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Gibraltar – With 2013/2014 Budget, Government Continues on Path of Tax Reduction

by KPMG Limited, Gibraltar (a KPMG International member firm)

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On 24 June 2013, Fabian Picardo, the Chief Minister of Gibraltar, delivered the Budget for 2013/2014.¹ He announced that the budget surplus for 2012/13 is now forecast to exceed £37 million, an all time record budget surplus.

Some of the Budget measures have already been enacted, others will come into force when the Bill is finalised, and some may yet be amended. The measures in the Budget which impact individuals generally lower the burden of taxation, which could reduce costs related to international assignments to/from Gibraltar. (For coverage of last year's budget, see [Flash International Executive Alert 2012-144](#), 1 August 2012.)

Personal Taxation Measures

The government remains committed to reducing the level of personal tax down to no more than 15 percent by 2015/16 for every taxpayer in Gibraltar on the Allowance Based System ("ABS"). From 1 July 2013, those taxpayers on the ABS will have the tax rate on their taxable income bracket of £4,001 to £16,000 reduced from 30 percent to 24 percent.²

Also from 1 July 2013, taxpayers with earnings of £10,000 or less will not have to pay any income tax under the ABS, by an extension of the Low Income Earner's Allowance.

Taxpayers under the ABS will also benefit from the following increased allowances:

- Medical Insurance Allowance: increases from £1,500 to £2,000
- Nursery School Allowance: increases from £2,000 to £3,000 (per child)
- Blind Person's Allowance: increases from £627 to £3,000
- Disabled Individual's Allowance: increases from £2,724 to £5,000
- Single Parent Family Allowance: increases from £2,632 to £3,000
- Personal Allowance increases: from £2,812 to £3,000
- Spouse Allowance increases: from £2,632 to £3,000.

Relief for First-Time Home-buyers

Help for first-time home-buyers will be introduced for taxpayers under the Gross Income Based System ("GIBS"). This will be in the form of a deduction from assessable income of £5,000 for approved expenditure incurred towards the purchase of a home from 1 July 2013.

Contributions to Approved Pension Schemes

GIBS taxpayers will also be entitled to a deduction from income of £1,000 per annum in respect of contributions to approved pension schemes.

Other Measures

- There has been no increase in social insurance contribution rates this year. Currently the rate for employers is 20 percent of the employee's gross earnings, up to a maximum of £32.97 per week, which equates to a total maximum annual payment of £1,714.44.
- A visa waiver process is being formalized for nationals of the BRIC countries and Japan.
- The minimum wage will be increased to £6.00 from £5.70 per hour with effect from 1 September 2013.
- The £250,000 "zero" Stamp Duty threshold for the purchase of personal accommodation will be extended to cover second-time buyers.

Next Steps

The changes announced in the Budget presented on 24 June 2013, will be embodied in draft legislation and presented to Parliament for approval. It is difficult to say how long this process will take as deadlines have not been set or made public. Draft legislation has not yet been released and Parliament will be in recess until September. It is expected that draft legislation will be presented to Parliament during September.

For more details about the Budget, see the Web site for the KPMG International member firm in Gibraltar at:

<http://www.kpmg.com/GI/en/IssuesAndInsights/ArticlesPublications/TaxLive/Pages/Gibraltar-2013-Budget-Highlights.aspx> .

Footnotes:

1 For the budget speech and related documents, see:

https://www.gibraltar.gov.gi/images/stories/PDF/pressoffice/pressreleases/2013/CM_Budget_Address_2013.pdf and <https://www.gibraltar.gov.gi/images/stories/PDF/pressoffice/pressreleases/2013/442-2013.pdf> .

2 For more information on the personal income tax system in Gibraltar, see the KPMG publication "Taxation of International Executives: Gibraltar" at:

<http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/taxation-international-executives/Pages/Default.aspx>, or the following government Web page:

<https://www.gibraltar.gov.gi/taxation#Standard Rate of Tax> .

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£1 = \$1.55
£1 = €1.162

For further information or assistance, contact your local IES/People Services professional or Darren Anton with the KPMG International member firm in Gibraltar, KPMG Limited, at tel. +350 200 48600 or e-mail: darrenanton@kpmg.gi .

The 2013 report on KPMG's Global Assignment Policies and Practices Survey is now available!

This year, over 600 organizations responded to the survey and results show that global mobility programs continue to be highly leveraged. Notably, the survey finds that organizations headquartered in the Nordic and Asia Pacific regions are using international assignments more than ever. And, in organizations where global mobility is common practice, they continue to expand and adapt their programs to meet ever changing business and people needs.

The trends identified as a whole provide good insights for organizations with international assignees, generally, and also features specific information on various industry sectors such as financial services, manufacturing, and technology.

For a copy of the report, click [here](#).

The information contained in this newsletter was submitted by the KPMG International member firm in Gibraltar. The information contained herein is of a general nature and based on authorities that are subject to change. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

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