269. There has been no material difference therefore between the forecast, the preliminary estimate and the final estimate for 20/21, for which I congratulate the Statistics Office and our Chief Statistician in particular.

### **PRELIMINARY GDP ESTIMATE 21/22**

270. The forecast for the GDP for 2021/22 was for £2.59 Billion, already surpassing the pre-pandemic GDP.

271. I told the House that this pointed to a strong bounce-back in the economy which should have a positive knock-on effect on the public finances.

272. That pointed to a solid performance with an increase of £173m on the previous, pandemic double year – or a 7.2% increase in nominal terms over the final year estimate for 20/21.

273. In fact, the forecast was substantially met and the estimate now for 21/22 is £2.55 Billion, which is as near as damn it to the forecast.

274. Again, I congratulate the Statistics Office for their estimating prowess.

275. Mr Speaker that represents a growth of 5.4% or £130.2 million added to the size of the economy.

### **GDP FORECAST 22/23**

276. I turn now to the preliminary GDP forecast for 2022/23.

277. Mr Speaker the Statistics Office forecast for financial year 2022/23 is £2.74 billion.



278. This represents a very credible and positive growth of 7.5%.
279. That is a an economic growth in cash terms of £190.94m in terms of the size of the economy.
280. This surpasses the pre-pandemic GDP estimate by 6.6% (2019/20).

### **GROSS TRADING PROFIT OF COMPANIES**

281. The Gross Trading Profits of Companies grew by 8.2% over the year and Income from Employment increased by 7.3%. The number of employee jobs rose by 2.5% over the year to reach a record high and average earnings increased by 5.1% in nominal terms.

### **THE FOUR MAIN SECTORS**

282. The economy is dominated by four main sectors: tourism, financial services, remote gambling and shipping.

Tourism: 20 % of GDP and 10% employment

Financial Services: 20% of GDP and 13% employment

Remote Gambling: 28% of GDP and 12% employment

Shipping : 10% of GDP and 5% employment

### **PUBLIC DEBT TO GDP RATIO**

283. The Gibraltar public debt/GDP ratio fell in net terms to 22.4% of GDP in 2022/23, from 25.6% in 2021/22.
284. These ratios continue at a lower rate than that of the UK and most other European countries.
285. Importantly for the purposes of this debate, Mr Speaker, the ratio is CONSIDERABLY lower than when we took office during the course of financial year 2011/12 when the



GDP to Net Debt ratio stood at 25% with no pandemic for the GSD to blame for the increased debt!

286. So, Mr Speaker, not a bad record for the GSLP Liberals to be able to come out of a pandemic with a GDP to Net Debt ratio lower than the GSD's 2011 GDP to Net Debt ratio.
287. Indeed, the whole House will recall that when we were first elected the former Chief Minister, Sir Peter Caruana KC, and Mr Feetham came to see me and the Deputy Chief Minister at No6.
288. At that meeting, as Sir Peter would repeat at the Ceremonial Opening of the House on 21<sup>st</sup> December 2011, he told us on the Leaders Debate that the gross public debt had grown to £517m and net debt was £304m.
289. It became apparent that we were about to exceed the Debt Ceiling as set out in Section 3 of the Public Finance (Borrowing Powers) Act 2008 and that we would require a Resolution of the House for more borrowing.
290. In fact, Sir Peter said at the ceremonial opening: "We will support the new Government in any Parliamentary approval that may be required for additional borrowing..."
291. In fact, now, not only are we on a lower GDP to net debt ratio, we have massive headroom for extra borrowing should we need it.
292. Not that we are going to take it, but should we need to, Mr Speaker, but as at 31st March 2023, the Net Public Debt ceiling restricted by the GDP parameter stands at £1,095.10 million (2022/23 GDP forecast).



293. Net Public Debt as a percentage of GDP stood at 22.4% as at 31st March 2023 leaving headroom for an additional £481.8 million.
294. Aggregate Debt now represents just 30.9% of GDP as at 31st March 2023.
295. According to the Office of National Statistics, in the United Kingdom, since last month, for the first time, it already exceeds 100%.
296. In fact, when we took over, in financial year 2011/12 Aggregate Debt, which was £517.7m represented 43.1% of a GDP of £1.2 Billion.
297. So, even on the aggregate debt measure, we hold a better record than that of the GSD, Mr Speaker.

### **THE GDP TO TAX RATIO**

298. We have also been lowering the GDP to tax ratio considerably in our terms in office, Mr Speaker.
299. This year is no different.
300. The ratio was 13.5% when we took over with a GDP of £1,082 Billion and £146m in total collected in Social Insurance (at £24.1m) and Personal Tax (at £122.5m).
301. Last year, Mr Speaker, the ratio was already 5% lower – over one third lower - at 8.7% with a total of £225.6m in total collected in Social Insurance (at £45.6m) and Person Tax (at £180m).
302. This year, Mr Speaker is going to be even lower at 8.6%, despite the temporary tax increases of two percent for two years that I had announced last year.
303. This is based on a Social Insurance collection of £53.6m against a Personal Tax take of circa £182m on the factor cost GDP calculation of £2.7Billion.
304. GDP to Tax ratio of 8.6% Mr Speaker measures super favourably to the GDP to tax ratio in UK of 32.7%, which is 73.4% higher than in Gibraltar.



305. Mr Speaker the GDP to tax ratio in Spain to the end of 2021 is 36.6% which is 76% higher than in Gibraltar.
306. Sometimes, Mr Speaker, it is worth Gibraltarians considering just how well off we are compared to residents of other nations and this statistic is an important one in demonstrating that.

### **THE GDP PER CAPITA**

307. Finally, Mr Speaker, with all the usual caveats, I want to give the GDP per Capita calculation.
308. I have long insisted that this is not an exactly meaningful calculation.
309. It is a measure, however, that is often used internationally.
310. The GDP per capita in Gibraltar is £80,517 per person.
311. Mr Speaker at the exchange rate on the 16<sup>th</sup> June of 1.28 US Dollars to the £ Sterling, the GDP per capita of Gibraltar amounts to US\$103,000, drawn with that of Ireland which is third in the world ranking just below Luxembourg and Norway.
312. The GDP per capita in the UK is US\$45,295 and in Spain it is US\$29,421, making these important reference points countries for us 23<sup>rd</sup> and 40<sup>th</sup> in the ranking respectively.

### **REGISTERED UNEMPLOYED**

313. Mr Speaker, underlying that magnificent GDP performance is the entrepreneurship of our business men and women and the hard work of our people and those who travel to Gibraltar to afford us the benefit of their hard work too.
314. In 2022 the yearly average for Gibraltarians registered unemployed was 29, a staggering 93% reduction in unemployment since 2011 when it stood at 442.
315. That's a reduction of 413 more Gibraltarians in employment each month in our time than in their time.
316. In 2023, we have continued to maintain low unemployment levels where, in the second quarter of 2023, the average of registered unemployed stood at 26.
317. That, Mr Speaker, represents a staggering and hugely creditable 95% reduction in unemployment since the first quarter of 2012 when we were first elected.



318. I am proud of that record and I credit the Future Job Strategy and the very committed staff of the Employment Ministry, in particular the indefatigable Debbie Garcia, for these excellent results.

### **OCTOBER 2022 EMPLOYMENT SURVEY**

319. As a result, the Employment Survey shows that total employee jobs increased year on year by 2.5% (747), from 30,403 to a record 31,150.
320. That, Mr Speaker is an 'all time high' number of individuals registered as working in our economy.
321. It is in keeping with the GDP growth we have reported.
322. The growth comprised an increase of 797 (3.1%) full-time jobs and a decrease of 50 (1.1%) part-time jobs.
323. The increase was concentrated in the Private sector that grew over the year by 915 (3.9%), from 23,638 to 24,553 in 2022.
324. The MoD also increased marginally by 13 (2.7%) over the year from 486 to 499 in 2022.
325. The Public sector decreased by 181 (2.9%) year on year, from 6,279 to 6,098 in 2022.

### **AVERAGE EARNINGS**

326. Average gross annual earnings in respect of all employee jobs increased by 5.1%, from £32,443.47 in October 2021 to £34,105.45 in October 2022.

### **TOURISM**

327. Mr Speaker, one of the drivers of our economy is tourism.
328. The effect of COVID on this area of activity therefore greatly knocked the economy – and consequently government revenue and the public finances – for six.
329. The past year, total arrivals including non-Gibraltarian frontier workers increased by 38.2% (2,244,655) over the year to 8,120,685 in 2022 compared with 5,876,030 in 2021.
330. The estimated total number of visitor arrivals, excluding non-Gibraltarian frontier workers, increased year on year by 75.1% (2,107,855), from 2,806,830 to 4,914,685 in 2022, reaching 61% of pre-pandemic numbers of arrivals.



### **Arrivals by Land, 2022**

331. Arrivals by land in 2022 including non-Gibraltarian frontier workers was 7,708,394 increasing from the previous year by 34.5% (1,978,952), although still remaining below pre-pandemic levels.
332. The largest positive impact came from visitors arriving in coaches, which increased by +96,394, from 28,671 to 125,065 visitors in 2022.
333. Visitor arrivals crossing by motor vehicle increased by 30.8% (1,349,345) year on year from 4,385,953 to 5,735,298 in 2022.
334. The number of pedestrians also increased by 40.6% (533,213) over the year from 1,314,818 to 1,848,031 in 2022.
335. The number of visitor arrivals by land, excluding non-Gibraltarian frontier workers, rose by 69.2% (1,842,152) from 2,660,242 to 4,502,394 in 2022, reaching 60% of pre-pandemic numbers of arrivals by land.

### **Arrivals by Air, 2022**

336. Visitor arrivals by air in 2022 grew by 63.8% (72,379) over the year to 185,829, compared with 113,450 in 2021, reaching 89% of pre-pandemic numbers of visitor arrivals by air.
337. Visitor arrivals by air staying in Gibraltar, increased by 34.1% (21,361) over the year from 62,598 to 83,959 in 2022, and surpassed pre-pandemic levels during the month of April, rising by 14% when compared to 2019.
338. The percentage of total visitors by air staying in Gibraltar stood at 45.2% compared with 55.2% in 2021.

### **Arrivals by Sea, 2022**

339. Arrivals by sea in 2022 continued to increase when compared to the previous year, as the Coronavirus (COVID- 19) travel restrictions were lifted towards the end of 2021.
340. Arrivals by sea grew by 583% (193,324) year on year, from 33,138 to 226,462 in 2022 mainly due to the increase in cruise calls, and a smaller impact from the re-introduction of the ferry commencing around mid-2022, reaching 66% of pre-pandemic numbers of arrivals by sea.
341. The number of cruise liners increased by 131 (298%) over the year from 44 to 175 vessels in 2022.





342. Cruise ship passengers grew as a result of this when compared to the previous year, from 22,229 to 213,383 in 2022.

### **Tourist Expenditure, 2022**

343. Tourist expenditure is estimated to have grown by 63.1% (£80.86 million) year on year, from £128.19 million to £209.05 million in 2022, driven largely by an increase in the number of excursionists from Spain and the influx of Cruise ship visits, as well as increases in the average expenditure per person per day by these visitors, albeit remaining below pre-pandemic levels.
344. Expenditure by excursionists from Spain increased by £65.07 million (83.2%) over the year from £78.19 million to £143.26 million.
345. Spending by cruise excursionists increased by £10.13 million (983.5%) over the year from £1.03 million to £11.16 million in 2022.
346. Visitor arrivals at hotels increased year on year by £3.41 million (9.4%) as hotel arrivals rose by 22% year on year, despite the closure of the Caleta Hotel in January 2022.

### **Hotel Arrivals, 2022**

347. Total arrivals increased by 22% (12,474) over the year to 69,171 in 2022 compared with 56,697 in 2021 despite the closure of the Caleta Hotel in January 2022, reaching 75% of pre-pandemic levels (2019).
348. The largest positive impact came from Tourist arrivals that grew by 28.8% (7,507) over the year from 26,027 to 33,534 in 2022, and Other arrivals increased year on year by 16.2% (4,967) from 30,670 to 35,637 in 2022.

### **Room Nights Sold, 2022**

349. Room Nights Sold (RNS) grew year on year by 15.4% (20,387) to 152,825, reaching 91% of pre-pandemic levels (2019).

### **Room Occupancy, 2022**



350. Room Occupancy (RO) increased significantly to a record 72.4% in 2022 up from 59.6% the previous year, up by 12.8 percentage points, surpassing pre-pandemic levels and reaching the highest level since records began in 1992.

### **Guest Nights Sold, 2022**

351. Guest Nights Sold (GNS) increased by 8.1% (17,920) over the year from 220,708 to 238,628 in 2022, reaching 86% of pre-pandemic levels (2019).

### **THE PUBLIC FINANCES**

352. All that brings me, Mr Speaker to the effect of all those indicators on the public finances of this community.
353. I can confirm that the Draft Estimates Book is once again published online in similar fashion to last year.
354. I trust that members of the public will thus be able to see clearly where every penny of their tax pounds comes from and where they are going.
355. The public should be able to follow as they listen to the deliberations of this House.
356. I therefore refer all those watching or listening who want to follow the economic part of the debate to look at the Estimates Book as we go through the next sections.
357. I will refer to the relevant page numbers of the book during the speech to make it easier to follow.
358. Inflation, world events, uncertainty in the markets all continue to create pressures which have made the next 12 months extremely difficult to predict.
359. As always, we have taken an extremely prudent approach when it comes to our figures.



## LAST FINANCIAL YEAR – 22/23

361. Let's now start by looking back first at the year gone by.
362. Mr Speaker we were projecting a loss for 2022/2023 of £45.26m.
363. That is to say, we were predicting a deficit of close on £50m.
364. As I have made public already, we have come in at a projected loss of £15m.
365. £30m less of loss in real cash terms!
366. What a recovery!
367. And to be clear, Mr Speaker, I am not claiming credit for that.
368. I am announcing it, as is my responsibility.
369. But I am thanking every economic actor in our economy for the increased revenue that we have had.
370. I am thanking every controlling officer in the departments and Ministries for sticking as closely as they have to their spending targets.
371. Apart from demand led areas like health and electricity generation, we have largely stuck closely to our spending targets.
372. And I thank my ministerial team, in particular the Minister for Financial Stability, Sir Joe Bossano, for taking the decision we had to take to ensure we reduced the deficit as we have.
373. Greater revenue to government coffers.
374. For that I thank our entrepreneurs and the private sector and every taxpayer.
375. Sticking to spending targets.
376. For that I thank our controlling officers, ministers and the public sector as a whole on behalf of taxpayers.
377. That is the recipe for this magnificent performance in the last year.
378. Mr Speaker let me see if I can break this down into a more relevant analysis for those listening and watching to understand.



## REVENUE : 2022/2023

379. Our third-party revenue came in at £730m, over £90m more than our projected revenue of £637m.
380. This is RECORD revenue, Mr Speaker.
381. The highest revenue in the history of our public finances.
382. This shows that Government revenue streams were recovering sooner than anticipated, despite all the adverse effects. [That is evident from PAGE 5 of the Estimates Book for those following using the Book]
383. Personal and corporate tax came in some £100m in excess of our projections [That is on PAGE 6 of the Estimates Book].
384. This is in part the first year effect of the increase of 2% on personal tax and the increase of corporate tax of 2.5% which were announced during last year's budget and not factored in to the Estimates Book when it went to print at the end of April last year.
385. With regards to Import Duty we were hopeful that we would see an improvement from 21/22 and provided an estimate of £120m.
386. Unfortunately, import duty revenue once again was disappointing and came in at £93m.
387. The COVID fund stepped in for the last time to cover the difference.
388. I will say more on the COVID fund later on and how and why it will not longer impact the Estimates going forward.
389. General rates and salt water charges was actually down but this was due to discounts still being applied and businesses still catching up with the impact of COVID.
390. GHA, Group Practical Medical Scheme revenue came in around £3m over our Estimates.
391. [For those following the Book, this is visible of PAGE 9 of the Estimates Book].
392. This is directly in line with the increases in Social Insurance and enables to the public to see the direct effect that this has on the affordability of our Health Service.



393. Revenue from the increasing Electricity Tariffs is also reflected in the Estimates Book, as this came in some £3m higher than expected.
394. [This is also visible on PAGE 9 of the Estimates Book.]
395. Tourism began to recover during 2022/23 and this is shown by the £3m of additional Tourist Site receipts collected in comparison to the estimate.
396. [This, Mr Speaker, is visible on PAGE 7 of the Estimates Book and puts into its proper context Mr Bossino's constant, self-serving, negative and unconstructive criticism of Mr Daryanani's work as Tourism Minister.
397. In fact, Mr Daryanani is the Minister for Tourism who has presided over the HIGHEST REVENUE in tourism and tourist site receipts in our history which have MORE THAN DOUBLED over the receipts we inherited from the GSD, which Mr Bossino holds us as the pinnacle of achievement as he refers to that as 'a golden legacy'.
398. In the circumstances, when we hear Mr Bossino's no doubt vicious criticism of Mr Daryanani in days to come, 'yawn' I hear the public cry, we shall all be reminded that it is hollow criticism as demonstrated by this magnificent performance.
399. Strong rhetoric from Mr Bossino is not matched by the reality on the ground actually delivered by them when in Government when compared with the much better - doubly better - performance from us in this area, despite the intervening pandemic.
400. Additionally, Port revenue was in line with our Estimate even despite the limited Cruise Line activity, as this industry was the most impacted by COVID and is still recovering worldwide.
401. [This is visible on PAGE 10 of the Estimates Book and is also a credit to Minister Daryanani, despite the constant and repeated negative attacks from Mr Bossino. The fact is that the objective facts do not make out the criticism the Honourable Mr Bossino ruthlessly levels at Minister Daryanani.]
402. Most of all the other revenue was in line with expectations.
403. This, in itself, is to be welcomed and is a credit to the estimating process undertaken by the Ministry of Finance which I have the great honour to lead.
404. [This is evident from the revenue reflected generally on PAGES 6 to 10 of the Estimates Book.]



## **EXPENDITURE : 2022/2023**

405. Mr Speaker on the expenditure side, I believe we once again managed reasonably well as follows:
406. We projected Consolidated Fund Charges of £99.4m and the forecast figure came in at £110.3m [PAGE 13]
407. This difference is made up of an additional £5m in respect of borrowing costs as interest rates soared and £4m in respect of additional tax refunds. [PAGE 16]
408. We provided for a potential increase in borrowing costs but no one could have expected the sharp increases during 22/23 arising especially after the Kwarteng Budget which saw interest rates jump.
409. No one could have projected for those in February and March when last year's Estimates Book was being cast.
410. As for Tax we maintain our policy to give back as soon as possible and this was shown by the £4m increase beyond the estimate.
411. It is important to note that these payments repaid to taxpayers, were made in a deficit year.
412. We could just as easily have held back tax refunds and made the deficit even smaller.
413. Instead, Mr Speaker, we did the right thing and we **GAVE IT BACK TO TAXPAYERS WHEN TAXPAYERS NEEDED IT MOST.**
414. As for departmental expenditure we projected £552m and the forecast outturn came in at £605m, a difference of 10% [PAGE 14].

## **GHA/ERS/CARE AGENCY OVERSPEND**

415. Three quarters of this is not unexpected, with a £35m overspend in the demand led areas of the GHA, ERS and Care Agency.
416. There are a number of reasons for this as follows:
417. The last six months of the financial year all COVID costs were absorbed by departments.
418. This added an additional spend to the GHA, ERS and Care Agency which we did not provide for and previously would have been met by the COVID Fund.
419. The cost of medical supplies, drugs & pharmaceuticals have all increased worldwide.



420. This is another cost that we did not envisage and could not estimate for but which we could not avoid.
421. We continue to give the best care and service to our patients and this resulted in an additional cost of around £4m in sponsored patients related expenditure.
422. Again, we would not seek to curtail this spending, even though it puts us over our estimates.

### **GEA OVERSPEND**

423. The GEA is another authority that came in at higher than expected costs with a total of £78m when compared against an estimate of £54m. [PAGE 14]
424. That accounts for the balance of the overspend that I have referred to the House.
425. Exclusively in health, care and electricity generation.
426. The increase in price of LNG accounted for over £9m of this overspend.
427. Whilst we have done away with some of the temporary generators we are not yet able to safely dispose of the use of these and we have therefore had to continue to maintain these.
428. Maintaining these in conjunction with the higher fuel costs is another reason for the GEA overspend.
429. Otherwise, again, broadly in line with other years, most departments fell within the boundaries of their estimates whilst others overspent slightly.
430. The slight overspend was compensated for by the savings. [PAGES 13 AND 14]



## **THE COVID FUND: 2022/23**

432. I turn now to the COVID Fund. [PAGE 279]
433. At the time of the preparation of the Estimates Book, we took the optimistic approach that the worst of the pandemic had passed and all that remained was the impact of COVID on our main revenue streams for which we provided £40m in 2023/24.
434. In terms of expenditure, we believed we would be over the worst and such was our optimism that we only estimated expenditure for £120,000, specifically to protect our most vulnerable, the elderly.
435. Of course, it wasn't that simple, and whilst being close we were still off and the COVID fund had to absorb over £2m in respect of COVID related costs for the Gibraltar Health Authority.
436. Mr Speaker, as has been said many times in this house the COVID Response fund has been funded by Government borrowing.
437. The effect of this shortfall in revenue for 2022/23 was why the Government needed to borrow.
438. It got to a point during 2022/2023 that we had no choice but to accept that COVID was now part of everyday life.
439. This led to the decision to dissolve the COVID fund and any COVID related expenditure would now be departmental expenditure, another reason for increase costs across some departments.
440. The remaining balance in the fund of £2.86m is the total from all donations received from the community.

## **COVID CONTRIBUTIONS TO GHA**

441. These donations were from citizens, including children and senior citizens and of course our business community, some of whom made substantial donations.
442. We have always said that these monies would be used for an exceptional purpose for the benefit of the entire community, linked of course to the GHA.
443. Mr Speaker, I am pleased to announce today that we will be investing in a significant overhaul of the entrance to the Hospital, in which the entrances to the PCC and St





Bernard's will be one and the same, and will include new modern and comfortable waiting areas for the entire Hospital, with digital checking in facilities, and with enhanced meeting spaces adjacent to the new entrance for patients and visitors.

444. A visual representation of how this will look will be published in coming days.
445. The new areas will also create a new mezzanine floor which will house and centralise administration for the whole Hospital in one area.
446. This change will mean that waiting areas and administration areas around the entire Hospital will be released for clinical use and centralised within the new facilities.
447. It is our intention to acknowledge the magnificent contributions received by the GHA in the new entrance and we will shortly consult widely with the detailed plans to ensure this is a real Team Gibraltar project, funded by all for the benefit of all.
448. I hope that this will be the last time I will have to speak on the COVID Response fund in this House.



## ESTIMATE FOR THE YEAR AHEAD 2023/2024

449. Mr Speaker, I have already informed the public, during an address to the Chamber of Commerce Annual Dinner, that we are projecting a £2.5m surplus for the current year.
450. This does not mean we are fully recovered from the last few years.
451. Far from it.
452. But we are certainly back on track and back on the right track.
453. Additionally, aside from COVID, we cannot ignore the other external factors producing challenges to us.
454. Continued inflation above the 2% target and rising interest rates also affect the public finances.
455. These are not factors we can control but we have nonetheless tried to factor all these into the estimating process.

## REVENUE : 2023/2024

456. Mr Speaker we are conservatively estimating revenue for the year 2023/2024 of around £723m [PAGE 1]
457. This is some £7m below the forecast outturn for 2022/2023
458. The reasons for this are as follows [and can be seen on PAGE 6]
459. Tax receipts pitched slightly lower than the outturns.
460. Again, we consistently estimate conservatively in this area.
461. We have reduced our import duty estimate in line with last year's outturn and no higher.
462. Again, it is prudent to be conservative with this particularly revenue stream.
463. The first three months of the year are on track to achieve the £95m estimate.



464. We remain hopeful that the number of visitors and tourists continue to increase, as the tourist survey shows, and that the forecast outturn will improve.

465. Again, we nonetheless remain prudent.

466. All other revenue streams are also estimated on a very prudent basis to ensure that, if there is any error, we are underestimating our revenue and not overestimating it.

#### **467. 2023/2024 : EXPENDITURE**

468. Mr Speaker in terms of expenditure we are projecting consolidated fund charges at £120m and Departmental Expenditure at £570m [PAGE 1]

469. The reasons are as follows:

470. The consolidated fund charges factor increases in our external cost of borrowing assuming an average base rate during this financial year of 4.25%.

471. Similar to last year we may find that the outturn exceeds the estimate given the approach in recent months by the Bank of England on increasing rates further, contrary to what was originally envisaged.

472. Indeed, since the Estimates Book was presented to Members of the Parliament, interest rates have gone up by 0.75%.

473. Given the Prime Minister's statements to the effect that inflation must be controlled, the Bank of England is likely to be even more aggressive than the Federal Reserve and the ECB in continuing to raise interest rates.

474. As I said last year, Mr Speaker, borrowing costs are mitigated by channelling costs through the General Sinking Fund, but this of course impacts liquidity and surplus.

475. Departmental expenditure is estimated £570m.

476. This is down by £35m from the year just closed.

477. We continue to be prudent on spending whilst providing for the increases in inflation and other external factors.

478. And we must continue to be controlled and ambitious to deliver the surplus estimated and, if possible, an increased surplus.



479. Additionally, Mr Speaker, we are also making a commitment to repay 10% of any surpluses toward the COVID debt.
480. Given the anticipated £2.5m estimated surplus, we are providing £500,000 for such a repayment, to allow for the surplus to be up to double the estimate.



## HOSPITAL FINANCE

481. Last year I raised in this house that back in 2003/2004 (20 years ago) the GSD entered into a finance agreement to purchase and fund the current St Bernards Hospital.
482. That was an agreement we have previously said was bad for the taxpayer.
483. In fact, it was an agreement done in Mr Azopardi's time as a Minister BUT which Mr Feetham himself has been highly critical of.
484. That is to say, it was a deal done under the former, former, former leader of the GSD, whilst the current leader of the GSD was a Minister, but criticized by the former, former leader of the GSD.
485. I raised last year that the initial finance raised by the GSD of £54m would end up costing the taxpayer £109m assuming it was repaid in full last year.
486. It would have continued to cost more and more if we did not end the arrangements.
487. In the Budget Debate last year, I advised that we had been given the opportunity to get out of this agreement.
488. It was what is colloquially known as a 'no brainer', Mr Speaker, and in July 2022 we filed the relevant documents to not only benefit from a rebate of £825,000.00 but to give us the opportunity to terminate this historic sale and leaseback and enter in a new agreement to re-purchase the hospital building and vest title away from the Bank.
489. Had we not done so we faced an obligation to make a £17m bullet payment that was due under the GSD arrangements in Jan 2023.
490. So we exercised the option to buy Gibraltar out of those massively unfavorable GSD arrangements.
491. Once we exercised the option, we looked at several different repayment options taking into account different repayment period lengths and the various rates offered but always trying to make a saving on paying for the building we had owned and the GSD sold and to have more to spend on health care.
492. Given the volatility of the interest rates in the negotiation period, we have opted to secure a short term fixed term product.



493. We have agreed a three and a half year term to repay the full outstanding balance of £16.9m at an all in rate of 4% at a time when the Bank of England base rate was 3.5% and there was no certainty it would stop increasing any time soon.
494. This facility has been obtained with Gibraltar International Bank.
495. Other options available were on a longer term basis and at variable rates which would now already have seen us paying a rate of over 6%.
496. The Hospital is now once again owned by GCP Investments Limited.
497. The building is valued at over £40m on our books.
498. This new deal is extremely beneficial to the tax payer in the short and long term.
499. And most importantly, Mr Speaker, these arrangements undo the sale and leaseback which was rightly so vehemently criticized by Mr Feetham twenty years ago.
500. We are already saving over £1m a year had we gone with a longer term / variable option and in 3 years time we will have freed up a further £5m available to spend on health care for our people.
501. Ironically, Mr Speaker, this is the GSLP Liberal Government UNDOING indirect borrowing that the GSD incurred, with Mr Azopardi in it – the very thing that they criticise us for!
502. It is high time that we stopped differentiating between mental and physical health and I much look forward to welcoming these service users to our new Community Mental Health facility in the coming months.
503. This work will be part funded with a charitable donation, and particulars of these will be announced shortly.
504. I am also grateful to the Mental Welfare Society for their helpful comments on the improvements to our Mental Health services which are most welcome.



## **AQUAGIB PURCHASE**

505. Mr Speaker, last year I announced that the Government had made the decision to exercise our de facto option to acquire all the issued share capital of AquaGib.
506. I am pleased to report that we continue to make progress on our acquisition of AquaGib.
507. I had hoped to have completed this by now, but as Honourable Members will know, this Government will only conclude agreements as and when we are satisfied they are in the Tax Payers best interests.
508. Additionally, of course, since the last Budget Session, a lot has happened.
509. Not least, Mr Speaker, the fire in Powers Drive which occupied two months of senior AquaGib executives time and has undoubtedly delayed us.
510. We are, nonetheless, working through a review of the assets and when this is finalised, we will proceed to complete.
511. I will not set a deadline as I do not want that to work against the tax payer's interests.
512. I shall very much look forward to making the announcement that the acquisition has been completed in that time frame.



## THE £500M FACILITY

514. Mr Speaker, I want to now address the separate issue of the COVID debt.
515. Last year I discussed our strategy for the repayment of the COVID debt once this had fully crystallized.
516. The strategy was always – as I have told the House before – to enter into a 25 year repayment plan in December 2023.
517. The top cover for that would be a UK Government Sovereign Guarantee for that period to amortise the interest rate liability for the debt over that period.
518. And we had achieved agreement from HM Treasury to the initial period.
519. The one thing that no one expected was the volatility of the markets and the sharp changes in interest rates in the last 12 months.
520. The reasons for the sharp increase in interest rates since last October are well known and I have already alluded to them during the course of my address.
521. As a result, in order to save the Gibraltar taxpayer millions of pounds in interest rates over the next 25 years, our strategy has had to be adjusted in order to be as prudent and cost effective as possible.
522. It is clear that entering into a long term repayment plan now, when interest rates are at their peak, would simply have had Gibraltar enter into the most unfavorable plan and burden us all for 25 years.
523. This was something I was not willing to do.
524. A quarter of a century of higher than necessary interest rates on £500m would be the wrong decision for Gibraltar, even if it meant that I could not come here and say that we had settled the 25 year debt.
525. We changed our strategy in partnership with, and with the full support, of HM Treasury.
526. We therefore engaged with the Banks and extended the current facility for a further three years to December 2026.
527. That means that we can fix for the final 22 years when interest rates are again expected to be lower, thereby taking the benefit of those lower rates for the taxpayer.





528. I am therefore pleased to be able to announce to the House today that we have agreed THE SAME TERMS with RBSi / Natwest for a further three-year extension of the current facility.
529. This facility is covered by the UK Sovereign Guarantee.
530. Documentation is being reviewed and should be finalized within the next few weeks.
531. This not only shows the excellent work between HMGOG and the banks but also the faith that the banks have in us and our ability to deliver.
532. We are hopeful that during the next three years the markets will settle, and we will be in a better position to negotiate the best long-term deal for Gibraltar to repay this facility.
533. This long term facility will include a commitment to repay 10% of any surpluses in our Budget towards the debt - which has always been the idea from day one and is something we proposed and was not required of us by the lenders.



## THE UK GOVERNMENT SOVEREIGN GUARANTEE

535. The UK Government and HM Treasury have always maintained that they will continue to support Gibraltar on the long term repayment plan on the COVID debt.
536. I take a moment to remind us all that without the guarantee back in 2020 the facility that pulled us through COVID would have been much more expensive.
537. It simply is not the same to go into negotiations with Banks and Institutions having a UK Guarantee and going in without having one.
538. Changing the focus of the repayment of the facility into a further, initial three year term, for the reasons I have set out, has, obviously, resulted in us having to change the focus of the guarantee.
539. Discussions to extend the guarantee have been on going with UK Government to secure the three year extension to the guarantee given we are rolling over the facility for a further three years.
540. The Financial Secretary has been working closely with officials in both the FCDO and HM Treasury to secure the extension to the loan guarantee.
541. The extension has now received FCDO approval and is going through the HMT, Ministerial and Parliamentary approval process.
542. Our thanks to the UK Government, in particularly HMT and the FCDO for their work and consideration on this matter which exemplifies both the confidence the United Kingdom has in Gibraltar and its Government AND how much we can rely on the United Kingdom when it matters.
543. Beyond these three years, we have had a political commitment from the UK Government from the beginning to continue to work with us to assist by the provision of the guarantee in respect of the remaining 22 years.
544. This is, of course, subject to the terms of the final 22 years of the facility being agreeable etc and the guarantee receiving official, ministerial and parliamentary approval as necessary when the facility is agreed.
545. Over the next few years we will be looking at the different options in respect of the long term plan.
546. Indeed, initial conversations have already been taking place so it is not something that we would leave till the last minute.



547. In the final analysis, Mr Speaker, what is important is that I see no reason whatsoever that we will not, as we anticipated, have the facility and the guarantee for the next 25 years to amortize the repayment of the extraordinary, multigenerational debt we had to acquire to deal with the COVID pandemic.



## **THE RAINY DAY FUNDS**

549. Mr Speaker, the 'rainy. day funds' have continued to be available an uncalled upon.

## **CASH RESERVES AT GSB**

550. The Savings Bank now has a reserve of £67.5m estimated to go up to well over £70m in this financial year.

551. It is remarkable to think that when we were elected the Bank's reserves had been entirely depleted by the GSD.

552. There was literally only £1,000 in the kitty then.

553. Today the kitty is full and getting fuller under the auspices of the management of Sir Joe Bossano.

554. We have not had recourse to that reserve in this time.

## **COMMUNITY CARE CHARITABLE TRUST**

555. Additionally, the Trustees of the independent charitable trust, Community Care, report that they hold a reserve of £38m.

556. Mr Speaker, although that is less than we would have wanted them to have, we were aiming for much higher, it is £38m more than what they had when the GSD were in power!

557. They allowed the charity to have its funds depleted to zero also.

## **RAINY DAY FUNDS SAFE ONLY WITH GSLP LIBS**

558. Because however much they preach and pontificate about prudence Mr Speaker, the fact is that the one time they got their hands on the purse strings they stripped the rainy-day funds bare.



559. Just remember that the Savings Bank had just £1,000 – that is to say, ‘bone dry’ under the GSD and it has £67m now.
560. Just remember that the independent charity, Community Care, had ZERO, ZILCH, under the GSD and it has £38,000,000 now.
561. Indeed, the former GSD administration said ‘it was raining’ just because they wanted to spend the rainy day funds, even though there were no materially adverse political circumstances in play.
562. And we, the GSLP Liberal administration, conversely, have preserved the rainy day funds even when it has been pouring pandemics and political problems like Brexit!
563. So by any objective standard;
564. By any genuine analysis that is not party political in its focus, it is clear that it is the GSLP Liberals that are prudent with spending and in particular with the promotion and protection of the rainy day funds.



## CIVIL STATUS & REGISTRATION OFFICE

566. I turn now to my responsibilities in respect of the Civil Status & Registration Office.
567. The department continues to provide all services relating to citizenship, registration of births, deaths and marriages, and civil status related issues, and the heightened requests for all services provided by the three sections is a clear indicator that Gibraltar is returning to pre-pandemic activity.
568. With regards to Marriages and Civil Partnerships, a total of 1761 Marriages were performed in Gibraltar in 2022. In addition, 43 Civil Partnerships and 11 Conversions from Civil Partnership to Marriage were also undertaken.
569. These figures indicate that Gibraltar continues to enjoy its popularity as a hassle-free wedding hub, popularity that is being reinforced by the likes of the highly popular TV programme 'Marries au Premier Regard', the French version of the popular 'Married at First Sight' series which returns to Gibraltar for a third time for the filming of their 8<sup>th</sup> season.
570. This year, 839 Marriages, 23 Civil Partnerships and 7 Conversions have so far taken place. This figure relates to the period 1 January 2023 to 30 June 2023.
571. I now lay on the table, Mr Speaker, a short report on the other excellent work being done by this department that includes data on births and deaths registered as well as applications for Gibraltarian status, nationality, permanent residence and visas.
572. I ask that these be taken as read into the Hansard as a handout is at question time.



## HM CUSTOMS

574. I turn now, Mr Speaker, to my responsibilities for Customs.
575. HM Customs continues to work as part of the Government team in the treaty negotiations in order to ensure the best possible outcome for Gibraltar with regards to the cross-border movement of goods.
576. The department has continued to deliver a value for money service through its collection of import duty and fees; and the preventions and detection of crime.
577. As a result, this past year has seen an officer being assaulted whilst trying to curtail some smuggling activity, and a customs vessel being fired upon, this time using a firework.
578. These acts, conducted by criminal groups, have been meant to intimidate our officers and disrupt their operations.
579. Notwithstanding, officers have remained resolute and determined to uphold the law for the benefit of all our community.
580. Their work includes seizing two tonnes of cannabis and almost 200 kilos of cocaine in the various operations they have been involved in this past year.
581. The Government stands with all our officers in such circumstances and I thank them for their work in every regard.
582. Every time they succeed the criminals fail and all our people, especially our children, are safer as a result.
583. I now lay on the table, Mr Speaker, a short report on the other excellent work being done by this department that includes data on training, seizures of items being smuggled into Gibraltar and data on the control of attempts to trade illicitly in tobacco.
584. I ask that these too be taken as read into the Hansard as a handout is at question time.



## **THE INCOME TAX OFFICE**

- 585. Mr Speaker, taxation is the lifeblood of any government.
- 586. It provides the necessary resources to fund public services and infrastructure development.
- 587. It is a significantly important contributor to our economy and consistently accounts for approximately between 40% to 50% of recurring Government revenue.
- 588. It is therefore essential, Mr Speaker, that as is customary, I update Parliament on developments in this field that are relevant to our jurisdiction, our community and the general public in their capacity as service users.

## **TAX RECEIPTS**

- 589. The total amount of tax collected in the 22/23 financial year is £406.8m.
- 590. This comprises £247.7m in personal taxes and £159.1m in corporate tax.
- 591. This year we have seen £47.3m more in personal income tax and £37.3m more in corporate tax than in the previous financial year 21/22.
- 592. Mr Speaker, the increased rates announced in previous budget sessions for both personal and corporate tax are delivering the results envisaged.
- 593. Whilst unpopular, their aim was to stabilise our economy moving forward.
- 594. No government willingly increases taxes unless it is absolutely required to do so.
- 595. Those that do, typically do so to secure an economically prosperous future for its citizens.
- 596. This is what my government has done.
- 597. Hard times require strong leadership Mr Speaker.
- 598. Strong leadership and robust and affirmative decision-making.
- 599. These decisions may sacrifice political popularity in the short-term but ultimately seek to ensure financial stability and future successes.
- 600. That is the type of leadership Gibraltar needs and deserves Mr Speaker.
- 601. This is the type of leadership we who are in Government deliver.
- 602. Short-term gains need to be balanced with long-term economic strategy.





603. This is what we are doing.
604. The evidence is clear.
605. Mr Speaker, the numbers speak for themselves.
606. Personal tax revenue has increased by 24% and corporate tax has increased by 31% from the previous financial year.
607. The management of Gibraltar's finances are not a political tool that should be manipulated to gain popularity.
608. The government which I lead does NOT do this.
609. The government I lead takes its obligation on our public finances very seriously.
610. Mr Speaker, we understand that holding Gibraltar's purse strings requires serious and mature thought and a good collegiate approach with both experienced Cabinet colleagues in conjunction with the expertise of successive Financial Secretaries and the Commissioner of Income Tax.
611. Responsibility for public finances needs long-term vision and the ability to navigate a roadmap to get to where you want to go.
612. Many might ask where it is that we are seeking to go.
613. The answer is simple, Mr Speaker.
614. The answer is: renewed economic success.
615. Gibraltar's renewed economic success.
616. Our renewed economic success!
617. We are now close to this Mr Speaker.
618. Our forecasts show that there is light at the end of the tunnel; a tunnel that was dug deep by the impact of the pandemic and our exit from the EU.
619. In overcoming these last hurdles, we must all stand united, patient and resolute as we continue with our prudent financial management plan.
620. This is a plan designed to deliver a return to prosperity in Gibraltar.
621. A Gibraltar for everyone to enjoy.



- 622. A Gibraltar that our children and our children's children can be proud of.
- 623. A home for generations Mr Speaker.
- 624. A 'financial rock' standing steadfast against economic adversity and emerging stronger than ever before.
- 625. This is what we aim for.
- 626. This is what we stand for.
- 627. This is the path we are on.
- 628. And this is what we are determined to achieve.
- 629. Mr Speaker, as I have said previously, it is not an easy path.
- 630. This is evidenced more than ever by the manner in which we have forecasted future tax receipts.
- 631. Our financial estimates for the 23/24 financial year are conservatively projected as £405.0m.
- 632. This cautious estimate ensures that any residual impact and risk from both our EU exit and the pandemic are considered and suitably hedged against.

### **TAX REFUNDS**

- 633. Mr Speaker, during the 22/23 financial year, my government continued investing to ensure ongoing progress is made in issuing tax refunds.
- 634. During 22/23, £10m was allocated to the repayment of tax refunds.
- 635. This exhibits our commitment in ensuring that as many taxpayers as possible are repaid the monies due to them.
- 636. Prudent financial management does not mean cutting all spending indiscriminately.
- 637. It means spending wisely.
- 638. It means investing meaningfully for the benefit of the majority.
- 639. Mr Speaker, there is no better example of this than the continuing investment this Government makes towards the repayment of tax refunds.



640. Despite the shrewd approach to public spending, we have not reneged on our duty to the taxpayer to ensure that they are paid back in taxes what they are owed.
641. These continued investments represent the highest amounts ever provided for tax refunds in Government Estimates.
642. Mr Speaker, this is why my Government has been able to achieve such a significant improvement in the payment of tax refunds and the eradication of the infamous lengthy backlog we inherited from the GSD in 2011.
643. For this reason, Mr Speaker, significant amounts will continue to be allocated to fund tax refunds, with a further £10m allocated in the financial year 23/24.
644. Taxpayers are not to blame for the financially difficult time we find ourselves in.
645. This is solely due to a series of uncontrollable factors no-one could have ever believed; we would not have believed when we were first voted into Government in 2011.
646. It is therefore unfair for them to assume the burden unnecessarily and not get repaid what is owed to them.
647. Mr Speaker, this is why we remain committed to giving back to taxpayers as soon as possible.
648. The Commissioner of Income Tax's Office advises me that their team continue to make progress with their tax refund programme, despite the lasting impact of the pandemic and resourcing constraints.
649. Presently, refunds for 19/20 have been completed and the team at the Income Tax Office continue working tirelessly to expedite the remaining refunds for 20/21 and 21/22.
650. I wish to take the opportunity to publicly thank all of them for their continued efforts.

#### **ADDITIONAL MATERIAL ON TAX**

651. Mr Speaker, there is a LOT more I need to refer to the House on taxation that is deeply technical.
652. In order to minimise the time that I take in this address, and to assist practitioners in the field, I am laying on the table the additional 130 plus paragraphs that relate to this aspect my address.
653. I ask that it be taken as read in this House to form part of Hansard.



654. The matters in that are included in that part of this Budget include matters related to the simplification of tax, Pillar 2 measures, the digital tax office and a consultation on international tax matters.
655. This is substantial and important material, but I will not read it all out, allowing instead that the material be reflected as the policy of the government, in effect from now, and permitting it to be analysed in greater depth by technicians.
656. All the additional material I am laying on the table will appear as Annexes to the published version of my speech which will be available on the Government website and social media when I finish this address.



## THE BUDGET MEASURES, 2023/24

657. Mr Speaker, I now turn to the specific Budget measures that will apply in this financial year
658. I will start with measures related to taxation.
659. I will take personal tax rates first.

## TAX RATES

660. The tax rates that were increased last year have contributed significantly to notable increases in tax revenue.
661. Mr Speaker, as explained earlier, we are well ahead in the game; our financial recovery journey is at a more advanced stage than we estimated.
662. This is extraordinary news, Mr Speaker; a return to budgetary surpluses by financial year 23/24.
663. This significant achievement, and the expectation that our weaker economic position of recent times has now been reversed, are sufficient reasons to announce today that the 2% increase in personal tax rates implemented last year can be halved for those on incomes below £100,000.
664. The Government is all too aware of the pressures households are now facing with the increases in cost of living.
665. Accelerating the reduction of these rates well ahead of time is NOW the right thing to do!
666. Unfortunately, these increased rates of personal tax must continue into the second year as originally intended, albeit reduced by 1%.
667. This will allow our future economic growth to be steadily supported as we return to the stability we had previously enjoyed.
668. But, Mr Speaker, Government does not feel it is right to collect more tax than is necessary from those families that are facing difficulties.
669. For this reason, we are bringing the personal tax rates down by 1% for all incomes below £100,000.



670. This means that the maximum effective rate for anyone earning above £25,000 and below £100,000 will be 26% and not 27% when taxed under GIBS.
671. Similarly, the effective rate will decrease from 19% to 18% for anyone earning below £25K.
672. Those earning above £100,000 will continue to have that income taxed at 27% for another year.
673. Mr Speaker, if we are returned to Government, all rates will return to 25% next year.
674. Once again, Mr Speaker, proof that this Government is all about giving back whenever we can.
675. This is the satisfying result of making hard decisions; the ability to reverse such actions early and ease the financial burden on all taxpayers as we have worked hard to do.
676. This once again demonstrates, Mr Speaker, that we are a Government that successfully manages short term financial crisis with long term economic prosperity of its community.



## **PROTECTING THE VULNERABLE**

678. Mr Speaker, in these times it is essential that we ensure that we do Social Justice in the deployment of the fire power available to the community.
679. And, just like last year, one of the things that our Budget must do is insulate the most vulnerable from the effects of continued high inflation and the increases in the cost of living that we are seeing affecting everyone but in particular the lowest paid in our community.
680. So keeping to the analysis that the key factors in economic vulnerability are earnings and dependence on state payments, my Government will continue to act to protect the incomes of the most vulnerable.
681. In the circumstances, Mr Speaker, we will be ensuring that those on the minimum wage, those on Disability Benefit and recipients of the State or Old Age Pension will all enjoy the benefit of increases in line with inflation to the payments that they receive.
682. We will also take measures to assist the lowest paid in the public sector.
683. And we will provide a tax stimulus to encourage private sector employers to assist the lowest paid in the private sector also.
684. I will take each of those in turn to announce the relevant increases that this Budget will provide as follows:

## **THE MINIMUM WAGE**

685. The Minimum Wage will increase, in line with our estimate of inflation, at the rate of 6.2%.
686. The Minimum Wage will therefore increase by 50 pence to £8.60 per hour.
687. The Government considers this year, like last, that this is the best way to ensure that the minimum sum of money that people earn in our economy keeps pace directly with the cost of living in our economy.
688. We are not increasing the Minimum Wage by more than inflation.
689. But neither are we failing to increase the Minimum Wage at least by inflation.



690. As a result, based on a 37.5 hour week, the Minimum Wage will go up from £15,855.75 to £16,770.00 an increase of £914.25 per annum.
691. Based on a 39 hours week, the Minimum Wage will go up from £16,489.98 to £17,440.00.
692. This is an increase of £951.80 per annum
693. Those worst off in work will therefore enjoy the benefit of salary increases of in the region of £950.00
694. Mr Speaker, last year the Minimum Wage went up by £1,200. This year by £950.
695. Mr Speaker, there are some here, sitting opposite us, who pretend that they are the champions of the working class.
696. And yet, Mr Feetham and Mr Azopardi have sat in GSD Governments that FAILED to raise the Minimum Wage in many of the years that they were in Government.
697. Under the GSD the Minimum Wage usually went up only in an election year.
698. So the GSLP Liberal reality here really catches up with the great untruth that underlies GSD rhetoric.
699. It is the GSLP Liberals that introduced the Minimum Wage in its first Budget after the 1988 election.
700. Now, in our second stint in administration the GSLP Liberals can say that we have raised the Minimum Wage in every single Budget since 2011.
701. And now, with the cost of living rising, the GSLP Liberals that I proudly lead in this House can rightly boast that we have delivered an increase of £2,150 in the Minimum Wage in two years.
702. That is an average increase of over £1,000 a year over the past two years on the Minimum Wage.
703. IT was £5.40 an hour or £963.30 per calendar month when we were elected.
704. That equates to a Minimum Wage of £11,559.60 a year under the GSD.
705. If we had adjusted just for inflation the figure would have increased by 29.5% or approximately £1.60 per hour.
706. In fact, it is now £8.60 an hour or £17,440 per annum.
707. That is an increase of 60% in the minimum wage over 12 years.





708. An average increase of 5% a year.
709. An increase of almost £6,000 pounds in 12 years, or an average of £500 per year under the Socialist Liberal Government that I proudly lead.
710. Proof positive, OBJECTIVE proof, that working people, especially those on the minimum wage, have no better representatives than the GSLP Liberals.

### **Disability Benefits, State & Public Sector Occupational Pensions**

711. Mr Speaker, it will not just be the Minimum Wage that will go up by inflation.
712. The State Pension and Disability Benefit will also go up by inflation, which as I say we expect to be in the region of 6.2%.
713. The increase will be rounded up to 7%.
714. It is right that the Old Age Pension and Disability Benefit should go up by the rate of inflation, in order to ensure that those who depend on those amounts are not affected adversely by the increase in the cost of living.
715. There will also be an increase for occupational pensions from the Government which will increase by 2% in line with the provisions of Section 6 (2) and (2A) of the Pensions (Increase) Act.
716. Those pensions have been increasing by 2% each year for the last twenty one years, even in the years when inflation has been lower.
717. They will also rise by that rate this year.

### **INFLATION INCREASE IN MAINTENANCE GRANT**

718. The student's maintenance grant will increase from the next academic year by 15% for last year and this year in order to assist with the cost-of-living increases in the United Kingdom over the past two financial years.
719. Mr Speaker, no student, no parent and no Gibraltarian or Gibraltar resident should ever take for granted the great benefit that having all tuition fees paid for and a full maintenance grant to attend any UK university to study any course any student may wish and achieve a place at.
720. A GSLP policy which was roundly decried but which has been the foundation of our people's professional development.



## **SPONSORED PATIENTS ALLOWANCE INCREASED**

721. The sponsored patients allowance will also increase by the rate of inflation in the United Kingdom in the past two years or 15%.
722. Our patients are in the United Kingdom and they need to be able to fund the time that they are there with dignity.



**PUBLIC SECTOR SALARIES  
A COST OF LIVING ASSISTANCE PAYMENT 23/24**

723. Mr Speaker, I have had several, very positive and very constructive meetings with Unite the Union, the GGCA and Gibraltar NASUWT in relation to the cost-of-living issues that arise from world events beyond Gibraltar over recent years.
724. These are principally the illegal invasion of Ukraine by Russia and the effect of the Truss/Kwarteng Budget of autumn 2022 which has sent interest rates soaring.
725. We acknowledge that this is detrimental to the workforce and that those worst hit are individuals on lowest incomes, as they may find it harder to make ends meet. As the largest employer in Gibraltar, it is my Government's responsibility to lead on mitigating such difficulties.
726. We will do so, Mr Speaker, but without forgetting that we are a socialist party.
727. With this in mind, I am delighted to announce to this Parliament the measures which will benefit those at the lower end, with a progressive system of thresholds to meet the most urgent needs of almost the entirety of the workforce.
728. Mr Speaker, the Government is fully committed to helping all public sector employees and has decided to pay a single non-consolidated, lump sum in September 2023.
729. This payment will not be subject to tax deductions.
730. That is to say, it will be a tax free lump sum paid at the end of the second quarter of the current 23/24 Financial Year, in time to help bridge the gap that the cost of living increases may be creating for the lowest paid.
731. It is designed to be fairly administered between grades.



732. An extensive exercise has been undertaken, which has led us to apply a staggered payment approach.
733. To this end, I now announce the following measures:
- Public Sector Workers Below a Basic Salary of £50,000:**  
Will receive a non-consolidated, non-taxable lump sum assistance payment of £1,200, which is the equivalent of approximately £1,500 if taxed;
- Public Sector Workers with Basic Pay Between £50,000 and £75,000:**  
Will receive a non-consolidated, non-taxable lump sum assistance payment of £900, which is the equivalent of approximately £1,100 if taxed; and
- Public Sector Workers with Basic Pay Between £75,000 and £100,000:**  
Will receive a non-consolidated, non-taxable lump sum assistance payment of £600, the equivalent of approximately £750 if taxed.
734. All of these sums will be paid in one lump sum at the end of the current quarter, which is the end of the first half of the current financial year.
735. The total cost will be in the region of £6.5m distributed between all public sector workers whose basic pay is less than £100,000.00.
736. Public sector employees will no doubt welcome the payment, which will be paid separately to their payroll before the end of September 2023.
737. The bandings and thresholds the Government has identified are progressive and will afford payments to almost the entirety of the workforce.
738. Those earning a basic pay above £100,000 will not receive any assistance payment.
739. The payment will not apply to Members of Parliament in other employment or in receipt of occupational pensions.
740. Given the public finance constraints that the Government is operating under, in this post-COVID / BREXIT environment, those on such incomes are unlikely to suffer the hardship we seek to use public money to ameliorate.
741. The objective is to use public money to help those on the lowest incomes.

## SAVINGS NOT BORROWING



742. Mr Speaker, it must be noted that the Government will not cross the red line of borrowing to fund Public Sector pay.

743. Consequently, this extraordinary assistance payment, although not recurrent, must be met by the projected surplus of £2.5m and savings which do not affect front line services.

744. Given that the payments that the Government will announce will exceed this projected surplus, Ministers will be asked to identify savings of a minimum of £500,000 within their respective portfolios without these savings impacting the provision of public services.

**745. THE PRIVATE SECTOR**

746. Additionally, in order to assist private sector employers who may wish to also ameliorate the effect of cost-of-living pressures on their employees, the Government will in the 23/24 tax year, permit similar assistance by tax-free payments up to the amounts and on the same terms as is being paid by Government to employees in the private sector also within the same salary thresholds.

747. The payment must be excluded from payroll reporting and the deduction will not be allowed against the employer's profits.

748. The Government has consulted with the Commissioner of Income Tax to ensure that we make our workers the full beneficiaries of this assistance program through the provision of a tax-free payment.

749. We want to ensure that we give the employee all the money.

750. It will introduce a specific exemption in the law applicable for the current Tax year.

751. Mr Speaker The Times front page on the 16th May 2023 opened telling the world that UK had lower salaries and higher taxes (and more taxes too) than ever before.

752. One fifth of all taxpayers in UK are on the 40% tax band.



753. On the 17<sup>th</sup> April the Deputy Governor of no less than the Bank of England said that UK households had to get used to feeling poorer.
754. I do NOT accept that for Gibraltar.
755. I will NOT accept that for Gibraltar.
756. For that reason, these measures are designed that we do not settle for feeling poorer.
757. And this is the start of how we return to the prosperity we have known and repay our COVID debt timeously as we have agreed to do.

### **EMPLOYMENT PENALTIES WAIVED**

758. Mr Speaker, some employers are genuinely finding hard it to wait the 10 days to employ a person.
759. In the circumstances, the £15 penalty introduced to ensure that the 10 day vacancy period is respected will be waived in the discretion of the Director of Employment, upon application of the employer showing why there was a good reason why the 10 day vacancy period genuinely cannot be respected.
760. Additionally, the £18 charge for the registration of a vacancy will be reduced to £8.60 and will increase in line with the minimum wage.
761. That is to say, the cost of registration of a vacancy will be reduced by more than half and will now equate to only one hour of work on the minimum wage.

### **PARITY**



762. In addition to this, I am also pleased to announce that the Government will amend the entry-level salary of all public sector jobs to **£ 21,674 per annum**.
763. This will positively impact different Government grades and Public Sector employees, including Care Workers, Administrative Assistants, Nurse Assistants, School Crossing Patrol officers, Special Needs Learning Support Assistants and many more.
764. This measure aligns with our ongoing commitment to the parity principle with UK salaries.
765. This is not to be taken lightly and equates to an enhancement of 16.61% for lower earners in the lowest entry point of these grades.
766. Coupled with the (6.64%) Public Sector Support payment, this will equal a **23.25% increase in the salary of the lowest entry point in the service**.
767. This is a testament to the Government's commitment during the past 12 years to Public Sector employees and meeting the needs of its workforce, and this year, more than ever, emphasising the needs of those who may be facing genuine hardship.

#### **CIVIL SERVICE RECRUITMENT**

768. The Civil Service and the wider Public Sector enjoy the full support of His Majesty's Government of Gibraltar.
769. The Civil Service knows and understands my Government's commitment in relation to it.



770. Our commitment is in our manifestos and proven track record during our 12 years in Government.
771. A commitment to the manning level at least of the Civil Service when we were elected.
772. In fact, we have grown the Civil Service from 1,910 to 2,694.
773. And we do NOT agree that this amounts to a 'bloated' Civil Service as the GSD have said.
774. And we have grown the public sector as a whole from 3,900 to 5,200.
775. I defend the size of the Civil Service and the Public Sector generally.
776. In fact, in particular, I defend their excellent work – not least but ESPECIALLY when COVID hit and the nation needed the public sector.
777. That is why, everything we have done in Government that has had, or had the potential of having, an impact on the Civil Service and the wider Public Sector, has been done in consultation with the staff and Unions, and these measures are no different.
778. We will maintain our commitment to ensure that it is adequately resourced so that it delivers the required results to fulfil our manifesto commitments.
779. I am therefore delighted to inform the members of the house and the public that we will start the Administrative Assistant (AA) external recruitment process tomorrow morning; furthermore, as per my earlier announcement, new entrants into the Civil Service as Administrative Assistants will benefit from the measures announced in my budget speech and commence with a salary of £21,674, a 13.4% increase to the previous starting salary.





780. Much is being said about the Public Sector and the Civil Service, but my Government fully supports this central pillar of our civic and business communities.

### **PUBLIC SECTOR FEES & CHARGES**

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

782. This is a very minor increase but it is essential in order to ensure that Government fees do not, once again, fall to ridiculous levels.

### **ELECTRICITY AND WATER BILLING**

783. Last year I announced that Electricity and Water Billing would increase by 8%.

784. The increase of 8% was an estimate at the time based on available figures taking into account any inflation to 31<sup>st</sup> July 2022.

785. And it was the total increase for the year.

786. As all members of the public and all Honourable Members will have seen, the increases in electricity charges in Spain, the United Kingdom and the rest of Europe have exceeded 300% in some instances.

787. The EU agreed a capping mechanism to permit a subsidy for Spain and Portugal as costs of fuel and, consequently, electricity, rocketed.

788. Here, although people complained at 8%, the increased costs were fixed and modest by any measure compared to every other country in Europe and the United Kingdom.

789. There was, nonetheless, a statement from me that we would increase these charges annually on the 1<sup>st</sup> August.

790. This year, water and electricity bills should therefore increase by a further 6.2% at least.



791. In fact the cost of generating electricity is still high as a result of the war in Ukraine continuing to keep fuel prices high, though not as high as they have been.
792. However, recognizing the increase in the cost of living is not abating, the Government will this year NOT increase water and electricity charges whilst inflation continues to be above 5%.
793. This will help every resident of Gibraltar.
794. Again, this is a measure that will be particularly appreciated by the lowest paid in our community.
795. But it will also benefit those with mortgages who will have seen costs increase as interest rates have risen.
796. **As does the subsidy on electricity and water production which is now being shown on the bill and** reflect the subsidy of 10% for Water and 50% for electricity.
797. This is approximately how much HMGOG subsidizes the production of water and electricity.

### **FIRST-TIME HOMEBUYERS**

798. Many young Gibraltarian professionals are buying in the open market and not just in the affordable housing market. The first-time homebuyer allowance will increase from £260,000.00 to £300,000.00.

### **STAMP DUTIES**

799. Mr Speaker the current stamp duty brackets were introduced more than 10 years ago. As a result stamp duty on sales over £800,000.00 will go up from 3.5% to 4.5%.
800. I am also asking LPS, in particular the Commissioner of Stamp Duties, and the Financial Secretary to commence a consultation, to report to me by the 30<sup>th</sup> September, on whether we should introduce Stamp Duties on assignment of purchase contracts for real property. These are often-times contracts entered into by purchasers 'off plan' for new developments and can be flipped at a profit of hundreds of thousands of pounds.



## **FUEL DUTY**

801. The current measures reducing import duties to ameliorate the effect on higher fuel prices will continue in effect until, at least, the end of the third quarter of this financial year, that is to say, the 31<sup>st</sup> December 2023.

## **VEHICLE IMPORT DUTIES**

802. At present private vehicle importations carry higher duties than those imported by dealers.
803. These are nonetheless being circumvented by some by agreeing that some dealers should use their licences to import these vehicles for a fee.
804. As a result, the measure is useless and defunct.
805. Private vehicle importations will now therefore attract the same duties as the importation of vehicles by dealers.

## **THE VEHICLE DUTY CAP**

806. Fully diesel or petrol cars currently have a cap on duty payable of £25,000.
807. Many are therefore using Gibraltar to bring high end cars (some worth over £1m) just to register them.
808. This proves that the cap was a good idea.
809. It will, nonetheless, be increased to £35,000.

## **THE NEW VESSEL DUTY CAP**

810. Mr Speaker a similar cap will be introduced on the importation of pleasure vessels.
811. The cap will be fixed at £35,000 as it is for vehicles.
812. This will also make Gibraltar an attractive jurisdiction of the importation and ownership of vessels.



## **IMPORT DUTIES TO PROMOTE HEALTH & FITNESS**

813. The import duties on fitness trackers, on bicycles, bicycles accessories or spare parts, treadmills and all other gym or fitness equipment will be reduced to ZERO. We want to promote the use of this type of equipment to ensure that more people take up the challenge of getting fitter and reducing obesity and the problems that are associated with being overweight.
814. The minor loss of revenue will be compensated massively in savings to the Health Authority as we improve the health of our community and prevent long term health problems associated with being overweight.
815. Continuing on the issue of the nation's long term health, Mr Speaker, and leaving aside the issues of politics associated with this particular commodity, the attraction of which I confess I have never understood, duty on tobacco goes up by £25 per master case, that is to say 50p per carton, 5p per box of 20 cigarettes.
816. Similarly, Mr Speaker, duty on vapes and all associated products, will be half that on a box of 20 cigarettes. It should be cheaper to vape than to smoke, as vaping is likely better than smoking, but it is not without its own health problems.
817. Individuals who are enrolled in a gym or who contract a personal trainer who is registered with the tax office, will be able to deduct 10% of the verified cost against the bottom line of their tax bill.
818. Let's get the health of the nation on a better footing all year round and not just when we try to squeeze into our bikinis or mankinis.

## **PRIVATE EDUCATION**

819. Parents who are funding private school tuition for their children in Gibraltar will now be able to set off 10% of the cost of that education against the bottom line of their tax bill.

## **CUMBERLAND TERRACES**

820. Whist I am Chief Minister Owners at Cumberland Terraces will be able to count with the continued assistance of the Government to correct the issues that have arisen at that estate developed by the GSD contrary to advice and with GJBS having to step in to save the development given the liquidation of the earlier developer and contractor.



821. This arose after the Government lost £7m it had loaned to the developer and was one of the reasons that Barclays gave us for shutting shop in Gibraltar.
822. We will also continue to help all other affordable estates and stand behind any construction defects in such estates and continue our refurbishment programme of Government rental estates.

### SINGLE PRACTITIONERS' TAX CREDIT

823. Mr Speaker, as a member of the legal fraternity, I have to regard Shakespeare's most pernicious phrase, at least at first blush, to be 'The first thing we do is, lets kill all the lawyers.'
824. In fact, the phrase is actually a defence of lawyers.
825. It is uttered, as I told the house some years ago, by Dick the Butcher in Henry the VI, Part II, who is a villain.
826. The meaning Shakespeare intended is that society could not exist in a state of fairness and peace without the protectiveness of both the law and its staunch guardians.
827. Dick the Butcher is suggesting that, in order for their coup to prevail, they must eradicate society of the very defenders of justice who could both stop the revolt he intends to help spur and then remove the power he hopes to grab for Cade.
828. In other words, this suggests that Shakespeare represented lawyers as the most fundamental defence against the grossest manifestations of power-hungry antics wrought by the scum of humanity.
829. US Supreme Court Justice John Paul Stevens shared this reading of the line, even analyzing it in a 1985 decision: "As a careful reading of that text will reveal, Shakespeare insightfully realized that disposing of lawyers is a step in the direction of a totalitarian form of government."



830. Mr Speaker, for all those reasons, the attacks on the alleged “Barristocracy” in politics is as misguided as Dick the Butcher’s phrase is poignant.
831. But the defence of the defenders of rights and the rule of law cannot just be political.
832. The Government recently commenced the Legal Services Act.
833. That includes requirements of compliance which are designed to protect the public and the legal profession.
834. It also introduces fees which are mandatory for the first time.
835. These will be easier for firms to bear than single practitioners.
836. But single practitioners are an important part of the life blood of the legal system, of the rule of law and of the criminal justice system in particular.
837. For that reason the Government will introduce a tax credit for single practitioners (a term that will literally affect those who practise alone and not in a chambers or firm or company setting with others in the same building), that will allow each of them a deduction of 75% of the fees they show have been paid to the LSRA against the bottom line of their tax bill.

#### **GIB INT BANK MORTGAGE INTEREST MITIGATION**

838. Mr Speaker, in late 2022 with market turmoil and the threat of rising interest rates the Bank launched a 4.25% fixed mortgage proposition to provide both certainty and protection to its customers.
839. The 4.25% rate, fixed for 3 years, has been taken up by almost 1,000 homeowners with a value of £161M mortgages for both our existing customers and new customers.
840. An important support at an uncertain time to our residents.
841. Last month, the Bank revisited fixed rates, prior to the latest base rate rise to 5%, extending both 3- and 5-year fixed rate offerings of 4.49% focused specifically on supporting the purchasers at the Hassans Centenary Terraces Development.



842. To date, mortgages offered and in course of offer are supporting 135 borrowers to a total amount of £16.8M.
843. The HCT proposition also factors in no lending fees, £1,000 cash back and no valuation fees – all with the intention of combining certainty, protection and practical day one support to new homeowners.
844. In addition to the HCT mortgage proposition, the Bank has launched new 3 and 5 year general market fixed rate mortgages of between 4.55% and 5%
845. Mr Speaker, this is why this Government set up this Bank – to assure Gibraltar and its residents of retail banking services.
846. Who would have thought that I would today, some 9 years since we started operating, that have repaid all of our start up costs, the Bank's performance has remained strong during 2023 and the expectation is of full year profits above £10M, against the £8.1M recorded in 2022.

#### **BUSINESS NURTURING SCHEME**

847. As I announced at the Gibraltar Federation of Small Businesses Annual Dinner, Mr Speaker, the Business Nurturing Scheme returns this year also.
848. The Honourable Mr Daryanani will say more in coming days about the details of that.



## EXTRAORDINARY MATTERS

849. Mr Speaker I now want to address two extraordinary matters before I move on to my conclusions.
850. The first is the cost of the ongoing McGrail Inquiry.
851. The second is the performance of the entity that took over the running of the dockyard.

## MCGRAIL INQUIRY COSTS

852. The McGrail inquiry that the Leader of the Opposition is so keen to speculate about is also reflected in the Estimates Book.
853. Those following the Book can see the reference on page 2.
854. Expenditure to the end of March 2023 already exceeded £1.5 million.
855. This is an expensive exercise.
856. External costs (approved by the secretary to the inquiry) were already £963,829.98
857. The Government's related costs amounted to £409,382.85
858. That gives a total of £1,373,212.83 investigating why someone decided of agreed to apply for early retirement.
859. Expenditure for current year to 30th June 23 has further increased.
860. External costs approved by the secretary to the Inquiry for the year to date stand at £452,268.49.
861. That makes a total, up to now, of £1,825,481.32.
862. A lot of money that could be put to better use, Mr Speaker.





863. Exactly the reason why, when I agreed to convene the Inquiry, I nonetheless said it was unnecessary, as I am sure will be proven to be the case once the matter is resolved.

## **GIBDOCK**

864. Mr Speaker, I recently referred the House to the acquisition of GibDock by Balaena ...

865. I explained to the House in a statement the many advantages we had been able to negotiate over the deal which the GSD had negotiated for the shipyard.

866. Today, Mr Speaker, I can report on the facts as they have developed.

867. In the time since GibDock was taken over by Balaena and we negotiated new environmental covenants, there have been only three noise complaints under the new management.

868. These were all minor and related to the period just after 8pm.

869. Additionally, I am able to report to the House that the company will pay total contributions to the Treasury of £3,000,000 this year.

870. That is made up of just shy of £180,000 in corporate taxation, £2m of PAYE and £850,000 of social insurance.

871. These figures are provided by the company itself, not by the Commissioner as that would be confidential information.

872. But the Company is keeping to the commitments it entered into with the Government and has agreed that we should be free to report that to the House.

873. The Company's EBITDA is up from £3.8M to £8.5M.

874. Peak employment in the first year of Balaena operations is up from a maximum of 210 pre Balaena to 440 post Balaena.

875. And for the first time in many years, probably since the yard was a Royal Navy Dock Yard, it has had work ongoing in its three dry docks at once.



876. Additionally, we are working on other projects with the Balaena management team who see great scope in the increased use of Gibraltar for other aspects of their worldwide business and see opportunities to attract others here too.



## CONCLUDING REMARKS

877. Mr Speaker, as I start to round up I want to thank all the public servants of Gibraltar for their support these past twelve years.
878. Everything that the Government does is delivered thanks to them as they represent our reach.
879. Literally our arms and legs.
880. In particular, I want to thank you and the clerks of the House for your fantastic Parliamentary support to me as leader of the House and to other ministers throughout the year and the whole lifetime of this Parliament.
881. I also want to take this moment to thank all of my remarkably hard working Cabinet colleagues for their support throughout the past four years as we have led Gibraltar together through THE most difficult and challenging times in our recent history.
882. It has been tougher than tough.
883. Tougher than tough.
884. Tough and unforgiving.
885. These past four years have required an effort like never before.
886. When we look back, Mr Speaker, and in this I fondly include Mr Licudi, THIS is the Cabinet team that dealt with COVID.
887. This is the team of Gibraltarians who stood in the arena when the time came to tame the threat that came upon the world and on our shores in February.



888. Thank you to each one of them from me.

889. I may be the lead singer, but I make no music on my own, Mr Speaker.

890. I must also record my thanks also to the Chief Secretary, the Attorney General, the Financial Secretary as well as the former Financial Secretary and the Chief Technical Officer for their incredible support, their energy and their single minded determination to defend Gibraltar's interest.

891. What a team we have at Gibraltar's beck and call.

892. I will not tire of referring to THE most extraordinary dedication and the most incredible ability that they each represent.

893. It is a thrill to work with you all to date and I sincerely hope I will be afforded the honour of doing so again – one more time only - after the autumn General Election.

894. Of course, Mr Speaker, that leaves my personal staff at No 6 to thank.

895. Wow.

896. They are more than just a team.

897. They really are an extension of family.



898. Given the hours we work, it may not be so surprising!
899. And they will be for whoever is Chief Minister after the next election.
900. Whether it is me again or not.
901. So my deepest and most personal and most sincere thanks to them all for the twelve years so far.
902. Its easy to say, 'twelve years'.
903. But that's a hell of a lot of problems faced down thanks to the support of the teams I have just referred to.
904. A hell of a lot of time in the office.
905. A hell of a lot of family hours lost.
906. And so, Mr Speaker, all that work is, I know, valued by the Community and the nation as a whole.
907. That is why, even before they start their to address you, with the predictable rhetoric of the opposition, I want to expose the fallacy of the arguments we repeatedly face.
908. Because no one in our community should fall for the arguments of the sirens opposite without having their eyes wide open to the reality of what is behind what they are saying.



909. The reality is that they will undoubtedly attempt to manipulate the numbers in the Estimates Book again this year.
910. They will use arbitrary methods to calculate debt and they will denigrate the work of the magnificent team at the Ministry of Finance and all the controlling officers of the Government by pretending that these meticulously prepared figures are somehow inaccurate or not fully representative of all Government spending.
911. They will apply different rules to us to those they applied to themselves in Government.
912. And they will seek to do so in order to paint a picture of allegedly burdensome obligations created by me and now hanging around our nation's neck.
913. None of it will be true.
914. Of course.
915. But that never matters to the GSD.
916. Their aim, as always, is to strike fear into the hearts of our citizens regarding the actions of this Government.
917. To sow discord and doubt among our citizens regarding the actions of this Government.
918. But the people they are trying to dupe are the Gibraltarians.
919. And the Gibraltarians are not easily duped.
920. They can see that the GSD opposition does one thing in Government and then says another in opposition.
921. They see that even the things they say are contradictory.
922. Whenever a task remains incomplete, what is the GSD's immediate reaction?
923. Having said we are spending too much money, do they propose conducting an economic analysis to assess affordability of a project?
924. No, Mr. Speaker.



925. Because they do not want to tell parents, or patients or athletes, or swimmers or rugby players the truth.
926. They do not want to tell them that they will not fund their new facilities.
927. They want to start by beating us with a stick for spending too much.
928. Then they want to beat us with a stick for not spending quickly enough!
929. Because their knee-jerk response is to issue press releases, pointing fingers at the Government and demanding answers for the delayed construction of houses, schools, sports centres and other vital facilities.
930. They want us to build more and to build more quickly and spend less and save money.
931. That is to say, Mr Speaker, they want to hold us to an impossible standard of doing more, more quickly for less and with no spending.
932. In colloquial language, Mr Speaker they are operating in 'el mundo yupi' of Public Finance.
933. Moreover, Mr. Speaker, they cannot possibly claim that everything they advocate for, which our dedicated government officials diligently execute, could have been achieved by them at a significantly lower cost.
934. In fact, their record suggests they are the last people to give advice on bringing projects in on time.
935. Their cost overruns on the airport – which cost four times as much as originally budgeted – or the Theatre Royal – suggests they should actually try to keep their heads low on these matters.
936. Regardless, it is evident that they would not have built or provided anything without a financial investment.
937. And that investment would have contributed to borrowing.
938. Just as they did with the Hospital with the disguised borrowing called a sale and leaseback.



939. Just as they did with the Government Car Parks, financed through a company.
940. Just as they did with RBS in the contracts they executed for the new power station which was going to destroy the Upper Rock Nature Reserve.
941. If I may say so, Mr Speaker, we SAVED Gibraltar from that particularly terrible idea of a Grimy Smelly Diesel power station by the GSD on the Upper Rock on the door of the Nature Reserve.
942. Therefore, Mr. Speaker, I find myself having to seriously question the existence of the economic miracle the GSD appear to promise the People of Gibraltar.
943. It seems a bit like a ponzi scheme some might fall for.
944. The GSD are selling an illusory notion that they can deliver everything without borrowing or reducing available funds.
945. The GSD are selling the idea that you can have something for nothing.
946. But the People of Gibraltar know, Mr Speaker, that real leadership is not telling fairytales, it's about telling people the truth and standing up to act as necessary
947. And they must stop treating people like children.
948. Pretending they don't understand the arguments.
949. Our people do understand the reality of the arguments.
950. That is why they repeatedly reject the GSD and I believe they will again at the next General Election.
951. Because the fact is that it is easy to criticize, Mr. Speaker.
952. But proposing viable alternatives requires true leadership.
953. Regrettably, I have yet to hear anything from GSD members opposite other than tired repetitions of their previous budget speeches.
954. Every year, they dust off their old scripts, rehashing what was said in previous years.
955. Yet, every year, when I present a comprehensive plan, they fail to respond, opting instead to recite their pre-prepared dogma.





956. Indeed, every year, Mr. Speaker, it's the same story.
957. The same speeches, the same criticisms, the same monotonous dogma.
958. And also the same dearth of fresh ideas.
959. The GSD say that they yearn to be elected to run this esteemed institution.
960. Yet they can only point out what they say is wrong.
961. They ignore they are often complaining about things they used to do themselves.
962. And they fail to offer any alternative or any solution.
963. But we, Mr. Speaker, are committed to progress.
964. We refuse to be trapped in a cycle of stagnation.
965. Our budget represents a vision of a brighter future for all Gibraltarians, especially young Gibraltarians.
966. A future built on innovation, investment, and resilience.
967. We understand the complexities of governance and the financial realities we face.
968. Our proposals are rooted in pragmatism and a genuine desire to uplift our nation.
969. So I know this community, this nation, the good People of Gibraltar will not be swayed by the empty rhetoric of the GSD opposition.
970. The electorate is discerning.
971. They will not be persuaded by their abundance of criticism served up with a dearth of ideas.
972. How can the GSD expect to earn the trust of the people when they rely on the same tired and exhausted lines year after year.
973. Proved wrong, year after year.



974. Our citizens deserve better.
975. We deserve an opposition leader who offers innovative solutions.
976. We deserve an opposition who present an alternative vision for progress, not a reversal of progress achieved on women's reproductive rights.
977. We deserve an opposition who possess the determination to turn an alternative vision for Government into reality.
978. But we have no such alternative in the same old GSD.
979. Has-beens and wanna-be's do not a constructive alternative make, Mr Speaker.
980. That is why our People rise above the negative, destructive, repetitive dogma of the GSD.
981. They embrace our vision of the future filled with promise and prosperity and designed to Keep Gibraltar Safe.
982. For that is what we have done and it is what we will always do.
983. In face of adversity and in the face of challenge after challenge.
984. We Keep Gibraltar Safe.
985. On the international level and in facing national challenges.
986. We Keep Gibraltar Safe.
987. It's the job the People entrusted us with and it's the privilege and honour we discharge each day as we Keep Gibraltar Safe.

### **KEEP GIBRALTAR SAFE**

988. And as we do, I know that most Gibraltarians would class themselves as Socialists.
989. Very few would associate themselves with the policies of the Partido Popular or Vox.



990. That is why the Gibraltarians want to see continued, affordable and prudent investment in better services.
991. In health.
992. In education.
993. In elderly care.
994. In services for the most vulnerable.
995. And in investment in the living environment around us.
996. They do not want to see Clinton Cuts and Azopardi Austerity.
997. They prefer Picardo Prudence and Bossano Brilliance.
998. They prefer the GSLP Liberals socialist approach to the GSD's PP or Tory style cuts and austerity.
999. We do not represent giveaways to buy votes.
1000. We will not give nor promise to give £500 a month to those who do not need it.
1001. We represent annual increases in the Minimum Wage.
1002. We represent social justice.
1003. And we represent those who work hard every day.
1004. And those who are having such a hard time that they cannot even work.
1005. And that is the aim of every one of our Budgets.
1006. To deliver for working people.
1007. And for people who cannot work.
1008. To ensure that those can work have the jobs available and are taxed as little as possible.
1009. To ensure that those who cannot work are properly provided for.



1010. That's why this is once again, as all have been in our time, a careful budget that honours the sacrifices of yesteryear, works for today and protects those who will come tomorrow.
1011. Because like many others, Mr Speaker, I remember a Gibraltar where all our parents were all paid in small paper envelopes on a weekly basis.
1012. I do not fail to wonder about how far we have come.
1013. And I am confirmed once again that we are on the right road.
1014. Today, after COVID as before, I see a Gibraltar of entrepreneurs and workers in partnership.
1015. I still see a Gibraltar we have built through generations that have never had an easy ride.
1016. And that is why, with the COVID debt to deal with and with Brexit still to be safely resolved, the measures announced today are not designed to deliver spending on 'goodies' to win an election.
1017. Instead, these Estimates are designed to deliver spending properly, and carefully calibrated to protect our nation.
1018. Because, Mr Speaker, this economy is back.
1019. The great People of Gibraltar are back.
1020. These public finances are secure.
1021. Financial stability is restored.
1022. We have sailed the ship successfully through the storm
1023. We have safely reached the shore with deficits behind us.
1024. We have kept Gibraltar safe Mr Speaker.
1025. And in doing so we have confirmed the confidence that the People of Gibraltar deposited in us as the team that could Keep Gibraltar Safe.
1026. We remain, Mr Speaker, the best option to Keep Gibraltar Safe.



1027. And as Gibraltar goes to the polls later this year, that will be the choice we represent.
1028. The choice that has and will always, Keep Gibraltar Safe.
1029. Delivering a people's budget –
1030. A fair budget –
1031. A renaissance budget –
1032. To leave COVID behind, to make Brexit history and to propel our nation forward.
1033. Doing so as the people's government.
1034. Delivering fairness for many - not the privilege of the few.
1035. Because that is my responsibility.
1036. That is our obligation.
1037. And that is always our aim.
1038. Mr Speaker, three terms successfully delivered.
1039. Twelve years.
1040. The best economic performance in Gibraltar's history.
1041. A new dawn delivered for our people.
1042. The strongest foundations established for our people.
1043. A green Gibraltar taking root.
1044. And the best is still to come.
1045. Keeping Gibraltar safe at every turn.
1046. And to think, Mr Speaker, that we were once called unfit to govern by those whose performance in Government was never as good as ours.
1047. Mr Speaker, once again I stand before you, the Parliament and our People to deliver a serious budget.



1048. Coming out of the toughest times.
1049. Budgeting for these serious times.
1050. By serious people.
1051. Always looking to achieve the same thing.
1052. Every generation provided for.
1053. Every generation cared for.
1054. Every generation with us as continue our work to Keep Gibraltar Safe and continue to propel our nation forward toward a brighter, even more successful, future.
1055. With Financial Stability restored.
1056. Taxes cut for all earning under £100,000.
1057. A lump sum for our public sector workers.
1058. A tax break for the same for our private sector workers.
1059. No increases in utility charges.
1060. All costs controlled.
1061. All spending geared to do social justice every time.
1062. All our measures carefully designed to responsibly give back to every worker.
1063. And to keep Gibraltar safe.
1064. Always, equally responsibly, continuing our policy of stimulating different parts of our economy to deliver both growth and social justice.
1065. And once again under the GSLP Liberals that is what this Appropriation Bill represents.
1066. That is what this Socialist Liberal Budget delivers.
1067. Financial Stability restored.
1068. And that, more than anything else, is how we keep Gibraltar safe.



1069. And so Mr Speaker, for all of these reasons and each of them, I UNHESITATINGLY  
COMMEND THE BILL TO THE HOUSE AND THE GSLP LIBERAL TEAM TO THE  
PEOPLE.

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

I trust the short recess will avail the Leader of the Opposition to take into consideration the things I have said as he prepares to reply.

**Adjournment.**



## ANNEX 1

### CSRO

#### ADDITIONAL MATERIAL LAID ON THE TABLE

##### **Births, Deaths, Marriages & Civil Partnership Section**

##### **BIRTH & DEATH REGISTRATION**

1. 344 birth registrations have been effected and 256 deaths have been registered, from 1 June 2022 to 30 June 2023.

##### **GIBALTARIAN STATUS**

2. From 16 June 2022 to 30 June 2023, 510 British Nationals have succeeded in obtaining Gibraltarian Status under the discretionary provisions of Section 9 (1) of the Gibraltarian Status Act and the subsequent entitlement to registration provided under Section 5 of the Act.

##### **NATIONALITY AND PASSPORT SECTION**

##### **PASSPORT APPLICATIONS**

3. The Passport Section of the Civil Status & Registration Office have received 8086 applications for Gibraltar variant passports and 265 applications for UK passports from 16 June 2022 to 30 June 2023.

##### **BRITISH NATIONALITY**

4. 145 adults were granted British Nationality in 2022 under the discretionary provisions of Section 18(1) and 18(2) of the British Nationality Act 1981.
5. 24 minors were also granted British Nationality under the provisions of Section 17 and Section 15 of the British Nationality Act.
6. This year, so far, 82 adults have obtained British Nationality and 26 minors have also been registered.

##### **PERMANENT RESIDENCE**

7. 265 British Citizens obtained permanent residence in Gibraltar from the period 1 January 2022 to 31 December 2022. A further 213 have obtained permanent residence during the period 1 January 2023 to 30 June 2023.





## **IMMIGRATION SECTION**

### **VISA & VISA WAIVERS**

8. During the period, 1 January 2022 to 31 December 2022, 220 United Kingdom visa applications have been processed, with 90 UK visa applications processed from 1 January to 30 June this year. This totals 310 applications. These applications are in respect of non-EEA visa requiring nationals who reside in Gibraltar and who wish to visit the United Kingdom.
9. Additionally, the Immigration Section has authorized 401 visa applications from visitors to enter Gibraltar. 199 applications were considered and approved from 1 January 2022 to 31 December 2022 and 202 applications were considered and approved from 1 January 2023 to 30 June 2023. These visa referrals are from non-EU nationals who submit an application for a visa to enter Gibraltar at the United Kingdom's visa application centres worldwide.
10. 733 applications for visa waivers have been considered and approved. 550 of which were approved from 1 January 2022 to 31 December 2022 and 183 during the period 1 January 2023 to 30 June 2023. These are in respect of visa requiring nationals who work in Gibraltar but reside in Spain, from Moroccan nationals who wish to travel to Gibraltar to collect their respective pensions and from spouses and children of Moroccan origin who wish to visit their parent/parents in Gibraltar.

### **IDENTITY & CIVILIAN REGISTRATION CARDS**

11. A total of 11398 cards have been produced from 1 June 2022 to 30 June 2023. These consist of 7270 Identity Cards, 1696 Blue Civilian Registration Cards, 1506 Green Civilian Registration Cards and 926 Magenta cards.

### **APOSTILLES**

12. The Department has apostilled 7522 documents under The Hague Convention, from 1 June 2022 to 30 June 2023.
13. Finally, I am pleased to announce that plans are proceeding for the relocation of the Civil Status & Registration Office to new premises later on this year, were they will continue to provide all its services in spacious open plan offices, affording improved facilities for workers and service users alike.



## **ANNEX 2**

### **HM CUSTOMS ADDITIONAL MATERIAL LAID ON THE TABLE**

#### **IMPORTATION OF GOODS**

##### **FUEL DUTY**

1. Mr Speaker, measures aimed at helping our petrol stations locally have continued since my last Budget Speech. Whilst the equivalent measure in Spain was removed, this facility has remained locally as a further encouragement for nearby residents in Spain to visit Gibraltar, not only to fill up, but also to make use of our wider retail and hospitality industries.

##### **CLIMATE CHANGE**

2. As per last year's announcements, and consistent with HMGoG's commitment to protecting our Environment, legislation is now in force and officers are enforcing the ban on the importation of 5-year-old vehicles and mopeds.

##### **VAPES**

3. Further to legislation in December 2022 adding 'Vaping' to the Children and Young Persons (Alcohol, Tobacco and Gaming) Act 2006, the Integrated Tariff Regulations 2017 were amended last month to introduce electronic cigarettes. This will allow better collection of statistics on the importation of these and other similar products thus allowing HMGoG to better assess the impact of vaping on our community.

##### **FIGHT AGAINST CRIME**

4. Mr Speaker, officers continue to keep our entry points secure through the deployment of officers at our land frontier, airport and sea; and the application of our imports and exports laws.
5. This year has seen the detection of protected animals and items originating from protected species. Controls have also triggered the seizure of counterfeit articles. In another investigation, the unauthorised exportation of restricted goods through the Royal Mail resulted in substantial fines being issued to the traders.
6. In relation to drugs, there have been a total of 14 arrests, with over 2 kilos of cannabis being seized at the land frontier. Furthermore, 53 bales were recovered from the sea totalling almost 2 tons of cannabis resin.



7. Positive results have also been achieved in an area of work that often proves difficult due to its logistical challenges. This is the trafficking of drugs using commercial ships, the crew of which is more often than not unaware. Two different illegal consignments have been intercepted this year. 172kg, and later 55kg, of cocaine were being transported in underwater concealments.
8. Another more modern method of consuming controlled drugs recreationally, is the use of nitrous oxide. Customs officers detected the illegal importation of 120 canisters. The matter is now being prosecuted in Court.
9. In addition, tireless work is being carried out to curtail any unlicensed tobacco activity. Over 7000 cartons of cigarettes have been seized since our last Budget speech. Whilst the aim is always to prosecute offenders, on many occasions groups are opting to abandon the tobacco at the earliest opportunity to avoid arrest. Notwithstanding, the losses to these crime groups is significant.

### **FINANCIAL CRIME**

10. Mr Speaker, HMGoG has increased the compliment of HM Custom's Financial Investigators by two. Furthermore, this year also sees customs officers charging a tobacco retailer for money laundering offences. This is a first for the organisation which has made substantial progress in training its investigators and developing their expertise.
11. Separately, officers to continue to work hard to detect and confiscate cash at our entry points, assisted by their Dog Section which boasts two teams, both trained to detect drugs and cash.

### **LAW ENFORCEMENT COOPERATION**

12. Mr Speaker, HM Customs continues to maintain and develop close ties with other law enforcement agencies both locally and abroad.
13. This year, MoUs have been signed with the Driver and Vehicle Licensing Department (DVLD), the RGP (to extend data sharing), the Civil Status and Registration Office (CSRO) and the Office of Fair Training (OFT).
14. Worthy of mention is the suspension of two Retail Tobacco Licences provoked by an RGP case. A successful conviction will prompt the revocation of such licences by HM Customs, proving how the different arms of law enforcement can work together, and yet independently, to address criminality.

### **TRAINING**

15. Mr Speaker, HM Customs continues to train its officers in all areas of operations both on land and at sea. One cannot be blamed for grimacing at the sound of another patrol car whizzing around our streets with its sirens on. Whilst many of these callouts our genuine,



some will be part of our officer training. Such courses ensure that our crews attend to incidents in a safe and timely manner.

16. In December last year, our customs officers, together with RGP and BCA staff, embarked in specialised training provided by the UK Border Force aimed at improving our response to tackling Modern Slavery and Human Trafficking (MSHT).

17. In addition, HM Customs continues to outsource other training in order to stay up-to date with modern, international practices and provide its officers with the right competencies to effectively perform their work.



## ANNEX 3 ADDITIONAL MATERIAL ON TAX MATTERS

### REPAYMENT PROCESS

1. The repayment of tax refunds to taxpayers via bank transfer has proved very successful.
2. Mr Speaker, the Income Tax Office is now able to quickly refund approximately 2/3<sup>rd</sup>s of its taxpayers directly via bank transfer.
3. This does not mean that the other 1/3<sup>rd</sup> will not get their money. It means that those of you who have supplied bank details are able to get their refunds sooner.
4. Unfortunately, for those of you that still need to be on-boarded, the process is much slower.
5. I therefore urge those remaining to on-board their bank details with the Income Tax Office to do so as soon as possible.
6. Help the Income Tax Office get your refund to you quicker.
7. Mr Speaker, the Government, and in particular the Income Tax Office does not want to keep money that is owed to the public.

### INTERNATIONAL TAX

8. This Government continues with its unwavering commitment to tax transparency and the prevention of base erosion and profit shifting (BEPS).
9. As a member of the OECD's Inclusive Framework and the Global Forum, Gibraltar continues to successfully undergo numerous peer reviews and assessments across the various BEPS actions as well as in the area of tax information exchange.
10. Mr Speaker, despite its small size, Gibraltar is assessed under the same criteria as larger jurisdictions.
11. I am glad to announce that, despite significant differences in economies of scale, we perform remarkably well generally. Quite an achievement when considering that resourcing is not a limiting factor for these larger jurisdictions.
12. This is a testament to the resilience, dedication and commitment of the hard working team at the Income Tax Office.
13. Mr Speaker, the Commissioner of Income Tax, as Gibraltar Competent Authority, continues to ensure our compliance with our obligations under the various international instruments for the exchange of tax information.



14. In addition to our participation in OECD's Multilateral Convention, the Gibraltar Competent Authority team, manages the relationship with our closest exchange partners; these being the UK and Spain.

## **TAX TREATY – LIST OF NON-COOPERATIVE JURISDICTIONS**

15. On delisting, Mr Speaker, the Government, in collaboration with our UK colleagues, is pursuing Gibraltar's delisting with the relevant officials in Spain.

16. Unfortunately, the elections in Spain this month, have delayed this process beyond what we had originally intended.

## **PILLAR 2**

17. The harmonisation of a minimum global tax rate under the OECD's Pillar 2 initiative is a significant and important change to the international tax scene.

18. Mr Speaker, Gibraltar joined the international consensus of 137 Inclusive Framework member jurisdictions on this initiative, providing a commitment to implement the corresponding minimum standards and to ensure that the OECD's policy objectives are met.

19. When discussing Gibraltar's international participation in the OECD's Inclusive Framework on BEPS, it is important to reflect where we came from and how we got here.

20. Spain persistently launched a relentless campaign against our inclusion in the OECD's global tax project regarding base erosion and profit shifting until we agreed the Tax Treaty.

21. The Tax Treaty did away with that.

22. Following the negotiation of the Treaty, Gibraltar successfully joined the Inclusive Framework in 2019.

23. This now also forms the fundamental basis for securing Gibraltar's removal from Spain's list of non-cooperative jurisdictions.

24. We are closer to this than we have ever been, and we will not stop now!

25. The Government continues its strategy of considering how best to ensure consistency between domestic implementation of these objectives and our existing fiscal framework.

26. Pillar 2 is likely to impact larger multinational companies through the requirement to pay additional top-up tax in the jurisdiction of tax residence of their ultimate parent entities.



27. It is inevitable, Mr Speaker, that more tax will be payable.
28. This is the intended outcome of the Pillar 2 initiative.
29. Our efforts are focused on supporting our largest companies, on continuing to make Gibraltar an attractive jurisdiction for them and to encourage them to continue to invest in us.
30. This is what we are seeking to achieve.
31. Mr Speaker, to these large companies I say, "We are in this together.
32. We have supported you since first setting up in Gibraltar and we will not abandon you now.
33. This is your home."
34. For this reason, the 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.
35. We will be commencing a consultation process in order to ensure that domestic implementation considers recommendations and views from key stakeholders, taxpayers and interested parties.
36. Mr Speaker, we need to get this right.
37. The international implementation of Pillar 2 is not uniform.
38. Jurisdictions are seeking to implement domestic regimes as best suits their circumstances.
39. Those with large numbers of ultimate parent entities of multinational groups are keen to see implementation rapidly.
40. The UK is an example.
41. Their implementation is expected to apply to accounting periods commencing on or after 31 December 2023.
42. By contrast, the Isle of Man and the Channel Islands have delayed their implementation to 2025.
43. Similarly, the EU's Global Minimum Tax Directive allows Member States with few ultimate parent entities to defer implementation for up to 6 consecutive fiscal years starting as from 31 December 2023.



44. Mr Speaker, it is evident that there are significant considerations and administrative burdens for smaller states that need to be recognised and addressed.
45. This is why Gibraltar's implementation will take effect no earlier than accounting periods beginning on or after 31 December 2024.
46. Allowing this additional time also provides Gibraltar with a window during which international developments can be monitored, allowing us to adapt accordingly to best practices and evolving requirements.
47. In summing up on Pillar 2, Mr Speaker, I would like to reiterate the government's commitment to implementing a domestic regime that meets the objectives of the Pillar 2 initiative whilst maintaining economic prosperity for both our business community and the jurisdiction at large.

### **CAPACITY BUILDING AND NETWORKING**

48. On our wider tax status and capacity building initiatives, Gibraltar has benefitted significantly from having secured our Double Taxation Agreement with the UK.
49. Mr Speaker, the close links established from negotiating and concluding this agreement have enabled our Income Tax Office to build on their relationship with UK colleagues.
50. I am happy to say that this relationship has gone from strength to strength; culminating in a successful secondment of a UK HMRC officer to the Gibraltar tax office for a period of 3 months early in 2023.
51. Mr Speaker, this opportunity presented invaluable insights and the Income Tax Office is evaluating these outcomes in order to incorporate these into its development plan.
52. Our tax authorities have also recently engaged constructively with a comparable OECD partner jurisdiction in relation to their experience on automatic exchange of information.
53. Mr Speaker, this outreach program allows the Gibraltar Competent Authority to seek an evolution of its internal domestic processes ensuring a better fit with international requirements.
54. More recently, given that money laundering and tax evasion are often interconnected activities and the interaction between financial crime and tax exchange and compliance is well recognised, the FATF is encouraging greater cooperation between tax authorities and financial intelligence agencies.
55. As a result, the Income Tax Office has joined the Gibraltar Financial Intelligence Unit within the Quad Island Forum, where it will be working collaboratively with the tax authorities and Financial Intelligence Units of Jersey, Guernsey and the Isle of Man.





56. This forum also provides the Gibraltar tax office with an opportunity to network with colleagues from these islands, focusing on sharing experiences and learning as well as pooling together of resources, tools and training across a wide spectrum of tax-related matters.

### **DIGITAL TAX OFFICE**

57. Mr Speaker, returning to a national perspective, our tax office continues with its drive towards offering eServices. This digital transformation is a collaboration with HM Government's Digital Services team.

58. Unfortunately, the adoption rate of Tax eServices has, to date, not been at the level that was initially expected.

59. A significant proportion of taxpayers continued to opt to file their returns by email.

60. This was disappointing, although we understand that as a first iteration, system improvements are typically required.

61. It is our duty, Mr Speaker, to provide the public with a service they can be proud of.

62. Because of this, we remain committed to getting this right.

### **NEW DEVELOPMENTS – GOV.GI**

63. We have listened to feedback, read and heard criticisms and considered complaints.

64. This has led to significant changes being made.

65. What our users want, what our users need and more importantly, what our users deserve, is vital.

66. It is imperative that we get it right.

67. Mr Speaker, I am pleased to announce that, finally, the tax filing process in Gibraltar is going to be easier and more accessible than ever.

68. It is necessary that we cater for all taxpayer types and needs.

69. This is why we continue to give the alternative option of filing a return by email.

70. Although this option is available, I strongly encourage users to file your return online at Gov.gi and to see the improvements that have been made for themselves!



71. The improvements are impressive Mr Speaker.
72. Users no longer need a desktop PC or laptop to file a tax return.
73. Gov.gi is available via a dedicated App for both iPhone and Android devices and now allows users to file tax return 'on the go' using a smart phone or tablet.
74. The Tax Return is dynamically responsive, adapting to changes in personal circumstances.
75. It is therefore a much simpler process.
76. The App also allows users to upload photos of any required documentation directly from a mobile device's camera roll.

#### **OUTREACH PROGRAM**

77. Mr Speaker, as part of a coordinated outreach program in order to provide comprehensive guidance on how a tax return should be filed, the Income Tax Office have emailed approximately 30,000 taxpayers locally.
78. I have been asked by the Commissioner to convey his utmost thanks to the team at the Information Technology & Logistics Department (ITLD) for their continued support in making this happen.
79. I too wish to take the opportunity to publicly thank all the efforts and hard work done by the ITLD and Digital Services Ministry.

#### **MEASURES FOR SIMPLIFICATION OF TAX**

80. Mr Speaker, this government continues to look ahead and explore ways in which we can deliver constructive measures to benefit taxpayers.
81. Our personal tax systems, Mr Speaker are difficult and cumbersome; representing a combination of 2 economic models now effectively merged into one operating at different rates and with different allowances and corresponding thresholds.
82. This complexity makes it difficult for taxpayers to estimate their liabilities and understand what they owe or what is owed to them. Tax is inherently complicated but there is no reason why it has to be so difficult or why it should be complicated further.
83. In this regard, I have instructed the Commissioner of Income Tax to investigate a simplification of the personal tax system in Gibraltar; one that makes it easier for all to



understand but still allows the level of tax revenue to be maintained without imposing additional burdens on taxpayers.

## **ADOPTION OF A TAX CONSULTATION PROCESS**

84. The international tax landscape continues to change at an unprecedented rate.
85. Gibraltar is committed to continuing to act in a manner which is consistent with the principles of newly emerging international taxation systems as well as maintaining the economic success of Gibraltar as a world class place in which to do business.
86. This is consistent with our aim in focusing on adaptive and progressive fiscal policy.
87. Mr Speaker, we know what we want to achieve; now we need to work together to get there.
88. My government maintains our tax system under continuous review.
89. In doing so it seeks to engage with all relevant stakeholders and taxpayers.
90. In this regard, Mr Speaker, I confirm that we will commence a consultation process with the various industry sectors through the Gibraltar Finance Centre Council.
91. After all, it is only fair, that users and interested parties are represented in this process.
92. This process will be designed to ensure that our tax system remains attractive and robust for those seeking to invest and do business here.
93. Consultation is vital in reaching the desired outcomes, Mr Speaker.
94. Consultation improves overall compliance, it ensures goal congruence, it allows opportunities to be identified and used appropriately, it allows potential risks and challenges to be identified and hedged against, it demonstrates transparency and inclusivity - fostering trust and enhancing relationships, it aligns strategies and objectives with policy and supports sustainable growth, investment, and long-term planning.
95. Mr Speaker, all these are key features of any modern and forward-thinking jurisdiction.
96. A jurisdiction seeking to continue to position and establish itself well within the international tax environment.
97. Mr Speaker, this is what we are aiming for. An effective consultation process that is beneficial to everyone and contributes positively to the economic prosperity of Gibraltar.

## **PILLAR 2 GLOBAL MINIMUM TAX**



98. The primary aspect of this consultation relates directly to the adoption of the global minimum rate of tax.
99. This is the right time to review and understand the impact this will have on our economy, how best to achieve the objectives underpinning this initiative within our domestic framework and evaluate what can be offered to ensure we remain competitive as a jurisdiction.
100. As in many other areas, recruitment is vital in ensuring that a tax authority functions as intended.
101. More so given recent changes in the international tax landscape; as well as those expected in the future.
102. For this reason, steps are being taken to ensure that the Income Tax Office is upskilled and resourced appropriately.

#### **AMORTISATION OF INTANGIBLE ASSETS - GOODWILL**

103. Another aspect of this consultation will consider the granting of a deduction, to permit in carefully prescribed circumstances, the amortisation of acquired intangible assets such as goodwill.
104. Such provision is common to many of the world's OECD leading jurisdictions.

#### **GROUP RELIEF**

105. Mr Speaker, a further aspect of this consultation will focus on group relief to encourage the efficient use of tax losses and seek to eradicate the well-established practice of charging management fees within local groups of companies where no real substance, justification or basis exists.
106. This relief needs to deliver benefits but also prevent abuse and ensure fairness; striking the right balance between supporting businesses and maintaining the integrity of our tax base.
107. Most importantly, it needs to be simple; it will evolve naturally over time, transitioning from its embryonic stage into a progressive regime catering for future requirements as and when these arise.
108. But, we must first walk before we can learn to run!



## **INCOME TAX SUB-CONTRACTORS REGULATIONS 1994**

109. Mr Speaker, a consultation process should not only serve to drive, design and develop fiscal policy.
110. It is also useful in modernising existing legislation; laws that are not fit for purpose; laws which are prohibitive and lack the ability to be practically applied to real-life scenarios and laws which consistently fail to meet the demands and requirements of users.
111. The sub-contractor regulations, Mr Speaker, are an example of this.
112. A law that has been eroded away and has effectively been reshaped and replaced over time with an administrative practice that better suits market requirements.
113. This is not conducive to attracting external investment and promoting growth; we need to reform this into a marketable product with the necessary safeguards ensuring no loss of taxation to the exchequer whilst servicing the needs of multiple industry sectors.

## **ALIGNMENT OF CORPORATE TAX FILING DATES AND A REVIEW OF CORPORATE PAYMENT TIMINGS**

114. The final aspect of this consultation is two-fold.
115. Aligning tax filing obligations to requirements of the Company Registrar enables businesses to avoid duplicative efforts, ensures that financial information is accurate and consistent reducing the chances of discrepancies or errors in reporting and potentially saves time and costs by not needing to prepare separate financial statements for tax purposes and company registration.
116. I have also instructed the Commissioner of Income Tax to consider and review payment dates for corporate tax.
117. It is imperative, Mr Speaker, that any consultation duly considers the impact of tax revenue and cash flow to the Government.
118. Mr Speaker, these are other examples of how ready this Government is to engage with relevant stakeholders and taxpayers in considering proposals, simplifying processes and streamlining obligations.

## **CONCLUSION ON TAX CONSULTATION PROCESS**

119. Lastly, Mr Speaker, none of these consultations can be rushed.



120. They require careful consideration through clearly defined terms of reference stating the purpose, requirement and demand of the consultation undertaken.
121. Only within this framework can the scope, desired outcomes and the expected period and duration of the consultation operate as intended in ensuring this is carried out as efficiently as possible to achieve the intended objectives.
122. Mr Speaker, as with any consultation process, the outcome is not definitive.
123. A willingness to engage does not necessarily mean conclusive changes will be made in all areas.
124. This is speculative and exploratory by nature, Mr Speaker.
125. Its purpose is to engage with the relevant stakeholders and taxpayers in order to make an informed decision whether concepts can be developed.

#### **'GREEN' TAX INCENTIVES**

126. Mr Speaker, my Government has, since 2011, pioneered and legislated numerous 'green' tax incentives aiming to promote environmentally-friendly practices through financial benefits or tax breaks to persons engaging in activities that reduce pollution, conserve energy or promote sustainable development.
127. It is through such incentives that we are able to drive change towards a cleaner and more sustainable economy whilst simultaneously rewarding those who contribute to environmental protection.
128. A key requirement of any green incentive, Mr Speaker, is that it must serve as a powerful tool to motivate persons to embrace eco-friendly practices.
129. These are of little to no benefit if they are only claimed by those who are driving the changes required anyway; the aim is to motivate those who don't think the same.
130. Mr Speaker, for this reason, we have requested a review of the tax incentives previously introduced and the reasons explaining why the adoption rates are below what was expected.
131. We remain committed to these incentives; they are the right thing for our community; they align to the direction of travel in which we are heading as an environmentally conscientious society.
132. One, Mr Speaker, that is determined to achieve our carbon neutral pledge by 2030.



133. In achieving this goal, my Government remains determined to concentrate our efforts in order to promote our green agenda; something we put at the forefront of almost everything we do.
134. Mr Speaker, the results of the review reveal that there are principally 2 main contributing factors explaining the lower than expected adoption rate.
135. Firstly, a significant lack of awareness of what is available and to whom and secondly, whilst initial outlay costs can be prohibitive the resulting tax benefit may not compensate the taxpayer's investment sufficiently in terms of both timing and value.
136. In this regard, I have instructed the Commissioner of Income Tax to now drive awareness on these initiatives through our Net Zero Delivery Board information campaign.
137. Similarly, Mr Speaker, the Commissioner will also use this forum to liaise with other government departments and agencies with a view to making these incentives more widely available, accessible and less restrictive for taxpayers.
138. Lastly, the Commissioner will explore and evaluate alternative means of granting relief to taxpayers opting to invest in green initiatives.

ENDS