



# Collecting Art in Gibraltar is Now Less Taxing

words | Ian Le Breton

I'm not entirely sure how it all happened so fast, but 2014 is half done already and here I am writing the August column. It's the time when many of us are thinking about relaxing with families and friends, either at home or further afield. As my aim in this column is to match the season, I intended to pen a relaxed piece — lazy days on the beach, piña colada in hand. I'm sure you get the picture. But then, "events, dear boy, events".

My reverie was rudely interrupted by that strangest of seasonal phenomena — the Gibraltar Budget. Not for us a statement in chilly November or a lengthy speech in March. No, we have to wait until the start of the holiday season. As I pen this piece, the financial statement has just been issued and debated in parliament. We are also approaching the point of time in the electoral cycle where politics becomes a dominant factor — as if it ever really goes away here in

Gibraltar — and the horse-trading between government and opposition is to be expected. I will consider some of the Budget measures in future articles but, as we (or at least you) head off for a break, one particular item came as a pleasant surprise. Read on.

I cannot help noticing that even here in Gibraltar we are seeing increasing use of one of Westminster's favourite political tricks — the pre-announcement announcement or, as others might put it, the deliberate leak.

In this way, details of a planned policy are made public a couple of weeks before the statement itself — when it is repeated. This allows politicians to get two bites at the cherry — either to whet the public appetite for a popular measure or dilute the impact of potential bad news.

On this occasion, our Chief Minister Fabian Picardo announced, during a dinner speech a couple of weeks before the annual Budget on 30th June, a proposal to scrap the import duty





on art. Sure enough, it was re-announced in the Budget statement together with a whole raft of other welcome measures along the same lines. From now on, we shall be able to import a much wider range of goods free of duty. The list includes yachts under 18m in length, mobile phones, musical instruments, sunglasses and even umbrellas — not that it ever rains in Gibraltar, of course!

This was welcome news as art happens to be a personal passion for me and I have written in the past about its use as an alternative investment. There are several reasons for the growth in this recognised “alternative asset class” over recent years — near zero interest rates, low inflation, not to mention a reluctance to invest in more traditional classes such as stocks and bonds. Those with money have had to look at other “stores of wealth”.

We are well used to screaming headlines from the art world, especially when it comes to fabulous sale prices at auction. Just this month, a Francis Bacon triptych sold in London for £26.7m. This staggering amount is all the more remarkable considering it was painted less than 50 years ago. However this was dwarfed by the amount paid last November at Christie’s for the same artist’s larger-scale work *Three Studies of Lucien Freud*, which set a world record for the most expensive artwork ever sold at auction. The gavel eventually came down at US\$142m — around £83.7m at current exchange rates.

If one includes “collectibles” in a broad definition of art, a sale in New York in May also saw a very rare 19th Century British Guiana postage stamp — the “One-Cent Magenta” — sell for US\$9.5m (£5.6m). Not a bad return from one cent! As well as setting a new world record for a stamp, Sotheby’s said the lot was the most expensive by weight and size ever sold.

All mouth-watering stuff but I doubt it was these heady heights that our Chief Minister

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had in mind when he decided to do away with import duty on artwork. So perhaps it is time to return to the real world.

Let’s consider the local art scene, viewed (as always in this column) from the financial angle. It is easy to find details of exhibitions at the numerous galleries and other local venues on the Rock that are happily increasing all the time. In addition, Gibraltar boasts a number of local art groups and appreciation societies — including Gibraltar Decorative and Fine Arts Society with which I have been closely associated since its launch four years ago.

I have written in the past that Gibraltar is home to a hugely impressive number of world-class artists and with plenty more aspiring talent bursting on to the scene. The Budget also called for the elimination of duty on other all types of stationery including some artists’ materials such as pens and pencils — so the new concessions are therefore not limited to finished oeuvres.

So will this lead to an immediate deluge of art imported into Gibraltar? Probably not, but was this really the point of the exercise? The more important issue, I think, is that all types of art can now be imported without the need to add any excise duty. Hopefully then Gibraltar-based art lovers will have a wider choice and be able to purchase items abroad

in galleries or at auctions. It should be borne in mind that Gibraltar has no export duty either, so artwork can now be freely imported then re-exported, but the rules in other countries vary so these should also be taken into consideration.

I am often asked about the acquisition of art as an investment and indeed I have written on this topic previously. In addition to the purchase price, a number of important factors come into play that should be considered. Import duty was one such hurdle and its demise is to be welcomed, but there are other hidden costs to consider.

These include where the artwork is to be stored — or displayed — and under what conditions. Our climate isn’t the easiest for holding expensive artwork; storage facilities if required can be expensive and hard to find. Insurance is also an issue, although locally-based brokers with the necessary expertise are available (do ask me for an introduction). Remember that replacement value is not the only factor. Even if good title and provenance are assured, things can go wrong. There was the hapless British collector whose treasured possession of a Marc Chagall work came to an unhappy end when it was declared to be a fake by the Paris-based Chagall Committee who ordered it be destroyed under French law. Caveat emptor.

An art expert friend of mine always advises clients about to start an art collection to buy pieces they really like — something they want to live with every day. Indeed, this is how we have gone about building our very modest collection at home — focussing on pieces we like irrespective of value. It is gratifying then that one painting is now worth many times more than the price we paid for it 20-years ago — enough for a Caribbean cruise say — but that wasn’t the reason we bought it and I cannot imagine selling it willingly any time soon.

So while the elimination of import duty is unlikely to lead to long queues of trucks loaded with objets d’art waiting to cross the frontier into Gibraltar, I hope that it will add to the many advantages Gibraltar already offers to high net worth individuals considering a new country of residence, complementing the lack of capital gains and inheritance tax. In my day job I advise HNWI’s considering Gibraltar’s Category 2 residency rules; maybe now is the time to focus particularly on wealthy art collectors who may wish to bring their collections with them. The tax changes are likely to encourage those who collect, buy or sell art, whether for aesthetic or investment reasons, to consider Gibraltar as an excellent tax free forum.

Enjoy the summer. ■



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