



PRESS RELEASE

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EU Commission Investigation into Tax Rulings

The European Commission has decided to extend the formal investigation procedure under state aid rules into the practice of granting tax rulings under the Income Tax Act 2010.

The decision forms parts of the European Commission's wide ranging investigation into the practice of tax rulings in every EU Member State. Indeed, the Commission has looked at more than 1,000 tax rulings throughout the EU.

It is important to note that, in Gibraltar's case, the decision is one merely to investigate.

Accordingly, there is no finding of a breach of state aid rules at this stage but only the expression of a doubt that the European Commission wants to investigate further. Thus, the exclusive purpose of the decision is to start a formal investigation procedure that will allow the Commission to determine whether or not there has been a breach of EU state aid rules. It will be joined to the investigation which the Commission already opened, on 16 October 2013, into the non-taxation of royalties and interest under the original Income Tax Act 2010 and which the Government has already addressed.

The decision on tax rulings was itself notified to the Government on 2 October 2014. It was taken by the then outgoing Spanish Commissioner responsible for this area, Mr Joaquin Almunia. Since then, both the Gibraltar and UK Governments have been making representations to, and meeting with, the European Commission to alert them to confidentiality issues and to a series of factual and legal errors contained in the decision and to seek to persuade the Commission that there was a more sensible way of proceeding with this matter. Although some of our concerns have been addressed, including through a direct intervention by the Chief Minister, the Commission has nonetheless decided to proceed with the investigation.

The decision concerns 165 rulings. Some concern transactions that never took place. Many concern rulings granted to the same company or group of companies. The decision names the companies concerned. The Income Tax Office has no reason to believe that any tax ruling that it has issued under the Income Tax Act 2010 was incorrect, in the light of the information given to it. The Commissioner for Income Tax will be writing separately to the Finance Centre Council.