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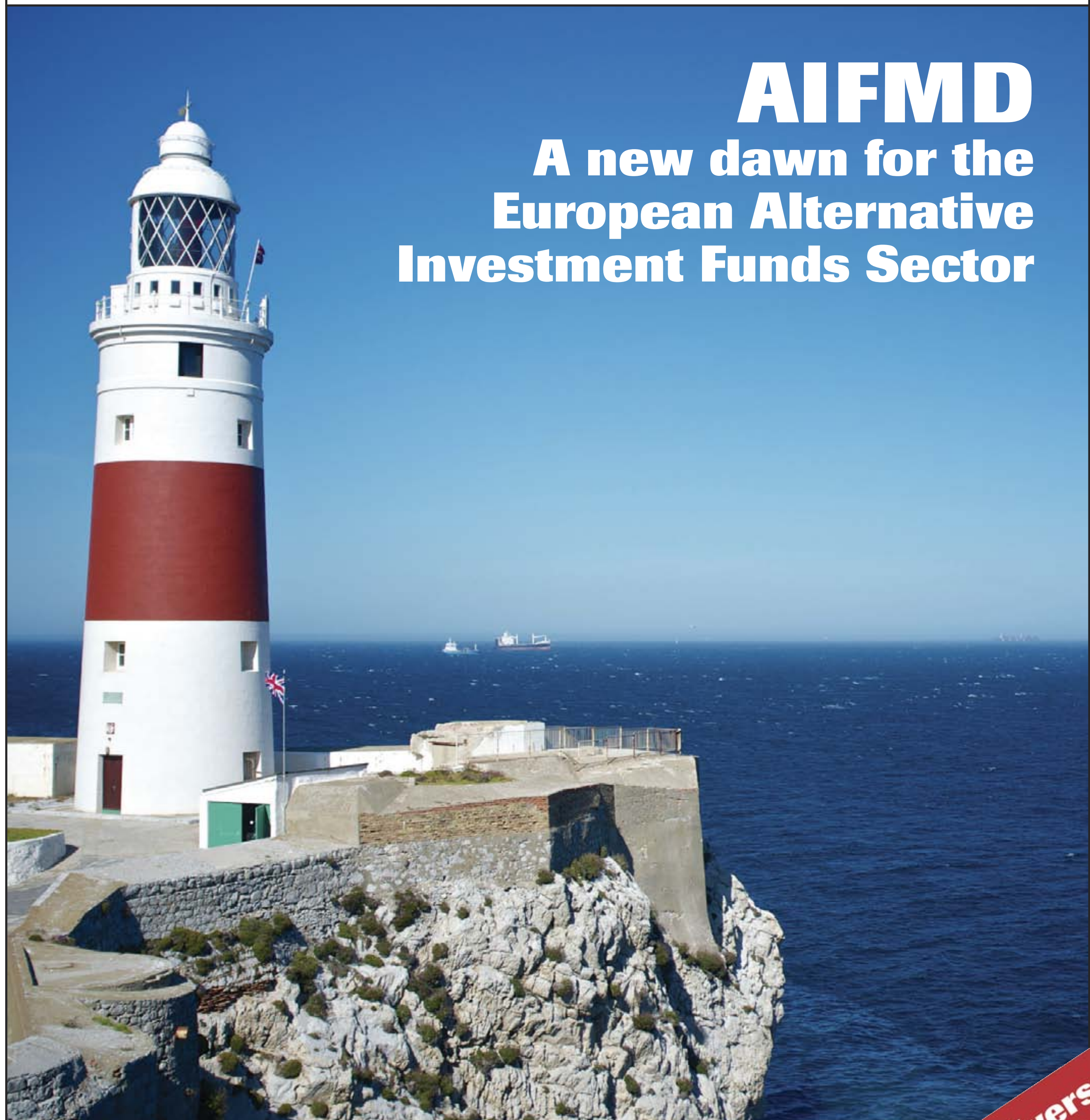

AIFMD
A new dawn for the European Alternative Investment Funds Sector

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Aug/Sept/Oct 2013
Volume 19/ Number 3

Contents

GIBRALTAR INTERNATIONAL MAGAZINE

Published by Gibraltar International Publications Ltd.
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PMB 104
PO Box 561
Gibraltar

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EDITORIAL COMMENT

Confidence faces tests

There is undoubted confidence in Chief Minister Fabian Picardo and his team at being able to achieve the Manifesto commitment to grow Gibraltar's Gross Domestic Product (GDP) by over 10 per cent a year on average in each of their four years term of office to reach £1.65bn by 2014/15.

In year one, there was an 8 per cent improvement, leaving growth now averaging 10.5 per cent per annum to be achieved. Picardo says this is "despite the many suggestions from some quarters that this was impossible". The Chamber of Commerce called it a "stellar-like growth", for example. Undaunted, Picardo boasts the economy is "on target to deliver or exceed the ambitious target we set".

It's somewhat surprising therefore, to find the government's first full year budget prediction for the current year of near static revenue, Import Duties and taxes – personal and corporate combined – all are expected to be little more than in 2012-13. Overall after a "modest" 5 per cent rise in expenditure, Picardo "conservatively" expects a £17m surplus, sharply down on 2012-13.

So where is the growth to come from? The government believes its programme of investment in building around 1,000 social homes and other commitments such as the planned new power station will be the drivers to enable GDP growth. But since most of that extra income will be in taxes from construction workers and some higher business profits, the Budget clearly doesn't anticipate those effects working through in the current year.

And there are uncertainties over European and global economic fortunes, important since Gibraltar's economy in large part rests on a growing finance centre, tourism and on-line gaming, where the UK represents a significant threat to income by proposing to tax bets at source.

Only time will tell if Picardo's confidence is well founded – but the previous administration used extensive construction work on the new airport terminal, for example, to fuel GDP growth previously.

The leadership on tax evasion and exchange of information is certainly more achievable – indeed it is already part-delivered. Gibraltar has a draconian approach to tax evasion and money laundering, with Zero tolerance, as will be seen by the numerous bi-lateral, international and Euro-wide measures that have been adopted by the territory or concluded progressively over a period from 2005, but rapidly in the past 18 months under Picardo.

However, the true result for these efforts to ensure tax evaders have nowhere to hide will be in the additional income to the Treasury, and other governments in the world stand to be far greater beneficiaries than Gibraltar, even if in the US there are claims the cost of administration of exchange under FATCA will be as great as any extra income gained.

Showing that exchange of information works is a necessary means of 'encouraging' individuals to 'fess-up', so it's a pity that Gibraltar, so far, has been reluctant to give any details of activity, other than a creditable response to the relatively few TIEA requests.

All of this however, leaves Spain nowhere to go in its (false) claims that Gibraltar is a conduit or destination of evaded tax money from Spain. There's one way for the Spanish to find out, of course: put it to the test and seek out tax information.

Ray Spencer

Accelerating growth to bring “on target” economy

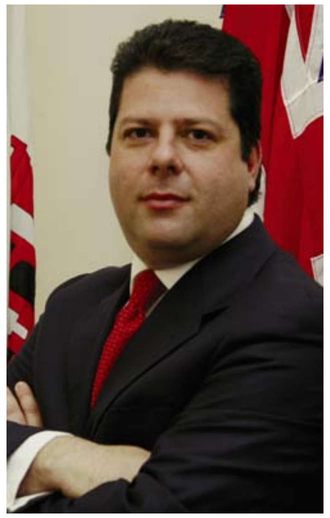
Gibraltar’s economy is “on target to deliver or exceed the ambitious target” of £1.65bn by 2015/16 “despite the continued European and global economic downturn”, *Ray Spencer* reports

That was the confident prediction of Chief Minister Fabian Picardo when delivering his first complete year budget in June, confounding “the many suggestions from some quarters that [achieving 50 per cent growth in four years] was impossible”.

He delivered his forecast after saying that early estimates point to 2012-13 GDP reaching £1.23bn - a rise of 7.8 per cent. However, Picardo said growth would accelerate, in particular as a result of construction of around 1,000 affordable houses, and it would “comfortably surpass” his promise of £1.65bn GDP at the end of this government’s first term of office.

Picardo acknowledged “yet another year of economic problems throughout the rest of Europe and most of the rest of the world”. National debt had “spiralled out of control in each of the countries where we have seen such economic tragedy play out; reaching 88 per cent of GDP in Spain”, he noted.

By contrast, Gibraltar’s gross public debt at £376m fell in 2012-13 by 27.5 per cent, more than twice the level predicted, and net debt reduced to £291.3m and is anticipated to decline this year by a further £13.3m.



“We believe it is better to be prudent in our estimate, given the prevailing economic outlook around the world”

Revenue ‘little different’

Revenue totaled some £487.4m – about £28m more than expected – in 2012-13, but is “conservatively” budgeted to be little different in the current year. Income Tax, the government’s second largest revenue area, fell by 5 per cent to £124.9m last year, “directly attributable to a reduction in PAYE collections from a number of different sectors particularly the construction industry” as well as lower self-employed receipts.

However Corporation Tax, a significant indicator of the jurisdiction’s business health, grew 8 per cent in 2012-13 to reach £64.7m. It was an unexpected result that the Chief Minister identified as “a significant increase”, particularly after last year’s caution that “this increased revenue stream will need to be closely monitored” to see if it was sustainable.

In the years to 2011 - when the Zero Rate Corporation Tax was available to many companies, and local entities then paid significantly more than the present 10 per cent - Gibraltar’s average income from business profits was only £26m, the Chief Minister pointed out.

The majority of Gibraltar’s 18,000 registered companies “are active companies” and some 4,000 are investment companies, Picardo told the German Frankfurter Allgemeine Zeitung newspaper in a May interview. (He also then emphasised: “We have no more mailboxes than any other developed country in the world.”)

The combined yield from Gibraltar Income Tax and Corporation Tax for the financial year 2012/13 reached £189.6m, marginally above the £189.4m for the previous financial year and is forecast to be only slightly higher at £191m in the current year.

Duties bring more

Duties, the single most important area of government recurrent revenue, rose 20 per cent to reach £146m, although no increase is anticipated in this year. The total income from duties (including Stamp Duty) and fees, is expected to grow #1m to reach £152.5m.

Departmental receipts and fees at £130.6m - the third largest area for government income - and Departmental Expenditure of £138.5m, Picardo assured in his speech, had been kept under tight control to end the financial year largely in line with the original budget.

However, an increase of around £7m over the original budget was required to meet the recurrent costs of four Government-owned companies, including the new Gibraltar Air Terminal.

Other areas of revenue each year include housing and commercial rents and general rates, airport departure tax, the Port Authority and tourism sites, for example.

The important gaming sector, accounting for an estimated 21.6 per cent of GDP, contributed a total of £48.1m in gaming and company tax and PAYE, 6 per cent above 2011-12.

However, gaming’s importance to Gibraltar can best be seen in the £17.2m (and growing because some companies have not yet reported) Corporation Tax contribution in 2012-13, which even at the presently reduced published level represents 27 per cent of total business taxes.

The recurrent budget surplus of £37.2m for the financial year 2012/13 was a substantial £20m greater than expected and is at an all-time record. However, all but £2m of that surplus is being given to Gibraltar Community Care Trust in line with the Alliance Parties’ manifesto commitment to make this charity independent of government grants.

In the current year after taking account of a “modest” 5 per cent expenditure rise, a much-reduced £17m surplus is projected. “We believe it is better to be prudent in our estimate,

Continued page 8

Continued from page 6

given the prevailing economic outlook around the world and the potential effects of the reining in of the Quantitative Easing programmes of the US and UK exchequers", Picardo explained.

Civil Service pay rise

The surplus will be after awarding Civil Servants a 2.9 per cent pay rise from August, reducing personal tax whilst increasing a range of allowances, keeping static social insurance, water and electricity costs, extending rates discount for new businesses and introducing a tax capital allowance scheme for new office buildings (see page 18, 'New office projects in sight').

Import duty on a range of items has been reduced or eliminated repeating last year's move to stimulate the retail sector, although having previously said that the government wanted to see the cuts passed on to consumers, a spokesman has confirmed that there is no means in place to measure whether that has been done.

To encourage the use of Gibraltar by yachts, pleasure craft and other seagoing vessels and for local vessels, import duty on marine fuel was cut to zero. In sharp contrast, import duty on diesel rose by a swingeing 42 per cent to 22p per litre after the government found importers and suppliers profiting from higher fuel costs as well as reflecting higher prices in Spain resulting from tax increases there.

Capital spending last year totaled £92m including completion of the new airport terminal. For the current year £54m has so far been earmarked, but work is also expected to start on the territory's largest capital project, a new natural gas-fired, duel fuel power station. It will replace the three ageing diesel powered plants, and the cost is subject to tender submissions due by August and therefore as yet, uncosted.

Airport leads the way in rate of tourism growth

It promises to be a busy Summer at Gibraltar Airport with more than 1,800 flights and 300,444 seats available to five UK destinations until the end of October. And for the first time there are seven flight arrivals on Sundays, the most on any single day

That hopefully will mean more air passengers in 2013 than the record 192,152 arriving last year, although the first three months of this year saw significantly fewer people landing than in the same period of 2012.

Confidence of air use growth is reflected in government estimates of airport departure tax income of £1.8m and aircraft landing fees of £585,000 for the current year, significantly more than the forecast outturn for last year at £1.6m and £430,000 respectively.

But the 173 cruise ship calls made last year to Gibraltar Cruise Terminal – 14 fewer than in 2011 – carried 291,620 passengers, just 1 per cent down on a year earlier, although the number of ships this year is expected to bounce back to 2011 levels to carry more passengers – 300,712. Cruise Terminal arrival and departure taxes in the current year are estimated to produce £350,000, the same as that for 2012-13, when it was expected to get £550,000.

And land frontier arrivals from Spain were also marginally down in 2012 at 11.4m people, but when cross-frontier workers are discounted – they fell by more than 15 per cent – the number of people crossing the border rose by 1 per cent over 2011.

Tourism minister Neil Costa told Parliament in his June Budget statement that he wanted to build further on air routes, they having produced the largest growth in visitor arrivals to Gibraltar – up 1.7 per cent last year.

Air arrivals in Andulucia, by contrast, were 6 per cent down in 2012, including those airports nearest to The Rock being Malaga (down 1.8 per cent) and Jerez (a 13 per cent reduction) and Gibraltar's aircraft load factor last year at 87.2 per cent compares favourably with the European airline average of 80.5 per cent.

"We are working very hard to encourage our existing airline partners to add new routes from the UK and other countries and are in hot pursuit of new airlines and new routes from European destinations", he said repeating sentiments expressed 12 months earlier.

British Airways last winter scheduled one extra London Heathrow service on Saturdays and Sundays producing 5,202 more passengers on that route compared with 2011, and there's been a 14 per cent growth already in the current year.

BA is maintaining the extra flights this summer and next winter, but Costa is arguing for additional capacity from Heathrow, where he believes there is still further potential.

Monarch flights from Manchester – four per week in summer - were showing 26 per cent growth this year, Costa said and overall for winter there will be a total of four more services in operation than the same time in 2012.

Gibraltar airport - where service agreements cost £3m a year to run the large new terminal that opened fully in September 2012 - is also served by easyJet from Gatwick and Monarch from Luton and Birmingham .

Work is soon to start on building covered walkways both landslide and airside to help protect passengers from bad weather; some covered stairs from aircraft are also to be provided.

FUNDS

AIFMD – a new dawn for the European Alternative Investment Funds Sector

Adrian Hogg is a director of the Grant Thornton Gibraltar Group of Companies. He is a former GFIA Chairman and a specialist in investment business with over a decades experience involving various investment business structures in Gibraltar and the Caribbean

On 22 July 2013 the Directive on Alternative Investment Fund Managers (AIFMD) came into force across the EU. AIFMD introduces harmonised requirements for entities involved in the management of alternative investment funds (AIFs) that are managed and/or marketed to professional investors in the EU.

AIFMD encompasses all EU AIFs and their managers (AIFMs) ranging from conventional "trading" funds (trading equity, options, derivatives and such like) to alternative assets classes such as real estate and private equity. AIFMD is wide reaching covering all possible strategies and legal forms of AIFMs and AIFs.

In order to obtain authorisation an AIFM has to comply with the requirements of AIFMD, which range from capital requirements, calculation of assets under management, method for calculating the leverage, delegation of AIFM functions, specific provisions related to risk and liquidity management, risk and liquidity management, the appointment of a depositary, transparency requirements to rules regarding disclosure to investors and reporting to competent authorities.

Transitional provisions

With the advent of AIFMD, investment funds in the EU fall into one of the following two categories; they are either (a) UCITS (Undertakings for Collective Investment in Transferable Securities) or (b) AIFs which can be in or out of scope. With over €2 trillion within this newly defined sector, AIFMD is a significant piece of legislation that affects all Member States as well as additional participants within the EU investment industry.

AIFMD applies to any legal person appointed by or on behalf of the AIF whose regular business is managing one or more AIFs. AIFMD applies to non-EU fund managers that (a) manage one or more AIFs established in the EU and market to investors in the EU; or (b) market one or more AIFs established outside the EU (a non-EU AIF) to investors in the EU.

There are exemptions to the scope of the AIFMD, the main of which being the de minimus test of a "small" AIF with aggregate total assets of (a) less than €100 million (including leverage); or (b) less than €500 million (unleveraged) and that does not have redemption rights during a period of five years following the date of initial investment in the AIF. From the point of view of an AIFM they must consider the de minimus test for all AIFs under management (not each AIF in isolation).

There are transitional provisions in respect of AIFMD implementation. Most EU Member States are permitting a one year transitional period for members within the sector to become compliant with "best efforts" being permitted during this transitional period (i.e. until 22 July 2014).

AIFMD will open up opportunities for those that operate within its framework. In the fullness of time AIFMD should create a period of growth for the EU alternative investment fund sector allowing management and marketing of AIFs across European borders for the first time. AIFMD should become be the alternative investment fund sector's equivalent of the UCITS passport, opening up a wide marketplace and providing a badge of quality.

So how will AIFMD affect Gibraltar?

Gibraltar is fully compliant in respect of EU investment business and fund legislation. The Gibraltar Financial Services Commission is AIFMD ready and has published rules and guidance for AIFMD implementation and the Gibraltar fund's industry has been gearing up now for two years.

Gibraltar based investment firms that become licensed AIFMs will be able to market across the EU. With its experienced investor fund regime, Gibraltar has the fastest AIFMD fund product to market.

Although AIFMD implementation requirements are similar across the EU, it is expected that the cost of implementation may vary from one EU jurisdiction to another. Running costs are likely to be lower for Gibraltar based investment management businesses compared to operations based in other EU jurisdictions which are already seeing costs increase as a result of AIFMD implementation.

AIFMD passport

For those that market funds in the EU, AIFMD provides the quandary of whether or not to keep the fund in a domicile outside of the EU, re-domicile existing funds to the EU or to create new funds in the EU. Re-domiciliation is often the method of choice as it should be a seamless transition without triggering a taxable event and it allows established managers to maintain their track record.

The fundamental change in the alternative funds sector is that funds that are marketed in the EU are domiciled in the EU. Such Gibraltar based funds can benefit from the AIFMD passport which is not the case for non-EU funds who are not able to passport throughout the EU until 22 July 2015.

We live in interesting times. It is a new dawn for the European alternative investment funds sector and Gibraltar is compliant, competent and ready for the challenge.

www.grantthornton.gi

Gibraltar Budget 2013

"A relatively uneventful budget", commented *Neil Rumford*, Head of Tax Services at Baker Tilly Gibraltar, "were it not for the pre-budget announcement that Ecofin (the European Council of Economic and Finance Ministers of the 27 European States) had endorsed Gibraltar's tax system and that the Income Tax Act is deemed compliant by the EU Code of Conduct Group"

Corporate tax

The standard tax rate remains at 10%, with no changes announced in the corporate tax system. Although not part of the budget, I should mention the new Class 1A of chargeable income introduced as from 1 July 2013.
This is interest income on loans and advances between companies, applied in respect of loans where the interest from any one company exceeds £100,000 per annum (connected companies being treated as one company for determining the threshold).

Corporate tax receipts were up 13% from last year; after some uncertainty about how much the new tax system would be able to extract from corporates, this provides some reassurance, though the dependence on the finance and egaming sector is clear.

Personal tax

The two alternative systems remain, the system that benefits the taxpayer being applied.

Gross income based system

This system has few allowances, but lower tax rates. New for 2013/14 are deductions of up to £5,000 for first-time buyers' expenditure on their new home and £1,000 in respect of approved pension contributions.

The system is designed so that no taxpayer pays more than 25% overall – by way of example:

Total taxable income	Effective tax rate
£25,000	17%
£50,000	22%
From £105,000 to £500,000	25%
£1,000,000	19%

Income above £1m is taxed at 5%.

Allowance based system

A lowering of the "standard" rate gives the following:

Taxable income band	Rate applied
First £4,000	15%
£4,001 to £16,000	24% (2012/13 – 30%)
Over £16,000	40%

Some allowances under this system were increased, including:

Personal allowance	£3,000 (was £2,812)
Spouse allowance	£3,000 (was £2,632)
Nursery school (per child)	£3,000 (was £2,000)
Parent of disabled person	£5,000 (was £2,724)
Blind person's allowance	£3,000 (was £627)
Single parent allowance	£3,000 (was £2,632)
Medical insurance – up to	£2,000 (was £1,500)

The Low Income Earners Allowance has increased again to £10,000; persons earning up to this amount pay no tax. To give budding philanthropists a boost, the limit on the Gift Aid scheme was lifted from £1,000 to £5,000.

Allowances relating to the ownership of main residential property in Gibraltar remain unchanged. A total of £15,500 of allowances are given in respect of first-time purchase (£4,000 of which must be spread over 4 years), also allowances are given for interest on mortgages of up to £350,000 (and even higher for pre 1 July 2008 loans). These allowances are often what determines which system applies to a taxpayer.

Social insurance

Social insurance remains capped at a maximum of £3,023 in total for an employee's and employer's contributions per annum.

HEPPS & HNWI's

Concessions available to High Executives Possessing Specialist Skills and High Net Worth Individuals (Category 2) are unchanged.

Rates

Adding to the 50% discount for businesses on their 1st year of trading introduced last year, now there is a 2nd year discount of 25%. Discounts for early payment by most other businesses of 10% to 20% remain.

Construction of office accommodation

The budget introduced a new Capital Allowance deduction for the construction of office accommodation in Gibraltar – 30% of construction costs in 1st year following completion, with the remaining 70% over the next 7 years.

Import and excise duties

Changes included:

Changes	From	To
↑ diesel fuel	15.5p/litre	22p/litre
↑ cigarettes	£1.00 per packet	£1.10 per packet
↓ marine fuel	various	0%
↓ jewellery	6%	4.5%
↓ loose gemstones	12%	0%
↓ sunglasses & mobile phones	6%	3%

In addition duty was decreased from 12% to nil for sports equipment, items for outdoor games, educational items (including pens, pencils, crayons, student's paints), fishing rods, fish hooks, tackle, binoculars and camera cases.

Stamp duty

In was announced that the threshold for the nil rate of stamp duty has been increased to £250,000.

www.bakertillygibraltar.gi

Developments in gaming post KPMG Summit

By *Archie Watt*, Head of eGaming, KPMG Isle of Man and Gibraltar

Now that the dust has settled after the third KPMG eGaming Summit in Gibraltar I thought it an appropriate time to look at the themes discussed and subsequent developments.

Firstly, regulation. Several of the speakers at the summit spoke about the fragmented nature of European regulation and that the "nirvana" of regulators talking to each other to set and accept common standards was as out of reach in 2013, as it had been in 2012, 2011, 2010...

Regrettably this has been confirmed over the past few months with some quite astonishing developments taking place in the EU. At the time of writing the most recent decision from Bulgaria to blacklist Gibraltar-licensed operators such as Bet365, Ladbrokes, Betfair, bwin.party and 888 on the grounds that they did not have a license to offer gaming services in Bulgaria must rank as one of the least expected developments for many a year.

USA

Blacklisting, of course, is not new; indeed many of the EU states have gone down this route at one stage or another. What marks this occasion out, however, is that not only is there no guidance offered on how reputable companies can go about applying for a licence but also virtually all of the companies named above actively block Bulgarian nationals from playing on their sites. Quite what is being achieved here is unclear to me, and I am sure that senior executives sitting in Europort, Waterport etc, are scratching their heads, attempting to understand why they should be on a blacklist drawn up by a regulator from a fellow EU member state.

Continuing with regulation, the other part of the world that attracted much discussion was the US. June saw bwin.party agree to pay Kentucky $15m – in the State Governor's words, as recompense for losses incurred by Kentuckians, though I doubt that any Kentucky resident who played on either of the bwin.party sites of their own free will shall see any of this sum.

I and other commentators have long speculated on the likely date for gaming to be licensed and taxed in the US, and the comparison with the prohibition era I made shortly after the passing of UIGEA in 2006 remains valid. Alcohol was illegal at a federal level for thirteen years early in the 20th century and processing gaming/gambling financial transactions has now been illegal (at a federal level) for almost seven years. However individual states have taken it upon themselves to make intra-state online gaming legal, with New Jersey being one of the highest profile early movers.

Atlantic City casinos

This is of relevance to operators licensed in Gibraltar because the Atlantic City casinos have been forced to "partner up" with online software providers ahead of the regulations coming into force. With the 29th June deadline approaching, Trump Casino signed with Betfair, Tropicana Casino announced a link with Gamesys (owner of the Jackpot Joy brand), both of these sitting alongside 888's long-standing deal with Caesar's and bwin.party's tie up with Boyd Gaming and MGM.

The jury remains out on what sort of boost to revenues this will give our operators since many of the Atlantic City casinos are losing substantial sums of money each year – there are fewer than 10 million people resident in New Jersey - but if the legalisation of intra-state gaming presages legalisation at a federal level then the investment being made will look very good value in due course.

Point of Consumption Tax

Finally, I turn to the Point of Consumption Tax issue. Regrettably the UK government appears determined to press on with this change to existing legislation. This has as its sole purpose raising tax to fill a massive hole in the UK budget which, as Adam Craig (Group Director of Tax, bwin.party) said at our summit, will ultimately end with VAT being levied on wagers. I have no doubt that this will end in court and it remains to be seen whether or not the finest legal minds in the land can get their heads around the concepts of player protection, strong anti-money laundering procedures, strict controls over player funds and close scrutiny of individual wagers, all of which are already enshrined in the Gibraltar gaming regulations.

All this seems to imply that the news around the online gaming sector is negative while nothing can be further from the truth. William Hill Online continues to go from strength to strength and Ladbrokes has signed a joint venture deal with Playtech which should see it experience the sort of growth that WHO has been seeing for the past three or four years. Meanwhile, online bingo operators Tombola and Jackpot Joy continue to produce stellar results.

Equally committed

One of the biggest events since April was of course Bet365's results announcement – operating profits up over 50% to almost £180m, wagers hitting £20bn (up 57%) and all of this achieved from a purely online presence licensed in Gibraltar. This result typifies the changes that have happened to the world in less than the past decade and this progress will continue – Minister Licudi committed his department to supporting the sector at KPMG's summit.

With the recent reshuffle of the Cabinet and the appointment of Minister Albert Isola as the new Minister for Gambling and Lotteries, I feel sure that he and his colleagues are equally committed to seeing the sector continue to develop, diversify and grow.

The KPMG 2013 Gibraltar eGaming Summit Report, sponsored by Continent 8 Technologies, is now available for review or download from the KPMG Gibraltar website, along with video material from the day.

www.kpmg.com/gi

Auditing of funds ensures investor 'fair deal'

To ensure good corporate governance and controls that give investors in funds a fair deal, Jon Tricker, a partner at Deloitte Gibraltar, is advocating that funds should be regularly audited – even in situations where there may not be a statutory requirement or it is difficult to assess

The territory's growing stake in the funds sector - having positioned itself as a credible EU alternative to Dublin and Luxembourg for the establishment of hedge funds – makes professional auditing of funds even more desirable as part of Gibraltar's reputational advantage.

"Events in Cyprus and the levy placed on deposits in Cypriot banks have sparked fears of similar reactions in other Eurozone countries requiring a bailout.

Gibraltar's position outside the Eurozone is therefore now a unique selling point for the jurisdiction," Tricker notes, "particularly in terms of the hedge funds industry, in which Gibraltar's key competitors are all in the Eurozone – Dublin, Malta and Luxembourg."

"As is the case with any company, the statutory audit of an investment fund requires the auditor to reach an opinion on whether the annual financial statements of the fund give a true and fair view of the company's annual results and year-end position (amongst other things)", says Tricker, who moved to Gibraltar in 2005 rather than take up opportunities at the Madrid or Seville offices.

Year-end differences

"In addition, the fund's administrator produces periodic net asset value calculations, on the basis of which investors subscribe into and redeem out of funds", he points out.

But Tricker adds: "The year-end net asset value may well be different to the net assets according to the annual financial statements as certain business assets may be valued or treated differently, depending on the policies of the fund.

"Whilst there is no requirement for the auditor to give an opinion on the periodic net asset values, or indeed the year-end net asset valuation, auditors are concerned to ensure that investors have not been, and could not be, prejudiced by incorrect net asset values."

To that end, auditors are interested to see "evidence that net asset values have been subjected to scrutiny by the Directors, and to ensure that the calculations are performed consistently in accordance with appropriate policies and in a framework of good corporate governance and controls."

Audit work has been the engine house of Deloitte Gibraltar since being established in 1991 by Joseph "Pepe" Caruana - whose namesake and first cousin Peter was Gibraltar's Chief Minister for 14 years until end-2011 – and Stephen Reyes.

Tricker, who with fellow Deloitte partner Daniel Delgardo and Caruana, are responsible for funds work, has specialised in funds auditing and maintains: "Probably the biggest issue any fund faces lies in the valuation of its assets, particularly where some or all of the assets are not frequently traded (meaning that fair values can not easily be evidenced by the administrator and auditor)."

Governance role

In an ideal world, funds would be structured in ways to ensure that possible disputes over valuation are not possible, he states – for example a fund which only invests in one real estate development could be set up so that investors are allowed in at the start of the project, but no redemptions are allowed until the project is complete.

"In practice this is not always the case and the auditor plays an important governance role in such cases. As such, the number one issue considered by auditors is likely to be the valuation of the fund's investments", Tricker suggests.

Half of Gibraltar's 95 or so Experienced Investor Funds (EIFs) have been structured as Protected Cell Companies (PCCs). And since the law allowing EIFs was introduced eight years ago, Gibraltar last year introduced new Regulations that allow large funds to use reputable and substantial administrators based in jurisdictions of equivalent standing to Gibraltar

The new Regulations also allow funds to re-domicile to Gibraltar yet continue to use their existing reputable administrator, representing a significant advantage for funds moving to the EU along with the implementation of the Alternative Investment Funds Managers Directive (AFIM), in July.

As the (then) Minister for Financial Services, Gilbert Licudi, noted in his June Budget address: "Gibraltar has set itself the objective of becoming a major player as an EU funds domicile and EU centre for hedge funds management operations particularly with the introduction of the AFIM Directive."

Gender gap

Tricker is one of five Deloitte partners in Gibraltar, but Caruana is set on looking to the future and although none yet are female, "we have some aspiring people and I believe within two years we will have started to fill the gender gap." There is a near equal gender spread amongst the firm's 50 staff.

Deloitte Gibraltar is unusual in that it is a stand-alone part of the network and subject to regular review by Global headquarters in New York on different aspects of its activity. The local office "has always at least met the required standard, even though it is constantly being ratcheted up", says Caruana.

Ray Spencer

www.deloitte.gi

New office projects in sight to combat "low availability"

The Gibraltar World Trade Centre (GWTC) project may soon be resurrected, as one of very few planned new buildings to help meet a reported severe shortage of office space in the jurisdiction

The £30m GWTC plan by Fairhomes Group was to have been completed by December 2012 and would have provided 16,000m2 of offices over seven floors on a car park site it owns at Marina Bay, adjacent to Ocean Village. But despite detailed planning consent being granted, building work hasn't yet started!

Fairhomes also gained full planning approval a year ago for a small 280m2 two-storey office block on vacant land at the main entrance to Ocean Village.

As Maggie Mifsud, BFA sales and marketing director, who has been involved with sales and rental of Gibraltar commercial property for more than 15 years, noted: "There has been low availability of offices for some time; only small office spaces averaging 50 -150m2 remain, with very few possibilities of larger office space."

With rental rates of £25-30 per m2, leases vary between three and 12 years generally. Older premises may offer one-year leases. She added: "If anyone is looking for 4-500m2 of office space it would have been a little easier six or more months ago, but not so now."

Mifsud pointed out: "The scarcity of space for companies wanting to move to Gibraltar or expand here does not help our international efforts to attract enterprises to the jurisdiction."

Most of the modern office blocks, such as NatWest House, Leon Place, Waterport Place, Regal House and Eurotowers are full. All of Ocean Village's 4,500m2 of offices are occupied with a waiting list for space.

Small spaces

Europort - with 16,500m2 of offices in four blocks built in 1992 as part of a Danish speculative venture – is expected to have a minimal 700m2 available in September. Managing Director Lawrence Isola, said a new 500m2 office suite with a 100m2 private roof terrace at the top of the adjacent 4,000m2 Atlantic Suites building (opened in 2010) should also then be available. However, a total of 42,650m2 of offices in five developments are being planned or already have permission to build.

Isola revealed that a new upmarket office project of about 14,000m2, including some warehousing, a data centre and roof top garden with leisure amenities, on a site situated near the North Mole and to be called NW1, is expected to be presented for outline planning approval in August.

Rumours circulating in the jurisdiction this summer suggest that a developer has offered to take over all or part of the giant 38,000m2 MidTown mixed office, commercial and residential project that was proposed by Commercial Developments Investments (part of Montagu Group) at an estimated cost of £120m.

Detailed planning consent given in 2008 remains in force for Rock Tower, the first of MidTown's four blocks – a 13-storey 10,000m2 office and car park estimated to cost £30m - on the site of a multi-storey car park just outside Gibraltar's city walls.

In another development, Forty7 on Line Wall Road opposite Kings Bastion leisure centre, owned by Boyd Group, (part of Capital & Overseas Holdings), is up for sale and understood to be under offer after outline planning permission for 1,850m2 of offices was recently renewed.

An application to convert a residence at 327 Main Street into 800m2 of offices received outline planning approval in May.

Fairhomes, a 20-year old privately-owned, Gibraltar-based global investment and development company headed by Greg Butcher, has assets in the UK, Germany, Singapore and the Netherlands, as well as on The Rock - where its portfolio and development projects were valued in mid-2010 at around €192m - plus extensive US interests.

Artist's impression of Mid Town's project superimposed on land it will occupy, with the £30m first block, Rock Tower (right), which may now progress.

Ben Marr, Fairhomes' Financial Director, told *Gibraltar International*: "We are aware that office space is becoming more difficult to find here and we can see that Gibraltar's economy is continuing to grow.

Still attractive

"With a substantial investment already here in Gibraltar at Ocean Village and elsewhere, the World Trade Centre project remains attractive and is still one of our strong considerations."

But Marr declined to be more specific "at this stage". There is strong speculation that the time may now be considered right for the WTC project to proceed, but possibly on a different nearby site and on a smaller scale.

Developers will have been encouraged by the June Budget tax breaks to stimulate office building.

Thirty per cent of construction costs on office buildings started on or before end-March 2015 - including preliminary planning, design and associated costs, but excluding land – can be deducted as a capital allowance in the first year following completion of the project, with the remainder written down against tax over the following seven years.

Reviewing space

The Gibraltar Socialist Labour Party coalition with the Liberal Party (GSLP) pre-election manifesto headed 'Adequate

Continued page 20

Growing appeal as a home for retirement schemes

Gibraltar has rocketed ahead in popularity as a safe, compliant jurisdiction for Qualifying Recognised Overseas Pension Schemes (QROPS), more than doubling its share of jurisdiction of choice in just three months, according to a survey of advisers in June.

The survey showed that the top three jurisdictions international advisers preferred for QROPS, were Isle of Man with 32 per cent of the 141 respondents, Gibraltar 26 per cent and Malta 22 per cent.

According to Skandia International, The Rock was favoured by just 11 per cent of advisers in March and even fewer – 3.4 per cent - in June 2012.

The survey findings give substance to reports by STM Group in Gibraltar of "A dramatic increase" in enquiries since the jurisdiction changed its laws last year requiring all payments from imported pension schemes to be subjected to a low 2.5 per cent tax and lump sum payments to over 55 year olds limited to 30 per cent. Stephen Knight, Castle Trust chairman and leader of the growing Gibraltar Association of Pension Fund Administrators (GAPFA), predicted in March that there would be "100 transfers a month from now on." Skandia says: "Arguably the three jurisdictions named have benefited from the demise of Guernsey as a recognised jurisdiction for QROPS, as the tax benefits offered in Guernsey were previously more tax advantageous compared to most other jurisdictions." Malta has slipped to third place in the last three months.

But there is good news for all three jurisdictions; nearly half (48 per cent) of advisers who recommend the use of QROPS will increase their use of them over the next 12 months and a further 41 per cent are looking to maintain their current use of QROPS over the next 12 months.

"Despite a backdrop of changing reporting requirements for QROPS providers, introduced as part of the [UK] Finance Bill 2013, advisers continue to recognise the significant advantages QROPS can have in terms of their flexibility and tax efficiency", the Skandia report notes. "As more and more baby boomers are hitting retirement age and are looking to move overseas and become non-resident for UK tax purposes, the benefits offered by QROPS for these clients can be significant", it confirms.

Boal & Co (Gibraltar), a subsidiary of Boal the UK adviser to international pension schemes for many of the world's leading corporations, launched its Trafalgar Pension Scheme in June and became the ninth firm to offer QROPS in the jurisdiction.

The addition of a Gibraltar QROPS restores the multi-jurisdictional aspect to Boal & Co's QROPS range – it also has one in the Isle of Man - and "gives advisers the ability to choose from the two most attractive QROPS jurisdictions today", the firm states.

Managing Director Gary Boal said "Several international finance centres had, over the years, sought to position themselves for QROPS business… but we were impressed by the efforts put into QROPs development by the government of Gibraltar." Trafalgar's external trustee is Capital Trustees Ltd, an established Gibraltar regulated fiduciary.

Continued from page 18

Office Space', noted that "the availability of office space needs to be reviewed in order to be able to cope with the increase in business that we hope to attract."

In January, after a year in government the GSLP said the review was one of 100 initial pledges that had been achieved. However, when *Gibraltar International* asked in March what had been found, the government said: "The review of office space is on-going. The situation is being monitored by the Lands Office …"

When asked about the situation again three months later, no government response was available.

The last full-scale review of offices was undertaken in mid 2009 for clients of Brian Francis Associates (BFA), a leading surveying practice, and it found that 99 per cent of Gibraltar's then 94,000m2 office space was either sold or let.

Fairhomes, instead of progressing with GWTC, diverted a large part of its available funds and human resources to several US housing and commercial property projects (particularly in Miami) that are now believed to be at or near completion.

That means the company is again considering what next to do – where it can get the best return for money it invests - and is believed not to be largely dependent on borrowings, having a cash flow income from sales and rental yields.

Planning for Offices

16,000m² - World Trade Centre*
14,000m² – NW1***
10,000m² - MidTown stage 1*
1,850m² - Forty7**
800m² - 327 Main St.**
42,650m² - Total new office space

* full consent ** outline consent granted or sought
Source: Gibraltar International research

To ensure a good financial return, Fairhomes in 2010 wanted advance commitment from prospective occupiers for a significant part of GWTC, which had been designed to include huge 3,000m2 single floor plates.

Ray Spencer

Innovative gamer beats office lottery

Lottoland, offering players remote access to five of the largest lottery jackpots in the world with a record top prize of US$1.1bn in May, has become Gibraltar's newest and by far youngest e-gaming company.

Lottoland was formed as a Gibraltar enterprise only in May by Indian/Cambodian Rahul Das. In June, Andrew Chapple, an e-gaming sector veteran formerly with William Hill, became Director responsible for international expansion.

The granting of the licence – previously only available to "the best in the world e-gaming companies" – marks an innovative diversification "to reflect the changing and dynamic nature of the industry", explains Gilbert Licudi,[then] Minister for Gaming, in this case through "the establishment of a company with a business model which runs in parallel to approved lotteries."

But Lottoland, which offers players from all over the world a legal way of placing bets on the largest lotteries in Europe and America, such as Euro Millions, Euro Jackpot, Mega Millions, Powerball and 6outof49 (the German national lottery), had great difficulty in finding available offices with infrastructure solutions that might have meant not settling in Gibraltar.

"Finding an office with the possibility of fast internet connections proved a challenge, not least, because in most cases

Space is a problem - Chapple

we were only offered premises with six year leases or longer, with a three year break clause, which was something we simply could not accept being a new company", Chapple says.

As an interim solution, the Lottoland team of 10 people set up at a villa in nearby Spain for two months to sort out licencing and administrative matters before taking up an unexpected offer to share office space on Leisure Island with Ocean Village owner, Fairhomes, and getting flexible ISP broadband support from Sapphire Networks.

"We chose Gibraltar because its legislative and tax advantages make it the best destination we could find for a gaming company, and we are proud that such a young company as ours could be supported by the government and given a licence by the Gambling Commissioner", Chapple adds.

But as he points out: "Interim office solutions for start-up businesses like ours are needed; it's important to have incubator space that enables young companies to settle and find their feet in a quality space."

Modelled on a UK company Tipp24, that targets the German lottery and has gross Group revenue of €250m, Lottoland is already the second largest international provider of its type in the world and has developed innovative products to expand the market, because it feels just about all national lottery web sites with the exception of the UK, "look as though they are spam, scam or simply old-fashioned."

"National lotteries are a dying product, mostly now played off-line by over 50 year olds. The company's innovative 'double jackpot' feature saw the chance in May for players to win a world record top prize of $1.1bn if correctly selecting the US Powerball numbers, which would have made the winner "one of the richest people and one of 800 billionaires worldwide."

"Perhaps, fortunately for us, no-one won that prize, but all winnings are backed by European insurer Emirat of Germany and international reinsurance companies," Chapple assures.

Previous jackpot winners may have had to share their winnings with up to 300 others so Lottoland introduced a ground-breaking 'jackpot insurance', to guarantee payment of the full prize amount, regardless of how many others have the same numbers.

By the year-end Lottoland aims to add between 15 and 30 staff; "we only recruit people who are smarter than ourselves", Chapple says.

Building reserves for expanding bank

Reserves of the 211 years old State-owned Gibraltar Savings Bank are being built up, in part to counter criticism that it has an "unfair advantage" over commercial banks, because it is not required to have its own capital.

And at the same time, the role of the Bank is to be gradually extended to include personal current accounts, debit cards and possibly, on-line services, help with home loans and small business development money.

When the Bank's £3m offices were opened in January, the government said it would begin wider operation by summer, although no statements on this had yet been made by mid-July.

Unlike all other banks in Gibraltar, the government institution is not subject to scrutiny by the independent Financial Services Commission, because it is argued all the Bank's activities are guaranteed by the government, but it still must comply with numerous EU and international laws including anti-money laundering.

During the 2012-13 financial year reserves grew by over £2.6m and the government expects a further £3.2m will be added this year through public savings debenture offers, deposits and Bonds, to bring an accumulated total of more than £6.6m.

"The development of the role of the Savings bank is an important element in the support we can provide to the local business community and the efficiencies we can achieve in payments transactions", Joe Bossano, the Minister responsible for the Bank, told Parliament in early July.

There has been criticism that expanding the role of the Bank puts the operations of other local retail banks and building societies "at risk by providing competition and taking away their customers". However, Dr Joseph Garcia, deputy Chief Minister, told MPs that the sale of Ministry of Defence properties, had "drawn into sharp focus the difficulty encountered by a number of prospective purchasers in obtaining mortgages".

He said one person saw nine lending institutions - banks and building societies and whilst two failed to respond, two others said they did not offer mortgages. "Three said that their quota was already full up – and two of those said their quotas had been full since December 2012", he asserted.

One was unable to lend on properties in a particular ex-MoD area "and one offered a 50 per cent loan to value only for private customers with £150,000 invested with them beforehand", Dr Garcia reported.

The government took seriously that fact that "We appear to have lending institutions that do not want to lend." He added: "It is not appropriate that banks and building societies, whose policy is largely determined outside Gibraltar, should operate on the basis of quotas given that local circumstances which are different to those of Head Office."

It also emerged in July that the Bank - through a new associated company, Credit Finance Co Ltd (CFC) - has provided a £30m loan "on very commercial terms" to Sunborn (Gibraltar) Limited, secured by way of a mortgage over the luxury 5-star yacht hotel that is set to open at Ocean Village in September. CFC is said to have received an investment injection of £303.76m.

Leading the way on tax to gain "a level playing field"

Gibraltar is "ahead of the curve" on global tax transparency and compliance and is positioning itself as leading the way on initiatives and action plans to ensure "a level playing field"

Chief Minister Fabian Picardo, after joining UK Prime Minister David Cameron at No. 10 Downing Street for a meeting of Britain's overseas territories and Crown dependencies, proudly proclaimed: "It is right that Gibraltar's leadership on these issues be recognised internationally".

In a letter to David Cameron just ahead of June's meeting, Picardo said: "We have nothing to fear and all to gain from international initiatives to stamp out tax evasion and we would be very pleased indeed to finally see a level playing field of all other relevant jurisdiction."

His words mask a long standing frustration at Gibraltar being regarded by some - Spain, in particular - as a non-compliant tax haven and place for individuals and companies to avoid tax and official scrutiny.

Gibraltar and UK officials are "at an advanced stage" in working out how to extend to The Rock the OECD Convention on Mutual Administrative Assistance in Tax Matters, which regulates information exchange between states on tax matters.

"Whilst it may therefore be true that some other Overseas Territories may not be as keen to have the Convention extended to them, this is not relevant to Gibraltar", Picardo said pointedly.

The UK Treasury recognised Gibraltar's leading role on these issues in May by setting the jurisdiction apart from other Overseas Territories "and specifically recognised our repeated commitment to transparency and our application of relevant EU standards of transparency", he said.

"Gibraltar remains a benchmark jurisdiction on financial services regulation and the United Kingdom continues to recognise that", Picardo told the Gibraltar Society of Accountants annual dinner in early June

Since February Gibraltar has been able to claim that it had transposed all its EU Directive obligations into national law. "We are compliant in all areas – not just, but particularly, in Financial Services."

At every opportunity he lists the jurisdiction's regulatory standards, preparedness for dealing with money laundering, tax transparency and investigation, and providing assistance and information to other states.

But it wasn't until late-June, after the Downing Street meeting, that Gibraltar was finally able to hammer home its whiter-than-white tax status.

Since 1997 Gibraltar had been listed as a harmful tax jurisdiction under EU Code of Conduct criteria damaging the jurisdiction's reputation. But the European Council of Economic and Finance Ministers of the 27 EU Member States (ECOFIN) voted by "a crushing majority" to endorse Gibraltar's Income Tax Act as being compliant with the EU Code of Conduct for Business Taxation.

As Picardo told Parliament, this marked "a major milestone in the transformation of Gibraltar as a mainstream and compliant tax jurisdiction". The EU Code Group that "has become the yardstick by which harmful tax measures within the EU and in the overseas territories of the EU Member States are assessed" has "strong political force" even though it is not a legally binding instrument.

Days before the ECOFIN news, Picardo issued a challenge to the Spanish Minister for Hacienda (Tax Authority), Snr Cristobal Montoro, to work with the Government of Gibraltar to ensure that there is no Spanish tax evasion money in Gibraltar as he seemed to think.

In a letter to Snr Montoro, the Chief Minister declares: "Let me be very clear with you – Gibraltar financial services laws do not permit practitioners to be involved in the evasion of taxes of other states and we do not want the proceeds of tax evasion from any country, including Spain, to be sheltered either in or through Gibraltar.

"In particular, we do not want to act as the conduit or destination of evaded tax money from Spain", he adds whilst listing the many OECD, EU and bilateral tax information measures Gibraltar has adopted.

Picardo's intervention with Spain – which, along with some other countries, has Gibraltar on its tax 'Black List' – follows a Spanish media report that revealed Snr Montoro had set up a working group to "tighten the noose" around Gibraltar's neck and to suppress the evasion of hundreds of millions of euros of Spanish taxes to, or through, Gibraltar.

Under the previous governments of both countries discussions had reached an advanced stage to sign a bi-lateral Tax Information Exchange Agreement (TIEA) "until they came to a standstill for [Spanish] political reasons".

Gibraltar had since January transposed the EU Directive that provided for tax information exchange to a TIEA-equivalent level with all 27 EU Member States, including Spain.

In addition, Gibraltar had transposed Council Directive 2010/24/EU which sets out the formal way in which countries request and provide assistance in obtaining evidence located in one country to assist in criminal investigations or proceedings in another country, including tax.

In November 2011 ahead of the G20 Summit, the Financial Stability Board that monitors the global financial system put Gibraltar among a top group of "jurisdictions already demonstrating sufficiently strong adherence to regulatory and supervisory standards on co-operation and information exchange".

As Picardo forcefully told his Parliament: "Those who persistently try to denigrate us, those who with compulsive blindness seek to undermine the reputation and credibility of our country, are fast running out of credible options to do so."

Ray Spencer

Auto tax information leaves "no place to hide"

Within three years, all tax information will be exchanged between all countries across the world automatically, rather than relying on formal requests and "tax evaders then will have no place to hide"

That's the view of Gibraltar, which is joining the UK and four other EU countries and the US in developing systems and processes to ensure an acceptable common standard and format for that tax information.

But in the meantime, Gibraltar Finance Centre has revealed exclusively to *Gibraltar International* that is has so far received and responded to 36 Tax Information Exchange Agreement (TIEA) requests from ten countries since 2009.

"A further three requests – all from one [unnamed] country - have been refused on the basis of not satisfying the necessary requirements of a TIEA," James Tipping, Finance Centre Director said.

TIEA requests must show evidence of just cause and not simply be an information fishing exercise, as may have been the case in the refused cases. As Tipping went on to explain: "The country that sent the [refused] requests accepted that the detail provided in the request was insufficient."

The majority of the total requests were from European countries, and now four more TIEA information requests are being processed.

Gibraltar's first TIEA was signed with the United States in March four years ago and now 20 of the 26 TIEA's signed so far – including those with the UK, France, Germany, Ireland, Portugal and South Africa, for example - are in force.

"Gibraltar's procedures for the remaining six are all in place and we are awaiting confirmation from the six countries in respect of their procedures so that they can come into force", Tipping added.

However, Gibraltar can also respond through its Tax Office to information requests from any EU country under EU Directive

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New countries being targeted for inward investment

Growing tourism and commercial initiatives with Israel, China, Russia and Morocco is now a prime objective as part of Gibraltar's move to boost international investment beyond traditional markets

Visits to numerous countries by government ministers and tourism and finance centre staff in the past year have started to produce some results already helping to boost the jurisdiction's economy.

However, hopes for investment from the US have yet to be achieved, despite high-profile visits by the Chief Minister Fabian Picardo involving President Barrack Obama and an appointment of a Washington-based "representative" to promote Gibraltar.

One outcome has been agreement for 60 Gibraltar graduates to be offered a 15 week placement in the public and private sector organisation in Washington over a three year period from August courtesy of The Washington Centre, an independent non-profit organisation that aims to turn "today's students into tomorrow's leaders."

In January, the government reported that one US business had visited and further business projects, mainly in the area of technology and renewable energy, were being mooted.

Strategic position

The fact that the US is establishing a fresh military infrastructure in Morocco could mean Gibraltar's strategic position in the Mediterranean would generate business opportunities.

"That military infrastructure will need logistical backup, which Gibraltar is logically placed to provide" - not at a military level, which was a matter for the US and its allies, including Britain, but in the sense of supplies, Picardo revealed in early Summer.

Morocco had already been identified as an important strategic partner and another 'natural' emerging market ripe for commercial and tourism initiatives for Gibraltar beyond the main north African cities of Cassablanca, Marrakech and Rabat.

The 1,000 Moroccan's working on The Rock – down from a peak of 5,000 in the early 70's after General Franco closed the Spanish border – are now matched with a similar number of Moroccan tourists. Gibraltar amended its Immigration, Asylum and Refugee Act in early March waiving visa requirements for nationals of specified countries, including Morocco for tourism, leisure or business purposes.

Minister Neil Costa has affluent Chinese tourists in his sights

Both Joe Bossano, Minister for Enterprise, Training and Employment, and his colleague Gilbert Licudi (then Minister for the Finance Centre and Gaming), told *Gibraltar International* early this year that they were looking to quickly establish target areas for new business, primarily from the BRICS (Brazil, Russia, India, China and South Africa) countries.

After attending in April the key World Travel Market Vision Conference and China Outbound travel and Tourism Market events in Beijing. Neil Costa, Minister for Tourism, reported to Parliament that "Chinese tourists are seeking new destinations to explore whilst in Europe" and Gibraltar can be marketed as an add-on.

"Chinese visitors are not looking for beach destinations but require history, heritage and, as a list-topper, a quality shopping experience"; they were mostly in the "luxury bracket with most tourists having high levels of disposable income".

In the meantime, the Gibraltar Tourist Board has identified Germany as a country holding great potential in outbound tourism for Gibraltar, as is Russia as a result of the Government introducing last year, a visa waiver programme for Russian nationals wishing to visit Gibraltar on an organised day trip, which by mid-June had attracted more than 3300 Russians.

At the end of a June visit to Gibraltar by Israel's Ambassador to London, Daniel Taub, having met ministers and business leaders, he revealed an interest in developing commercial links, particularly in Information Technology.

There were "remarkable similarities" between Gibraltar and Israel – "countries that are small, very vibrant countries" - that had a varied, lively population with entrepreneurial communities and, what he called "challenging relationships with some of our neighbours."

Online technology synergy

UK - Israel trade had doubled in the past decade, he noted and now in Gibraltar "We are seeing tremendous co-operation and synergy, particularly in online technology", he said.

One reason for the Ambassador's visit to Gibraltar was "identifying a number of potential partners with whom we can deepen our trading and business relations and Gibraltar is an area that is very interesting to us".

As the Gibraltar Chamber of Commerce pointed out in its latest annual report: "The quest for greater economic self-sufficiency is a worthy goal set against an economic outlook which remains uncertain elsewhere."

The Chamber adds: "Bringing new investment to Gibraltar will be a key test for the Government, which has set out its economic stall by promising stellar-like GDP [Gross Domestic Product] growth rates of 10 per cent or more in each of its four years of office."

Ray Spencer

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2011/16, which the OECD confirmed is equivalent to a TIEA request. However, the Gibraltar government would not say whether this process has yet been used.

But now Gibraltar is seeking to join the pilot multilateral automatic exchange of tax information announced recently by the E5 group of countries - UK, France, Germany, Italy, and Spain – although no timetable has yet been set for implementation.

And by the end of this year, Gibraltar will be implementing the separate US and UK Foreign Account Tax Compliance Act (FATCA) arrangements.

The US FATCA, being used to prevent tax evasion, for example requires foreign banks to annually report to the Inland Revenue Service any US account holders and must impose a 30 per cent tax on payments or transfers to account holders who refuse to co-operate.

A closing G8 leaders' joint communication on tax said the countries were committed to "establish the automatic exchange of information between tax authorities as the new global standard, and will work with the OECD to develop rapidly a multilateral model which will make it easier for governments to find and punish tax evaders".

The OECD has called for a fixed set of standards on IT and reporting requirements, but some countries such as the US, have States with independent tax laws.

Gibraltar has since the mid-90's ensured financial institutions log beneficial ownership of bank accounts and trusts as a result of adopting IMF anti-money laundering directives on an all-crimes basis.

Tax Evasion is a crime in Gibraltar and carries a maximum sentence of seven years imprisonment. The jurisdiction's Financial Intelligence Unit (FIU) maintains a database of reports of any suspicious transactions and any other financial intelligence arising from them relating to tax evasion or money laundering and then information is sent for action by local or foreign police, financial regulators and foreign FIU's.

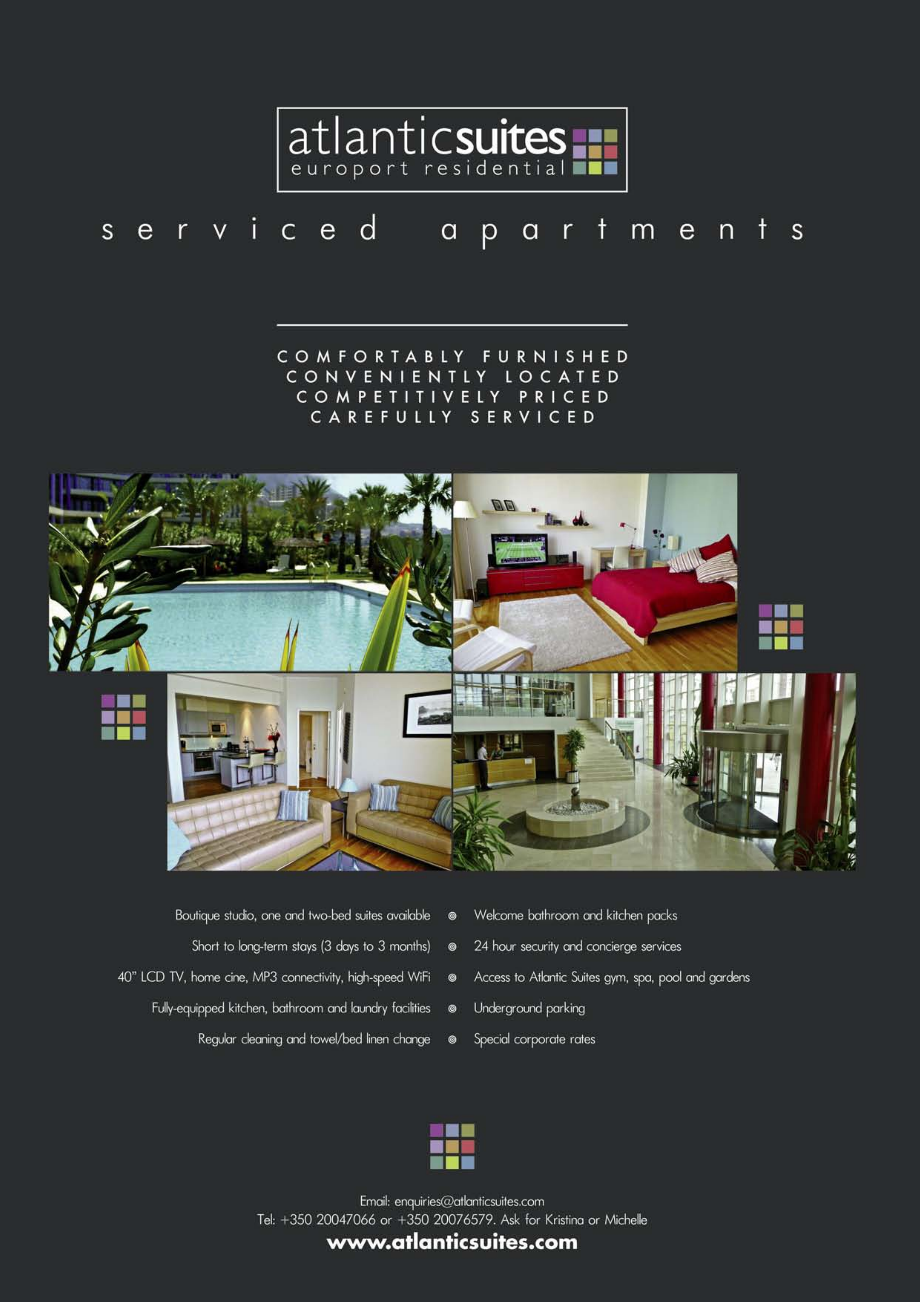
No figures could be obtained from the government on the scale of the IFU's activity, but it is known that there is "loads of information flowing in and out", according to an insider.

But as the other UK Overseas Territories and Crown dependences agreed to draw up action plans on producing a register of beneficial ownership to enable tax authorities and law enforcement agencies to discover who the real owners of companies are, Gibraltar is standing back on decisions, including whether the list should be publicly available and is consulting its Finance Centre constituents.

Chief Minister Fabian Picardo is concerned that whatever plan is proposed to deliver such registers of ownership it must meet the standard required by the rest of the world. He is quoted in the media as saying: "Whether or not the register is made public to all and sundry, I think it should certainly be accessible to the tax authorities of the states with which we have agreements and to the relevant police or other authorities that may be investigating crimes.

"I have absolutely no difficulty with that. But to elevate the openness to general access to the public may be an issue that requires more careful consideration", he explained.

Ray Spencer



"Determination" marks tercentenary of peace Treaty

The 1713 Treaty of Utrecht – the document that, among other things marks Spain ceding Gibraltar to Britain in perpetuity – is being widely commemorated on The Rock this year in a series of events that press home the belief that Gibraltarian's have the right to decide their own future.

Against a background of growing stridency by a Spanish government that wants to re-establish 'ownership' of The Rock, Gibraltar's Chief Minister, made it clear in a mid-July Cadena Ser TV interview: "That we don't want to be Spanish doesn't mean we don't want peaceful relations." But he also observed: "The Treaty of Utrecht is not relevant today. It is a fascist treaty that dates back to a Europe of cannon and bloodshed."

Dr Joseph Garcia, who is co-ordinating commemorative – "not celebration" – events, underscored the Treaty as "outdated and irrelevant" added: "In 1713 territories and countries were bandied about from one monarch to another, regardless of the wishes of the people who lived in them. Three hundred years on Europe is a very different place.

"The fundamental democratic right of a people to decide their own future, the right to self-determination, is now an overriding principle of international law."

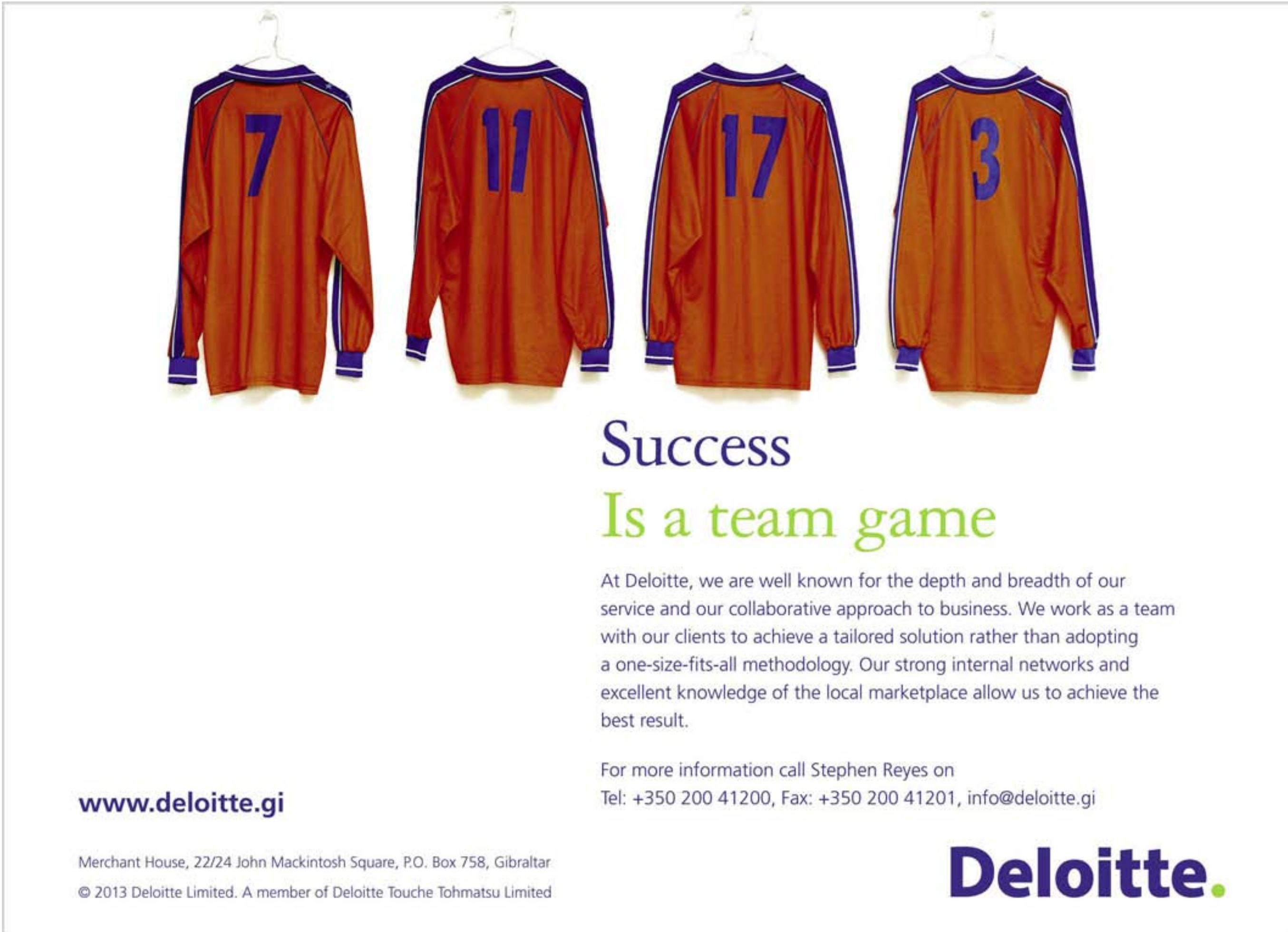
Dr Joeseph Garcia (left) meets Ashley Fox, Conservative MEP for South West England and Gibraltar, at the European Parliament.

The Treaty helped to end the War of Spanish Succession that involved competing nations, including Great Britain, France, Spain, Portugal, Savoy and the Dutch Republic, and Article X, which refers specifically to Gibraltar, was signed on 13 July 1713.

In a message on the Treaty's anniversary, British Minister for Europe, David Lidington, said: "For over three hundred years the UK and Gibraltar have shared a proud and lasting history. We should take pride in the fact that the people of Gibraltar are and wish to remain British."

He added: "Gibraltar has transformed itself into a thriving commercial port, financial centre and service economy with a GDP over £1bn a year. With our shared commitment to working together we can build on this progress and look forward to the future with confidence."

Over many years, Gibraltar, backed by the UK, has sought UN agreement that Gibraltarians have a right to self-determination. In June, Picardo challenged the UN to spell out its requirements for removal of Gibraltar from the list of Non-Self-Governing Territories. In a thinly veiled reference to Spain, Picardo declared: "Those who argue that Utrecht is a bar to self-determination should have the courage of their convictions and test this absurd proposition in the International Court of Justice." This year also marks the 40th anniversary of Gibraltar's entry into the European Economic Community (as it then was), so the EU dimension was included in an exhibition at the European Parliament in Brussels in June to mark the Utrecht Treaty.



Isola takes finance & gaming helm

Albert Isola, a leading Gibraltar barrister - and joint senior partner with older brother Peter - with the 120 years old law firm, Isolas, has become Minister for Financial Services and Gaming, - two of the three largest sectors of the economy - following his election to Parliament at a by-election in early July.

Minister Albert Isola, MP

He took on the government position following the death of Charles Bruzon, who had been Minister for housing and the elderly. As a result of a minor reshuffle of Cabinet posts, Isola gained his business portfolio relieving fellow barrister Gilbert Licudi of a demanding remit that also included telecommunications, justice and education.

During Licudi's 18 month's tenure four new online gaming companies were licensed, with 3 more in the pipeline creating over 400 jobs and in financial services, employment has grown by more than 200. Both sectors account for 20 per cent or more of Gibraltar's Gross Domestic Product (GDP).

A member of the Gibraltar Socialist Labour Party (GSLP) since 1986 and 3 years after being admitted to the Bar of England and Gibraltar, 51 years old Isola became an opposition politician in 1996, but did not stand for election for a second term, citing his business needs and family interests; he has a wife, Graziella and four children.

Isola established a reputation for dealing with the affairs of ultra High Net Worth Individuals and for developing the firm's funds business, as well as extensive experience in all aspects of property acquisition, development and financing, having been at the forefront of Gibraltar's residential and commercial property development boom

Private banking survives cull

Jon Farley has been appointed country head for Gibraltar at Lloyds TSB Private Banking, under new owner Union Bancaire Privee (UBP) a Geneva-based Swiss private bank specialising in investment, institutional asset management and private wealth management.

The decision by UK part-State owned Lloyds Banking Group to sell its private banking interests in early Summer raised £100m and involved its branches in Geneva, Zurich, Monaco and Gibraltar, as well as the Lloyds TSB private bank in Geneva.

Farley, previously Director of strategic markets for Lloyds TSB International, is developing the bank's strategy in the territory and will manage relationships with government and regulatory bodies, reporting to Richard Musty, Director of Private Banking and Lloyds TSB International.

Jon Farley heads up Lloyds TSB Private Banking Gibraltar

With 15 years international banking experience, first at Barclays and then from 2008 at Lloyds, Farley has since worked in private banking in Asia, Geneva and the US.

The UK-based Lloyds' also decided to sell all its retail banking operations in Spain, including Lloyds Banking International Spain and Lloyds Investment Espana, to local company Banco Sabadell.

Business ROUND UP

Cornerstone treasury role from Scotland

Richard Bolingbroke has been appointed to head up the Treasury function at NatWest in Gibraltar from being an associate in Corporate Risk Solutions with RBS Global Banking Markets in Edinburgh, where he managed the interest rate risk solutions for UK corporate clients in Scotland.

Married with three children, Bolingbroke joined RBS Group 13 years ago and has worked in managerial roles since 2004, including three years in commercial and product management.

In his new role as Vice President of Treasury and Investor Solutions at NatWest, he will manage foreign exchange risk solutions for clients in Gibraltar and Treasury is described by the Bank as "One of the cornerstones of our service offering to corporate clients in Gibraltar".

Bolingbroke hopes to pursue some of his sporting interests, including football, which he played at a semi-professional level in England, golf, cycling and cricket.

Leading for private client work

Formerly Managing Director of AIB Bank in the Isle of Man for eight years, David MacGregor has been appointed Managing Director of the Fiduciary Group, which provides offshore company and trust services and private client work from Gibraltar since 1982.

He is a Chartered banker and has accumulated 30 years experience in Retail, Commercial and Corporate banking with international banks, including RBS in the Isle of Man.

MacGregor has broad experience in wealth management and financial services generally and has also held several non-executive Director roles within the trust and fund sector.

FIDUCIARY
FIDE ET FIDUCIA

He moved to Gibraltar in April with his wife Sonja and says for the first time working in the financial services sector he has been exposed to the experience of work colleagues routinely speaking in Spanish, Portuguese and English.

Two in Queen's Birthday honours

Former Chief Minister, Peter Caruana QC, has been made a Knight Commander of the Most Distinguished Order of St. Michael and St. George (KCMG) for services to Gibraltar by Her Majesty the Queen in the June Birthday Honours.

Sir Peter Caruana

Sir Peter held office until December 2011 when his Gibraltar Social Democrats Party was narrowly defeated and has since said he intends leaving politics to concentrate on his career as a Barrister.

He is credited with gaining agreement to the idea of Tripartite Talks with Gibraltar being an equal partner with the UK and Spain to advance issues affecting The Rock, but which did not include sovereignty, as well as promoting the jurisdiction as being an onshore EU finance centre and not a tax haven.

At the same time, James Levy, also a practicing barrister and founder of Gibraltar Community Care Ltd, Gibraltar - was made Commander of the Most Excellent Order of the British Empire (CBE) for services to the economy and to the community in Gibraltar.

Levy is senior partner at Gibraltar law firm Hassans.

He joined the practice in 1976 and, as Chambers & Partners Europe 2013 Report says, he "Has been at the forefront of the Gibraltar legal market and offers an unrivalled experience across a broad range of field".

James Levy (CBE)

Caruana and Levy were among nine people in Gibraltar to receive an honour from the Queen this year.

Gambling on e-commerce

Having formed Ramparts Law a year ago, specialising in financial services and technology and e-commerce/e-gaming, solicitor Peter Howitt, has become the first Chief Executive of the Gibraltar Betting and Gaming Association (GBGA), which had previously operated as an informal grouping.

His part-time co-ordination role for 23 licenced operators, including a growing number of business-to-business concerns, provides the means for e-gaming companies to have their interests effectively represented with government, the EU and individual countries such as the UK where planned new legislation, if progressed at the end of next year, could adversely affect the Gibraltar sector.

He is well versed in issues affecting remote gambling, having previously been an in-house lawyer for Electronic Money Solutions in Gibraltar for eight years and also at PartyGaming, the world's largest e-gaming operator. Howitt (37) is looking to expand the GBGA by creating affiliate membership for firms that provide added value as suppliers, as well as developing his other current part-time e-commerce interest as founder secretary of the Gibraltar Electronic Money Association (GEMA).

Awards correction

Whitmill Trust was chosen as 'Jersey Fund Administrator of the Year' in the Global Awards 2013 by "Corporate Livewire", an internet-based international news source, and not by Jersey Finance as incorrectly suggested in an article on Funds in the previous May/June/July issue of *Gibraltar International.*

Professional Bodies based in Gibraltar

Association of Pension Fund Administrators (APFA)
Steven Knight, Chairman, Tel: + (350) 200 40466
Email: steven.knight@castletrustgroup.com

Association of Trust & Company Managers (ATCOM)
Marc X. Ellul, Chairman, Tel: + (350) 200 70921
Email: marc@ellul.gi

Bar Council
David Dumas, Chairman, Tel: + (350) 200 59026 / 79075
Email: barcouncil@gibtelecom.net david.dumas@hassans.gi

Gibraltar Association of Compliance Officers (GACO)
Ivan Perez, Chairman, Tel: + (350) 200 73520
Email: communications@gaco.gi

Gibraltar Bankers' Association (GBA)
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Gibraltar Betting & Gaming Association (GBGA)
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Gibraltar Chamber of Commerce (GCC)
Christian Hernandez, President, Tel: + (350) 200 78376
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Gibraltar Finance Centre Council (GFCC)
Peter Montegriffo, Chairman, Tel: + (350) 200 79000
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Gibraltar Federation of Small Business (GFSB)
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Gibraltar Funds & Investments Association (GFIA)
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Gibraltar HR Forum
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Gibraltar Electronic Money Association (GEMA)
Dani Spier, Chairman, Tel: + (350) 200 79645
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