Gibraltar Agrees to 15% Sales Tax in Post-Brexit Deal with Spain

Gibraltar has agreed to implement a 15% sales tax on goods within three years as part of a historic post-Brexit agreement with Spain. This decision aims to align Gibraltar's taxation policies with EU standards and facilitate its entry into the EU customs union. The agreement also eliminates the physical border between Gibraltar and Spain, integrating Gibraltar into the Schengen zone for free movement, although it doesn't grant broader EU settlement rights to Gibraltarians.

Under the new arrangement, goods entering Gibraltar must pass through Spanish customs, primarily at the port of Algeciras. This measure addresses longstanding concerns over cross-border smuggling and ensures fair competition between Gibraltar and Spain. Additionally, Gibraltar will raise its sales tax from 3% to at least 15% within three years to align with EU VAT standards and prevent unfair trade advantages.

The agreement, which still requires approval from the EU Council, European Parliament, and the UK and Gibraltar parliaments, marks a significant shift in Gibraltar's fiscal policy. It also paves the way for broader EU-UK cooperation in areas such as trade, defense, and regulatory alignment.

While the deal has been hailed as a pragmatic solution to a long-standing issue, it has faced criticism from some quarters. Opponents argue that the increased sales tax could burden consumers and businesses in Gibraltar. However, proponents contend that the agreement provides legal certainty and economic stability for Gibraltar, whose economy relies heavily on daily cross-border workers from Spain.

As the agreement moves toward ratification, it represents a significant step in resolving the complexities of Gibraltar's post-Brexit status and its relationship with both Spain and the European Union.