
SPAIN AND UK SIGN GIBRALTAR TAX DEAL AHEAD OF BREXIT

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London and Madrid have reached an agreement to fight tax fraud and money laundering in the British overseas territory when the UK leaves the EU. It's the first such bilateral treaty over Gibraltar in more than 300 years.

The UK and Spain signed a deal on Monday to combat tax fraud and money laundering in Gibraltar once the UK leaves the European Union.

Under the agreement, individuals and companies in Gibraltar will have to pay taxes in Spain if they conduct most of their business there.

The fiscal treaty, signed by Spanish Foreign Minister Josep Borrell and British Prime Minister Theresa May's effective deputy David Lidington is one of several bilateral agreements on Gibraltar that were part of the November Brexit deal between London and the EU.

Tiny territory, tiny taxes

Spain has long criticized Gibraltar's low-tax regime. The small territory is home to more than 55,000 companies – almost double the number of registered residents. Thousands of residents from southern Spain travel to Gibraltar each day for work.

Spain's foreign ministry welcomed the treaty, saying it would help resolve conflicts of tax residence more easily and allowed for "the reduction and elimination of tax fraud and (other) effects that harm the Spanish Treasury, deriving from the nature of Gibraltar's tax regime."

Chief Minister of Gibraltar Fabian Picardo welcomed the treaty

Gibraltar's leader Fabian Picardo said in a statement that Spain's government had pledged "that the effective implementation of this treaty will lead to Gibraltar being removed from the Spanish blacklist of tax haven jurisdictions in the future."

Historic agreement

The last time London and Madrid signed an equivalent international treaty was in 1713, when

Spain ceded Gibraltar to Britain under the Treaty of Utrecht. Madrid has a longstanding sovereignty claim to the territory dubbed "The Rock" on Spain's southern tip.

The majority of Gibraltar residents have historically voted in favor of remaining part of the UK, while 96 percent voted to remain in the EU during the 2016 Brexit referendum.

The Gibraltar tax deal still needs to be approved by Spain's Cabinet and both countries' parliaments.

se/aw (AFP, AP)

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