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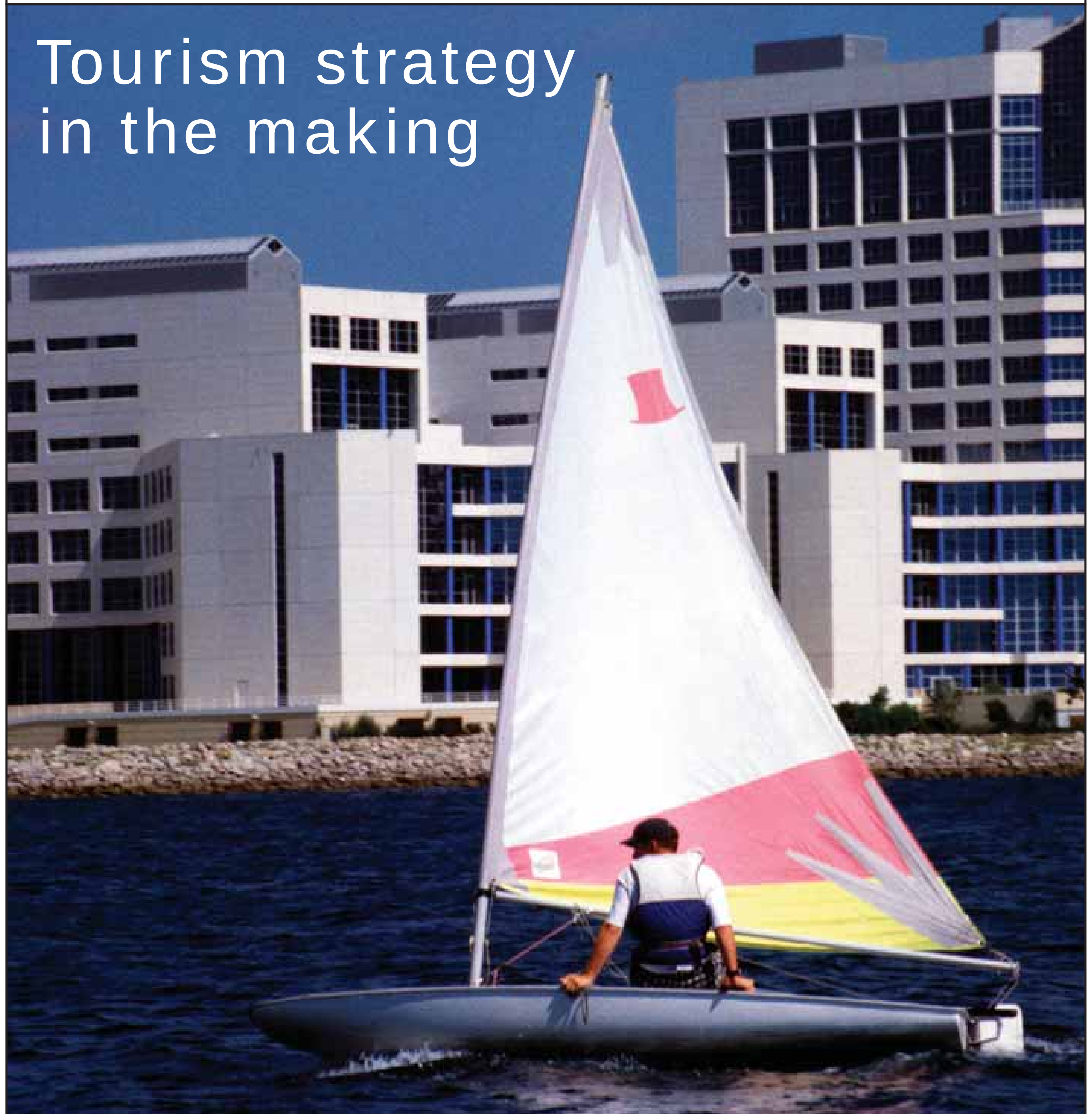
GIBRALTAR INTERNATIONAL

FINANCE AND BUSINESS

Tourism strategy in the making



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EDITORIAL COMMENT

21st Century vision for tourism?

It would be easy to dismiss as trivial the notion that more needs to be spent on Gibraltar's tourism development. The Rock already attracts 10m+ visitors a year.

But as the more astute point out, turning visitors into tourists, appreciating more than the cheap fuel, alcohol and cigarettes that are offered, is a bigger task. And potentially, a very rewarding one.

No-one seems to know the full extent to which tourism contributes to the Gibraltar economy. And for this reason, one of the main pillars of The Rock's economy is under-valued, possibly by Government and certainly by the many residents who see tourists as an intrusion, an unnecessary hindrance.

That tourism is a big contributor to the Rock's £850m GDP is clear, but just how big?

Official figures suggest £247.5m was spent by 'tourists' last year, but even if truly by tourists and not substantially by shopping day trippers to the supermarkets and petrol stations, much still will be accounted for as import costs. The net impact is less.

Then there is the effect on the wider Gibraltar economy - the laundries, bakeries and liquor merchants serving hotels, for example - both in terms of money spent in varying tourism sectors and in terms of the employment in those enterprises.

Both branches of the influential Gibraltar Bland family, who together - but separately - are involved in a large part of Gibraltar tourism - independently claim their enterprises are "very profitable".

This is why the prospect of a ground-breaking Strategy for Tourism by the year-end, led by the Government, which owns or is responsible for much of The Rock's tourism sites and infrastructure, is to be warmly welcomed.

Joint-venture partnerships, with the private sector investing alongside government, and taking a lead in managing sites to maximise opportunities, also seems to make good sense.

The question is whether all this will turn a locally frustrated and sometimes embarrassed business community, into advocates of Gibraltar Tourism Inc.

Much will depend on the extent of vision displayed, the coherence of bold plans, the adoption of meaningful statistics to aid development, and the availability of finance.

It's certain however, that promotion of "Gibraltar, the destination of choice in southern Europe" will not be enough for competition in the 21st Century!

Low tax rate confirmed for 2011 as ‘essential for economic prosperity’

Gibraltar’s super-low 10 per cent tax rate for businesses is to take effect from January 2011, later than hoped by most businesses already paying tax. The date was the latest possible under legislation and EU requirements to remove the Exempt Companies nil rate tax.

The move foreshadowed a year ago, was announced by Chief Minister Peter Caruana, in his late-June Budget statement, saying it was “essential for Gibraltar’s socio economic prosperity that our corporate tax rate should be as competitive as is compatible with Government’s revenue needs”.

And he noted: “Without this there would be large scale loss of economic activity and job losses.”

As an interim measure, corporation tax was reduced from 01 July by 5 per cent to become 22 per cent and a further cut is expected in a year’s time, prior to introduction of a general 10 per cent rate.

Effectively, companies will be paying tax at a higher rate – or not at all for Zero rated enterprises - for the first half of the 2010/11 financial year and the common low rate thereafter. There will be wide ranging and far reaching anti – avoidance provisions in place.

Huge windfall

The basis of the tax however, will not change from the present source based system.

“Existing corporate tax payers will be huge windfall beneficiaries of the need to eliminate tax exempt status, and its replacement with a low rate for all companies”, Mr. Caruana told Parliament.

However, energy and utility providers - electricity, fuel, telephone service and water - then will face a 10 per cent surcharge making their rate 20 per cent. Users are unlikely to see price reductions as a result of the tax changes.

Determined to press ahead with tax reform, Mr Caruana spoke confidently of an economy and the number of jobs - now 4.1 per cent higher at 20,509 – continuing to grow to record levels, in marked contrast to experience elsewhere in the world.

“Current economic indicators all point to continuing significant growth in the economy during the current period of time”, he maintained.

In the year to end-March the government provisionally estimates economic growth slowed a little at nearly 6 per cent to reach £850m, and compares with an almost 9 per cent rise a year earlier.

To ensure Gibraltar remains in good shape the government is to “maximise our vigilance for any early signs of adverse effect of the global economic environment … by keeping a much closer eye on indicators of very current economic activity”.

Many indicators of current levels of activity will be assessed monthly, rather than quarterly or even annually.

The Government’s overall recurrent revenue and expenditure Budget was again in surplus for the year to March by £17m, or 6 per cent of recurrent overall expenditure, and higher than anticipated.

Net public debt of £62.5m, or just 7.5 per cent of estimated GDP, was “very low by all usual economic measurement”, Mr. Caruana declared, and compares with £78m in 1994 when it represented 23 per cent of GDP of only £340m.

He pointed out that “in many countries government borrowing is used to fund annual budget deficits”, but “this does not happen in Gibraltar, not least because our budgets have been and remain in permanent, structural surplus, year after year.

No deficits

“The question of funding deficit budgets therefore simply does not arise here.”Even whilst improving health and social services, cutting personal and corporation tax and investing an estimated £105m in on-going capital projects – including a new airport terminal and frontier access road – “all the available macro economic indicators show an economy that continues to perform very well, even in the most challenged global economic environment in living memory”.

Against this background, the financial services centre continued to grow during 2008 and 2009, and Mr. Caruna was “confident” that it would do so in the coming years.

Employment up

Pointedly, he said that while other finance centres had shed jobs on a large scale, Gibraltar had seen a small increase and employment levels were being broadly maintained judging by first and second quarter statistics.

Property transactions slowed in 2008 to 618 (805 in 2007), but the total value involved of £188.9m (£184.4m) rose. Early indications for the current year are for fewer transactions and a fall in values.

Personal tax under both systems that operate in Gibraltar have been reduced and taxable bands altered.

Cat 2 High Net Worth residents pay more, however. With a rise of £2,000 in the minimum amount of tax payable to become £20,000. and the maximum taxable income increased from £60,000 to £70,000.

To the surprise of some, there was no reference to up-coming Tripartite talks expected in July - and no date given - nor any reference to progress with Tax Information Exchange Agreements (TIEA)s

(see below and p21).

Centre grows

Gibraltar now hosts 103 licensed insurance operations - 63 in licensed companies and a further 40 in protected cell companies, 28 intermediaries and nine managers, Chief Minister Peter Caruana told Parliament.

“There are 27 investment firms, 95 collective investment Schemes, 87 licensed trust and company services providers, two pensions providers and 19 credit institutions”, he added.

Start-ups get low tax now

New businesses and some recently established businesses stand to benefit immediately from much reduced corporation tax rates, as a means of encouraging start-ups and early development needs of existing operations.

The 2009 budget changes mean that the 10 per cent rate will be applied from July to any new business on an actual year basis.

As part of anti-avoidance measures, businesses cannot re-organise in the name of a different entity for the purpose of benefiting from the scheme.

Even businesses set up since 01 July 2007 stand to benefit with the low rate applying for the 2009/10 tax year. The company must agree to be taxed on a preceeding year basis, and not on an actual year basis in the context of commencement provisions.

Spain tipped to follow Irish with joint tax agreement

Spain is believed to be on the verge of signing a Tax Information Exchange Agreement with Gibraltar.

It would follow a similar agreement that Ireland’s Minister of State at the Department of Finance, Dr. Martin Mansergh, said Gibraltar had signed with his country. The Gibraltar Government revealed in mid-June that it was in “very advanced negotiations” with numerous countries.

Representatives of UK insurance companies are understood later to have been told at a London seminar that The Rock’s government was close to agreeing a TIEA with Spain, which has long claimed that Gibraltar is a tax haven for individuals and companies evading tax.

Minister Mansergh said the agreement - Ireland’s fifth - represented “a significant development in relations between Ireland and Gibraltar”.

Information typically sought would be “bank account information and beneficial ownership information for companies and other entities established in Gibraltar”.

And Peter Caruana, Gibraltar’s Chief Minister, told Members of Parliament, that he anticipated having in place more than the 12 TIEAs required to fully satisfy OECD international tax transparency requirements.

Gibraltar currently is on what the OECD calls its ‘grey’ list of countries willing to enter into TIEAs, but that had not yet implemented a significant number. The list is to be ‘reviewed’ in November.

Mr. Caruana said: “We are moving very quickly and I am confident that we will have the necessary number of agreements, and more, in very good time.”

The first TIEA was secured with the US in April.

Negotiations for tax information sharing agreements have already been closed with several other countries, he declared, but it was not in Gibraltar’s best interests to disclose in advance which countries were involved.

Spain challenges low tax plan

Gibraltar’s June budget reaffirmed its determination to cut corporation tax by announcing the January 2011 start date for a historically low 10 per cent rate, regarded as positive to the territory’s economic outlook.

The Government’s victory in the European Courts of Justice (ECJ) decision that reaffirmed Gibraltar’s freedom to have its own tax system, separate and different to the UK, was essential to the planned tax changes for business.

But Spain, along with the EU on separate and different grounds, has launched an appeal, throwing into doubt the certainty of Gibraltar’s plans, which it regards as “absolutely essential to our continued economic, and thus social and political viability as a small country.”

Peter Caruana told Parliament in late June that he was “confident of success in the appeal brought by Spain” and added: “That appeal is very long on politics and short on legal merit.

“The bringing of that appeal by Spain, in circumstances which the Commission itself thought not worthwhile, and the language, terms and tone in which it has been, unnecessarily, formulated, is an act motivated exclusively by political desire on Spain’s part”, the Chief Minister asserted.

Dialogue continues

Gibraltar remained committed to political dialogue with Spain, but there was unlikely to be any significant, improvement in relations until Spain rid itself of “precisely the instinctively hostile and offensive mindset to which the fact, language, tone and terms of its tax case appeal, stands as a monument of very recent creation”.

As part of its case, Spain argues that the OECD considers Gibraltar to be a tax haven with ‘harmful tax measures’. The ECJ was wrong to agree that no comparison could be made between business activity in Gibraltar and in the UK, as it was in breach of the OECD principles.

Finance Centre business leaders displayed to *Gibraltar International* strong confidence that the original ECJ decision would be upheld and the outcome known this autumn.

NEWS

Spending more to reach super yachts

Over £500,000 is being invested by Ocean Village in creation of 50 premier berths at its new marina development to offer from August a service that will match Spain's Puerto Banus.

It is the first stage of "significant further investment" in this area over the coming year, says Brian Stevendale, sales & marketing director of the Village that already includes dining, entertainment, retail, office space and three residential plazas up to 17 storeys high accessing seven swimming pools and a health club.

The multi-million pound development, which also embraces Marina Bay, boasts 155 berths and can accommodate some of the world's largest up to 90m-long craft worth over $US200m.

But according to Stevendale, increasingly owners of more expensive craft are demanding a better quality of service, including security gates, shore-based showers and other bathroom facilities, Satellite TV, wireless Internet access, yacht brokerage and full concierge.

"With this development, Gibraltar can now legitimately compete with other established marinas around the Mediterranean coastline", he says, adding: "We know the demand's there; we already have a waiting list for our premium berths."

Costs for a 25m mooring off-peak are £125 per day for example, but there are discounts for longer-term or annual agreements.

Cut price fuel adds to appeal

But the "mega-rich in their mega-yachts" that Ocean Village aims to appeal to may be attracted more by low fuel costs: Gibraltar is already said to be the most important ship re-fuelling point in the Mediterranean, with Athens in the number two spot.

For example, at end-June over 300 litres of marine fuel was available at 61.5p per litre in Gibraltar, equivalent to 1.02 per litre in Spain, making for a significant 42 per cent saving and potentially thousands of pounds to owners of very big yachts.

At the same time, Stevendale told *Gibraltar International* that at least three luxury yacht brokerage businesses had signed up to establish a base at Ocean Village, "reflecting the confidence they have in this strategically placed marina at the entrance to the Mediterranean."

New flights taking off

The promised 90-minute flights to Barcelona with new airline Andalus from Gibraltar began in early July on three days each week - Monday, Friday and Sunday at a cost of €74 each way.

The airline's twice daily Madrid route is now at a reduced €59 price each way, which Andalus says is slighty less than the 5-hour train journey from Malaga.

And from 25 October, BA is switching its once daily London flights from Gibraltar to Heathrow's year-old Terminal 3 on a later schedule rather than using Gatwick, to better connect with the airline's worldwide network.

Meantime, Monarch says its Manchester flights are proving especially popular and it will keep the destination within its winter schedule, alongside services to Luton.

easyJet continues to use London Gatwick to connect with The Rock, usually twice daily.

In the meantime, Minister for Transport Joe Holliday has told Parliament, that the government "will continue to develop a strategy to attract more operators to coincide with the opening of the new air terminal"'expected in the first quarter of 2011.

Despite difficult commercial circumstances experienced by the airline industry worldwide, the number of arrivals at Gibraltar by air last year at 183,663 was 2.2 per cent higher than in 2007.

However, in the first 5 months of this year, there had been a 16.5 per cent increase on the same period last year.

Finance centre looks ahead to 2015

Gibraltar's Financial Services Centre is planning its first all-embracing conference for mid-October with "Gibraltar 2015" as a working title.

Some of the numerous professional associations on The Rock previously held day-long conferences for their members and guests, but even the local Bankers' Association did not organise one in 2008, the first time in 5 years.

"There are overlapping interests between the organisations and people were sometimes involved in a number of such events", explained Thomas Westh Olsen, president of the GBA, which has provided a lead on the project within the Finance Centre Council.

"But there is educational value in pooling knowledge of the different sectors so that bankers, for example, better understand the workings and issues facing those working in insurance, or the trends in the funds industry, for example", he told *Gibraltar International.*

Finance Centre Council chairman, Emilio Gomez, said the event is expected to involve most, if not all, of the associations represented.

Aimed at those involved with the various sectors of financial services locally, "the conference will not be marketing orientated, but have the primary aim of creating a broader awareness of all aspects of financial services and of the extent to which these are inter-linked to create a financial services industry", he said.

A venue and exact date has still to be decided for the conference, which will explore how the finance sector might look in six year's time.

Bankers' chief calls for 'balance' in reaction to higher costs and scarce funds

Imposing greater regulatory and liquidity requirements on banks in the wake of the world economic crisis, inevitably will lead to higher costs and scarcer financial services.

But in a spirited defence of the role banks have played, Angela Knight, chief executive of the British Bankers Association, called for 'balance' in the reactions of governments and consumers.

"If we proceed to implement the many changes required of the industry then the cost of supplying the services [including credit cards, debit cards and mortgages] will go up significantly and their availability will diminish as well", said Knight.

A former Economic Secretary to the Treasury, she told the Gibraltar Bankers Association 100-strong audience: "Yes of course you will see some people paid less and everybody will think that that is a good idea.

"But an industry that cannot supply its own economy competitively and is not able to take sensible risks, and does not give a return to its investor is not one that is going to serve this country well."

And speaking for a second time at the annual Prestige lecture, organised jointly with the Institute of Financial Services, Knight went on to warn: "Just as balance is required by the industry so balance is required by policy makers and indeed by the general public as well."

In her analysis, some banks lent too much, some borrowed too much and government and regulators had let it happen! Banking has been the driver of the UK economy, the largest payer of corporate taxes and created the largest international banking centre in the world.

The industry could be either demonised, with responsibility for every problem heaped on its shoulders, or "we work collectively for a quick and effective sensible set of regulatory and fiscal responses" to enable the UK economy to recover quickly," Ms Knight urged.

"We have made mistakes and so have others. The global crisis is not just one in the UK but in our hands rest some of the solutions".

But just as the banking industry did not get everything right, it did not get everything wrong either. The banking industry was not responsible for regulation and it didn't run central banks, nor make government, monetary policy, fiscal, or economic policy.

"What it does do is handle the affairs of hundreds of individuals right through credit cards and debit cards, mortgages, pensions and onto the more complex finance required for companies", Ms Knight pointed out. The banks were also into gilts, market making and many stock broking facilities as well as proving free financial advice.

Since the late 1990's most policy relating to financial markets had been decided by the European authorities and implemented in the UK – "sometimes well, sometimes not so well and often very differently to that of other European countries". Much of European policy was driven by "the view that Anglo Saxon capitalism has caused the problems and there needs to be some European variant which exercises more control".

EU wants to lead

The EU wants to lead in many areas; ensuring derivatives, as much as possible, go through a clearing mechanism and netted off to reduce risk and capital changes beyond the advisory international standard of Basel II via the Capital Requirements Directive.

Europe also wanted to lead on outlawing tax havens on new, more united and coherent pan-European regulatory structures, and on very significant constraints on the shadow banking or near banking entities and activities.

But Ms Knight cautioned: "Just as this is possible to see exactly why these initiatives are up and running, so at the same time, judgement and balance are vital."

It was important to recognise that changes will result in a significant increase in the cost of doing business. However, "there is a need to have a clear idea on what sort of size the banking industry should be in the UK, and indeed what activities should or should not take place here in future."

Already, hedge funds were re-registering in Switzerland, predominantly because of European Commission proposals. "Higher cost of regulation equals higher costs of operating, equals higher prices of goods and higher process of services", she emphasised.

Whilst public authorities were intent on plugging regulatory gaps, consumers too will have a view. "Will they be prepared to pay the extra money for the same service? I do not know, nor does anyone and that is why having a clear view of the end game - and not just pursuing all the changes without that assessment - is of very significant importance".

There was understandable public anger over the banking sector, but "the majority of banks are managing without Government intervention". Those banks taking advantage of the asset protection scheme were paying for it. "Interventions are often thought to be free – they are not, nor should they be", she declared.

Use of central banks to provide liquidity remains a feature of lending, but the cost to the banking industry was greater in Britain than in Europe and the US, which strongly influenced the Bank of England's latest accounts that show a £1bn profit mainly paid to the Treasury.

In the UK, the government polls ratings and actions of opposition parties, resulted in "continuous pressure for initiatives to be brought forward, a competition for more and more change, an over raising of expectations on what any initiative can do – plus how quickly it can take effect – and a blaming of all the economic problems onto the banking sector."

Keeping an eagle eye on legal deals

Too much information in legal matters can cause clients to become bogged down in the detail. A young Gibraltar law firm is finding interest from those seasoned clients who are happy to receive only the big picture, as Steve Marsden explains.

Since the partnership began three years ago, Magister Law has identified an unexpected niche market for its service - increasingly, interest is growing among clients looking for a 'helicopter view'.

This 'zoomed out' approach is particularly relevant to clients either involved in a deal with numerous documents on which they would like a second opinion, or who are contemplating a possible business transaction.

The traditional lawyer-client relationship is still very much alive, in which the client sets out a summary and the lawyer builds the necessary documents to achieve the goals set.

> "If a canny businessman has a deal in hand and wants to obtain a 'helicopter view' of the implications, why should the advisor deny him?"

However, business people increasingly are now asking for an overview of documents that have already been circulated between the two sides of the deal. They do not want a line-by-line critique or the lawyer to spend a lot of time on a matter that may be relatively small, or between parties who have worked together before.

Instead in such a case, the client wants to know if anything vital is missing from the deal, or whether the other side is asking for terms that, in the lawyer's experience, are unusual.

What is more, they are prepared to take what they see as a calculated risk and accept the potential downside to this approach, namely that the 'devil in the detail' does not get picked up. At the same time, the lawyer needs to be satisfied that the client clearly understands the limitations of this approach.

There is a mix of reasons for this type of client instruction.

The current economic climate has its crunches and deflations that we read about daily, but equally, offers opportunities for business people who are willing to take that extra risk. Sealing the deal in these circumstances is key for such clients, and a drawn-out completion (from the entrepreneur's perspective) could see the transaction evaporate.

Better, in this view, to be clear on the key points and enter the contract, even if this means having to review it at a later date (when hopefully both sides have benefited). Another reason may be a desire to keep costs down where cash flow is of growing importance to businesses.

One can of course counsel perfection and argue that advice should be given fully or not at all; a more realistic view would be to appreciate that the advisor is there to assist rather than to direct.

If a canny businessman has a deal in hand and wants to obtain a 'helicopter view' of the implications, with a proper understanding of the necessary limits of such an approach, why should the advisor deny him?

Of course, this is not about cutting corners in the lawyer's duty to the client, but rather offering advice within defined limits. The engagement letter would clearly set out the scope of the work so that there are no misunderstandings.

The modern approach should be to acknowledge that one size does not fit all, and that professional advisors can rightly employ a variety of methods to help clients further their business.

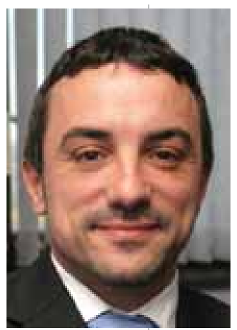
This is not something that everyone may be able to offer as it is essential to have an understanding of the client's commercial needs, together with a quick turnaround time; the advisor needs to be certain that they can deliver to the required standard under that time pressure.

A final reason for the appetite for this type of advice may, in fact, come from the seasoned nature of clients that Gibraltar is attracting - clients who are quite at home in dealing with advisors and getting value from the advice.

The breadth of work the advisors can take on in this way and the contact with such individuals and businesses both offer a positive outlook, and an opportunity to relish.

Steve Marsden, is a partner at Magister Law, Ocean Village.
www.magisterlaw.com

Risk up, USD down



The markets continue to remain choppy as equities and bonds jostle to be in the driving seat, says Gerald Rodriguez, RBS International's Director of Treasury & Investor Solutions, in a personal comment on money markets.

While equities have generally been the main sentiment driver in recent weeks, rising US Treasury yields have introduced an unsettling tone.

Such fears stem from worries over holding US assets at a time when the US government is issuing record amounts of debt. The sharp sell-off in bonds has increased the likelihood that the Federal Reserve (Fed) may have to step up its purchases of longer-dated Treasuries.

The Fed will be particularly concerned that higher long-term yields have fed through into end-user borrowing rates, driving up the cost of financing US mortgages. The Fed cannot let yields go too high and so faces a tough choice.

If it increases its quantitative easing purchases on a similar scale to what has already been seen, it may risk being pushed aside. If it increases its purchases to the point where they dominate the market, this could be viewed as seriously inflationary, thereby further complicating the quantitative easing (QE) exit plan.

Whichever way the Fed chooses, it's clear that QE will need to be extended.

This creates a major tail risk for the US Dollar. For now, yields have dropped back around 20bp from the highs seen at the end of May, which has ensured that the underlying themes of a weaker USD and rising risk appetite remain intact.

While this relationship holds, riskier currencies will continue to benefit.

Indeed this has provided a significant impetus for Sterling strength, with Sterling reaching a high of 1.6432 against the Greenback at the start of June, the highest level it has recorded in over seven months.

The marked improvement in Sterling's fortunes also coincided with the release of the Purchasing Managers Index (PMI) for May which showed that the UK's manufacturing sector contracted at its slowest pace in a year as the decline in new orders, output and employment eased.

The Euro has also capitalised against the US currency, hitting the 1.42 level (a level not seen since 2008).

The start of June saw a flurry of central bank activity with the Bank of England, European Central Bank (ECB), the Reserve Bank of Australia and the Bank of Canada all convening.

The Bank of England is unlikely to say much beyond restating the Monetary Policy Committee's commitment to QE and this will give little direction to Sterling.

The ECB still has room to cut interest rates given the negative print seen in the German inflation numbers. However, the move towards QE in May and the fact that recent survey data has shown signs of improvement implies that the repo rate will be kept on hold for now.

Swap rates in the UK have continued to rise and the curve has steepened.

There has been little economic data behind this move, it has been precipitated by rises in the underlying government bond yields as sentiment turns even more negative

This has been in part supply related and driven by ongoing fears over the risks of a downgrade, but concerns that foreign participation in both the gilt and Treasury markets maybe waning added a level of negativity to the market.

It's worth noting that according to the British Bankers Association mortgage approvals rose 27,700 in April from 26,700 close to forecasts. But net mortgage lending fell to an 8-month low. Nationwide said house prices unexpectedly rose 1.2% month on month.

UK Manufacturing PMI rose to 45.4 in May from 43.1 in April, the Office for National Statistics reported. Forecast had been for a more modest improvement to 44 (a reading below 50 signifies contraction, whilst a reading of over 50 signifies expansion).

FX and Interest rate forecasts (as at early June)
This is a forecast and should not be relied upon for future performance

	Current	+1m	+3m	+6m	+9m	+12m
GBP/USD	1.64	1.570	1.500	1.380	1.450	1.550
GBP/EUR	1.154	1.146	1.136	1.104	1.151	1.174
GBP/CHF	1.749	1.743	1.725	1.700	1.795	1.829
GBP/JPY	156.6	160.1	150.0	129.7	137.8	151.9
EUR/GBP	0.866	0.873	0.880	0.906	0.869	0.852
EUR/USD	1.42	1.370	1.320	1.250	1.260	1.320
EUR/CHF	1.509	1.521	1.518	1.540	1.560	1.558
BoE Policy Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
Fed Policy Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
ECB Policy Rate	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
GBP 3m Libor	1.28%	1.25%	1.25%	1.20%	1.15%	1.15%
USD 3m Libor	0.67%	0.65%	0.65%	0.65%	0.65%	0.65%
3m EURIBOR	1.27%	1.25%	1.25%	1.30%	1.30%	1.30%
GBP 5y Swap	3.31%	3.35%	3.35%	3.45%	3.60%	3.80%
USD 5y Swap	2.97%	2.60%	2.55%	2.20%	2.85%	3.55%
EUR 5y Swap	2.90%	2.55%	2.50%	2.00%	2.05%	2.20%

Source: RBS Global Banking & Markets

TOURISM

First tourism strategy promised by year-end

The Moorish Castle is to be converted from prison to tourist site. Picture Gibraltar Tourist Board.

Over 10m people visit Gibraltar each year, but only 10 per cent see the Rock's greatest tourist attraction. Now private enterprise is making a bid to get more closely involved in running Gibraltar Tourism Inc and calling on government to act. Ray Spencer reports.

Behind-the-scenes pressure from major players in Gibraltar's successful tourism industry has prompted Ernest Britto, Minister for Tourism, to prepare a strategy for development – but it is unlikely to be published until the year-end.

After months of research and consultation with hoteliers, tour operators, retail representative bodies and other leading industry players, the plan must now be agreed by the Gibraltar cabinet.

Although Britto had hoped to publish his findings in late June, he says the report still "needs to go through a consultative and commercial stage".

Part of the problem is that tourism matters, despite a reshuffle last year, are still split between two ministers – Britto's Environment & Tourism department, and Joe Holliday's Planning and Transportation department embracing infrastructure, roads, public transport, the port and airport.

There are budgetary implications too, given the large capital sums already committed to building a new airport terminal, the airport ring road and other large-scale projects.

Accused by many of allowing tourism, one of the mainstays of Gibraltar's economy, to slip down the government's priority list, Britto last year set about preparation of the strategy document on gaining responsibility for tourism.

Strong lead needed

The private sector, bristling with ideas, has promised fresh financial investment and operational support, but requires government to take a strong lead in co-ordination and spending on overall tourism-related infrastructure and transport solutions.

The key task is seen as defining the Gibraltar product, injecting money to upgrade tourist sites, motivating and mobilising the local community, and more widespread marketing, both within Gibraltar and overseas.

The 2008 tourism statistics just out show 10.2m people visited the Rock, nearly 8 per cent up on a year earlier, the vast majority being British; it is estimated that on average tourists spent £247.5m, around 7 per cent more than 2007.

But as George Gaggero, deputy chairman of M H Bland (MHB), one of the largest firms involved in local tourism, points out: "Only around 800,000 people a year go to the Nature Park, our largest tourist attraction.

"Of the 10m people visiting Gibraltar, let's says half are day trippers for petrol or supermarket shopping, and then take a further 1m people off to be safe; that leaves around 4m people as genuine tourists.

Above: Cable car painting by local artist Vin Mifsud & (right) a Barbary Ape is actually a Macaque monkey! Picture: Gibraltar Tourist Board.

"Our task must be to convert more of the total of visitors into tourists – to be more than just shoppers – without any need for significant additional marketing spend," he maintains.

If the Spanish border is running smoothly and people arrive by 11am, they have time for a tour and for shopping –"they become not just a visitor, but a tourist".

MHB has a vested interest: its 1966-built cable car takes 125,000 people a year to the top of the Rock, 412m above sea level, to see the three colonies of some 200 Barbary Apes, extensive views - of the Ports of Gibraltar and Spanish Algeciras, as well as Morocco - and access to the underground labyrinth of tunnels in nearby St Michael's Cave.

Survey sees quality

The firm has just invested over £1m in modernising the cable car top station – a new restaurant, souvenir shop and a Mons Calpe Suite, a popular new wedding and function venue for up to 60 people.

The two cable cars were upgraded in 1986 and Gaggero promises new larger cars within the next 5 years.

The MHB operation includes 22 Calypso Tours' coaches and specialist tour guides to account for 80 per cent of cruise ship shore excursions, and competes with Gibraltar's Taxi Association for tours of the Rock.

Cruise ships accounted for 325,000 tourists overall last year and the number continues to grow as this group represents a particular sector success story for the Rock.

Indeed, Princess Cruise ship passengers last year placed Gibraltar second only to Naples for quality of excursions at 23 ports of call surveyed.

There were big hitters in the list, including Venice, Monte Carlo, Lisbon and Cannes.

However, Gibraltar was placed 7th best for a total Port experience, behind Malaga (4th) but ahead of Barcelona and Lisbon. Princess Cruises, now part of Carnival Group, has had liners visiting since the early 90's.

But the difficulty is in deciding what the Gibraltar tourism product is.

Minister Britto told *Gibraltar International* earlier this year: "I am not sure of the answer in my own mind. I know it is very important to us and I know how important it is for us to get it right."

His Tourist Board chief executive, Nicky Guerrero, explained: "There are destinations that can define their product, because they are either a beach destination, or say, a City centre destination.

"But the beauty about Gibraltar is that we have all of that rolled into one – and with our extensive history - so much more. You can't sell Gibraltar as one product; there are many facets, many markets for us, and we promote it as being unique".

The Tourism annual marketing budget is £900,000 and in 2008 there was around £2m+ recurrent spending on tourist sites.

Franco Ostuni, general manger of the 4-star Caleta Hotel for ten years, feels:

A wrecked Federa provided an unexpected Europa Point attraction. Picture: www.discovergibraltar.com

"Tourism for us is a given thing because of our rich heritage, the views and position at the southern most part of Europe and easy access to Spain.

"But tourism is like any business – you can go forward, you can go backwards, but you cannot stand still. We need to invest to maintain our market share," he asserts.

Whilst a Disney World type of new attraction was not needed, "we could make more of what exists here in Gibraltar already".

"Europa Point is the most southern place in Europe with great views of Africa and the Straits of Gibraltar, but there's nothing much there."

By comparison, at Portugal's Cabo da Roca "you can get a nice certificate for €1

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More tourist ventures proposed

At least two or three new history-linked ventures to help modernise Gibraltar's tourist appeal are being proposed by Richard Desoiza, the first private operator of The Rock natural history attractions, under an open-ended licence from the Gibraltar Government.

His 500m of World War II Tunnels and 200m of 18th century tunnelling, staffed by seven at Hay's Level, has attracted 120,000 people over 4 years.


The Rock and Fortress Times
WORLD WAR II TUNNELS OPEN TO PUBLIC 2005

"It's very financially successful,", says Desoiza, having contributed over £600,000 to public revenues in taxation, fees and other receipts since 2005.

A former British Army and Gibraltar Regiment soldier, who spent many years in private banking, identified his idea 20 years ago. The tunnels, built in 1940 were built within The Rock by Winston Churchill as 'a fortress within a fortress' to act as 'guardian of the Mediterranean'.

The Tunnels could entertain many more people if access was easier to the tunnels. Although part of the Nature Reserve all-in regulated ticket area, his attraction costs tourists an additional fee.

"Unfortunately the time limits imposed by some tour operators – those that want to do just a quick sightseeing trip before dropping people back in town – means our tunnels are included in only a few of the tours. Why would a taxi stop for an hour whilst people came around this place too", he points out.

The tourist sector carries the greatest growth potential given the opportunity for job creation and significant wealth generation both to the Government and to private enterprise, the Chamber of Commerce maintains. James Gaggero, Bland Group chairman, says: "No matter how many high flying company finance and managing directors Gibraltar encourages, there needs also to be job opportunities for ordinary people, particularly youngsters who need to get on the job ladder.

"Tourism in its broadest sense – retail, hotel, transport, etc – is an ideal generator. It helps to provide the social cohesion, Gibraltar so badly needs."

How to attract still more

Ideas being promoted for government consideration, from simple to complex, include:

- **a move to high-value products, high-spending visitors and top class restaurants and hotels - think Monte Carlo rather than Southsea**
- **establish a regular link with Morocco, which could be a strong facilitator of economic activity, by a new regional air link, or re-establishing a ferry**
- **extend Park 'N Ride principle with a hop-on-hop-off inclusive ticket transport system**
- **develop a tourism theme covering history and culture that all of Gibraltar can be persuaded to buy into with costumes and activities, so that people stay longer into the evenings**
- **promote the endangered Barbary Macaques species as part of a nature experience with information and background on the monkeys**
- **extend and upgrade the historic Great Siege tunnels and develop an Eisenhower and Operation Torch Exhibition to attract US cruise visitors**

Tourism strategy *from P17*

to say you have been to mainland Europe's Western-most point. "It has a lighthouse, landscaped gardens, smart bathrooms, café and an information office - a 45-minute experience, that doesn't cost a lot of money to create," Ostuni reasons.

In its latest annual report, the Chamber of Commerce analysis of tourism, emphasises: "We need to regain more control of the Gibraltar tourist product and keep the money spent in Gibraltar."

Defining the product

Many are highly critical of the lack of good statistical information about the tourist market. Meetings with hoteliers are being held to sharpen up occupancy and destination figures; questionnaires are being planned to discover what tourists spend on, what motivated them to visit, and their reactions.

Whilst the sometimes long border crossing experience is an issue, Britto says that since environment and tourism now fall under his remit, co-ordinated solutions can be found to several other tourism problems.

"I am looking at the Gibraltar product overall - looking at what we are offering, what we can offer, and whether we can offer it in a different way - and then putting forward an action plan.", he revealed.

James Gaggero, chairman of (the separate, but family related) Bland Group (BG) says Gibraltar tourism has achieved much in the last ten or more years, having withered in the previous decade, hindered by Franco's closure of the Spanish frontier.

Top three destination

Now so called "Duty Free" visits are big business, with Gibraltar placed in the top three visitor destinations – along with Morocco and The Alhambra Palace in Granada - by guests at southern Spain's hotels.

BG employs 180 staff in Gibraltar tourism, including all airport handling, the iconic Rock Hotel that claims up to 30 per cent of local demand, Bland Travel coach tours with an 18 per cent share overall, (but 72 per cent of general visitors), and a travel agency.

"Gibraltar is very lucky in that it is

Lower St Michaels Cave
Picture Gibraltar Tourist Board.

bristling with tourism assets. Its history appeal is disproportionately large for a place covering only $2\frac{1}{2}$ sq miles and compared with other small communities", enthuses James.

"Its quirky, a little bit of Britain in the sun, a vibrant City centre, with cafes and restaurants, and Main Street shops, (which may not be everyone's cup of tea), but there has been investment since 1995 in the street scene - street furniture, properties smartened up and pedestrianisation.

"And it attracts millions of people a year. It's undeniably very popular and that's not to be sniffed at!"

Marielou Guerrero, vice president of the Gibraltar Small Business Federation with a 12 years tourism brief , complains: "There are just no figures available on the real value of tourism, the numbers employed, turnover, or numbers of businesses in each part that makes up tourism, such as shops, hotels, restaurants and alcohol and other suppliers.

"Undoubtedly, tourism is one of the pillars of the local economy – finance centre, e-gaming, the Port are others – but it is the only one that always will be here with certainty; because our history and heritage always will be with us."

BG's Gaggero maintains: "Tourism provides a significant benefit, but unless it is regarded as importantly as the other sectors of Gibraltar economy, it will not grow – there is a need to invest on a strategic basis."

Minister Britto agrees that budget restraint in recent years means more now needs to be done. Investment had been "reactive rather than proactive".

The Chamber puts it more strongly: "There does not appear to have been any meaningful investment in existing or new government run tourist sites in many years, most especially in the Upper Rock Nature Reserve and related facilities.

"It's a patch-up job at best and parts of it are a public liability at worst." If £12m of taxpayers money could be spent on building a modern leisure centre, then a similar sum on tourism could bring "some fantastic improvements", the Chamber adds.

That said, tourism surveys continue to indicate 90 per cent satisfaction with the Gibraltar experience. It's a safe environment and all interest sites are nearby. BG's Gaggero notes: "The business model is working.

The smart person will get the best return from the smallest impact – it's good for Gibraltar Inc."

Cousin George at MHB, suggests: "To make more of what we have, I think the attractions should be run by some form of joint venture – private sector led, because it is able to move faster and less bureaucracy - with a licence to operate from a government holding, say 51 per cent".

Private sector can help

The government needs to "provide incentives to encourage private sector investment into a coherent and long term strategy," says the Chamber.

Britto believes "the private sector can often market and do things a lot better than Government agencies can". Rather than prepare a 5 year plan with built-in costings, Britto aims first to establish policy – "including whether to involve the private sector".

He's warm on the idea of franchising operation of tourism assets, in much the same way as the government did with the historic Kings Bastion, now preserved and remodelled into a privately-operated leisure centre, working under government-set rules and ownership.

"There have been [private sector] proposals in the past, which are still on the table. We are looking at what we would like to see and then looking at how best to do it", the Minister declared.

"Policy on transport on the Upper Rock - problems caused by circulation at St Michaels' Cave, for example - raises issues; do we replace coaches and taxis by buses, or control the numbers [of vehicles] – this is part of what I'm hoping to achieve."

The Chamber however, is clear on what it expects here – "a commitment to liberalise the transport system serving the industry."

Moves to shed 'tax haven' label

With a continuing focus on the role of tax havens in the world, Steve Quinn takes a look at where Gibraltar stands and reviews the moves being taken by the US and EU on the subject.

The Organization for Economic Cooperation and Development (OECD) has declared that any State refusing to cooperate with the international push to reduce tax fraud would be declared a Tax Haven.

To this end it produced lists to denote the status of States depending on their preparedness to cooperate with international standards on bank information disclosure: "grey" (originally 30 then 34 countries – in which Gibraltar currently sits - with the addition of former black listed countries); and "white" (40 countries).

White listed countries have signed at least 12 separate agreements with other international states and are fully committed to international standards of information exchange.

President Obama has led the way recently in terms of a global crackdown on offshore tax havens, and proposed changes to US legislation that he estimates will raise $210bn over the next decade.

The changes would take effect in 2011 when the US Government anticipates that the economy will have recovered from the ongoing recession.

Not all in the US agree with the President's thinking however, with business groups lining up to challenge proposals for tax increases during a time of an unprecedented global downturn.

The proposals would especially hit pharmaceutical, technology, financial and consumer goods companies including Goldman Sachs, Microsoft, Pfizer and Procter and Gamble.

Many of these organisations have overseas operations or subsidiaries in tax havens such as the Cayman Islands. These businesses are united in their opposition to the US Government, alongside some of the strongest Washington lobbyists, as well as influential sponsors and supporters in Congress.

That combination will ensure the process is a significant test of President Obama's ability to resist the traditional corridors of power in US politics.

At issue are tax laws that were originally intended to prevent multinational corporations from being double-taxed, by the US and by foreign countries, by allowing companies to defer reporting their foreign income to the Internal Revenue Service and to get tax credits in the US for foreign taxes paid.

US economists are divided over whether higher taxes - the top corporate tax rate is already 35 per cent - would give corporations incentives to move jobs overseas or impair economic growth at home. Both sides are already claiming that their argument will ultimately save US jobs.

The US Government Accountability Office has found that 83 of the 100 largest American companies have subsidiaries in tax havens; it counted 83 subsidiaries for Procter & Gamble alone. Financial Services companies had even more, with Citigroup showing 427 and Morgan Stanley 273.

Some US Tax experts, including some with political allegiance to the President, warn that the proposals could put American corporations at a competitive disadvantage.

The US is part of a dwindling minority of industrialized countries that tries to tax corporate profits on a global basis. Most European governments tax corporations on the basis of their profits within their borders.

However, the EU has been quick to follow suit; the UK's Gordon Brown and other EU leaders have pledged to attack tax havens in a similar way, a process started at London's G20 Meeting of leading global economies in April.

There have been several different pronouncements from European Governments and Brussels in the last few weeks.

Clearly, this issue is not going away, and many of the European non-EU member states (such as Switzerland, Monaco, Liechtenstein) are planning to cooperate fully with investigating countries to avoid the stigma associated with the tax haven label.

Gibraltar has signed only one cooperation agreement - a symbolic one with the US - and remains on the "grey" list. However, the Gibraltar Government has stated a desire to have 12 agreements in place by November of this year.

Gibraltar says it is well on the way to moving to the desired "white" list and the Government is actively engaged in negotiating agreements with other OECD member states willing to cooperate.

As part of the EU, Gibraltar is already required to implement and be compliant with EU legislation such as the EU Savings Directive and means it is fully cooperating with other EU Member States on a wide range of related matters.

Gibraltar has positioned itself well in the last few years to combat criticism being levelled at other offshore centres.

The Tax Exempt Company status was withdrawn for new entrants several years ago and the Government is expected to announce a new 10 per cent corporate tax rate for all Gibraltar companies from July next year

This will place Gibraltar firmly alongside other onshore EU competitors.

This strategy has been coupled with a movement over the last ten years or so to the requirement that companies maintain a physical presence in Gibraltar and do not operate as just brass plate operations.

The economy is now well used to this model and any further evolution as a result of additional cooperation with other countries will not lead to a painful transition process.

Steve Quinn is a former London banker, and chairman of Quest Group www.quest.gi

TAXATION

Non-taxing lifestyle appeals to wealthy individuals

For many years the Rock of Gibraltar has provided a very appealing alternative to those looking for a British way of life in a Mediterranean setting, says accountant Martin Lord.

Gibraltar is a small and friendly jurisdiction offering a Mediterranean climate and sitting beside a world's premier leisure location, Southern Spain.

Category 2 tax status has provided an opportunity for High Net Worth Individuals (HNWI) looking for a tax efficient jurisdiction to base themselves in this British Overseas Territory and have an annual tax liability of £20-£22,000.

However saving tax is only a means to an end – that end being a better quality of life. If in order to save tax a person has to severely compromise his lifestyle, then eventually the quality of life will win out.

In this respect Gibraltar has a profound advantage over other jurisdictions seeking to attract (HNWI) individuals, in that it combines institutions which operate in a familiar way and are easy to integrate into community, with leisure and lifestyle opportunities.

In fact, many of the individuals who have taken up Category 2 tax status find themselves spending more time in Gibraltar than originally had been their intention for precisely this reason.

When this status was implemented, the intention was to attract wealthy individuals to retire in Gibraltar. The status has indeed proved very popular - over 350 individuals are registered as Category 2 residents - but the surprise has been that not so many have been wealthy retirees.

In fact the status has proved very attractive to three other main categories of individuals.

The first of these, we can call the "mobile entrepreneurs".

These are individuals who can perform their services from anywhere in the world and have chosen to do so from a location where telecommunication facilities are excellent and the quality of life for their family is second to none.

The business activities that a Category 2 resident is allowed to engage in under the Rules are restricted, but the restrictions have been relaxed recently, mainly to reflect the trend that increasingly more "mobile entrepreneurs" are being attracted to Gibraltar.

They are now allowed so long as the activities are investment related, or if business related, they do not compete with established Gibraltar businesses.

The fact that the legal and commercial system in Gibraltar is based on Anglo-Saxon principles, and that such matters are transacted in English, means that many of the difficulties encountered by entrepreneurs originating from the UK in other foreign jurisdictions do not arise.

The second category of individual that has found Category 2 status beneficial, we can call the "tax nomad".

This is an individual who travels around so much that he does not spend long enough in any country to make him tax resident there.

In order to avoid being inadvertently noticed by the tax authorities of any high tax jurisdiction who might want to bring them into that jurisdiction's tax net, the individual can register in Gibraltar, and then "belongs" here. Sports people and entertainers may fall into this category.

The third category is the "temporary resident". These individuals may be expecting a large windfall, perhaps because they are selling their business, or have obtained a large contract, or are expecting a large inheritance and want then to be resident in a low tax jurisdiction.

They are then able to organise their affairs, perhaps set up trusts or foundations, before they then move into a high tax jurisdiction in subsequent tax years.

One thing that all Category 2 residents require is the access to excellent professional services.

In addition to taxation planning and compliance services, HNWI's also often require wealth management services, offering investment monitoring and reporting, to ensure investment managers operate within the parameters set and performance and wealth reports are customised to individual needs.

The challenge for the professionals in Gibraltar is to continue to meet the service expectations of HNWI's and thus sustain the flow of new Category 2 applicants to the mutual benefit of all.

Martin Lord, a senior manager with Deloitte, Gibraltar specialises in advice for Cat 2 individuals.

Cat 2 benefits

Gibraltar's special Category 2 status - more commonly referred to as Cat 2 - allows individuals with demonstrable worth of over £2m to limit to £70,000 the amount of income considered for tax in Gibraltar.

The minimum tax payable is £20,000 and the maximum tax payable will be around £22,000.

Only income remitted to Gibraltar is taken into account, unless the individual opts for his worldwide income to be included. The individual's tax return can also include any income that a spouse or children may have, so that they will not be separately taxed!

This special status is only available to those who have not previously been resident in Gibraltar and in order to qualify, the main condition is that they must have a suitable property, which they can rent or buy, exclusively available to them and their immediate family.

Tripartite considerations on cross-border residency

Being in two places at once can present problems; Francesco Bertagnin, international tax adviser and Spanish Office Manager for Gibraltar legal firm, Marrache & Co, takes a look at the implications.

Gibraltar, with its geographic proximity to Spain and historical and legal proximity to the UK, has a fiscal system that often comes into contact with the tax systems of both these countries.

A very common scenario involves the tax residency of individuals who have ties to Gibraltar, Spain or the UK

The tax residency rules in Gibraltar, Spain and the UK and their interaction can, if not careful, make life difficult in unexpected ways.

Gibraltar

As in most jurisdictions, tax residency in Gibraltar is primarily based on physical presence in a tax year (in Gibraltar this is from 1st July to the following 30th June).

The Gibraltar "Income Tax Act" states that an individual is deemed to be ordinarily resident in Gibraltar;

- if the individual "resides in Gibraltar except for such temporary absences as to the commissioner may seem reasonable" or;
- any individual "who is a British subject or citizen of the Republic of Ireland, who is employed or self employed in Gibraltar and who resides within the Campo district or partly within Gibraltar and partly within that district, except for such temporary absences as aforesaid". (Campo being La Linea and Algeciras in Spain).

Therefore, a person who "resides", - that is has a habitual abode in Gibraltar - is considered tax resident.

However, it is possible also to be tax resident in Gibraltar if an individual holds a special type of residency status, they either are a high net worth individual (under the Category 2 scheme), or an individual who brings special skills to Gibraltar.

These residents usually have their taxes capped. For example, Category 2 individuals pay income tax calculated using normal income tax rates and bands, but are liable on income only up to £60,000. This effectively caps the maximum tax payable to just over £20,000, (but with a minimum payable of £18,000)

Spain

Individuals are deemed to be tax resident in Spain if they spend 183 days or more in the country in any calendar year (the Spanish tax year). Any temporary absences are ignored, unless it can be proved that the person is habitually resident in another country.

If you do not spend 183 days in Spain, the tax authorities can still deem you to be Spanish tax resident if your centre of personal or economic interests/professional activity are in Spain.

An example of personal interests making an individual tax resident in Spain is if their spouse and/or (dependant) children habitually live in Spain. The most common way the Spanish authorities test this is to see if the children of the individual in question attend school in Spain.

An example of economic/professional interests would be an individual's main job or main source of income/wealth being in Spain.

Spain taxes its residents on their worldwide income (including investment income) and capital gains as they arise, whether remitted to Spain or not; tax is also levied on any gifts or inheritances received.

There is also no provision for split years on arrival or departure. This means that in any year you are deemed resident, you will be deemed resident for the whole of that year, although tax relief will normally be given for tax paid overseas.

If therefore, anyone inadvertently became resident in Spain, they would be liable to Spanish tax on worldwide assets, income and gains.

It is important to note that tax residency is principally based on time physically spent in Spain, and not whether you have obtained a residency card, which is primarily used for immigration purposes.

UK

Like Gibraltar and Spain, tax residency in the UK is also primarily based on physical presence.

The basic rules state that if you spend 183 days or more in any tax year (from 6th April to the following 5th April) you are automatically tax resident there.

You can also become resident if you spend more than 91 days on average over four years in the UK.

Unlike Spain, the residency of the spouse or civil partner is decided on independently.

Personal interests will not automatically dictate where someone is resident, even though recent case law suggests that it can be an influence when looking at whether or not an individual has left the UK for a "settled purpose".

Dual residency

Gibraltar does not have any signed double tax treaties in place as yet and this is important when looking at any Gibraltar tax resident individual who has a presence or connection with either the UK or Spain.

In those circumstances, it is possible to become dual resident in Gibraltar and the UK/Spain.

If this occurred you would be liable to tax in both Gibraltar and the UK / Spain. But the UK and Spanish tax authorities usually allow a credit for any tax paid.

This is also particularly important for people living in Spain, but working in Gibraltar where tax usually is paid on a PAYE basis, for example.

Similarly, people with homes and families in Spain, but living part time in Gibraltar whilst also working there, could be caught also by Spanish tax.

The real issue arises on taxes that do not exist in Gibraltar, but do exist in Spain and the UK. In the case of Capital Gains Tax, for example, where a Gibraltar resident became inadvertently Spanish or UK tax resident, they would suddenly be liable to tax on any disposals made as a resident of that country.

The position is further complicated in respect of Inheritance Tax, which does not exist for Gibraltar residents, but does apply – in different ways and to a different extent – to Gibraltar residents with assets (houses for example) in Spain or the UK.

And for those who believe that the tax authorities never tests an individual's residency, last year in Andalusia alone there were 4,677 individuals residency investigations; of these the tax authorities were able to prove 3,968 were Spanish resident - which equates to an 85per cent success rate!

Based on some aspects of a recent presentation to the Spanish Chamber of Commerce in Great Britain.

Trafalgar goes

As part of a wider re-branding exercise at the end of a successful 10th year in operation, Trafalgar Insurance Brokers will now be known as Ibex Insurance Services.

Trafalgar began in Gibraltar in 1995 writing motor policies from its offices in Horse Barrack Lane.

"Considering the past year has been a tough one for the financial industry, I'm pleased to say that Ibex is still holding strong in Gibraltar", John Harrison, Chairman of Ibex told guests at a summer reception to mark the change.

"The Trafalgar business has been a great success but with the Ibex brand growing strongly in Spain and Portugal, it made sense to streamline the branding and keep it all under the parent name of Ibex," he told more than 60 guests at Ocean Village.

The Estepona office was re-branded as Ibex in June, and other offices in Fuengirola, Pilar de la Horadada, Tenerife and the Algarve are to follow.

Ibex chairman John Harrison, (centre) and Roger Bickmore, non executive director, (right) chat to Baker Tilly director, Charles Serruya

Ibex Group was founded in 2000 and as coverholders for Lloyd's of London, Ibex works with leading insurance providers.

Last year, a minority shareholding in Ibex was taken by R J Kiln & Co, an international insurance and reinsurance group owned by Tokio Marine. Kiln's UK operation has five Lloyd's syndicates and, in terms of capacity, is one of the largest agencies trading in the market.

"This partnership is helping Ibex to grow its business network and open up new markets to ensure further growth in 2009 and beyond", said Harrison.

PEOPLE AND PLACES

Navy man for Governor


Vice-Admiral Sir Adrian Johns

Gibraltar's new Governor, appointed by The Queen as de facto head of state from the autumn is to be **Vice-Admiral Sir Adrian Johns**, who will succeed **Gen Sir Robert Fulton** after a three year term.

Married with four children, Sir Adrian was Second Sea Lord & Commander-in-Chief Naval Home Command (as Vice Admiral) between 2005-2008.

Prior to various high-level Staff posts, he was Commanding Officer of the HMS Campbeltown, Ariadne, Juno and Yarnton between 1981-1996, and Captain of HMS Ocean between 2001-03.

The Governor has sole responsibility for defence and security and for formally appointing the Chief Minister of Gibraltar, along with other members of the Government after a general election.

Wealth winner

The first Gibraltar lawyer to gain the Citywealth Leaders award for leading advisers and intermediaries in the wealth management and private client sector is **Peter Isola**, senior partner for the last two years of local law firm, Isolas & Isolas.

The CityWealth magazine's 2009 awards go to "the most highly recommended, international figures in Private Wealth Management".

Mr Isola said: "It bodes well for Gibraltar that practitioners from jurisdictions such as our own play a recognised role in the international private client wealth industry."

Over 25 years, he has specialised in financial services, corporate, gaming and trust law, and has developed Fiduciary Group, a corporate and trust.

2-4-1 at Lloyds TSB

Lloyds TSB International Banking has appointed **Mark Johnson**, as Gibraltar Country Manager and **Marina Dominguez Steglich** as Head of International Private Banking for the region.

They jointly succeed **Albert Langston**, who retired after spending 18 of his 23 years with the Bank in Gibraltar, where he served as President of the Gibraltar Bankers' Association, and the first President of the Gibraltar Centre of the Chartered Institute of Bankers'.

Johnson, adds his new role to heading up Lloyds Expatriate Banking operation in the region, as well as senior management oversight for all the Bank's local operations.

Steglich was previously Manager of Private Banking, for five years.

Lloyds TSB International Private Banking is based at new offices in Ocean Village while the Expatriate Banking operation is at Main Street.


Nick Cruz

Second time around

Nick Cruz of Gibraltar firm, Acquarius Trust Company, has been elected chairman of 30-member strong Association of Trust & Company Managers (ATCOM), , for a second time – his first term was for three years from 2000.

ATCOM's immediate interest as arguably the second largest finance centre employers, is in the detail behind impending Gibraltar corporation tax reforms and responses to the continuing agenda of international organisations seeking changes in the way 'tax havens' operate.

"We are pretty much in support of an enhanced financial landscape, provided that jurisdictions such as Gibraltar are not made a scapegoat for the failings of other countries' economies", Cruz says.

He believes ATCOM has an "obligation to constructively assist the Government in its plans to complete the repositioning of the finance centre from its historically offshore status to its onshore status". The aim is for Gibraltar to come out of that process "brimming with opportunity."

A local man, Cruz worked for six years with Gibraltar's oldest law firm Isolas & Isolas before starting his own practice, Cruz & Co, in 1996 and the Acquarius business a year later.

He celebrated moving to new Irish Town offices in June with a reception at which he was presented with the ISO 8000 quality and ISO 14000 environmental certificates – only the tenth Iberian legal practice to achieve those standards and one of only 60 worldwide.


Albert Poggio

Cruise control

Albert Poggio, director of Gibraltar's London operation, has been elected to the newly-created post of UK ambassador for MedCruise, the promotional association of 72 Mediterranean and near Atlantic ports.

Having served four years as MedCruise senior vice-president, Mr. Poggio's new role comes after serving as a Director for nine years, the maximum term permitted under Association rules.

Around & About

Gibraltar was a Founder Member in 1998.

Mr. Poggio has been Gibraltar's UK representative for 20 years and early on was tasked by the government to oversee the promotion of cruise tourism as part of a team now led by Minister for the Port, **Joe Holliday**, and in consultation with **Peter Hall**, Captain of the Port.

Accountancy change

Stephen Reyes, managing partner of Deloitte, has succeeded **Jose Julio Pisharello** as President of the Gibraltar Society of Chartered & Certified Accountants.

He has worked in public practice as a Chartered Accountant for over 20 years, initially in the City of London and since 1988 in Gibraltar. He leads Deloitte's tax practice advising both international companies and private clients.


Stephen Reyes

Mr. Reyes takes over at what is expected to be a time of "great change for the accountancy profession locally with the introduction of the Auditors Approval and Registration Act, which will see supervision of auditors for the first time, and with imminent tax reform."

Avante-garde influences

New Executive Chef at Gibraltar's Caleta Hotel is 39 years old **Javier Villero**, who most recently had a restaurant in his own name in La Linea, having worked previously as Chef de Party at Monaco's Alaine Ducasse Restaurant, and 5-star hotels in Ibiza and Barcelona as Chef de Cuisine and Executive Chef respectively.

He began his 20 year career working under **Santi Santamaría,** a prominent avant-garde Catalan chef at his first Michelin 3-star restaurant Can Fabes.

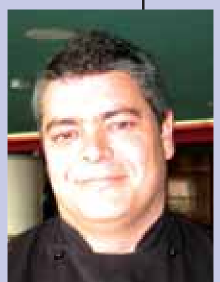
Villero, with his wife, Marie Angeles, returned to their home town of La Linea with their three young children six years ago to become Restaurant Director at the town's La Marina specialist fish eating place.

Local takes the lead

The first Gibraltarian to head up RBS International since the Bank set up a local operation in 1989 is **Marvin Cartwright**, who adds country head for RBSI and NatWest in Gibraltar to his existing head of commercial banking and financial intermediaries role.

Having joined RBS Group 13 years ago, Cartwright has headed up the corporate division of both RBSI and NatWest since 2003 and becomes a director of RBS (Gibraltar) Limited. in a restructure designed to "unify and strengthen the banking services".

In this role Marvin, who has led the Bank's local corporate banking division for six years, will oversee the incorporation of the Bank's business banking operation into the corporate banking business.


Javier Villero

In the meantime, the new chief executive of the entire RBSI bank is 43 years old **Adrian Gill**, who is based in Jersey with responsibilities also including Guernsey, Isle of Man and Gibraltar.

"RBS Group has made it very clear that RBSI is a core business, which will be instrumental in helping the Group return to standalone strength," said Adrian who was managing director of the Corporate Banking division.

Funds, really are a consuming passion!

Credited with being involved with the formation of more than three quarters of Gibraltar's investment funds, James Lasry's quiet, laid-back approach belies a sharp consumer-orientated mind that has long worked to bring about a better deal both for fund promoters and investors alike, as Ray Spencer discovers.

In a soft-spoken American accent, the lawyer who arrived in Gibraltar for a year's career break, explains how not owning a briefcase nearly stopped him championing formation of investment funds on The Rock.

"Having arrived here on honeymoon, James Levy QC, senior partner of Hassans, (where I had worked summers as a law student), asked if I could stay a while - maybe a year", explains 41 years old Lasry. That was in 1999.

However, he felt both too junior for his marketing brief and not suited to selling; he asked to be given some substantive work.

When he began working on a Canadian Public company that had redomiciled to Gibraltar, Lasry successfully drew on his first year law experience - shareholder rights, regulatory filings and obligations.

> " financial services is consumer protection for the investor.. that really turned me on "

But his involvement with funds began when Deutsche Bank asked James Levy initially to set up a company to be listed on AIM. Levy considered Lasry was ready to assist.

Given the early 2000 economic downturn, the venture did not list and instead emerged as one of Gibraltar's first private equity funds - Eurindia Ltd - for a group of Deutsche Bank managing directors and their clients investing in private Indian technology-based, services companies.

"Frankly, I was in way over my head", recalls Lasry. "The first big meeting in London was attended by lawyers, nominated advisors, brokers, clients and auditors - two people from each - and me!!

"I thought I shouldn't go - I didn't even have a briefcase - but James Levy insisted that I would do well and he even lent me a beautiful Cartier briefcase that he'd received as a gift. I still have it - I never managed to give it back to him, it meant so much to me."

The meeting went well, and so Lasry's love affair with funds began. "I am passionate about funds," he says smiling.

His fist job was in international trade and consumer protection for the Israeli Ministry of Trade and Industry. "I liked the idea of protecting consumers, but became bored after a while, because I was only dealing with small issues."

Whilst writing Regulatory Filings for the SEC in his next job as legal counsel for NASDAQ-listed Gilat Satellite Networks, he realised that "financial services is consumer protection for the investor.

"That really turned me on, because I very much wanted my work to be meaningful and of benefit to someone other than just me.

"Working in funds, I can put a lot of consumer protection in place for investors and into the way the industry is developing," he explains.

For example, with the 75+ funds that Lasry has set up at Hassans (including over 35 Experience Investor Funds), he has insisted that as a principle, only regulated people will control a fund's assets, whereas under the law it is possible for any Fund Board member to have signatory authority for use of the Fund's assets.

Two to be authorised

As part of good corporate governance, Gibraltar law says there should be two people who can perform this task.

However, Lasry goes further and believes only those directors specifically authorised and locally regulated - or more usually in combination with an administrator - should be able to control the movement of money in a fund.

Warming to his theme, Lasry maintains: "I don't have a problem with the investment manager or director with experience, being authorised to make investment decisions with a mandate to buy and sell.

"But they can't move anything out of the account. The authorised directors must supervise and indeed control it on an appropriate basis, which provides the necessary consumer protection".

In time, he wants to introduce this two regulated persons rule as part of a Code of Practice for the members of the Gibraltar Funds and Investments Association (GFIA), of which he has just been elected chairman.

"But I don't think it should be a regulatory matter, because there may be rare occasions when it is appropriate to deviate from this", he says with typical legal reserve.

The idea of dividing responsibilities had its roots back in 2002, when Lasry competed to establish an open-ended client fund for the then Credit Agricole's Yan Delgado, (now head of Credit Suisse Front Office operations locally).

Lasry was up against Helvetic Fund Administration managing director, Diane Moss to see who was best at doing all aspects of fund work.

No-one can do everything

Lasry insisted he was a lawyer, not an accountant so shouldn't be involved with administration. He also felt that establishment of the fund is more of a legal matter so the administrator should not do this alone.

"In the end, Yan cleverly got us together, me for the legal aspects and Diane focusing on administration, which was, in a way, when the funds industry was born here." Moe Cohen, then a partner at Deloitte and now a partner in Benady Cohen & Co, was bought in to focus on audit.

"That is the huge strength of the funds industry - no one person can do everything. Not that they can't do all of the work, it's just that they shouldn't - it's very dangerous for clients and for everyone really", Lasry insists.

It has been a very successful element for Gibraltar, despite some early criticism that in suggesting the two authorised director regime, he was just trying to create jobs for the boys.

"But that is not the case - you need local directors for tax reasons, for substance. If the expense of those directors is a foregone conclusion being required by circumstance, then let's use those directors for so much more, fiscal compliance and also regulatory compliance.

New York grounding

"The authorised directors are not necessarily going to be the brains that make the fund go up 20 per cent a year, but critically they will be the people who ensure that the investors' interests are properly looked after."

He's surprised at how few clients objected to his two director principle of only authorised directors controlling the fund's accounts, admitting he did have run-ins with a couple of clients unwilling to give up financial control of their funds.

Gibraltar had £10.7bn of funds under management in March, a rise of more than 70 per cent in 5 years.

Lasry grew up in New York City's Upper West Side and had as Manhattan neighbours Mia Farrow, Carly Simon, James Taylor, Mick Jagger, and James Levine, conductor of the Metropolitan Opera.

Both parents had Doctorates and worked in academia. His Gibraltar-born Mother, nee Anita Benaim, grew up in Tangier and Madrid, and is a Professor of Medieval Spanish literature, and an author on Jewish religion, spirituality, imagery and healing.

His American father George, studied philosophy for a degree at Yale before moving to the University of Barcelona for his Doctorate in Aramaic philology. He then worked for many years as an independent investment advisor!

The eldest of seven children, Lasry favoured liberal arts, reading literature and music at Baltimore's Johns Hopkins University.

His dream was to be a professional violinist, but that never happened, although he plays in chamber groups and even sometimes with the orchestras that are brought to Gibraltar by fellow director of the Gibraltar Philharmonic Society, Karel Mark Chichon.

A year into his first degree, Lasry was more than a year ahead of his contemporaries so, aged 19, he left to study at a religious school for 12 months.

He stayed there longer than initially planned and he eventually completed his studies in literature, music and law at Bar Ilan University. Tiring of studies, he followed friends to get his first job, aged 28.

Today Gibraltar has over 50 funds and in addition around 40 sub funds. After the jurisdiction implemented the two resident director rule as part of the Experienced Investor Funds (EIF) regime, Luxembourg and the Channel Islands followed suit.

"We were in the vanguard, leading the way for the regulation of funds", says Lasry. "We were extremely lucky to have a very receptive government with the legal background of the Chief Minister making him prepared to implement an "excellent regime for alternative funds".

Lasry notes: "In my trips to London, I find a good reception for Gibraltar, compared to even two years ago", remembering earlier trips where he had to remind lawyers and accountants that Gibraltar is a part of the European Union.

Positively riveting

Moves now being made by the EU through its Alternative Investment Fund Managers Directive to instil some control and transparency to funds handling, "should not dramatically affect the way we handle funds, because we have many of the measures already in place.

"There are some measures that could change funds business somewhat but they will affect the whole EU and I suspect they will be substantially diluted in the final draft. On the other hand, the prospect of being able to passport an EIF throughout Europe is positively riveting," he enthuses.

Funds regulation aims to protect investors, not from losing their money - any attempt to do so at best would not work, and at worst, hamper its ability to make money, Lasry says.

"But it is there to ensure that money is used correctly - according to the mandate for which it was given - and so that the Regulator can get involved, in a greater way than the law gives to directors, to deal with issues when things start to go wrong."

After a slight slow down in funds formation work at the start of this year, Lasry, who was made a Hassans partner in 2005, sees an increase in fund formation requests. He also sees private client work in Gibraltar eventually giving way in importance to institutional work as it substantially has done in

Continued P30

Continued from P29
Luxembourg and Dublin.

Looking ahead, the Cayman Islands may no longer be the best place for all Hedge Funds he feels, given that "the proximity to each other of directors and administrators is important rather than being in a place that is hard for Europeans to get to; directors ought to be able to go to directors meetings quite easily and see what is going on".

He enthuses: "The balance struck in this jurisdiction between flexibility and regulation is excellent. The EIF product, together with PCC legislation, is very strong and competitive with our peers - Luxembourg, Cayman Islands, Channel Islands and Malta.

"Each jurisdiction has quirks. We are different because we are within the EU, and because we are small, the relationship with the Regulator is much closer. Our product is very good."

However, Lasry feels: "The major defect is that it's not well known and doesn't have brand recognition.

"We haven't had a large Fidelity fund opening in Gibraltar and it's only in the last couple of years that we have been accepted by prime brokers as a jurisdiction with which they can do business, without the need for jurisdictional due diligence."

He points out: "It's hard for big institutions to change. Gibraltar will attract them eventually, perhaps in a couple of years or so.

Music too

"I don't think we will ever compete with Luxembourg or Dublin in terms of size, but I think we can offer a very good solution to funds that are either too small for those places, or for funds that feel they don't want to be swallowed up in a crowd."

The year ahead is likely to be busier for Lasry than his current hectic schedule, made possible by the support of South African born wife Lianne and three children.

In addition to the new lead role in the GFIA, he's also just become Chairman of the Gibraltar Philharmonic Society, whose music director, Chichon, "has a knack for finding excellent performers and bringing them to Gibraltar before they become too expensive for the Society's budget," says Lasry.

Now Lasry can combine his two pasions, funds and music.

Having been involved in drafting and advising on much of Gibraltar's fund legislation, Lasry sees GFIA representing the funds and investments industry both at home to Government and the FSC, and abroad to potential clients.

GFIA change of name this year from Gibraltar Association of Stockbrokers and Investment Managers reflects the importance of funds in the jurisdiction, along with other investment services such as advice, management and brokerage, having raised membership by a third.

So what about the first fund he established, for which he remains a director? "It was fairly successful until a few months ago - it should still return investors 150-200 per cent over the 8 years - not fantastic, but not terrible either."

Cautionary tales for travellers

There's nothing that gets people talking more easily than travel horror stories. Everyone has one.

If travelling by air is the safest form of transport in the world, then in my experience, the airlines that carry us are the butt of the most tales of woe.

My latest encounter was when returning from the UK. Admittedly, I was one of only a small band of travellers requiring 'special assistance (SA)' – not to carry overweight, bulging luggage, or a steadying hand from too much bon voyage spirit.

No, I was fairly freshly on crutches with my overnight bag swaying to and fro across my chest as I made my way, Long John Silver-style, to the check-in desk.

An efficient, but an unobservant, young lady went through the usual formalities of passport identification, baggage liquid content and security questions, was preparing to dismiss me ready to deal with the next passenger, when I pointed out that I'd requested SA, as it's known.

She peered at me doubtfully, asking what was wrong. I was tempted to tell her about my headache, or sore arms unused to items stuffed under my armpits to help me hobble along, but instead pointed to my bandaged right calf.

Pointing accusingly, she asked: "Is that a cast under there", adding: "Do you have a doctor's note with permission to fly?"

I was thoroughly taken aback. When I'd left the Estepona hospital casualty department five days earlier, the doctor said I could fly – but no letter. And no-one had asked me for one when I was efficiently, and considerately handled by Gibraltar SA staff on the way out to the UK.

I did have to wait nearly 45 minutes when I landed for a requested wheelchair – but that was lucky, according to the air crew, waiting to disembark, because the previous day a passenger waited an hour and a half. (It's so frustrating being at the privileged front of the aircraft and leaving after the cleaning crew had almost finished with the cabin).

So it was good that I was really early at check-in. But I hadn't counted on a no-letter-no-fly, but-you-let-me-travel argument. It took a sympathetic supervisor to call the airline's headquarters, having tantalisingly felt my half-cast protecting a stretched Achilles tendon, to get permission.

It's on the web site in the small print terms and conditions of carriage, I was told. But not on the SA, special page, I countered – not even a message flagged up to check section 'x', sub section 'y' of the aforesaid multi page conditions!

Lucky me; if it had been a full cast, I would not have been allowed to travel at all without the dreaded medical letter.

So be warned, before flying check all the small print. It's surprising what you might find.

Having one of two suitcases missing on landing past midnight at Bangkok en-route to Australia last year, we dutifully filled out report forms for a sleepy airport representative.

Claiming against the airline under World Travel rulings, we were met on our return four weeks and two weddings, a Christening and Christmas and New Year's Eve parties later, by a charming young airline assistant to fill in still more forms – and provide, there and then, receipts for all of the clothing and other items (including the suitcase) that had been lost!

We had the receipts for replacement goods, but the original receipts? What person, particularly woman, keeps these items that can incriminate them to partners on just how much has been spent?

An international airline electronic luggage tracking system failed to locate the bag, even after several months.

And by the way, it's not new-for-old replacement either. We pointed to the Montreal Convention consumer regulations and after months of e-mails to and fro and threats of County Court legal action, we eventually agreed compensation at 75 per cent of the around £1,000 maximum under the Convention.

Airlines and insurers allegedly pay out just 10 per cent of the value of claims, so the EU plans now to step in with a European travel compensation claim after a reported 42m bags failed to arrive at the same time as their owners.

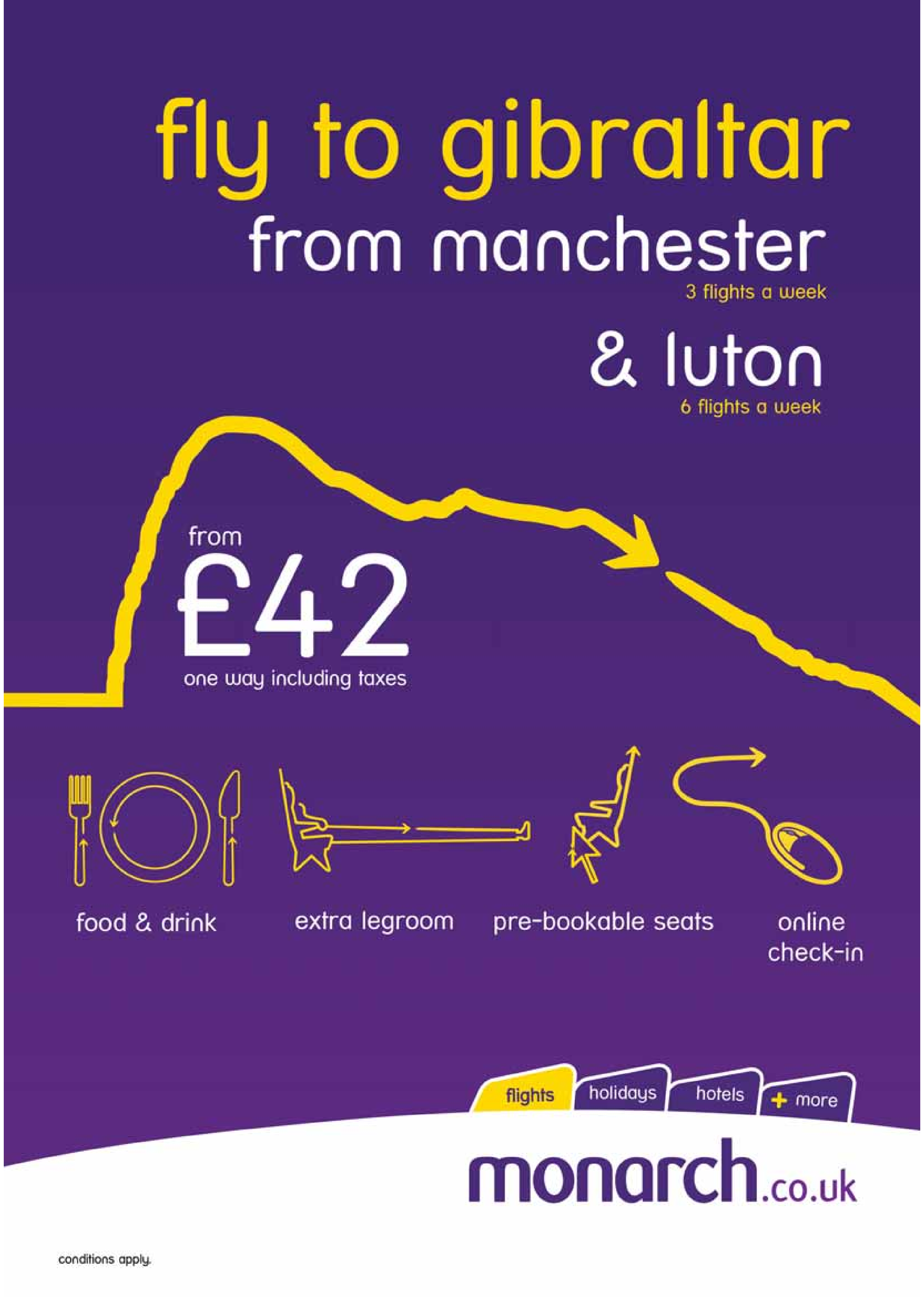
Travel insurance claims are unlikely to prove any better – some say less so – nor easier. But at least with insurers, we know from wider experience to always check the small print first.

One piece of internet advice by worldly wise travellers is to make a full list of all items in a suitcase and have the airline check-in clerk sign it as correct. Oh yes.

Fourteen pairs of knickers, bras, socks, two sun dresses, a dozen tops, six swimming costumes and countless cosmetics and other female paraphernalia later; I think not!

Of course you can take a laid back, more worldy-wise point of view. Only take things you don't mind loosing – holey socks, discoloured pants, frayed shirts...

Ray Spencer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