Indirect Taxation in Gibraltar:
Past, Present, and Future

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Abstract:

This essay discusses Gibraltar's unique and interesting approach to the imposition of a range of indirect taxes, including its history of sovereign and independent indirect taxation, the growth of foreign indirect taxes being imposed on Gibraltarian businesses, and the territory's on-going creative approach to designing new indirect taxes that will enable it to enjoy greater access to the EU, Spain, and Schengen Area, whilst raising necessary public revenues at the same time as respecting the unique qualities and characteristics of the Gibraltarian economy, its place in Europe, and international competitiveness.

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1. Features and definition of indirect taxation

Indirect taxes are typically defined as those taxes that are levied on goods and services (by contrast with direct taxes, which are levied on people and entities). Indirect taxes can be further broken down into the following categories:

- general taxes on consumption of goods and/or services based on sales price or value (known as "*ad valorem*") – the most common form being Value Added Tax (VAT), also known as Goods and Services Tax (GST) (although in some countries, notably the United States (U.S.), a sales tax applies instead);

- taxes on the manufacture or supply of certain regulated goods and services per unit of product, such as tobacco, alcohol, fuel, and gambling (sometimes referred to as "sin taxes"), known as excise duties; and

- taxes on movements of goods across international borders, known as customs duties, import duties, or tariffs.

1.1 OECD definition of "consumption taxes"

The Organisation for Economic Cooperation and Development (OECD) refers to VAT/GST, sales tax, and excise duties together as "taxes on general consumption" or "consumption taxes"[1]; this definition does not include customs or import duties.

1.2. UK government definition of "indirect taxes"

In addition, the UK government also categorises a host of "other minor industry specific duties and levies" (such as aggregates levy, air passenger duty, climate change levy, and the carbon price floor) as "indirect taxes"[2].

Whilst the UK government does not include Stamp Duty Land Tax (SDLT) (a tax on certain real estate transactions in England and Northern Ireland) in its measurement of indirect tax receipts, this tax is generally considered to be an indirect tax and is recognised as such by the UK Chartered Institute of Taxation (CIOT)[3]. (Neither the UK government nor the CIOT

[1] https://www.oecd.org/tax/consumption/consumption-tax-trends-united-states.pdf

[2] https://www.gov.uk/government/collections/vat-excise-duties-and-other-minor-industry-specific-duties-and-levies

[3] https://www.tax.org.uk/domestic-indirect-taxation

considers Stamp Duty Reserve Tax (SDRT), which applies to certain share transfers, to be an indirect tax, even though it would appear to meet the definition of being a tax levied on goods and services rather than entities or people).

1.3. Global growth of indirect taxes

In recent years governments around the world have placed greater emphasis on raising revenue through indirect taxes, which is perhaps best illustrated by the proliferation of VAT regimes, which today number 175 globally, having increased from 88 regimes just 30 years ago[4]. In the last 15 years, jurisdictions with VAT regimes have increasingly introduced additional new hypothecated indirect taxes; in the UK, for example, this includes the carrier bag charge, economic crime levy, plastic packaging tax, and soft drinks industry levy[5].

2. Indirect taxes in Gibraltar today

Whilst Gibraltar does not have a VAT/GST or sales tax, it has other indirect taxes, which are administered and collected in different ways, as summarised in Table 1.

TABLE 1: INDIRECT TAX TYPES IN GIBRALTAR

Indirect tax type	Administering authority
Gambling duties	Gambling Division (Gambling Commissioner)
Import duties	HM Customs (Collector of Customs)
Stamp duties	Income Tax Office (Commissioner of Stamp Duties)
Tourism / environmental levies	Dept. of the Environment; and Port Authority

For the 12 months ending 31 March 2024, HM Government of Gibraltar (HMGoG)'s indirect tax receipts accounted for approximately 24% of its £531.1m of total tax receipts[6], which is slightly less than the approximately 28% that indirect taxes represented of UK Government's total tax receipts in the same period[7], and considerably less than the proportion in many other British Overseas Territories (particularly those in the Caribbean), where indirect taxation is the predominant form of taxation. The OECD estimates that on average taxes on

[4] https://www.vatcalc.com/global/how-many-countries-have-vat-or-gst-174/
[5] https://ifs.org.uk/publications/governments-record-tax-2010-24
[6] https://www.gibraltar.gov.gi/uploads/files/public-finances/2023-2024%20SUMMARY%20OF%20PUBLIC%20FINANCES.pdf
[7] https://commonslibrary.parliament.uk/research-briefings/cbp-8513/

consumption accounted for 21.1% of OECD member countries' tax receipts in 2022, although this measure is limited to VAT/GST and excise duties[8].

2.1 Indirect taxes paid by Gibraltar companies to the UK exchequer

Unusually, the greatest indirect tax cost incurred by businesses in Gibraltar, in aggregate, is the payment of indirect taxes to a foreign authority: that being the UK gambling excise duties of General Betting Duty (GBD), Remote Gaming Duty (RGD), and Pool Betting Duty (PBD) paid to the UK tax authority HM Revenue & Customs (HMRC) in accordance with the so-called "point of consumption" regime introduced from 1 December 2014[9]. HMGoG estimates that businesses established in Gibraltar pay almost £500m of UK gambling duties[10], which is almost four times the annual Gibraltar domestic indirect tax revenue of £126m and 33 times the annual Gibraltar domestic gambling duty revenue of £15m.

Additionally, since 1 April 2022, some non-UK resident businesses (including gambling operators based in Gibraltar) are liable to a new UK indirect tax called Economic Crime Levy[11], which, as of 1 April 2024, can amount to a charge of up to £500,000 per year.

It is also likely in the near future that Gibraltar-based gambling operators will become subject to yet another extraterritorial UK indirect tax in the form of the so-called "statutory levy" or "research, prevention, and treatment levy", which was the subject of a UK government consultation in late 2023[12] (but which is yet to be legislated).

2.2 Taxation of gambling

From 1 April 2018, Gibraltar introduced three gambling excise duties under the *Gambling (Duties and Licensing Fees) Regulations 2018*[13], which replaced a previous system of revenue-geared gambling licence fees with "collars" (minimum amounts) and "caps" (maximum amounts).

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[8] https://www.oecd.org/tax/consumption/consumption-tax-trends-united-states.pdf

[9] https://www.legislation.gov.uk/ukpga/2014/26/part/3

[10] https://www.gibraltar.gov.gi/uploads/Minister%20Feetham%20address%20at%20Gib%20Day%20London%20Financial%20Services%20Lunch.pdf

[11] https://www.legislation.gov.uk/ukpga/2022/3/part/3

[12] https://www.gov.uk/government/consultations/consultation-on-the-statutory-levy-on-gambling-operators/consultation-on-the-structure-distribution-and-governance-of-the-statutory-levy-on-gambling-operators

[13] https://www.gibraltar.gov.gi/uploads/Gambling/Documents/GAMBLING%20(DUTIES%20AND%20LICENSING%20FEES)%20REGULATIONS%202018.pdf

The three gambling excise duties are General Betting Duty (relating to fixed odds betting), Betting Intermediary Duty (relating to exchange-based betting), and General Gaming Duty (relating to online casino games, slots, poker, and bingo etc). All three taxes apply at a rate of 0.15% to the betting or gaming gross profits earned by the licensed person in excess of a £100,000 annual exempt amount (equivalent to a tax saving of up to £150) per licence.

Importantly, Gibraltar gambling duties apply to the total relevant profits earned by a holder of the Gibraltar licence, without any regard to the location of the end consumer from whose gambling activity the profits arise. This means the Gibraltar gambling duties can be described as a “point of supply” regime, in contrast to the “point of consumption” approach that has been adopted in most European jurisdictions in the last 10 years. The “point of supply” approach makes sense in the context of a jurisdiction like Gibraltar where the number of domestic customers is a tiny fraction of total customers (most of whom, in the case of Gibraltar companies, are resident in the UK).

However, the combination of Gibraltar’s “point of supply” system, which brings all gambling profits earned into the scope of Gibraltar gambling duties, with the “point of consumption” system of jurisdictions like the UK (which requires businesses anywhere in the world to pay UK gambling duties with respect to profits derived from UK-resident customers), inevitably results in double taxation. There is no relief offered in any Gibraltar, UK, or other European domestic legislation, or any treaty, for this double taxation and it is generally tolerated by businesses on the basis that the Gibraltar tax rate is just 0.15% of the relevant profits.

Whilst certain excise duties (particularly relation to tobacco and alcohol) may be designed to increase the price of, and consequently reduce demand for, consumption of products with negative externalities, the same cannot necessarily be said of gambling excise duties. This is because gambling excise duties, like those that exist in Gibraltar, are applied to operators’ gross profits, and the nature of betting and gaming products (particularly games with widely understood fixed rules and returns) means the price charged to the consumer cannot be straightforwardly varied to reflect the tax burden. In the case of Gibraltar’s gambling excise duties, it could also be argued that a tax rate of 0.15% is unlikely to be sufficiently high to influence consumer demand, even if it was passed on to consumers through higher prices. It is therefore reasonable to conclude that gambling excise duties, particularly in the form that they exist in in Gibraltar (a relatively low tax rate on the gross profits of licence-holders), play a role more akin to traditional direct taxes on profits – that of generating tax receipts to fund general public spending, rather than seeking to influence consumer behaviour.

2.3 Import duties

Gibraltar has long maintained its own system of import duties (also known as customs duties), having not joined the European Economic Community's customs union in 1973 at the same time as the UK, and also having not (unlike many other British Overseas Territories) entered into a tariff-free customs arrangement with the UK at the end of the EU exit implementation period on 31 December 2020[14].

Gibraltar's import duties are collected in the Harmonised Tariff of HM Customs Gibraltar[15], which uses tariff codes based on the international standard Harmonised System (HS). The Harmonised Tariff is created under and governed by the Imports and Exports Act 1986[16] and the Integrated Tariff Regulations 2017[17].

Curiously, Gibraltar also elects to use its Harmonised Tariff system to impose other, technically notional, taxes, in lieu of actual excise duties, including "alcohol duty", "tobacco duty", and – in the past – "Personal Import Duty", all of which are discussed below.

2.4 Taxation of alcohol and tobacco

Unlike in other European jurisdictions, Gibraltar's taxes on alcohol and tobacco are *import* duties, rather than *excise* duties. This makes sense in the context of a jurisdiction such as Gibraltar because excise duties are typically associated with manufacturing, whereas these products are generally imported rather than manufactured in Gibraltar on account of the territory's geographical and other resource constraints. Despite this, for ease of understanding by the general public, HMGoG will often refer to "tobacco duty" and "alcohol duty" as if they are distinct excise duties (like they are in the UK and other parts of Europe).

As discussed in the previous section, excise duties are often designed to increase the price of, and consequently reduce the consumption of, goods and services that may cause harm to consumers. However, any suggestion that Gibraltar's import duties on alcohol and tobacco are designed to have an equivalent deterrent effect on consumption as equivalent

[14] https://www.gov.uk/government/publications/reference-document-for-the-customs-tariff-free-access-for-goods-from-british-overseas-territories-eu-exit-regulations-2020
[15] https://www.hmcustoms.gov.gi/portal/services/tariff/index.jsf
[16] https://www.gibraltarlaws.gov.gi/legislations/imports-and-exports-act-1986-423
[17] https://www.gibraltarlaws.gov.gi/legislations/integrated-tariff-regulations-2017-2817

excise duties in other jurisdictions is undermined by the relatively low rates that apply compared to other European jurisdictions.

Instead of higher duties on harmful products, Gibraltar has taken the route of introducing mandatory minimum retail prices, which are governed by the Tobacco Act 1997[18] and, more recently, by a 2018 Memorandum of Understanding between Spain, the UK, and Gibraltar[19]. HMGoG states that it uses minimum pricing as both a public health measure and to reduce the illicit trade in tobacco in the area around Gibraltar. By using minimum pricing instead of higher rates of import duties, HMGoG achieves its stated public health and law enforcement objectives but without raising additional public revenues (with higher retail prices instead contributing to the profit margins of private enterprises).

2.5 Personal Import Duty

Between 2 July 2020 and 28 June 2022, Gibraltar levied a "Personal Import Duty" (PID) of 10% on the importation of most goods brought into Gibraltar by individuals for their personal use, whether through the land-border, sea port, airport, or delivery through the postal system. HMGoG said that the purpose of the PID was to encourage Gibraltar residents to "shop local", which was considered particularly important in mid-2020 with the jurisdiction suffering from a significant decline in both tourist and business visitors caused by government lockdowns and travel restrictions imposed across Europe and the wider world.

Much like the "alcohol duty" and "tobacco duty" in Gibraltar, PID was not in fact legislated as a separate tax, but instead it was a modification and extension of Gibraltar's import duty regime within Chapter 98 of the Harmonised Tariff.

Certain goods were specifically exempted from PID on public policy grounds, including food, medicine, medical aids, sanitary products, items to assist the disabled, books, educational products, children's clothing, and imports with a value of less than £25 (the latter provision presumably being a form of simplification to reduce the administrative burden for both HMGoG and consumers).

The curious and short-lived 10% PID, with its list of exemptions which was reminiscent of some of the reduced rated and exempted items in Schedules 7A, 8, and 9 of the UK Value

[18] https://www.gibraltarlaws.gov.gi/legislations/tobacco-act-1997-2939/download
[19] http://www.gibraltarlawoffices.gov.gi/uploads/files/Tobacco%20MOU.pdf

Added Tax Act 1994[20], led to short-lived speculation that it could form the basis for a future Gibraltar VAT or similar consumption tax, although that has not come to pass.

2.6 Stamp duties

Gibraltar levies a stamp duty – a form of transaction tax on certain real estate transactions (and transactions in the shares of companies owning real estate) – under the Stamp Duties Act 2005[21]. The tax has a progressive band system based on the value of the real estate and a special nil rate band exclusively for first- and second-time buyers.

Of note is HMGoG's decision, announced by the Chief Minister on 11 July 2023[22], to review whether in future to extend stamp duty to transactions involving the assignment of purchase contracts for real estate. This recognises that there is an active market in Gibraltar for the so-called "flipping" of "off-plan" developments by investors, who are often able to realise significant gains without paying stamp duty (or indeed sometimes any other tax, since Gibraltar does not levy tax on the capital gains of residents).

2.7 Tourism / environmental levies

With effect from 1 August 2022 and 1 April 2023, respectively, Gibraltar introduced two new tourism and environment-related indirect taxes:

- Sustainable Tourism Tax (STT), levied at a rate of £3 per night per person staying in a hotel room or other short-term accommodation (such as an "AirBnB" property), to be paid to the Department of the Environment, Sustainability, Climate Change and Heritage[23]; and

- Environmental Levy, charged at a rate of £1 per fare-paying cruise ship passenger arriving in Gibraltar, to be paid to the Gibraltar Port Authority[24].

[20] https://www.legislation.gov.uk/ukpga/1994/23/contents
[21] https://www.gibraltarlaws.gov.gi/legislations/stamp-duties-act-2005-1262/download
[22] https://www.gibraltar.gov.gi/uploads/news/July%202023/CM%20BUDGET%20SPEECH%202023.pdf
[23] https://www.gibraltarlaws.gov.gi/legislations/licensing-and-fees-amendment-of-schedule-order-2022-6665/download
[24] https://www.gibraltarport.com/notices/135/download-pdf

In common with the expansion of tourism and environment related indirect taxes in other jurisdictions, these are hypothecated indirect taxes, the revenue from which is reserved, respectively for HMGoG's Climate Action Fund, and for the Port Authority.

Given the scale and importance of the tourist industry in Gibraltar, but the additional burden that tourism places of public infrastructure (such as Gibraltar's beaches and the Gibraltar Nature Reserve), combined with a global trend towards ever more hypothecated indirect taxes, it is not surprising that HMGoG chose to introduce these taxes.

2.8 VAT in Gibraltar

VAT is an indirect tax on the consumption of goods and services in a jurisdiction. One of its defining features is that, unlike sales tax (which applies in most of the U.S.) or purchase tax (which existed in the UK prior to its accession to the EU in 1973), the tax is applied to all transactions in a supply chain rather than applying once at the point of wholesale or retail sale. For this reason, VAT is often described as a "multi-stage" tax, in which wholesalers and retailers incur the tax on their "inputs" (purchases), which they are able to set-off against the tax that they must collect and remit on their "outputs" (sales).

Unlike most European jurisdictions, Gibraltar has never imposed VAT or a similar general tax on the consumption of goods and services. This is by virtue of the 1972 Treaty of Accession[25] by which the UK and Gibraltar became members of the European Economic Community (EEC) from 1 January 1973, leading to their membership of the European Union (EU) until their withdrawal on 31 January 2020.

Whilst, in common with other members, the UK was obliged to introduce VAT as a condition of its EEC membership, Gibraltar was specifically excluded from this requirement under Article 28 of the Treaty, perhaps in recognition, particularly at that time, that, in its practical application, VAT may be a disproportionately complex tax to levy in a smaller jurisdiction with a small population of consumers (the total "usually-resident population" of Gibraltar having been recorded as 24,672 people in the 1970 census[26]).
There is evidence that VAT systems are a particularly efficient source of public revenue[27], which implies that the absence of VAT in Gibraltar makes HMGoG more dependent on other

[25] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:L:1972:073:FULL
[26] https://www.gibraltar.gov.gi/statistics/census/gibraltar-census-history
[27] https://www.imf.org/external/pubs/ft/fandd/2002/06/ebrill.htm

taxes, although there are likely to be other conscious policy reasons for Gibraltar not having introduced its own VAT system either whilst it was a member of the EU or since, including:

- increasing the ease of doing business in Gibraltar by not requiring VAT accounting, preparation, filing, and payment of VAT returns and production of associated tax documents such as VAT invoices and receipts;

- not incurring the public administrative burden of the tax authority overseeing a VAT system, including processing VAT registrations and returns, and undertaking VAT audits, and managing the risk of VAT supply chain fraud, which has been a problem in many EU member states;

- supporting the local tourist offering of the jurisdiction by enabling local retailers to provide goods and services free of VAT (as evidenced by the many retailers on Main Street advertising “tax free” or “VAT free” shopping); and

- encouraging investment in the jurisdiction, particularly by businesses that would suffer irrecoverable VAT on their cost base if they were established in another jurisdiction (such as those in financial services, insurance, and gambling, whose sales are often exempt from VAT in other jurisdictions, which precludes the right to reclaim VAT on the expenses they incur).

Following the end of the UK and Gibraltar’s EU exit implementation period (which ran from 1 February to 31 December 2020), there has been much speculation about whether Gibraltar will introduce a VAT system, or another new indirect tax, in the future as part of a broader agreement in relation to fluidity with respect to its border with Spain. This possibility is explored in the next section.

3. Future of indirect taxation in Gibraltar

3.1 Anticipated treaty with respect to Gibraltar’s border with Spain

At the time of writing, despite at least 18 rounds of negotiations since 2021[28], the UK government and European Commission have not yet reached an agreement on the text of a treaty regarding Gibraltar’s future relationship with the EU (and Spain), although in recent

[28] https://www.surinenglish.com/gibraltar/spain-and-agree-the-general-political-lines-20240412200005-nt.html

weeks, as negotiations have progressed, both Gibraltarian and Spanish politicians have started to reveal likely details of the anticipated treaty, including with respect to indirect taxes in Gibraltar.

On 31 December 2020, as the end of the EU exit implementation period neared, it was announced that the UK government and the European Commission had reached agreement on a proposed framework for a future UK-EU legal instrument setting out Gibraltar's future relationship with the EU (including Spain)[29]. The text of this agreement was subsequently leaked to the press[30].

Of interest from an indirect tax perspective, the leaked text stated that, in order to provide for the fluid movement of goods across the Gibraltar-Spain (or Gibraltar-Schengen) border, a future treaty between the UK and EU with respect to Gibraltar would commit Gibraltar to applying "the relevant EU… VAT legislation", "addressing… VAT on goods" and, under the title "level playing field", agreeing to "specific provisions on VAT" but did not provide any further details.

Subsequently, an EU Negotiating Mandate[31] with respect to the treaty was recommended by the European Commission on 20 July 2021 and adopted by the European Council on 5 October 2021. Paragraph 37 of the Negotiating Mandate expanded on the text of the 31 December 2020 framework agreement, stating that:

> *"The envisaged agreement should… ensure that relevant provisions of Union law, in particular in the field of goods, apply to and in Gibraltar, including: …*
> *- excise and Valued Added Tax (VAT) legislation, including on services, in order to bring Gibraltar in the Union's VAT and excise territory"*

Unlike the framework agreement, the Negotiating Mandate includes a reference to VAT on services (not just goods) and specifically to Gibraltar being brought within the EU's VAT and excise territory, which would mark a significant departure from the jurisdiction's previous position, having (unlike the UK), never been part of the VAT or excise territory of the EU at any previous time.

[29] https://www.bbc.co.uk/news/world-europe-55497084

[30] https://www.elindependiente.com/wp-content/uploads/2021/01/gibraltar.pdf

[31] https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52021PC0411

3.2 Gibraltar Transaction Tax

Most recently, press interviews of Gibraltarian and Spanish politicians have indicated that whilst the final text of any treaty may commit Gibraltar to the introduction of a new form of indirect tax – tentatively known as the Gibraltar Transaction Tax (GTT) – this tax is unlikely to meet the definition of a VAT and even less likely to involve Gibraltar joining the EU's VAT, excise, or customs territory.

Whilst on the one hand Spain's State Secretary for the EU, Fernando Sampedro, has stated[32] "the European Commission and Spain are aware of the importance of achieving alignment with Council Directive 2006/112 of 28 December 2006, which regulates the common system of Value Added Tax" – implying the implementation of a VAT in Gibraltar – at the very same time the State Secretary has also clarified that "regarding special indirect taxes, the agreement that the European Commission and Spain are negotiating with the United Kingdom envisions the application of these taxes in Gibraltar on goods that are imported or manufactured".

The reference in the State Secretary's statement only to the importation and manufacture of goods (which aligns with the text of the 31 December 2020 framework agreement and the previously stated negotiating position of HMGoG) points to a tax which is: single stage, applied at the point of import, wholesale, or manufacture, and only applicable to goods, which falls far short of the definition of a VAT. This understanding is further underpinned by comments made by Gibraltar's Chief Minister, Fabian Picardo, on 28 May 2024, who said in a television interview: "we're not dealing with matters relating to services, we're dealing with matters relating to goods and taxation on goods".

With respect to the rate of any future GTT, it is reported[33] that EU and Spanish negotiators believe any tax should be set at a rate of at least 15% (perhaps in reference to Article 97 of the EU Principal VAT Directive 2006/112/EC[34], which imposes a minimum standard VAT rate of 15%) and, in any case, "achieve the smallest gap possible" between Spanish and Gibraltarian tax rates. Negotiators on the UK and Gibraltar side are said to favour a tax rate of 10%, with the Chief Minister recently maintaining that "Gibraltar will never have the same rates of tax [on goods] as Spain. The argument that we're having at the moment is: where

[32] https://www.chronicle.gi/treaty-talks-spain-and-eu-want-smallest-possible-differential-on-taxes-on-goods/
[33] https://www.abc.es/economia/espana-negocia-gibraltar-acepte-tipo-minimo-iva-20240528114438-nt.html
[34] https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:02006L0112-20240101

does the EU accept that you have a rate for transaction tax which is not going to in any way endanger the single market?"[35].

Whilst Gibraltar's implementation of a single-stage GTT could be said to be bucking the international trend of the ever-growing number of jurisdictions with a VAT, such a tax is likely to represent a realistic and viable compromise to meet the requirements of the EU, Spain, Gibraltar, and UK by introducing a tax that meets the objectives of:

- creating a more level-playing-field with respect to the prices of goods between Gibraltar and Spain;

- not burdening Gibraltar's authorities and businesses with a relatively complex multi-stage VAT, which would be more expensive and take longer to implement; and

- maintaining Gibraltar's international competitiveness with respect to investment by businesses in the financial services, insurance, and gambling industries.

Negotiations continue, although their progress may have been delayed by the announcement of the UK General Election taking place on 4 July 2024, and the subsequent anticipated change of UK government from 5 July 2024.

3.3 Other indirect taxes

With the recent introduction of new indirect taxes in Gibraltar, and in the UK (a jurisdiction to which Gibraltar pays close attention), it seems likely that Gibraltarian politicians and officials will continue to consider the possibilities for other, new indirect taxes – likely to be narrow, hypothecated taxes like the tourism and environmental taxes introduced in the last two years.

Given the size of Gibraltar's gambling industry, on-going government interest in Environmental, Social, and Governance (ESG) initiatives, and a recent UK government consultation[36] on the same topic, one such indirect tax to watch for could be a statutory levy on gambling businesses to help fund research, prevention, and treatment of gambling harm. Such a tax could be relatively quickly and easily implemented in accordance with the wide-

[35] https://www.chronicle.gi/treaty-negotiators-must-find-a-way-around-the-past-cm-says/

[36] https://www.gov.uk/government/consultations/consultation-on-the-statutory-levy-on-gambling-operators/consultation-on-the-structure-distribution-and-governance-of-the-statutory-levy-on-gambling-operators

ranging provisions of s.41 of Gibraltar's Gambling Act 2005[37] and could, inter alia, be used to assist with the funding of the University of Gibraltar's Centre of Excellence in Responsible Gaming (CERG).

3.4 Further UK indirect taxes imposed on Gibraltar businesses

It is also possible that businesses in Gibraltar will continue to see their foreign indirect tax burdens growing in the coming years, particularly with respect to UK indirect taxes.

This could take the form of:

- increases to UK gambling duty rates, possibly linked to the UK government's announced (but not yet launched) consultation on "Tax Treatment of Remote Gambling"[38], and possibly affected by the anticipated change of UK government after the General Election on 4 July 2024

- new UK indirect taxes applicable to Gibraltar businesses, such as the UK "statutory levy" anticipated to be introduced under s.123 of the UK's Gambling Act 2005[39]

- further increases in the rates of the UK's Economic Crime Levy

As governments around the world continue to seek opportunities to increase tax revenues, particularly from new and expanded indirect taxes, it would be naïve not to think that businesses in Gibraltar will find themselves affected, whether those taxes are imposed domestically or by foreign authorities.

4. Conclusion

Gibraltar's approach to the imposition of indirect taxes is truly unique in the global context, from being one of the few remaining jurisdictions not to have imposed VAT, to its "point of supply" approach to taxation of gambling, to its use of the Harmonised Tariff to collect more than traditional import and customs duties. It is likely, despite on-going negotiations for a more fluid border with the EU Schengen Area, that Gibraltar will continue to stand out for its bespoke, creative, and sometimes misunderstood, approach to indirect taxation.

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[37] https://www.gibraltarlaws.gov.gi/uploads/legislations/gambling/2005-72/2005-72(09-02-21).pdf

[38] https://www.gov.uk/government/publications/autumn-statement-2023/autumn-statement-2023-html

[39] https://www.legislation.gov.uk/ukpga/2005/19/section/123