

STATEMENT BY THE GSLP/LIBERAL OPPOSITION

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The Opposition considers that Mr Caruana's reaction to the talk on the budget that the Leader of the Opposition gave at the Casino Calpe, at their invitation, is the normal knee-jerk reaction we are accustomed to whenever he is found out and the shortcomings of his policies are exposed. This produces a diatribe of insults and personal abuse as is normal in all his tantrums.

The Opposition are confident that the electorate does not want its Parliamentarians to behave in this manner and we do not intend to follow his example. We maintain that instead of clouding the issue with insults, what Mr Caruana should do is provide explanations. He failed to provide an explanation in Parliament during the budget debate and he failed to do so again in his latest vitriolic attack on Mr Bossano.

At the time of the budget, Mr Caruana referred to the estimated shortfall in company tax of £10 million which has been projected for the coming financial year. He said that "all local taxpaying businesses will be significant beneficiaries of the reduction in the company tax rate from 22% to 10% despite the fiscal rebalancing that I will announce later to contribute towards closing the government revenue gap created by the reduction to 10%. It is not realistic to expect the Government to 'take on the chin' the full effect of this more than halving of the company tax rate."

When speaking in behalf of the Opposition, Mr Bossano asked for an explanation about the £ 10 million shortfall. He wanted to establish whether the shortfall was net of all the additional revenue in company tax from all the new companies that would start paying tax on 1 January 2010 and from the additional measures that were being introduced from that date to collect tax earlier. The standard parliamentary practice is that Mr Caruana, who has the last word in the budget in exercise of his right to reply, would have responded to these points in Parliament. However, he did not address the questions asked by Mr Bossano. The Opposition Leader made the same points again in a recent article in the media and again Mr Caruana did not answer the questions. In his speech last week to the members of the Casino Calpe Mr Bossano raised the same issues again, and once more Mr Caruana did not take advantage of his latest public statement in order to reply to these points.

The issue is that the only justification given by Mr Caruana in his budget speech for the increase in revenue raising measures was that the Government could not absorb the projected £ 10 million reduction in company tax. This reduction was supposedly the result of the reduction on the rate of company tax to 10% on 1 January 2011.

It will only affect the taxation of profits for three months, January, February and March 2011. In the last financial year, the Government collected £28 million from tax on company profits. That is an average level of company tax on profits of £ 7 million every quarter. If the tax comes down from 22% to 10% for one quarter, how can it be possible for the revenue to drop by £ 10 million when previously the collection was running at £ 7 million?

It needs to be clearly understood that for nine months of the present financial year the tax is not coming down and businesses are still being taxed at 22%. The Government should collect, if there was no change this year, about £ 21 million. Instead they have said they will be collecting £ 18 million, ten less than last year, and that the loss of revenue could possibly be even higher than the £ 10 million.

In addition to this, there are an unknown number of companies that pay zero tax until the end of the year, some 20 of which are internet gaming companies employing nearly 2000 people. They will start paying for the first time on 1 January and will pay for January, February and March. People are entitled to know how much these new taxpayers will contribute in those three months. This income from new taxpayers is what is supposed to offset the £ 10 million alleged loss from the lower rate of company tax on local businesses in those same three months.

In addition, accompanying the lower rate of tax in January, the Government has announced two changes. One is having to pay tax in advance instead of in arrears and the other zero tolerance of any failure to comply with the law. Those two measures announced by the Government are designed to increase the yield from the 10% rate. The Government refuses to explain whether this has already been taken into account in arriving at the £ 10 m loss in revenue.

The answer to these questions would explain the mystery of the projected £10m shortfall. It would be very simple for Mr Caruana to clear up this mystery. However, quite apart from his refusal to answer legitimate questions, Mr Caruana also finds it offensive that anyone else should speak publicly on any subject whether at the United Nations in New York or at the Casino Calpe in Gibraltar. He finds it even more offensive that anyone should have the temerity to question his policies and considers that anyone who thinks differently or challenges anything he says is by definition dishonest or incompetent. This is the measure of his credentials as somebody who holds an office that is required to abide by the rules of free speech, freedom of expression and democracy.