

## STATEMENT BY THE GSLP/LIBERAL OPPOSITION

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### **CARUANA CONTRADICTS HIS CORPORATE TAX ANNOUNCEMENT – CAUSING CONSTERNATION AND FURTHER UNCERTAINTY TO FINANCE CENTRE**

The Opposition considers that the statements by Mr Caruana in his interview with GBC last week to the effect that the announced reduction of corporate tax to 10% may again be deferred for up to 2 years, has once again created uncertainty and consternation in the financial services sector.

Mr Caruana told the television interviewer that the Government had not yet decided whether to implement the new rate of 10% in the tax year 2010/2011 or the tax year 2011/2012. That is contrary to his statements at the Gibraltar Day Finance Centre Lunch that the reforms and the new rates would be in place from 1<sup>st</sup> July 2009.

For the purposes of understanding the contradictions in Mr Caruana's position, it is necessary to juxtapose what he said in London and what he told Ms Podesta on GBC's Newswatch programme.

Mr Caruana, speaking about Gibraltar financial services, said the following in London when announcing the new tax rate:

*"Taxation. The tax system needs to be competitive. It needs to be favourable. And it is. Speaking of tax, I will say a little bit more about that. But that last point. Tax is vital. But most players that are in Gibraltar are not in Gibraltar only because of our favourable tax regime. And I think that proposition will be tested and I think sustained and proved when, during the course of the next 12 to 18 months we change our corporate tax system in Gibraltar. Before I come to that,*

*personal tax rates have been falling very fast indeed. Here is a jurisdiction with no capital or transfer taxes, no inheritance taxes, no taxes on pension income, no taxes on investment income. And now we are about to reform our corporate tax system. We expect, indeed we fully intend that that will be in place by the 1<sup>st</sup> of July next year and that the tax rate will be fixed at a level of 10% across the board for all companies operating in our economy.*

Mr Caruana flatly contradicted himself on the commencement date for the new tax rate when he told GBC's Christine Podesta the following barely 48 hours later:

*"We have announced that by 1<sup>st</sup> July the new legislation will be in place. We still need to decide whether it will apply to the trading period next year or the one after that. We have to decide whether we will commence it so that it bites for tax year 2010/2011 or 2011/2012. So either we have advanced it by six ... eh ... either by two years or by one year."*

In this sector of the economy, Mr Caruana's inability to make clear commitments affects all those who are in the business of providing financial services in or from Gibraltar. The Opposition considers it is ludicrous that the Government should be in a position where it still has not made up its mind on the date from which the 10% tax will apply. This is an invidious position for the finance centre to be in. Indeed, it is at the very least a waste of public money to make an announcement to financiers at an expensive event in London only to change the term of the tax model announced when Mr Caruana returns to Gibraltar and changes his tune in front of a local audience.

Reacting to the interview by Mr Caruana, Shadow Minister for Financial Services, Fabian Picardo MP, said:

*"I was not surprised to hear Mr Caruana venomously attacking me on GBC. That is his usual style in order to create a smokescreen for his own policy deficiencies in this area. I was very surprised however to hear Mr Caruana on Wednesday*

*contradict what he had said on Monday. How can the finance centre operate and market itself effectively with Mr Caruana playing "hop-scotch" with the the dates for implementation of these important tax reforms? This really is too important for Mr Caruana to fail Gibraltar again. Mr Caruana needs to stop allowing the date for implementation to be a moving goal-post."*

Dealing with Mr Caruana's insistence that the GSD Government first proposed that the new regime should be based on "zero-tax" and not "low-tax" based on the advice of the majority of professionals in the finance centre, Mr Picardo added:

*"Frankly, the position taken by Mr Caruana is not supported by the objectively verifiable facts. First of all, Mr Tim Reville was not the only person in the finance centre who was in favour of "low tax" instead of "no tax", although he may have been the only person in the Finance Centre Council (which is NOT the finance centre) with that view. Secondly it is demonstrable that Mr Caruana was advised by others that Gibraltar had to deal with the OECD agenda and the EU State Aid issue with a substantive reform of our corporate tax model that should prioritise low rates of tax. If Mr Caruana did not hear or read those arguments, it was because he was too keen to listen only to those then members of his executive who were the most ardent and loud proponents of the doomed zero tax proposals that Mr Caruana went on to pursue. Mr Caruana is trying to re-write history and wriggle off the hook. I will not allow him to forget that he got tax reform issues wrong and that all of the finance centre has been suffering since. The issue of the zero tax paid by gaming companies is a red herring. Such companies can be accommodated otherwise. If Mr Caruana cannot devise how – or does not want to listen to those who can devise how – that is just a further example of his inability to lead on those issues."*

On the tone of Mr Caruana's interview, Mr Picardo said:

*"It is quite common to see Mr Caruana deploy his ill concealed vitriol to hide the truth. I see that venom in Parliament at every session and I am sure that those unlucky enough to work with him see it every day. On Newswatch last week Mr Caruana wanted to hide his lies and his revisionist attempt to re-write history by his poisonous attempts to tarnish me with allegations that do not wash. So be it. The professionals that make up the finance centre know the truth; and most of them no longer believe a word that crosses Mr Caruana's lips. I would urge Mr Caruana to be less vehement in his attacks on me and more careful with the letter of the tax reform proposals. That would do the finance centre, and his blood pressure, a world of good. What the finance centre needs is a positive and rapid resolution to the uncertainty that is prevalent as a result of Mr Caruana's latest contradictory remarks, not further shows of Mr Caruana's tarnished bravado."*

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