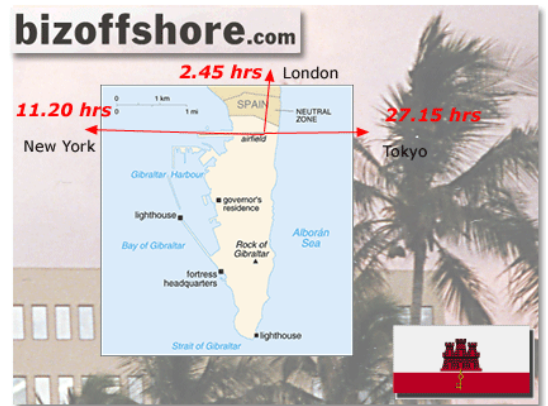


Gibraltar

In 1830 Gibraltar was declared a British Colony. Gibraltar became a territory of the European Union with UK accession but an exemption from the Common Customs Area, the VAT Area and the Common Agricultural Policy were negotiated.

The financial services provided are broad and include banking, insurance services, and some relatively small-scale fund management and advisory business. In recent years the island has made a name for itself as a centre for Online Gambling firms.



Current Time

[World Time Server](#)

Country Motto

Nulli Expugnabilis Hosti: Conquered By No Enemy

Overview

Gibraltar is situated at the southern tip of the Iberian peninsula and has a land mass of 5.83 Square kilometres (much of which is the famous "Rock of Gibraltar"). British sovereignty over Gibraltar was formalised in 1713 and in 1830 Gibraltar was declared a British Colony. Gibraltar became a territory of the European Union with UK accession but an exemption from the Common Customs Area, the VAT Area and the Common Agricultural Policy were negotiated. As part of the negotiations for the accession of Spain to the European Union, it was secured that the land frontier would be re-opened, but since then there has been an almost daily war of attrition by the Spanish authorities against any further recognition of Gibraltar. In 2003, Gibraltar residents voted overwhelmingly by referendum to remain a British colony and against a "total shared sovereignty" arrangement while demanding participation in talks between the UK and Spain; Spain disapproves of UK plans to grant Gibraltar even greater autonomy.

The development of the financial sector in Gibraltar has been facilitated by its location, a favorable tax regime, a stable government, status within the European Union (EU), no exchange controls, a legal framework based on the British system, and the availability of a well-qualified labour force. The Gibraltar financial sector is not large by international standards. For example, assets of banks that conduct only offshore business amount to US\$5 billion. However, its contribution to employment and to the foreign exchange earnings of the economy is important. It is estimated that the financial sector, both onshore and offshore, accounts for roughly 30 percent of GDP or about the same as tourism.

The financial services provided are broad and include banking, insurance services, and some relatively small-scale fund management and advisory business. Current policy is that all such activities should be carried out in physical premises in Gibraltar, with accounting records and management available for inspection in the territory.

There are also a number of insurance companies whose total assets are about US\$325 million, and a modest investment and securities industry. In addition, there are approximately 28,500 active companies registered of which 8,800 are exempt companies. The provision of professional trusteeship and company management services is deemed to be "controlled activities" and there are 83 groups that are licensed to conduct that business.

Online News Sources

Gibraltar Chronicle: www.chronicle.gi
Gibraltar News Online: www.gibraltarnewsonline.com
The Gibraltar Magazine: www.thegibraltarmagazine.com

Business Environment

In 1989, the Government of Gibraltar introduced the Financial Services Commission Ordinance which was enacted in Gibraltar's Parliament. Whilst overall policy in respect of financial services remain within the remit of the government, the Ordinance established a Commission that is fully independent of the Government of Gibraltar in regulatory and supervisory matters. The Ordinance provides for appointment of the Commissioner also Chairman of the Financial Services Commission- and the seven other members to be made by the Governor (acting with the agreement of the U.K. Foreign Secretary). The Ordinance also requires the Financial Services Commission (FSC) to provide advice to the Government of Gibraltar on the regulatory aspects of financial services matters and, in practice, this has meant that the FSC and the Government have established a close working relationship. The promotion of Gibraltar as a financial centre is the responsibility of the Gibraltar Finance Centre Division within the Ministry of Trade, Industry and Telecommunications.

The FSC is the sole regulatory and supervisory authority for financial services providers operating in or from within Gibraltar. Under its founding ordinance, the FSC is required to match U.K. supervisory standards where European Union law applies and as Gibraltar is part of the European Union through the United Kingdom's membership, it has put in place relevant EU directives that apply to the financial sector.

Legislation provides for offshore exempt companies, qualifying companies, private banks, trusts, ship registration, and residency of high net worth individuals. Gibraltar also markets itself as a manufacturing and distribution centre for non-European companies seeking access to the European Union through the New Harbours free-port zone.

A deposit protection scheme set up by Gibraltar in 1999 and the Banking (Gibraltar) Regulations 1999, passed by the UK Parliament 20 August 1999, gave banks the ability to operate in the UK and other EU member states on the basis of their Gibraltar registration. Insurance companies were authorised to cover risks in the EU in 1997. Gibraltar-based companies are now actively passporting banking and insurance services into the EU, and passporting in investment services is expected to follow soon.

The Gibraltar Companies Ordinance is based on the Companies Act 1929 of the United Kingdom along with amendments. Four types of company may be established under the legislation: a company limited by shares, a company limited by guarantee having a share capital, a company limited by guarantee without a share capital and an unlimited company.

Companies must have a registered office in Gibraltar, must file the statutory books there, and must submit an annual return to the Registrar of Companies containing details of the shareholders, directors and the capital of the company. The information is open to public inspection. A company incorporated in Gibraltar or a registered branch of an overseas company may apply for a tax exemption certificate, or a qualifying company certificate, both valid for 25 years. In circumstances where operations require a presence in Gibraltar, such as in the provision of financial services or import/export activities, then such operations would obtain qualifying company status rather than exempt company status.

Exempt companies are exempted from all taxes, while qualifying companies may pay tax up to a maximum of 35%. No Gibraltarian or Gibraltar resident may have a beneficial interest in the shares of an exempt or qualifying company. The beneficial ownership of the shares of exempt and qualifying companies must be disclosed to the Finance Centre Director.

Exempt or qualifying companies can be resident, managed and controlled in or from Gibraltar without affecting its tax status. There are no restrictions as to the nationality or residence of directors. The exempt or qualifying company may not, without the prior consent of the Gibraltar Finance Centre

Director, trade or carry on business in Gibraltar, but may trade with other exempt or qualifying companies or non-residents.

Taxes

Under the Treaty of Rome, Gibraltar is exempted from complying with the European Community's common customs tariff, common agricultural policy and the harmonization of turnover taxes. However, with the EU's push toward tax harmonisation, Gibraltar is considering adjusting the tax structure. Gibraltar does not have capital gain tax, wealth tax, inheritance tax, estate duty, or value-added tax. Corporate tax is set at the rate of 35%. Tax-exempt companies are exempted for 25 years from any form of Gibraltar taxation. Qualifying companies can apply for a tax rate of between 0% and 35%. Qualifying companies benefit in situations where a subsidiary company needs to make income remittances to a foreign parent in a country that requires the subsidiary to have been taxed at a minimum level to escape further taxation. Qualifying banks usually pay tax at 5%.

For qualifying companies fees payable to non-residents, including directors, and dividends paid to its shareholders are subject to withholding tax at the same prescribed rate as the company. There is no estate duty in Gibraltar. There is no stamp duty on the transfer of shares of a qualifying company.

The standard rate of tax for individuals is 30%. High net worth individuals may apply for qualifying status if they are non-resident and if they derive no income from Gibraltar other than from a qualifying company. The rate of tax is not less than 2% of income, up to a maximum of £20,000 in taxes paid.

Interest received from deposits through qualifying or exempt companies is exempt from taxes. Gibraltar does not have exchange control restrictions.

In April 2002 the European Court ruled that Gibraltar's exempt company tax concessions was not state aid under EU rules, but that qualifying company status could be investigated by the European Commission. In February 2002 Gibraltar signed a letter of commitment with the Organisation for Economic Co-operation and Development, agreeing to exchange information with overseas authorities in criminal tax matters by 31 December 2003 and in civil tax matters by 31 December 2005.

Key Contacts

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Website: www.gibraltar.gov.gi

Gibraltar Regulatory Authority
Suite 631
Europort
Gibraltar
Tel: 350 74636
Fax: 350 72166
Website: www.gra.gi

Financial Services Commission
943 Europort, Gibraltar
Tel (350) 40283 or 40284
Fax (350) 40282

E-mail: fsc@gibnet.gi
Website: www.fsc.gi

Key Facts

Status:

British Overseas Territory. Spain claims Gibraltar as its territory. Discussions between the UK and Spain have involved suggestions of a period of joint sovereignty over Gibraltar with eventual transfer to Spain. The UK has said it would not transfer sovereignty against the wishes of Gibraltar's residents. The Gibraltar government opposes becoming part of Spain.

Population: 27,884 (July 2005 est.)

Capital: Gibraltar

Currency: US\$1 = £0.543 Gibraltar pound (September 2005). The British pound is on par with the Gibraltar pound and both currencies are accepted.

Legal system

Based on the English system, except for minor modifications. There is a Magistrates' Court, a Supreme Court of Gibraltar, and a Court of Appeal.

Government

Gibraltar is a UK overseas territory with internal self-government. The United Kingdom is responsible for defence, foreign affairs, financial stability, and internal security. The head of state is the British monarch represented by a governor. The legislative branch is the unicameral House of Assembly made up of 15 members elected for four-year terms. The voting system allows each elector to cast a maximum of eight votes. The attorney-general and the financial and development secretary sit as ex officio members. The cabinet is called the Council of Ministers, made up of the chief minister and seven other ministers. The Gibraltar Council is made up of the governor, the chief minister, four other ministers, the deputy governor, the attorney-general, the financial and development secretary and the deputy fortress commander.

Governor: Sir Francis Richards (since 27 May 2003)

Chief minister and minister for the economy and public finances, financial services, lands and gaming, government departments and public administration, information and public relations, personal status, industrial relations and internal government services: Peter Caruana (since 17 May 1996)

Political parties: Gibraltar Social Democrats (GSD) leader Peter Caruana; Gibraltar Socialist Labour Party (GSLP) leader Joe Bossano; Gibraltar Liberal Party leader Joe Garcia.

Elections: Last held 27 November 2003. The next must be held by February 2008. The Gibraltar Social Democrats won 58% of the vote and eight seats and the Gibraltar Socialist Labour Party won the remaining seven seats.

Economic overview

The economy is dependent on financial services, tourism, and port services including ship repair and ship conversion. The British military presence contributes about 11% to the local economy. The financial sector accounts for 20% of GDP. Gibraltar had 6.5 million visitors in 1999, the vast majority arriving by land.

Gross domestic product: US\$769 million (2000 estimated)

Trade: Trade exports - US\$136 million f.o.b.; Trade imports – US\$ 1.743 billion c.i.f. (2002).

Inflation rate: 1.4% (year to October 2000)

Labour force: 14,800 (including non-Gibraltar employees), services 60%, industry 40%.

Budget (2001-2002 est.) Recurrent revenue of £146.8 million. Recurrent expenditures of £141.8 million. Capital expenditures of £25 million. Public debt: £61.4 million at 31 March 2001

Financial year: 1 April-31 March.

Public holidays (2005)

1 January (New Year's Day), 2 January (New Year's Day Holiday), 14 March (Commonwealth Day), 25 March (Good Friday), 28 March (Easter Monday), 2 May (May Day), 30 May (Spring Bank Holiday); 13 June (Queen's birthday), 29 August (late summer bank holiday), 12 September (Gibraltar National Day), 25 December (Christmas day), 26 December (Boxing day) 27 December (Christmas Holiday).

Time zone

GMT plus 1 hour. Daylight savings time takes effect on the last Sunday in March and reverts to normal time on the last Sunday in October.

Restaurant Guide

We recommend:

Bunters International Restaurant
College Lane. Tel: 70482 Fax: 75659

The Rib Room Restaurant
The Rock Hotel. Tel: 73000 Fax: 73513
E-mail: rockhotel@gibnynex.gi
Website: www.rockhotelgibraltar.com