



# Welcome to the GMC...

words | Ian Le Breton

I pen this column having just returned from yet another business trip, this time to visit our Cyprus office. Before long I will be dusting off the passport again when I go to see my colleagues in Malta. This latest bout of island-hopping, coming so soon after hearing John Julius Norwich talk about the “Middle Sea” or Mediterranean at the second annual Gibraltar International Literary Festival, set me to thinking.

Regular readers may recall that I have written in the past on several occasions about the BRIC countries — Brazil, Russia, India and China (although “BRICS” is often now used since South Africa joined the party). The acronym was coined in 2001 by British economist Jim O’Neill to describe these four countries that, despite having no formal arrangements to bind them together, demonstrated sufficient

economic similarities to enable them to be considered as a group.

O’Neill did not predict that the BRICs would organise themselves into an economic bloc, but the extent to which the four countries subsequently embraced the term became evident in 2009 when their leaders met in Yekaterinburg for their first “summit”. This became an annual event and the seventh such summit is due to

take place in Russia in July.

The BRICS example and my own musings on the Mediterranean led me to consider whether a three-letter acronym might be useful in categorising some economies a little closer to home. Gibraltar is often compared to Malta but it occurred to me that this association might usefully be extended to Cyprus as well. The three territories run in a roughly 2,000-mile line



from west to east encompassing almost all of Viscount Norwich's "Middle Sea".

And so, dear reader, the "GMC" group was born. OK, the lack of a vowel means it is not nearly as catchy as BRIC and worse; it could easily be confused both with the UK's General Medical Council and a major US car manufacturer. However, at least for the purposes of this article (and if nothing else to help optimise my word count allowance), "GMC" it will be.

Where to start? As this is the finance column it should come as no surprise that I will focus on these areas rather than the more traditional comparative measures between nations such as physical and population size. This will certainly assist my thesis because Gibraltar's 2½ square miles and 30,000 people hardly compares favourably with Malta's 122 square miles and 423,000 inhabitants, let alone Cyprus's 3,570 square miles and 1.1m inhabitants. So let's move on before my "GMC" term falls at the first fence.

What I need to establish is why these three places, despite their obvious physical differences, might rightly be considered as part of an economic grouping. As I write for *The Gibraltar Magazine*, I should probably declare an interest in favour of own world-famous rock. My argument, however, is that by considering the "GMC" as a group, finance industry practitioners may actually benefit their clients. By selecting the "best of breed" products and services from all three jurisdictions — a sort of smorgasbord approach — it should be possible to maximise the benefits to a clients' advantage.

Let us therefore focus on what binds GMC together. All three jurisdictions are in the European Union (to a greater or lesser extent), enjoy critical strategic locations in the context of the "Middle Sea", and were, at one time or another and for varying lengths of time, under British authority. Gibraltar, of course, remains a British Overseas Territory, while Cyprus gained her independence in 1960 and Malta went down the same track four years later.

As a result of this shared ancestry, their legal systems are all based on, or owe a great debt to, English common law — although in the case of Malta, this has always been combined with elements of civil law. Cyprus and Malta have naturally developed their own jurisprudence in their first 50 years of self-rule and, since their accession to the EU, have come under the direct influence of the courts and legislators of Europe. However, lawyers of my acquaintance tell me that the legal systems of all three retain sufficient flexibility and dependability to bring both benefits and security to their clients.

Although the official languages of the "GMC" change from English to Maltese and then Greek the further east one travels, English still predominates in respect of business. The euro is now the official currency in both Malta and Cyprus (replacing the Maltese lira and the Cyprus pound in 2008) while Gibraltar proudly maintains the Gibraltar pound fixed to sterling. Interest rates are therefore determined by the Bank of England here and the ECB in both Malta and Cyprus. For the benefit of visitors to Gibraltar I should add that you can use euro almost everywhere in Gibraltar too, but the exchange rate is unlikely to be especially



Cyprus

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favourable.

What about industry? Tourism is a mainstay of all three jurisdictions. The tourist resorts in Malta and Cyprus are of course better known and their facilities much more developed, but our Tourism Department is working hard to attract more visitors to Gibraltar. We may struggle to compare our own beaches with the seemingly endless Limassol seafront in Cyprus or Malta's Blue Grotto, but our gigantic rock — one of the Pillars of Hercules no less — certainly provides some stiff opposition in terms of the "wow factor".

Being much larger, Malta and Cyprus manufacture and produce a vast array of products — a sector where Gibraltar simply cannot compete. On the other hand, Gibraltar leads the world in online gaming and maintains a strong position within GMC in terms of shipping and

related services; the Malta and Cyprus ship registries may be the first and third largest European maritime flags respectively (and both in the top ten worldwide), but Gibraltar has carved out its own niche in becoming the third busiest bunker port in Europe.

Financial services perhaps provide the best illustration of "GMC" being a realistic categorisation. Despite being far smaller in terms of size and population, it is here that Gibraltar really does compete effectively. Whilst I have focussed on what binds "GMC" together, let me now turn to some key differences. VAT is non-existent in Gibraltar, while the current rates in Malta and Cyprus are 18% and 19% respectively. Corporation tax here is levied at 10% (on business derived within Gibraltar) whilst in Cyprus it is 12.5% and in Malta it is an eye-popping 35% (although I should mention that for non-resident companies, Malta operates a tax refund system to shareholders that can reduce the effective rate to as low as 5%).

Withholding taxes, treaties and so on are beyond the scope of this article but clients keen to optimise their financial situation should ensure that practitioners consider all three "GMC" systems. By selecting a combination of structures — perhaps involving companies, trusts and other vehicles — from two or even all three "GMC" members, they should be in a position to construct an arrangement that will meet all their needs effectively.

I have written in the past about international pensions and here both Gibraltar and Malta lead the world in the range of services they provide — and although they appear to compete at one level, it could more properly be said that they complement one another in their respective offerings. Similarly, all three "GMCs" offer attractive residence programmes that appeal to foreign nationals. All have the respective strengths — and weaknesses — but together they make up a compelling package.

So there you have it: a quick summary setting out my case for the new "GMC" group. Maybe Messrs. Picardo, Muscat and Anastasiades (GMC's current heads of government) might even consider holding an inaugural summit to explore their common interests as the "spine" of the Middle Sea. It should be held in Gibraltar of course — well we come first longitudinally so it's only fair. More seriously though, I do think clients, practitioners, officials and politicians would do well to consider the advantages of all three jurisdictions as a whole — or holistically as current parlance would have it. We have a great deal in common and are worthy of more consideration as a group. Remember where you heard the term "GMC" first. ■



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