

Explainer — Technology products, VAT and Gibraltar’s Transaction Tax

Technology products such as phones, laptops, televisions and gaming consoles are among the clearest real world examples of how Gibraltar’s proposed Transaction Tax (TT) could affect prices under the UK–EU treaty arrangements.

Gibraltar today

Most modern technology products are currently imported duty-free into Gibraltar.

For example:

- Mobile phones: 0% import duty
- Laptops: 0% import duty
- Gaming consoles: 0% import duty

Some televisions can still attract duty depending on classification, but many common LCD televisions are also duty-free.

Because Gibraltar has no VAT, the landed cost of these products today is often close to the wholesale purchase price plus shipping.

What changes under the treaty

Under the proposed treaty framework Gibraltar would introduce a Transaction Tax on imported goods, starting at 15% and rising to 17% within three years.

Unlike VAT, the tax is applied when the goods enter Gibraltar, based on their customs value, which may include:

- wholesale purchase price
- shipping and insurance
- packing and transport costs

This means the tax hits the importer’s supply cost, not the final retail price.

Example — a £1,000 iPhone

If a Gibraltar retailer imports a phone with a customs value of £1,000:

- Today: £1,000 landed cost (no duty)
- Under Transaction Tax at 15%: £1,150 landed cost

That is a 15% increase in supply cost before the product is sold.

Why the increase could sometimes be higher

Many Gibraltar retailers source technology products via UK distributors, particularly where customers prefer UK plugs or keyboard layouts.

If those products are manufactured outside the UK, they may not qualify as UK-origin goods under UK–EU trade rules. When those goods enter the EU customs union they may be subject to the

EU's external tariff (often around 12%). Gibraltar's Transaction Tax of 15% would then apply to the import value.

In those circumstances the combined increase in supply cost could approach roughly 27%.

Why retail prices may rise less

Retail prices include more than just the wholesale cost of the product. They also include:

- shop rent
- staff costs
- distribution
- retailer margin

Because the new tax applies only to the import value, the final consumer price increase may be smaller than the increase in the supply cost, especially if retailers absorb part of the change to stay competitive with Spanish prices.

The bigger picture

The Transaction Tax is not VAT, but the rate must broadly align with EU VAT levels to avoid large tax differences across the Gibraltar–Spain frontier.

For consumers this means that electronics and technology products, currently largely duty-free, are among the goods most likely to see price pressure once the new system begins.

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With thanks to Netgear Business for highlighting some of the practical implications for technology suppliers and inspiring this explainer.

<https://business.netgear.gi/transaction-tax-in-gibraltar-differs-from-vat/>