


# Are We Measuring Up?

words | Ian Le Breton



It is gratifying when people say that they read my articles and last month's piece about the "offshore" industry appears to have generated some interest. Particularly my conclusion that Gibraltar was well placed to take advantage of the "brave new world" emerging in the world of offshore finance.

More than one person, however, asked me whether this positive view could really be justified. One was even quite vociferous, telling me there was no way that Gibraltar could really compete with "the bigger offshore centres". Well I'm not one to duck an argument so read on.

So how do you begin comparing jurisdictions? This is the crux of the matter and it's only fair to warn you, dear reader, that I will conclude that not only does Gibraltar compare favourably, on a number of counts it scores more highly than most. So where do we start and where are these other jurisdictions that we should be considering?

It was fashionable some years ago to term them as "tax havens" and then, when that came to be regarded pejorative, the phrase "offshore finance centre" was coined. It is a sign of the times that many now prefer to be known simply as "international finance centres". Whatever the label, broadly they were small territories that were able to leverage their fiscal autonomy, legislative flexibility and regulatory minimalism to attract funds or business that shunned high rates of tax or too much scrutiny elsewhere. Some jurisdictions became offshore centres almost by historical accident, others by design.

When thinking of those jurisdictions against

which Gibraltar might be compared it is, I think, more useful to consider the type of jurisdiction rather than focus on individual countries. What follows then is my personal — but I hope also realistic — attempt to set out some of the key differences so that clients, and those who advise them, might make an informed choice.

Firstly let's put the jurisdictions into some order. I have concentrated on international centres that continue to provide "offshore" business. Although it is said that much of such work actually takes place in "onshore" cities such as London, New York and Tokyo, for the purposes of this piece I will ignore these global

***Broadly they were small territories that were able to leverage their fiscal autonomy, legislative flexibility and regulatory minimalism to attract funds or business that shunned high rates of tax or too much scrutiny elsewhere***

financial centres. I prefer to compare apples with apples after all.

So let's consider Gibraltar's competitors. When doing so, generally I start in Europe with the other British jurisdictions closest to home. These are the two Channel Islands bailiwicks of Jersey and Guernsey, together with the Isle of Man. In the Mediterranean, two EU members stand out — Malta and Cyprus. "Onshore Europe" includes the big boys of Switzerland and Luxembourg and a host of smaller states such as Monaco, Liechtenstein and Andorra.

Moving further afield one might consider the powerhouses that have developed in recent years in the Middle East — of which Dubai is the most striking example — and in the Far East, Hong Kong and Singapore (although it's fair to say that these have also been major trading entrepôts for centuries).

There are further a host of island territories spread out around the Caribbean and, although fewer in number, dotted around the Pacific and Indian Oceans. And I shouldn't neglect the country whose government has done more than any other to change the way we are all now doing business, the United States. It is sobering to reflect that in some states — Delaware being the prime example — more offshore business is done than in several of the countries in my list combined. Indeed



20% of its state revenue is said to derive from taxes on companies

I work for an international group that has more than 25 offices worldwide, including many of the places listed above. As I tried to set out last time, there is still a place for these jurisdictions but careful choices have to be made based on professional advice.

Given Gibraltar's tiny size geographically, is it fair to compare the jurisdiction with such places as Switzerland and Luxembourg and the rest? "Ridiculous", some might say. But as always, the answer depends on your point of view. We may not have the same resources or infrastructure as some of these competing jurisdictions but I think we compete on all other levels.

Last month I wrote about regulation; that its implementation and effectiveness matters more than merely what appears on the statute book. I went on to say that we should be proud of our local regulation. Although at times it can seem to be a burden, in today's world it is also now the principal measure of a jurisdiction's international merit. It is far better to be ahead of the curve than behind it.

There are several other aspects to consider when thinking how we measure up against the rest. Gibraltar is a member of the European Union with all the potential that can imply for passporting services to its 27 member states, but crucially this does not extend to the Customs Union and hence Gibraltar remains outside the VAT regime. This absence of VAT can lead to some useful corporate planning opportunities.

I have also written in previous articles about Gibraltar's corporate tax rate. At 10% we compare very favourably with many of our peer group — including Cyprus at 12.5% and the rest. Many jurisdictions maintain a zero per cent regime but these are increasingly scrutinised or worse, "black listed". It should also be remembered that Gibraltar's 10% rate applies only to income accrued in Gibraltar or

derived from local activities.

Let us then consider the costs of doing business. Here again Gibraltar scores well against most of its competitors. Whilst our population of just 30,000 is one-third the size of Jersey — as just one example — we can count on the daily influx of qualified staff that live across the border in Spain. Not so easy to do when you live on an island.

For me, one of the most attractive aspects to working in the professional sector in Gibraltar is the ease with which different types of services can be provided either by the same group, as in Sovereign's case, or by using the various informal networks that to be found in a closely-knit business community. Apart from traditional corporate and trust services, one is able to access specialists in finance, law, accountancy, gaming, insurance, collective investment and other areas such as marine and aviation — all in our modestly sized but very well developed centre. Put another way, there is not much that we cannot do here.

In recent years pensions work has grown into a substantial source of business; for example Gibraltar has become a market leader in QROPS provision. Recently it was announced that QNUPS will also be made available here. This will be a real boost to those local firms involved in the business and help to demon-

***In recent years pensions work has grown into a substantial source of business; for example Gibraltar has become a market leader in QROPS provision. Recently it was announced that QNUPS will also be made available here***

strate our ability to compete realistically with places such as Guernsey and Malta in this area.

Of course there are bound to be some negatives. Gibraltar is seriously "under banked" and this means that local options are becoming harder to find. Bank downsizing is happening across the world as the sector contracts following the 2008 global crisis but nevertheless this is not positive news for Gibraltar.

I am also often reminded that Gibraltar has not developed a double tax treaty network. This would certainly be useful. We have an impressive range of TIEAs or Tax Information Exchange Agreements in place but they are not the same thing. Tax treaties help to eliminate the potential of having to pay tax in two places on the same income but they also often include highly advantageous rates of tax for their mutual benefit of the treaty partners. Note to government: it would be good to see this resolved.

So can we, in fact, compete effectively? Granted, as the scribe of this august publication's financial column I am expected to be bullish. This is even more important in my day job where I am asked to compare Gibraltar to all the rest on a daily basis. Having done this for almost ten years, I do genuinely think we are getting there. There are challenges but we can meet them head on as we have a great story to tell. So let's all get out there and tell it! ■



**Ian Le Breton**  
is Managing Director  
of Sovereign Trust  
(Gibraltar) Limited.

Tel: +350 200 76173  
Email: ilebreton@  
SovereignGroup.com

## Marathon Man Does it Again

On 13th April Brendan Roche will join the Royal Irish Regiment and the Lord's Taverners' 80 strong team in London to run the 26 mile marathon to help raise funds for special mini buses.



This will be Brendan's fifth marathon for the Lord's Taverners. The Lord's Taverners is a unique charity raising money to "give young people a sporting chance". The organisation encourages children, especially those with disabilities to enjoy outdoor activities and participate in sport. Their activities began on the Rock in 1992, with the aid of Lt. Col. Leo Callow MBE BEM of the Royal Irish Regiment, when they succeeded in raising enough funds for a minibus for St Bernadette's and the Special Olympics. "Having gained sponsorship in four previous marathons, I was successful in obtaining a new replacement minibus in 2006," says Brendan. "At a cost of £48,000 I promised to continue raising money for the Charity for a number of years to offset this cost." Last year the charity raised an estimated £100,00 through sponsorship from the London Marathon alone, and was able to put an addition 50 minibuses on the road. ■ You can sponsor Brendan for this very worthy cause at <http://uk.virginmoneygiving.com/BrendanRoche1>